F. van Lanschot Bankiers NV
2014 Annual Report

Contents

About Van Lanschot

3 Key data
6 Profile
7 Chairman's message
9 Van Lanschot's strategy

Report of the Statutory Board

14 Financial performance
24 Private Banking
27 Asset Management
29 Merchant Banking
32 Van Lanschot Participaties
33 Corporate Banking
35 The people behind Van Lanschot
37 Corporate social responsibility
42 Risk, liquidity and capital management

Governance

49 Report of the Supervisory Board
54 Corporate governance
58 Personal details of members of the Statutory Board
59 Personal details of members of the Supervisory Board

Financial statements

62 Consolidated statement of financial position as at 31 December 2014
63 Consolidated statement of income for 2014
64 Consolidated statement of comprehensive income for 2014
65 Consolidated statement of changes in equity as at December 2014
67 Consolidated statement of cash flows for 2014

Notes

69 Summary of significant accounting principles
73 Basis of consolidation
74 Summary of significant accounting policies
82 Risk management
151 Notes to the consolidated statement of financial position
178 Notes to the consolidated statement of income

Supplementary notes

185 Disposals of group companies in 2014
186 Consolidated statement of financial position by accounting principles as at 31 December 2014
187 Consolidated statement of financial position by accounting principles as at 31 December 2013
188 Remuneration of the Statutory and Supervisory Boards
191 Related parties
194 Non-current liabilities
196 Segment information

Other information

203 Events after the reporting period
204 Independent auditor's report
207 Profit appropriation
208 Glossary

This document presents the annual financial report and accounts of F. van Lanschot Bankiers NV, drawn up in compliance with prevailing legislation and regulations. F. van Lanschot Bankiers NV (also referred to in this document as 'Van Lanschot') is a 100% subsidiary of Van Lanschot NV.

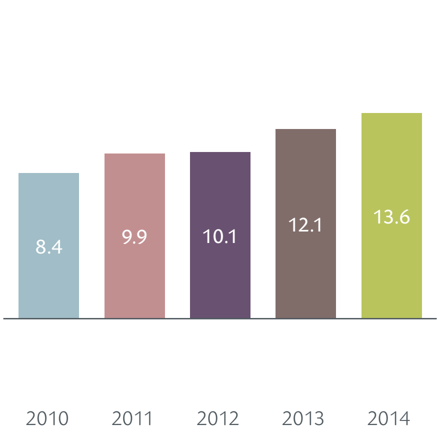
Pages 3 up to and including 60 were written on the basis of information available on 9 March 2015.

The Van Lanschot 2014 Annual Report is published in both Dutch and English. It is available online at corporate.vanlanschot.nl. In the event of any discrepancies between the two versions, the Dutch version will prevail.

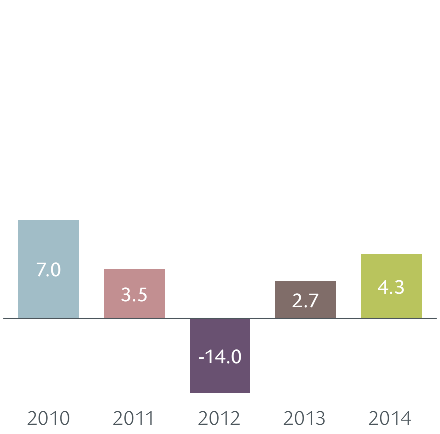
Key data*

1. Financial objectives

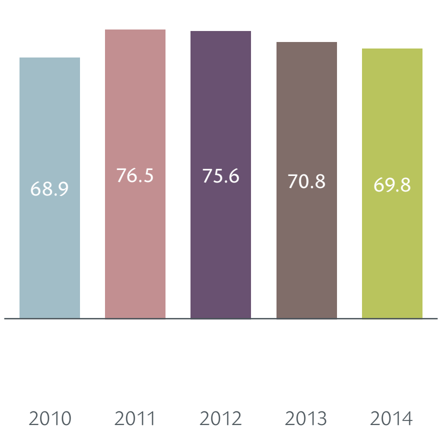
Common Equity Tier I ratio, including NSIs** (%)



Return on average Common Equity Tier I equity, including NSIs** (%)

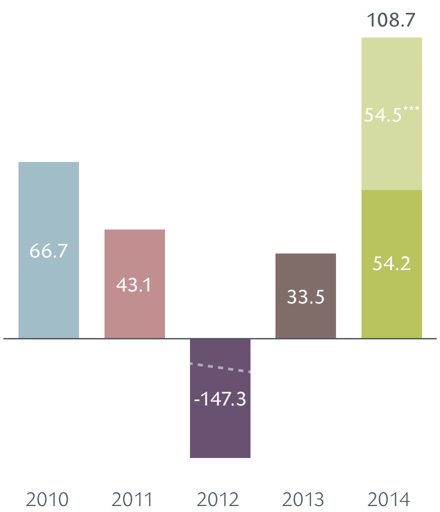


Efficiency ratio, excluding one-off gains and losses (%)

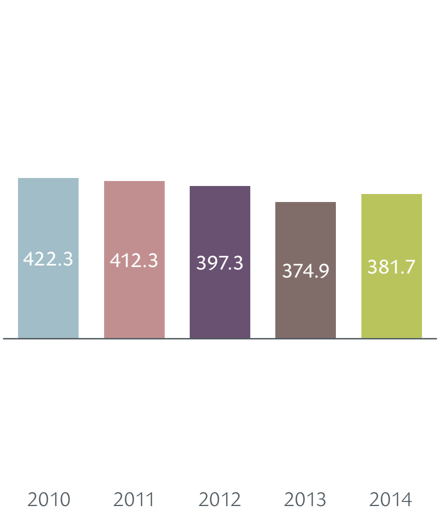


2. Results

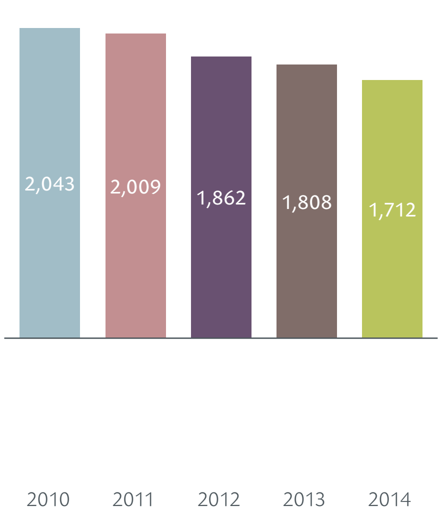
Net result, including NSIs (x € million)



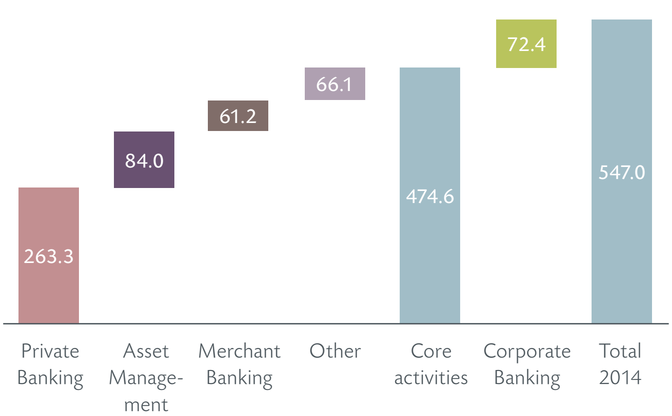
Operating expenses (x € million)



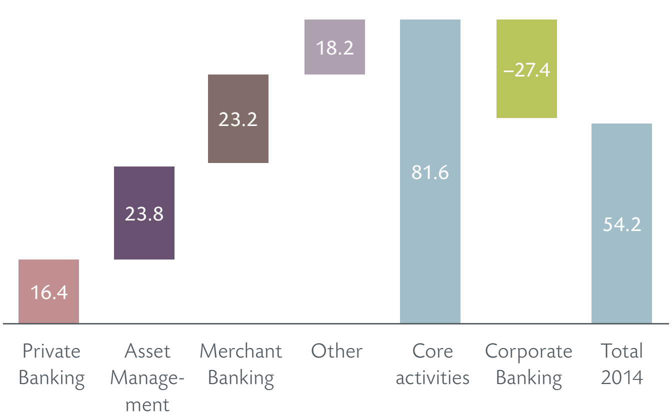
Number of staff (FTEs, at year-end)



Income from operating activities, by segment (x € million)



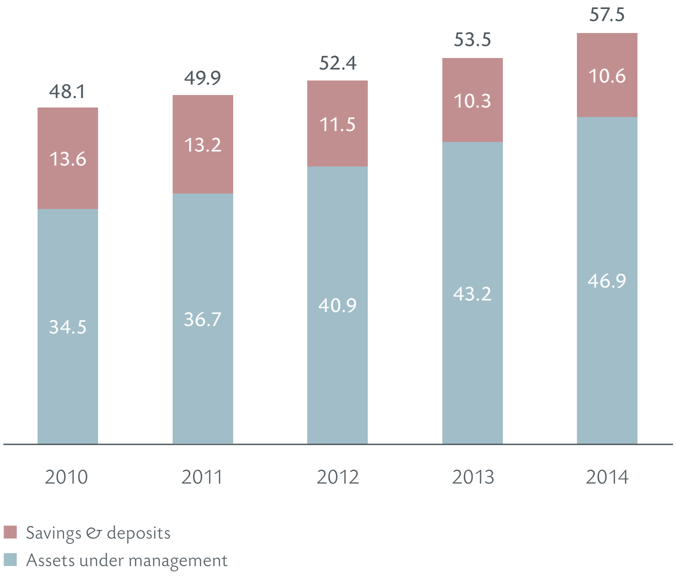
Net result, excluding one-off pension scheme gain (x € million)



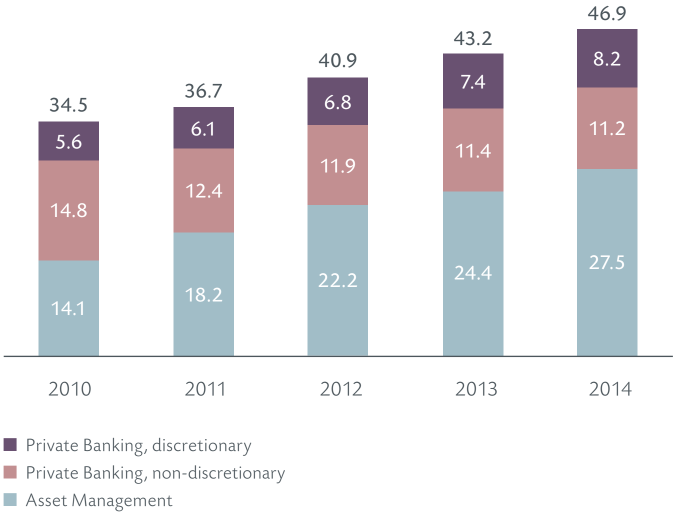
* Excluding non-strategic investments (NSIs), unless otherwise indicated.
** As from 2014 in compliance with the Basel III regulatory framework, based on phase-in and including retained earnings. Figures for previous years are based on compliance with Basel II.
*** One-off net gain resulting from changes to pension scheme.

3. Client assets****

Client assets (x € billion, at year-end)



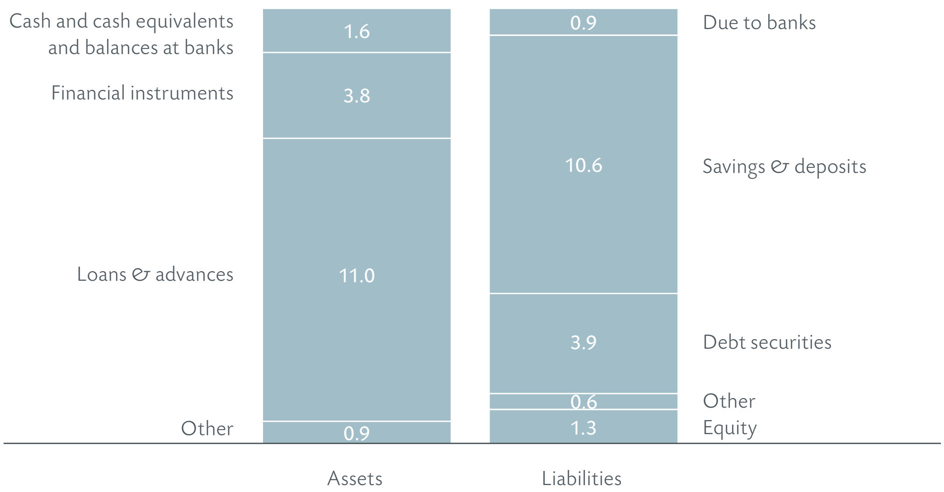
Assets under management (x € billion, at year-end)



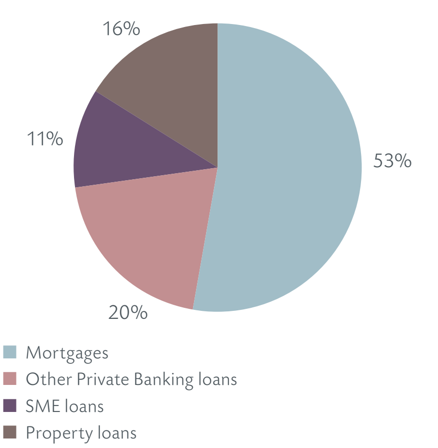
4. Statement of financial position

Statement of financial position as at 31 December 2014 (x € billion)

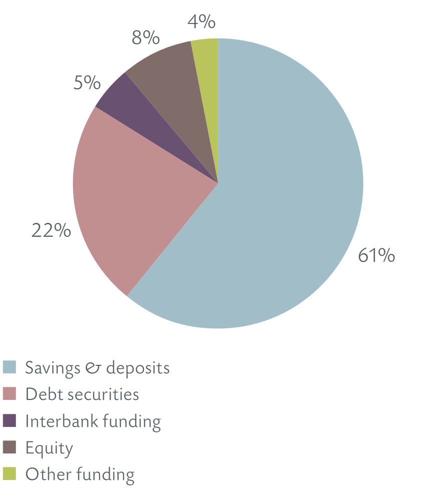
Total assets: €17.3 billion



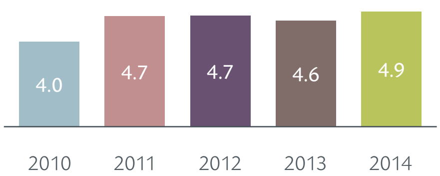
Loan portfolio in 2014 (100% = €11.0 billion)



Funding mix in 2014 (100% = €17.3 billion)



Leverage ratio (fully loaded, %)



**** The figure for 31 December 2013 was reduced by €0.1 billion following a redefinition.

Key data (x € million, unless otherwise indicated)	2014	2013	Notes
Including non-strategic investments (NSIs), unless otherwise indicated			
Results			
Income from operating activities (excluding NSIs)	547.0	529.8	Private Banking, Asset Management and Merchant Banking generate 75% of income
Operating expenses (excluding NSIs)	381.7	374.9	Increase arising mainly from contribution to resolution levy for SNS
Addition to loan loss provision	76.0	102.4	Declining trend at Private Banking continues
Net result	108.7	33.5	Including one-off pension scheme gain of €54.5 million (net)
Net result excluding one-off pension scheme gain	54.2	33.5	Robust 2014 results (+62%)
Statement of financial position			
Loans	11,021	12,491	Continued process of winding down Corporate Banking portfolio and accelerated repayments of other Private Banking loans
Savings & deposits	10,586	10,259	Growth mainly from *Evi* savings in Belgium
Total assets	17,259	17,670	Decrease resulting from reduction in loan portfolio, partially offset by increase in investment portfolio
Equity	1,264	1,241	Rise in equity thanks to retained earnings, partially offset by negative value adjustments
Risk-weighted assets (RWA)	7,356	9,003	Decrease thanks to winding down of Corporate Banking portfolio and model optimisation
Common Equity Tier I ratio (%)	13.6	12.1	Increase due to reduction in RWA for Corporate Banking coupled with model optimisation
Tier I ratio (%)	13.6	12.1	
Total capital ratio (%)	14.3	13.0	
Basel III			
Common Equity Tier I ratio (fully loaded, %)	12.4	9.4	Van Lanschot complies with Basel III capital requirements
Liquidity coverage ratio (%)	120.3	144.3	Comfortable liquidity position
Net stable funding ratio (%)	113.7	102.1	Well-diversified funding profile
Leverage ratio (fully loaded, %)	4.9	4.6	
Client assets (x € billion)			
Client assets	57.5	53.5	Growth on the back of rising securities prices
– Assets under management	46.9	43.2	
– Savings & deposits	10.6	10.3	
Assets under management	46.9	43.2	Rise in relative share of discretionary asset management
– Discretionary	35.7	31.8	
– Non-discretionary	11.2	11.4	
Other financial data			
Interest margin (%, excluding NSIs)	1.19	1.23	Interest margin remains fairly stable
Addition to loan loss provision as % of average RWA	0.93	1.06	Decline in overall Private Banking-related addition to loan loss provision
Efficiency ratio (%, excluding NSIs)	69.8	70.8	Further decrease in line with strategy
Earnings per share (€)	111.25	83.75	33% increase, excluding one-off pension scheme gain
Return on average Common Equity Tier I (%)	4.3	2.7	
Funding ratio (%)	96.1	82.1	Rise resulting from winding down of portfolio combined with slight increase in savings & deposits
Staff			
Number of FTEs (at year-end, excluding NSIs)	1,712	1,808	Further reduction of 96 FTEs in line with strategic review
Corporate social responsibility			
Assets under screening (%)	72	66	

Profile

Specialist, independent wealth manager

We are a specialist, independent wealth manager. Our strengths are our two powerful brands, Van Lanschot and Kempen & Co, together with the experience we have gained in our three core activities: Private Banking, Asset Management and Merchant Banking.

Our Private Banking services are geared towards high net-worth individuals, business owners and family businesses. We also target business professionals and executives, healthcare professionals, and foundations and associations. Preserving and creating wealth is important not only to high net-worth individuals, but also to those starting out on the wealth management market. It was for this latter group that we launched a new online savings and investments solution called *Evi van Lanschot*.

We are a specialist asset manager with a sharp focus and a clear investment philosophy, catering for two core markets. Firstly, Asset Management ranks among the world leaders in a number of asset classes: small caps, property, high-dividend equities, fixed-income securities and funds of hedge funds. Secondly, we offer institutional clients a fiduciary service that provides them with a fully comprehensive asset management solution based on their own specific needs. These clients include both domestic and international institutional investors such as pension funds and insurance companies.

Our Merchant Banking arm offers specialist services in areas such as securities, mergers and acquisitions, capital market transactions and finance advice to institutional investors, companies, financial institutions and semi-public and public entities.

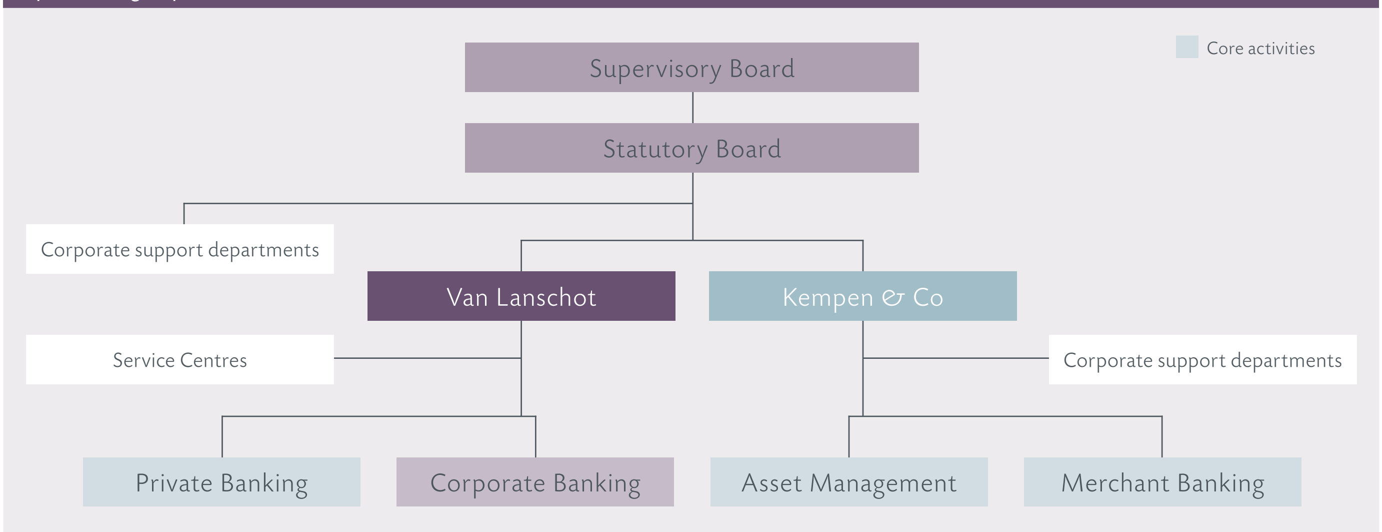
Merchant Banking has adopted a niche strategy and, in addition to acquiring a substantial share of the Benelux market, has evolved into one of the international market leaders in life sciences & healthcare, resource efficiency & cleantech, and European property.

Private Banking, Asset Management and Merchant Banking together form our integrated wealth management proposition for private and institutional clients. Our Private Banking and Asset Management units, for example, share the same investment philosophy and strategies, thus enabling our private clients to benefit from the same specialist expertise as do some of the biggest investors in the world. Merchant Banking provides solutions to Private Banking clients in the shape of structured investments underpinned by debt securities issues by Van Lanschot.

As a specialist, independent wealth manager, we are keen to maintain a robust balance sheet with high capital ratios. Having adopted a wealth management strategy, we are now gradually phasing out any services that do not have a direct bearing on our core activities. Corporate lending (transferred to Corporate Banking) is a case in point. We will continue to offer corporate services that tie in with the relationship model adopted by Private Banking.

While our clients are our main drivers here at Van Lanschot, we also strive to remain aware of the interests of other stakeholders. We stay in close touch with shareholders of Van Lanschot NV, other providers of capital, and stakeholders in the community in which we operate. Integrity and reliability are key drivers in our service provision and relationships with our stakeholders.

Operational group structure in 2014



Chairman's message

A year in summary: change, innovate and improve

Van Lanschot recorded robust results in a year that brought change, innovation and improvement to our service offering. In the face of a challenging economic climate and unprecedentedly low interest rates, our core businesses of Private Banking, Asset Management and Merchant Banking were all profitable in 2014. Funds entrusted by private and institutional clients grew to over €57 billion, and steeply higher capital ratios show that we further strengthened our fundamentals. We are implementing our strategy as planned and are on course to achieve our long-term targets.

Focus on wealth management

Our 2013 strategic review led to a choice for wealth management, firmly rooted in demographic, social and economic developments. A society marked by high levels of prosperity, capital surpluses, low growth expectations and an ageing population needs specialist wealth managers. In today's world, people's needs are shifting from prosperity to well-being. At a time when their financial situations are growing more complex, individuals are increasingly also responsible for securing good pensions and meeting their own care needs.

Such times hold out opportunities, too: which is why we are evolving into a specialist, independent wealth manager, focusing on preserving and creating wealth for our clients.

Robust and profitable

It is at Private Banking that the impact of our transformation is most keenly felt. Traditionally at the centre of our business, our Private Banking activities have changed dramatically to reflect new client requirements and opportunities to enhance the role of online services.

Serving institutional and corporate clients, Asset Management and Merchant Banking both enjoyed another good and profitable year. Corporate Banking is winding down its portfolio of property loans and SME loans, and is proceeding smoothly – and ahead of schedule. We are conducting this delicate process with the utmost care while taking account of the interests of all stakeholders.

Transformation through focus and simplification

The first step in our new strategy was all about making clear choices about the products and services we offer. We have since embarked on an extensive simplification and restructuring of the way we work, our products, our processes and our organisation. As a result, our Service Centres and IT organisation are now doing more – and with fewer people.

We have also struck a better balance between doing things ourselves and outsourcing, giving us a better handle on quality and costs. All of which has helped us to focus our energy and resources on our core business: wealth management services.

Transformation through innovation

For our Private Banking clients, we launched a new wealth planning advisory service, taglined 'Set a horizon for your wealth'. The service helps our clients make wealth choices for the longer term, with a wealth planning tool charting their wishes, needs and priorities and the results translated into independent wealth advice and a tailored personal plan. Going beyond purely financial matters, the service also incorporates other objectives such as wealth transfer, charitable giving and social investing. Clients are delighted with the added value of the insights we are able to share with them.

Innovation also came in the shape of new products for special groups of clients. *CompliantBeheer*, for instance, targets partners and staff at large accountancy firms whose investment choices are subject to specific restrictions. *Evi van Lanschot*, our online investment coaching product, had an excellent first year, winning many new clients. To date, *Evi* has brought in over €1 billion in savings and investments in the Netherlands and Belgium. *Evi* has proved a very accessible way for clients to build wealth and we're seeing many younger clients make their first investments.

We will be launching a new online environment in 2015, in addition to a dedicated wealth management app and a new *Evi* website, all with the aim of serving our clients in a modern and efficient way and so enhancing their client experience. Other key features of our service offering are personal attention, specialist knowledge and tailored products for clients who require these.

Growth in selected sectors

Kempen Capital Management achieved positive investment returns and grew total assets under management to €27.5 billion, benefiting from a favourable stock market climate. We will continue to innovate and enhance our offering, and will respond swiftly to any opportunities we see in the markets. 2014 saw us launch a number of new investment funds and further internationalise our client base.

Merchant Banking built on its successful strategy in 2014, tightening up Kempen Corporate Finance's profile through clear sector choices and by adding advice on financing – and refinancing – to its services. Attractive capital markets enabled us to support and advise our clients and investors in a large number of high-profile and increasingly international transactions, while Kempen Securities continued to pursue the positive fee income path of the past couple of years, primarily driven by capital market transactions, block trades and structured products.

Simplified governance model

We are working to simplify our governance model alongside our business processes and products. Our Supervisory Board will also be acting as the Supervisory Board for Kempen & Co. The new Executive Board consists of Karl Guha (Chairman), Constant Korthout (CFO/CRO), Arjan Huisman (COO) and Richard Bruens, Paul Gerla and Joof Verhees, each of whom is responsible for one of our core activities: Private Banking, Asset Management and Merchant Banking respectively. Kempen's Management Board is made up of Paul Gerla (Chairman), Joof Verhees and Constant Korthout (Interim CFO[1]). Kempen & Co's Risk, Audit and Compliance departments will rank under group control functions, in line with the wider trend towards increasingly centralised supervision and control.

Ieko Sevinga resigned from the Statutory Board in 2014, while John Hak and Michel van de Coevering left Kempen & Co's Management Board in the first quarter of 2015. Van Lanschot's Statutory Board is very grateful to them for their many years of dedicated service.

Trust

Society should be able to count on stable, service-minded and reliable banks. Trust is something we have to earn, by focusing on our clients and working professionally and with integrity – and by taking careful account of the interests of all our stakeholders.

With the launch of a Social Charter, an updated Banking Code and the Bankers' Promise (complete with a code of conduct and a disciplinary scheme), the Dutch banking sector has positioned itself right at the heart of the community. As a member of the Dutch Banking Association, Van Lanschot of course endorses these initiatives, and we hold our employees personally accountable for complying with the code of conduct and for carrying out their jobs with the utmost care and integrity. All staff will make the Bankers' Promise in 2015 and endorse its basic tenets.

Impact

We are an ambitious company: we want to outperform other financial service providers; we want to be an attractive employer and we want to engage in responsible banking, incorporating the interests of our stakeholders and of society at large.

At the end of 2014 we consulted with civil society organisations, shareholders of Van Lanschot NV, employees and representatives from other banks on our corporate social responsibility policy and our possible role in the development of impact investing in the Netherlands (see Box on page 40). Impact investing marries financial returns with a positive social impact: a powerful combination that perfectly fits our profile as a wealth manager that looks beyond the figures. We will be translating our positioning into concrete propositions for our clients in 2015.

We have close ties with Ashoka, the world's oldest and largest not-for-profit network for social entrepreneurs. We are closely involved in the launch of Ashoka in the Netherlands and will help the network find suitable social entrepreneurs as potential Ashoka Fellows. We will also team up with clients to help solve the challenges faced by social entrepreneurs, for instance by launching new types of finance for their schemes – another way in which we can play a positive social role as an entrepreneurial wealth manager.

Thanks

Speaking also on behalf of my colleagues, I would like to thank our clients for their continued trust. A big thank you also to our employees, who in 2014 again worked very hard to make our transformation possible and so prepared the ground for our long-term success. Given our robust 2014 results, we are able to propose an increase in our dividend to the shareholders of Van Lanschot NV, rewarding them for the faith they have placed – and continue to place – in Van Lanschot.

We are on track with the implementation of our wealth management strategy. Although there is a lot of work still to do, we are following a clearly charted course towards our landmark on the horizon. We have great faith in our strategy, in our people and in our ability to achieve our long-term objectives.

's-Hertogenbosch, the Netherlands, 4 September 2015

Karl Guha
Chairman of the Statutory Board

1 Subject to the approval of De Nederlandsche Bank (DNB).

Van Lanschot's strategy

We have chosen to position ourselves as a specialist, independent wealth manager as we believe that wealth management offers attractive growth opportunities and that our focus will enable us to stand out from the competition. A combination of an ageing population, a high level of prosperity, a capital surplus and low economic growth has created huge demand for wealth management services in the Netherlands – demand we are only too pleased to meet, building on the experience we have gained in Private Banking, Asset Management and Merchant Banking. The continued pursuit of this strategy will lead to further growth in client assets, a higher level of income and a lower cost base.

SWOT analysis

We have analysed our strengths and weaknesses, and the threats and opportunities presented by our operating environment, by performing a SWOT analysis. Its main findings are set out in the table below.

Strengths	Weaknesses

– Strong brand names, reliable reputation, rich history
– Clear choice for wealth management targeting institutional and private clients
– Three core activities with their own distinct culture, positioning and strong client base:
  – Private Banking: combination of personal attention and specialist knowledge for private clients
  – Asset Management: specialist player offering in-house investment expertise and wide range of solutions for institutional clients
  – Merchant Banking: strong position in selected niche markets
– Capital freed up by winding down Corporate Banking's corporate loan portfolio
– Strong balance sheet, outstanding capital ratios, plentiful cash reserves and diversified funding mix
	– Relatively high fixed costs base
	– Limited international geographical coverage
	– Trend follower in mobile services
	– Limited free float, preventing us from taking full advantage of our stock market listing

Opportunities	**Threats**
– Economic conditions (high level of prosperity, low rate of growth, ageing population, capital surplus) generate demand for specific wealth management solutions (for pensions, for example) – High level of acceptance of online services in the Netherlands offers opportunities for omni-channel strategy and better services – Low interest rates create higher demand for asset management services – *Evi* platform offers opportunities for further growth in client base and product range – Developments among competitors create scope for growth of a specialist wealth manager such as Van Lanschot	– Persistently low interest rates on money and capital markets result in low returns on our investment and trading portfolios – Increasing complexity resulting from new legislation drives costs up – New market entrants with lower fixed-costs base offering (online) asset management services – Market trends may prevent projected growth in client assets from being attained

Strategic framework

Three pillars underpin our transformation into a specialist, independent wealth manager.

Focus making choices	– Focus on Private Banking, Asset Management and Merchant Banking – Specialist services for specific target groups – Winding down of all activities not related to core business
Simplification more efficient and more effective	– Transparent and simplified range of products and services – Efficient organisation, lean IT infrastructure and streamlined back office – Further reduction in cost base
Growth in all our core activities	– Growth in Private Banking thanks to inclusive (online) range of wealth management services and adoption of new-style wealth planning service – Growth in Asset Management thanks to exploitation of strong long-term track record in niche products and all-round solutions, and broader geographical client base – Growth in Merchant Banking thanks to (selective) expansion of product range in combination with further internationalisation

In 2014 we made considerable progress in transforming ourselves into the kind of wealth manager we wish to be. The emphasis in 2015 will be on growth.

	Priorities for 2014	Achieved/progress made in 2014
Focus	– Optimisation of Private Banking; service models in line with client needs	– Further refinement of our three service models: Personal Banking/*Evi*, Private Banking and Private Office – Clients receive services based on the service model that suits them best
	– Winding down of corporate loans with no bearing on core activities	– Risk-weighted assets of Corporate Banking reduced to €2.8 billion since 1 January 2013 (from €4.4 billion at the start of the operation); the wind-down is ahead of schedule
Simplification	– Rationalisation of product range	– Launch of single online savings & deposit account offering free client choice, replacing wide range of products – Reduction in number and complexity of mortgage loan products (e.g. by harmonising payment terms) – Simplification of payment services (e.g. cash machines, cheques, and seal bags discontinued)
	– Efficient organisation	– Operation to centralise investment advisory services now completed – Corporate support departments relocated to Amsterdam – Further reduction in staff numbers – Paper statements of account replaced by online statements
	– Simplification of IT infrastructure	– Savings accounts migrated to Bankview system – IT systems modernised
Growth	– Private Banking	– €1 billion growth in client assets – Good start for *Evi* in the Netherlands and Belgium: more than €1 billion in client assets – Online product range broadened and deepened – New-style wealth planning service provides present and future clients with effective assistance in achieving their financial, personal, business and (where relevant) social goals – Launch of *CompliantBeheer* investment product for partners and staff of large accountancy firms – Marketing campaigns for various service models, e.g. new-style wealth planning service and *Evi*
	– Asset Management	– New funds launched: Kempen (Lux) Global Property Fund and Kempen (Lux) Global Small-cap Fund – New mandates for fiduciary property and fixed-income securities – Good performance in wholesale distribution – More international clients
	– Merchant Banking	– Strong market shares in selected niches; involved in high-profile deals – Strong growth in profits from Securities thanks to capital market transactions, block trades and structured products – International expansion of niche strategy

	Priorities for 2015	Activities scheduled for 2015
Focus	– Winding down of corporate loans with no bearing on core activities	– Winding-down operation continues
Simplification	– Rationalisation of product range	– Rationalisation of loan products continues
	– Efficient organisation	– Create further synergy between Private Banking, Asset Management and Merchant Banking
		– Redesign branches to meet changing client needs
		– Continue with digitisation and automation of operating processes
		– Give clients online access to statements of securities transactions
	– Simplification of IT infrastructure	– Reduce number of applications
		– Replace current CRM system and document management system with one new CRM system
		– Redesign data warehouse to make it more efficient
Growth	– Private Banking	– Expand online and mobile services (e.g. by launching discretionary asset management app)
		– Roll out new products and services for discretionary management and investment advisory services (including solutions for pension-related problems)
		– Launch *Evi Beleggen* ('Evi investment') in Belgium
		– Focus on mortgage loans for specific target groups, i.e. clients with specific income or wealth circumstances
		– Continue to roll out new-style wealth planning service
		– Focused marketing and sponsorship policies for promoting client proposition
	– Asset Management	– Focus on promising, increasingly international pipeline (institutional and wholesale distribution)
		– Continue to improve infrastructure
		– Develop and refine solutions for Private Banking clients
	– Merchant Banking	– Focus on synergy between product groups (i.e. Corporate Finance, Securities and Equity Capital Markets)
		– Focus on selected niches (e.g. European property and life sciences & healthcare)
		– More international deals: Benelux countries, Europe and the United States

The profile of a specialist, independent wealth manager requires a strong balance sheet with high capital ratios. The strategic choices outlined above will give shape to this profile, notably by improving our profitability and reducing our balance sheet. Our aim is to achieve our objectives in harmony with all our various stakeholders.

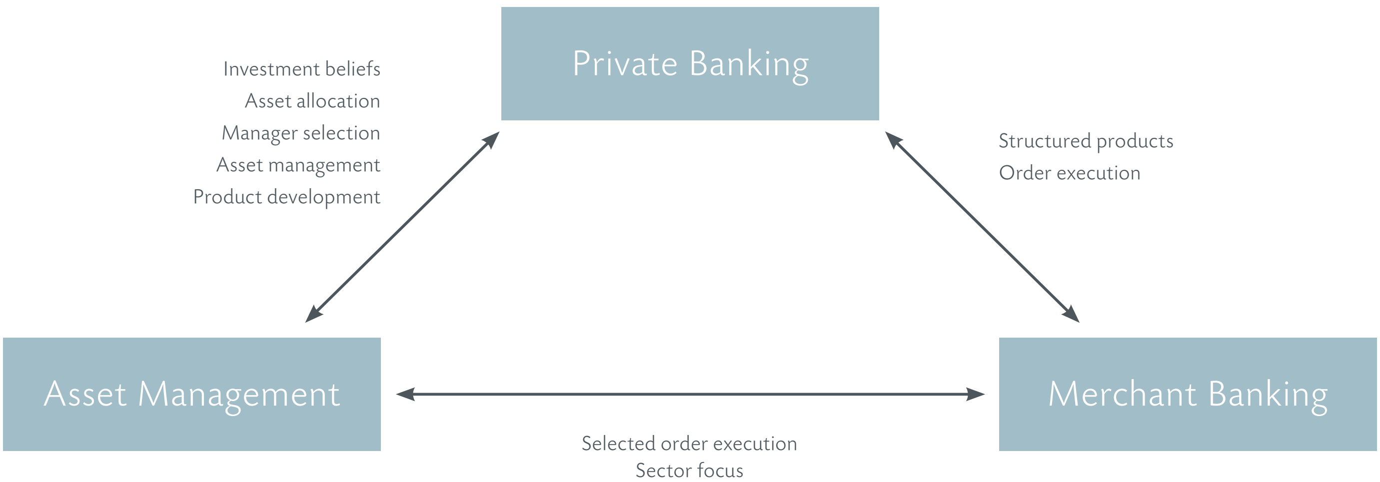
	Objectives	Achieved in 2014
Clients	**Client engagement** Maintain a high degree of client engagement	– Private Banking*: 2014 saw a slight drop in the loyalty score reported by Private Banking clients, to 61 from 65 in 2013. They were more critical of personal attention and perceived value for money of the online service; *Evi* scores an eight out of ten – Asset Management: three funds (Kempen Euro Credit Fund, Kempen Global High Dividend Fund and Kempen European High Dividend Fund) given Gold analyst rating by Morningstar – Merchant Banking, Corporate Finance: clear rise in number of returning clients – Merchant Banking, Securities: top 3 rankings in various Extel surveys of relevant sectors
Staff	**Employer status** Be an employer of choice for talented staff in the financial sector	– Launch of new, attractive pay and benefits package – More investment in staff: investment in staff training rises to €4.1 million – Adoption of new performance management strategy – Identification of high performers, with appropriate training and coaching programme – Over 5,900 job applications received

		Target for 2017	Achieved in 2014
Financial	Common Equity Tier I ratio	> 15%	13.6%
	Return on Common Equity Tier I	10-12%	4.3%
	Efficiency ratio	60-65%	69.8%**

* A new type of client satisfaction survey was adopted in 2014, which means we are unable to compare the results with a benchmark.
** Excluding one-off gains and losses.

Synergies from core activities

Van Lanschot's core activities work together in many ways and draw on the group's strong foundations.



Strong balance sheet. Solid ratings. Article 403 statements. Own book.
Revenue diversification. IT/OPS collaboration. Exchanging talent.

Wealth is a means of achieving an aim

I was appointed as Director of Private Banking in 2005. I'm in charge of two independently operating teams and also have my own portfolio of clients for whom I perform a variety of account management and routine advisory services.

Wealth is not an aim in itself. Rather, it's a means of achieving an aim. This is borne out time and time again by the things our clients tell us: everyone has their own particular dreams – and their own specific concerns. To a large extent, what we talk about with our clients and prospects is not wealth creation, but their personal concerns – their dreams and how they can use their assets to fulfil them.

Personally speaking, I find the history of Van Lanschot very appealing. It's great to see how the bank has managed both to remain independent throughout the years and to retain its sharp focus. At the height of the financial crisis, I regularly found myself reassuring clients that, having been around for almost three centuries, we would have no trouble overcoming these latest trials and tribulations. The fact that the Van Lanschot family are still among the bank's shareholders is something else that helps to make it such a special place to work.

As a banker, my job is to forge genuine relationships with clients – relationships based on mutual respect and loyalty. It's the client who's in the driving seat, of course, but the danger is that the shifting moods and passing fads of the moment will detract them from the bigger picture. That's why I believe that our responsibility is to keep our eyes trained firmly on the horizon and, where necessary, to point our clients in what we feel is the right direction for them.

Private Banking is all about client service: we are service providers and account managers. Our job is to translate our clients' needs and wishes into financial services and solutions. Above all else, this requires a listening ear and an enquiring mind. It may seem obvious, but you can't interact properly with your clients without a close bond with them. It's all about relationships. Simple as that.

Astrid Huitink, Director of Private Banking at the Arnhem and Nijmegen branches

Financial performance

Van Lanschot recorded robust results in a year that brought change, innovation and improvement to our service offering. In the face of challenging economic conditions and historically low interest rates, our core businesses Private Banking, Asset Management and Merchant Banking were profitable in 2014. Net profits were up to €54.2 million in the year and the change in the pension scheme resulted in a one-off net gain of €54.5 million, taking total net profits to €108.7 million. Income from operating activities added 3%. Together, our core activities account for 97% of commission income and 77% of interest income.

Having cut costs by around 9% in 2012 and 2013, we are on course to achieve our efficiency targets for 2017. Private and institutional client assets grew by 7% to over €57 billion in 2014, the wind-down of Corporate Banking's corporate loan portfolio is ahead of schedule and Private Banking is reporting a downward trend in loan loss provisions while SME loans within Corporate Banking were also down. Steeply higher capital and leverage ratios show that Van Lanschot further strengthened its fundamentals, and we comfortably meet Basel III liquidity requirements.

Statement of income (x € million)	2014	2013	%
Commission	240.3	234.8	2%
Interest	213.7	213.9	0%
Income from securities and associates	51.1	14.8	245%
Result on financial transactions	41.9	66.3	– 37%
Income from operating activities	**547.0**	**529.8**	**3%**
Staff costs	210.2	217.3	– 3%
Other administrative expenses	150.7	135.0	12%
Depreciation and amortisation	20.8	22.6	– 8%
Operating expenses	**381.7**	**374.9**	**2%**
Gross result before one-off gains	**165.3**	**154.9**	**7%**
One-off gains	60.3	– 8.0	
Gross result after one-off gains	**225.6**	**146.9**	**54%**
Gross result before tax of non-strategic investments[1]	3.4	0.2	
Addition to loan loss provisions	76.0	102.4	– 26%
Other impairments	19.5	7.3	167%
Impairments	**95.5**	**109.7**	**– 13%**
Operating result before tax	**133.5**	**37.4**	**257%**
Income tax	24.8	3.9	535%
Net result	**108.7**	**33.5**	**224%**
Net result excluding one-off pension scheme gain	**54.2**	**33.5**	**62%**

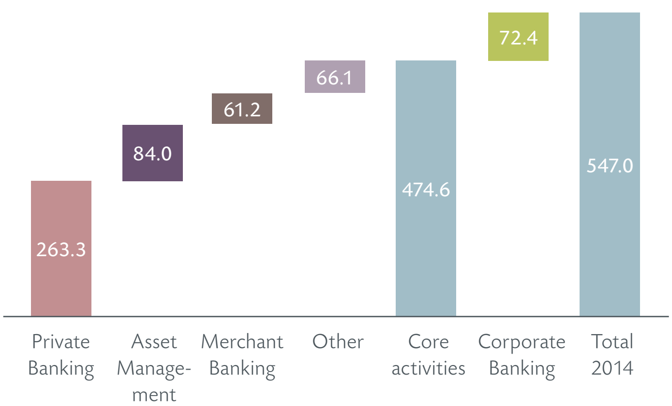
1 We have included a number of non-strategic investments in our consolidated figures since 2009, which we intend to sell in due course as they do not fit into our wealth management strategy. Gross results from our non-strategic investments are recognised before tax, with comparative figures adjusted accordingly.

Net result (x € million)	2014	2013	%
Net result excluding one-off pension scheme gain	54.2	33.5	62%
One-off pension scheme gain	72.7	–	
Tax effect	– 18.2	–	
Net result	**108.7**	**33.5**	**224%**

Income from operating activities

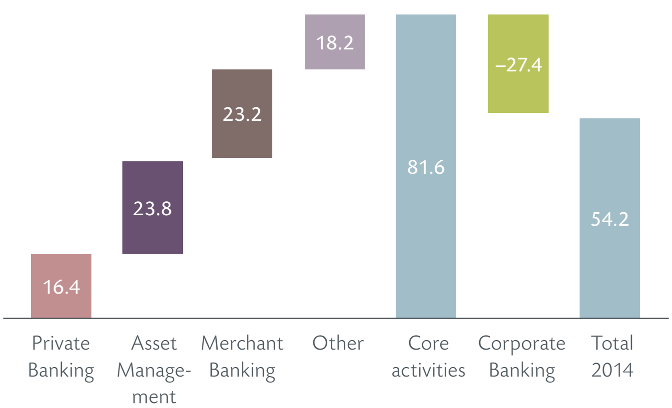
Van Lanschot's three core activities – Private Banking, Asset Management and Merchant Banking – generate 75% of total income. Private Banking accounts for the greater portion of this (49% of total income), with Asset Management and Merchant Banking contributing 15% and 11% respectively. Together, these three core activities account for 97% of commission income and 77% of interest income.

Income from operating activities by segment (x € million)



All core activities recorded positive net results in 2014, while loan loss provisioning accounts for a negative result at Corporate Banking.

Net result, excluding one-off pension scheme gain (x € million)



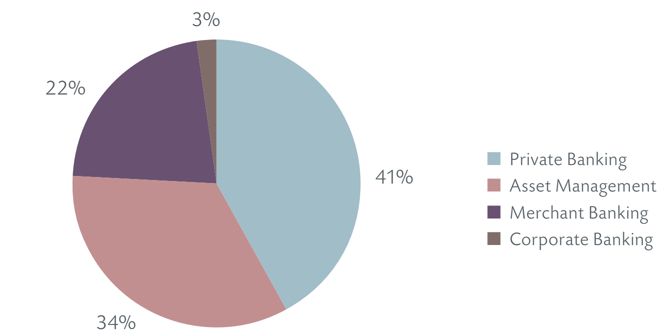
Commission

Commission (x € million)	2014	2013	%
Securities commission	191.1	187.9	2%
– Transaction fees	30.5	40.7	– 25%
– Management fees[2]	158.8	146.6	8%
– Performance fees	1.8	0.6	200%
Other commissions	49.2	46.9	5%
Commission	**240.3**	**234.8**	**2%**

In keeping with our profile as a specialist, independent wealth manager, commission income was again our main source of income in 2014.

Total commission income amounted to €240.3 million, with 97% generated by our core activities Private Banking (41%), Asset Management (34%) and Merchant Banking (22%).

Commission income by segment
(100% = €240.3 million)



Securities commission edged up on 2013. The new fee structure prompted a shift away from non-discretionary management to discretionary management, and transaction fees came down as a result. By contrast, management fees rose as average assets under discretionary management benefited from a favourable stock market climate and new mandate inflows. Recurring securities commission as a share of total securities commission rose to 84% in 2014 (2013: 78%).

Other commissions came in at €49.2 million in 2014, compared with €46.9 million in 2013. These include Corporate Finance- and Securities-related commissions at Merchant Banking, which were well ahead of 2013 levels in a strong second half.

2 Management fees include advisory and services fees.

Interest

Interest (x € million)	2014	2013	%
Gross interest margin	257.0	226.2	14%
Interest equalisation	– 18.2	– 9.1	100%
Miscellaneous interest income and charges	– 33.7	– 15.3	– 120%
Loan commission	8.6	12.1	– 29%
Interest	**213.7**	**213.9**	**0%**

At €213.7 million, interest income in 2014 was virtually unchanged from the 2013 figure of €213.9 million. The interest margin held relatively steady: 119 basis points compared with 123 basis points in 2013. The same is true for the 'clean' interest margin[3] (2014: 115 basis points; 2013: 119 basis points).

The 'clean' interest margin benefited from higher margins in both the private and corporate loan portfolios. Key detractors were lower volumes related to the wind-down of the corporate loan portfolio and the ongoing repayment trend on existing mortgages. Lower investment portfolio returns reflected lower yields in the capital markets; to prevent even thinner margins, savings rates were reduced in line with the market as 2014 progressed.

Income from securities and associates

Income from securities and associates (x € million)	2014	2013	%
Dividends	5.7	3.0	90%
Capital gains	29.9	1.2	
Valuation gains and losses	15.5	10.6	46%
Income from securities and associates	**51.1**	**14.8**	**245%**

Income from securities and associates mainly relates to our equity investment company Van Lanschot Participaties, which has been part of our ordinary activities since the early 1980s.

Van Lanschot Participaties invests in stable, medium-sized companies in the Netherlands that have strong management in place. It focuses on companies with proven business models, strong market positions and demonstrable earnings growth potential, and currently invests in 14 such companies. In addition, it manages the non-strategic investment that results from a debt-for-equity swap.

Dividends refer to those received from such investments, whereas capital gains were mainly driven by the sale of the 21% interest in DORC Holding BV. Valuation gains and losses reflect revaluations of the participating interests as well as gains and losses on our other minority shareholdings.

2013 saw the IPO of Prosensa, an equity holding of Kempen & Co's MedSciences Capital, and the newly listed company received a public bid for its shares at the end of 2014. Prosensa's share price rose in the run-up to the bid being declared unconditional in early 2015, allowing us to take profits of €6.9 million in 2014 – a proportion of which is due to other external shareholders (see 'Earnings per share').

Result on financial transactions

Result on financial transactions (x € million)	2014	2013	%
Gains and losses on securities trading	2.6	3.4	– 26%
Gains and losses on currency trading	9.4	13.1	– 28%
Gains and losses on investment portfolio	47.2	26.4	79%
Gains and losses on interest rate hedges	– 1.9	29.3	
Other income	– 15.4	– 5.9	– 161%
Result on financial transactions	**41.9**	**66.3**	**– 37%**

The 2014 profit on the investment portfolio breaks down into two separate parts: profits worked out at €31.6 million on the sale of bonds (2013: €26.4 million), benefiting from falling interest rates and volatile credit spreads; and the mark-to-market portfolio recorded €15.6 million (2013: nil).

In 2014, we wound down fair value hedges in the portfolio, sharply reducing the risk of ineffectiveness and thus lowering results variability (in 2013, we generated significant results through the ineffectiveness of hedges).

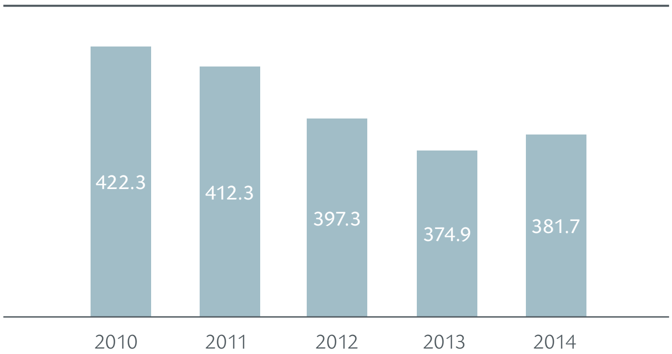
Other income mainly comprises the results recorded by medium-term notes (MTNs) issued by Van Lanschot. The €22 million loss in value of the MTNs was down to a €11 million negative adjustment in own risk and €11 million in interest charges on notes in issue. This item also reflects the €6 million positive result generated by our Structured Products Desk.

Operating expenses

Having cut costs by around 9% in 2012 and 2013, we are on course to achieve our efficiency targets for 2017, with total operating expenses at €381.7 million (2013: €374.9 million). We have invested in client propositions and promotional campaigns, as well as in a simplification of products, processes and organisation.

3 The gross interest margin adjusted for interest equalisation and interest-related derivatives amortisation.

Operating expenses (x € million)



Staff costs

At year-end 2014, we employed 1,712 full-time equivalent staff (FTEs; year-end 2013: 1,808 FTEs), excluding non-strategic investments. With the number of FTEs down by 96 in the year, costs have also fallen, whereas positive corporate results have increased variable remuneration expenditure. On balance, then, staff costs were 3% lower in 2014, at €210.2 million compared with €217.3 million in 2013.

Other administrative expenses

Other administrative expenses amounted to €150.7 million in 2014, up 12% compared with 2013 (€135.0 million). The resolution levy for the nationalisation of SNS Reaal accounted for a significant proportion of this (€8.4 million net in 2014), although the year also saw a repayment related to Icesave and DSB to a total of €4.6 million.

2014 out-of-pocket IT expenses were up from 2013, as we continued to invest in our client proposition and optimisation of our processes and systems. In both the Netherlands and Belgium, various promotional campaigns were run to further raise consumer awareness of *Evi*, our online savings and investment proposition. Office accommodation expenses were higher in 2014 in the wake of the move of a number of corporate departments.

Depreciation and amortisation

Depreciation and amortisation (€20.8 million) came in 8% lower than in 2013, due to reduced amortisation on office buildings.

One-off gains

One-off gains (x € million)	2014
One-off gain on pension scheme change	72.7
Accelerated investment in client services	– 7.2
Additional charges related to FTE reductions	– 2.8
Gains and losses on the sale of an office building	– 0.5
Other expenses and income	– 1.9
One-off gains	**60.3**

In 2014, we agreed a new pension scheme for Van Lanschot, prompting the release of a €122.7 million pension liability less a one-off payment of €50.0 million into the company pension fund – recognised as a one-off gain.

The net result of the pension scheme change amounts to €54.5 million, with other one-offs working out at a negative €12.4 million in 2014 (2013: €8.0 million negative).

In 2012 we earmarked €30 million for accelerated IT investments, which has now been fully used with the 2014 investment of €7.2 million in client services. We will of course continue to invest in our service proposition.

Efficiency ratio

The efficiency ratio, i.e. operating expenses excluding one-off gains in relation to income from operating activities, improved slightly to 69.8% (2013: 70.8%).

Impairments

Impairments (x € million)	2014	2013	%
Addition to loan loss provision	**76.0**	**102.4**	**– 26%**
Impairment on investments and participating interests	4.8	1.1	
Impairment on tangible fixed assets	3.7	0.2	
Reversed impairment on tangible fixed assets	0.0	– 1.0	
Impairment on goodwill and intangible assets	5.7	5.1	
Impairment on assets obtained through the seizure of collateral	5.3	1.9	
Other impairments	**19.5**	**7.3**	**167%**
Impairments	**95.5**	**109.7**	**– 13%**

Loan impairments

We added €76.0 million to loan loss provisions in 2014, 26% less than in 2013, with Corporate Banking accounting for €69.3 million (2013: €74.7 million) and mainly showing an improvement in loans to SMEs. Private Banking recorded a substantial fall (2014: €8.9 million; 2013: €34.2 million).

Other impairments

Total other impairments amounted to €19.5 million in 2014 (2013: €7.3 million). A number of investments in the equity portfolio were impaired for a total amount of €4.8 million.

We recorded a capital loss of €3.7 million on our own buildings, whose economic value had dipped below their carrying amount. The impairment on goodwill and other intangible assets was €5.7 million and we recognised a loss of €5.3 million on assets obtained through the seizure of collateral.

Income tax

Income tax was recorded at €24.8 million in 2014 (2013: €3.9 million), which works out at an effective tax rate of 18.6% (2013: 10.4%). This relatively low tax rate primarily reflects the equity holding tax exemption applicable to income (including any capital gains) from securities and associates held by Van Lanschot Participaties. The proportion of this income governed by the exemption fell in 2014, which largely accounts for the increased tax rate.

Earnings per share

Earnings (x € million)	2014	2013	%
Net profit[4]	**54.2**	**33.5**	**62%**
Net interest on perpetual loans	– 1.1	– 1.1	0%
Share of other minority interests	– 8.6	– 3.2	169%
Net profit for calculation of earnings per share	**44.5**	**29.2**	**52%**
Earnings per share (€)	**111.25**	**83.75**	**33%**
Weighted average number of outstanding shares (x 1,000)	400	400	

Profit attributable to other minority interests includes the interest of other external shareholders in results recorded by MedSciences Capital (see 'Income from securities and associates') and the management investment plan launched in 2010 for selected staff at Kempen & Co (Kempen MIP).

No dividend is made payable to the shareholder of Van Lanschot.

Statement of financial position

Statement of financial position (x € million)	31/12/2014	31/12/2013	%
Statement of financial position and capital management			
Equity attributable to shareholders	1,206	1,186	2%
Equity attributable to minority interests	58	55	5%
Savings & deposits	10,586	10,259	3%
Loans and advances to customers	11,021	12,491	– 12%
Total assets	17,259	17,670	– 2%
Funding ratio (%)	96.1	82.1	17%
Return on assets (%)[5]	0.31	0.19	66%

In 2014, our loan portfolio contracted by 12% to €11.0 billion, partly because of a targeted reduction in loans to SMEs and property loans, and partly because Private Banking clients continued to make additional mortgage repayments. Our loan portfolio is concentrated in the Netherlands (96%).

Loan book (x € million)	31/12/2014	31/12/2013[6]	%
Mortgages	6,041	6,446	– 6%
Other loans	2,212	2,762	– 20%
Private Banking	**8,253**	**9,208**	**– 10%**
Loans to SMEs	1,289	1,643	– 22%
Property financing	1,803	1,973	– 9%
Corporate Banking	**3,092**	**3,616**	**– 14%**
Impairments	– 324	– 333	– 3%
Total	**11,021**	**12,491**	**– 12%**

Private Banking

Private Banking's loan portfolio breaks down into mortgages and other loans, the latter including loans to wealthy private individuals to pay for second homes, for instance, or to provide current account overdraft facilities.

This category also includes business activities that fit into the Private Banking relationship model, such as financing investments by family businesses, business professionals and executives, and healthcare professionals.

4 Earnings exclude one-off pension scheme gain.
5 Return on assets for the year ended 31 December 2014 has been adjusted for the one-off pension scheme gain.
6 In 2014, property was redefined and comparative figures were restated accordingly.

The relative share of Private Banking-provided residential mortgages in the total loan portfolio rose by 3% in 2014 to 53% (from 50% in 2013). This mortgage portfolio stands out for its low number of defaults, limited losses and low number of foreclosures.

Calculated on the basis of market value, the average loan to value (LTV) ratio at end-2014 was 80%, a slight improvement on the previous year (year-end 2013: 81%). Taking the conservative index linked foreclosure value, the LTV ratio works out at 94% (year-end 2013: 95%).

Corporate Banking

A team of experts within Corporate Banking is engaged in managing and winding down the property and SME loan portfolios, and risk-weighted assets have come down from €4.4 billion at the start of the exercise to €2.8 billion by year-end 2014. The €1.3 billion reduction in 2014 mainly reflects the smaller loan portfolio (€0.8 billion) and model optimisations (€0.5 billion – see 'Capital management').

The reduction in the loan portfolio – which is ahead of schedule – frees up risk-bearing capital and directly contributes to the improvement of the Common Equity Tier I ratio. The asset quality review (AQR) of Corporate Banking's portfolio of SME credit and property loans carried out in late 2013 and early 2014, partly by CBRE and in consultation with De Nederlandsche Bank (DNB), confirmed that we have adequate buffers in place to absorb potential credit risks.

Our loans to SMEs (€1.3 billion, 11% of the total loan portfolio) are well diversified across sectors, while our €1.8 billion property portfolio (16% of the total loan portfolio) comprises the financing of small-scale properties in the Netherlands.

We provide almost no finance for project development. Office buildings account for only 29% of the property portfolio and are located primarily in the Randstad conurbation comprising the cities of Amsterdam, Rotterdam, Utrecht and The Hague. Average LTV based on foreclosure values inched up to 89% in 2014 (year-end 2013: 87%).

Provisions

We provide for the impaired loans in our loan book. Impaired loans stood at €640 million at the end of 2014. Provisions amounted to €314 million, working out at 49% (2013: 54%). The table below breaks down the total loan portfolio and provisions at year-end 2014.

In 2014, we added €76.0 million to loan loss provisions (2013: €102.4 million), implying 93 basis points of average risk-weighted assets (2013: 105 basis points). There has been a slight fall in the number of new debtors we had to make provisions for.

Loan provisions (x € million)	Loan portfolio	Impaired loans	Provision for impaired loans	Impaired ratio[7] 2014	Coverage ratio	Impaired-ratio[7] 2013
Mortgages	6,041	100	61	1.7%	61%	1.6%
Other loans	2,212	120	61	5.4%	51%	5.0%
Private Banking	**8,253**	**220**	**122**	**2.7%**	**55%**	**2.6%**
Loans to SMEs	1,289	141	80	10.9%	57%	8.6%
Property financing	1,803	279	112	15.5%	40%	11.2%
Corporate Banking	**3,092**	**420**	**192**	**13.6%**	**46%**	**10.0%**
Impairments	– 324					
Total	**11,021**	**640**	**314**	**5.8%**	**49%**	**4.8%**
Incurred but not reported (IBNR)			10			
Provision including IBNR			**324**			

7 The impaired ratio reflects impaired loans as a percentage of the total loan portfolio.

Capital and liquidity management

We further enhanced our solid capital and funding mix in 2014.

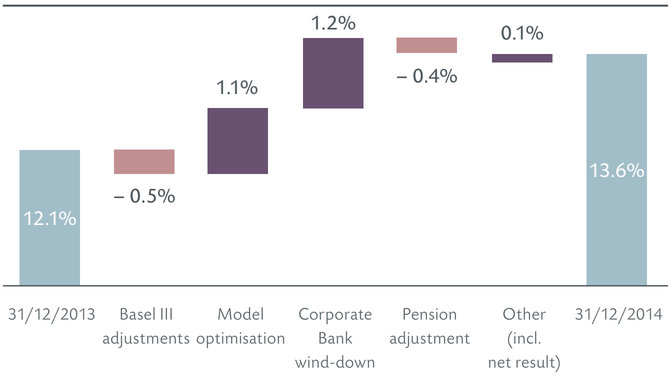
Capital and liquidity management (x € million)	2014	2013	%
Risk-weighted assets[8]	7,356	9,003	– 18%
Common Equity Tier I ratio (%)[8]	13.6	12.1	
Tier I ratio (%)[8]	13.6	12.1	
Total capital ratio (%)[8]	14.3	13.0	

Capital management

The Common Equity Tier I[9] ratio rose from 12.1% at the end of 2013 to 13.6% at the end of 2014, reflecting our robust capital position and the fall in risk-weighted assets. The RWA reduction itself was due to the net loan portfolio wind-down and the expansion of the investment portfolio, coupled with model optimisation. The Common Equity Tier I ratio should hold fairly steady in 2015, with a further reduction in the corporate loan portfolio and profit retention expected to exert upward pressure but the phase-in of Basel III, new IRB model guidelines and further development of our credit models combining to depress the ratio.

Risk-weighted assets (x € billion)

Common Equity Tier I ratio (including earnings)



Liquidity and funding

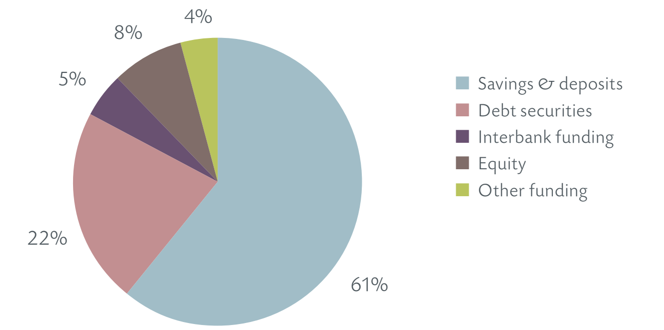
The funding and liquidity position remains strong, and we aim to retain access to both retail and capital markets via diversified funding. Between them, our smaller loan portfolio and higher savings & deposits made for a funding ratio of 96.1%.

We recorded a comfortable liquidity position at the end of 2014. Clients are still using their assets to pay down debts, but savings and deposits were up by €0.3 billion on balance in 2014. Growth was mainly due to savings, including our *Evi* proposition in the Netherlands and Belgium.

In 2014, we again tapped the international capital markets and engaged in the following transactions:

- February 2014: €200 million issue of an institutional senior unsecured bond, with a term to maturity of over four years and a coupon at 3.125%.
- In 2014: Various medium-term notes – totalling around €424 million – under the structured notes programme, with maturities between one and ten years.

Funding mix as at 31/12/2014
(100% = €17.3 billion)



Basel III

Basel III ratios	31/12/2014	Norm
Common Equity Tier I ratio (fully loaded) (%)	12.4	> 9.5[10]
Leverage ratio (fully loaded) (%)	4.9	> 3
Liquidity coverage ratio (%)	120.3	> 100
Net stable funding ratio (%)[11]	113.7	> 100

Basel III imposes stricter capital and liquidity requirements on banks, specifically the Common Equity Tier I ratio, the liquidity coverage ratio (LCR), the net stable funding ratio (NSFR) and a stricter definition of the leverage ratio. The new standards will be phased in between 2014 and 2018, and have yet to be completely finalised.

8 As at 31 December 2014 and in compliance with Basel III, based on phase-in and including retained earnings. Comparative figures at 31 December 2013 comply with Basel II, including retained earnings.

9 The Common Equity Tier I ratio on phase-in basis including retained earnings. Basel III had not been implemented by the end of 2013, so this 13.1% was recorded under Basel II.

10 The norm breaks down as follows: standard (4.5%), conservation buffer (2.5%), countercyclical (between 0% and 2.5%).

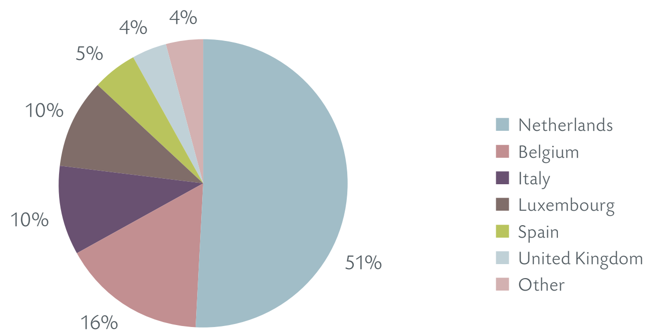
11 Based on Basel III at 31 December 2014: net stable funding ratio (NSFR) (BCBS 295).

Investment and trading portfolio

Our total investment and trading portfolio[12] had risen to €3.8 billion by the end of 2014, compared with €2.0 billion at 31 December 2013, on the back of a lower loan portfolio and savings inflows. We have expanded the portfolio by adding Belgian and Dutch government bonds, bonds issued by the European Investment Bank, bonds issued by Western European financial institutions and asset-backed securities.

In line with our investment strategy, in 2014 we constructed a held-to-maturity portfolio, which stood at €0.5 billion on 31 December 2014 and comprises Belgian government bonds and bonds issued by listed Western European financial institutions. These portfolios are primarily held for asset and liability management purposes, and mainly include low-risk and highly liquid instruments.

Investment and trading portfolio by country as at 31/12/2014 (100% = €3.8 billion)



Client assets

Client assets (x € billion)	2014	2013	%
Client assets	**57.5**	**53.5**	**7%**
Assets under management	46.9	43.2	9%
Savings & deposits	10.6	10.3	3%
Client assets	**57.5**	**53.5**	**7%**
Private Banking	29.2	28.2	4%
Corporate Banking	0.8	0.9	– 12%
Asset Management	27.5	24.4	13%
Assets under management	**46.9**	**43.2**	**9%**
Assets under discretionary management	35.7	31.8	12%
Assets under non-discretionary management	11.2	11.4	– 2%
Savings & deposits	**10.6**	**10.3**	**3%**
Savings	8.9	7.8	14%
Deposits	1.7	2.5	– 32%

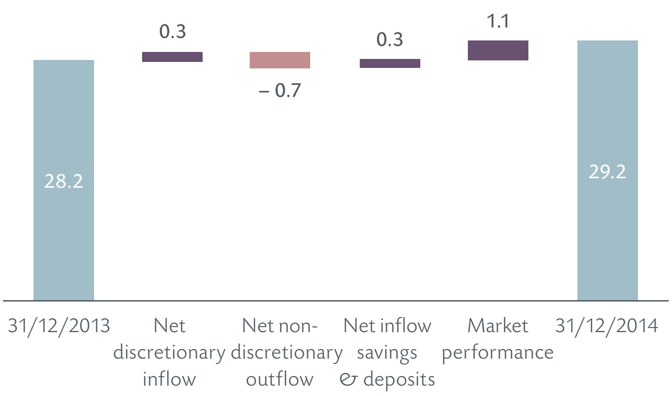
The increase in client assets was due to a favourable stock market climate, an inflow of assets under discretionary management and a rise in savings and deposits of private clients. This was offset by an outflow of assets under non-discretionary management.

Private Banking

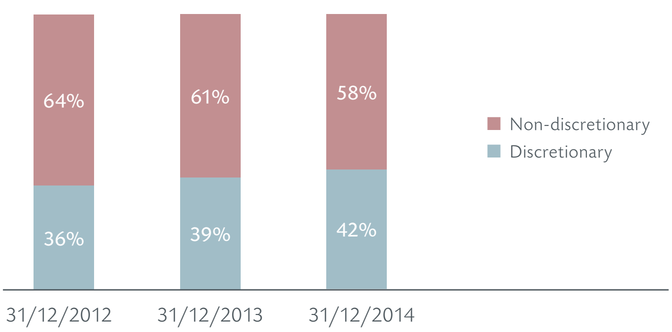
Private Banking saw its client assets grow by €1.0 billion in 2014 to €29.2 billion. Assets under discretionary management achieved an inflow of €0.3 billion and client assets were up €0.3 billion, but non-discretionary management recorded an outflow of €0.7 billion – the latter mainly due to the introduction of the new fee structure.

In 2014, Private Banking clients continued the shift to discretionary mandates, increasing the share of these assets from 39% to 42%. The launch of our new advisory model prompted a transfer from investment advice to discretionary asset management and execution only, particularly in the first six months of the year.

Private Banking: client assets (x € billion)



Private Banking: discretionary and non-discretionary assets under management



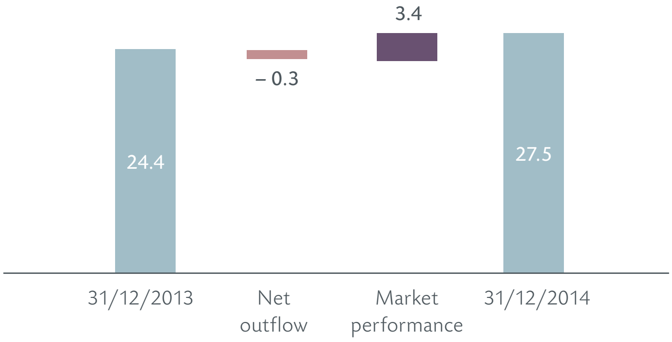
12 The investment and trading portfolio comprises the balance of available-for-sale investments, financial receivables from trading activities, financial assets held to maturity and financial assets designated at fair value through profit or loss.

Evi van Lanschot, our online savings and investment proposition targeting newcomers to wealth management, reported encouraging results in both the Netherlands and Belgium and had brought in over €1 billion in client assets by the end of 2014. In the Netherlands, *Evi* is available as a discretionary asset management, investment advisory and savings product, whereas in Belgium it is offered only as the latter.

Asset Management

Client assets at Asset Management were up 13% to €27.5 billion, from €24.4 billion in 2013, mainly due to €3.4 billion from market performance. Net outflows of €0.3 billion reflect the balance of lost clients, new mandates and inflows from existing clients. The success of the Kempen Global High Dividend strategy, coupled with a desire to protect the interests of its existing investors, led us to close the Kempen Global High Dividend Fund to new deposits at the start of 2014. This prompted an overall outflow, much as we had expected. The fund reopened for new deposits at the beginning of 2015 but still imposes restrictions on the size of new investments.

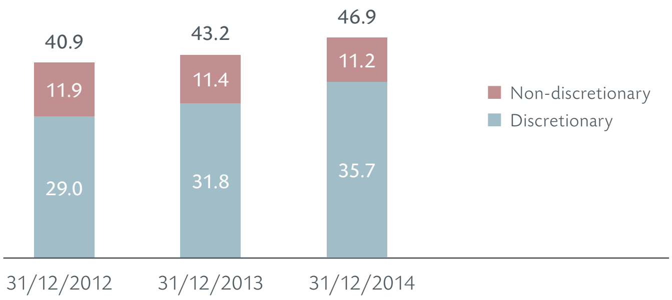
Asset Management: client assets (x € billion)



Assets under management

Total assets under management were up 9%, from €43.2 billion at the end of 2013[13] to €46.9 billion at year-end 2014. The €3.7 billion net increase breaks down into a net outflow of €0.8 billion and market performance of €4.5 billion.

Assets under management (x € billion)



13 The figure for 31 December 2013 was reduced by €0.1 billion following a redefinition.

Making dreams come true

I work at one of the Special Clients Desks. These are staffed by teams of specialists who proactively advise a small number of clients on their investment portfolios.

The year behind us has been a turbulent and very eventful one for investors. We have seen market prices moving up and down, sometimes in big leaps and bounds; interest rates started the year low and ended even lower; and US equities performed amazingly well.

Meanwhile, the final stage of our reorganisation affected both our clients and ourselves. I found myself taking over clients from colleagues of mine, and then spending a great deal of time getting to know them. I now have a portfolio of 85 clients, about half of whom are new to me. In my case, 'getting to know someone' isn't just a question of a quick chat over a cup of coffee. No, I really try and understand their needs and wishes by asking questions like: What sort of things do you worry about? What level of risk are you willing and able to accept? What's your landmark on the horizon? I make sure I talk to all my clients very regularly.

My aim is to be a proper adviser, someone who genuinely places his expertise at his clients' disposal. Given that we've reduced the number of clients for whom each investment adviser is responsible, that's something we now have even more time for. I've been given an opportunity to come up with my own ideas. In fact, I have more freedom than I would if I were working at one of the big banks, where portfolio investment is much more standardised.

My clients are all interesting people. Many of them are business owners with compelling stories to tell. It's the combination of financial advice with the human dimension that makes the job so fascinating. Our new advertising campaign is also helping to give people a good idea of what my job is all about. The way I see it, setting an investment horizon is all about making people's dreams come true.

Mark Rab, Senior Investment Adviser at Private Banking

Private Banking

Adding value to wealth

Financial performance

Private Banking (x € million)	2014	2013	%
Interest	161.6	152.5	6%
Income from securities and associates	–	–	–
Commission income	100.1	104.9	– 5%
Result on financial transactions	1.6	1.3	23%
Income from operating activities	**263.3**	**258.7**	**2%**
Staff costs	118.9	122.9	– 3%
Other administrative expenses	104.6	96.1	9%
Depreciation and amortisation	6.9	16.2	– 57%
Operating expenses	**230.4**	**235.2**	**– 2%**
Impairments	13.0	34.7	– 63%
Total expenses	**243.4**	**269.9**	**– 10%**
Operating result before tax	**19.9**	**– 11.2**	

The objective of our Private Banking division is to help private individuals, business owners and family businesses preserve and create wealth. In addition to these three target groups, we also cater for business professionals and executives, healthcare professionals, foundations and associations.

In 2014 we developed a new service called *CompliantBeheer*, designed specifically for business professionals and executives. Including assets belonging to our clients in Belgium and Switzerland, we currently manage discretionary assets of over €8 billion. Over €1 billion of assets are now entrusted to *Evi*, the online platform that we launched at the end of 2013 and which is designed to cater particularly for those starting out on the wealth management market.

We launched a new service model for Private Banking clients in October. This new-style wealth planning service is designed to meet people's need for advice and solutions at different stages of their lives, enabling them to attain their personal, financial, business and social goals.

Although equity prices revived in 2014, markets were volatile. There was no fundamental economic recovery in the eurozone countries and capital market interest rates remained low. At the end of the day, however, all asset classes returned profits, leading to growth in the value of client assets.

In a world in which both job markets and pensions are undergoing major changes, in which the government is more inclined to step back and in which today's nest egg may turn out to be tomorrow's empty shell, there is a growing need for wealth management services in the Netherlands, not least among those just starting out on the wealth management market. The launch of *Evi* reflects our desire to cater not just for today's high net-worth individuals, but also for those of tomorrow.

Client choice

In line with the results of our strategic review, we adjusted both our organisation and our service offering in 2014. We continued with the roll-out of our three service models: Personal Banking/*Evi*, Private Banking and Private Office. It is our clients who decide which particular model suits them best and how and when they wish to make use of our services. *Evi* provides access to a larger group of clients online, who prefer this platform to seeing a single banker at one of our branches. As a result, our private bankers now have more time to handle a smaller group of private clients with relatively large asset holdings and relatively complex needs in terms of asset management, financial planning and well-being.

> 'Accessibility and continuity of service are increasingly important priorities for our clients. The team-based service model we have adopted for Personal Banking/*Evi* allows us to deliver on both these aspects, without compromising on either quality or client experience. The model combines an online service with personal contact at whatever times suit the client best.'
> *Guido van Aubel, Director of Personal Banking*

Personal Banking/*Evi*

Thanks to the launch of *Evi*, we are now able to help those starting out in the wealth management market to preserve and create wealth. A third of our *Evi* users in the Netherlands are first-time investors. In the Netherlands and Belgium, *Evi* has now passed the €1 billion mark in terms of client assets, with many of the platform's existing users signalling their intention to transfer more of their assets to *Evi*. Some 60% of *Evi* users expect to be making regular use of the platform in the future as a means of generating wealth to cover their future needs.

> 'Clients experience *Evi* as an easy online introduction to investment. The service has received an average 8 out of 10 rating. It's also a way of reaching a younger target group, which makes it a good springboard for future growth.'
> *Monique Opdam, Director of Marketing*

Wealth planning service

Meetings between clients and our private bankers and advisers are highly personal: after all, they're all about our clients' dreams and wishes. In 2014, we launched our new wealth planning tool, which aims to speed up the process of analysing a client's personal, business and social objectives and priorities, both now and in the future. The tool covers a vast range of topics: once we have a clear picture of the client's needs and wishes, we can then assess their feasibility and translate them into financial targets. With this information at our fingertips, we can discuss any plans the client might have to sell their business or pass on their assets to the next generation – or perhaps their desire to build an art collection or provide for their future care needs.

Once we have made a careful appraisal of the possibilities and the attendant risks, we can then chart a course leading to the point the client wishes to reach at a given stage of his or her life. This wealth planning service culminates in the creation of a personal plan detailing the points in the client's life at which he or she expects an inflow of new assets or an outflow of existing ones. Talking to our clients about their investment horizon at regular intervals – preferably every year – allows us to keep track of any changes in their personal situations and also of any needs or developments resulting from changes in the law.

'Like most people, our wealthier clients regard their assets as a means to an end rather than an end in themselves; they want to secure a carefree future. This is something for which standardised products and services are not generally suited. Our clients need a genuinely tailored service if we are to meet their specific personal, business and – where relevant – their social needs.'
Richard Bruens, Statutory Board member responsible for Private Banking

Investment

We believe that an investment portfolio that is actively managed either in full or in part can offer real added value in the long term, both in achieving financial returns and in meeting social goals. Our specialists' knowledge and skills remain a key factor in this market.

The scrapping of distribution fees combined with the introduction of fees for investment advice means that clients now have a clear picture of how much they are paying for investment advice. This has prompted some clients who previously received investment advice to opt for discretionary asset management, while others have switched to an execution-only service model.

'In volume terms, investment advice and asset management remain our two main activities in the investment market. At the same time, there is now much more pressure to deliver genuine added value – fortunately one of our main competitive strengths.'
Bart Horsten, Director of Wealth Management Products & Services

Mortgage loans

The decision to buy a house and take out (or change) a mortgage loan inevitably results in fundamental changes in a client's financial position. It is against this background that our new mortgage loans unit provides home loans targeted at clients with a non-standard income or financial position, i.e. high net-worth individuals, business owners and family businesses, business professionals and executives, and healthcare professionals. Our advisers use their expertise to seek the best possible solution for their client's specific financial needs. Subject to certain conditions, clients can also apply for a mortgage loan without having to go through the advisory process.

Charity Service

We launched a Charity Service in 2014, representing both a broadening and a deepening of our role as a wealth manager. As well as catering for our clients' personal and business needs and wishes, we now have a better means of taking account of their desire to support charitable causes and community projects.

The Charity Service works by analysing a client's wishes and financial possibilities in a series of meetings, culminating in the production of a personal charity plan or strategy. The service is provided by the Charity Service Manager working in consultation with the client's private banker and the Financial Planning Centre. To find out more, see vanlanschot.nl/charityservice (in Dutch only).

Innovation for our clients

We have now simplified our service offering, streamlined our infrastructure and organisational structure, and adapted these to our new service models – the launch of our new savings & deposit account being a good example of how this works in practice. Meanwhile, Private Banking is rapidly catching up in the digital arena. We will be starting two new online services for our clients in 2015: a specially designed discretionary asset management app and a new *Evi* website. We have also launched various initiatives, partly in response to client requests, to reduce our paper consumption and will be doing more on this front, in step with the expansion of our online presence and the possibilities this affords. All our plans are designed not just to enable us to serve our clients in a modern and efficient manner but also to enhance the client experience.

Choices

The clear choices we have made entail certain consequences for staffing levels and the structure of our organisation. These had a big impact on our staff and our clients, particularly in the first half of the year. In the second half, once the main organisational changes had been completed, we were able to turn our full attention once again to serving and assisting our clients.

The launch of our new-style wealth planning service and the success of *Evi* have helped to raise our profile in the market and create a strong platform for future growth.

Van Gogh Museum

We have traditionally taken a keen interest in the arts, not just as a collector of art but also as an organisation that helps artists and museums fulfil their ambitions. Our decision in August 2014 to become a partner of the Van Gogh Museum in Amsterdam and to help fund the construction of a new entrance space is fully in line with this tradition and will help to enhance our public visibility.

As part of this sponsorship, we wrote to all our Private Banking clients inviting them to become 'friends' of the Van Gogh Museum for six months free of charge. During this period, they are entitled to visit the museum, also free of charge. Over 6,000 clients have taken up this offer.

Asset Management

Focused growth

Financial performance

Asset Management (x € million)	2014	2013	%
Interest	–	–	–
Income from securities and associates	2.6	–	–
Commission	81.4	75.9	7%
Result on financial transactions	–	– 0.1	–
Income from operating activities	**84.0**	**75.8**	**11%**
Staff costs	36.3	37.8	– 4%
Other administrative expenses	13.9	14.2	– 2%
Depreciation and amortisation	0.8	0.7	14%
Operating expenses	**51.0**	**52.7**	**– 3%**
Impairments	–	–	–
Total expenses	**51.0**	**52.7**	**– 3%**
Operating result before tax	**33.0**	**23.1**	**43%**

Our Asset Management division, Kempen Capital Management, concentrates on a small number of specific investment strategies in which we rank among the world's leading fund providers. Apart from small caps and property, our investment strategies include high-dividend stocks, fixed-income securities, corporate bonds and funds of hedge funds. As a key aspect of our strategy, we – our portfolio managers and Kempen Capital Management – also invest in our own funds, thereby sharing in our clients' interests. We also offer a fiduciary asset management service, providing fully integrated solutions for institutional clients and Van Lanschot's private clients.

Kempen Capital Management is a Dutch institutional asset manager that has set its sights on becoming a world-class player in selected investment niches. As in previous years, we again generated a positive return for our clients in 2014, a year that saw the total value of assets under our management rise to €27.5 billion. The news was not all good, however: we lost a couple of medium-sized pension fund clients in the wake of the ongoing consolidation of the Dutch pensions industry, and the fact that some of our expectations for certain investment markets and sectors have (so far) failed to materialise depressed the relative performance of certain portfolios. For example, capital market interest rates remained low even though we had forecast a rise in 2014, and our upbeat view of emerging markets was not borne out by the situation on the ground.

At the same time, our bullish view of equity market prospects turned out to be pretty accurate. Our projections are based on the long-term outlook, which means that a failure to materialise in the short term may not necessarily lead us to adjust them. We do adjust our portfolios, however, if we believe a fundamental change has taken place.

We launched two new investment funds in 2014: the Kempen (Lux) Global Small-cap Fund and the Kempen (Lux) Global Property Fund.

Although there was a revival in equity prices in 2014, markets were volatile. There was no fundamental economic recovery in the eurozone countries and capital market interest rates remained low. However, the favourable stock-market climate was one of the factors that helped to boost our clients' assets.

Assets under management (x € billion)	2014	2013	%
Niche strategies	12.3	11.4	8
– Of which investment funds	6.9	7.1	– 3
Client solutions	15.2	13.0	17
Total	**27.5**	**24.4**	**13**

Property

Property has traditionally been one of Kempen Capital Management's niche strategies. We launched the Kempen (Lux) Global Property Fund in 2014 in order to offer our clients a global product alongside our European funds. The Kempen (Lux) Global Property Fund consists of a portfolio of 40-50 'winners' drawn from over 250 listed property companies from all over the world. We manage the fund by using 'big data' supplied by premium data vendors. An analysis of this data generates information on tenants' creditworthiness, rental income, the footfall in specified shopping areas, vacancy rates and other property-related issues. This greatly reduces the amount of time that our portfolio managers and analysts need to spend on visiting commercial properties that are potential investment targets, thereby freeing up more time for data analysis and interpretation.

'The idea behind the Kempen Global Property Fund is that we can use big data to work out how a particular site is likely to develop in the future. While our fund managers do of course still visit the locations in question, these visits don't need to be as frequent as they were in the past and are now far more efficient. We decide to invest only if we're satisfied that everything is absolutely clear.'
Erik Luttenberg, Managing Director of Kempen Capital Management

Small caps
Investing in small caps is a strategy with a proven track record in both the Dutch and the European markets. We decided to build on this success by launching the Kempen (Lux) Global Small-cap Fund.

Focus produces growth
Focus also means not doing certain things. In February 2014, for example, we decided to close the Kempen Global High Dividend Fund to new investment. This was because we had reached the limit for the volume of managed assets within which we could achieve our current investors' long-term objectives. The imposition of this type of capacity limit on the maximum volume of managed assets remains one of the critical success factors underlying the quality of our investment strategies. While growth may be our aim, we do not wish to achieve growth at the cost of the return generated by the strategy in question. Our priority at Asset Management is to focus on niches rather than adopting a broad-based investment strategy.

'You sometimes see small countries doing really well in the Olympic medals table, simply because they have made clear choices that enable them to outperform other, larger countries. Asset Management focuses on those niche markets in which we can become a world leader. We don't like losing, so we have to try to identify those disciplines in which we stand a good chance of winning.'
***Paul Gerla**, Chairman of the Kempen & Co Management Board and of the Kempen Capital Management Board*

Responsible investment
Asset Management believes in a long-term investment horizon, in shareholder engagement and in a constant quest for higher returns. These all form part and parcel of our investment principles, in accordance with which we are also committed to further integrating environmental, social and governance (ESG) criteria into our investment process. Responsible investment goes hand in hand with a desire to achieve financial returns. This is because any disregard for ESG criteria raises the risk profile of our investment portfolio. A desire to outperform the competition in terms of corporate social responsibility is a logical counterpart to our ambition of outperforming other financial services providers both in the Netherlands and abroad.

Prizes
In September 2014, for the second year in succession, Kempen Capital Management was named one of the winners of the Focus Elite 2014 Culture Awards, presented to asset managers with a 'superior corporate culture'. In November, Morningstar awarded the Kempen (Lux) Euro Credit Fund a 'Gold' analyst rating – the highest possible; it is in fact the only investment fund in euro-denominated corporate bonds to receive this accolade. To date, the Kempen Global High Dividend Fund and the Kempen European High Dividend Fund are the only other Dutch investment funds to have received Gold ratings (in 2012). The Gold status of these two dividend funds and the credit fund marks an exceptional achievement, in that Kempen Capital Management is the only Dutch funds provider whose investment funds have been awarded the maximum rating.

Merchant Banking

Delivering value for our clients thanks to a combination of focus and dedication

Financial performance

Merchant Banking (x € million)	2014	2013	%
Interest	2.8	2.4	17%
Income from securities and associates	–	–	–
Commission	52.1	44.9	16%
Result on financial transactions	6.3	2.8	125%
Income from operating activities	**61.2**	**50.1**	**22%**
Staff costs	25.4	28.7	– 11%
Other administrative expenses	9.7	6.6	47%
Depreciation and amortisation	0.6	0.9	– 33%
Operating expenses	**35.7**	**36.2**	**– 1%**
Impairments	2.0	1.4	43%
Total expenses	**37.7**	**37.6**	**0%**
Operating result before tax	**23.5**	**12.5**	**88%**

The success of our Merchant Banking strategy was endorsed in 2014. The clear choices we have made in terms of sectors and products helped to hone our profile. Thanks to the healthy state of the capital markets, we were able to advise and assist our clients and investors with a large number of high-profile deals this year.

Corporate Finance

We were able to complete successful transactions in all our chosen focus sectors and products last year. We further underlined our international ambitions by taking part in IPOs for arGEN-X in Brussels, Mainstay Medical in Dublin and Paris, TLG Immobilien in Frankfurt and Entra in Oslo. In the mergers and acquisitions arena, we are advising Deutsche Annington on its planned takeover of Gagfah and SMABTP on its public bid for Société de la Tour Eiffel. Our involvement in these deals illustrates our leading role in the European property and life sciences & healthcare sectors, which together with resource efficiency & cleantech form our focus areas.

Alongside our international operations, we have also been active on the Dutch market. For example, we were involved in the IPO of Probiodrug in Amsterdam and acted as an M&A adviser to Accell Group, NOVA Terminals, TBI and Van Oord.

In addition, we helped to arrange a number of major refinancing packages for our clients. This new addition to our service offering comes in response to our clients' need for independent advice and enables us to offer a fully rounded product range in our chosen focus sectors, encompassing advisory services on mergers and acquisitions, capital market deals and financing advice. It's why our clients tend to return to us.

'Our clients typically return. In 2014, we advised VastNed Retail on a convertible bond issue at the beginning of the year and also on a refinancing package just before the end of the year. We advised Wereldhave on a routine refinancing arrangement in March and also on the acquisition of a portfolio of French shopping centres and a related €550 million share issue, the second biggest property-related issue in Europe in 2014.'
Paul Pruijmboom, Managing Director of Kempen Corporate Finance

Selected Kempen & Co transactions in 2014

European Real Estate

Acquisition of French shopping centre portfolio
€ 850,000,000
Adviser
December 2014

Block trades in Deutsche Annington shares
€ 305,270,479
Sole Bookrunner
December 2014

Rights issue
€ 550,061,923
Joint Global Coordinator
Joint Bookrunner
December 2014

Block trades in Deutsche Annington shares
€ 502,315,983
Sole Bookrunner
December 2014

Accelerated bookbuild offering
€ 37,500,000
Joint Bookrunner
November 2014

Refinancing
€ 300,000,000
Financial adviser
November 2014

Initial public offering
€ 375,338,766
Joint Bookrunner
October 2014

Initial public offering
NOK 6,014,999,965
Co-Lead Manager
October 2014

Share buy-back
€ 122,100,000
Settlement Agent
October 2014

Public offer for Société de la Tour Eiffel
€ 701,000,000
Adviser
September 2014

Secondary offering
€ 132,889,285
Sole Bookrunner
September 2014

Convertible bond issue
€ 125,000,000
Co-Lead Manager
June 2014

Convertible bond issue
€ 110,000,000
Financial adviser
April 2014

Refinancing
€ 300,000,000
Financial adviser
March 2014

At-market rights issue
€ 130,400,000
Joint Global Coordinator
February 2014

Life Sciences & Healthcare

Initial public offering
€ 23,244,126
Sole Global Coordinator
Sole Bookrunner
October 2014

Acquisition cancer immunotherapy program of Pantarhei Bioscience
Adviser
October 2014

Sale of MediZorg to Eurocept Group
Adviser
September 2014

Initial public offering
€ 41,774,160
Joint Global Coordinator
Joint Bookrunner
July 2014

Acquisition of Cherokee Pharma
Adviser
July 2014

Secondary listing on Euronext Paris
Listing agent
July 2014

Accelerated bookbuild offering
€ 41,720,822
Joint Bookrunner
June 2014

Initial public offering
€ 18,811,635
Joint Global Coordinator
Joint Bookrunner
April 2014

Sale of EMCM
€ 18,000,000
Sole financial adviser
February 2014

Acquisition of Trianta Immunotherapies
Adviser
January 2014

Accelerated bookbuild offering
DKK 998,000,000
Joint Lead Manager
January 2014

Benelux

Acquisition of Ballast Nedam Offshore
Adviser
December 2014

Sale of majority of shares in Fri-Jado to Mentha Capital
Adviser
December 2014

Sale of shares to EQT Infrastructure and Koole family
Adviser
June 2014

Fairness opinion
€ 408,000,000
Adviser
June 2014

Refinancing
Adviser
April 2014

Sale of Hercules business to ZEG
€ 20,000,000
Adviser
April 2014

Sale of Dutch supply assets to Eneco
Adviser
March 2014

ABB, preference shares issue and refinancing
€ 50,000,000
Sole independent adviser and Joint Bookrunner
February 2014

Securities

2014 saw a continuation of the rising trend in commission income that began a few years ago. The main source of growth has been the rise in commission income from capital market transactions (see under Corporate Finance) and block trades resulting from the expansion of our distribution network with institutional investors, principally in the United Kingdom and the United States (where the upscaling of our New York branch has been a contributory factor). Income from structured products has been a secondary source of growth.

There were huge fluctuations in individual equity prices in 2014, despite the fact that indices rose only marginally during this period. The analysts at Kempen Securities made the difference here, offering excellent research products for institutional investors. The Benelux Favourites list posted a profit of over 21% in 2014, with the Amsterdam AMX Index returning 3%. Kempen Securities was ranked among the top three brokers in relevant sectors in the annual Extel Survey, in which institutional investors are invited to give their opinion on brokers.

There has been a decline in institutional trading volumes on the European market in recent years, basically because orders are no longer automatically routed through brokers to various trading platforms. More and more institutional investors have open access to the market. Kempen Securities has responded to this trend by identifying sectors in which it can deliver genuine added value.

Block trading

In our niche markets, we mediate between institutional investors involved in large-scale securities transactions known as block trades. Block trades are attractive for institutional investors now that the fragmentation of the stock market has made it less liquid. In an illiquid market, the action of buying or selling a large block of equities can lead to undesirable price movements, adversely affecting the return for investors. Such price fluctuations do not occur, however, when our specialists sell a large block of equities to an institutional investor in a single trade.

Last year again saw Kempen Securities performing more block trades than in the previous year, and the average block size also rose. Finally, thanks to its good distribution network and the bigger market shares it has gained as a result of block trades, Kempen Securities now has more placing power in IPOs and share issues.

Events

We have got to take part in the main liquidity events if we are to remain competitive and at the forefront of our clients' minds. And that can mean only thing: Kempen Securities must be able to offer its clients a highly relevant and close-knit distribution network. This is why Kempen Securities organises a number of large-scale seminars each year in cities such as London, New York and Amsterdam, to which we invite an audience of CEOs, CFOs and representatives of the big institutional investors. For the former group of guests, these seminars offer a great opportunity to experience the quality of our distribution network, while the latter group are given a taste of relevant investment propositions.

> 'We spend a great deal of time and energy on the consolidation and expansion of our distribution network. This we can do because we employ the right team of analysts producing high-quality research reports and the right team of traders and sales traders meeting our institutional clients' need for liquidity.'
> ***Joof Verhees**, member of the Management Board of Kempen & Co and responsible for Kempen Securities*

Structured Products

Supplying client solutions to Private Banking in the form of structured products is one of Kempen Securities' main growth engines. The great advantage of structured products is that they enable us to produce tailored solutions. This may involve, for example, guaranteeing the client a given amount of capital on the maturity date. Our structured products are based on debt securities issued by both Van Lanschot and other issuers, thus enabling clients to spread their credit risk. For Van Lanschot, structured products represent an additional source of finance.

Van Lanschot Participaties

The friendly face of private equity

Van Lanschot Participaties was founded in 1982 and has been managed by Kempen Investments since 2010. We have a competitive proposition in that we are interested specifically in non-controlling interests, i.e. shareholdings of between 20% and 50%, and set a long-term investment horizon. We invest in medium-sized Dutch companies as these form a good match for our target group, our resources and our ideal risk profile. We invest between €5 million and €15 million in each company. Whether we decide to acquire an interest in a particular company depends not just on its financial performance, but also on its corporate strategy and notably on the quality of its management. At the end of 2014, Van Lanschot Participaties had stakes in 14 companies and in a number of private equity funds, with the total portfolio worth around €110 million.

The resources we invest come from Van Lanschot itself, rather than from our clients or third-party investors, enabling us to set ourselves a long investment horizon. An Almelo-based firm called Tecnotion, in which we have owned a 38% interest since 1999, is a good example of how our private equity arm operates. Over the past 15 years, Tecnotion has posted impressive growth figures and opened a new plant in China.

2014 was a good year for Van Lanschot Participaties, thanks in part to the sale of our 21% shareholding in DORC Holding. The company designs instruments for eye surgeons and had reached a point in its life cycle at which it needed a bigger shareholder. For this reason, all the shareholders together decided to put their equity interests up for sale. We also made a new investment in 2014 – a 40% stake in TechAccess, an IT distributor based in the town of Son that has a strong management team and offers attractive growth prospects.

'The fact that we take a long-term, non-controlling interest means that management regard us as a partner rather than as a threat. We operate at the friendly end of the private equity spectrum and have no desire to take the steering wheel. At the same time, we do want to be kept well-informed and to act as a sparring partner for management. We're also more than willing to offer our assistance in those areas in which we have our own expertise. It's all about being an active rather than a sleeping partner.'
***Joost Bakhuizen**, Managing Director of Kempen Investments*

Van Lanschot Participaties also owns equity interests stemming from debt-for-equity swaps. In certain cases, where a company has not been able to repay a corporate loan from Van Lanschot, the loan has been converted into a shareholding. This gives the borrower a breathing space and gives us an opportunity to recoup some of the money we have lent to the company. Our interest in Medizorg falls into this category: we sold our holding to the Eurocept Group in September 2014, a satisfactory solution for all concerned.

Corporate Banking

Winding down the portfolio at the right pace

Financial performance

Corporate Banking (x € million)	2014	2013	%
Interest	66.8	55.1	21%
Income from securities and associates	–	–	–
Commission	5.6	7.5	– 25%
Result on financial transactions	–	–	–
Income from operating activities	**72.4**	**62.6**	**16%**
Staff costs	20.2	20.2	0%
Other administrative expenses	19.3	13.7	41%
Depreciation and amortisation	0.1	2.3	– 96%
Operating expenses	**39.6**	**36.2**	**9%**
Impairments	69.3	74.7	– 7%
Total expenses	**108.9**	**110.9**	**– 2%**
Operating result before tax	**– 36.5**	**– 48.3**	**– 24%**

Holding a portfolio of corporate loans is not consistent with our profile as a specialist, independent wealth manager helping private and institutional clients to preserve and create wealth. For this reason, we have decided to gradually wind down our corporate loan portfolio. Corporate Banking is responsible for this operation: the business unit is made up of a team of bankers specialising in SME loans and property finance.

That said, we will continue to grant corporate loans in certain niche markets such as healthcare. The thinking behind this is that, if we invest in – for example – a dispensing chemist's or a family doctor's practice, we can achieve certain spin-off effects for Private Banking. The same applies to our clients in the business professional category: when someone becomes a partner in a firm of accountants, this results in the formation of private wealth at a later stage.

We took further steps in 2014 to wind down our loan portfolio, lowering our risk-weighted assets (RWA) as a result. Our aim is to halve our RWA by the end of 2017. The reduction in RWA has helped greatly in boosting our core capital.

Gradual rationalisation

We wish to follow a gradual process in winding down our portfolio of corporate loans. We have built long-term relationships with many of our clients and want to bring these to a proper close. This is also important for our reputation as a wealth manager.

The process of rationalising our portfolio involved holding personal meetings with all our clients in which we explained our strategic decision and its long-term consequences for them. Our policy is to help our clients find alternative sources of finance, for example by introducing them to other banks or consultants who can provide them with specialist advice on financing structures. As a result, our loan portfolio has shrunk as other banks have stepped in to refinance loans and provide factoring and lease contracts. The rationalisation has affected all risk categories and has generally taken effect at appropriate times, for example when a client asks for additional funding to finance an investment, or at the interest reset date.

We may decide at a given moment that the time is right to sell off a certain part of our corporate loan portfolio. When this happens, it is absolutely critical that a potential buyer is prepared to treat our clients well; we are not willing to allow our reputation to be tarnished. In short, the policy we are following in winding down our corporate loan portfolio is based on a combination of caution and vigorous action.

Centralisation

We decided to bring all seven regional business units together in a single location in 's-Hertogenbosch so that we can act more quickly and efficiently. Centralising our staff will make it easier for them to share information and work together. It also ties in with the organisational strategy at Corporate Banking, which involves classifying clients not according to the region where they are based, but according to the size of their loan. This means that we can manage relatively small loans with a high degree of efficiency and at the same time supply a tailored service to our larger borrowers.

Our people

In addition to acting with due care in winding down our corporate lending activities, we are also committed to helping the staff of Corporate Banking find alternative employment, whether this is with Van Lanschot or with a new employer.

We invest a great deal of resources in training our staff in order to raise the quality of their work and enhance their career prospects by strengthening their profiles. The majority of our staff feel a strong sense of commitment to Van Lanschot and are hoping to stay on at the bank. They regard Corporate Banking as a spring-board: four people moved across to Private Banking in the autumn of 2014. A total of 15% of Corporate Banking staff have already found other jobs in the Van Lanschot organisation.

> 'While our staff need to enjoy their jobs at Corporate Banking, they also need to be constantly aware of their next career move. There will still be a need for corporate bankers, albeit not here at Van Lanschot.'
> *Rob van Oostveen, Director of Corporate Banking*

Beyond the figures

The market in which I work – Benelux equities – is a tremendously crowded, noisy place. Every day, investors have to plough their way through piles and piles of marketing material and analyses. That's why it's vital to stand out from the crowd: we need to project a sense of calm and be ready to act as guides and opinion formers. It's all about making clear what we stand for.

Our research publications need to reflect our ability to think outside the box and deliver added value for our clients. Some stocks are tracked by upwards of 20 analysts, all of whom read the same press releases and attend the same press conferences. That makes it imperative to look beyond the figures in order to stand out from the herd.

Being a niche player allows us to specialise and deliver real value. Our policy is to know a lot about a small part of the market, rather than a little about a large part. It's a good way of making sure that clients don't end up regarding our services as just another commodity.

When we call one of our institutional clients, they have to know for sure that we've got something special to offer. And that we have something different and better to say than all the dozens of reports and commentaries they may already have read that day. If you can gain that sort of confidence, then you are genuinely relevant and can build long-term relationships.

It's not just our clients we take seriously – we're also keenly aware of their diary commitments. They're all very busy people with tremendously heavy responsibilities for managing big portfolios. They deserve more than an occasional prod on the phone. They're entitled to the services of a skilled guide.

Anneka Treon, Head of Benelux Equities at Merchant Banking, Securities

The people behind Van Lanschot

A traditional bank and a modern employer

There has been a major shift in our approach to human resource management at Van Lanschot. Our main assets are our expertise and our people. We need to be continually learning in order to maintain our expertise; and we need to be seen as an employer of choice in order to attract and retain good people. This is why we have adopted an attractive, state-of-the-art benefits package, devised a system for tracking our high performers and stepped up our profile at universities.

We have clear expectations of our staff: we want them to help us offer our private and institutional clients a high standard of quality and service. In turn, our staff expect us to inspire and challenge them, offer them a competitive pay and benefits package and provide them with good training facilities. The dynamics of our organisation are changing: it's not that we're becoming tougher on our staff, rather, we are adopting a more business-like approach to our relationship with them. We need to be more effective and more efficient, with fewer people handling a larger volume of work.

A modern employer

After opting out of the collective agreement for the Dutch banking industry as from 1 January 2014, we adopted a new set of terms and conditions of employment at the end of 2014. The new benefits package is the result of a series of meetings with the Works Council, in which the latter was assisted by an external adviser and a staff focus group that assessed all the various proposals. Their comments resulted in a number of adjustments to the package, the final version of which has the backing of all parties involved. All members of our staff received a personal letter in November, and 98% of them signed up to the new benefits package.

Main changes in staff pay and benefits

- One of the main changes in the benefits package is the introduction of a new salary system. In the past, staff whose pay was subject to the collective agreement were automatically awarded a series of annual increments, which meant that they had a pretty good idea of how much they would be earning in five years' time. In the new system, however, it is performance that is the touchstone for pay rises.
- In the old system, Private Banking, Asset Management and Merchant Banking all had their own variable pay arrangements. The new system works with a variable pay scheme that applies to all members of staff throughout the group, though aspects of the new policy still need fleshing out. The pay policy for identified staff, including the information on identified staff that we are required by law to publish, is available for inspection at corporate.vanlanschot.nl/remunerationpolicy and corporate.vanlanschot.nl/results.
- The standard working week has been set at 40 hours a week.
- A new pension scheme for all members of Van Lanschot staff took effect on 1 January 2015. Certain amendments were made to the pension scheme to take account of statutory changes, such as the adoption of a new pensionable age of 67. Other changes result from the transfer of risks from employer to employees. Van Lanschot will be paying a fixed contribution to the pension fund, which means it will be easier to keep the cost of the pension scheme under control.

> 'We may be a traditional bank, but we're also a modern financial services provider and hence a modern employer. We want to have more freedom to set our own terms and conditions of employment. Some 40 small and medium-sized banks were covered by the collective agreement for the banking industry, and it simply wasn't flexible enough. We now have a more modern set of terms and conditions of employment that gives managers and staff much more freedom to arrange certain things for themselves. It's a good reflection of the mature nature of the labour relationship we wish to have with our staff.'
> *Marjolijn Minnema, Director of HRM at Van Lanschot*

Learning and developing

In addition to setting great store by a top-class benefits package, we also attach huge value to personal development and personal responsibility. We offer our staff a wide range of training courses and workshops, the aim of which is twofold: to raise their levels of expertise and to forge a long-term relationship with them. We have set up a special learning platform for this purpose, offering a wide variety of courses, from online skills training to in-depth courses in technical subjects.

Private Banking has set up a special training programme to meet the demands of the Dutch Financial Supervision Act (Wft). Under the terms of the Act, all staff who advise or inform private clients are required to possess a certain specified knowledge of banking, consumer conduct and ethical standards of behaviour. Altogether, 470 of our staff are covered by this requirement. The training programme takes up a great deal of time and we do our best to give staff as much time as possible to take the necessary courses.

As well as training, we also offer a number of other staff development programmes. For the past 18 months, members of staff who have spent at least six years as part of the Corporate Finance team at Merchant Banking have been given the opportunity to spend three months working on secondment for one of their clients.

> 'Five members of our staff were seconded in 2014. The benefits work both ways: our clients are more than pleased to have outside staff joining them on a temporary basis, and our professionals are given an opportunity to see how things work on the other side of the fence. They come back to us brimming with all sorts of new ideas.'
> *Mariëtte Los, Director of HR at Kempen & Co*

Measuring performance

In 2014 we adopted a performance management tool based on the principle of keeping a digital file for every member of staff that stores all the relevant performance appraisal reports, self-evaluations and development plans.

Self-evaluations work: we want our staff to play a more active role in the appraisal process and we want appraisals to take account of both performance and conduct. We also want to find out what our staff think about their own added value before their manager gets to have his or her say about it. In 2015 we will also be making use of a peer review incorporating 360-degree feedback, the findings of which will be used to assist with employees' personal development.

High performers and succession planning

We designed a policy for further professionalising our system of talent management in 2014. Every year, we identify the high performers among our staff and work out which of them need to be given special attention to help them fully develop their potential. We then actively supervise this group. As well as enabling our high performers to benefit from coaching and supervision, we also organise regular meetings for them at which they have an opportunity to learn from each other.

To guarantee the quality of our service, we need to have a clear picture of all the key posts at the bank and we also need to know which of these can be filled by internal candidates should they fall vacant. Our aim is to appoint our high performers to such posts, so that we can offer them an exciting career horizon.

Recruitment

We reviewed our recruitment methods two years ago, when we designed a new labour market campaign and raised our profile among university students. We also reduced our dependence on external recruitment and selection agencies by creating our own databases and launching recruitment campaigns on social media. In line with the strategy adopted by Kempen & Co, we designated a number of Van Lanschot staff as 'city managers'. They have been given the task of visiting universities and attending job fairs. The result has been a rise in the quality of the job applications we receive. We are constantly on the lookout for people with a passion for banking. We received a total of over 5,900 job applications in 2014, plus 2,350 registrations for careers events held at universities (figures for the 2013-2014 academic year).

> 'We want to recruit people with a passion for the financial markets and client relations. We want people who understand what makes our clients tick and who want to find exactly the right solution for their needs. In other words, we need enthusiastic people who can help us really make a difference.'
> *Richard Bruens, Statutory Board member responsible for Private Banking*

Diversity

We believe that our clients, comprising as they do people from all sorts of different backgrounds and with all sorts of different ambitions, are best served by a workforce from a similar variety of backgrounds and with a similar range of ambitions. Our aim is to employ a diverse workforce in terms of gender balance, age, background and experience. This is not to claim that we have already struck exactly the right balance. But our aspiration is to gradually work towards this ideal balance by creating a truly inclusive corporate culture. It is equally important that our employees complement each other in terms of character and personality.

Our clients certainly do not come in 'one size fits all' and we do not want our staff to do so either. We are currently refining and implementing our diversity policy.

Bankers' Promise

The Dutch Banking Association has developed a programme called 'Banking for the Future' which consists of the following three elements: a Social Charter laying the framework for a stable, client-centred and reliable banking industry; a Banking Code, the aim of which is to strengthen governance and risk management in the banking industry; and the Bankers' Promise, an undertaking that all bank staff are required to give.

In making this affirmation, individual members of staff accept a personal responsibility for adhering to the code of conduct, which is designed to guarantee that bankers practise their profession with integrity and due care. A disciplinary scheme will be introduced so as to ensure that the Promise is much more than hollow rhetoric. We at Van Lanschot are also keen to ensure that the Bankers' Promise is no paper tiger.

The members of Van Lanschot's Statutory Board and the Management Board at Kempen & Co have already made the Bankers' Promise and we are hoping that all our staff will follow suit in the first quarter of 2015.

Staff composition

The number of FTEs employed at Van Lanschot fell by 96 to 1,712 in 2014 (2013: 1,808). The main cause of this decrease is the decline in the number of staff employed by Van Lanschot in the Netherlands, in part as the result of redundancies at Private Banking and the restructuring of our investment services.

Staff Van Lanschot NV	2014	2013
Employees (in FTEs at year-end)	1,712	1,808
Absenteeism (%)	4.0	3.2
Investments in training (x € million)	4.1	3.9

Number of staff	2014		2013	
	Number	FTEs	Number	FTEs
Van Lanschot	1,177	1,106	1,322	1,223
Van Lanschot Belgium	141	135	134	130
Van Lanschot Switzerland	23	22	24	23
Van Lanschot Curacao	–	–	4	4
Kempen & Co	471	449	453	428
Total	**1,812**	**1,712**	**1,937**	**1,808**

Absenteeism

The rate of absenteeism was higher than in the previous year, at 4.0% (2013: 3.2%). The increase was due to the many organisational changes. We have stepped up our efforts to assist members of staff who are unable to work due to illness, and to prevent absenteeism.

Corporate social responsibility

Responsible banking and responsible investment at all times

For Van Lanschot, corporate social responsibility is all about honest business practices, based on continuous dialogue with all our stakeholders.

Policy

We have created a framework for discharging our corporate social responsibility (CSR; see Box below). This breaks down CSR into four focus areas: core banking activities, good employment practices, environmental management and purchasing, and social engagement and external assessment. We have defined a number of key performance indicators (KPIs) for each of these focus areas so that we can measure and verify the results we achieve in each of them. These KPIs apply for a period of two years and were updated for the 2014-2015 period at the beginning of 2014. For more information about the framework, see our 2014 CSR report (in Dutch only).

We aim to be the best wealth manager for our clients, and to pursue responsible business practices as a matter of course. We measure the results we achieve in a number of material areas, such as the quality of our services (i.e. our core banking activities) and the people providing these services (i.e. our staff). These are the two main topics addressed in this section of our annual report. To find out more about our policies on environmental management and purchasing, and also on social engagement, see corporate.vanlanschot.nl/responsible.

Core banking activities

In line with the Banking Code, we believe that putting our clients' interests first is a precondition for our continued existence in the future. At the same time, we must remain aware of the interests of our other stakeholders. This is why our client acceptance, responsible investment and responsible lending policies take explicit account of their interests.

Responsible client acceptance policy

We have adopted a wide-ranging customer due diligence (CDD) policy, which is designed to ensure that information about clients, for example on the provenance of their assets, is examined and properly recorded. It also guarantees that Van Lanschot does not provide services to clients who are involved in financial crimes such as money laundering or the funding of terrorist activities.

CSR framework

Stakeholders and guidelines	Principles and organisation	Focus areas	KPIs		Achieved in 2014
Stakeholders • Clients • Shareholders • Staff • Government/regulators • Civil society organisations • Competitors	Principles • Banking with integrity and respect for the world around us, including future generations • Pursuing an active dialogue with stakeholders; factoring their interests into everything we do • Transparency about goals and activities	1. Core banking activities • Client acceptance policy • Investment policy • Lending policy	• Client loyalty score higher than last year • Rise in assets under screening (as % of AuM) – Private Banking – Asset Management • Corporate lending: greater transparency about results of engagement	KPI 1 KPI 2 KPI 3 KPI 4	◑ ● ● ●
External guidelines • UN Global Compact (GC) • Principles for Responsible Investment (PRI) • International Labour Organisation conventions (ILO) • Corporate Governance Code • Banking Code • Global Reporting Initiative (GRI) • OECD Guidelines • CDP (previously known as Carbon Disclosure Project) • Universal Declaration of Human Rights • Wolfsberg Anti-Money Laundering Principles	Organisation • Statutory Board • Supervisory Board • Ethical Council • ESG Council and Engagement Working Group • Lending Policy Risk Committee • Van Lanschot Green Team • Kempen Sustainability Team • CSR department	2. Good employment practices • Training • Talent development • Employability • Diversity	• Greater degree of staff engagement	KPI 5	◑
		3. Environmental management and purchasing • Reducing carbon emissions • Purchasing policy	• For 2011-2020: achieving an average 2% per annum reduction in carbon emissions per FTE	KPI 6	◑
		4. Social engagement and external assessment • Sponsorship and donations • Stakeholder dialogue • Transparency	• Transparency benchmark: retaining top 20 ranking • Sustainalytics: retaining top 10 ranking	KPI 7 KPI 8	● ◑

● KPI fully achieved ◕ KPI largely achieved ◑ KPI stable, partially achieved ◔ KPI achieved to a small extent ○ KPI not achieved

Responsible investment policy

In 2014, we continued to pursue the engagement strategy that has formed the basis of our responsible investment policy since 2009. This involves challenging (i.e. engaging with) any companies and fund managers who contravene any of certain specified conventions and treaties. If no or insufficient remedial action is taken, we may then decide to exclude the company or fund manager in question and hence to dispose of any investments we may have made in the company or fund.

> 'We do not want our Responsible Investment department to be housed in a far-flung corner of our premises. We want all our products and services to be designed to satisfy environmental, social and governance (ESG) criteria. All our investments must be responsible; there is simply no other option. We are serious about our social responsibility. Moreover, today's ESG factors can easily turn into tomorrow's headaches. That's why they need to be incorporated as part and parcel of all our risk assessments.'
> *Paul Gerla, Chairman of the Management Board of Kempen & Co and Chairman of the Kempen Capital Management Board*

We have steadily sharpened the focus of our engagement strategy over the past few years. Ongoing engagement procedures have been drawn up for seven sustainability categories: palm oil, controversial working conditions, child labour in the cocoa industry, issues affecting the oil, gas and mining industry, controversial dam construction projects, corruption, and nuclear weapons. We have compiled a background report on each category that is available to both clients and staff. In order to meet the demand for greater transparency, we have made a record of all engagements in the form of concise fact sheets for clients and staff. These fact sheets contain background information on the case in question, the results achieved to date and the future aims of engagement.

Responsible investment policy

By signing the Principles for Responsible Investment and the UN Global Compact, Van Lanschot opted to define its investment policy on the basis of these generally accepted standards. With the aid of a specialist, independent consultancy firm, we have translated these standards into over 60 criteria for screening investments in relation to a wide range of fields: human rights, employment rights, environmental protection, anti-corruption, arms, animal welfare and nuclear energy. Every quarter, the consultancy firm assesses our investments on the basis of these criteria. If a company or investment fund is found not to meet one or more of these criteria, we engage with them and try to bring about improvements. If the company or fund manager refuses to cooperate, we dispose of the investment.

Engagement and exclusions

In 2014 the engagement procedure was applied to 30 companies divided over 13 fund managers (2013: 29 companies divided over 11 fund managers). The number of companies excluded rose from 24 to 25. The company added to the list of excluded companies, Motovilikha Plants JSC, is involved in the production of cluster munitions.

High priority for palm oil and climate change

After our institutional and other clients had indicated at the end of 2013 that they regarded engagements directed at the adverse effects of palm-oil production as being a matter of urgency, we prioritised this issue in 2014. For example, in our capacity as a member of the Sustainable Palm Oil Investor Working Group (IWG, a group of financial institutions and asset managers that uses engagement to foster a sustainable palm oil industry), we challenged a number of companies in the industry to make further improvements to their operations. We then organised a round-table meeting for companies, experts and institutional clients in November 2014. A number of concrete results of engagement were discussed at this meeting, which also examined the role that the financial sector might be able to play in 'greening' the palm oil industry.

Climate change was another big issue last year. In July 2014, we joined the Carbon Disclosure Project (CDP), a not-for-profit organisation that collects and harmonises environmental data for investors, particularly institutional investors. Later on in the year, the CDP assessed our environmental and climate policy, ranking us among a group of companies in the Benelux countries that do more than most to halt the process of climate change.

In September, a large group of institutional investors (including Kempen Capital Management) signed the 2014 Global Investor Statement on Climate Change, which forms part of the Principles for Responsible Investment (PRI). This is intended to signal that the financial sector is capable of playing a key role in mitigating the effects of climate change.

We also took part in the Environmental Risk Integration in Sovereign Credit Analysis (E-RISC) project of the United Nations Environment Programme Finance Initiative (UNEP FI) in 2014. The immediate aim of E-RISC is to assess how the damage caused to ecosystems and the continuing process of climate change can affect the creditworthiness of sovereign states. The ultimate aim is to translate developments of this nature into indicators for country risk models. The results of the project should be of particular interest to those investing in fixed-income securities, i.e. government bonds.

The Kempen (Lux) Sustainable European Small-cap Fund again scored well in the climate survey conducted by Trucost, a research agency. Trucost announced at the beginning of 2015 that the fund was 62% less carbon-intensive than its MSCI benchmark. This was the fifth year in succession that the fund had been given such a good score.

Further integration of responsible investment policy

We also made efforts in 2014 to further integrate our responsible investment policy into our standard investment process, for instance by appointing a new external consultant and data provider. We terminated our research contract with GES Investment Service at the end of 2014 and appointed MSCI ESG as our new external consultant and data provider at the beginning of 2015. MSCI ESG's research is more closely compatible with the working methods used by portfolio managers, making it easier to integrate. As a result, the new Kempen (Lux) Global Small-cap Fund was immediately able to incorporate key ESG data into its investment policy. Our own property funds have now also fully incorporated a number of governance indicators in their investment processes. We will be pressing ahead with the integration of ESG factors in 2015.

Assets under screening

The percentage of our assets under management that are subject to sustainability screening rose to 72% in 2014, mainly because all government bonds were added to the screening process. We remain committed to achieving a further rise in the percentage of assets under screening in the years ahead. In addition to active equity investment funds, property funds, individual government bonds and a number of credit funds, several passive investment funds and the matching portfolio were also subject to screening in 2014.

Assessments in external benchmarks in 2014

- Belgian consultancy Forum Ethibel again awarded a Forum Ethibel certificate to Van Lanschot in 2014, attesting to the fact that we invest the financial resources entrusted to us in a responsible manner.
- Sustainalytics (a research agency) ranked Van Lanschot among the top 15 of 220 banks and as the leading member of our peer group of medium-sized banks.
- We rose from 17th to 11th place last year in the Transparency Benchmark, a league table of almost 500 companies published by the Dutch Ministry of Economic Affairs. We are now the highest-ranking bank.
- For many years now, we have enjoyed a high ranking in the Fair Bank Guide, a survey published by an NGO that assesses the sustainability of Dutch banks.
- CDP, an international not-for-profit organisation that collects and harmonises environmental data from all over the world, ranked our climate policy (in terms of measuring, reducing and offsetting carbon emissions) as just below top grade, awarding us a score of 84 B.

Sustainable investment funds for private investors

Two sustainable investment funds launched in 2013 for foundations, associations and congregations were opened up to private investors in 2014. Both of these – the Kempen Global Sustainable Equity Fund and the Kempen Euro Sustainable Credit Fund – exclude companies working in areas such as nuclear energy, tobacco production, the fur trade and alcoholic beverages. They also exclude companies with which our Asset Management department has already started an engagement procedure as part of our responsible investment strategy. Thanks to the presence of these funds and our long-time Kempen Sustainable Small-cap Fund, private investors now have an opportunity to make sustainable investments in three main asset classes: European small- and midcaps, European corporate bonds and global large caps.

The table below gives an overview of the assets under screening. Both KPI 2 and the KPI 3 indicators referred to earlier were achieved as a result of the rise.

Responsible lending policy

Since the inception of our responsible lending policy in 2011, both existing and new corporate loans have been reviewed to ascertain whether these borrowers are in any way involved in violations of human rights, employment rights and environmental law, or in corruption, controversial arms deals, the fur trade, gaming, pornography, animal testing or nuclear energy. If a borrower does not comply or does not comply fully with the criteria, we pursue a strategy of constructive engagement with them in an attempt to bring about an improvement.

Internally, we have implemented this policy by adopting what is known as a CSR loan filter. This flags up a borrower with any involvement as outlined above as a potentially high-risk borrower on whom the CSR department is then automatically requested to advise. A relatively small number of cases (six) were submitted to the CSR department in 2014. This was due mainly to the winding down of the corporate loan portfolio and also to the fact that we have now screened the bulk of the portfolio.

Assets under screening	31/12/2014		31/12/2013	
	Assets under management (x € billion)	Assets under screening (%)	Assets under management (x € billion)	Assets under screening (%)
Private Banking	19.4	71	18.8*	60
Asset Management	27.5	73	24.4	71
Total	**46.9**	**72**	**43.2***	**66**

* Reduced following a redefinition.

A total of 138 potentially high-risk loans have been submitted to the CSR department since we launched our responsible lending policy (2013: 132). Of these, 72 were still outstanding at the end of 2014. As far as the remaining 66 loans are concerned, these have either been reclassified as low-risk or the loan contract in question has been terminated. As in the previous year, the screening of our corporate loan portfolio did not produce any surprises in 2014.

Stakeholder dialogue in 2014

As in previous years, the dialogue with our stakeholders was one of the main drivers behind the further development of our CSR policy. During meetings we organised with clients on CSR-related issues, we asked them for their views on our CSR policy. We also pursued numerous dialogues with other stakeholders, including civil society organisations, shareholders, staff and other banks.

The meeting we organised in December 2014 is a good example of how this stakeholder dialogue works in practice. During this meeting, clients, shareholders, staff, external specialists, NGOs and representatives of other banks discussed the role we might be able to play in relation to impact investing (see Box below). Those in attendance felt that there was clearly a role for us and said that we should take our lead from the wishes of our clients.

There was less agreement, however, on what impact investing would actually involve in practice. Some said that we could act as a broker (directing clients to third-party products), while others thought that we should launch our own impact fund.

Ashoka

In 2014 we teamed up with Ashoka, the world's oldest and largest not-for-profit networking organisation for social entrepreneurs. Both Van Lanschot and Ashoka have close connections with high net-worth individuals, company directors and owners of family businesses. These are among our main target groups, while for Ashoka they are valuable networking partners who are willing to make active contributions to the success of committed social entrepreneurs. There are many definitions of social entrepreneurship, but there is one aspect that is common to all of them: the generation of a 'social profit'. By translating a social problem into a business case, a social entrepreneur is able to come up with a lasting solution that is capable of bringing about a system change.

We are planning to foster social enterprise in various ways:

- We will be supervising the first Dutch Ashoka Fellow – a social entrepreneur specially selected by Ashoka, who will also be receiving a grant from us.
- We will be helping other Fellows from both the Netherlands and abroad to expand their businesses and will be making use of both our staff's and our clients' skills in doing so.
- We will also be carrying out a study to identify which financing instruments are best suited for giving social entrepreneurs easier access to capital, making full use of our expertise in private banking, asset management and merchant banking.
- Finally, awareness-raising is key to further promoting social enterprise in the Netherlands, and we will be organising networking meetings, theme-based brainstorming sessions and workshops to this end.

Impact investing

Impact investing means investing in companies, organisations and funds with the intention of generating a positive social and/or environmental impact alongside a financial return. Many impact investors hope that their investments will produce immediate benefits in terms of helping to solve major social problems, such as securing a sustainable food supply, affordable housing, accessible and affordable healthcare, and clean technology.

Impact investing is not a synonym for responsible investment. It is concerned primarily with making a positive contribution to society, whereas responsible investment is generally designed to prevent certain adverse social impacts. Moreover, most impact investment funds have a relatively long investment horizon (of five to seven years), are less liquid than conventional (responsible) investment funds and for this reason have a higher risk profile. Another big difference with responsible investment is that impact investment funds are very interested in measuring their social impact as well as their financial return.

The meeting also addressed the potential risks associated with impact investing. The general advice was to 'take enough time', but there were also warnings that impact investing can be successful only if it is part of a company's strategy and that it is difficult to measure the actual impact.

We will be using the outcome of this meeting as input for the decision we will be taking in 2015 as to whether to adopt impact investing and, if so, in what form.

To find out more about our stakeholder dialogue, see our CSR report for 2014 at corporate.vanlanschot.nl/external-assessment (in Dutch only).

Well-informed decisions

2014 was an eventful year with vast numbers of capital market transactions all over the world, as well as IPOs and bond issues. With interest rates dipping lower and lower, property companies remained in the doldrums, held back by a slump in the real economy and lower consumer spending.

Conditions are improving only very slowly and, given that the property market is a late cyclical sector, full recovery is not just round the corner. The main contributors to our profits last year were low interest rates and capital market yields.

Apart from investing in listed property stocks, our institutional clients also invest in private companies and own properties themselves. This has two major implications. Firstly, we advise our clients on a wide range of property-related issues. And secondly, we pick up all sorts of news from them, for example on the latest developments in the UK office market. It really is a two-way street, based on the partnership principle that forms the cornerstone of our strategy.

We believe in active investment and in pursuing a niche strategy to stand out from the competition. My team works with property specialists rather than generalists. In our quest to outperform our competitors we take a bottom-up approach to the market. This means studying facts and figures in great detail and taking a close interest in the quality of property portfolios as well as the way in which property companies are managed and governed.

We have plenty of time in which to take well-informed decisions. This applies particularly to the Kempen Global Property Fund that we launched in October. This new fund operates by combining big data obtained from data suppliers with our own models and the knowledge and experience of our own team, rather than by simply analysing local property investments with the aid of traditional brokers' networks. This is an area in which we have a real edge.

Matthijs Storm, Head of Property Investment at Asset Management

Risk, liquidity and capital management

Key risk themes for Van Lanschot

1. Interest rates have fallen to historically low levels, intensifying pressure on interest income and increasing our relative sensitivity to specific interest rate scenarios. This has made it more of a challenge to identify and apply the optimum risk-return ratio for our investment portfolio.

Actions: Heightened attention to duration management and to influencing the scale and growth of the liquidity buffer, e.g. through a carefully considered interest policy for savings and deposits.

2. The tentative economic recovery continued in 2014, as reflected in the pattern of credit risk. Overall, there was evidence of stabilisation to slight recovery, although this did not apply to property loans. We expect vacancy rates to rise further – in line with the development of the property market – and loan loss provisions to remain high.

Actions: Further winding down of the corporate loan portfolio, including property loans, and maximum focus on credit management.

3. The banking sector still has to contend with the large-scale development of new legislation and regulations and with changing supervision, all of which is having an ongoing impact on our strategic agenda.

The Single Supervisory Mechanism means there will be greater emphasis as from 2015 on data-centric supervision, and new requirements will also come into force for minimum required eligible liabilities (MREL) and total loss-absorption capacity (TLAC). Ongoing compliance with all these requirements will be challenging and expensive for medium-sized banks such as ours.

Actions: Themes will be addressed on a project basis, with expertise hired in where relevant. The internal regulation team at Financial Risk Management will be further strengthened, and a portal will be set up to allow central monitoring of and access to the relevant regulations.

4. An effective and reliable IT infrastructure is crucial to every bank's service provision and operational processes. Clients expect optimum online service, and so Van Lanschot is investing heavily in applications and the underlying IT infrastructure. Evolving payment systems and the threat of cybercrime also call for ongoing investment. Stakeholders such as regulators, rating agencies and accountants, meanwhile, require steadily increasing amounts of data. It is important that we continue to deliver in these areas at an acceptable cost level.

Actions: Ongoing simplification of the IT landscape. Use of proven technology and applications, and of standard solutions wherever possible.

Risk management

We have traditionally sought to achieve a solid profile, expressed by transparent risk levels allied with a robust liquidity and capital position. Our risks are set out in more detail in the following sections. A more detailed description can be found in the financial statements, where these risks are also quantified, wherever possible, in terms of their impact on Van Lanschot (see section on risk management from page 82).

Risk appetite

Every year, we evaluate our risk appetite, which is then communicated in a risk appetite statement containing both qualitative and quantitative elements. The statement is prepared by the Statutory Board and is subject to the Supervisory Board's approval. Progress reports are shared with the Risk Committee each quarter. We have further refined our risk appetite in response to our strategic review in 2013. Account is taken of the bank's own risk-bearing capital (the extent to which the consequences of the risks can be absorbed).

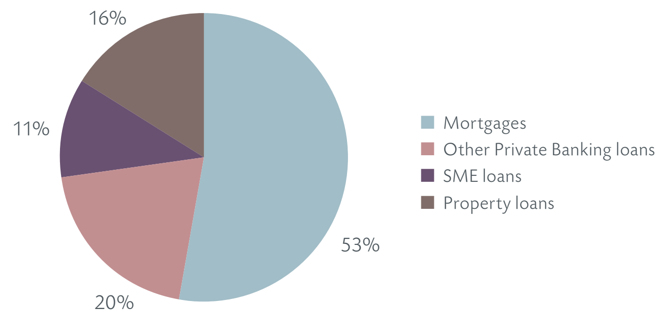
Every year, we update the key limits as identified in our risk appetite statement. The bank's risk appetite is based on the following key principles:

- We only assume risks that can be understood and explained.
- We only assume risks that will help us – either directly or indirectly – achieve our strategic objectives.
- Total exposure may not exceed the amount of risk-bearing capital.
- We consider the interests of all our stakeholders when assuming risks.
- We seek to maintain a minimum single-A credit rating.
- Risk appetite must be considered whenever important decisions are taken at any level in the organisation.
- We always operate within the legal and regulatory frameworks.
- We do not assume any risks that could seriously harm our reputation.

Credit risk

Credit risk is one of the most significant to which a bank is exposed. Our loan portfolio is worth €11.0 billion, roughly half of which consists of mortgage loans, primarily to high net-worth individuals.

Loan portfolio in 2014 (100% = €11.0 billion)



The corporate loan portfolio, made up of SME and property loans, is being wound down in a careful and coordinated manner, with improved profitability and client focus as key principles. Winding down this portfolio will structurally lower the risk profile.

The loan portfolio and credit risk are concentrated in the Netherlands (95%). Lending in Belgium and Switzerland and at Kempen & Co is limited, and has a low risk profile.

We have a transparent loan portfolio with manageable risks, although it is not, of course, impervious to general economic conditions. The year under review was one of stabilisation and slight recovery, following several years of economic contraction. There were signs of tentative growth in the Dutch economy: house prices rose slightly and employment likewise showed some improvement through to Van Lanschot's loan portfolio. These effects fed through to Van Lanschot's loan portfolio with a slight lag. Credit quality stabilised for mortgages, other private loans and SME credit, and loan losses were down on 2013. However, the portfolio of property loans remained under pressure for several property types, reflecting developments in the market. We track economic developments closely and pursue a cautious credit risk policy.

The risk of concentration in the overall loan portfolio is relatively limited, and eased further in 2014. Our ten largest counterparties accounted for a total loan volume of €367 million at year-end 2014 (year-end 2013: €487 million). Approximately 85.2% of all borrowers held loans of less than €10 million at year-end 2014 (year-end 2013: 85.0%). Our policy is actively to reduce the highest limits in order to contain the concentration risk – and its impact on Van Lanschot's result – to the maximum possible extent. Tighter acceptance criteria for new loans and disciplined credit management for existing clients ensure the quality of the loan portfolio.

An asset quality review (AQR) of Corporate Banking's portfolio of SME credit and property loans was carried out in late 2013 and early 2014, partly by CBRE and in consultation with De Nederlandsche Bank (DNB). The review confirmed that there are no grounds for increasing provisions on these loans. The capital related to this part of the loan portfolio is more than enough, moreover, to meet the relevant macroeconomic stress scenarios in the next five years.

Mortgages

Roughly half of Van Lanschot's loan portfolio consists of mortgages, primarily to high net-worth individuals. Our portfolio differs from that of other Dutch mortgage lenders, for instance, in that the average loan of approximately €440,000 is considerably higher. This makes our portfolio somewhat more sensitive than those of other lenders to a fall in underlying house prices. The portfolio's weighted average loan-to-value (LTV) ratio stabilised in 2014, and stood at 80% at year-end (year-end 2013: 81%). This reflected the fact that overall house prices ceased to fall, while low interest rates on savings and tax measures encouraged clients to increase their mortgage repayments. We are pursuing a growth strategy for mortgages in 2015, primarily for clients with particular income or wealth circumstances.

We monitor and manage mortgage credit risk using advanced internal ratings-based (A-IRB) models, which allow loan losses to be accurately predicted. The models have been approved by DNB and are independently validated at regular intervals.

In 2015 Van Lanschot is taking part in the mortgage AQR being carried out by DNB among small and medium-sized banks.

Other Private Banking loans

This part of the loan portfolio consists of loans to high net-worth individuals, in the shape of funding for a second home, for instance, or of overdraft facilities. Commercial activities that fit into Private Banking's relationship model, such as funding investments for family businesses, business professionals and executives, and healthcare professionals, also belong to this category. The size of the average loan is approximately €433,000.

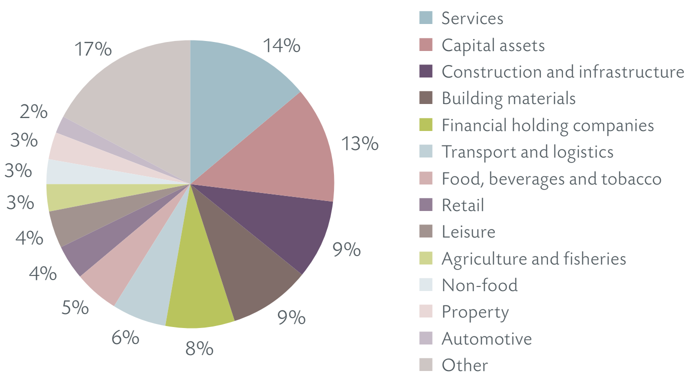
We have switched to the A-IRB method for the part of this portfolio made up of loans up to €2 million, which has had the effect of reducing the capital requirement by several tens of millions. We calculate the risk-weighted assets for the remainder of the other private loans based on the foundation internal ratings-based (F-IRB) model.

SME credit

The SME credit portfolio was wound down further in 2014, in line with our strategy. This was primarily achieved through refunding by other banks or via factoring and leasing constructions, and was implemented across all risk categories.

A limited decline in credit quality in the SME credit portfolio reflected a fall in the quality of existing loans, rather than a swifter winding down of better quality loans. SME credit is well diversified, with no dominant sector.

Corporate Banking – SME credit
(100% = €1.3 billion)



We use the F-IRB method to monitor credit risk in the SME portfolio, which means that we have our own advanced model for calculating probability of default (PD), while the loss given default (LGD) is prescribed by the regulator. Van Lanschot believes this to be sufficiently conservative under current market conditions.

Property loans

The development of the Dutch property market presented a mixed picture. The residential and office segments have recovered at prime locations, but not yet at other sites.

> 'The Dutch property market is unsettled and in flux, with a rising number of deals but also marked polarisation. We're seeing some good deals for residential rental complexes and office spaces at prime locations, where price levels are holding up extremely well. At the same time, however, there is a clear deterioration in utilisation rates at less attractively located office and retail properties.'
> *Désirée Theyse, Director of Corporate Banking Real Estate*

Our property loan portfolio was wound down further in 2014, in line with Van Lanschot's strategy. The portfolio is well diversified: business premises (40%), offices (29%), residential (17%) and retail property (13%). Property development accounts for a very limited share of property loans.

CBRE reviewed Corporate Banking's property loan portfolio as part of the AQR, commenting as follows: *'When compared to what CBRE considers to be a regular Dutch property lender portfolio, VLB's collateral compares favourably due to a lower representation in offices, relatively more residential property and smaller higher quality (and thus more liquid) properties.'*

Many of our property loans are partly based on the quality of the borrower, rather than exclusively on the underlying property. The debt service coverage ratio (DSCR) is calculated so that we can determine the extent to which a client will be able to make interest and principal payments from the rental income generated by the commercial property. At year-end 2014, 62% of property loans (year-end 2013: 66%) generated a rental income sufficient to cover interest and principal payments, i.e. had a DSCR of over 1. Clients with a DSCR of less than 1 often have other income they can use to service their loan obligations.

Any increase in risk within our loan portfolio is detected early and appropriate measures are taken. The level of loan loss provisions remained reasonably stable in 2014, with new additions down on 2013.

The capital required to cover the credit risk on property loans was calculated mainly according to the F-IRB method.

Impaired loans

Impaired loans are loans for which a provision has been taken. At year-end 2014, impaired loans accounted for 5.8% of the loan portfolio (year-end 2013: 4.8%). A provision equal to 49% of these loans was taken (2013: 54%). As a result, specific provisions amounted to €314 million (€324 million including those incurred but not reported). The €76.0 million added to provisions in 2014 was less than in 2013 (€102.4 million). Loans in the corporate loan portfolio were the key reasons for these provisions.

Additions to provisions can be significantly distorted by a few large individual loans, and so they should not be taken as representative of overall portfolio development. The ten largest provisions accounted for 38% of the total (year-end 2013: 36%). (See the financial statements' risk management section on page 91.)

> 'If we look at the absolute level of provisions, what we see is a healthy development and a clear fall compared to last year. The Recovery Section's non-performing loan book seems to have bottomed out, in line with the tentative economic recovery. These businesses are, however, late-cyclical: they really do need time to pick themselves up again.'
> *Gerard Boekhoven, Director of the Recovery Section*

Interest rate risk

We pursue a cautious interest rate policy and use a variety of methods to measure and manage interest rate risk. The latter is considered from an earnings perspective, which means examining the impact of interest rate movements on Van Lanschot's interest income over a one-year period. We use interest rate simulations for this purpose.

Interest rate risk is also examined from an economic value perspective, which provides an insight into movements in the market value of all assets, liabilities and equity in response to interest rate fluctuations. We use several tools to this end, including gap and duration analyses. The duration of equity measures how sensitive the value of equity is to interest rate movements.

2014 was marked by historically low interest rates, which created additional challenges for banks in terms of interest income and interest rate risk. Short-term interest rates are currently around zero, and both DNB and the European central Bank (ECB) have set negative deposit rates. These developments make it harder to pursue an optimum risk-return ratio. Our Asset & Liability Committee (ALCO) has actively managed the duration of equity through measures such as movements in the investment portfolio and interest rate swaps. The duration fluctuated within a range of two to five years in 2014, in line with the bank's risk appetite. The duration of equity was three years at year-end 2014 (year-end 2013: four years).

Dynamic simulation is used to calculate the net interest income for a period of one to two years, taking account of the expected development of the balance sheet and a yield curve forecast. We use this simulation to determine the impact of different scenarios on interest income. The maximum losses in these scenarios were relatively stable in 2014 and remained within the set limits.

Market risk

Van Lanschot is exposed to a limited degree of market risk through its clients' activities. The bank has no market risk exposure through trading on its own account. At Merchant Banking, for instance, we perform equity and structured product transactions for clients and we ensure liquidity, which can result in temporary trading positions. The same applies at Private Banking and Corporate Banking with regard to transactions in interest-related products and foreign exchange: temporary positions can arise for Van Lanschot while facilitating clients. We invest in our own investment funds to support Asset Management, with the aim of aligning our interests with those of our clients. Monitoring by Risk Management occurs on a daily or weekly basis, depending on the type of market risk.

Operational risk

Operational risks arise from inadequacies or shortcomings in internal processes, people and systems or from external events. We have instituted a number of processes to identify threats with associated risks that have the potential to cause detrimental incidents. Van Lanschot has a bank-wide risk control framework in place to manage these risks, allowing us to test the effectiveness of key control measures on a regular basis.

Information is also collected on any incidents that arise, so that key processes can be improved. Given the high level of automation and how heavily the bank depends on it, Van Lanschot's operational risk management framework prioritises information security and business continuity.

Developments in IT

Van Lanschot is currently undergoing a large-scale transformation into a specialist wealth manager. As part of this, we are simplifying our products and processes to help achieve an effective organisation, an efficient IT infastructure and a streamlined back office. IT is helping to get our operational processes and our risks where we want them to be.
We have set ourselves the following IT goals:

- Enhancement of our online offering to our clients through new services and interaction
- Ongoing digitisation and automation of working processes
- Migration to fewer and cheaper IT platforms and applications

We are completing this transformation step by step. The plan provides for clearly defined, short-term deliverables, rather than a 'big bang'. Departments that will be using the relevant IT solutions are closely involved with every change. We use proven technology and applications, and standard solutions wherever possible. Van Lanschot prefers suppliers who operate like partners. The transformation means a temporary rise in change-related costs, but lower running costs in the longer term.

Controlling the risks associated with information technology is increasingly important. There is a growing dependency on IT systems – due to the rise of online services, for instance – and we are also witnessing higher levels of cybercrime across the sector. Our Information Risk Management & Business Continuity Management department plays an active role in identifying, reporting and monitoring risks, with the aim of mitigating them.

The management teams at individual departments and units are responsible for managing specific operational risks in accordance with the three lines of defence model, as the risks can vary substantially and need to be managed as close to the source as possible. Our Operational Risk Management department is involved actively and independently in identifying, measuring, monitoring and controlling operational risks, and in reporting on this to senior management. Operational Risk Management at Van Lanschot is configured in line with the Basel II Standardised Approach, and we have also defined an operational risk appetite, which is actively managed. Van Lanschot uses insurance to cover certain operational risks.

Compliance risk

An effective compliance structure for our core activities has become increasingly important in recent years. The steadily growing scale and complexity of legislation and regulations create a need for clear processes and procedures, and for the necessary awareness and discipline on the part of our employees. Wherever potential compliance issues exist, we scrutinise them and take whatever steps are needed. Extra attention was paid in 2014 to raising awareness of how to handle confidential information and what procedures are in place for that purpose.

The product offering was simplified in 2014 as part of the strategy implementation, and the Personal Banking/*Evi*, Private Banking and Private Office service models were rolled out further. At the same time, we carried out various organisational changes. Careful attention was paid during implementation to the compliance aspects of these changes, and we also simplified a number of operational processes, with a particular focus on the efficient configuration of compliance processes.

Areas of attention in 2014 included adjustments to the client due diligence policy and compliance aspects of investment and mortgage advice.

We have invested in a system that will enable us to keep even better track of the national and international legislation and regulations to which we are subject. Incorporating the legal and regulatory requirements in processes and procedures, wherever possible, and setting up a key controls framework will improve reporting on Van Lanschot's compliance with legislation and regulations.

Liquidity management

Policy and developments

We pursue a conservative liquidity policy and aim to achieve solid liquidity buffers. The most noteworthy feature of 2014 was the steady growth of our liquidity buffer and the inflow of savings, partly via *Evi*, our online savings and investment proposition. We attracted €200 million in additional long-term funding in the first quarter of 2014, in the shape of a five-year unsecured bond loan. Given the challenging interest rate environment, we critically examined the optimum risk-return ratio within the investment portfolio that forms part of our liquidity buffer.

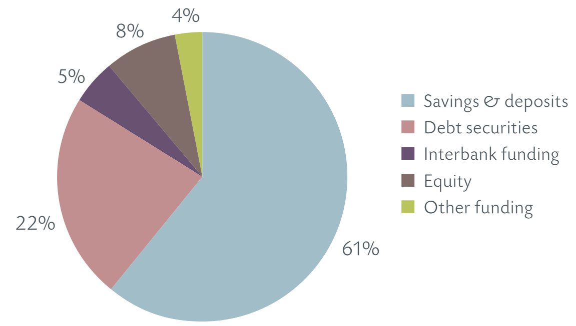
The procedures, processes and reporting associated with liquidity management are combined in the internal liquidity adequacy assessment process (ILAAP), which is assessed by the regulator annually. We continued to build on this framework in 2014, tightening the limits where necessary. The Financial Risk Management department reports on a daily basis, independently of Treasury, on the liquidity position and movements arising from operating activities. The 18-month liquidity forecast was further refined in 2014 and forms an integrated part of the management information base. Liquidity stress tests were supplemented by the minimum required survival periods, and are discussed by ALCO every month. This showed that Van Lanschot is structurally capable of absorbing acute stress scenarios.

Funding

We aim to achieve a balanced funding mix, with adequate diversification in terms of sources, products and maturities.

The launch of *Evi* also led to an increase in the share of our funding mix accounted for by savings covered by the deposit guarantee scheme. The funding ratio at year-end 2014 was 96.1% (year-end 2013: 82.1%). This means that the majority of the loan portfolio is funded by client savings and deposits. In view of rising cash levels, we are pursuing a carefully considered interest policy, based on client type.

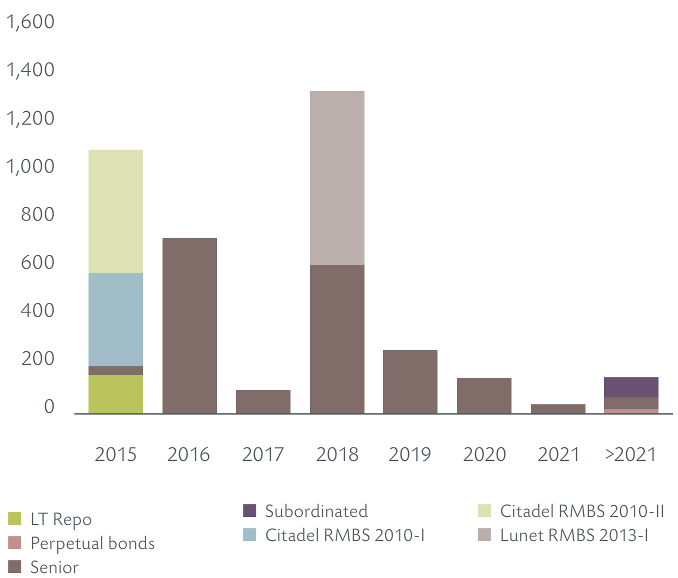
2014 funding mix
(100% = €17.3 billion)



Van Lanschot's activities in the capital market were limited in 2014 compared to previous years, and consisted of raising €200 million in the form of a five-year unsecured bond loan. We also participated to the amount of €350 million in one of the targeted long-term funding operations (TLTROs) initiated by the ECB. This was not strictly necessary, given our strong funding profile, but we took the commercial decision that we could invest this profitably for our shareholders. We will continue our strategy with covered and uncovered capital market funding.

The redemption profile for wholesale funding in the years ahead is as follows.

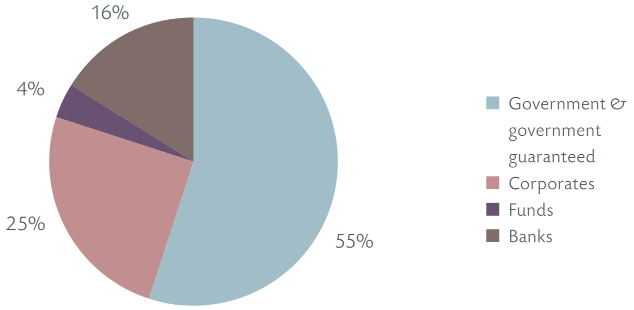
Redemption profile (x € million)



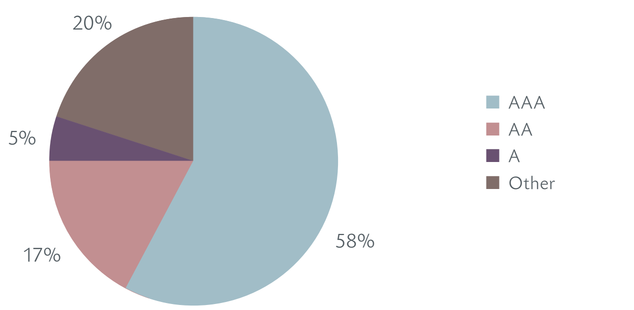
Investment portfolio

The investment portfolio is maintained primarily for liquidity purposes within the framework of asset and liability management, and so consists chiefly of liquid, low-risk instruments. Our investment portfolio grew to €3.8 billion by year-end 2014 from €2.0 billion at year-end 2013, benefiting both from the winding down of the corporate loan portfolio and from the inflow of savings. Belgian and Dutch government bonds were added, as were bonds issued by the European Investment Bank, bonds of Western European financial institutions and asset-backed securities.

Investment and trading portfolio by counterparty as at 31/12/2014 (100% = €3.8 billion)



Investment and trading portfolio by rating as at 31/12/2014 (100% = €3.8 billion)



Van Lanschot initiated a held-to-maturity portfolio in 2014 as part of the implementation of its investment strategy. The Common Equity Tier I ratio is not sensitive to the development of this portfolio's market value. The held-to-maturity portfolio stood at €0.5 billion at year-end 2014, and comprises Belgian government bonds and bonds of financial institutions listed in Western Europe.

Basel III liquidity ratios

Although the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are formally still in the monitoring phase, both ratios have been firmly embedded in our liquidity risk management. Legal requirements regarding the LCR come into force on 1 October 2015. The LCR is an important reference point for our investment portfolio, and the NSFR has been incorporated into our balance sheet strategy and management.

The Basel Committee recently adjusted the way the NSFR is determined, and we have processed these changes in our NSFR calculations. We target a level of at least 100% for both ratios and have a number of measures available for adjustment purposes. The LCR stood at 120.3% at year-end 2014 (year-end 2013: 144.3%), while the NSFR was 113.7% (year-end 2013: 102.1%).

Capital management

Our solvency position strengthened again in 2014. The Common Equity Tier I ratio (phase-in, including retained earnings for 2014) amounted to 13.6% at year-end 2014 (year-end 2013: 12.1%). The same ratio on a fully loaded basis was 12.4% (year-end 2013: 9.4%). The total capital ratio stood at 14.3% (year-end 2013: 13.0%). The main reasons for this growth were the scaling down of risk-weighted assets (RWA), model optimisation, and the addition of realised gains to the reserves. The active scaling down of RWA is part of the wind-down strategy for Corporate Banking and is structural in character. Model optimisation reflects our relatively late switch to the IRB method (2012) and relates primarily to the improvement of data quality and refinement of assumptions. Regulatory capital did not grow on balance in 2014: retained earnings were offset by, amongst other things, the effects of Basel III and the revision of the pension scheme. Van Lanschot is firmly on track to achieve its strategic goal of a Common Equity Tier I ratio (phase-in) of at least 15% in 2017.

The leverage ratio stood at 4.9% at year-end 2014 (year-end 2013: 4.6%), which is very high compared to other Dutch banks. The minimum leverage ratio required under Basel III is 3%, but it is not yet clear what the requirement will be for banks in the Netherlands. Our leverage ratio is substantially higher than the minimum, even if the requirement for Dutch banks were set at 4%.

We pursue a solid capital position and are also critically examining the composition of our capital position and funding mix. To this end, we closely track the latest market developments and new regulations. The stricter requirements imposed since the crisis to avoid bank bail-outs are a good example. Bail-outs in which taxpayers foot the bill for rescuing a bank, as occurred numerous times during the crisis years, are socially undesirable. Bail-ins are the opposite: by requiring banks to increase the capital needed to absorb losses, any such losses are borne by investors and not taxpayers. Van Lanschot scrupulously follows these rules, which are known in professional circles by the abbreviations MREL and TLAC. In its capital and funding plans, we already take account of developments in the market and (potential) new regulations. A good balance between capital composition and funding mix on the one hand and return on equity on the other is essential.

Ambitious and realistic

I've been with Asset Management for two years now. I'm responsible for responsible – or ethical – investments and the application of environmental, social and governance (ESG) criteria to investment decisions. Our aim is to invest our clients' capital in a responsible manner.

This is important, not just because our clients want us to invest responsibly, but also because we want to give back to the community. Moreover, any controversial investments can easily result in a bad press and reputational damage. As a further consideration, we know from research that companies pursuing ethical business practices perform better in the long term, for example because they face fewer legal proceedings and out-of-court settlements.

While we are firm believers in the principle of responsible investment, we remain realistic about it. We don't pretend that we can change the world on our own, but we do feel that we have a contribution to make. We don't take the moral high ground on ethical investment. It's a fully integrated part of our investment process and we regard it as being simply a normal part of our work.

All our investments meet our responsible investment criteria. We also offer our clients the option of going one step further, in the shape of sustainable investment. This means ruling out any investments in companies active in fields such as nuclear energy, tobacco production, the fur trade and the production and sale of alcoholic beverages. This investment category is particularly relevant for foundations and associations, for example.

Setting an investment horizon is part and parcel of our policy of focusing on the long term and helping clients to build capital. Both financial and non-financial aspects play a role in measuring investment returns. Even if we make a successful investment in a mining company today, the same company may nonetheless cause damage to the environment tomorrow, and thus be compelled to make substantial provisions for improving its waste-processing activities and paying fines. As an asset manager that focuses on the long-term prospects, we can't ignore the non-financial aspects.

Marieke de Leede, Director of Responsible Investment at Asset Management

Report of the Supervisory Board

Foreword

The Supervisory Board is pleased with the positive developments at Van Lanschot in 2014. The bank further strengthened its financial solidity and continued to work energetically and meticulously on the implementation of its strategy.

Supervision

Achievement of corporate targets

Van Lanschot launched its strategic review in 2013. As a wealth manager committed to preserving and creating wealth for its clients, the bank focuses on its core Private Banking, Asset Management and Merchant Banking activities. The corporate loan portfolio is being wound down by the Corporate Banking department. There is a detailed discussion at each Supervisory Board meeting of the progress achieved to date regarding the various elements of the strategic review. In addition to progress at Corporate Banking, considerable attention was paid to the reconfiguration of Private Banking, and the Supervisory Board also discussed the adjustment of Van Lanschot's governance model. The introduction of an Executive Board will simplify that model, allowing the effective and efficient control of core activities.

Van Lanschot also worked in 2014 to improve profitability, further strengthen its balance sheet and diversify its funding profile. These efforts were recognised in the second half of the year when Fitch and Standard & Poor's (S&P) confirmed the bank's credit ratings. S&P raised its outlook for Van Lanschot to 'stable'. An asset quality review of SME credit and property loans was performed at the end of 2013 and beginning of 2014, the results of which were highly satisfactory.

Structure and efficacy of internal risk management

The risk appetite statement requires the Supervisory Board's approval. The statement for 2015 was approved at the Board's November meeting. The Risk Committee discusses the primary risks facing Van Lanschot and Kempen and the structure and efficacy of the bank's risk management and control systems. The chairman of the committee regularly reports its conclusions to the Supervisory Board, which confirmed that Van Lanschot's risk management structure was effective in 2014 and that the risk management and control systems functioned correctly.

Financial reporting

Financial reporting is discussed regularly and in detail at meetings of the Audit and Compliance Committee, which are also attended by the external auditors. Feedback is then provided to a session of the full Supervisory Board. The external auditors were also present when the annual figures were discussed by the Supervisory Board. There was no difference of opinion regarding the figures.

Legal and regulatory compliance

The quarterly reports issued by the Compliance department were discussed by the Audit and Compliance Committee, the meetings of which were also attended by the Director of Compliance.

Matters discussed by the Supervisory Board included reporting by the Netherlands Authority for the Financial Markets (AFM) on Van Lanschot's client-centricity theme (*Klantbelang Centraal*). The Supervisory Board was also informed regularly about the implementation status of new legislation and regulations.

Relevant aspects of corporate social responsibility

The CSR manager attended the Supervisory Board's September meeting to inform members about the bank's investment exclusion policy. An evaluation of Van Lanschot's responsible lending policy is also presented annually to the Risk Committee. Both the CSR report and the responsible lending policy can be found (in Dutch) at corporate.vanlanschot.nl/responsible.

Internal organisation

Composition of the Statutory Board

The terms of office of Arjan Huisman (COO) and Constant Korthout (CFO and CRO) expired in May 2014 and October 2014 respectively. They were both reappointed to the Statutory Board on 15 May 2014 for a period ending at Van Lanschot NV's 2018 AGM. Richard Bruens was also appointed to the Statutory Board on 15 May 2014. His term of office will likewise run until the end of the day on which Van Lanschot NV's 2018 AGM is held. Richard Bruens is responsible for Private Banking. Ieko Sevinga stepped down from the Statutory Board in November 2014. His contract of employment is due to end in May 2015, when his term of office expires. The Supervisory Board is grateful to him for his hard work and dedication to Van Lanschot and Kempen & Co.

Ieko Sevinga has been awarded a severance payment equal to one year's fixed salary on the ending of his employment contract. It will be paid when his employment comes to an end.

Composition of the Supervisory Board

Godfried van Lanschot's second term of office expired in May 2014. He was eligible for appointment for a final term and was reappointed to the Supervisory Board by the General Meeting on 15 May 2014.

Abel Slippens stepped down from the Supervisory Board on 1 August 2014. The board thanked him for his contribution to its work. In view of Van Lanschot's ongoing transformation, the Supervisory Board decided to reduce its number of members from seven to six. Abel Slippens was originally appointed based on the Works Council's enhanced right of recommendation. The Works Council has indicated that it wishes to recommend Willy Duron for reappointment to the Supervisory Board based on its enhanced right of recommendation.

The terms of office of Tom de Swaan, Willy Duron and Heleen Kersten expire in May 2015. Tom de Swaan and Willy Duron have sat on the Supervisory Board for eight years and are eligible for reappointment for one more term. They have both indicated they would like to be considered for reappointment. Heleen Kersten has sat on the Supervisory Board for four years. Since the end of her term as chair of the board at Stibbe, her seat on Van Lanschot's Supervisory Board has become more difficult to combine with her work as a lawyer. She does not wish, therefore, to be considered for reappointment.

This report was written on the basis of information available on 9 March 2015, the same date as used for the Van Lanschot NV annual report. On 13 May 2015, changes were made to the membership of the Supervisory Board, when Heleen Kersten was succeeded by Bernadette Langius.

Composition and reporting by committees

Composition

The Supervisory Board has established the following committees:

The committee also considered the annual plan and reports from Group Audit, the external auditors' audit plan, and the reports and annual plan of the Compliance department. Other points of discussion included the amendment of the Audit and Compliance Committee's rules, and contacts with and reports of De Nederlandsche Bank (DNB) and the Netherlands Authority for the Financial Markets. The Audit and Compliance Committee also consulted with the external auditors without company officials being present.

The Audit and Compliance Committee took note of Group Audit and Compliance's quarterly reports, as part of its evaluation of the quality and efficacy of the bank's governance, risk management and internal control systems. Group Audit reports present the results of reviews of the Risk & Control framework, the implementation and functioning of IT systems, the management of the loan portfolio, and what impact the strategy is having on the organisation. Quarterly reporting from Compliance covered themes such as client centricity, investment advice and services, and client due diligence. The Audit and Compliance Committee discussed the selection of an external auditor for Van Lanschot in the light of the legally required rotation of external auditors. Further information can be found on page 56.

	Audit and Compliance Committee	Risk Committee	Selection and Appointment Committee	Remuneration Committee
Tom de Swaan			● (Chairman)	●
Jos Streppel	● (Chairman)	●	●	●
Willy Duron	●	● (Chairman)		
Jeanine Helthuis		●	●	●
Heleen Kersten	●			
Godfried van Lanschot	●	●	●	● (Chairman)

The composition of the Risk Committee, the Selection & Appointment Committee and the Remuneration Committee changed in the year under review due to Abel Slippens stepping down. The number of members of the Risk Committee has been reduced to four. Godfried van Lanschot took Abel Slippens' place on the Selection and Appointment Committee and the Remuneration Committee, which prepare the Supervisory Board's decision-making in their respective areas of interest. The Supervisory Board remains fully responsible, however, for the decisions prepared by these committees.

Audit and Compliance Committee

The Audit and Compliance Committee met five times in 2014. Its meetings were also attended by a delegation from the Statutory Board, the external auditors and the respective directors of Group Audit, Financial Control and Compliance.

There were no changes in the committee's composition in 2014. The Audit and Compliance Committee performed a detailed assessment of the annual figures, half-year figures and the information used for the trading updates. It discussed external auditor reports and the management letter about Van Lanschot NV prior to their consideration by the full Supervisory Board.

Risk Committee

The Risk Committee met three times in 2014. Its meetings were also attended by a delegation from the Statutory Board and representatives of the Risk Management and Financial Risk Management departments. Detailed attention was paid to developments in the field of credit risk, operational risk, and market and interest rate risk.

Risk appetite reporting, which is drawn up each quarter, was discussed at each meeting. The committee considered Van Lanschot's risk appetite and the extent to which it was aligned with the prevailing risk profile.

When discussing credit risk, the committee focused specifically on developments in the loan portfolio as a whole, and on the pattern of loan loss provisions.

As in previous years, moreover, the committee paid particular attention to the evolution of credit risk in the portfolio of property loans. The results of the AQR of the Corporate Banking loan portfolio were another key focus.

The following themes were discussed in the area of operational risk: ongoing implementation of the control framework, the loss database and action tracking. Reporting on these themes to the committee was further improved, which enhanced its insight into the potential for operating losses and the impact of any such losses.

Interest rate and market risk developments were discussed based on duration analyses, the development of value at risk, and stress tests.

Risk appetite for 2015 was discussed at the November meeting. See corporate.vanlanschot.nl/en/governance ('Banking Code') for the principles on which Van Lanschot's risk appetite is based.

Selection and Appointment Committee

The Selection and Appointment Committee met on two occasions in 2014 to discuss the size and composition of the Supervisory Board and the Statutory Board. The committee advised the Supervisory Board on the reappointment of members whose term is due to end in 2015 and on the selection of Heleen Kersten's successor. Please consult corporate.vanlanschot.nl/management-supervision for our policies on the recruitment and selection of members of the Statutory and Supervisory Boards.

Remuneration Committee

The Remuneration Committee met six times in 2014 to discuss the performance appraisals of members of the Statutory Board in 2013 and their individual goals for 2014. It also reviewed the 2013 remuneration report and discussed 2013 variable pay within Van Lanschot, including Kempen & Co.

An entirely new remuneration policy was drawn up in 2014 for Van Lanschot as a whole to meet the requirements arising from the new legislation on pay. The policy was discussed in depth at several meetings of the Remuneration Committee, and several aspects need to be elaborated further. The new remuneration policy will apply from 2015. The committee also discussed the adjustment of remuneration policy for employees of Kempen Capital Management BV (KCM) in keeping with the new rules arising from the Alternative Investment Fund Managers Directive (AIFMD).

For more information about the remuneration of the Statutory and Supervisory Boards, please consult our remuneration report at corporate.vanlanschot.nl/results.

Assuring supervision quality

Evaluation of the Supervisory Board

The annual evaluation of the Supervisory Board took place in 2014 with external assistance, following which the board held a meeting to discuss the results. The Supervisory Board's dynamics were described as good, with frequent 2014 meetings having been a key factor.

One of the outcomes of the evaluation is that all Supervisory Board members may attend the Audit and Compliance Committee meetings on the annual and half-year results if they so wish, while informal Supervisory Board meetings will also be held more frequently. Key topics discussed by the Supervisory Board will return for review at later meetings, while the Supervisory Board will also devote more time to getting to know talent within the organisation.

It was determined that the composition of the Supervisory Board satisfies the profile (in terms of suitability, expertise and diversity) and complies with the requirements of Chapter III.3 of the Dutch Corporate Governance Code[1].

The Supervisory Board was agreed to function well.

Education

The members of the Supervisory and the Statutory Boards took part in the continuing education programme in 2014, in sessions focusing on risk appetite, Capital Requirements Directive IV (CRD) and remuneration regulations. These were viewed as positive.

Independence

Members of the Supervisory Board are expected to perform their duties independently and critically. In the event of a conflict of interests with regard to a particular topic, the Supervisory Board member in question may not participate in discussions or decision-making on that topic.

Meetings

The Supervisory Board met twelve times in the period under review. None of its members was frequently absent. Three members of the board missed one meeting each, and three were absent from two meetings.

The Supervisory Board received all the information needed to perform its tasks from the Statutory Board and the external auditors. Employees from within the organisation regularly attended meetings to provide additional information on themes within their respective fields. The agendas for Supervisory Board meetings were drawn up by its Chairman, in consultation with the Chairman of the Statutory Board and the Company Secretary.

Contacts with the Works Council

A member of the Supervisory Board attended the consultative meetings of the Works Council, at which the annual and half-year figures were explained and the general course of business at Van Lanschot was discussed. Consultation with the Works Council was constructive. The members of the Supervisory Board who were appointed based on the Works Council's enhanced right of recommendation also spoke to the council on two occasions.

Financial statements

The Supervisory Board approved the financial statements as audited by Ernst & Young Accountants LLP. The independent auditor's report can be found on page 204. We propose that the Annual General Meeting of Shareholders adopt the consolidated 2014 financial statements.

1 The Dutch Corporate Governance Code can be downloaded from www.commissiecorporategovernance.nl.

In conclusion

The Supervisory Board would like to express its gratitude for the unflagging efforts delivered over the past year by the management and employees of Van Lanschot and its subsidiaries.

’s-Hertogenbosch, the Netherlands, 4 September 2015

Supervisory Board

Tom de Swaan, *Chairman*
Jos Streppel, *Deputy Chairman*
Willy Duron
Jeanine Helthuis
Heleen Kersten (up to 13 May 2015)
Bernadette Langius (from 13 May 2015)
Godfried van Lanschot

The value of the combination

Having joined Van Lanschot as a commercial trainee two and a half years ago, I now work as a junior banker Private Office. My department caters for business owners and private clients with investable assets of at least €10 million.

All our clients require a bespoke service. In other words, our job is to meet their specific, complex needs in relation to capital structuring, investment solutions and finance. At the same time, we're also account managers in direct contact with clients, which means regularly discussing matters of a highly personal nature with them. Our job is to listen carefully and understand the client's reasons for wishing to take a particular course of action. I really enjoy the combination of technical expertise and the human dimension that's inherent to my work here.

For me, being client-focused is all about acting in the client's interests. That can sometimes mean drawing their attention to certain risks, and perhaps even saying no to a request. We need to be aware that we have a head start over our clients in terms of financial expertise: we spend every day studying things that they perhaps only need to think about once or twice in their whole lives.

It is, I believe, our personal approach and our deep engagement with our clients that sets us apart from our competitors. This is a characteristic I witnessed in action when I first applied for a job at Van Lanschot. As well as talking to people from HR, I also talked to bankers, branch managers and members of the management team. And this engagement is reflected in the amount of time staff set aside for their clients.

Our collaboration with Kempen & Co is another unique element of our business proposition. All that knowledge and experience stemming from our advisory services for institutional clients is also made available to our private clients. In fact, I think we could do a lot more to stress the value of this combination.

Wieke Maarleveld, junior banker Private Office

Corporate governance

F. van Lanschot Bankiers NV is a 100% subsidiary of Van Lanschot NV and its Statutory and Supervisory Boards also serve as the Statutory and Supervisory Boards of Van Lanschot NV.

The key elements of corporate governance at Van Lanschot NV are set out below. The Articles of Association of Van Lanschot NV and various other regulations and documents relating to corporate governance can be consulted at corporate.vanlanschot.nl/en/governance.

Corporate governance structure

The Statutory Board and the Supervisory Board are jointly responsible for the governance structure of Van Lanschot NV. Good corporate governance is vital if the goals we have set ourselves are to be achieved efficiently and effectively. It ensures that risks are managed adequately and that proper account is taken of the interests of all stakeholders, including our shareholders, employees and clients.

Van Lanschot NV is a public limited company under Dutch law, governed by a two-tier board. The Statutory Board is responsible for managing the company, while the Supervisory Board oversees the policy pursued by the Statutory Board, and the general conduct of affairs at the company and its associated business. The Supervisory Board advises the Statutory Board on the implementation of its duties.

Van Lanschot's *structuurvennootschap* status, a typically Dutch two-tiered board structure, means that, in addition to the tasks already mentioned, the Supervisory Board is responsible for appointing and dismissing the Statutory Board and for approving certain of its decisions. The Statutory Board and the Supervisory Board report to Van Lanschot's General Meeting.

Statutory Board

The Statutory Board is tasked with managing the company. Its duties therefore include devising and achieving the bank's goals; overall strategy and the associated risk profile; the pattern of results; and social aspects of doing business that are relevant to the company. Van Lanschot NV holds all the shares in F. van Lanschot Bankiers NV. The Statutory Board of Van Lanschot NV is also the Statutory Board of F. van Lanschot Bankiers NV. The Supervisory Board notifies the General Meeting of any proposed appointment to the Statutory Board. A member is appointed for a maximum period of four years. The Supervisory Board may dismiss a member of the Statutory Board at any time, but only after consulting the General Meeting.

Composition and performance of the Statutory Board

The Statutory Board must consist of at least two members, with the actual number set by the Supervisory Board. The composition of the Statutory Board changed during 2014. Karl Guha (Chairman), Constant Korthout and Arjan Huisman served throughout the year, while Richard Bruens was appointed to the Board with effect from 15 May 2014. Ieko Sevinga stepped down from the Statutory Board on 13 November 2014. His contract of employment ends on 13 May 2015.

A complementary mix of knowledge, experience, skills and personalities is sought for the Statutory Board, and we also aspire to greater diversity. One of our diversity aims is to achieve a reasonable gender balance, with neither the proportion of women nor that of men falling below a minimum of 30%. While this goal is taken into account when drawing up the job description for vacancies on the Statutory Board, the principle is that the most suitable candidate for the vacancy will be appointed. On careful consideration of all relevant selection criteria, a woman has not yet been appointed to the Statutory Board.

The Supervisory Board discusses the performance of the Statutory Board as a body and that of its members individually, together with the conclusions reached, at least once a year without members of the Statutory Board being present.

The Supervisory Board sets the remuneration and the other conditions of employment for members of the Statutory Board, taking account of the remuneration policy as determined by the General Meeting. No decisions were taken in 2014 to conclude transactions involving a conflict of interest on the part of members of the Statutory Board that were of material significance to Van Lanschot NV and/or the board member in question.

Supervisory Board

In performing its duties, the Supervisory Board focuses on the interests of the company and its associated business. The Supervisory Board of Van Lanschot NV is also the Supervisory Board of F. van Lanschot Bankiers NV.

The members of the Supervisory Board of Van Lanschot NV are appointed by the General Meeting, in accordance with Article 158 of Book 2 of the Dutch Civil Code. Members of the Supervisory Board are appointed for a term of four years, following which they may be reappointed. A supervisory director may serve for a total of twelve years, which is in line with best practice provision III.3.5 of the Dutch Corporate Governance Code[1]. A supervisory director may only be dismissed by the Enterprise Section of the Amsterdam Court of Appeal with due observance of Article 161(2) of Book 2 of the Dutch Civil Code. In addition, the General Meeting may pass a motion of no confidence in the Supervisory Board, in accordance with Article 161(a) of Book 2 of the Dutch Civil Code. Any such resolution results in the immediate dismissal of the members of the Supervisory Board.

1 The Dutch Corporate Governance Code can be downloaded from www.commissiecorporategovernance.nl.

Composition and performance of the Supervisory Board and its committees

The Supervisory Board has at least three members and a maximum of nine. The actual number of members is determined by the Board itself. The Supervisory Board decided to reduce its number of members from seven to six, following Abel Slippens' resignation as supervisory director as from 1 August 2014.
The Board considers this number sufficient for the effective performance of its tasks.

The Supervisory Board has drawn up a profile[2] for its size and composition, taking account of the nature of the business of Van Lanschot and its subsidiaries, and the required expertise and background of the members of the Supervisory Board. The Supervisory Board aims to achieve a complementary and diverse composition. The profile for the Supervisory Board states that a balanced distribution of seats should be sought, as far as possible, between male and female supervisory directors. The aim is to achieve a reasonable gender balance on the Board, with neither the proportion of women nor that of men falling below a minimum of 30%. One third of the supervisory directors are currently women and two thirds men, which means this aim has been met.

The Supervisory Board has appointed four committees from among its members to prepare the Board's decision-making: the Audit and Compliance Committee, the Risk Committee, the Remuneration Committee and the Selection and Appointment Committee. These committees advise the Supervisory Board on matters relating to their respective areas of interest. More information about the committees and their composition can be found on pages 50-51 of the report of the Supervisory Board.

The Supervisory Board discusses its own performance, that of its committees and that of individual supervisory directors, together with the conclusions reached, at least once a year without members of the Statutory Board being present. The Supervisory Board appraises its own performance with independent support once every three years. More information can be found in the report of the Supervisory Board on pages 49-52.

The relationship with LDDM Holding was briefly discussed by the Supervisory Board at its meeting on 10 April 2014, without Godfried van Lanschot being present. Best practice provisions III.6.1–III.6.3 of the Dutch Corporate Governance Code were observed in so far as applicable.

The remuneration of the members of the Supervisory Board is set by the General Meeting.

Dutch Banking Code

The Banking Code[3], published by the Dutch Banking Association, came into effect on 1 January 2010. It sets out principles with regard to client centricity, risk management and audit, governance (Supervisory Board, Statutory Board) and remuneration policy.

The Banking Code applies to all institutions with a banking licence granted under the Dutch Financial Supervision Act. The Code has been updated, with the amended version coming into force on 1 January 2015. Each bank is required to report annually how it has applied the Code in the previous year. The report for the financial year 2014 describes the application of the 2014 version of the Banking Code.

Application of the Banking Code

Van Lanschot applies the Banking Code to F. van Lanschot Bankiers NV and to Kempen & Co NV, the two subsidiaries that hold a banking licence in the Netherlands. Van Lanschot also applies the Banking Code to F. van Lanschot Bankiers (Schweiz) AG, its foreign subsidiary with a banking licence. Local legislation and regulations are taken into account, as are practical circumstances relating to the limited scale of these Dutch and foreign subsidiaries.

The steps Van Lanschot has taken to implement the Code are set out at corporate.vanlanschot.nl/en/governance. An overview is also provided, showing how F. van Lanschot Bankiers NV has implemented the Banking Code on an article by article basis. The information on the website forms an integral part of this section of the annual report. F. van Lanschot Bankiers NV complies with the Banking Code and has explained why it has chosen not to follow provision 6.3.4 of the Banking Code. This provides that 'Shares granted to executive board members without financial consideration shall be retained for a period of at least five years or at least until the end of the employment, if this period is shorter.' A lock-up period of five years from the date of grant applies to the conditional and unconditional depositary receipts for Class A shares awarded to the members of the Statutory Board as variable pay. Once these depositary receipts for shares become unconditional, as many of them may be sold as required in order to offset the payroll tax liability incurred in respect of these depositary receipts. This deviates from provision 6.3.4 of the Dutch Banking Code but is in line with De Nederlandsche Bank's interpretation of RBB Wft 2014.

Please refer to the Kempen & Co website (www.kempen.nl/over-kempen/corporate-governance) for information on how Kempen & Co applies the Banking Code (in Dutch only).

Capital structure and shares

F. van Lanschot Bankiers NV's authorised share capital consists of 1,000,000 shares at a nominal value of €100 per share. It had 400,000 shares in issue at 31 December 2014, unchanged from its outstanding capital at 31 December 2013.

Main features of Van Lanschot's management and control system

Van Lanschot's management and control system is designed to manage internal and external risks. This includes the management of financial reporting risks, so as to ensure reliable financial reporting and financial statements that are prepared in accordance with generally accepted accounting principles and which comply with the prevailing legislation and regulations.

2 The profile can be consulted at corporate.vanlanschot.nl/management-supervision.
3 A copy of the Banking Code can be downloaded from www.nvb.nl

Van Lanschot has the following tools in place to manage financial reporting risks:

- The Van Lanschot Accounting Manual, which sets out the principles we pursue with respect to financial accounting;
- A Risk & Control Framework describing processes and procedures, and setting out primary controls such as authorisations and segregation of duties;
- Periodic management reports and KPI dashboards, accompanied by analysis of financial and non-financial figures and trends;
- Scrutiny of the functioning of the internal management and control system by Group Audit. The findings are discussed with the Statutory Board, the Audit and Compliance Committee and the Supervisory Board.
- Assessment and approval of the annual report by the Statutory Board and discussion of this by the Audit and Compliance Committee and by the Supervisory Board.

Van Lanschot applies the three lines of defence model for the management of risk. The first line of defence in this model is the business responsible for day-to-day risk management. The second line of defence is provided by departments such as Risk Management, Financial Risk Management and Compliance which oversee the functioning of the first line. Group Audit acts as the third line of defence, providing an independent opinion on the adequacy of the internal management and control system.

The three lines of defence model provides the Statutory Board with a reasonable degree of certainty as to how the internal management and control system is functioning, including the efficacy of both the first and second lines.

The professionalism of the three lines of defence model was further enhanced in 2014, including further elaboration of the Risk & Control Framework. Since September 2013, this framework has provided the basis for evaluating the effectiveness of internal control. Changes to the organisation and developments in the risk profile mean that the framework has to be updated from time to time. In 2014, for instance, the efficacy of the framework was evaluated by Risk Management and Compliance, and Group Audit also assessed its quality and effectiveness. The results of these evaluations were published in respective quarterly reports of Risk Management, Compliance and Group Audit. The framework was improved in 2014 and will be further enhanced in 2015, with particular attention focused on documentation and recording requirements.

The financial statements include a more detailed explanation of risk management at Van Lanschot (see Risk Management, beginning on page 82).

External auditors

Ernst & Young Accountants LLP (EY) is Van Lanschot's external auditor. EY's audit plan and risk analysis were discussed in August 2014 at the meetings of the Statutory Board and the Audit and Compliance Committee. Consultation also occurred between EY and Group Audit.

EY issued a 2014 management letter in November 2014, and an audit report for 2014 in March 2015. The subjects set out in the management letter and the audit report are in line with the notes included in this annual report with respect to risk management.

According to the Dutch Corporate Governance Code (best practice provision V.2.3), the Statutory Board and the Audit and Compliance Committee of Van Lanschot NV are required to evaluate the functioning of the external auditors at least once every four years. Van Lanschot conducted a thorough assessment at the end of 2012 of the functioning of EY as external auditors. No circumstances occurred during 2013 or 2014 that would justify a different view as to the assessment and/or functioning of the external auditors. The Supervisory Board therefore decided to recommend to the General Meeting of Shareholders that EY be reappointed as Van Lanschot NV's external auditor for the financial year 2015.

In view of the legally required rotation of external auditors, Van Lanschot will be obliged to appoint a new external auditor with effect from no later than the start of financial year 2016. Van Lanschot has therefore requested a number of accountancy firms to tender for the external audit of our financial statements. We received the tenders following a study carried out at Van Lanschot by the accountancy firms.

The Statutory Board and the Audit and Compliance Committee were closely involved in this process. The tenders submitted by the accountancy firms were discussed at meetings of Van Lanschot's Statutory Board and Audit and Compliance Committee. The Statutory Board selected Pricewaterhouse-Coopers Accountants NV (PwC) based on a number of criteria, including relevant technical expertise, the composition of the accountancy team and the commercial offering. The Statutory Board presented its recommendation to appoint PwC to the Audit and Compliance Committee, which adopted the recommendation. The Supervisory Board subsequently decided, on the advice of the Audit and Compliance Committee, to recommend to the General Meeting of Shareholders that PwC be appointed as Van Lanschot NV's external auditor with effect from the financial year 2016. The decision to appoint PwC for financial year 2016 was deliberately proposed this year, as this will enable Van Lanschot to work with EY and PwC in 2015 to ensure a smooth transfer of audit duties from EY to PwC for financial year 2016.

Financial reporting risk

The Statutory Board is responsible for devising and implementing an adequate system of internal control for Van Lanschot's financial reporting. The system is designed to provide reasonable assurance as to the reliability of financial reporting and that the financial statements are prepared in accordance with generally accepted accounting principles and applicable legislation and regulations. The Statutory Board states with reasonable assurance that the internal risk management and control systems for financial reporting are performed at an adequate level and that Van Lanschot's financial reporting is free of material misstatement. The Statutory Board bases this statement on an analysis of the financial reporting and other risks.

The management teams of the relevant departments provided the Statutory Board with in-control statements on the extent of internal control, based on the results of testing procedures for the Risk & Control Framework, the risks reported on a quarterly basis, the follow-up of these risks, and the incidents reported. Risk Management and Compliance evaluated these statements.

The quarterly reports of Group Audit, setting out its main findings, were discussed in the Audit and Compliance Committee, which subsequently made recommendations to the Supervisory Board.

Group Audit is responsible for carrying out IT and operational audits. It performed 66 audits and issued 51 reports. All of Group Audit's reports were submitted to the Statutory Board. Group Audit, Compliance and Risk Management ensure adequate follow-up and prioritisation. Supplementary control measures have been defined in the meantime, which ought to mitigate risk sufficiently.

The Supervisory Board was informed about the Statutory Board's internal control of the organisation, and how it safeguards the integrity of financial information. The subjects considered by the Supervisory Board when assessing the financial statements arise from sources including the management letter and the audit by the external auditors.

The key audit elements cited in the independent auditors' report were discussed with the Statutory Board and the Audit and Compliance Committee, and formed part of the organisation's management and control.

Investor relations policy

Our investor relations policy is designed to provide current and potential shareholders and bondholders, rating agencies and research analysts with accurate and timely information concerning developments within the business. We engage in active dialogue with all our financial stakeholders, for example by publishing press releases and the annual report and by organising meetings and one-to-one discussions with existing and potential investors.

Van Lanschot NV observes a 'silent' period of three weeks prior to the publication of its annual and half-year results. No meetings are held with shareholders or analysts during this period. Van Lanschot NV has also published its policy on investor relations and (bilateral) contacts with shareholders at corporate.vanlanschot.nl/investorrelationspolicy.

All documents and other relevant information may be found at corporate.vanlanschot.nl/en. If you would like to receive Van Lanschot's press releases by email, you can subscribe to our news service at corporate.vanlanschot.nl/pressreleases.

Investors and advisers with questions are welcome to contact the Investor Relations department by telephone on +31 (0)20 354 4590 or by email at investorrelations@vanlanschot.com.

's-Hertogenbosch, the Netherlands, 4 September 2015

Statutory Board

Karl Guha, *Chairman*
Constant Korthout
Richard Bruens
Arjan Huisman

Statement by the Statutory Board

As required by Article 5:25c (2c) of the Financial Supervision Act, each of the undersigned hereby confirms that to the best of his knowledge:

– The 2014 financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of F. van Lanschot Bankiers NV and its consolidated entities;

and

– The 2014 annual report of F. van Lanschot Bankiers NV gives a true and fair view of the position of the company and its consolidated entities on balance sheet date, and of the course of their affairs during the 2014 financial year, and describes the material risks that F. van Lanschot Bankiers NV faces.

's-Hertogenbosch, the Netherlands, 4 September 2015

Statutory Board

Karl Guha, *Chairman*
Constant Korthout
Richard Bruens
Arjan Huisman

Personal details of members of the Statutory Board

Karl Guha (1964)
Chairman

Nationality
Dutch

Sex
Male

Appointed
2 January 2013

Areas of responsibility
Asset Management, Merchant Banking, Corporate Banking, Company Secretariat, Marketing, Communications, Compliance, Human Resource Management, Group Audit and Strategy

Principal other positions or offices currently held
None

Constant Korthout (1962)
Chief Financial Officer/Chief Risk Officer

Nationality
Dutch

Sex
Male

Appointed
27 October 2010; reappointed in 2014

Areas of responsibility
Financial Control, Treasury, Risk Management, Financial Risk Management, Recovery Section

Principal other positions or offices currently held
Vice-chairman of the Supervisory Council of Sint Franciscus-Vlietland Groep

Richard Bruens (1967)

Nationality
Dutch

Sex
Male

Appointed
15 May 2014

Areas of responsibility
Private Banking, Corporate Social Responsibility

Principal other positions or offices held
Member of the Supervisory Board of Van Lanschot Chabot Holding BV

Arjan Huisman (1971)

Nationality
Dutch

Sex
Male

Appointed
6 May 2010; reappointed in 2014

Areas of responsibility
Service Centres (securities, loans, savings & payments, client affairs, online and data management), Information Technology Management and Corporate Facility Management

Principal other positions or offices held
Member of the Supervisory Board of Van Lanschot Chabot Holding BV

Personal details of members of the Supervisory Board

Tom de Swaan (1946)
Chairman

Nationality
Dutch

Sex
Male

Appointed
10 May 2007; second term of office expires in 2015

Previous positions or offices held
Former member of the Managing Boards of ABN AMRO Bank NV and ABN AMRO Holding NV, former member of the Governing Board of De Nederlandsche Bank NV

Other supervisory board memberships and board positions
Zurich Insurance Group (Chairman), Koninklijke DSM GlaxoSmithKline plc

Principal other positions or offices held
Member of the Advisory Board of the China Banking Regulatory Committee in Beijing, Chairman of the Board of Van Leer Jerusalem Institute, Chairman of the Advisory Council, Rotterdam School of Management (Erasmus University), Chairman of the Supervisory Board of Netherlands Cancer Institute Antoni van Leeuwenhoek

Jos Streppel (1949)
Deputy Chairman

Nationality
Dutch

Sex
Male

Appointed
11 May 2005; third term of office expires in 2017

Previous positions or offices held
Former member of the Executive Board of Aegon NV

Other supervisory board memberships and board positions
KPN NV (Chairman), RSA Insurance Group plc

Principal other positions or offices held
Chairman of the Board of Duisenberg School of Finance, member of the Board of Trustees of Stichting Arq., member of the Board of Amsterdam Center for Corporate Finance, Chairman of the Advisory Council of the Royal Dutch Actuarial Association, Deputy Council member at the Enterprise Section of the Amsterdam Court of Appeal

Willy Duron (1945)

Nationality
Belgian

Sex
Male

Appointed
10 May 2007; second term of office expires in 2015

Position
Honorary Chairman of KBC Group NV

Other supervisory board memberships and board positions
Agfa-Gevaert NV, Ravago Plastics NV, Van Breda Risk & Benefits NV, Tigenix NV, Windvision BV

Principal other positions or offices held
University Centre Kortenberg, University Hospitals Leuven

Jeanine Helthuis (1962)

Nationality
Dutch

Sex
Female

Appointed
2 July 2013; first term of office expires in 2017

Previous positions or offices held
Former Chair of Monuta Holding, former member of the Board of Directors of Fortis Bank Nederland

Other supervisory board memberships and board positions
Prorail BV, ixorg NV

Principal other positions or offices held
Independent adviser, member of the Advisory Council of Nintes

Heleen Kersten (1965)
(Stepped down on 13 May 2015)

Nationality
Dutch

Sex
Female

Appointed
11 May 2011; first term of office expires in 2015

Position
Partner at Stibbe

Other supervisory board memberships and board positions
Egeria Investments BV, STMicroelectronics NV

Principal other positions or offices held
Member of the Board of Royal Concertgebouw Orchestra's donors foundation

Godfried van Lanschot (1964)

Nationality
Dutch

Sex
Male

Appointed
10 May 2006; third term of office expires in 2018

Previous positions or offices held
Previously employed in various positions at ABN AMRO Bank

Other supervisory board memberships and board positions
Fetch, Inc.

From left to right: Jos Streppel, Willy Duron, Heleen Kersten, Godfried van Lanschot, Jeanine Helthuis and Tom de Swaan.

2014 financial statements

Consolidated statement of financial position as at 31 December 2014

(x €1,000)

		31/12/2014	31/12/2013
Assets			
Cash and cash equivalents and balances at central banks	(1)	1,156,985	1,999,963
Financial assets held for trading	(2)	43,153	47,083
Due from banks	(3)	449,125	429,215
Financial assets designated as at fair value through profit or loss	(4)	1,309,524	725,938
Available-for-sale investments	(5)	1,952,731	1,197,731
Held-to-maturity investments	(6)	533,708	–
Loans and advances to the public and private sectors	(7)	11,021,107	12,490,723
Derivatives (receivables)	(8)	275,093	208,134
Investments in associates using the equity method	(9)	50,679	50,385
Property, plant and equipment	(10)	76,392	84,638
Goodwill and other intangible assets	(11)	153,471	172,431
Current tax assets	(12)	1,258	13,616
Deferred tax assets	(13)	59,831	59,797
Other assets	(14)	176,381	190,711
Total assets		**17,259,438**	**17,670,365**
Equity and liabilities			
Financial liabilities from trading activities	(15)	71	798
Due to banks	(16)	879,972	1,175,422
Public and private sector liabilities	(17)	10,586,250	10,285,810
Financial liabilities designated as at fair value through profit or loss	(18)	705,912	357,633
Derivatives (liabilities)	(8)	381,313	299,662
Issued debt securities	(19)	3,073,410	3,849,119
Provisions	(20)	21,256	35,910
Current tax liabilities	(21)	507	22,904
Deferred tax liabilities	(22)	10,095	8,358
Other liabilities	(23)	215,402	291,558
Subordinated loans	(24)	121,415	128,218
Total liabilities		**15,995,603**	**16,428,392**
Issued share capital		40,000	40,000
Share premium reserve		247,396	247,396
Other reserves		819,194	869,873
Undistributed profit attributable to shareholder		99,001	29,225
Equity attributable to shareholder		**1,205,591**	**1,186,494**
Equity instruments issued		27,250	36,063
Undistributed profit attributable to equity instruments issued		1,110	1,125
Equity attributable to equity instruments issued		**28,360**	**37,188**
Other non-controlling interests		21,287	15,140
Undistributed profit attributable to other non-controlling interests		8,597	3,151
Equity attributable to other non-controlling interests		**29,884**	**18,291**
Total equity	(25)	**1,263,835**	**1,241,973**
Total equity and liabilities		**17,259,438**	**17,670,365**
Contingent liabilities	(26)	115,564	177,912
Irrevocable commitments	(27)	541,373	447,342
		656,937	**625,254**

The numbers beside each item refer to the relevant Notes to the consolidated statement of financial position.

Consolidated statement of income for 2014

(x €1,000)

		2014	2013
Income from operating activities			
Interest income		735,397	780,728
Interest expense		522,927	568,517
Net interest income	(28)	**212,470**	**212,211**
Income from associates using the equity method		36,593	10,602
Other income from securities and associates		18,683	6,524
Income from securities and associates	(29)	**55,276**	**17,126**
Commission income		248,340	240,294
Commission expense		8,021	7,017
Net commission income	(30)	**240,319**	**233,277**
Result on financial transactions	(31)	**41,971**	**66,273**
Other income	(32)	**16,161**	**22,306**
Total income from operating activities		**566,197**	**551,193**
Expenses			
Staff costs	(33)	151,669	239,662
Other administrative expenses	(34)	162,958	153,086
Staff costs and other administrative expenses		**314,627**	**392,748**
Depreciation and amortisation	(35)	22,511	15,890
Operating expenses		**337,138**	**408,638**
Addition to loan loss provision		75,998	102,385
Other impairments		19,531	2,732
Impairments	(36)	**95,529**	**105,117**
Total expenses		**432,667**	**513,755**
Operating result before tax		**133,530**	**37,438**
Income tax	(37)	24,822	3,937
Net result		**108,708**	**33,501**
Of which attributable to shareholder		99,001	29,225
Of which attributable to equity instruments issued		1,110	1,125
Of which attributable to other non-controlling interests		8,597	3,151
Earnings per share (€)	(38)	247.50	73.06
Proposed dividend per share (€)		–	–

The numbers beside each item refer to the relevant Notes to the consolidated statement of income.

Consolidated statement of comprehensive income for 2014

(x €1,000)

		2014	2013
Net result (as per statement of income)		**108,708**	**33,501**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Other comprehensive income through revaluation reserve			
Revaluation of equity instruments		– 2,457	2,823
Revaluation of debt instruments		61,520	– 5,697
Realised return on equity instruments		– 1,730	– 1,049
Realised return on debt instruments		– 31,589	– 26,476
Income tax		– 7,618	8,565
Total other comprehensive income through revaluation reserve	(25)	**18,126**	**– 21,834**
Other comprehensive income from value changes of derivatives (cash flow hedges)			
Increase in value of derivatives directly added to equity		263	758
Decrease in value of derivatives directly charged against equity		– 7,818	– 5,494
Income tax		1,889	1,184
Total other comprehensive income from value changes of derivatives (cash flow hedges)	(25)	**– 5,666**	**– 3,552**
Other comprehensive income from currency translation differences		249	– 535
Income tax		–	–
Total other comprehensive income from currency translation differences	(25)	**249**	**– 535**
Total other comprehensive income to be reclassified in subsequent periods to profit or loss after tax		**12,709**	**– 25,921**
Other comprehensive income not to be reclassified in subsequent periods to profit or loss after tax			
Remeasurement of defined benefit pension plans			
Remeasurement of defined benefit pension plans		– 126,754	22,680
Income tax		31,945	– 5,736
Total remeasurement of defined benefit pension plans	(25)	**– 94,809**	**16,944**
Total other comprehensive income not to be reclassified in subsequent periods to profit or loss after tax		**– 94,809**	**16,944**
Total other comprehensive income		**– 82,100**	**– 8,977**
Total comprehensive income		**26,608**	**24,524**
Of which attributable to shareholder		16,901	20,248
Of which attributable to equity instruments issued		1,110	1,125
Of which attributable to other non-controlling interests		8,597	3,151

Consolidated statement of changes in equity as at 31 December 2014

(x €1,000)

	Share capital	Share premium reserve*	Other reserves*	Undis-tributed profit	**Total equity attributable to share-holder**	Equity attributable to equity instruments issued	Equity attributable to other non-controlling interests	**Total equity**
Position as at 1 January	40,000	247,396	869,873	29,225	**1,186,494**	37,188	18,291	**1,241,973**
Net result (as per statement of income)	–	–	–	99,001	**99,001**	1,110	8,597	**108,708**
Total other comprehensive income	–	–	– 82,100	–	**– 82,100**	–	–	**– 82,100**
Total comprehensive income	**–**	**–**	**– 82,100**	**99.001**	**16,901**	**1,110**	**8,597**	**26,608**
To other reserves	–	–	29,225	– 29,225	**–**	–	–	**–**
Repurchased equity instruments	–	–	–	–	**– 2,693**	–	–	**– 2,693**
Dividends	–	–	–	–	**–**	– 1,125	– 3,539	**– 4,664**
Other changes	–	–	2,196	–	**2,196**	– 8,813	–	**– 6,617**
Acquisition of/change in non-controlling interests	–	–	–	–	**–**	–	6,535	**6,535**
Position as at 31 December	**40,000**	**247,396**	**819,194**	**99,001**	**1,205,591**	**28,360**	**29,884**	**1,263,835**

Redemption of perpetual capital securities is recognised under Other changes.

* For additional information on the nature and composition of the share premium and other reserves, see Note 25.

Consolidated statement of changes in equity as at 31 December 2013

(x €1,000)

	Share capital	Share premium reserve*	Other reserves*	Undis-tributed profit	**Total equity attributable to share-holder**	Equity attributable to equity instruments issued	Equity attributable to other non-controlling interests	**Total equity**
Position as at 1 January	40,000	247,396	1,036,392	– 158,207	**1,165,581**	37,195	15,665	**1,218,441**
Net result (as per statement of income)	–	–	–	29,225	**29,225**	1,125	3,151	**33,501**
Total other comprehensive income	–	–	– 8,977	–	**– 8,977**	–	–	**– 8,977**
Total comprehensive income	**–**	**–**	**– 8,977**	**29,225**	**20,248**	**1,125**	**3,151**	**24,524**
To other reserves		–	– 158,207	158,207	**–**	–	–	**–**
Dividends	–	–	–	–	**–**	– 1,132	– 1,670	**– 2,802**
Other changes	–	–	665	–	**665**	–	–	**665**
Acquisition of/change in non-controlling interests	–	–	–	–	**–**	–	1,145	**1,145**
Position as at 31 December	**40,000**	**247,396**	**869,873**	**29,225**	**1,186,494**	**37,188**	**18,291**	**1,241,973**

* For additional information on the nature and composition of the share premium and other reserves, see Note 25.

Consolidated statement of cash flows for 2014

(x €1,000)

		2014	2013
Cash flow from operating activities			
Operating result before tax		133,530	37,438
Adjustments for			
– Depreciation and amortisation	(35)	22,549	24,133
– Costs of share plans		1,970	1,340
– Valuation results on associates using the equity method		– 9,763	– 10,095
– Valuation results on financial assets designated as at fair value through profit or loss		– 103,748	13,232
– Valuation results on financial liabilities designated as at fair value through profit or loss		28,844	– 6,900
– Valuation results on derivatives (receivables and liabilities)		– 20,975	5,235
– Impairments	(36)	95,529	105,117
– Result on termination of defined benefit pension scheme		– 122,660	–
– Changes in provisions		– 7,416	–
Cash flow from operating activities		**17,860**	**169,500**
Net increase/(decrease) in operating assets and liabilities			
– Financial assets/liabilities held for trading		3,203	5,106
– Due from/due to banks		– 336,488	– 382,903
– Loans and advances to the public and private sectors/public and private sector liabilities		1,703,729	– 336,760
– Derivatives (receivables and liabilities)		57,718	– 69,542
– Withdrawals from restructuring provision and other provisions		– 11,332	– 19,348
– Other assets and liabilities		– 66,910	– 76,783
– Income taxes paid/received		– 6,939	521
– Dividends received		3,363	3,033
Total movement in assets and liabilities		**1,346,344**	**– 876,676**
Net cash flow from operating activities		**1,364,204**	**– 707,176**
Cash flow from investing activities			
Investments and acquisitions			
– Investments in debt instruments		– 4,476,736	– 1,261,052
– Investments in equity instruments		– 26,447	– 2,046
– Investments in associates using the equity method		– 7,775	– 1,082
– Property, plant and equipment		– 11,651	– 14,353
– Goodwill and other intangible assets		– 1,590	– 16,134
Divestments, redemptions and sales			
– Investments in debt instruments		2,751,044	819,511
– Investments in equity instruments		7,862	19,785
– Investments in associates using the equity method		9,820	2,904
– Property, plant and equipment		5,423	23,780
– Goodwill and other intangible assets		3,033	35
Dividends received		5,094	1,855
Net cash flow from investing activities		**– 1,741,923**	**– 426,797**

Consolidated statement of cash flows for 2014 (continued)

(x €1,000)

		2014	2013
Cash flow from financing activities			
Options issued		–	– 240
Equity instruments issued		– 8,813	–
Other non-controlling interests		6,535	1,145
Redemptions on subordinated loans		– 6,652	– 4,110
Receipts on debt securities		204,268	1,930,558
Redemptions on debt securities		– 996,496	– 625,345
Receipts on financial liabilities designated as at fair value through profit or loss		402,755	175,348
Redemptions on financial liabilities designated as at fair value through profit or loss		– 83,320	– 25,169
Dividends paid		– 4,664	– 2,802
Net cash flow from financing activities		**– 486,106**	**1,449,385**
Net change in cash and cash equivalents and balances at central banks	(1)	**– 864,106**	**315,412**
Cash and cash equivalents and balances at central banks as at 1 January		1,986,037	1,670,625
Cash and cash equivalents and balances at central banks as at 31 December		1,121,931	1,986,037
Additional disclosure			
Cash flows from interest received		725,648	792,275
Cash flows from interest paid		569,258	633,152

Summary of significant accounting principles

General
F. van Lanschot Bankiers NV is an independent wealth manager specialising in the preservation and creation of wealth for its clients. F. van Lanschot Bankiers NV is a 100% subsidiary of Van Lanschot NV. F. van Lanschot Bankiers NV is a public limited company incorporated under Dutch law at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands.

The consolidated financial statements of F. van Lanschot Bankiers NV as at December 2014 were prepared by the Statutory Board on 4 September 2015 and were put to the General Meeting of Shareholders for approval and adoption. Shareholders have the formal power to amend the financial statements after publication.

Basis of preparation
The consolidated financial statements of F. van Lanschot Bankiers NV (hereinafter Van Lanschot) and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The assets and liabilities disclosed in the consolidated financial statements are recognised in accordance with the accounting principles as set out below.

Continuity
The Statutory Board has examined the ability of the bank to continue its operations and concluded that the bank is able to do so in the foreseeable future. Moreover, the Board is not aware of any material uncertainties that cast significant doubt on the bank's ability to continue as a going concern. The consolidated financial statements have been prepared on this basis.

Functional and reporting currency
The consolidated financial statements are denominated in euros, the functional and reporting currency of Van Lanschot. Unless stated otherwise, all amounts are given in thousands of euros.

Changes in presentation and in accounting policies

IAS 32 Financial Instruments: Presentation
The amendments to IAS 32 which were published on 16 December 2011 and which came into effect on 1 January 2014 serve to provide clarification of the offsetting rules for assets and liabilities, and have been incorporated in the Risk management section, under 2.11 Netting of financial assets and liabilities.

Changes in published IFRS standards and interpretations
The IFRS standards listed below became effective from 1 January 2014 and have been applied to the Van Lanschot financial statements for 2014. Application of these standards had no material impact on the bank's equity or result. Application of the amended standards generally entails amendment or expansion of notes.

IFRS 10 Consolidated Financial Statements
IFRS 10 contains a new definition of control that determines which entities must be consolidated. The new standard replaces SIC 12 Consolidation – Special Purpose Entities and the section on consolidated financial statements in IAS 27 Consolidated and Separate Financial Statements. IFRS 10 must be applied with retrospective adjustments. The entity must assess whether it controls the entities that must potentially be consolidated on the date of initial application (i.e. the beginning of the annual reporting period in which IFRS 10 is applied for the first time). Retrospective application is not required if control under IFRS 10 does not differ from that in IAS 27/SIC 12. If the control assessment is different under the two standards, retrospective adjustments must be made. If more than one comparative period is presented, additional relief is given and only one period needs to be restated.

IFRS 11 Joint Arrangements
As part of the consolidation project of the IASB, the disclosure requirements for interests in other entities have also been revised. IFRS 11 aims for more transparency and less divergence in connection with the disclosure of investments in other entities, inclusive of joint arrangements.

IFRS 12 Disclosures of Interests in Other Entities
IFRS 12 is a new standard including disclosure requirements for all consolidated and non-consolidated entities disclosed under IFRS 10, IFRS 11 (joint arrangements), IAS 27 and IAS 28.

IFRS 10, IFRS 12 and IAS 27 Investment Entities
The amendments relating to investment entities apply for investments in subsidiaries, joint ventures and associates that are held by an entity which meets the definition of investment entity. This is a significant change for investment entities which are currently required to consolidate investees they control. These changes must be applied retrospectively, subject to certain transition reliefs. The exception of consolidation for investment entities requires that investment entities recognise investments in subsidiaries at fair value through profit or loss.

IAS 28 Investments in Associates
The amendments to IAS 28 provide further guidance on accounting for investments in associates and on application of the equity method.

IAS 36 Recoverable Amount: Disclosures for Non-Financial Assets
The amendments to IAS 36 clarify the disclosure requirements: information that is regarded as commercially sensitive no longer needs to be disclosed. Additional information is required if the recoverable amount is based on fair value less costs to sell. Van Lanschot early adopted this amendment in the 2013 financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
The amendments to IAS 39 provide relief of the requirement to discontinue hedge accounting in certain situations where a hedge instrument is novated.

Published IFRS standards and interpretations not yet effective

In addition to the IFRS standards and interpretations referred to above, a number of IFRS standards and interpretations are new or have been amended, and must be applied to financial statements for periods beginning on or after 1 January 2014. Van Lanschot has not applied these standards in the 2014 financial statements. Unless stated otherwise, standards are applied as soon as they become effective and have been endorsed by the European Union.

With the exception of IFRS 9, the vast majority of these amendments are expected to have no material impact on the bank's equity or results. Further consideration is given below to the precise impact of IFRS 9 on the bank's equity or result.

IFRS 9 Financial Instruments: Classification, Measurement and Hedge Accounting

The IASB published a final version of IFRS 9 Financial Instruments in July 2014, incorporating all phases of the financial instruments project and replacing IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 applies for annual periods beginning on or after 1 January 2018; early application is permitted. Retrospective application is required, but comparative figures are not mandatory. Early application of earlier versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of first application is before 1 February 2015. Application of IFRS 9 affects the classification and measurement of Van Lanschot's financial assets and the measurement of its financial liabilities and obligations. For financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Application of IFRS 9 also has implications for Van Lanschot in respect of hedge accounting. The European Union has not yet endorsed this standard.

IFRS 10 Consolidated Financial Statements and IFRS 28 Investments in Associates and joint ventures

The amendments address an acknowledged inconsistency between the requirements of IFRS 10 and IAS 28 in the treatment of the sale or contribution of assets between an investor and its associate entity or joint venture. The main consequence of the change is that, where a transaction involves an operational activity, the full profit or loss is disclosed, regardless of whether it has been placed within a subsidiary. A partial profit or loss is recognised if the transaction involves assets that do not constitute an operational activity, even where those assets have been placed within a subsidiary. The amendments are effective for annual periods beginning on or after 1 January 2016; early application is permitted.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 require the acquirer of an interest in a joint operation to apply the disclosure requirements as set out in IFRS 3 Business Combinations. The changes also make clear that remeasurement need not be carried out when the interest in an existing joint operation is increased, provided control is still shared. The amendments are effective for annual periods beginning on or after 1 January 2016; early application is permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was published in May 2014 and introduces a new five-step application model for revenue from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 applies to all entities and replaces all existing revenue recognition standards. The standard applies for annual periods beginning on or after 1 January 2018; early adoption is permitted.

IAS 1 Presentation of Financial Statements

The amendments mark the completion of the five, narrow-focus improvements to disclosure requirements. They are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. Van Lanschot is currently assessing the impact of these improvements. The amendments become effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective for annual periods beginning on or after 1 January 2016; early adoption is permitted and must be disclosed.

IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where such contributions are linked to service, they must be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments are effective for annual periods beginning on or after 1 July 2014.

IAS 27 Equity Method in Separate Financial Statements

The amendments permit entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. These amendments are effective for annual periods beginning on or after 1 January 2016; early adoption is permitted.

Annual improvements to 2010-2012 Cycle

Changes to standards concern:

- IFRS 2 Share-based Payment (definition of performance condition and service condition)
- IFRS 3 Business Combinations (accounting for contingent consideration)

- IFRS 8 Operating Segments (management assessment criteria for aggregation of operating segments, reconciliation of the total of the reportable segments' assets to the entity's assets)
- IFRS 13 Fair Value Measurement (short-term receivables and payables)
- IAS 16 Property, Plant and Equipment (revaluation and accumulated depreciation and amortisation)
- IAS 24 Related Party Disclosures (key management personnel)

The amendments are effective for annual periods beginning on or after 1 February 2015; early adoption is permitted and must be disclosed.

Annual Improvements to 2011-2013 Cycle

Changes to standards concern:
- IFRS 3 Business Combinations: Scope exceptions for joint ventures
- IFRS 13 Fair Value Measurement: Clarification of scope of portfolio exception
- IAS 40 Investment Property: Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The amendments are effective for annual periods beginning on or after 1 January 2015; early adoption is permitted and must be disclosed.

Annual Improvements to 2012-2014 Cycle

Changes to standards concern:
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (changes in methods of disposal)
- IFRS 7 Financial Instruments: Disclosures (servicing contracts)
- IFRS 7 Financial Instruments: Disclosures (applicability of the amendments to IFRS 7 to condensed interim financial statements)
- IAS 19 Employee Benefits (discount rate: regional market issue)
- IAS 34 Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016; early adoption is permitted and must be disclosed.

IFRIC 21 Levies

IFRIC 21 is effective for all levies, other than expenditure within the scope of other standards and penalties or other sanctions for infringement of legislation. IFRIC 21 provides guidance on the recognition of levies imposed by a government and applies for financial statements for annual periods beginning on or after 1 January 2014. The European Union endorsed this standard in June 2014. For EU companies, the interpretation is effective for annual periods beginning on or after 17 June 2014; earlier adoption is permitted from the IASB effective date of 1 January 2014.

Significant accounting judgments and estimates

In the process of applying the accounting policies, Van Lanschot uses estimates and assumptions which can have a significant impact on the amounts recognised in the financial statements. These estimates and assumptions are based on the most recent information available. The actual amounts may differ in the future. The principal estimates and assumptions relate to impairments on available-for-sale investments, loans and advances to the public and private sectors, investments in associates using the equity method, property, plant and equipment, goodwill, intangible assets and assets acquired through foreclosures. They also relate to the determination of the fair value of financial instruments, deferred tax positions, share-based payments, employee benefits and provisions.

Determination of fair value

The fair value of financial instruments, in so far as available and provided there is an active market, is based on stock exchange prices at the reporting date. For financial assets, the bid price is used; for financial liabilities, the selling price. The fair value of financial instruments not traded in an active market is determined on the basis of cash flow and of option and other valuation models. These models are based on the market circumstances prevailing at the reporting date. Estimates mainly relate to future cash flows and discount rates. For more details, see the Risk management section (from page 82).

Impairments

All assets are assessed at least annually to determine whether there are objective indicators of impairment. Objective indicators may arise in the event of significantly changed market circumstances regarding aspects such as share prices, exchange rates or interest rates. If unrecoverable financial assets generate cash flows after having been written off, these cash flows are taken directly to the statement of income. Impairments are determined on the basis of the difference between the carrying amount and the recoverable amount. Impairments are taken directly to the statement of income under Impairments.

Impairments of loans and advances to the public and private sectors

In determining the presence of impairments, a distinction is made between items for which there are objective indicators of impairment and items for which there are no such objective indicators. Objective indicators of impairment are substantial financial problems occurring at clients, failure to make repayments of interest or capital, and the likelihood of bankruptcy or other financial restructuring of clients.

For all items where there is an objective indicator of impairment, an estimate is made of the future cash flows, which are discounted on the basis of the discounted cash flow method. Assumptions used are the estimate of the liquidation or other value of the collateral, estimate of payments still to be received, estimate of the timing of these payments and the discount rate. Since this is a loss event, and IFRS does not permit future loss events to be taken into account, probability does not play a role in the measurement of individual impairments, other than in the expectations regarding cash flows.

Loans for which there is no objective indication of impairment are included in the collective assessment 'incurred but not reported' (IBNR). Value decreases which had occurred at the reporting date but of which the bank was not yet aware due to an information time lag are estimated on the basis of the product of exposure at default (EAD) x probability of default (PD) x loss given default (LGD) x confirmation period. The confirmation period is the number of quarters during which the information time lag exists (minimum 0, maximum 4).

If an asset becomes permanently irrecoverable, the provision previously taken is written off and charged against the relevant line item.

Impairment of restructured loans

In the event of impairment, Van Lanschot seeks to restructure loans in order to avoid enforced seizure of collateral. This may be effected by extending the expiry date of the contract or agreeing new borrowing terms. The method used to determine impairments for forbearance loans is identical to that for non-restructured loans.

Impairment of investments in equity instruments
An investment in equity instruments is considered to be impaired if its carrying amount permanently exceeds the recoverable amount, i.e. it is below cost significantly or for a prolonged period. In the case of available-for-sale investments, any equity revaluation is first deducted. An increase in value occurring after an impairment is treated as a (new) revaluation and recognised in equity.

Impairment of investments in debt instruments
An investment in debt instruments is tested for impairment if there is objective evidence of financial problems at the counterparty, the collapse of a market or other indications. In the case of available-for-sale investments, any equity revaluation is first deducted. If during the subsequent period the amount of the impairment of an available-for-sale debt instrument decreases, and the decrease can objectively be attributed to an event occurring after the write-off, the previously recorded impairment is reversed through profit or loss.

Impairments of non-financial assets
The recoverable amount of non-financial assets is the higher of the fair value of an asset less costs to sell and its value in use. This fair value less costs to sell is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the valuation date. To determine whether assets are impaired, the individual assets are allocated to the lowest level at which cash flows can be identified (cash-generating units). Non-financial assets, other than goodwill paid, that have been subject to impairment are reviewed annually to determine whether the impairment can be reversed. Non-financial assets, other than goodwill paid, are tested for impairment annually by assessing whether there are any indications that these assets are impaired.

Goodwill is tested for impairment annually.

Deferred tax assets
Deferred tax assets are recognised only if it is probable that taxable profits will be realised in the near future against which these temporary differences can be offset. Estimates are used when determining future taxable profits, since these are subject to uncertainty.

Acquisitions
In the case of acquisitions, it is necessary to determine the fair value of the acquired assets (including any intangible assets and goodwill acquired), as well as of liabilities and obligations not recognised in the statement of financial position. Estimates are used for this, particularly for those items which are not traded on an active market.

Actuarial assumptions of provisions
The pension liabilities are determined using actuarial calculations. These calculations make assumptions regarding elements such as the discount rate, future trends in salaries and returns on investments. These assumptions are subject to uncertainty. See Note 20, Provisions.

Basis of consolidation

Subsidiaries

The consolidated financial statements of Van Lanschot comprise the financial statements of Van Lanschot and its subsidiaries. The financial statements of Van Lanschot and its subsidiaries are prepared as at 31 December using consistent accounting policies. The financial year of Van Lanschot and its subsidiaries is concurrent with the calendar year.

Subsidiaries (including the consolidated structured entities) are associates in which Van Lanschot exercises decisive control. Van Lanschot has decisive control over an entity when it has power over that entity and is exposed to or has rights to variable income from its involvement in the entity and is able to use its power over the entity to influence the entity's income. The assessment of control is based on the actual relationship between Van Lanschot and the entity. Among other things, Van Lanschot takes into account existing and potential voting rights. A right is a material right if its holder is able to exercise that right in practice.

Van Lanschot has power over an entity if its existing and potential voting rights amount to more than 50%. If these rights amount to less than 50%, Van Lanschot determines whether it has power over the entity pursuant to contractual agreements. In making this assessment, a distinction is made between substantive and protective rights. Substantive rights are rights which enable the decision-making power of an enterprise to be influenced directly and which give Van Lanschot decisive control over an entity. Examples include the right to appoint and dismiss members of the board of management, and to set the level of their remuneration. Protective rights are rights which protect the interests of an entity in another entity, but which do not directly confer decision-making powers. Protective rights do not give Van Lanschot decisive control over an entity. When acquiring non-controlling interests, Van Lanschot in principle includes only protective rights in the contractual agreement. These are rights of approval which enable Van Lanschot to protect its minority position without acquiring decision-making power. Examples of protective rights are rights of approval in respect of the issue of shares and making significant acquisitions.

Intra-group transactions are eliminated in the consolidation process. Subsidiaries are consolidated from the date of incorporation or acquisition, being the date on which Van Lanschot acquires control, and are consolidated until the date that such control ceases. Van Lanschot has control over an entity when it has power over that entity and is exposed to or has rights to variable income from its involvement in the entity, and is able to use its power over the entity to influence the entity's income.

Van Lanschot consolidates interests in investment funds if it has power over the investment fund and is exposed to or has rights to variable income from its involvement and is able to use its power over the investment fund to influence the variable income. The assessment of control is based on the actual relationship between Van Lanschot and the investment fund. Van Lanschot takes into account its interest for its own account and its own role, or that of one of its group companies, as fund manager.

In the case of subsidiaries not fully controlled by Van Lanschot, the non-controlling interest in equity is presented separately in the consolidated statement of financial position as a component of total equity. The profit or loss for the reporting period that can be attributed to the non-controlling interest is disclosed separately.

Acquisitions

Acquisitions are recognised using the acquisition method. Accordingly, the cost of an acquisition is allocated to the fair value of the acquired assets (inclusive of any intangible assets not previously recognised in the statement of financial position), liabilities and obligations not recognised in the statement of financial position.

Goodwill, being the difference between the cost of the acquisition (including assumed debts) and Van Lanschot's interest in the fair value of the acquired assets, liabilities and obligations not recognised in the statement of financial position as at the acquisition date, is capitalised as an intangible asset. If this difference is negative (negative goodwill), it is taken directly to the statement of income.

A non-controlling interest in the company acquired is recognised at the fair value prevailing on the acquisition date or at the proportionate share in the identifiable assets and liabilities of the company acquired.

Results of companies acquired are recognised in the statement of income from the date at which control is obtained.

Adjustments to the fair value of acquired assets and liabilities at the acquisition date which are identified within twelve months of the acquisition may lead to adjustment of the goodwill. Adjustments identified after expiry of one year are recognised in the statement of income.

On disposal of group companies, the difference between the sale proceeds and the acquisition cost (including goodwill) is included in the statement of income together with any unrealised gain or loss.

Goodwill is not amortised. For more information on its valuation, see Note 11, Goodwill and other intangible assets.

Summary of significant accounting policies

Foreign currencies

Functional currency
Items in the statement of financial position pertaining to each group company are stated in the currency of the economic environment in which the entity operates (i.e. the functional currency).

Group companies
The assets, liabilities, income and expenses of group companies that use a functional currency other than the reporting currency are translated as follows:
- Assets and liabilities are translated using the closing exchange rate at the reporting date;
- Income and expenses are translated using the rate prevailing on the transaction date, which is approximately equal to the average exchange rate;
- Remaining exchange-related gains or losses are recognised as a separate component of equity.

Upon consolidation, exchange-related gains or losses arising from monetary items forming part of a net investment in foreign divisions are recognised in equity. Exchange-related gains or losses on borrowings and other items designated as hedging instruments for such investments are also recognised in equity.

Transactions and line items
On initial recognition, transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Translation differences arising on the settlement of such transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except where they are recognised in equity as qualifying cash flow hedges or qualifying net investment hedges in foreign divisions.

Translation differences on non-monetary items measured at fair value through profit and loss are reported as part of the fair value gain or loss. Non-monetary items are translated into the reporting currency at the same time as the determination of their fair value. Translation differences on non-monetary items measured at fair value through equity are included in the revaluation reserve in equity.

Non-monetary items not measured at fair value are translated at the exchange rate prevailing on the original transaction date. Translation differences in the statement of income are generally included in the result on financial transactions. Translation differences relating to the sale of available-for-sale investments are treated as an inherent part of the realised/unrealised gains and losses and recognised under Income from securities and associates.

Classification as debt or equity
Financial instruments or their individual components are classified as debt or equity in accordance with the economic reality for Van Lanschot as the issuing party. An equity instrument is any contract that incorporates a residual interest in the assets of an entity after deducting all its liabilities.

Recognition of financial assets in the statement of financial position
The purchase of financial assets designated as at fair value with value changes through profit or loss, or financial assets classified as available for sale, held to maturity or held for trading, which are settled according to standard market conventions, are recognised on the transaction date, i.e. the date on which Van Lanschot undertakes to purchase or sell the asset. Loans and advances are recognised on the settlement date, i.e. the date on which Van Lanschot receives or transfers the asset.

Derecognition of financial assets and liabilities in the statement of financial position
Financial assets are derecognised when:
- Van Lanschot's rights to the cash flows from the asset expire; or
- Van Lanschot has retained the right to receive the cash flows from an asset, but has an obligation to pay these in full to a third party under a special agreement; and
- Van Lanschot has transferred its rights to the cash flows from the asset and has transferred substantially all the risks and rewards, or has not transferred substantially all the risks and rewards but has transferred control over the asset.

If Van Lanschot has transferred its rights to the cash flows from an asset, but has not transferred substantially all the risks and rewards of the asset and has not transferred control, the asset is recognised as long as Van Lanschot has continuing involvement in the asset.

A financial liability is derecognised as soon as the obligation under the liability is discharged, cancelled or expired.

Repo transactions and reverse repo transactions
Securities sold subject to repurchase agreements (repos) continue to be recognised in the statement of financial position. The related liability is included under the line item concerned (principally Due to banks).

Securities purchased subject to resale agreements (reverse repos) are recognised under the line item Due from banks or under Loans and advances to the public and private sectors. The difference between the sale price and the purchase price is recognised in the statement of income as interest during the term of the agreement.

Securitisation
Van Lanschot has placed parts of its loan portfolio in special purpose entities (SPEs). As a result of these transactions, the beneficial ownership of these receivables has been transferred to the individual entities. If Van Lanschot has effective control over an SPE, it is consolidated. Van Lanschot has decisive control over an entity when it has power over that entity and is exposed to or has rights to variable income from its involvement in the entity and is able to use its power over the entity to influence the entity's income.

Van Lanschot's accounting principles are applied when consolidating SPEs.

Transfers of financial assets

All or a part of a financial asset is transferred if:

- The contractual rights to receive the cash flows from that financial asset are transferred; or
- The contractual rights to receive the cash flows from that financial asset are retained, but a contractual obligation is assumed to pay the cash flows to one or more recipients under an arrangement.

Van Lanschot has entered into securitisation transactions in which not all notes are held by Van Lanschot. These entail a partial transfer of financial assets. For more details, see the Risk management section, under 7, Liquidity risk.

Van Lanschot has no other assets meeting the criteria of transfers of financial assets.

Derivatives

A derivative is initially recognised at fair value on the effective date of the contract. After initial recognition, the derivative is subsequently remeasured at fair value and movements in value are taken to the statement of income under Result on financial transactions. Fair values are based on stock exchange prices, cash flow models and option and other valuation models.

Hedge accounting

Van Lanschot uses derivatives, such as interest rate swaps, to hedge its exposure to risks. The carrying amount of assets and liabilities which are hedged through fair value hedging and which would otherwise be recognised at cost is adjusted for movements in the fair value that can be attributed to the hedged risks. Any gains or losses arising from changes in the fair value of derivatives not relating to the hedged risks are taken directly to the statement of income.

At the inception of a hedge transaction, Van Lanschot formally designates and documents the hedge relationship, the financial risk management objective and Van Lanschot's policy when entering into the hedge transaction. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how Van Lanschot will assess the hedging instrument's effectiveness in offsetting the exposure to risks.

Such hedges are considered to be effective if Van Lanschot, both upon inception and during the term of the hedge, may expect that changes in the fair value or cash flows of the hedged item will be almost fully offset by changes in the fair value or cash flows of the hedging instrument, in so far as they relate to the hedged risk, and the actual outcome is within a range of 80-125%. The effectiveness is assessed and documented on a monthly basis in order to determine that the hedge has been highly effective throughout the financial reporting periods for which it was intended.

Hedges that qualify for hedge accounting are recognised as follows:

Fair value hedges

Fair value hedges are hedges of the exposure to changes in the fair value of an asset or liability arising as a result of interest rate changes. Movements in the value of the hedging instrument are taken to the statement of income. Any change in the fair value of the hedged item is also recognised in the statement of income, in so far as the hedging instrument has been effective in the preceding period.

A hedge relationship ends if a hedging instrument is sold, expires or is exercised, or if the hedging transaction no longer meets the criteria for hedge accounting, the remaining value adjustment of the hedged item is amortised through profit or loss until the end of its term.

Cash flow hedges

Cash flow hedges are hedges of the exposure to fluctuations in the cash flow of an asset, liability or future transaction arising as a result of interest rate changes and/or inflation. The portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised directly in equity until the hedged item affects the statement of income, while the ineffective portion is recognised in profit or loss.

If the hedging instrument expires or is sold, or if it can no longer be designated as a hedge, accumulated gains and losses remain in equity until the expected future transaction is taken to the statement of income. If the expected future transaction is no longer likely to take place, the accumulated result is transferred directly from equity to profit or loss.

Embedded derivatives

Embedded derivatives are treated as separate derivatives when their economic characteristics are not closely related to those of the financial host contract. The embedded derivative is measured separately if the financial contract itself is not recognised at fair value with the value changes through profit or loss. An example of a closely related embedded derivative is an interest rate option in a mortgage determining the upper or lower limit of the interest rate. An example of an embedded derivative that is not closely related is where interest payment and redemption are linked to a share index.

Whether or not an embedded derivative is closely related is determined prior to the transaction.

Day 1 profit

Discrepancies between the transaction price and the fair value may arise if valuation techniques are applied at the time of the transaction. Such a discrepancy is referred to as Day 1 profit. Any resulting profit or loss is recognised directly in the statement of income if the valuation method is based on observable inputs (in an active market). In the event of non-observable inputs, the gain or loss is amortised over the term of the transaction.

Netting of financial assets and liabilities

Financial assets and liabilities are netted and presented in the consolidated financial statements at the net amount when Van Lanschot has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This mainly concerns netting of current account balances and derivatives. See the Risk management section, 2.11.

Statement of financial position by IFRS accounting policy

For the layout of the statement of financial position by IFRS accounting policy, see Consolidated statement of financial position by accounting policy in the supplementary notes.

Statement of financial position

Cash and cash equivalents and balances at central banks

Cash and cash equivalents and balances at central banks comprise, at nominal value, cash in hand and deposits with a term of less than three months, balances at central banks and balances withdrawable on demand at other banks in respect of which the risk of value changes is insignificant. The amount due from De Nederlandsche Bank (DNB) arising from the minimum reserve requirement is also included in this item.

Financial assets held for trading

Financial assets held for trading are transactions for the bank's own account whereby the aim is to actively sell these instruments in the short term. Financial assets held for trading consist of the trading portfolio of both equity instruments and debt instruments. The financial assets held for trading are recognised at fair value with effect from the trade date and value adjustments are taken to the statement of income under the line item Result on financial transactions.

Due from banks

Amounts due from banks are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Financial assets designated as at fair value through profit or loss

Financial assets designated as at fair value through profit or loss comprise investments which management believes should be recognised at fair value through profit or loss based on one of the following reasons:

1. Designation eliminates or significantly reduces inconsistencies in measurement and recognition which would otherwise arise as a result of assets being valued or income and expense being recognised under different accounting policies.
2. The performance of the relevant financial assets is assessed on the basis of their fair values, in accordance with a documented risk management or investment strategy. Reporting to management takes place on the basis of fair value.
3. The contract in which the financial instrument is included contains one or more embedded derivatives and the entire contract is recognised as at fair value through profit or loss. This is only permitted if the embedded derivative has significant influence on the contractually agreed cash flows.

Interest earned on these assets is recognised as interest income. All other realised and unrealised gains and losses on remeasuring these financial instruments at fair value are recognised under Result on financial transactions.

Available-for-sale investments

Investments included in this line item have been classified by management as transactions held indefinitely and are carried as available for sale. This line item comprises investments in both equity instruments and debt instruments. These investments are initially recognised at fair value and subsequently measured for any changes occurring in the fair value of the investment after its acquisition. Unrealised gains and losses resulting from changes in the fair value of investments classified as available for sale are recognised on a net basis in equity.

On realisation of available-for-sale equity instruments, the accrued revaluation reserve is released to the statement of income under the line item Income from securities and associates. On realisation of available-for-sale debt instruments, the accrued revaluation reserve is released to the statement of income under the line item Result on financial transactions. When calculating the transaction result, cost is determined using the average cost method.

Interest earned on these assets is recognised as interest income. Dividends are recognised under Income from securities and associates.

Available-for-sale investments may be sold as a result of liquidity control or changes in interest rates, exchange rates or share prices. Discounts or premiums on interest-bearing available-for-sale investments are amortised based on the effective interest rate and recognised in profit or loss. If the investments are sold or impairment losses occur, the adjustments to fair value are recognised in profit or loss.

Twice a year, Van Lanschot assesses whether impairment losses have occurred. The fair value of an investment in an equity instrument being below cost significantly or for a prolonged period is an objective indication of impairment, and this is determined by the Impairment Committee on the basis of the policy adopted.

Van Lanschot treats unrealised losses on debt instruments in the investment portfolio due to interest rate fluctuations as temporary decreases in value. Van Lanschot aims to retain these investments in debt instruments for a term considered long enough to offset these unrealised losses, and expects to receive the full principal if they are held to maturity.

In the first year of investment, shareholdings are recognised at fair value and are adjusted where applicable for any changes in this value occurring after acquisition. The market value of shareholdings is based on reports prepared by the fund manager. This value is adjusted where applicable for carried interest arrangements and annual fund charges.

All purchases and sales of available-for-sale investments transacted according to standard market conventions are recognised on the transaction date. All other purchases and sales are recognised on the date of settlement.

Held-to-maturity investments

Investments for which the date of maturity and cash flows are known are classified as held-to-maturity investments in so far as management has both the intention and ability to hold them until maturity. Management determines the most appropriate classification for its investments on the transaction date.

Held-to-maturity investments are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, after deduction of any provisions for impairment. Interest earned on held-to-maturity investments is recognised as interest income. All transactions in held-to-maturity investments are recognised on the settlement date.

If there are objective indications that an impairment has occurred, the impairment is determined as the difference between the carrying value of the investment and the present value of estimated future cash flows (with the exception of future loan losses that have not yet occurred) calculated at the original effective interest rate of the investment.

The impairment is recognised in the statement of income. If the amount of the impairment reduces in a subsequent period and the reduction can be objectively related to an event that occurred after the impairment was applied, the earlier impairment is reversed. The amount of the reversal is recognised in the statement of income in so far as the carrying value of the investment does not exceed the amortised cost on the reversal date.

Loans and advances to the public and private sectors
Loans and advances to the public and private sectors are recognised at amortised cost using the effective interest method.

Derivatives
Derivatives are carried at fair value. The positive and negative values of derivatives are shown separately on the face of the statement of financial position on the assets side and the liabilities side, respectively. The values of derivatives with a positive and negative value, concluded with the same counterparty, are only netted if the cash flows are settled on a net basis and this is permitted under law. Movements in the value of derivatives are taken directly to the line item Result on financial transactions. If the hedge is completely effective, the net impact on the statement of income is nil. The difference, in so far as this remains within the ranges set, reflects ineffectiveness and is taken to the statement of income.

Derivatives include:
- *The fair value of derivatives held for trading*
  Derivatives held for trading are transactions for own account with the aim of actively selling them in the short term;
- *Economic hedges*
  Economic hedges are derivatives used to manage risks without applying hedge accounting;
- *Structured product derivatives*
  Structured product derivatives are options acquired by Van Lanschot in order to hedge structured products sold to clients, without application of hedge accounting;
- *Client option positions*
  Offsetting market transactions are conducted for all option positions held by our clients on a one-on-one basis;
- *Derivatives with application of hedge accounting*
  These are derivatives used as hedging instruments in the application of hedge accounting.

Investments in associates using the equity method
These investments have been designated by management as transactions held indefinitely, and as a result of the acquired control can be classified as Investments in associates using the equity method. These are investments in entities where Van Lanschot has significant influence but not control. If there is a change in the equity of the associate, Van Lanschot recognises its share in this change and includes it in the statement of changes in equity. This also applies to results of associates recognised in Van Lanschot's statement of income.

In the first year of investment, investments classified as investments in associates using the equity method are recognised at cost, and where applicable are adjusted for any changes in the value of the associate's individual receivables and payables occurring after the acquisition, measured using the accounting policies applied by Van Lanschot.

The recoverable amount of the investments in associates using the equity method is determined each quarter. The valuation methods applied are the capitalisation method (peer group analysis), the net present value method and the disclosed net asset value method. If the recoverable amount is lower than the carrying amount, an impairment is recognised.

The capitalisation method determines the value of a business by multiplying the operating profit (EBIT) and the operating profit before depreciation and amortisation (EBITDA) by a multiplier factor derived from similar listed companies (the peer group), if applicable also taking account of a 20% discount for poor liquidity and minority shareholding. Where applicable, EBIT and EBITDA are adjusted for one-off items.

The net present value method calculates the enterprise value by discounting the forecast operational cash flows at a discount rate for the planning period and a final value based on the extrapolation of the operating profit. The discount rate (WACC) is determined on the basis of the discount rate of listed companies with a high degree of similarity and on the specific characteristics of the company. If applicable, the net present value method takes account of a 20% discount for poor liquidity and minority shareholdings.

The company's net debt is then deducted from the value resulting from the capitalisation method and/or net present value method and multiplied by the share in the capital structure in order to derive the shareholder value from the enterprise value.

The disclosed net asset value method determines the value of a company based on the data of the statement of financial position, and can be regarded as the lowest valuation in the case of a going concern.

If Van Lanschot's share in the associate's losses is equal to or exceeds its interest in the associate, no further losses are recognised unless Van Lanschot has assumed obligations or made payments for these associates.

Property, plant and equipment
Property, plant and equipment comprise property, information technology, furniture & fixtures and communication and safety equipment. Property, plant and equipment are initially carried at cost and subsequently measured at historical cost less accumulated depreciation and accumulated impairments. The carrying value includes the costs for replacement of part of the existing object as soon as these costs are incurred, but excludes day-to-day servicing costs. Depreciation is calculated on a straight-line basis over the useful life of the asset.

The net realisable value of individual property items is determined at least every five years, and more often if market conditions so dictate. The net realisable value represents the appraisal value set by an independent surveyor. If the appraisal value is below cost after deduction of accumulated depreciation, the recoverable value is determined. This value is calculated using the value-in-use-method. If the recoverable value is also below cost after deduction of accumulated depreciation, an impairment is recognised for the difference between the carrying amount and the higher of the appraisal value and the recoverable value.

Estimated useful life of property, plant and equipment (years)	
Land	indefinite
Buildings	40
Alterations	15
Operating software and IT	3 - 5
Communications equipment	5
Safety equipment	15
Infrastructure	10
Furniture and fixtures	5 - 10

Operating software development costs are capitalised if they are identifiable, there is a likelihood that future economic benefits will flow to Van Lanschot and costs can be measured reliably.

Property not in own use comprises office buildings no longer in own use. Van Lanschot's policy is focused on selling these assets in due course. Property not in own use is carried at historical cost less accumulated depreciation and accumulated impairments. This property is considered to be impaired if its carrying amount exceeds the recoverable amount. The recoverable amount less the relevant variable costs to sell is based on the appraisal value as determined by an independent surveyor.

Goodwill and other intangible assets

Goodwill represents the difference between the fair value of the acquired assets (including intangible assets) and liabilities, and the purchase price paid (excluding acquisition costs). Goodwill paid is included in the financial statements at cost less any accumulated impairment losses. Goodwill paid is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value may be impaired. An impairment is calculated based on the difference between the carrying value and the recoverable amount of the cash-generating unit (CGU) to which the goodwill relates. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use.

Owing to the absence of a market for separate CGUs, Van Lanschot is unable to calculate a reliable fair value less costs to sell for each CGU. The recoverable amount is therefore deemed to be equal to the value in use. The value in use is determined by discounting the future cash flows generated by a CGU to their net present value. If the recoverable amount of a CGU is lower than its carrying amount, goodwill is impaired. The impairment is first applied in full to the goodwill and then pro rata to the individual assets.

Cash flow estimates are based on the long-term plan, the strategic plans and different types of investigation into possible trends. Events and factors that could have a significant impact on these estimates include market expectations, effects of mergers and acquisitions, competitive conditions, client behaviour and changes in the client base, cost structure, trends in interest rates and risks, and other circumstances specific to the industry and sector.

Other intangible assets with a limited useful life, such as application software, client bases, contractual rights and the value of acquired funds and loans and advances, are capitalised at cost and amortised on a straight-line basis over their respective useful lives.

Estimated useful life of intangible assets (years)	
Client bases	5 - 20
Third-party distribution channels	12 - 20
Brand names	20
Application software	3 - 5

Current tax assets and liabilities

Current tax assets and liabilities are stated at face value. Current and deferred tax assets and liabilities are offset when they relate to the same tax authority, the same type of tax and the law permits offsetting of these assets and liabilities.

Deferred tax

Deferred taxes are recognised on the face of the statement of financial position if the valuation of an asset or liability temporarily differs from the valuation for tax purposes. Deferred taxes are calculated using the tax rates prevailing on the reporting date. Deferred tax assets and liabilities are offset when they relate to the same tax authority, the same type of tax, it is permitted under law to offset these deferrals and the deferrals are expected to be settled simultaneously. Deferred taxes are stated at face value. Deferred tax assets are recognised only if it is probable that taxable profits will be realised in the near future against which these temporary differences can be offset.

Tax assets are assessed at every reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. This reduction will be reversed if it is probable that sufficient taxable profits will be available.

Changes in the value of investments classified as available for sale and movements in the value of derivatives forming part of a cash flow hedge are recognised in equity net of deferred tax. Deferred tax is taken to the statement of income at the same time as the movement in value.

Other assets

Assets acquired through foreclosures are carried at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the relevant variable costs to sell. The realisable value less the relevant variable costs to sell is based on the appraisal value as determined by an independent surveyor.

Other assets are stated at historical cost.

Financial liabilities from trading activities

Financial liabilities from trading activities are transactions for own account whereby the aim is to repurchase these instruments in the short term. Financial liabilities held for trading are stated at fair value, with movements in value being recognised in the statement of income under Result on financial transactions. This line item comprises short positions on the trading portfolio in both equity instruments and debt instruments. Recognition is from the date on which the contract is concluded.

Due to banks

Amounts due to banks are initially recognised at fair value excluding transaction costs. After their initial recognition, they are recognised at amortised cost using the effective interest method.

Public and private sector liabilities
Public and private sector liabilities are initially recognised at fair value excluding transaction costs. After their initial recognition, they are recognised at amortised cost using the effective interest method.

Financial liabilities designated as at fair value through profit or loss
Financial liabilities designated as at fair value through profit or loss comprise financial instruments which management believes should be recognised at fair value through profit or loss based on one of the following reasons:

1. Designation eliminates or significantly reduces inconsistencies in measurement and recognition which would otherwise arise as a result of liabilities being valued or income and expense being recognised under different accounting policies.
2. The performance of the financial liabilities concerned is assessed on the basis of their fair value, in accordance with a documented risk management or investment strategy. Reporting to management takes place on the basis of fair value.
3. The contract in which the financial instrument is included contains one or more embedded derivatives and the entire contract is recognised at fair value through profit or loss. This is only permitted if the embedded derivative has significant influence on the contractually agreed cash flows.

Van Lanschot's own credit risk is taken into account in the valuation.

Issued debt securities
Issued debt securities are initially recognised at fair value excluding transaction costs. After initial recognition, issued debt securities are carried at amortised cost using the effective interest method. Repurchase by Van Lanschot of its own debt securities is set off in the consolidated financial statements against the liability; the difference between the cost and the carrying amount based on the remaining term is taken to the statement of income.

Provisions
A provision is a liability of uncertain timing or amount. A provision is included in the statement of financial position if Van Lanschot has an obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. Provisions are discounted if the time value of money for the liability has a material effect.

Provisions for pensions
Van Lanschot operates defined benefit plans and defined contribution plans. Under defined contribution plans, contributions to pension funds are taken to the statement of income as staff costs. Van Lanschot has no further payment obligations with respect to defined contribution plans once the contributions have been paid.

A defined benefit plan is a pension plan which defines the amount of pension benefit that an employee will receive on retirement. Factors such as age, years of service and salary are taken into account when determining the amounts to be paid. The provision for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The pension obligation is calculated with reference to the expected return on plan assets.

Differences between the expected and actual return on plan assets and actuarial gains and losses are recognised directly in equity; net interest is recognised under Interest in the statement of income.

Provision for long-service benefits scheme
Employees receive a bonus to mark a long-service anniversary of 10, 20, 30 and 40 years. In addition, receptions are organised for employees who have been in service for 25 and 40 years. These benefits are calculated on an actuarial basis and recognised in the statement of financial position as a provision.

Provision for employee discounts
Van Lanschot has arrangements in place under which employees are granted discounts on mortgage interest rates, for example. The discounts are calculated on an actuarial basis for the period during which the employee is inactive (retired) and recognised in the statement of financial position as a provision.

Provision for restructuring
A provision for restructuring is recognised only if the criteria for disclosure of a provision are met. Van Lanschot has a constructive obligation if it has a detailed formal restructuring plan identifying at least the business or part of the business concerned, the principal locations affected, the number of employees affected, a detailed estimate of the expenditure to be undertaken and a suitable timeframe, and if it has announced the main features of the plan to the employees affected by it.

Other provisions
This item includes all other provisions.

Other liabilities
Other liabilities are recognised at historical cost.

Subordinated loans
Subordinated loans are initially recognised at fair value excluding transaction costs. After initial recognition, they are carried at amortised cost. Purchases by Van Lanschot of its own subordinated loans are set off against the liability in the consolidated financial statements; the difference between cost and the carrying amount based on the remaining term is taken to the statement of income.

Equity
Equity instruments issued included in equity are recognised at cost.

Obligations not recognised in the statement of financial position
This includes obligations that represent a potential credit risk. For the other obligations not recognised in the statement of financial position, see the Non-current liabilities section in the supplementary notes.

Contingent liabilities
Contingent liabilities are carried at the contract value and relate in particular to guarantees and irrevocable letters of credit.

Irrevocable commitments
This item consists of unused overdraft facilities, sale and repurchase commitments and all other obligations resulting from irrevocable commitments that could give rise to loans.

Statement of income

General
Revenue is recognised in so far as it is likely that the economic benefits will flow to Van Lanschot and the revenue can be measured reliably.

Costs are allocated as far as possible to the period in which the services were rendered or to the relevant proceeds.

Net interest income
This item consists of income earned on lending and costs of borrowing and associated transactions, related commission, and other income/ expense similar to interest. The amortisation of remaining value adjustments on mortgage portfolios of fair value hedges which expired in the past is disclosed under Interest income.

Interest income and interest expense are recognised in the statement of income on an accrual basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated cash flows over the life of the financial instrument, or a shorter period when appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, Van Lanschot takes into account all contractual terms of the financial instrument (for example early repayment) but not future losses due to uncollectible amounts.

Income from securities and associates
All dividends received from investments in equity instruments are included under dividends and fees. Dividends are recognised directly in the statement of income when they are made payable. Decreases in the value of equity instruments forming part of the available-for-sale investments are recognised in the statement of income as impairments. Gains or losses on the sale of available-for-sale investments in equity instruments and debt instruments are recognised under Gains/losses on sale of available-for-sale investments in equity instruments (Income from securities and associates) and Realised gains/losses on available-for-sale debt instruments (Result on financial transactions). Van Lanschot's share in the results of equity-valued associates is recognised under Income from securities and associates using the equity method.

Dividends received are deducted from the carrying amount of the equity-valued associate.

Net commission income
This item comprises the income, other than income similar to interest, earned on banking and asset management services provided to third parties. Commission paid to third parties is accounted for as commission expense.

Van Lanschot receives commission for the wide range of services it provides to clients. This can be divided into commission on a transaction basis and periodic commission charged to the client during the year.

Commission on a transaction basis
Net commission income on a transaction basis is recognised in the periods in which Van Lanschot provides the services. Transaction commission for which Van Lanschot only provides a service on the transaction date (e.g. securities commission) is taken directly to the statement of income.

Transaction commission for which Van Lanschot has to provide a service in the future (e.g. commission on structured products) forms part of the amortised cost and is recognised in the statement of income over the expected term of the instrument.

Periodic commission
Periodic commission (e.g. management fees) is recognised in the statement of income in the period in which the services are provided.

Result on financial transactions
Result on securities trading includes realised and unrealised value differences on gains and losses on financial instruments relating to the securities trading portfolio. Exchange and price gains and losses on trading in other financial instruments are recognised under Result on foreign currency trading. Gains and losses due to ineffectiveness in hedge accounting are recognised under Unrealised gains/losses on derivatives under hedge accounting. Result on economic hedges includes realised and unrealised gains and losses on derivatives that are not included in a hedge accounting model. Result on financial instruments designated as at fair value through profit and loss comprises unrealised value differences and interest expenses on financial liabilities designated as at fair value through profit and loss.

Other income
Other income comprises non-banking income resulting from the consolidation of non-banking subsidiaries. This income is recognised in accordance with the requirements of IFRS (in particular IAS 18).

Staff costs
Staff costs comprise wages and salaries, pension and early retirement costs, other social security costs and other staff costs such as remuneration in the form of share-based employee benefits.

Share-based employee benefits
Employees may be eligible to receive remuneration in the form of share-based payments. The cost of equity instrument-settled transactions of Van Lanschot NV with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using a binomial model. The cost of equity instrument-settled transactions of Van Lanschot NV is recognised, together with a corresponding increase in equity, in the period in which the employee's performance criteria are fulfilled, ending on the date on which the employee becomes fully entitled to the award (the vesting date).

Share-based employee benefits: Management Investment Plan
Selected Kempen employees are offered the opportunity to participate in the Kempen Management Investment Plan (MIP). Under the terms of the Kempen MIP, selected employees purchase profit-sharing Kempen certificates or ordinary shares held indirectly in Kempen's share capital. Kempen has issued these ordinary shares to MIP Coöperatie UA, a cooperative society in which nearly all membership rights are owned by Stichting Administratiekantoor Kempen Management Investeringsplan (Stichting MIP), which in turn issues depositary receipts to the selected employees in exchange for payment of the issue price. The MIP therefore entails an equity instrument-settled transaction.

If, at the moment the award is made, the fair market value per depositary receipt exceeds the issue price, an employee benefit is deemed to exist under IFRS. The fair value of this employee benefit is treated as an expense during the vesting period, with a corresponding adjustment to equity. The total sum to be taken into consideration is determined on the basis of the fair value of the depositary receipts as established on the date on which they are granted, without taking into account any continuing terms of employment.

Other administrative expenses
Other administrative expenses comprise IT expenses, costs of marketing and communication, accommodation expenses, office expenses and other administrative expenses.

Depreciation and amortisation
Depreciation and amortisation are determined on the basis of estimated useful life and charged to the statement of income.

Impairments
This item comprises the balance of the required impairments and reversals of such impairments.

Income tax
Tax on operating profit is recognised in the statement of income in accordance with applicable tax law in the jurisdictions in which Van Lanschot operates. Tax effects of any losses incurred in certain jurisdictions are recognised as assets when it is probable that sufficient future profits will be available in the relevant jurisdiction against which these losses can be offset.

Earnings per share
Earnings per share are calculated by dividing the profit for the year available to shareholders by the weighted average number of shares outstanding during the period.

Statement of cash flows
The statement of cash flows is prepared using the indirect method. This statement of cash flows shows the source and application of cash items. Cash flows are divided into those from operating, investing and financing activities. Cash and cash equivalents comprise, at face value, all cash in hand, balances at central banks and balances withdrawable on demand at other banks in respect of which the risk of value changes is insignificant.

Lease
Lease contracts, including operating sale and leaseback agreements, under which the risks and benefits of ownership of the assets are substantially retained by the lessor, are classified as operating lease contracts. Van Lanschot has entered into operating lease contracts as lessee. Operating lease payments (less any discounts granted by the lessor) are charged to the statement of income on a straight-line basis over the term of the lease. In the case of sale and leaseback, if the selling price of the asset falls below its fair value, the difference between the carrying amount and the selling price is recognised through profit or loss unless the difference between the fair value and the selling price is offset through future non-standard lease instalments.

Lease contracts, including financial sale and leaseback agreements, under which the risks and benefits of ownership of the assets are substantially transferred to Van Lanschot, are classified as financial lease contracts. Van Lanschot has entered into financial sale and leaseback contracts as lessee. Financial lease contracts are capitalised on the effective date of the lease contract at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The discount rate used in calculating the present value of the minimum lease payments is the implicit interest rate of the lease contract. The leased object is recognised under Property, plant and equipment. Depreciation is applied using the same method as for wholly owned property, plant and equipment. The lease obligation is recognised under Other liabilities. The interest component of the finance costs is charged to the statement of income over the term of the lease.

Segment information
The different operating segments form the basis for Van Lanschot's primary segmentation. An operating segment is a business unit that can earn revenues and incur expenses and whose operating results are regularly reviewed by its board or the chief operating decision-maker and for which for which discrete financial information is available. Additional information is reported geographically based on where the business activities are located. Intra-segment transactions are conducted on commercial terms and market conditions (at arm's length).

Risk management

1. Risk and capital management

Taking and managing responsible risks is an inherent part of banking. Van Lanschot approaches risk management in a way that is appropriate for its size and character, aiming to mitigate as far as possible the impact of unexpected events on its solvency, liquidity and performance. The policy, systems and procedures are designed to anticipate risks and where possible to avoid or mitigate them. Making clear choices and adequately embedding risk management at all levels of the organisation are an important part of this.

Since 1 July 2012, Van Lanschot has reported its loan portfolio on the basis of risk-sensitive IRB models. These models provide an accurate insight into developments within the loan portfolio. We thus have a clear picture of the risk of default for virtually the entire portfolio, as well as of potential losses and the capital that must be held. In 2013, we took further steps in the development of our risk management system by implementing a retail approach (A-IRB) for small and medium-sized enterprise (SME) clients up to €1 million. This system was extended in 2014 to the consumer credit sub-portfolio up to €2 million, and a number of optimisations were effected. Van Lanschot's IRB models have been approved by De Nederlandsche Bank (DNB) and will be subject to periodic independent validation.

In response to the financial crisis, regulators have asked financial institutions to draw up a recovery plan with the aim of improving stability in the financial sector. The recovery plan defines early warning indicators and trigger levels in relation to capital and liquidity, as well as measures that institutions can take in times of stress. Van Lanschot drew up a preliminary version of its recovery plan in 2013; this was updated in 2014 and the final version was produced. The recovery plan forms an integral part of our risk management system and is periodically tested and updated where necessary.

The final versions of the Capital Requirements Directive IV (CRD) and the Capital Requirements Regulation (CRR) were published in June 2013. This European framework contains both the Basel II and Basel III guidelines; the CRR has direct force of law. Van Lanschot worked on the implementation of these guidelines in 2013 and 2014 through a Basel III programme. Several elements have now been embedded in the risk management, reporting and decision-making processes. The LCR and NSFR liquidity ratios are discussed monthly in the Asset & Liability Committee, while capital controls are based primarily on Basel III phase-in and fully loaded Common Equity Tier I ratios.

We made further improvements to our risk management organisation in 2013-2014. The Financial Risk Management department has wide-ranging responsibility for the consolidated financial risks. The Acceptance & Management department is more firmly integrated in the line organisation, while the Recovery Section is positioned directly below the Statutory Board. The Risk Management department focuses on the overarching credit risk policy and operational risk.

Van Lanschot's risk management system principally covers the following risks:
- Credit risk
- Operational risk
- Market risk
- Strategic risk
- Interest rate risk
- Liquidity risk
- Compliance risk

These risk categories are discussed separately from Section 2 onwards, covering aspects of the Basel guidelines. Subsequently, in Section 9, information about fair value is provided.

1.1 Risk appetite

Van Lanschot is an independent wealth manager specialising in the preservation and creation of wealth for its clients. This is also reflected in the bank's risk appetite, and its positioning demands solid capital and liquidity ratios. We seek to strike a simple and transparent balance. The focus in the lending activities is on private banking; the commercial loan portfolio is being largely unwound.

We have in place a robust risk appetite system with associated reporting and policy. In order to firmly embed the risk appetite in the organisation, a formal framework has been created comprising an unambiguous definition of roles and responsibilities. Each year, the Statutory Board prepares a policy document – the risk appetite statement – which translates the risk appetite into overall risk limits, and this is submitted to the Supervisory Board for review. The Supervisory Board also reviews developments in the risk profile twice a year on the basis of the risk appetite report. The risk appetite contains both qualitative and quantitative elements. The guiding principles are as follows:

- We only take risks which can be understood and explained.
- We only take risks which are directly or indirectly linked to our strategic objectives.
- The sum of all risks must not exceed the risk-bearing capital.
- When taking risks, we take into account the interests of all stakeholders.
- We aim for a credit rating of at least Single A.
- The risk appetite must be taken into consideration in all key decisions at every level of the organisation.
- We operate within the framework of applicable legislation and regulations.
- We do not take any risks which could cause serious harm to our reputation.

Table 1.1 Capital ratios (%)	External requirement	31/12/2014	31/12/2013*
BIS ratio	8.0	14.3	13.0
Tier I ratio	6.0	13.6	12.1
Common Equity Tier I ratio (phase-in)	4.5	13.6	12.1
Leverage ratio (phase-in)	3.0	5.4	–

* The comparative figures relate to Basel II.

1.2 Organisation of risk and capital management

The principles of compliance and corporate governance form part of the due care with which Van Lanschot guards its reputation as a solid bank with integrity. The purpose of our risk framework is to identify and analyse risks at an early stage and to mitigate and monitor those risks in a responsible manner. Adequate internal control procedures and reporting systems, including the application of appropriate limits and their constant monitoring using reliable information systems, are therefore key elements in our risk management system.

Risk management is an ongoing process that hinges on the quality and commitment of management and employees. The organisation of the risk framework is based on the three lines of defence principle. Day-to-day responsibility for risk control is assigned to the commercial and/or operational departments (first line). Compliance, Risk Management and Financial Risk Management form the second line and are responsible for initiating risk policy and supervision of risk control within Van Lanschot. Group Audit forms the third line and is responsible for performing independent audits on the risk framework. This creates a clear, balanced and adequate division of tasks, powers and responsibilities, ensuring independent and effective fulfilment of the risk management function.

Risk management is at the core of capital management. Capital management within Van Lanschot focuses on monitoring and managing both external capital adequacy requirements and internal capital adequacy targets at group level. The central focus here is on safeguarding our financial solidity and stability. A capital and funding plan is prepared each year for capital management purposes.

1.2.1 Supervision

The Supervisory Board supervises the risks and capital adequacy requirements in relation to the bank's operations and portfolio. It has set up two committees for this purpose.

The **Risk Committee** prepares the ground for the decision-making by the Supervisory Board on all risks identified in the bank's business activities and its risk framework.

The **Audit and Compliance Committee** was created to advise the Supervisory Board on financial reporting, internal and external audits, as well as on compliance matters and duty of care.

Table 1.2 Risk and capital management						
Supervision § 1.2.1	Supervisory Board – Risk Committee – Audit and Compliance Committee					
Risk and capital management § 1.2.2	Statutory Board – Credit Risk Policy Committee – Asset & Liability Committee (ALCO) – Compliance & Operational Risk Committee – Credit Committee – Crisis Management Team/Business Continuity Committee – IT Security – Impairment Committee – Product Board – Project Board					
Implementation and review § 1.2.3	Van Lanschot Risk Management	Financial Risk Management	Financial Control	Compliance Group Audit	Kempen Risk Management	
Execution § 1.2.4	Private Banking	Corporate Banking	Recovery Section	Asset Management	Merchant Banking	Treasury

1.2.2 Risk and capital management policies

The Statutory Board bears ultimate responsibility for formulating the bank's strategy. It is also responsible for ensuring a timely and accurate supply of the data that serve as the basis for the Supervisory Board's opinions on Van Lanschot's risk appetite. A key element of the bank's strategy is the risk and capital management policies and the resultant capital management plan. This plan is reviewed and approved annually by the Statutory Board.

This also means that the Statutory Board has ultimate responsibility for the existence and effective functioning of the processes that enable Van Lanschot to hold sufficient capital in the light of its objectives (combined with its risk appetite) and the statutory capital adequacy requirements. Within this scope, the Statutory Board has delegated specific tasks to various divisions or committees. At least one member of the Statutory Board has a seat on each committee. The following committees are active in various risk areas within the bank.

Credit Risk Policy Committee: all aspects of credit risk policy, including advising on risk appetite in relation to credit risks

This committee determines and adjusts the bank's overall credit risk policy. The committee translates Van Lanschot's overall credit risk appetite into a credit risk acceptance and management policy, bearing in mind the strategic objectives and other principles of the risk appetite. All members of the Statutory Board sit on this committee, along with, representatives of Risk Management, Financial Risk Management, Compliance, Private Banking, Service Centres, Corporate Banking and the Recovery Section. The committee meets every quarter.

Asset & Liability Committee (ALCO): management of interest rate, market and liquidity risks and capital management

This committee supervises the implementation and execution of the capital management policy and the derived capital management and funding plan and liquidity and funding policies. The committee supervises compliance with the relevant guidelines when transactions are effected, especially relative to the capital structure, capital ratios and funding. It is also responsible for the approval of the internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) reporting. It approves the capital and funding plan twice a year. In addition to specialists and the relevant directors, all members of the Statutory Board have a seat on the Asset & Liability Committee. The committee meets once a month.

Compliance & Operational Risk Committee: management of compliance risks and operational risk

This committee oversees the implementation and execution of compliance and operational risk management policies, which defines standards for the identification, measurement, monitoring and control of operational risks. The committee assesses the bank's compliance and operational risks and monitors the progress of actions taken to mitigate these. Additional control measures are established where appropriate. The committee also adopts the annual plans of the Operational Risk Management and Compliance departments. The committee meets once a quarter and is chaired by a member of the Statutory Board.

Some of the other committees which carry out tasks delegated by the Statutory Board are as follows:
- Credit Committee: this committee has the highest authority within Van Lanschot to approve loans;
- Crisis Management Team, Business Continuity Committee and IT Security: responsible for managing the information security risk and (operational) continuity risks;
- Impairment Committee: determines impairments and provisions;
- Product Board: responsible for the introduction of new products and the review of existing products;
- Project Board: responsible for project decision-making.

1.2.3 Implementation and review of the risk and capital management policies

Van Lanschot and Kempen each have their own risk management governance structure.

At Van Lanschot, implementation and monitoring of the risk and capital management policies has been delegated to the following departments:
- Van Lanschot Risk Management
- Financial Risk Management
- Financial Control
- Van Lanschot Compliance
- Kempen Compliance
- Kempen Risk Management

In addition, Van Lanschot Group Audit and Kempen Internal Audit perform a regular review.

Van Lanschot Risk Management is responsible for the risk appetite process. Working in close conjunction with the Financial Risk Management department, this department is responsible for managing the credit and operational risks, paying specific attention to the security of client and corporate information and business continuity management. It gives advice on managing risks both on request and on its own initiative at every level of the organisation. It is also responsible for the preparation, development and maintenance of the operational and credit risk policy. Its aim is to raise risk awareness among staff so as to improve their ability to strike a sound balance between risk and return.

Financial Risk Management (FRM) is responsible for the second-line monitoring and management of all risks relating to the statement of financial position at group level. This includes modelling, measuring, managing and reporting on Van Lanschot's credit, market, interest rate, liquidity and strategic risks. The department also implements Van Lanschot's capital and liquidity policy. In addition, FRM is responsible for preparing ICAAP and ILAAP reports. The FRM director reports directly to the Van Lanschot Statutory Board.

Financial Control is jointly responsible with Van Lanschot Risk Management, Financial Risk Management and Compliance for the financial accounting and business control function. Through its various reports, Financial Control fulfils an important role in challenging the business and coordinating supervision of risk management. The Financial Control director reports directly to the Statutory Board.

Van Lanschot Compliance has both an advisory and a monitoring role with respect to compliance with internal and external laws and regulations by the Statutory Board, senior management and employees of Van Lanschot. Compliance operates independently within Van Lanschot and its director reports directly to the Chairman of the Statutory Board. In addition, Compliance periodically reports to the Supervisory Board's Audit and Compliance Committee. **Kempen Compliance** reports to the Chairman of the Kempen Management Board.

Kempen Risk Management is responsible for measuring, managing and reporting on all relevant risks within Kempen. The department reports directly to the Kempen Management Board. Its focus is on market and operational risks.

Kempen Risk Management issues daily reports on market risks, which are monitored intraday by the management team of Kempen Securities and Kempen Risk Management. The Kempen Management Board is responsible for defining the market risk policy. Monthly credit and operational risk reports are submitted to the Kempen Credit Committee and Operational Risk Committee, respectively. These committees are chaired by Kempen's CFO, and the relevant business units and departments are represented on them. Minutes of committee meetings are shared with the Kempen Management Board, thus ensuring that the Management Board, senior management and business unit managers are kept well informed about Kempen's risk profile and alerted in good time to significant problems and developments. An authorisation structure is in place for limit overruns.

Kempen Risk Management submits risk reports to:

- The relevant line management;
- The Kempen Management Board;
- The Audit, Risk & Compliance Committee of the Kempen Supervisory Board;
- Van Lanschot Financial Risk Management and Van Lanschot Risk Management;
- The Risk Committee of the Van Lanschot Supervisory Board.

A risk appetite process is in place at Kempen. Kempen's risks must fall within the overall risk appetite of Van Lanschot, and frameworks and standards for risks and risk management at Kempen have therefore been created. Kempen Risk Management reports periodically and on request to Van Lanschot Financial Risk Management and Van Lanschot Risk Management, in order to guarantee that Van Lanschot has a complete overview of all relevant risks.

Van Lanschot Group Audit reviews the design and effectiveness of the risk organisation and the execution of the risk and capital management policy. The department reports on this to the Statutory Board.
The policy pursued by Van Lanschot forms the starting point for the independent review by Group Audit. Processes, infrastructure, organisation and systems are audited based on the policy pursued, in order to determine whether the organisation has in place adequate measures for the proper implementation of the risk and capital management policy. **Kempen Internal Audit** reports to the Chairman of the Kempen Management Board.

Early in 2015 Kempen's departments Risk Mangement, Compliance and Internal Audit started reporting to the group control functions.

1.2.4 Execution of risk and capital management policy

The commercial departments are responsible for the preparation of commercial plans. The current and future risks and the resultant capital needs are determined on the basis of these plans. These serve as input for the Asset & Liability Committee, which primarily determines the way in which the policy is implemented.

The decisions of the Asset & Liability Committee are executed by the Treasury department and the commercial departments.

1.3 External and internal capital adequacy requirements

The Basel requirements apply to all banks in the Netherlands. This comprehensive framework for supervision of banks comprises three complementary pillars:

- Pillar I: External capital adequacy requirements for capital risk, market risk, operational risk and CVA risk;
- Pillar II: Internal processes relating to risk management and the calculation of internal capital adequacy requirements and economic capital, and the assessment of these internal processes by the regulator, referred to as the Supervisory Review;
- Pillar III: Disclosure requirements relating to key risk information for external stakeholders.

Pillar III, which is concerned with the obligation to provide external stakeholders with information on risk, supports the calculation of minimum solvency requirements (Pillar I) and the solvency requirements set by management (Pillar II). The objective of Pillar III is to bring about an improvement in the quality of risk management at institutions through the disciplinary effect of the market.

Van Lanschot has opted to incorporate its Pillar III report in its financial statements, which are published once a year. The remuneration policy is explained in the remuneration report and in the Pillar III remuneration disclosure for 2014. In exceptional circumstances, due to unusual internal or external factors, Pillar III reports may be produced on a more frequent basis.

1.3.1 External capital adequacy requirements

The rules require that banks hold sufficient buffer capital to cover the risks arising from banking operations.

Pillar I provides guidelines for calculating the minimum capital buffer prescribed by regulators to cover credit risk, market risk, operational risk and CVA risk. The rules allow the capital adequacy requirements relating to these risks to be calculated in different ways with varying degrees of sophistication. Banks are free to choose which of these methods they use, subject to certain conditions. The method of calculation chosen for the bank's risk management structure is subject to various qualitative conditions. Banks that switch to a more sophisticated method may not revert back to using less advanced methods at a later date.

Van Lanschot's loan portfolio can be broadly divided into a retail portfolio comprising mainly mortgages and SME loans, and a non-retail portfolio consisting principally of customised financing solutions. On 1 July 2010, Van Lanschot switched to the advanced internal ratings-based (A-IRB) approach for the retail loan portfolio.

On 1 July 2012, De Nederlandsche Bank (DNB) additionally approved the application of the foundation internal ratings-based (F-IRB) approach for all non-retail models. This finalises the transition to a more risk-sensitive credit risk approach. The remainder of the loan portfolio is still covered by the standardised approach (SA). Van Lanschot applies the SA method for operational risk and market risk.

Of the Pillar I risks, credit risk is the most important risk category. The capital adequacy requirement is based on Van Lanschot's total loan commitments. The limited amount of market risk results from the risk policy under which Van Lanschot trades for its own risk only to a very limited extent. The solvency requirement for operational risk is based on average working capital over the past three years. The capital requirement for CVA is intended to cover the risk of deterioration in the credit-worthiness of counterparties in over-the-counter (OTC) derivatives transactions.

Table 1.3.1.C lists Van Lanschot's subsidiaries, except for the names of companies of relatively minor importance. The risks of the listed subsidiaries represent 99% of the capital required to be maintained by Van Lanschot under Pillar I.

Table 1.3.1.A Minimum external capital adequacy requirements (Pillar I)	31/12/2014	%	31/12/2013*	%
Total	**588,519**	**100%**	**720,226**	**100%**
Credit risk	497,776	85%	639,287	89%
Market risk and settlement risk	7,889	1%	8,083	1%
Operational risk	75,182	13%	72,856	10%
CVA risk	7,672	1%	–	–

Table 1.3.1.B Capital requirements for main types of credit risk exposure	31/12/2014	%	31/12/2013*	%
Total	**497,776**	**100%**	**639,287**	**100%**
Receivables from corporates	300,186	60%	445,792	70%
Retail receivables	94,244	19%	103,482	16%
Other	103,346	21%	90,013	14%

Table 1.3.1.C Subsidiaries (%)	31/12/2014	31/12/2013
F. van Lanschot Bankiers (Schweiz) AG	100	100
Kempen & Co NV	95	95
Van Lanschot Participaties BV	100	100

* The comparative figures relate to Basel II.

1.3.2 Internal capital adequacy requirements

The purpose of Pillar II is to ensure that the bank has implemented internal processes designed to establish whether the required capital is commensurate with the risks to which the bank is exposed. Van Lanschot updates these processes annually in its ICAAP manual. This manual also describes the risk management structure, procedures, assumptions and methods used to determine the required capital. The ICAAP serves to assess and maintain both the current and future capital adequacy of Van Lanschot.

In principle, the internal capital adequacy requirement is based on the requirements of Pillar I, plus an additional amount for certain other risks:
- Concentration risk in the loan portfolio;
- Interest rate risk;
- Strategic or business risk.

The models and methods applied are geared to Van Lanschot's complexity and size and embody a mix of qualitative and quantitative aspects of risk management. Diversification effects among the risk categories are not taken into account. Stress tests are carried out on a regular basis to determine whether Van Lanschot's internal capital is adequate.

Table 1.3.2 shows the internal capital adequacy requirement by type of risk.

Table 1.3.2. Internal capital adequacy requirements	31/12/2014	%	31/12/2013*	%
Total	**803,524**	**100%**	**983,249**	**100%**
Credit risk	497,776	62%	639,287	65%
Market risk and settlement risk	7,889	1%	8,083	1%
Operational risk	75,182	9%	72,856	7%
CVA risk	7,672	1%	–	–
Concentration risk	66,984	8%	75,582	8%
Interest rate risk	88,180	11%	129,000	13%
Strategic risk	59,841	8%	58,441	6%

* The comparative figures relate to Basel II.

1.4 Available risk capital

Van Lanschot discusses the present and future risk policy each month in its ALCO. ALCO may decide to take measures to adjust the policy. A capital and funding plan is prepared each year that sets out the strategic and tactical principles as well as projections of anticipated developments in the capital position. This plan also forms part of the ICAAP documentation.

Core capital declined by €86 million in 2014, from €1,087 million to €1,001 million. This was largely due to the new Capital Requirements Regulation (CRR), which stipulates that a number of components which formed part of the core capital under Basel II are no longer included. It also changes a number of deduction items and their amounts. For example goodwill, intangible assets and the IRB shortfall must now be deducted in full from core capital, while CRD IV introduces a number of other deductions, for example relating to deferred tax assets and defined-benefit pension plans. Finally, the transition to the defined contribution scheme for pensions had a material negative impact on core capital. To avoid banks being faced with an immediate significant reduction in their core capital due to the CRR, transitional provisions apply, which among other things allow for the phasing in of deductions, thus giving banks time to reinforce their capital.

The leverage ratio is a simple risk-neutral measure which divides capital by the sum of on and off balance sheet items. Based on the Basel III phase-in capital definition, Van Lanschot has a leverage ratio of 5.4%. The amount of capital in the numerator is €1,001 million, and the denominator is €18.4 billion. Of this total, €18 billion comprises items recognised in the statement of financial position.

Tables 1.4.B and 1.4.C provide a breakdown of Van Lanschot's qualifying capital; Table 1.4.B is based on Basel III, Table 1.4.C on Basel II. The tables also show the relationship between the qualifying capital and equity as presented in the consolidated statement of financial position.

The prudential filters relate to reserve cash flow hedges (€12.4 million), own credit risk in respect of debt instruments designated as at fair value through profit and loss (€17.7 million) and prudent valuation (€2.1 million negative).

Goodwill included in the qualifying capital excludes goodwill amounting to €3.0 million in respect of non-strategic investments (2013: €8.7 million).

Table 1.4.A Capital adequacy requirements and available capital	31/12/2014	31/12/2013*
Minimum capital required	**588,519**	**720,226**
Credit risk	497,776	639,287
Market risk and settlement risk	7,889	8,083
Operational risk	75,182	72,856
CVA risk	7,672	–
Qualifying capital	**1,049,280**	**1,165,472**
Of which Tier I capital	1,001,448	1,087,321
Of which additional Tier I capital	1,001,448	1,087,321
Of which Tier II capital	47,832	78,151
Capital ratios		
BIS ratio	14.3%	13.0%
Tier I ratio	13.6%	12.1%
Common Equity Tier I ratio (phase-in)	13.6%	12.1%
Leverage ratio (phase-in)	5.4%	–

* The comparative figures relate to Basel II.

Table 1.4.B Qualifying capital	31/12/2014
Share capital	40,000
Share premium reserve	247,396
General reserve	735,388
Provisional profit distribution for solvency purposes	99,001
Non-controlling interests	12,600
Actuarial results on defined benefit pension plans	– 8,377
Cash flow hedge reserve	– 12,409
Other reserves	70,432
Prudential filters	27,931
Deductions	
Goodwill and other intangible assets	– 145,790
Deferred tax assets	– 10,712
IRB shortfall	– 53,929
Assets arising from pension schemes	– 83
Core Tier I capital	**1,001,448**
Innovative instruments with interest step-up (equity instruments issued)	21,800
Deductions	
IRB shortfall	– 21,800
Total Tier I capital	**1,001,448**
Subordinated loans	95,529
(General) provisions for SA receivables	2,790
Deductions	
IRB shortfall	– 50,487
Total Tier II capital	**47,832**
Qualifying capital	**1,049,280**
Reconciliation of qualifying capital with consolidated equity	
Result for 2014 attributable to equity instruments issued	1,110
Result for 2014 attributable to non-controlling interests	8,597
Goodwill and other intangible assets	145,790
Deferred tax assets	10,712
Assets arising from pension schemes	83
Subordinated loans	– 95,529
Non-controlling interests	21,287
Cash flow hedges reserve	– 12,409
Unrealised gains and losses at fair value	– 17,658
Deduction for IRB shortfall	126,216
Revaluation reserves not forming part of qualifying capital	40,034
Innovative instruments with interest step-up (equity instruments issued)	5,450
Other equity elements not forming part of qualifying capital	– 19,128
Total consolidated equity	**1,263,835**

Table 1.4.C Qualifying capital	31/12/2013
Tier I capital	
Share capital	40,000
Share premium reserve	247,396
General reserve	930,224
Provisional profit distribution for solvency purposes	29,225
Non-controlling interests	15,140
Deductions	
Goodwill and other intangible assets	– 142,341
IRB shortfall	– 32,323
Core Tier I capital	**1,087,321**
Innovative instruments with interest step-up (equity instruments issued)	27,250
Innovative instruments without interest step-up (equity instruments issued)	8,813
Original Tier I capital	**1,123,384**
Deductions	
Equity elements	– 2,790
IRB shortfall	– 33,273
Total Tier I capital	**1,087,321**
Tier II capital	
Upper Tier II capital	21,498
Country-specific upper Tier II capital	6,100
Lower Tier II capital	118,939
Original Tier II capital	**146,537**
Deductions	
Equity elements	– 2,790
IRB shortfall	– 65,596
Total Tier II capital	**78,151**
Qualifying capital	**1,165,472**
Reconciliation of qualifying capital with consolidated equity	
Expected dividend payable for the current year	8,185
Result for 2013 attributable to non-controlling interests	4,276
Goodwill and other intangible assets	142,342
Total lower Tier II capital	– 118,939
Deduction for equity elements	5,580
Deduction for IRB shortfall	131,192
Revaluation reserves not forming part of qualifying capital	410
Other equity elements not forming part of qualifying capital	– 6,743
Actuarial results on defined benefit pension plans	– 81,617
Total consolidated equity	**1,241,973**

2. Credit risk

Credit risk is defined as the risk that a counterparty is no longer able to fulfil its obligations to the bank. Our credit risk policy primarily revolves around the counterparty risks associated with lending to private and corporate clients. Strict selection criteria for new clients and active credit management for existing clients are applied to safeguard the quality of the loan portfolio. The lending activities are based on the principle that they should support Van Lanschot's objectives. Individual assessments are used to ascertain whether loans are in line with these objectives.

Credit risk on exposures to governments and financial institutions arises from investment activities, international payment transactions and cash management. Counterparty risk with respect to financial institutions arises largely from the short-term placement of surplus cash with financial institutions or from investments, for example in covered bonds.

Van Lanschot applies a strict policy when determining country limits and limits for financial institutions. Country limits serve as a cross limit, meaning that the counterparty risks in respect of financial institutions in one country are limited by the extent of the relevant country limit. This limit is usually lower than the aggregate of the individual counterparty limits.

2.1 Loans and advances

2.1.1 Credit acceptance

Van Lanschot's loan approval policy focuses on monitoring and maintaining a high-quality loan portfolio. The authority to approve loans and loan reviews is delegated to Acceptance & Management of the Loans, Savings & Payments Service Centre, as well as to Corporate Banking's Risk & Control.

The authority to approve large loans rests with the Credit Committee, which comprises representatives of the relevant divisions as well as members of the Statutory Board. Specific powers have been defined for Kempen to approve loans fully covered by a securities portfolio.

Limits for financial institutions and countries are determined using a number of hard criteria such as the external rating, BIS ratios, capital ratios, gross domestic product (for countries) and country of origin. Limits can also be adjusted and withdrawn on a daily basis.

2.1.2 Credit management

A high-quality loan portfolio requires strict credit management. Credit management is carried out at both individual item and portfolio levels. At individual item level, explicit attention is devoted to management of unauthorised overdrafts and past due accounts. Loans with an enhanced risk profile are subjected to a risk check. In addition, a proportion of the portfolio is regularly reviewed, and as part of that process the credit risk of individual clients is scrutinised. The frequency of these reviews may vary depending on the individual borrower's risk profile, but is at least once a year. In addition to the financial analysis, the review takes account of future developments in clients' situations (partly in the light of relevant macroeconomic trends).

A deterioration in the risk profile may lead to closer supervision, an adjusted rating, corrective measures (such as requiring additional collateral or increasing the frequency of financial reporting), involvement of the Recovery Section or a combination of these measures. See Section 2.3 for more information.

At portfolio level, credit risks are reported on a monthly basis. A detailed credit risk report and the relevant (expected) developments are discussed in the Credit Risk Policy Committee on a quarterly basis. Any negative trend identified in the risk profile of a particular client segment (or of a particular sector or type of loan) can lead to the adjustment of the relevant lending policy. Trends in sectors where a concentration risk is present are monitored particularly closely.

If the review, risk check, payment arrears or external signals point to an increased risk of discontinuity, the Recovery Section is brought in. An estimate is made of the prospect of continuity. Depending on the seriousness and magnitude of the problem, either monitoring or intensive supervision is applied. If the prospect of continuity is doubtful or insufficient, the Recovery Section draws up an impairment proposal. Based on this proposal, the Impairment Committee determines the final impairment.

2.2 Breakdown of loan portfolio

Van Lanschot adopts a cautious stance on granting unsecured loans. Loans to Private Banking clients are generally secured on residential property (mortgage loans), an investment portfolio (securities-backed loans) or privately held commercial property (property loans). The remainder of the loan portfolio comprises regular consumer credits and private customised financing (other loans).

Table 2.2.A Breakdown of loan portfolio by entity (excluding impairments)	31/12/2014		31/12/2013	
	Limit	Utilisation	Limit	Utilisation
Total	**12,067,567**	**11,345,085**	**13,820,714**	**12,823,351**
Van Lanschot Bankiers	11,665,125	10,980,614	13,466,178	12,488,675
Kempen	182,710	144,739	167,995	148,135
Van Lanschot other	219,732	219,732	186,541	186,541

This loan category is solely intended for clients who have placed substantial funds with Van Lanschot. Corporate Banking's commercial loans are secured on regular collateral such as property, receivables, inventories, and fixtures and fittings.

New loans are assessed critically to determine whether they are in line with Van Lanschot's strategy. Van Lanschot adopts a conservative stance in granting such loans. The Corporate Banking commercial loan portfolio is also being purposely run down.

The credit risk concentration lies with Van Lanschot Bankiers. Kempen and the foreign subsidiaries grant few loans. The limits depend entirely on the collateral provided and may change on a daily basis.

Table 2.2.B Loans and advances to the public and private sectors by sector as at 31/12/2014

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	Non-performing loans	%
Total		**11,021,107**			**174,791**	**639,811**	**314,421**	**967,690**	**49.1**
Companies and institutions									
Real estate	11	1,263,511	1,241,732	1,094,913	29,845	138,753	65,142	230,208	46.9
Healthcare	2	205,090	244,030	196,665	116	8,309	5,988	9,633	72.1
Financial holding companies	2	250,073	320,803	217,596	27,590	4,887	2,820	34,037	57.7
Services	4	480,809	542,610	443,713	8,383	28,713	20,612	49,761	71.8
Retail	2	248,931	295,050	234,088	6,106	8,737	7,054	19,300	80.7
Capital assets	2	185,620	244,250	172,235	10,686	2,699	1,265	24,793	46.9
Food, beverages & tobacco	1	67,830	84,070	66,800	–	1,030	1,080	1,269	104.9
Other	9	1,062,233	1,193,222	963,650	10,417	88,166	46,519	129,255	52.8
Total companies and institutions	**33**	**3,764,097**	**4,165,767**	**3,389,660**	**93,143**	**281,294**	**150,480**	**498,256**	**53.5**
Private individuals									
Mortgages	54	6,111,981	6,203,561	5,965,205	31,253	115,523	68,450	159,991	59.3
Real estate	5	615,538	596,488	476,155	8,977	130,406	41,644	160,541	31.9
Other	8	853,469	1,101,751	699,463	41,418	112,588	53,847	148,902	47.8
Total private individuals	**67**	**7,580,988**	**7,901,800**	**7,140,823**	**81,648**	**358,517**	**163,941**	**469,434**	**45.7**
Impairments of loans		323,978			9,557	314,421			

The line item Other under Companies and institutions (Netherlands) comprised the following sectors in 2014: construction and infrastructure 1.25% (2013: 1.27%), building materials 1.15% (2013: 1.35%). Transport and logistics 0.74% (2013: 0.78%), agriculture and fishing 0.56% (2013: 0.23%), non-food consumer products 0.48% (2013: 0.72%), car industry 0.27% (2013: 0.36%), technology 0.23% (2013: 0.29%), basic materials 0.25% (2013: 0.27%), tourism 0.16% (2013: 0.56%), media 0.16% (2013: 0.17%), chemicals 0.01% (2013: 0.01%), oil and gas 0.02% (2013: 0.02%) and utilities 0.03% (2013: 0.01%). Percentages are expressed as a share of the total loans and advances to the public and private sectors.

Table 2.2.C Private Banking loans and advances by sector as at 31/12/2014

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	Non-performing loans	%
Total		**8,127,291**			**76,931**	**220,328**	**122,195**	**286,743**	**55.5**
Companies and institutions									
Real estate	2	110,300	108,611	98,808	6,042	5,450	1,584	1,200	29.1
Healthcare	2	186,745	221,280	178,320	116	8,309	5,988	9,633	72.1
Financial holding companies	2	143,122	187,606	142,337	709	76	77	1,703	101.3
Services	4	304,156	340,809	291,271	8,383	4,502	2,557	14,740	56.8
Retail	2	192,233	235,713	188,098	–	4,135	2,858	4,618	69.1
Capital assets	0	21,471	44,470	19,916	1,507	48	49	1,555	102.1
Food, beverages & tobacco	0	10,314	12,759	10,293	–	21	21	21	100.0
Other	5	421,712	470,336	414,662	1,273	5,777	6,085	1,757	105.3
Total companies and institutions	**17**	**1,390,053**	**1,621,584**	**1,343,705**	**18,030**	**28,318**	**19,219**	**35,227**	**67.9**
Private individuals									
Mortgages	73	6,040,642	6,131,323	5,909,909	30,403	100,330	61,405	141,322	61.2
Real estate	0	36,254	38,620	36,254	–	–	–	–	–
Other	10	785,684	1,063,325	665,506	28,498	91,680	41,571	110,194	45.3
Total private individuals	**83**	**6,862,580**	**7,233,268**	**6,611,669**	**58,901**	**192,010**	**102,976**	**251,516**	**53.6**
Impairments of loans		125,342			3,147	122,195			

Table 2.2.D Corporate Banking loans and advances by sector as at 31/12/2014

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	Non-performing loans	%
Total		**2,893,816**			**97,860**	**419,483**	**192,226**	**680,947**	**45.8**
Companies and institutions									
Real estate	37	1,153,211	1,133,121	996,105	23,803	133,303	63,558	229,008	47.7
Healthcare	1	18,345	22,750	18,345	–	–	–	–	–
Financial holding companies	3	106,951	133,197	75,259	26,881	4,811	2,743	32,334	57.0
Services	6	176,653	201,801	152,442	–	24,211	18,055	35,021	74.6
Retail	2	56,698	59,337	45,990	6,106	4,602	4,196	14,682	91.2
Capital assets	5	164,149	199,780	152,319	9,179	2,651	1,216	23,238	45.9
Food, beverages & tobacco	2	57,516	71,311	56,507	–	1,009	1,059	1,248	105.0
Other	21	640,521	722,886	548,988	9,144	82,389	40,434	127,498	49.1
Total companies and institutions	**77**	**2,374,044**	**2,544,183**	**2,045,955**	**75,113**	**252,976**	**131,261**	**463,029**	**51.9**
Private individuals									
Mortgages	2	71,339	72,238	55,296	850	15,193	7,045	18,669	46.4
Real estate	19	579,284	557,868	439,901	8,977	130,406	41,644	160,541	31.9
Other	2	67,785	38,426	33,957	12,920	20,908	12,276	38,708	58.7
Total private individuals	**23**	**718,408**	**668,532**	**529,154**	**22,747**	**166,507**	**60,965**	**217,918**	**36.6**
Impairments of loans		198,636			6,410	192,226			

Table 2.2.E Loans and advances to the private and public sectors by sector as at 31/12/2013

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	Non-performing loans	%
Total		**12,490,723**			**227,377**	**600,150**	**322,652**	**981,118**	**53.8**
Companies and institutions									
Real estate	12	1,518,221	1,508,658	1,347,689	25,478	145,054	61,135	192,519	42.1
Healthcare	2	257,039	285,517	243,047	1,045	12,947	7,436	14,774	57.4
Financial holding companies	3	381,634	515,980	371,204	7,401	3,029	2,749	14,851	90.8
Services	4	556,779	662,278	475,099	47,876	33,804	29,473	80,286	87.2
Retail	2	297,114	349,081	289,961	1,058	6,095	4,363	63,960	71.6
Capital assets	2	271,988	340,909	258,988	3,070	9,930	2,041	18,136	20.6
Food, beverages & tobacco	1	154,214	200,585	152,523	156	1,535	1,715	6,136	111.7
Other	9	1,086,472	1,278,886	986,976	16,557	82,939	54,682	138,005	65.9
Total companies and institutions	**35**	**4,523,461**	**5,141,894**	**4,125,487**	**102,641**	**295,333**	**163,594**	**528,667**	**55.4**
Private individuals									
Mortgages	51	6,482,569	6,580,410	6,304,357	71,351	106,861	66,431	172,453	62.2
Securities-backed loans	1	170,200	432,731	169,616	–	584	387	584	66.3
Real estate	5	660,949	661,134	568,910	20,874	71,165	32,268	127,237	45.3
Other	8	986,172	1,004,545	827,454	32,511	126,207	59,972	152,177	47.5
Total private individuals	**65**	**8,299,890**	**8,678,820**	**7,870,337**	**124,736**	**304,817**	**159,058**	**452,451**	**52.2**
Impairments of loans		332,628			9,976	322,652			

Table 2.2.F Private Banking loans and advances by sector as at 31/12/2013

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	Non-performing loans	%
Total		**9,058,856**			**157,653**	**237,623**	**146,013**	**384,290**	**61.4**
Companies and institutions									
Real estate	1	129,128	135,104	118,105	9,874	1,149	706	1,456	61.4
Healthcare	2	225,406	252,090	212,287	172	12,947	7,436	13,902	57.4
Financial holding companies	3	226,963	309,391	226,076	555	332	184	4,805	55.4
Services	3	297,563	334,842	257,400	38,143	2,020	1,734	15,388	85.8
Retail	2	215,863	259,550	210,411	1,058	4,394	3,158	46,377	71.9
Capital assets	1	42,153	61,499	38,936	3,070	147	149	3,217	101.4
Food, beverages & tobacco	0	10,543	11,889	9,966	156	421	613	421	145.6
Other	5	409,893	445,153	393,603	9,330	6,960	14,661	4,980	210.6
Total companies and institutions	**17**	**1,557,512**	**1,809,518**	**1,466,784**	**62,358**	**28,370**	**28,641**	**90,546**	**101.0**
Private individuals									
Mortgages	70	6,445,963	6,544,003	6,279,898	65,829	100,236	60,826	163,884	60.7
Securities-backed loans	2	170,200	432,731	169,616	–	584	387	584	66.3
Real estate	1	113,746	115,299	111,906	880	960	516	2,302	–
Other	10	920,355	946,003	784,296	28,586	107,473	55,643	126,974	51.8
Total private individuals	**83**	**7,650,264**	**8,038,036**	**7,345,716**	**95,295**	**209,253**	**117,372**	**293,744**	**56.1**
Impairments of loans		148,920			2,907	146,013			

Table 2.2.G Corporate Banking loans and advances by sector as at 31/12/2013	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	Non-performing loans	%
Total		**3,433,231**			**69,724**	**362,527**	**176,639**	**596,828**	**48.7**
Companies and institutions									
Real estate	39	1,389,093	1,373,554	1,229,584	15,604	143,905	60,429	191,063	42.0
Healthcare	1	31,633	33,427	30,760	873	–	–	872	–
Financial holding companies	4	154,671	206,589	145,128	6,846	2,697	2,565	10,046	95.1
Services	7	259,216	327,436	217,699	9,733	31,784	27,739	64,898	87.3
Retail	2	81,251	89,531	79,550	–	1,701	1,205	17,583	70.8
Capital assets	6	229,835	279,410	220,052	–	9,783	1,892	14,919	19.3
Food, beverages & tobacco	4	143,671	188,696	142,557	–	1,114	1,102	5,715	98.9
Other	19	676,579	833,733	593,373	7,227	75,979	40,021	133,025	52.7
Total companies and institutions	**82**	**2,965,949**	**3,332,376**	**2,658,703**	**40,283**	**266,963**	**134,953**	**438,121**	**50.6**
Private individuals									
Mortgages	1	36,606	36,407	24,459	5,522	6,625	5,605	8,569	84.6
Real estate	15	547,203	545,835	457,004	19,994	70,205	31,752	124,935	45.2
Other	2	65,817	58,542	43,158	3,925	18,734	4,329	25,203	23.1
Total private individuals	**18**	**649,626**	**640,784**	**524,621**	**29,441**	**95,564**	**41,686**	**158,707**	**43.6**
Impairments of loans		182,344			4,988	176,639			

The total amount outstanding as set out in Tables 2.2.B to 2.2.G inclusive is reduced by impairments of loans. This gives the total amount of loans and advances to the public and private sectors. The impairments are split into incurred but not reported (IBNR) and specific provisions. IBNR is included in Past due and amounted to €9.7 million at year-end 2014, while the loss identification period (LIP) stood at three months. Specific provisions are included in the impaired category, both nominally and as a percentage.

All loans of which the interest and/or redemptions are not paid in time are past due. In the event of potential or actual default by a client on its obligations to the bank, a provision is taken. The loan or loans in question are then designated as impaired.

Non-performing loans are loans that can be classified as:
- Restructured loans whereby the position of the bank is worse after the restructuring than before; or
- Loans with a probability of default of 1; or
- Loans for which provisions have been taken; or
- Loans with a significant limit overrun for a period of more than 90 days.

2.3 Increased credit risk

Increased credit risk occurs if a client fails to meet its payment obligations for a period of at least thirty days. If the review, payment arrears or external signals point to an increased risk of discontinuity, the Recovery Section is brought in. An assessment is made of the prospect of continuity. If there are indications of an increased risk of discontinuity, the client is placed under the supervision of the Recovery Section. If the prospect of continuity is doubtful or insufficient, the Recovery Section draws up an impairment proposal. This evaluation is performed by the Recovery Section and Corporate Banking. These departments prepare a proposal for the required impairment based on the outstanding liability, available collateral and expected cash flows. The Impairment Committee reviews these proposals and ultimately determines the impairment four times a year in line with the policy.

Loans where there is an increased credit risk are classified as either past due or impaired. All loans for which the interest and/or principal repayments are not paid on time are classed as past due. If a receivable is qualified as impaired, loans to the client in question are also classed as impaired.

The primary goal of the Recovery Section is to make a client ready for transfer to accounts with regular status (i.e. not under Recovery Section supervision). The aim is to do this in accordance with the agreements made with the client, but restructuring is applied where necessary. More information on loan restructuring may be found in Section 2.3.3.

2.3.1 Past due accounts

Van Lanschot defines a receivable as past due if the limit has been exceeded by at least €5,000 for more than 30 days. Client balances are netted in such cases in so far as this has been legally formalised. The Overdraft Monitoring Desk monitors past due accounts and supports the branch network in reducing these accounts (see Table 2.3.1).

Active management of past due accounts enables potential problem loans to be identified at an early stage. If an individual assessment identifies an increased risk, the Recovery Section will supervise the client concerned.

In general, collateral can be used for all current and future amounts owed by a debtor. In addition to mortgage collateral and guarantees provided by governments and credit institutions, commercial property, receivables, inventories, fixtures and fittings may serve as collateral. The majority of collateral is not directly linked to a specific financing arrangement.

2.3.2 Impaired loans

If a client is potentially or actually no longer able to meet its obligations to the bank, a provision is taken. The loan is then designated as impaired.

If a loan is designated as impaired, the Recovery Section officer will determine the amount of the provision based on the expected amounts to be recovered. These provisions are determined on an individual basis. The total addition to the provisions in 2014 was 93 basis points of the average risk-weighted assets (RWA) during 2014 (2013: 105 basis points). This addition is partly offset by an increase in the interest premium charged to clients.

Van Lanschot writes off loans immediately if there is sufficient certainty about the loss (i.e. the expectation is that no income will be generated, all collateral provided has been sold and/or the final distribution from the liquidator is still outstanding). The total amount of impaired loans with a limit overrun of at least €5,000 for a period of more than 30 days amounted to €404 million at year-end 2014 (2013: €440 million).

When determining whether a loan is impaired, all clients with arrears of more than three months are assessed individually and included under specific provisions. In addition, a provision is made for incurred but not reported credit losses, applying the methods set out below.

Individual items

For individual items where there is an objective indication of impairment, an estimate is made of the future cash flows discounted according to the DCF method using the original discount rate. Assumptions used are the estimate of the (liquidation) value of the collateral, the estimate of payments to be received, the estimate of the timing of these payments, and the discount rate.

Incurred but not reported (IBNR)

Loans for which there is no objective indication of impairment are included in IBNR. IBNR provisions cover value reductions which have occurred at the reporting date but of which the bank is not yet aware due to an information time lag. This impairment is calculated based on the expected loss (EL). This is calculated at client level (non-retail) and product level (retail) using the known probability of default (PD), exposure at default (EAD) and loss given default (LGD). The confirmation period is also estimated. This is the number of quarters during which there is an information time lag (minimum 0, maximum 4). The ultimate calculation of the impairment is the product of EL and the confirmation period. This method is consistent with Basel III models and uses historical information.

Table 2.3.1 Age analysis of past due accounts (excluding impaired loans)	31/12/2014		31/12/2013	
	Balance outstanding	Overdrawn amount	Balance outstanding	Overdrawn amount
Total	**174,791**	**69,740**	**227,377**	**42,758**
30-60 days	17,754	1,710	42,095	1,002
61-90 days	4,339	174	52,943	1,969
>90 days	152,698	67,856	132,339	39,787

Table 2.3.2.A Movements in impairments in 2014	Specific	IBNR	Total
Position as at 1 January	322,652	9,976	332,628
Loans written off	– 89,005	–	– 89,005
Additions to or release of provision	76,417	– 419	75,998
Interest charged	4,357	–	4,357
Position as at 31 December	**314,421**	**9,557**	**323,978**
As a percentage of RWA			4.40

Table 2.3.2.B Movements in impairments in 2013	Specific	IBNR	Total
Position as at 1 January	298,924	11,454	310,378
Loans written off	– 84,269	–	– 84,269
Additions to or release of provision	103,863	– 1,478	102,385
Interest charged	4,134	–	4,134
Position as at 31 December	**322,652**	**9,976**	**332,628**
As a percentage of RWA			3.69

Table 2.3.2.C Impairments charged to profit or loss	2014	2013
Impairments charged to profit or loss	75,998	102,385
As a percentage of average RWA	0.93	1.05

Table 2.3.2.D Provisions by entity	31/12/2014		31/12/2013	
	Impaired	Provision	Impaired	Provision
Total	**639,811**	**314,421**	**600,150**	**322,652**
Van Lanschot Bankiers	636,855	311,465	598,294	320,796
Kempen	2,916	2,916	1,759	1,759
Van Lanschot other	40	40	97	97

2.3.3 Restructured loans

A loan is regarded as restructured (in forbearance) if the borrower is unable to meet its contractual obligations vis-à-vis the bank as a result of economic circumstances and the bank has therefore decided to review the terms and conditions of the loan agreement in order to enable the borrower to meet the renewed obligations. This may also include the whole or partial refinancing of the existing loan.

This amendment of the existing loan agreement (or partial refinancing of the loan) is related to the client's economic circumstances and would not be offered by the bank if those circumstances had not arisen. If the amendment of the terms of the loan agreement is not due to the borrower's economic circumstances, this is not classed as forbearance.

Forbearance may apply in the case of non-performing loans or loans which could become non-performing if no action is taken.

The following are practical examples of situations where forbearance may apply:
- Providing temporary support for a borrower's liquidity by means of a short-term additional loan.
- An agreement which allows the borrower to suspend all or part of the repayment obligations for a limited period. An increase in the remaining principal of a loan (usually amounting to one or more repayment instalments), after which compliance with the new (possibly amended) repayment obligations based on the increased outstanding principal should be possible again.
- Extension of the originally agreed term of the loan.

The purpose of the measures taken in forbearance situations is to maximise the chance of restoring the borrower's payment capacity in order to minimise the risk of losses due to having to write off all or part of the loan. The measures must offer the client an appropriate and sustainable solution enabling them in due course to comply with the original obligations arising from the credit agreement.

Application of forbearance measures is exclusively reserved for the Recovery Section, which pursues a policy based on general principles that it translates to match the specific situation of the individual client. Given the nature of these loans, the Recovery Section carries out intensive credit management. Before any new arrangements are agreed with the client, a detailed analysis is made of the client, their financial situation and the likelihood of income recovery. The outcome of this analysis may have consequences for the client's rating, the review frequency and the size of any loan loss provision to be made. If the client qualifies for appropriate forbearance measures, a proposal will be drawn up and submitted to the competent assessor(s) for approval.

In practice, forbearance measures do not always have the desired effect (recovery in the client's payment capacity or an end to the process of declining payment capacity). This may for example be the result of a further deterioration in the client's economic circumstances or the failure of those circumstances to improve as expected. These cases will be reanalysed and a strategy determined. However, the principle is explicitly maintained that the forbearance measure must be appropriate, sustainable and effective. Any new arrangements agreed with the borrower must also meet these strict criteria.

A forbearance situation ends when the status 'non-performing' has no longer applied to the loan for a period of two years. The client must moreover be able to meet the original terms of the loan agreement from one year after the non-performing status no longer applies. After expiry of the two-year period, no payments by the borrower may be in arrears for more than 30 days.

The recording, risk management and monitoring of loans which are subject to forbearance is carried out by the Recovery Section. Each quarter, and where appropriate more frequently for specific loans, an individual assessment is carried out of forbearance loans in relation to any provision made. In addition to this quarterly assessment (as part of the provisioning process), these items are subject to extensive credit risk management, the intensity and frequency of which will as far as possible match the specific circumstances of the loan.

Tables 2.3.3.A to 2.3.3.G inclusive show the total volume of loans to client groups with one or more restructured loans (this volume includes loans to these client groups that have not been restructured).
Van Lanschot applies several types of restructuring (see Table 2.3.3.C). Following restructuring, the loans remain under the supervision of the Recovery Section until it has been demonstrated that the restructuring has been successful. Once the loans have been transferred to accounts with regular status, Van Lanschot treats these loans as regular and no longer as restructured.

Table 2.3.3.A Restructured loans by sector as at 31/12/2014

	% of the total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%
Total		**354,376**			**43,042**	**375,627**	**197,702**	**52.6**
Companies and institutions								
Real estate	29	162,876	134,183	48,621	9,448	104,807	48,811	46.6
Healthcare	2	9,143	3,583	972	–	8,171	5,848	71.6
Financial holding companies	2	9,660	7,141	1,415	5,465	2,780	855	30.8
Services	6	30,394	22,008	13,233	199	16,962	12,426	73.3
Retail	3	17,528	18,765	10,150	–	7,378	6,083	82.4
Capital assets	2	10,924	8,528	4,671	6,253	–	–	–
Food, beverages & tobacco	0	1,269	1,078	239	–	1,030	1,080	104.9
Other	18	101,444	57,354	31,446	7,558	62,440	33,333	53.4
Total companies and institutions	**62**	**343,238**	**252,640**	**110,747**	**28,923**	**203,568**	**108,436**	**53.3**
Private individuals								
Mortgages	10	52,507	52,311	15,442	3,535	33,530	25,077	74.8
Real estate	16	88,962	83,396	2,228	3,250	83,484	33,784	40.5
Other	12	67,371	29,577	4,992	7,334	55,045	30,405	55.2
Total private individuals	**38**	**208,840**	**165,284**	**22,662**	**14,119**	**172,059**	**89,266**	**51.9**
Impairments of loans		197,702			–	197,702		

Table 2.3.3.B Restructured loans by sector as at 31/12/2013

	% of the total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%
Total		**415,907**			**29,166**	**339,693**	**171,464**	**50.5**
Companies and institutions								
Real estate	23	135,359	120,614	27,725	6,584	101,050	47,591	47.1
Healthcare	2	9,180	2,354	785	–	8,395	5,786	68.9
Financial holding companies	1	4,127	3,875	1,429	–	2,698	920	34.1
Services	9	55,205	46,590	20,821	83	34,301	18,547	54.1
Retail	10	56,022	63,237	50,366	822	4,834	2,696	55.8
Capital assets	2	11,231	10,603	5,306	–	5,925	281	4.7
Food, beverages & tobacco	1	5,926	5,973	4,602	–	1,324	1,715	129.5
Other	17	103,482	85,022	40,070	7,569	55,843	31,257	56.0
Total companies and institutions	**65**	**380,532**	**338,268**	**151,104**	**15,058**	**214,370**	**108,793**	**50.8**
Private individuals								
Mortgages	8	47,421	50,851	20,839	3,794	22,788	18,419	87.7
Real estate	18	106,440	103,487	39,926	1,812	64,702	28,420	43.9
Other	9	52,978	30,100	6,643	8,502	37,833	15,832	42.0
Total private individuals	**35**	**206,839**	**184,438**	**67,408**	**14,108**	**125,323**	**62,671**	**50.0**
Impairments of loans		171,464			–	171,464		

Table 2.3.3.C Types of restructured loans	31/12/2014	31/12/2013
Total	**354,376**	**415,907**
Repayments/reviews temporarily reduced/suspended	210,114	222,049
Temporary increase in credit limit to fund financing expenses/cash flow shortfalls	75,293	110,648
Temporary reduction in interest rate or loan is made interest-free	62,024	67,650
Conditional and/or partial forgiveness of the loan	6,945	15,560

Table 2.3.3.D Movements in restructured loans	2014	2013
Position as at 1 January	415,907	283,198
New restructured loans	131,002	213,819
Additions and repayments	– 91,680	– 27,228
Assets no longer designated as restructured loans	– 98,420	–
Impairments	– 2,433	– 53,882
Position as at 31 December	**354,376**	**415,907**

Tables 2.3.3.E and 2.3.3.F provide an insight into the underlying collateral of restructured loans. This breakdown is based on the collateral used under Basel regulations, with the exception of commercial real estate.

Table 2.3.3.E Restructured loans by collateral as at 31/12/2014	Balance outstanding	Mortgage collateral	Commercial real estate*	Financial collateral	Total primary collateral	Secondary collateral and unsecured loans
Total	**354,376**	**41,817**	**190,040**	**5,529**	**237,386**	**133,711**
Mortgage loans	38,533	41,817	–	–	41,817	–
Current accounts	139,155	–	–	5,444	5,444	133,711
Loans	176,678	–	190,040	–	190,040	–
Securities-backed loans and settlement claims	10	–	–	85	85	–
Subordinated loans	–	–	–	–	–	–

* Based on investment value

Table 2.3.3.F Restructured loans by collateral as at 31/12/2013	Balance outstanding	Mortgage collateral	Commercial real estate*	Financial collateral	Total primary collateral	Secondary collateral and unsecured loans
Total	**415,907**	**36,450**	**192,881**	**447**	**229,778**	**193,577**
Mortgage loans	29,002	36,450	–	–	36,450	–
Current accounts	155,854	–	–	442	442	155,412
Loans	225,042	–	192,881	–	192,881	32,161
Securities-backed loans and settlement claims	9	–	–	5	5	4
Subordinated loans	6,000	–	–	–	–	6,000

* Based on investment value

The geographical breakdown in Table 2.3.3.G is based on client locations.

Table 2.3.3.G Restructured loans by geographical area	31/12/2014	31/12/2013
Total	**354,376**	**415,907**
Netherlands	338,042	409,374
Belgium	8,998	4,009
Other	7,336	2,524

2.4 Credit risk models

The regulations allow internal models to be used for the calculation of credit risk. The risk-sensitivity of the models varies: the greater the amount and quality of the (statistical) information about clients and products, the greater the accuracy of the models. The following approaches (with increasing degrees of risk-sensitivity) are possible: standardised approach (SA), foundation internal ratings-based (F-IRB) and advanced internal ratings-based (A-IRB).

Table 2.4.A lists the parameters for internal models on the basis of which the risk level of loans is determined.

Table 2.4.A Key parameters in the calculation of the risk weighting	
PD = Probability of default (%)	The likelihood that a client will default within one year.
EAD = Exposure at default (€)	The bank's exposure at the time of the client's default.
LGD = Loss given default (%)	An estimate of the loss for Van Lanschot after seizure of the collateral on which the loan is secured or on liquidation of an enterprise as part of a foreclosure procedure.
M = Maturity (years)	Expected term to maturity.
S = Sales (x € million)	The revenue of a company (used in corporate non-retail models).

In mid-2012, Van Lanschot was granted approval to report all loan portfolios using the internal ratings-based method. This has given us a complete insight into the risk-sensitivity of the loan portfolio. The portfolio can be split up into two components: retail and non-retail.

Retail portfolio
Van Lanschot uses an A-IRB method to calculate the risk-weighted assets (RWA) for its retail portfolio. This comprises four sub-portfolios:
- The mortgage portfolio;
- Overdrafts up to €40,000;
- Consumer loans up to €2,000,000;
- SME clients up to €1,000,000.

Internal models are used to determine the PD, LGD and EAD for each individual product in these portfolios. These parameters are defined using statistical models.

The PD models are mostly based on behavioural aspects and the LGD models on the underlying collateral. For the LGD in the RWA calculation, a downturn LGD is applied (the expected loss at default in economic downturn situations). The calculation of the EAD is based on the relevant account limit and utilisation.

In addition, segmentation models are used to monitor risk trends and calculate stress scenarios (using both sensitivity and scenario stress tests). During this process, the impact on the profitability and capital ratios is also determined.

Non-retail portfolio
Van Lanschot uses an A-IRB method to calculate the risk-weighted assets (RWA) for its non-retail portfolio. The following models are used for this:
- The commercial real estate model, for the commercial real estate portfolio;
- The holding company model, for the portfolio of clients with non-controlling interests and shareholdings;
- The corporate loan clients model;
- The private loan clients model.

For these portfolios, internal rating models are used to determine the PD for each individual client. The EAD and LGD are determined using applicable regulations.

IRB equity portfolio
The IRB equity portfolio includes Van Lanschot's own positions in shares in the investment portfolio, subordinated receivables, non-controlling interests and shareholdings which appear on the company statement of financial position of Van Lanschot Bankiers. Van Lanschot uses the simple risk-weighted method to calculate the risk-weighted assets for positions in shares. In this method, a specific risk weighting (190%, 290% or 370%) is assigned to each position, based on a number of characteristics. Positions taken in shares and subordinated loans of wholly-owned subsidiaries are ignored. These are reported using the SA method.

Other loans and advances
Since the remaining portfolio is not retail, non-retail or equities (but comprises government, financial institutions, non-profit organisations, short-term overdrafts and amounts owed to subsidiaries) its RWA is calculated using the SA method.

2.4.1 Safeguarding the quality of internal models
The models are developed using the Model Governance Framework, part of the overall Credit Governance Manual. This framework defines the model development and approval process. The method used for validation of the models is laid down in the Model Validation Framework.

Data from a dedicated data warehouse is used to develop the models. The development process for all models has been tested and approved by Group Audit and subsequently reviewed and approved by an external validator.

We use segmentation models to assess the risk profile of the retail portfolio. The functioning of the models is tested periodically, through monthly back-testing and periodic external validation among other measures. The external validations show that the models perform well, are stable over time and produce reliable PD estimates. This led to formal approval of the models by De Nederlandsche Bank (DNB) in 2010.

We use rating models to assess the non-retail portfolio. These models combine statistical and model input based on expert knowledge. The outcome of these models is reported each month and the models are periodically validated by an external party. This led to the formal approval of two models by DNB in 2011 and the remaining models in 2012.

2.4.2 Future development of internal models
Van Lanschot positions itself as a specialist independent wealth manager, and has decided to gradually run down its corporate loan portfolio. In view of the contracting corporate loan portfolio, the non-retail models referred to in Section 2.4 will be combined in 2015 to create a single, comprehensive non-retail model.

2.5 Quality of loan portfolio
As described in Section 2.4 the loan portfolio is divided into retail and non-retail loans. Different approaches are used for retail and non-retail loans to determine the risk profile of the portfolio.

Retail portfolio
The quality of the retail portfolio (see description in Section 2.4) is determined using statistical segmentation models. These models place retail loans in the correct risk category based on specific characteristics and statistical models.

Non-retail portfolio

Van Lanschot uses internally developed rating models to assess non-retail loans in the Netherlands. A client's rating is a decisive factor in the assessment and pricing of customised loans. The rating is also used to enhance insight into the loan portfolio and to monitor its quality.

Van Lanschot has prepared a rating scale for the rating models. The highest possible rating is class T, followed by classes A to F. Combinations of letters with numbers allow for further differentiation.

The same rating scale is applied to all clients in each particular model segment. The loan portfolio is shown by rating at year-end in Table 2.5.A.

The customised portfolio amounts to €3.5 billion (2013: €4.8 billion).

The spread across the ratings was in line with economic trends. The economic crisis had a substantial impact on the PD of customised loans. Virtually the entire customised portfolio was assigned a rating.

Table 2.5.A Customised loans: breakdown of internal ratings of outstanding liability (%)

Internal rating	Description	31/12/2014	31/12/2013
Total		**100**	**100**
T	Top class	–	–
A1 - A3	Strong	–	–
B1 - B3	Good	15	17
C1 - C3	Adequate	37	45
D1 - D3	Weak	35	27
E	Very weak	2	3
F1 - F3	Default	11	8

Tables 2.5.B and 2.5.C provide an insight into the underlying collateral of this loan portfolio.

Table 2.5.B Loans and advances to the public and private sectors by collateral as at 31/12/2014

	Balance outstanding	Mortgage collateral	Commercial real estate*	Financial collateral	Guarantees	Total primary collateral	Secondary collateral and unsecured loans
Total	**11,021,107**	**5,231,457**	**1,747,570**	**630,626**	**95,327**	**7,704,980**	**3,316,127**
Mortgage loans	6,208,054	5,231,457	–	–	–	5,231,457	976,597
Current accounts	1,330,493	–	–	454,128	–	454,128	876,365
Loans	3,178,943	–	1,747,570	–	95,327	1,842,897	1,336,046
Securities-backed loans and settlement claims	266,154	–	–	176,498	–	176,498	89,656
Subordinated loans	37,463	–	–	–	–	–	37,463

* Based on investment value

Table 2.5.C Loans and advances to the public and private sectors by collateral as at 31/12/2013	Balance outstanding	Mortgage collateral	Commercial real estate*	Financial collateral	Guarantees	Total primary collateral	Secondary collateral and unsecured loans
Total	**12,490,723**	**5,551,349**	**1,999,268**	**712,388**	**15,156**	**8,278,161**	**4,212,562**
Mortgage loans	6,593,548	5,551,349	–	–	–	5,551,349	1,042,199
Current accounts	1,653,410	–	–	498,248	–	498,248	1,155,162
Loans	3,867,146	–	1,999,268	–	15,156	2,014,424	1,852,722
Securities-backed loans and settlement claims	329,642	–	–	214,140	–	214,140	115,502
Subordinated loans	46,977	–	–	–	–	–	46,977

* Based on investment value

We adopt a cautious stance on granting unsecured loans. The category Secondary collateral and unsecured loans mainly comprises loans for which collateral has been pledged in the form of operating assets, inventories and receivables, as well as collateral which for technical reasons is not directly linked to a specific loan. Tables 2.5.B and 2.5.C have been drawn up on the basis of the definitions contained in the Basel regulations, with the exception of commercial real estate. The total amount of unsecured loans is small. In general, collateral can be used for all current and future amounts owed by a debtor.

The average loan-to-value (LTV) of the mortgage loans, based on 100% foreclosure value, is 94% (2013: 95%).

2.6 Concentration within the loan portfolio

Roughly half of Van Lanschot's loan portfolio consists of mortgages to mainly private clients. The credit risk in this portfolio is limited. The greatest credit risk and actual historic losses occur in the corporate loan portfolio. We aim for a diversified loan portfolio and have actively sought to reduce the concentration on individual counterparties. In 2014 this led to a 16% reduction in the total volume of the 20 highest limits compared with 2013. Reflecting our risk appetite, we have set limits for concentrations in individual sectors.

2.6.1 Commercial real estate

Van Lanschot has a relatively high concentration in commercial real estate. The bank has consistently applied conservative lending criteria in this segment. In 2013 we took the decision to gradually run down our commercial real estate finance activities.

Van Lanschot's commercial real estate portfolio comprises €1.3 billion in property loans to corporate clients (2013: €1.5 billion) and €0.6 billion in property loans to private clients (2013: €0.6 billion).

At year-end 2014, the bank had impaired property loans totalling €269 million (2013: €216 million). A provision of approximately €107 million (40%) was taken for these loans (2013: €93 million; 43%).

The average loan-to-value (LTV) of the real estate loan portfolio is 89% (2013: 87%).

2.6.2 Concentration within individual loans

The 20 largest loans to individual counterparties other than financial institutions totalled €635 million at year-end 2014, compared with a total loan portfolio of €11.3 billion (2013: €755 million; total loan portfolio €12.8 billion).

Table 2.6.1 Commercial real estate: breakdown of ratings of outstanding liability (%)

Internal rating	Description	31/12/2014	31/12/2013
Total		**100**	**100**
A1 - A3	Strong	1	1
B1 - B3	Good	15	18
C1 - C3	Adequate	40	47
D1 - D3	Weak	28	20
E	Very weak	1	3
F1 - F3	Default	15	11

2.6.3 Concentration within geographical areas

In line with Van Lanschot's strategy, the majority of lending takes place in the Netherlands and Belgium. The geographical breakdown is based on client locations. A proportion of the Belgian market is served from the Dutch branch network.

Table 2.6.3 Loans and advances to the public and private sectors by geographical area	31/12/2014	31/12/2013
Total	**11,021,107**	**12,490,723**
Netherlands	10,260,548	11,847,321
Belgium	398,449	283,035
Other	362,110	360,367

2.7 Additional information under Basel regulations: credit risk

Credit risk breaks down into four different types of exposure: on and off balance sheet items, repo transactions and derivatives transactions. Tables 2.7.A and 2.7.B show the gross and net exposure, risk weighting and capital adequacy requirement by type of exposure. The average risk weighting for each type of exposure is calculated by dividing the risk weighting by the net exposure.

Under Basel II, RWA was calculated for a number of items (including intangible assets and assets arising from pension schemes). Under the new CRD IV directive, these items will ultimately have to be recognised as a deduction from equity.

To prevent banks being immediately confronted with substantial extra deductions, the directive allows phasing-in of a number of these items. This means that between 2014 and 2018, an increasing share of these deductions will be charged to equity. At the same time, the RWA will be calculated for a proportion of these items that are not yet deducted from equity. All tables as at 31 December 2014 based on Basel III and all tables as at 31 December 2013 based on Basel II are set out in Section 2.7.

If receivables have been guaranteed by third parties (such as governments or central banks), the gross exposure is included in the original exposure class, while the net exposure is included in the exposure class of the party furnishing the guarantee (such as Receivables from central governments and central banks). This is the reason that the net exposure is higher than the gross exposure. See the glossary for more information about the Basel exposure classes.

Table 2.7.A Breakdown of credit risk by type of exposure as at 31/12/2014

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**19,705,239**	**18,706,458**	**33%**	**6,222,198**	**497,776**
On balance sheet items	17,657,043	17,400,060	32%	5,566,743	445,339
Off balance sheet items	1,301,374	941,839	49%	463,998	37,120
Repo transactions	382,589	222	20%	44	4
Derivatives transactions	364,233	364,337	53%	191,413	15,313

Table 2.7.B Breakdown of credit risk by type of exposure at 31/12/2013

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**20,820,430**	**19,252,056**	**42%**	**7,991,100**	**639,288**
On balance sheet items	18,702,862	18,262,095	40%	7,394,311	591,544
Off balance sheet items	1,586,144	772,550	62%	480,507	38,441
Repo transactions	266,569	–	0%	–	–
Derivatives transactions	264,855	217,411	53%	116,282	9,303

Table 2.7.C Capital adequacy requirement by exposure class at 31/12/2014					
	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**19,705,239**	**18,706,458**	**33%**	**6,222,198**	**497,776**
SA exposure classes					
Central governments and central banks	2,695,907	2,791,234	0%	–	–
International organisations	192,484	192,484	0%	–	–
Multilateral development banks	153,347	153,347	0%	174	14
Financial companies and financial institutions	1,507,833	871,724	31%	273,202	21,856
Central counterparties	22,068	22,068	2%	441	35
Corporates	564,177	337,421	97%	328,529	26,282
Private individuals and medium-sized enterprises	147,763	132,086	75%	99,065	7,925
Secured on real estate	180,129	180,129	35%	62,974	5,038
Past due items	23,928	12,258	145%	17,756	1,421
Items associated with particular high risk	33,289	32,764	150%	49,146	3,932
Covered bonds	422,199	422,199	23%	95,218	7,617
Other risk-weighted assets	641,476	641,422	80%	512,560	41,005
Total SA	**6,584,600**	**5,789,136**	**25%**	**1,439,065**	**115,125**
F-IRB exposure classes					
Corporates	4,551,036	4,395,769	78%	3,423,799	273,904
Equities	86,564	86,564	313%	271,302	21,704
Securitisation positions	941,484	941,484	8%	72,022	5,762
Total F-IRB	**5,579,084**	**5,423,817**	**69%**	**3,767,123**	**301,370**
A-IRB exposure classes					
Retail	7,541,555	7,493,505	14%	1,016,010	81,281
Total A-IRB	**7,541,555**	**7,493,505**	**14%**	**1,016,010**	**81,281**

Table 2.7.D Capital adequacy requirement by exposure class at 31/12/2013	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**20,820,430**	**19,252,056**	**42%**	**7,991,100**	**639,289**
SA exposure classes					
Central governments and central banks	2,704,657	2,719,816	0%	–	–
International organisations	258,264	258,264	0%	–	–
Financial companies and financial institutions	1,009,467	480,492	23%	110,906	8,872
Corporates	915,777	547,248	99%	544,231	43,542
Private individuals and medium-sized enterprises	158,968	140,906	75%	105,680	8,454
Secured on real estate	188,792	188,792	35%	66,077	5,286
Past due items	40,813	14,773	133%	19,714	1,577
Items associated with particular high risk	44,056	44,031	150%	66,046	5,284
Covered bonds	440,775	440,775	18%	80,556	6,444
Other risk-weighted assets	706,580	706,451	87%	616,229	49,298
Securitisation positions	65,768	65,768	20%	13,154	1,052
Total SA	**6,533,917**	**5,607,316**	**29%**	**1,622,593**	**129,809**
F-IRB exposure classes					
Corporates	6,153,212	5,973,806	84%	5,028,168	402,253
Equities	64,568	64,568	305%	197,100	15,768
Securitisation positions	267,010	267,010	8%	21,459	1,717
Total F-IRB	**6,484,790**	**6,305,384**	**83%**	**5,246,727**	**419,738**
A-IRB exposure classes					
Retail	7,801,723	7,339,356	15%	1,121,780	89,742
Total A-IRB	**7,801,723**	**7,339,356**	**15%**	**1,121,780**	**89,742**

Risk weightings of SA exposure classes based on credit assessments by rating agencies

Van Lanschot uses Fitch Ratings' assessments. The rating and exposure class determine the weighting of a certain SA exposure (see Tables 2.7.E and 2.7.F).

A receivable from a financial institution is classified based on the rating in one of six credit quality steps. Non-current receivables from financial institutions with an AA rating are assigned a weighting of 20% (credit quality step 1). An A rating corresponds to credit quality step 2 and a 50% weighting. A C rating corresponds to credit quality step 6 and a 150% weighting. Credit quality step 3 is applied to unrated exposures.

Table 2.7.E Credit quality step by relevant exposure class (%)

	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Central governments and central banks	0	20	50	100	100	150
Regional governments and local authorities	20	50	100	100	100	150
Financial companies and financial institutions	20	50	50	100	100	150
Current receivables from corporates and financial companies	20	20	20	50	50	150
Corporates	20	50	100	100	150	150

Table 2.7.F Fitch ratings by credit quality step

	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
	AAA	A+	BBB+	BB+	B+	CCC
	AA+	A	BBB	BB	B	CC
	AA	A-	BBB-	BB-	B-	C
	AA-	F-2	F-3			D
	F-1					

Table 2.7.G SA exposures by risk weighting	31/12/2014		31/12/2013	
Risk weighting	Gross exposure	Net exposure	Gross exposure	Net exposure
Total	**6,584,600**	**5,789,136**	**6,533,917**	**5,607,316**
0%	3,179,000	3,274,328	3,076,583	3,091,742
2%	22,068	22,068	–	–
10%	49,295	49,295	75,994	75,994
20%	1,469,285	848,526	1,331,107	827,679
35%	180,129	180,129	188,792	188,792
50%	404,003	388,654	88,465	62,917
75%	147,763	132,086	158,968	140,906
100%	1,088,286	850,143	1,559,857	1,165,373
150%	44,627	43,763	54,151	53,913
250%	144	144	–	–

Breakdown of IRB corporate exposures by probability of default classes

Corporate receivables are divided into default classes in the IRB models (see Tables 2.7.H and 2.7.I).

Table 2.7.H Probability of default classes IRB corporates 31/12/2014

	Average LGD weighting of exposure	Average PD weighting of exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total			**4,395,769**	**3,423,799**	**273,904**
1	43.57%	0.05%	5,613	1,024	82
2	45.00%	0.09%	13,621	3,193	256
3	44.98%	0.17%	37,548	13,045	1,044
4	41.70%	0.33%	179,222	87,952	7,036
5	40.22%	0.55%	410,350	254,163	20,333
6	37.18%	0.84%	346,704	228,352	18,268
7	39.67%	1.23%	566,760	465,606	37,249
8	41.84%	1.85%	728,752	691,286	55,303
9	33.23%	2.97%	433,168	378,905	30,312
10	37.30%	5.43%	540,976	631,240	50,499
11	35.19%	11.87%	271,260	381,379	30,510
12	22.07%	32.86%	251,463	287,654	23,012
13	42.12%	100.00%	610,332	–	–

Table 2.7.I Probability of default classes IRB corporates 31/12/2013

	Average LGD weighting of exposure	Average PD weighting of exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total			**5,973,806**	**5,028,168**	**402,253**
1	44.44%	0.09%	23,620	6,212	497
2	12.95%	0.17%	336,909	42,411	3,393
3	38.87%	0.33%	261,903	142,277	11,382
4	37.06%	0.55%	613,576	406,941	32,555
5	39.67%	0.84%	700,538	622,443	49,795
6	39.61%	1.58%	1,584,628	1,600,982	128,079
7	31.29%	2.97%	728,155	641,090	51,287
8	37.42%	5.43%	669,578	845,172	67,614
9	34.47%	11.87%	246,861	369,893	29,591
10	37.70%	79.50%	808,038	350,747	28,060

Table 2.7.J IRB equities simple risk weighting method 31/12/2014

Risk weighting	Gross exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total	**86,564**	**86,564**	**271,302**	**21,704**
190% Positions in unlisted equities	15,357	15,357	29,178	2,334
290% Positions in listed equities	45,407	45,407	131,680	10,534
370% All other positions in equities	25,800	25,800	110,444	8,836

Table 2.7.K IRB equities simple risk weighting method 31/12/2013

Risk weighting	Gross exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total	**64,568**	**64,568**	**197,100**	**15,768**
190% Positions in unlisted equities	12,546	12,546	23,836	1,907
290% Positions in listed equities	24,022	24,022	69,664	5,573
370% All other positions in equities	28,000	28,000	103,600	8,288

Table 2.7.L IRB securitisations 31/12/2014

Risk weighting		Gross exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total	**Category**	**941,484**	**941,484**	**72,022**	**5,762**
7 - 10%	A (most senior)	900,662	900,662	66,829	5,346
12 - 18%	A2 (mezzanine)	40,822	40,822	5,193	416
20 - 35%	B (mezzanine)	–	–	–	–

Table 2.7.M IRB securitisations 31/12/2013

Risk weighting		Gross exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total	**Category**	**267,010**	**267,010**	**21,459**	**1,717**
7 - 10%	A (most senior)	248,829	248,829	18,463	1,477
12 - 18%	A2 (mezzanine)	10,123	10,123	1,288	103
20 - 35%	B (mezzanine)	8,058	8,058	1,708	137

Breakdown of IRB retail exposures by probability of default classes

Retail receivables are divided into default classes in the IRB models (see Tables 2.7.N and 2.7.O).

Table 2.7.N Probability of default classes IRB retail 31/12/2014

	Average LGD weighting of exposure	Average PD weighting of exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total			**7,493,505**	**1,016,010**	**81,281**
1	11.52%	0.06%	2,025,583	41,393	3,311
2	14.57%	0.13%	2,413,428	112,049	8,964
3	11.53%	0.63%	1,075,103	119,656	9,573
4	18.69%	4.44%	1,041,150	381,362	30,509
5	33.50%	0.64%	42,356	12,409	993
6	27.50%	2.74%	407,382	163,359	13,069
7	36.60%	2.87%	242,708	109,891	8,791
8	33.50%	3.48%	17,051	8,616	689
9	20.30%	100.00%	228,744	67,275	5,382

Table 2.7.O Probability of default classes IRB retail 31/12/2013

	Average LGD weighting of exposure	Average PD weighting of exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total			**7,339,356**	**1,121,780**	**89,742**
1	33.50%	0.04%	50,849	2,410	193
2	12.16%	0.07%	1,653,176	36,649	2,932
3	13.20%	0.13%	2,243,329	92,743	7,419
4	1.20%	0.22%	27,745	151	12
5	36.60%	0.29%	292,683	58,767	4,701
6	27.50%	0.33%	119,751	19,640	1,571
7	14.07%	0.63%	1,379,007	186,048	14,884
8	34.97%	2.75%	345,083	177,111	14,169
9	33.50%	3.48%	26,170	13,223	1,058
10	13.34%	6.10%	992,009	510,430	40,834
11	20.11%	100.00%	209,554	24,608	1,969

Maximum credit risk

Tables 2.7.P and 2.7.Q provide an insight into the maximum credit risk to which Van Lanschot is exposed as at the reporting date. The assumptions used to prepare this breakdown are the exposures designated as credit risk under Basel III. In order to provide an insight into the maximum credit risk, exposures are classified in these tables by items recognised in the statement of financial position and items not recognised in the statement of financial position, as well as repo transactions. There are a number of reasons for the differences between the balances as recognised on the face of the statement of financial position and the balances disclosed in the Gross exposure column. The greatest differences relate to the netting of balances, the classification of the loan loss provision, the treatment of actuarial gains and losses under IAS 19R and the deviating consolidated base for regulatory purposes. Goodwill, intangible assets from acquisitions and certain investments in financial institutions are deductible from qualifying capital and thus do not form part of the gross exposure according to the definition in Basel III. In addition, financial receivables from trading activities are classified as market risk.

Table 2.7.P Maximum credit risk as at 31/12/2014

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**19,705,239**	**18,706,458**	**33%**	**6,222,198**	**497,776**
Assets					
Cash and cash equivalents and balances at central banks	1,156,985	1,130,088	2%	22,861	1,829
Financial assets held for trading	–	–	0%	–	–
Due from banks	449,125	322,749	18%	57,727	4,618
Financial assets designated as at fair value through profit or loss	1,309,524	1,309,524	16%	205,415	16,433
Available-for-sale investments	1,952,731	1,952,731	9%	170,094	13,608
Held-to-maturity investments	533,708	533,708	14%	76,407	6,113
Loans and advances to the public and private sectors	11,894,637	11,793,725	40%	4,725,694	378,054
Derivatives (receivables)	364,233	364,337	53%	191,413	15,313
Investments in associates using the equity method	50,679	50,679	117%	59,352	4,748
Property, plant and equipment	70,307	70,307	100%	70,307	5,625
Goodwill and other intangible assets	4,110	4,110	100%	4,110	329
Current tax assets	1,258	601	0%	–	–
Deferred tax assets	59,203	57,062	0%	–	–
Other assets	174,776	174,776	100%	174,776	13,982
Total assets	**18,021,276**	**17,764,397**	**32%**	**5,758,156**	**460,652**
Off balance sheet items	1,301,374	941,839	49%	463,998	37,120
Repo transactions	382,589	222	20%	44	4
	1,683,963	**942,061**	**49%**	**464,042**	**37,124**

Table 2.7.Q Maximum credit risk as at 31/12/2013	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**20,820,430**	**19,252,056**	**42%**	**7,991,100**	**639,289**
Assets					
Cash and cash equivalents and balances at central banks	1,999,963	1,976,505	1%	14,272	1,141
Financial assets held for trading	–	–	0%	–	–
Due from banks	429,222	268,001	17%	44,879	3,591
Financial assets designated as at fair value through profit or loss	725,938	725,938	21%	149,279	11,942
Available-for-sale investments	1,197,623	1,197,623	13%	156,813	12,545
Loans and advances to the public and private sectors	13,825,470	13,568,589	48%	6,548,961	523,917
Derivatives (receivables)	264,855	217,411	53%	116,282	9,303
Investments in associates using the equity method	49,931	49,931	104%	52,075	4,166
Property, plant and equipment	74,019	74,019	100%	74,019	5,921
Goodwill and other intangible assets	23,939	23,939	100%	23,939	1,915
Current tax assets	13,616	13,616	0%	–	–
Deferred tax assets	34,898	34,898	0%	–	–
Other assets	328,243	329,036	100%	330,074	26,407
Total assets	**18,967,717**	**18,479,506**	**41%**	**7,510,593**	**600,848**
Off balance sheet items	1,586,144	772,550	62%	480,507	38,441
Repo transactions	266,569	–	0%	–	–
	1,852,713	**772,550**	**62%**	**480,507**	**38,441**

2.8 Additional information under Basel: counterparty credit risk

Counterparty credit risk is the risk that the counterparty to a transaction will default before final settlement of the cash flows relating to the transaction. Counterparty credit risk exists for both parties to the contract and plays a role in over-the-counter derivatives and repo transactions. The method applied by Van Lanschot is based on valuation at replacement cost.

The value of the potential credit exposure is determined on the basis of the total of the theoretical principals or the underlying values of derivative contracts, irrespective of whether the current replacement value is positive or negative. Depending on the type of derivative, the theoretical principals or underlying values are multiplied by a percentage ranging from 0% for interest rate contracts with a term to maturity of one year or less to 15% for commodities contracts with a term to maturity of more than five years.

Table 2.8.A Counterparty credit risk relating to derivative contracts	31/12/2014	31/12/2013
Gross replacement cost of derivative contracts (only items with a replacement cost greater than nil)	180,733	182,773
Settlement of derivative contracts	– 31,263	– 47,444
Add-ons for derivative contracts arising from potential future credit risk	214,867	82,082
Net credit equivalent of derivative contracts	**364,337**	**217,411**

Table 2.8.B Net credit exposure by type of derivative contract	31/12/2014	31/12/2013
Total	**364,337**	**217,411**
Interest rate contracts	173,527	117,462
Foreign exchange contracts	156,378	46,828
Equity derivative contracts	34,432	53,103
Commodities contracts	–	18

Methods for calculating risk-weighted assets of securitisation positions

The types of securitisation positions at Van Lanschot are shown in Table 2.8.C.

Table 2.8.C Types of securitisation	31/12/2014		31/12/2013	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Total	**72,022**	**5,762**	**34,613**	**2,769**
Other investor positions	72,022	5,762	34,613	2,769

The calculation of risk-weighted assets for debt securities relating to Van Lanschot's own securitisation transactions is based on the underlying loans. In the case of investor positions in securitisations, the risk weighting is determined by an external rating agency assessment. There are no securitisation positions that require a risk weighting of 1,250%.

Guarantees, financial collateral and other forms of collateral by exposure class (credit risk)

The collateral provided for each exposure class in accordance with CRR is shown in Table 2.8.D.

Table.2.8.D Collateral by exposure class	31/12/2014			31/12/2013		
	Guarantees	Financial collateral	Other collateral	Guarantees	Financial collateral	Other collateral
Total	**95,327**	**1,511,024**	**109,294**	**15,156**	**2,038,503**	**271,998**
SA exposure classes						
Multilateral development banks	12,707	–	–	–	–	–
Financial companies and financial institutions	82,620	535,638	–	–	498,692	–
Corporates	–	86,274	–	–	225,471	–
Private individuals and medium-sized enterprises	–	–	–	14,519	–	–
Past due items	–	235	–	–	204	–
Other risk-weighted assets	–	56	–	–	128	–
Total SA	**95,327**	**622,203**	–	**14,519**	**724,495**	–
IRB exposure classes						
Retail	–	254,698	446	–	194,828	621
Corporates	–	634,123	108,848	637	1,119,180	271,377
Total IRB	–	**888,821**	**109,294**	**637**	**1,314,008**	**271,998**

Guarantees

These are government-guaranteed bonds, guarantees within the framework of the National Mortgage Guarantee Scheme, guaranteed credits and other credit-replacement guarantees.

Financial collateral

Table 2.8.E provides a breakdown of financial collateral that has been provided, in so far as this is relevant for CRR.

Table 2.8.E Financial collateral	31/12/2014			31/12/2013		
	SA	IRB	Total	SA	IRB	Total
Total	**622,203**	**888,821**	**1,511,024**	**724,495**	**1,314,008**	**2,038,503**
Cash	544,240	790,286	1,334,526	595,814	1,213,842	1,809,656
Securities collateral	77,963	98,535	176,498	128,681	100,166	228,847

Collateral in the form of cash includes current account balances available for set-off. These balances have been netted before being disclosed in the statement of financial position under the line items Loans and advances to the public and private sectors and Public and private sector liabilities. Collateral in the form of securities comprises the categories Due from banks and Loans and advances to the public and private sectors.

Settlement risk

The bank is required to hold capital for financial transactions that are not settled within five days of the agreed deadline if the difference between the agreed settlement price and the price at the reporting date could lead to a loss.

At year-end 2014, financial transactions to a total of €52.6 million (2013: €8.7 million) had to be reported in the context of settlement risk.

CVA risk

Under the Capital Requirements Directive (CRR), account must also be taken of the risk-weighted assets in relation to credit value adjustment (CVA), which must be adequate to cover the risk of a deterioration in the creditworthiness of the counterparty in an OTC derivatives transaction. This CVA capital adequacy requirement is additional to requirements applying to the risk-weighted assets in relation to the 'regular' default risk. Van Lanschot uses the SA method to calculate the CVA. In contrast to a number of capital deductions, no phase-in applies for CVA. The risk-weighted assets in relation to CVA are shown in Table 1.3.2 under the internal capital adequacy requirements per type of risk.

2.9 Investments

Van Lanschot's investments have a low risk profile and high creditworthiness, and are mainly held for liquidity purposes. Each investment must therefore be highly liquid and eligible for use as collateral.

The investments have been placed in three portfolios: designated as at fair value through profit and loss, available for sale, and held to maturity. See Notes 4 to 6 inclusive.

Decisions concerning investments and allocation to the various portfolios are made by the Asset & Liability Committee (ALCO). All new positions in portfolios must be approved in advance by the Risk Management and Treasury departments (individual limits). New positions in shares and shareholdings must be approved in advance by the Statutory Board. As well as an assessment of the credit risk, the size, composition, interest rate sensitivity and concentration risk of the investment portfolio are discussed regularly in the ALCO. New investments in debt instruments of banks must be of a senior (non-subordinated) status, with an external credit rating of at least AA.

Table 2.9.A Investments by type	31/12/2014	%	31/12/2013	%
Total	**3,795,963**	**100%**	**1,923,669**	**100%**
Debt instruments				
Government paper and government-guaranteed paper	2,097,674	55%	1,040,065	54%
Covered bonds	436,368	11%	442,137	23%
Asset-backed securities	941,484	25%	316,465	17%
Other debt instruments	218,320	6%	41,140	2%
Total debt instruments	**3,693,846**	**97%**	**1,839,807**	**96%**
Equity instruments				
Equity instruments	102,117	3%	83,862	4%
Total equity instruments	**102,117**	**3%**	**83,862**	**4%**

Van Lanschot has classified 35% of its investments as financial assets designated as at fair value through profit and loss, 51% as available-for-sale investments and 14% as held-to-maturity investments.

Investments in government-guaranteed debt instruments are predominantly government bonds issued by the Netherlands, Belgium, the European Union, Italy and Spain.

As at 31 December 2014, Van Lanschot's exposure to government bonds issued by Italy and Spain stood at €392.0 million (2013: €217.9 million) and €195.5 million (2013: nil), respectively. The total nominal value of these bond positions amounted to €500.0 million. Van Lanschot has no investments in the other countries in the European periphery.

Table 2.9.B Investments in debt instruments by external rating (latest Fitch ratings as known to Van Lanschot)	31/12/2014	%	31/12/2013	%
Total	**3,693,846**	**100%**	**1,839,807**	**100%**
AAA	2,230,705	60%	1,474,995	80%
AA	649,655	18%	76,575	4%
A	188,965	5%	30,207	2%
Other	624,521	17%	258,030	14%

The category Other mainly comprises investments in government bonds issued by Italy and Spain carrying a BBB+ rating.

Non-consolidated structured entities

Table 2.9.C shows Van Lanschot's investments in non-consolidated structured entities and the total income from these investments.
The Investments column shows the carrying value as recognised in the consolidated statement of financial position. Asset-backed securities (RMBS) are classed as available-for-sale investments.

Van Lanschot has no other interests in non-consolidated structured entities such as commitments, guarantees, provisions, derivatives or other obligations. The maximum exposure to non-consolidated structured entities is equal to the acquisition cost and amounted to €943.8 million on 31 December 2014.

Van Lanschot provides no financial or other support to non-consolidated structured entities, and has no intention of providing such support.

Table 2.9.C Non-consolidated structured entities	Interest income	Comprehensive income	Total income	Investments
Total	**7,475**	**2,070**	**9,545**	**941,484**
Asset-backed securities	7,475	2,070	9,545	941,484

2.10 Encumbered and unencumbered assets

Certain items in the statement of financial position are classed as encumbered. Tables 2.10.A and 2.10.B provide an insight into the financial assets which are treated as encumbered. These tables have been drawn up on the basis of carrying value.

Encumbered assets

Pledged as collateral:

- Statutory reserve deposits with central banks.
- Cash pledged to a counterparty bank or central clearing party as security for obligations stemming from derivatives (CSA contracts).
- Investments in debt instruments pledged to De Nederlandsche Bank (DNB) or counterparty banks in the context of repo transactions or for securities clearing purposes. These investments are eligible as collateral if they appear on the European Central Bank eligible list of marketable assets.
- Securitised loans and receivables underlying debt instruments which have been pledged as collateral to DNB or counterparty banks in the context of repo transactions or have been placed with institutional investors. These debt instruments are eligible as collateral if they appear on the European Central Bank eligible list of marketable assets.

Other:

- Reserve accounts of the Citadel, Courtine and Lunet companies to which Van Lanschot has no access.

Unencumbered assets

Eligible as collateral:

- Investments in debt instruments which appear on the European Central Bank eligible list of marketable assets but are not classed as encumbered at the reporting date.
- Securitised loans and advances underlying debt instruments which are held by Van Lanschot and which appear on the European Central Bank eligible list of marketable assets but are not classed as encumbered at the reporting date.

Not eligible as collateral:

- All other cash and cash equivalents and balances at central banks.
- All other receivables from banks.
- Debt and equity instruments which do not appear on the European Central Bank eligible list of marketable assets.
- Securitised loans and advances underlying debt instruments which are held by Van Lanschot and which do not appear on the European Central Bank eligible list of marketable assets.
- All other loans and advances.

Table 2.10.A Encumbered and unencumbered assets	Encumbered assets		Unencumbered assets		31/12/2014
	Pledged as collateral	Other	Eligible as collateral	Not eligible as collateral	Total
Total	**2,959,328**	**164,960**	**4,097,640**	**9,201,252**	**16,423,180**
Cash and cash equivalents and balances at central banks	–	24,316	–	1,132,669	**1,156,985**
Due from banks	257,450	140,644	–	51,031	**449,125**
Financial assets designated as at fair value through profit or loss	57,742	–	1,162,596	89,186	**1,309,524**
Available-for-sale investments	290,865	–	1,595,575	66,291	**1,952,731**
Held-to-maturity investments	11,519	–	522,189	–	**533,708**
Loans and advances to the public and private sectors	2,341,752	–	817,280	7,862,075	**11,021,107**

Table 2.10.B Encumbered and unencumbered assets	Encumbered assets		Unencumbered assets		31/12/2013
	Pledged as collateral	Other	Eligible as collateral	Not eligible as collateral	Total
Total	**3,600,011**	**160,455**	**1,958,398**	**11,124,706**	**16,843,570**
Cash and cash equivalents and balances at central banks	–	19,811	–	1,980,152	**1,999,963**
Due from banks	232,989	140,644	–	55,582	**429,215**
Financial assets designated as at fair value through profit or loss	42,976	–	621,823	61,139	**725,938**
Available-for-sale investments	160,473	–	930,066	107,192	**1,197,731**
Held-to-maturity investments	–	–	–	–	**–**
Loans and advances to the public and private sectors	3,163,573	–	406,509	8,920,641	**12,490,723**

2.11 Netting of financial assets and liabilities

Tables 2.11.A and 2.11.C show the netting of financial assets; Tables 2.11.B and 2.11.D show the netting of financial liabilities. For information on the netting criteria, please see the Summary of significant valuation principles.

The right to net current accounts is laid down in the General Terms and Conditions, and for derivatives in a Master Netting Agreement

Table 2.11.A Netting of financial assets as at 31/12/2014					
	Gross financial assets	Gross financial liabilities netted in the statement of financial position	Net financial assets presented in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Total	**2,520,298**	**839,724**	**1,680,574**	**30,037**	**1,650,537**
Derivatives (receivables)	621,823	346,730	275,093	30,037	245,056
Current accounts	1,898,475	492,994	1,405,481	–	1,405,481

Table 2.11.B Netting of financial liabilities as at 31/12/2014					
	Gross financial liabilities	Gross financial assets netted in the statement of financial position	Net financial liabilities presented in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Total	**5,016,386**	**839,724**	**4,176,662**	**30,037**	**4,146,625**
Derivatives (liabilities)	728,043	346,730	381,313	30,037	351,276
Current accounts*	4,288,343	492,994	3,795,349	–	3,795,349

* Current accounts form part of Other client assets.

Table 2.11.C Netting of financial assets as at 31/12/2013	Gross financial assets	Gross financial liabilities netted in the statement of financial position	Net financial assets presented in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Total	**2,979,248**	**1,040,859**	**1,938,389**	**–**	**1,938,389**
Derivatives (receivables)	267,287	59,153	208,134	–	208,134
Current accounts	2,711,961	981,706	1,730,255	–	1,730,255

Table 2.11.D Netting of financial liabilities as at 31/12/2013	Gross financial liabilities	Gross financial assets netted in the statement of financial position	Net financial liabilities presented in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Total	**5,369,604**	**1,252,376**	**4,117,228**	**–**	**4,117,228**
Derivatives (liabilities)	570,332	270,670	299,662	–	299,662
Current accounts*	4,799,272	981,706	3,817,566	–	3,817,566

* Current accounts form part of Other client assets.

3. Operational risk

Operational risks are potential losses as a result of inadequate or defective internal processes and systems, inadequate or incorrect human actions, or external events and fraud. Within Van Lanschot, operational incidents are classified using the framework of incident types as set out in the Basel guidelines; see Table 3.A.

We have created a broad framework for evaluating, monitoring and managing operational risks and risks in relation to information security and business continuity. This framework incorporates the following processes:

- Risk identification and classification through risk self-assessments and security assessments.
- Risk measurement using a central incidents database, communication about critical risk signals (early warnings) which highlight major potential financial losses.
- Risk mitigation, acceptance and monitoring through action tracking (follow-up of outstanding actions and audit findings).
- Risk monitoring through setting up and maintaining a control framework and relevant test cycle to determine the effectiveness of key controls.
- Risk control through periodic meetings with designated risk owners. Risks are also controlled by mapping out the status of the bank's risk appetite, and through crisis management and business continuity management.
- Risk control in relation to the processing of information, ensuring that the integrity and confidentiality of business and client data are safeguarded. Both the internal information security and external cyber security systems are important.

In order to protect ourselves against major financial losses, we have taken out insurance policies to cover claims and losses resulting from our services. Broadly, these policies are a combination of fraud and professional liability insurance, directors' liability insurance and various other liability and accident insurance policies.

As far as possible, responsibility for managing operational risks is delegated to the line management of operating and commercial departments (first line of defence).

A range of programmes and tools support the bank's line management in their role as process owners of operational risks within their own divisions. Key instruments in this context are the risk self-assessments, root cause analyses, security assessments, action tracking, key control testing and central incidents database referred to above. Risk self-assessment is a tool that enables line managers to systematically identify and assess risks so that steps can be taken to mitigate any unacceptable risks. Action tracking is used to monitor identified risks and the progress of actions taken on the basis of findings by internal and external regulators, incidents, complaints and other relevant events. Van Lanschot also operates a control framework across the bank, in which the effectiveness of key control measures is tested periodically and information is gathered about incidents.

Information security contributes to the protection of client and corporate information processed within the bank. Both automated and manual information processing are carried out. Taking the right measures on the basis of targeted risk analyses of business and IT processes ensures that both our client data and corporate data are adequately protected.

Business impact and risk analyses are carried out as part of the business continuity management process in order to gain an insight into the critical processes and the resources that are needed to ensure continuity of service and to address potential threats. Embedding business continuity management in the organisation is essential to give the bank sufficient resilience against the negative impact of an incident or disaster. Business continuity therefore has universal scope within the bank; it comprises policy, standards and procedures aimed at safeguarding the critical processes or enabling a restart within a specified timeframe in the event of a disaster. The objective is to keep any financial, reputational and/or other material damage to a minimum.

The incidents database allows the systematic recording and analysis of losses resulting from operational risks. The database contains information about losses suffered as a result of operational risks in prior years, and forms the foundation of the operational risk management measurement system for Van Lanschot (including Kempen). A total of 281 incidents entailing a loss of more than €1,000 were logged in the database in 2014 (2013: 340 incidents); see Table 3.A.

Table 3.A Basel category, number of incidents	2014	2013
Total	**281**	**340**
Internal fraud	–	–
External fraud (mainly bank card skimming)	29	53
Employment practices and workplace safety	–	–
Product liability and duty of care	45	40
Damage to physical assets	3	1
Information security and systems failures	9	10
Execution, delivery and process management (especially execution of transactions)	195	236

Table 3.B Basel segments - operational risk		31/12/2014		31/12/2013	
		Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Total		**548,457**	**75,182**	**543,854**	**72,856**
Corporate Finance	18%	46,901	8,442	31,832	5,730
Trading and Sales	18%	59,101	10,638	43,650	7,857
Retail Brokerage	12%	105,403	12,648	106,638	12,797
Commercial Banking	15%	45,067	6,760	38,745	5,812
Retail Banking	12%	180,424	21,651	216,561	25,986
Payment and Settlement	18%	15,965	2,874	18,771	3,379
Agency Services	15%	23,239	3,486	25,859	3,879
Asset Management	12%	72,357	8,683	61,798	7,416

Under Pillar I of Basel II, a solvency requirement for operational risk is calculated for the total income from operating activities. Van Lanschot applies the standardised approach (SA), which applies fixed betas to each business segment. The beta coefficient ranges from 12% to 18%. The risk weighting for operational risk is based on the average income of the Basel segments over the past three years.

4. Market risk

Market risk is the risk of loss as a result of changes in market variables, including interest rates, exchange rates and share prices. Furthermore, there are variables not directly observable, such as volatility and correlations. The market risk to which Van Lanschot is exposed has traditionally been very limited, accounting for approximately 1% of the required risk capital. The market risk can be divided into two components: the market risk to which Van Lanschot itself is exposed in respect of the necessary market maintenance and services to clients, and the market risk ensuing from trading activities in institutional securities; this latter risk is concentrated at Kempen. The methods used by Van Lanschot to calculate and mitigate market risks include parametric value at risk (VaR), base point value (BPV) and stress testing.

4.1 Market risk: Kempen

The trading activities in institutional securities are concentrated at Kempen. A governance structure has been created in order to facilitate effective risk management. The risks are managed using VaR limits as well as gross and net limits. Daily stress tests provide information on changes in portfolio values in extreme market conditions and hence complement the VaR calculation. The VaR for the trading portfolios is computed daily based on a 97.5% probability interval and a one-day time horizon and on one year of historical data. The continued validity of the assumptions underlying the VaR computation is regularly tested using back-testing. The VaR on the trading activities is reported to management on a daily basis.

Table 4.1 VaR of Kempen trading activities	Derivatives-related		Share-related	
	2014	2013	2014	2013
VaR as at 31 December	118	39	4	43
Highest VaR	213	164	333	274
Lowest VaR	20	17	4	37
Average VaR	76	61	95	96

4.2 Market risk: Treasury

In addition to the institutional securities trading activities, Van Lanschot is also exposed to market risk through its treasury activities. The market risk reporting process involves the analysis of interest-related products. These products are managed on the basis of base point value (BPV). The foreign exchange positions are managed on the basis of nominal limits.

The exchange rate risk to which Van Lanschot is exposed through its treasury activities, as well as the interest rate risk, are reported on the basis of the gross nominal position (for exchange rate risk) and basis points (for interest rate risk). Table 4.2.A shows the effect on the value of a change in the interest rate of one basis point.

Table 4.2.A Interest rate risk of treasury trading activities (total gross BPV x €1,000)	2014	2013
BPV as at 31 December	37	43
Highest BPV	46	43
Lowest BPV	1	1
Average BPV	11	8

Table 4.2.B Exchange rate risk of treasury trading activities (total gross nominal foreign exchange position translated to €)	2014	2013
Position at 31 December	875	5,501
Highest position	9,150	7,610
Lowest position	385	510
Average position	4,826	3,180

Weekly stress tests are carried out for the various market risks. The maximum price movements occurring in the past are taken into account when calculating the stress losses. Stress losses are also calculated on the basis of both parallel and non-parallel movements in the yield curve.

4.3 Market risk: currency-related instruments

Van Lanschot's financial position and cash flows are affected to a limited extent by exchange rate fluctuations. The majority of transactions and positions in the statement of financial position are denominated in euros. We ensure that the exchange rate risk is managed effectively within the limits set. The foreign exchange positions are shown in Table 4.3.A.

The foreign exchange positions include all cash, forward and option positions of the entities belonging to the consolidated base (translated into thousands of euros). The capital adequacy requirement for exchange rate risk was nil at year-end 2014 and year-end 2013.

The capital adequacy requirement for foreign exchange risks amounts to 8% of the net open positions in each currency.

Table 4.3.A Foreign exchange positions	31/12/2014	31/12/2013
Total	**220**	**– 14,806**
US dollar	13,456	– 28,033
Singapore dollar	851	– 1
Australian dollar	816	954
Canadian dollar	557	584
New Zealand dollar	– 231	245
Pound sterling	– 221	3,030
Hong Kong dollar	– 234	101
Swiss franc	– 4,948	– 1,775
Norwegian krone	– 10,409	5,208
Other	583	4,881

4.4 Market risk: interest rate and share-related instruments

Van Lanschot uses the maturity-based method to calculate the capital adequacy requirement in respect of the general risk on debt instruments in the trading portfolio. Share-related instruments are share instruments included under Financial assets held for trading (see Table 4.4).

Weighting and requirements

Van Lanschot uses the standardised approach for all types of market risk. The market risk of interest rate derivatives is included under market risk on interest rate-related instruments; the market risk of share-related derivatives is included under market risk on share-related instruments

Table 4.4 Market risk	31/12/2014		31/12/2013	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Total	**98,610**	**7,889**	**101,000**	**8,079**
Interest-related instruments	333	27	125	10
Share-related instruments	98,277	7,862	100,875	8,069

5. Strategic risk

Strategic risk is the risk of lower income due to a change in the bank's environment and its activities. We define strategic risk as the existing or future threat to the bank's results or equity resulting from failure to (fully) anticipate changes in the environment and/or from incorrect strategic decisions. Strategic risk arises due to changes in prices, margins and/or volumes. It comprises external influences such as market circumstances, reputation and regulations, and how well Van Lanschot's management anticipates them.

In 2013 we presented our strategic review, which was built around three principles: focus, simplification and growth. Achieving growth is dependent on sharpening the focus of the product range, enhancing the IT infrastructure and simplifying the organisation, all of which will help us to further strengthen our solid capital and liquidity position.

The capital adequacy requirement for strategic risk is calculated on the basis of income volatility, taking into account the cost structure. Strategic risk can be limited by reducing fluctuations in income and building in a flexible cost profile. The fact that a large part of this risk is determined externally means that controlling it must be achieved through our regular business practices and effective management.

6. Interest rate risk

The interest rate risk reflects the existing or future threat to the bank's results or assets due to interest rate movements.

We use a range of methods to manage interest rate risk, including gap analysis, duration analysis and scenario analysis. This enables the bank to actively manage its statement of financial position so as to limit the potential negative impact of interest rate risk. This may for example involve adjustments to the fixed-income portfolio or attracting funds that provide the desired spread of interest rate maturities. Derivatives such as interest rate swaps and interest options are also used to control interest rate risks. The bank's management of the statement of financial position depends on its expectations with regard to interest rate movements and short and long-term interest rates.

We use a dedicated asset and liability system to manage the interest rate risk and for the preparation of internal and external reports. The duration analysis, gap analysis, scenario analysis and VaR are reported to the Asset & Liability Committee (ALCO) on a monthly basis.

Duration, a measure of the sensitivity of equity to interest rate fluctuations, is an important indicator of interest rate risk. A positive duration means that the value of equity decreases when interest rates rise. The duration of equity is determined on the basis of present value. The fair value of a line item is determined by the sum of the present value of its future cash flows. The present value of equity is determined by deducting the present value of the liabilities from the present value of the assets (see Table 6.A).

The maximum duration of equity that Van Lanschot considers acceptable is seven years. ALCO actively managed the equity duration in 2014, among other things through changes in the investment portfolio and interest rate swaps. The duration fluctuated within a range of between two and five years, in line with the risk appetite. At year-end 2014, the duration of equity was three years (year-end 2013: four years). The duration of three years as at 31 December 2014 indicates that the value of equity would decline by about 3% if interest rates were to rise by 1% (parallel shift).

Table 6.A Sensitivity analysis of equity	31/12/2014	31/12/2013
Duration (years)	2.9	4.0
Present value of equity (x €1 million)	1,651	1,682

ALCO is informed each month about the sensitivity of equity to a sudden parallel shift in the yield curve, using scenarios with a parallel rise or fall in the yield curve of 100 basis points. A sudden upward parallel shift of 100 basis points would reduce the value of equity by approximately €48 million (2013: €65 million). A parallel fall in the yield curve of the same magnitude would increase the value of equity by €47 million (2013: €68 million). This includes the interest rate risk of items disclosed under Result on financial transactions; this risk is largely hedged using interest rate derivatives.

An interest rate risk calculation is performed for the Pillar II capital requirement based on changes in the present value of equity. This calculation uses the key-rate duration (by interest rate bucket), permitting use of a stressed non-parallel yield shift.

In addition to calculating the present value of equity, we also apply scenario analyses to the interest margin, based on the basic scenario for the expected interest margin for 2015. In the event of an upward parallel shift in the yield curve of 100 basis points, the interest margin would decline by €1.3 million relative to this basic scenario (2013: €11.1 million).

Another key scenario is one in which Van Lanschot has to gradually raise interest rates on savings and deposits by 1% for competitive reasons. In this scenario, interest expense would increase by €31 million, other things being equal. A parallel rise in interest rates of 100 basis points would lead to a reduction in Result on financial transactions of €2.4 million due to interest charges on financial liabilities designated as at fair value through profit or loss and the related economic hedge derivatives.

In managing interest rate risk, we use models to determine the interest rate risk of savings and payment products, mortgages and cash loans, taking into account contractual and client-related aspects. Derivatives contracts are recognised at face value, because changes in interest rates relate to the face value, not the market value which forms the valuation basis for these contracts. Tables 6.B and 6.C show Van Lanschot's sensitivity to interest rate movements based on the contractual interest rate maturities of the respective line items. Savings and current accounts do not have fixed terms, and the balances are divided into fully elastic, semi-elastic and non-elastic. We determine the percentage of early repayments by product type based on historical data from the past year, and apply this percentage for a one-year period. This is reviewed annually.

Table 6.B Interest rate maturity schedule as at 31/12/2014

	Variable	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	No interest rate maturity	Total
Assets							
Cash and cash equivalents and balances at central banks	1,156,985	–	–	–	–	–	**1,156,985**
Financial assets held for trading	–	–	–	–	–	43,153	**43,153**
Due from banks	40,415	399,655	–	–	–	9,055	**449,125**
Financial assets designated as at fair value through profit or loss	–	943	30,000	215,141	855,736	207,704	**1,309,524**
Available-for-sale investments	–	1,035,462	–	279,000	454,000	184,269	**1,952,731**
Held-to-maturity investments	–	–	–	120,000	355,000	58,708	**533,708**
Loans and advances to the public and private sectors	1,591,925	2,767,123	1,776,599	3,590,143	1,132,349	162,968	**11,021,107**
Derivatives (receivables)	–	4,950,778	315,788	340,857	318,168	1,423	**5,927,014**
Investments in associates using the equity method	–	–	–	–	–	50,679	**50,679**
Other assets	–	79,688	66,175	59,831	–	261,639	**467,333**
Total assets	**2,789,325**	**9,233,649**	**2,188,562**	**4,604,972**	**3,115,253**	**979,598**	**22,911,359**
Liabilities							
Financial liabilities from trading activities	–	–	–	–	–	71	**71**
Due to banks	52,647	476,584	–	350,000	–	741	**879,972**
Public and private sector liabilities	8,485,570	452,857	945,918	389,044	306,211	6,650	**10,586,250**
Financial liabilities designated as at fair value through profit or loss	–	3,650	17,591	511,750	173,046	– 125	**705,912**
Derivatives (liabilities)	–	852,691	1,926,080	136,474	310,275	2,010	**3,227,530**
Issued debt securities	–	1,750,230	59,228	1,261,140	–	2,812	**3,073,410**
Other liabilities		142,287	73,200	10,094	–	21,679	**247,260**
Subordinated loans	–	18,016	2,000	–	100,000	1,399	**121,415**
Total liabilities	**8,538,217**	**3,696,315**	**3,024,017**	**2,658,502**	**889,532**	**35,237**	**18,841,820**
Gap	**– 5,748,892**	**5,537,334**	**– 835,455**	**1,946,470**	**2,225,721**	**944,361**	**4,069,539**

Table 6.C Interest rate maturity schedule as at 31/12/2013	Variable	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	No interest rate maturity	Total
Assets							
Cash and cash equivalents and balances at central banks	1,999,963	–	–	–	–	–	**1,999,963**
Financial assets held for trading	–	–	–	–	–	47,083	**47,083**
Due from banks	44,562	363,937	–	293	–	20,423	**429,215**
Financial assets designated as at fair value through profit or loss	–	–	55,000	237,000	356,500	77,438	**725,938**
Available-for-sale investments	–	345,521	–	272,500	468,161	111,549	**1,197,731**
Held-to-maturity investments	–	–	–	–	–	–	**–**
Loans and advances to the public and private sectors	2,035,052	3,493,970	844,332	3,528,034	2,413,157	176,178	**12,490,723**
Derivatives (receivables)	–	2,631,455	1,843,608	428,469	494,007	119,234	**5,516,773**
Investments in associates using the equity method	–	–	–	–	–	50,385	**50,385**
Other assets	–	86,222	77,968	59,797	–	297,206	**521,193**
Total assets	**4,079,577**	**6,921,105**	**2,820,908**	**4,526,093**	**3,731,825**	**899,496**	**22,979,004**
Liabilities							
Financial liabilities from trading activities	–	–	–	–	–	798	**798**
Due to banks	58,191	1,105,976	172	10,343	–	740	**1,175,422**
Public and private sector liabilities	7,333,989	1,035,908	1,342,887	284,176	259,742	2,108	**10,258,810**
Financial liabilities designated as at fair value through profit or loss	–	80,457	239,396	16,678	–	21,102	**357,633**
Derivatives (liabilities)	–	2,512,262	1,872,633	503,812	177,509	120,641	**5,186,857**
Issued debt securities	–	2,226,471	558,640	1,077,716	–	– 13,708	**3,849,119**
Other liabilities		221,492	93,291	8,358	–	35,589	**358,730**
Subordinated loans	–	4,651	2,000	3,454	116,563	1,550	**128,218**
Total liabilities	**7,392,180**	**7,187,217**	**4,109,019**	**1,904,537**	**553,814**	**168,820**	**21,315,587**
Gap	**– 3,312,603**	**– 266,112**	**– 1,288,111**	**2,621,556**	**3,178,011**	**730,676**	**1,663,417**

7. Liquidity risk

The policy for monitoring and controlling Van Lanschot's liquidity position and risk is set out in the internal liquidity adequacy assessment process (ILAAP).

Van Lanschot's liquidity position is influenced daily by withdrawals and payments on deposits and current accounts, and by drawdowns and repayments/redemptions of loans and investments. Limits have been set for the minimum required liquidity buffer, enabling expected and unexpected cash flows to be accommodated. The internal norm for the minimum liquidity position is determined monthly based on the volume of client assets, and is also influenced by external requirements, including the liquidity coverage ratio (LCR). The liquidity position is monitored on a daily basis by the Financial Risk Management department and reported to senior management.

In addition to the daily monitoring of the size and composition of the liquidity buffer, an 18-month liquidity projection is compiled each month containing up-to-date maturity calendars and assumptions on the likely movements in liquidity. Seasonal patterns, trends and client behaviour are also taken into account. Liquidity stress tests (entity-specific and market-wide) are carried out on the basis of this projection to determine whether the liquidity buffer is still adequate under stress conditions. Both the projection and the outcomes of the stress tests are discussed monthly in the Asset & Liability Committee (ALCO).

Liquidity risk is an explicit element in the risk appetite statement, which includes limits for the LCR, NSFR (net stable funding ratio), survival periods under stress, funding ratio and size of the liquidity buffer. LCR and NSFR are becoming increasingly important ratios for internal risk management. These Basel III ratios, which form an integral part of the liquidity risk management system, are determined monthly and reported to ALCO.

Van Lanschot's lending activities have traditionally been funded with a relatively high proportion of savings and deposits, reflecting the nature of our business. Our aim is to achieve a balanced funding mix with sufficient diversification across sources, products and maturities.
The introduction of *Evi* in 2014 led to an increase in the share of savings backed by the deposit guarantee scheme in our funding mix. The funding ratio at year-end 2014 was 96.1% (2013: 82.1%), implying that the greater proportion of our loan portfolio is financed bij client savings and assets. In view of our growing liquidity position, we operate a balanced fee structure based on the type of client. The total amount of client assets remained relatively stable compared with the previous year.

Securitisations in 2010

On 2 July 2010 we finalised the RMBS transaction Citadel 2010-I, entailing the securitisation of Dutch home mortgages. The transaction involved an amount of €1.2 billion. The credit risk was not transferred. A substantial proportion of senior Class A2 notes were placed with a wide group of institutional investors. The sale of these notes led to further diversification of the funding mix. Our role in the structure is that of pool servicer. The way the structure is set up means that Van Lanschot does not have access to all liquidities of the Citadel 2010-I entity. At year-end 2014, the liquidity to which Van Lanschot had no access amounted to €35.5 million (2013: €21.2 million). Van Lanschot is also not able to sell the securitised loans to third parties. The structure does not impose any other restrictions on Van Lanschot.

The face value of the externally placed notes was €419 million at year-end 2014 (2013: €487 million) and the fair value was €422 million (2013: €492 million). Holders of the senior Class A2 notes have first entitlement to the cash flows arising from the securitised loans. The net position is equal to the difference between the fair value of the notes and the mortgages.

Table 7.A Funding ratio (%)	31/12/2014	31/12/2013
Funding ratio	96.1	82.1

Table 7.B Citadel 2010-I BV	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal as at 31/12/2014	First call option date	Contractual maturity date	Spread
Total			**1,249,400**		**849,839**			
Senior Class A1	–	–	247,400	02/07/2010	–	26/08/2015	26/11/2042	1.30%
Senior Class A2	AAA	AAA	753,350	02/07/2010	613,589	26/08/2015	26/11/2042	1.40%
Mezzanine Class B	–	AAA	75,450	02/07/2010	75,450	26/08/2015	26/11/2042	0.00%
Mezzanine Class C	BBB	BBB+	129,900	02/07/2010	129,900	26/08/2015	26/11/2042	0.00%
Junior Class D	–	–	30,900	02/07/2010	30,900	26/08/2015	26/11/2042	0.00%
Subordinated Class E	–	–	12,400	02/07/2010	–	26/08/2015	26/11/2042	0.00%

Table 7.C Citadel 2010-II BV

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal as at 31/12/2014	First call option date	Contractual maturity date	Spread
Total			**1,255,450**		**882,344**			
Senior Class A	AAA	AAA	990,650	30/07/2010	629,994	26/08/2015	26/11/2042	1.20%
Mezzanine Class B	–	AAA	84,550	30/07/2010	84,550	26/08/2015	26/11/2042	0.00%
Mezzanine Class C	BBB	BBB+	136,700	30/07/2010	136,700	26/08/2015	26/11/2042	0.00%
Junior Class D	–	–	31,100	30/07/2010	31,100	26/08/2015	26/11/2042	0.00%
Subordinated Class E	–	–	12,450	30/07/2010	–	26/08/2015	26/11/2042	0.00%

On 30 July 2010 we finalised the RMBS transaction Citadel 2010-II, involving Dutch home mortgages to an amount of €1.3 billion. The credit risk was not transferred. A substantial proportion of the senior Class A notes were placed with a wide group of institutional investors. The sale of these bonds led to further diversification of the funding mix. Our role in the structure is that of pool servicer. The way the structure is set up means that Van Lanschot does not have access to all liquidities of the Citadel 2010-II entity. At year-end 2014, the liquidity to which Van Lanschot had no access amounted to €39.4 million (2013: €20.5 million). Van Lanschot is also not able to sell the securitised loans to third parties. The structure does not impose any other restrictions on Van Lanschot.

A proportion of the senior Class A notes in the Citadel 2010-II transaction have been placed externally. The face value of these notes was €537 million at year-end 2014 (2013: €703 million) and the fair value was €540 million (2013: €710 million). Holders of the senior Class A notes have first entitlement to the cash flows arising from the securitised loans. The net position is equal to the difference between the fair value of the notes and the mortgages.

Securitisations in 2011

On 9 February 2011 we finalised the Citadel 2011-I transaction, involving Dutch home mortgages to an amount of €1.5 billion. The credit risk was not transferred, and Van Lanschot purchased the debt instruments itself. Senior Class A1 and A2 notes are eligible for use as collateral with De Nederlandsche Bank (DNB). The transaction therefore supports the bank’s liquidity management. Our role in the structure is that of pool servicer. The way the structure is set up means that Van Lanschot does not have access to all liquidities of the Citadel 2011-I entity. At year-end 2014, the liquidity to which Van Lanschot had no access amounted to €38.0 million (2013: €38.5 million). Van Lanschot is also not able to sell the securitised loans to third parties. The structure does not impose any other restrictions on Van Lanschot.

Table 7.D Citadel 2011-I

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal as at 31/12/2014	First call option date	Contractual maturity date	Spread
Total			**1,515,000**		**1,088,579**			
Senior Class A1	–	–	324,000	10/02/2011	–	26/04/2016	26/04/2043	1.10%
Senior Class A2	AAA	AAA	801,000	10/02/2011	713,579	26/04/2016	26/04/2043	1.40%
Mezzanine Class B	AAA	AAA	120,000	10/02/2011	120,000	26/04/2016	26/04/2043	0.00%
Mezzanine Class C	–	–	135,000	10/02/2011	135,000	26/04/2016	26/04/2043	0.00%
Junior Class D	–	–	120,000	10/02/2011	120,000	26/04/2016	26/04/2043	0.00%
Subordinated Class E	–	–	15,000	10/02/2011	–	26/04/2016	26/04/2043	0.00%

Securitisations in 2013

On 1 August 2013 we finalised the Courtine RMBS 2013-I transaction, involving Dutch home mortgages to an amount of €862.6 million. Repayments totalling €66 million were received in 2014. The scope for topping up the pool with mortgages was fully utilised in 2014. The credit risk was not transferred, and Van Lanschot purchased the debt instruments itself. Senior Class A1 and A2 notes are eligible for use as collateral with DNB. The transaction therefore supports the bank's liquidity management. Our role in the structure is that of pool servicer. The way the structure is set up means that Van Lanschot does not have access to all liquidities of the Courtine RMBS 2013-I entity. At year-end 2014, the liquidity to which Van Lanschot had no access amounted to €15.2 million (2013: €19.2 million). Van Lanschot is also not able to sell the securitised loans to third parties. The structure does not impose any other restrictions on Van Lanschot.

On 7 November 2013 Van Lanschot finalised the Lunet RMBS 2013-I transaction, involving Dutch home mortgages to an amount of €1.1 billion. The credit risk was not transferred. Virtually all senior Class A1 and A2 notes were placed with a wide group of institutional investors. The sale of these notes results in a further diversification of the funding. Our role in the structure is that of pool servicer. The way the structure is set up means that Van Lanschot does not have access to all liquidities of the Lunet RMBS 2013-I entity. At year-end 2014, the liquidity to which Van Lanschot had no access amounted to €12.5 million (2013: €31.0 million). Van Lanschot is also not able to sell the securitised loans to third parties. The structure does not impose any other restrictions on Van Lanschot.

The senior Class A1 and A2 notes from the Lunet RMBS 2013-I transaction were placed externally. The face value of these notes was €743 million at year-end 2014 (2013: €868 million), and the fair value was €755 million (2013: €871 million). Holders of the senior Class A1 and A2 notes have first entitlement to the cash flows arising from the securitised loans. The net position is equal to the difference between the fair value of the notes and the mortgages.

The above transactions are all traditional securitisations. A characteristic of a traditional securitisation is that the beneficial title to the securitised receivables is transferred to an entity for securitisation purposes, which subsequently issues securities. The securities issued create a payment obligation for the securitisation entities rather than for Van Lanschot.

Table 7.E Courtine RMBS 2013-I

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal as at 31/12/2014	First call option date	Contractual maturity date	Spread
Total			**862,600**		**854,000**			
Senior Class A1	AAA	AAA	175,000	01/08/2013	175,000	26/09/2018	26/09/2050	1.15%
Senior Class A2	AAA	AAA	370,000	01/08/2013	370,000	26/09/2018	26/09/2050	2.15%
Mezzanine Class B	AAA	AA	81,500	01/08/2013	81,500	26/09/2018	26/09/2050	0.00%
Mezzanine Class C	–	–	112,000	01/08/2013	112,000	26/09/2018	26/09/2050	0.00%
Junior Class D	–	–	115,500	01/08/2013	115,500	26/09/2018	26/09/2050	0.00%
Subordinated Class E	–	–	8,600	01/08/2013	–	26/09/2018	26/09/2050	0.00%

Table 7.F Lunet RMBS 2013-I

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal as at 31/12/2014	First call option date	Contractual maturity date	Spread
Total			**1,085,800**		**966,917**			
Senior Class A1	AAA	AAA	244,000	07/11/2013	130,938	27/12/2018	27/12/2045	0.50%
Senior Class A2	AAA	AAA	639,600	07/11/2013	639,600	27/12/2018	27/12/2045	1.08%
Mezzanine Class B	AAA	AA	49,400	07/11/2013	49,400	27/12/2018	27/12/2045	0.00%
Mezzanine Class C	–	–	71,000	07/11/2013	71,000	27/12/2018	27/12/2045	0.00%
Junior Class D	–	–	71,000	07/11/2013	71,000	27/12/2018	27/12/2045	0.00%
Subordinated Class E	–	–	10,800	07/11/2013	4,979	27/12/2018	27/12/2045	0.00%

Tables 7.G and 7.H show the total amounts of the mortgages involved in each securitisation transaction. Loans for which the interest and/or capital repayments are not paid on time are classed as past due. Securitised client loans are classed as impaired if a provision has been taken for the client in question because the client is probably or actually unable to meet all or part of its obligations vis-à-vis the bank.

Van Lanschot provides no financial or other support to the securitisation entities, and has no intention of providing such support.

Although on the basis of the voting rights Van Lanschot does not have control over the Citadel, Courtine and Lunet companies, several other circumstances suggest that Van Lanschot does in fact have control. Van Lanschot has power over these entities and is exposed to or has rights to variable income from its involvement in the entities and is able to use its power over the entities to influence their income. The assessment of control is based on the actual relationship between Van Lanschot and the entities.

Table 7.G Securitised loans 31/12/2014

	Fair value	Carrying amount	Neither past due nor impaired	Past due	Impaired	Provision
Total	**4,836,173**	**4,505,757**	**4,441,194**	**20,887**	**43,676**	**11,745**
Citadel 2010-I BV	872,752	813,124	799,228	3,048	10,848	3,075
Citadel 2010-II BV	913,842	851,406	834,903	5,803	10,700	2,387
Citadel 2011-I BV	1,131,146	1,053,864	1,040,347	3,467	10,050	2,427
Courtine RMBS 2013-I BV	904,763	842,948	825,501	5,805	11,642	3,856
Lunet RMBS 2013-I BV	1,013,670	944,415	941,215	2,764	436	–

Table 7.H Securitised loans 31/12/2013

	Fair value	Carrying amount	Neither past due nor impaired	Past due	Impaired	Provision
Total	**5,289,027**	**4,956,433**	**4,883,484**	**45,600**	**27,349**	**7,731**
Citadel 2010-I BV	991,456	929,109	909,515	7,693	11,901	2,664
Citadel 2010-II BV	1,024,161	959,758	941,843	12,744	5,171	1,913
Citadel 2011-I BV	1,258,008	1,178,900	1,165,718	7,490	5,692	1,403
Courtine RMBS 2013-I BV	904,795	847,898	830,137	13,176	4,585	1,751
Lunet RMBS 2013-I BV	1,110,607	1,040,768	1,036,271	4,497	–	–

7.1 List of maturities

Tables 7.1.A and 7.1.B show the assets and liabilities based on their remaining contractual terms to maturity as at the reporting date.

The aggregate amounts reconcile with the values disclosed in the consolidated statement of financial position. They may differ in some respects from other breakdowns, since the amounts shown in these tables are based on non-discounted cash flows, related to the principal amounts as well as all future interest payments. Items that do not generate a cash flow, such as discounting, cost amortisation, changes in the value of derivatives, own risk margins, etc., are presented in a separate column in order to make clear the reconciliation with the statement of financial position.

Table 7.1.A List of maturities as at 31/12/2014	With-drawable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	Subtotal	No cash flow	Total
Assets								
Cash and cash equivalents and balances at central banks	1,156,985	–	–	–	–	**1,156,985**	–	**1,156,985**
Financial assets held for trading	–	43,153	–	–	–	**43,153**	–	**43,153**
Due from banks	40,415	142,204	–	257,451	9,055	**449,125**	–	**449,125**
Financial assets designated as at fair value through profit or loss	–	65,046	30,000	215,246	856,574	**1,166,866**	142,658	**1,309,524**
Available-for-sale investments	–	114,475	102,773	1,096,105	521,400	**1,834,753**	117,978	**1,952,731**
Held-to-maturity investments	–	–	–	120,000	355,000	**475,000**	58,708	**533,708**
Loans and advances to the public and private sectors	1,595,748	130,933	121,491	558,574	8,451,277	**10,858,023**	163,084	**11,021,107**
Derivatives (receivables)	–	49,438	20,188	113,406	84,799	**267,831**	7,262	**275,093**
Investments in associates using the equity method	–	–	–	50,679	–	**50,679**	–	**50,679**
Other assets	–	79,672	66,192	59,831	–	**205,695**	261,638	**467,333**
Total assets	**2,793,148**	**624,921**	**340,644**	**2,471,292**	**10,278,105**	**16,508,110**	**751,328**	**17,259,438**
Total assets excluding derivatives	**2,793,148**	**575,483**	**320,456**	**2,357,886**	**10,193,306**	**16,240,279**	**744,066**	**16,984,345**
Liabilities								
Financial liabilities from trading activities	–	71	–	–	–	**71**	–	**71**
Due to banks	75,469	331,353	80,000	392,410	–	**879,232**	740	**879,972**
Public and private sector liabilities	8,494,401	672,022	812,022	294,526	306,629	**10,579,600**	6,650	**10,586,250**
Financial liabilities designated as at fair value through profit or loss	–	3,650	17,591	511,750	173,046	**706,037**	– 125	**705,912**
Derivatives (liabilities)	–	51,856	11,742	102,405	207,356	**373,359**	7,954	**381,313**
Issued debt securities	–	37,950	957,822	2,023,776	51,050	**3,070,598**	2,812	**3,073,410**
Other liabilities	–	142,287	73,200	10,094	–	**225,581**	21,679	**247,260**
Subordinated loans	–	1,000	2,000	–	117,016	**120,016**	1,399	**121,415**
Total liabilities	**8,569,870**	**1,240,189**	**1,954,377**	**3,334,961**	**855,097**	**15,954,494**	**41,109**	**15,995,603**
Total liabilities excluding derivatives	**8,569,870**	**1,188,333**	**1,942,635**	**3,232,556**	**647,741**	**15,581,135**	**33,155**	**15,614,290**
On balance gap	**– 5,776,772**	**– 615,268**	**– 1,613,733**	**– 863,669**	**9,423,008**	**533,616**	**710,219**	**1,263,835**
Receivables arising from future interest flows	–	122,514	336,940	1,619,005	4,105,670	**6,184,129**	–	**6,184,129**
Liabilities arising from future interest flows	–	28,256	101,480	380,059	174,855	**684,650**	–	**684,650**
On balance gap including future interest flows	**– 5,776,772**	**– 464,498**	**– 1,175,313**	**1,135,395**	**13,703,533**	**7,422,395**	**710,219**	**8,132,614**

Table 7.1.B List of maturities as at 31/12/2013								
	Withdrawable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	**Subtotal**	No cash flow	**Total**
Assets								
Cash and cash equivalents and balances at central banks	1,999,963	–	–	–	–	**1,999,963**	–	**1,999,963**
Financial assets held for trading	–	47,083	–	–	–	**47,083**	–	**47,083**
Due from banks	44,562	130,948	–	233,282	20,423	**429,215**	–	**429,215**
Financial assets designated as at fair value through profit or loss	–	39,963	55,000	237,000	356,500	**688,463**	37,475	**725,938**
Available-for-sale investments	–	44,897	–	287,500	797,682	**1,130,079**	67,652	**1,197,731**
Held-to-maturity investments	–	–	–	–	–	**–**	–	**–**
Loans and advances to the public and private sectors	2,011,735	210,284	255,137	956,991	8,882,331	**12,316,478**	174,245	**12,490,723**
Derivatives (receivables)	–	47,427	26,549	77,473	51,408	**202,857**	5,277	**208,134**
Investments in associates using the equity method	–	–	–	50,385	–	**50,385**	–	**50,385**
Other assets	–	86,222	77,968	59,797	–	**223,987**	297,206	**521,193**
Total assets	**4,056,260**	**606,824**	**414,654**	**1,902,428**	**10,108,344**	**17,088,510**	**581,855**	**17,670,365**
Total assets excluding derivatives	**4,056,260**	**559,397**	**388,105**	**1,824,955**	**10,056,936**	**16,885,653**	**576,578**	**17,462,231**
Liabilities								
Financial liabilities from trading activities	–	798	–	–	–	**798**	–	**798**
Due to banks	58,191	52,838	106,569	957,084	–	**1,174,682**	740	**1,175,422**
Public and private sector liabilities	7,335,519	1,036,990	1,303,663	302,911	277,619	**10,256,702**	2,108	**10,258,810**
Financial liabilities designated as at fair value through profit or loss	–	–	2,950	177,824	155,757	**336,531**	21,102	**357,633**
Derivatives (liabilities)	–	72,198	25,844	147,932	49,296	**295,270**	4,392	**299,662**
Issued debt securities	–	47,318	548,556	1,152,854	2,114,099	**3,862,827**	– 13,708	**3,849,119**
Other liabilities	–	221,492	93,291	8,358	–	**323,141**	35,589	**358,730**
Subordinated loans	–	4,538	–	5,000	117,130	**126,668**	1,550	**128,218**
Total liabilities	**7,393,710**	**1,436,172**	**2,080,873**	**2,751,963**	**2,713,901**	**376,619**	**51,773**	**16,428,391**
Total liabilities excluding derivatives	**7,393,710**	**1,363,974**	**2,055,029**	**2,604,031**	**2,664,605**	**16,081,349**	**47,381**	**16,128,729**
On balance gap	**– 3,337,450**	**– 829,348**	**– 1,666,219**	**– 849,535**	**7,394,443**	**711,891**	**530,082**	**1,241,974**
Receivables arising from future interest flows	–	108,433	322,143	1,530,745	4,644,077	**6,605,398**	–	**6,605,398**
Liabilities arising from future interest flows	–	27,822	121,676	348,782	111,586	**609,866**	–	**609,866**
On balance gap including future interest flows	**– 3,337,450**	**– 693,093**	**– 1,222,400**	**1,029,992**	**12,150,106**	**7,927,155**	**530,082**	**8,457,238**

The future interest flows are based on the economic term of the line items and the interest rates prevailing on the reporting date. Major differences can be seen in the gaps because the assets comprise many long-term home mortgage loans, while the liabilities comprise many short-term deposits.

Tables 7.1.C and 7.1.D show the contingent items based on their remaining contractual terms to maturity as at the reporting date.

For each transaction guaranteed by Van Lanschot, the maximum guaranteed amount is included in the relevant term bucket under which the bank first has the right to terminate the transaction.

For each obligation arising from an irrevocable commitment, the committed amount is classified in the relevant term bucket under which Van Lanschot first has the right to withdraw the commitment.

Table 7.1.C List of maturities of contingent items as at 31/12/2014

	Withdrawable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	Total
Guarantees	3,315	6,244	9,235	19,527	76,902	**115,223**
Irrevocable documentary letters of credit	–	–	–	–	–	**–**
Other contingent liabilities	–	39	–	302	–	**341**
Unused credit facilities	–	20,585	–	13	73,983	**94,581**
Sale and repurchase agreements	–	332,572	103,678	–	–	**436,250**
Other irrevocable commitments	–	4,964	991	4,587	–	**10,542**
Total contingent items	**3,315**	**364,404**	**113,904**	**24,429**	**150,885**	**656,937**

Table 7.1.D List of maturities of contingent items at 31/12/2013

	Withdrawable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	Total
Guarantees	3,201	10,972	15,685	38,444	82,843	**151,145**
Irrevocable documentary letters of credit	–	10,645	3,600	–	–	**14,245**
Other contingent liabilities	–	6,644	4,578	1,300	–	**12,522**
Unused credit facilities	–	6,994	58	36,567	62,182	**105,801**
Sale and repurchase agreements	–	–	127,394	202,881	–	**330,275**
Other irrevocable commitments	–	5,153	488	2,092	3,533	**11,266**
Total contingent items	**3,201**	**40,408**	**151,803**	**281,284**	**148,558**	**625,254**

7.2 List of maturities

Tables 7.2.A and 7.2.B show a breakdown of the assets and liabilities based on their expected term to maturity up to 12 months and longer than 12 months as at the reporting date.

Table 7.2.A List of maturities at 31/12/2014

	≤ 12 months	> 12 months	Subtotal	No cash flow	Total
Assets					
Cash and cash equivalents and balances at central banks	1,156,985	–	**1,156,985**	–	**1,156,985**
Financial assets held for trading	43,153	–	**43,153**	–	**43,153**
Due from banks	182,619	266,506	**449,125**	–	**449,125**
Financial assets designated as at fair value through profit or loss	95,046	1,071,820	**1,166,866**	142,658	**1,309,524**
Available-for-sale investments	217,248	1,617,505	**1,834,753**	117,978	**1,952,731**
Held-to-maturity investments	–	475,000	**475,000**	58,708	**533,708**
Loans and advances to the public and private sectors	1,848,172	9,009,851	**10,858,023**	163,084	**11,021,107**
Derivatives (receivables)	69,626	198,205	**267,831**	7,262	**275,093**
Investments in associates using the equity method	–	50,679	**50,679**	–	**50,679**
Other assets	145,864	59,831	**205,695**	261,638	**467,333**
Total assets	**3,758,713**	**12,749,397**	**16,508,110**	**751,328**	**17,259,438**
Liabilities					
Financial liabilities from trading activities	71	–	**71**	–	**71**
Due to banks	486,822	392,410	**879,232**	740	**879,972**
Public and private sector liabilities	9,978,445	601,155	**10,579,600**	6,650	**10,586,250**
Financial liabilities designated as at fair value through profit or loss	21,241	684,796	**706,037**	– 125	**705,912**
Derivatives (liabilities)	63,598	309,761	**373,359**	7,954	**381,313**
Issued debt securities	995,772	2,074,826	**3,070,598**	2,812	**3,073,410**
Other liabilities	215,487	10,094	**225,581**	21,679	**247,260**
Subordinated loans	3,000	117,016	**120,016**	1,399	**121,415**
Total liabilities	**11,764,436**	**4,190,058**	**15,954,494**	**41,109**	**15,995,603**

Table 7.2.B List of maturities as at 31/12/2013	≤ 12 months	> 12 months	Subtotal	No cash flow	Total
Assets					
Cash and cash equivalents and balances at central banks	1,999,963	–	**1,999,963**	–	**1,999,963**
Financial assets held for trading	47,083	–	**47,083**	–	**47,083**
Due from banks	175,510	253,705	**429,215**	–	**429,215**
Financial assets designated as at fair value through profit or loss	94,963	593,500	**688,463**	37,475	**725,938**
Available-for-sale investments	44,897	1,085,182	**1,130,079**	67,652	**1,197,731**
Held-to-maturity investments	–	–	**–**	–	**–**
Loans and advances to the public and private sectors	2,477,156	9,839,322	**12,316,478**	174,245	**12,490,723**
Derivatives (receivables)	73,976	128,881	**202,857**	5,277	**208,134**
Investments in associates using the equity method	–	50,385	**50,385**	–	**50,385**
Other assets	164,190	59,797	**223,987**	297,206	**521,193**
Total assets	**5,077,738**	**12,010,772**	**17,088,510**	**581,855**	**17,670,365**
Liabilities					
Financial liabilities from trading activities	798	–	**798**	–	**798**
Due to banks	217,598	957,084	**1,174,682**	740	**1,175,422**
Public and private sector liabilities	9,676,172	580,530	**10,256,702**	2,108	**10,258,810**
Financial liabilities designated as at fair value through profit or loss	2,950	333,581	**336,531**	21,102	**357,633**
Derivatives (liabilities)	98,042	197,228	**295,270**	4,392	**299,662**
Issued debt securities	595,874	3,266,953	**3,862,827**	– 13,708	**3,849,119**
Other liabilities	314,783	8,358	**323,141**	35,589	**358,730**
Subordinated loans	4,538	122,130	**126,668**	1,550	**128,218**
Total liabilities	**10,910,755**	**5,465,864**	**16,376,619**	**51,773**	**16,428,391**

8. Compliance risk
Van Lanschot and its subsidiaries fulfil a role as service providers to the public, a role that they can only play to the full if they enjoy the trust of every stakeholder. The integrity of Van Lanschot and its employees form the basis for that trust, while the statutory and regulatory rules provide the framework. Within that framework, we put the interests of the client first in all our activities. The Compliance department, which reports directly to the Chairman of the Statutory Board, is responsible for ensuring that the bank's Board, senior management and employees comply with regulations and legislation.

9. Fair value

9.1 Financial instruments at fair value
A portion of the financial instruments are measured at fair value in the statement of financial position. Tables 9.1.A and 9.1.B provide a breakdown of these instruments into three levels. The fair value is based either on quoted prices in active markets, inputs other than quoted prices that are observable in the market, or input based on data not observable in the market.

Van Lanschot has developed a policy on the criteria for allocating financial instruments recognised in the statement of financial position at fair value to each of the three levels. A review is carried out at the end of each reporting period to determine whether any changes have taken place in the hierarchy between the levels.

Level 1: Quoted prices in active markets
The fair value of financial instruments traded in an active market is based on the price at the reporting date (market price). The bid price is applied for financial assets and the offer price for financial liabilities. Since these instruments are traded in an active market, their prices adequately reflect current and frequent market transactions between unrelated parties.

Level 2: Inputs observable in the markets
The fair value of financial instruments not traded in an active market (e.g. over-the-counter financial derivatives) is established using cash flow and option valuation models. Based on estimates, Van Lanschot selects a number of methods and makes assumptions based on the market conditions (observable data) as at the reporting date. The estimated present value of future cash flows is used to determine the fair value of the other financial instruments. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The discount rate is the same as the market interest rate as at the reporting date for a similar instrument subject to the same conditions, taking into account collateral furnished under credit support annexes (CSAs).

The fair value of forward currency contracts is calculated by reference to forward exchange rates as at the reporting date.

An assumption is made that the face value (less estimated adjustments) and fair value of trade receivables and liabilities are similar. The fair value of financial obligations not recognised in the statement of financial position is estimated by discounting the future contractual cash flows at the current interest rates for similar financial instruments.

Estimates and judgements made are based on past experience as well as other factors, including expectations with respect to future events that could reasonably occur given current circumstances. Estimates and judgements are assessed on an ongoing basis.

Level 3: Input not based on observable market data
The financial instruments in this category are assessed on an individual basis. Their valuation is based on the best estimate of management by reference to the most recent prices, prices of similar instruments and, to a not significant extent, information not observable in the market.

Table 9.1.A Financial instruments at fair value as at 31/12/2014	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading				
Debt instruments: banks and financial institutions, listed	–	493	–	**493**
Shares, listed	22,371	–	–	**22,371**
Shares, unlisted	–	20,070	219	**20,289**
	22,371	**20,563**	**219**	**43,153**
Financial assets designated as at fair value through profit or loss				
Debt instruments: government paper and government-guaranteed paper	910,082	–	–	**910,082**
Debt instruments: banks and financial institutions, listed	135	–	–	**135**
Debt instruments: covered bonds	334,261	–	–	**334,261**
Shares, listed	30,815	–	–	**30,815**
Shares, unlisted	–	20,150	14,081	**34,231**
	1,275,293	**20,150**	**14,081**	**1,309,524**
Available-for-sale investments				
Debt instruments: government paper and government-guaranteed paper	842,849	–	–	**842,849**
Debt instruments: banks and financial institutions, listed	–	–	–	**–**
Debt instruments: covered bonds	102,107	–	–	**102,107**
Debt instruments: asset-backed securities	941,484	–	–	**941,484**
Debt instruments: company cumprefs (shareholdings)	–	–	29,220	**29,220**
Shares, listed	–	3,966	–	**3,966**
Shares, unlisted	–	–	9,320	**9,320**
Shareholdings	–	–	23,785	**23,785**
	1,886,440	**3,966**	**62,325**	**1,952,731**
Derivatives (receivables)				
Equity derivatives	–	1,423	–	**1,423**
Client option positions	14,406	–	–	**14,406**
Derivatives: fair value hedge accounting	–	64,518	–	**64,518**
Derivatives: portfolio fair value hedge accounting	–	–	–	**–**
Derivatives: cash flow hedge accounting	–	–	–	**–**
Economic hedges	–	103,384	–	**103,384**
Structured product derivatives	–	82,843	8,519	**91,362**
	14,406	**252,168**	**8,519**	**275,093**
Total assets	**3,198,510**	**296,847**	**85,144**	**3,580,501**

Table 9.1.A Financial instruments at fair value as at 31/12/2014 (continued)	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities from trading activities				
Shares, listed	71	–	–	**71**
	71	**–**	**–**	**71**
Financial liabilities designated as at fair value through profit or loss				
Unstructured debt instruments	–	259,715	–	**259,715**
Structured debt instruments	–	332,499	113,698	**446,197**
	–	**592,214**	**113,698**	**705,912**
Derivatives (liabilities)				
Interest rate derivatives	–	2,010	–	**2,010**
Client option positions	13,593	–	–	**13,593**
Derivatives: fair value hedge accounting	–	64,270	–	**64,270**
Derivatives: portfolio fair value hedge accounting	–	–	–	**–**
Derivatives: cash flow hedge accounting	–	17,494	–	**17,494**
Economic hedges	–	220,570	–	**220,570**
Structured product derivatives	–	62,284	1,092	**63,376**
	13,593	**366,628**	**1,092**	**381,313**
Total liabilities	**13,664**	**958,842**	**114,790**	**1,087,296**

The fair values of assets and liabilities measured by reference to variables not based on observable market data are only marginally affected by changes in assumptions. The positions in financial assets and liabilities at fair value through profit or loss as at the reporting date hedge one another, as a result of which changes do not have a material impact on profit.

Transfers of financial assets or liabilities between levels

In 2014 we drew up a policy document on the fair value hierarchy, describing, among other things, when a significant non-observable input variable is deemed to exist. This policy document was applied to the positions as at year-end 2014, resulting in structured product derivatives and structured debt instruments being transferred from Level 2 to Level 3. The significance of the non-observable input variables was assessed. The value of the structured product derivatives (receivables) transferred was €1.5 million, that of structured products (liabilities) €1.4 million, and that of structured debt instruments €42.2 million.

Table 9.1.B Financial instruments at fair value as at 31/12/2013

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading				
Debt instruments: banks and financial institutions, listed	–	–	–	**–**
Shares, listed	7,162	3,031	–	**10,193**
Shares, unlisted	9,112	27,551	227	**36,890**
	16,274	**30,582**	**227**	**47,083**
Financial assets designated as at fair value through profit or loss				
Debt instruments: government paper and government-guaranteed paper	319,756	–	–	**319,756**
Debt instruments: banks and financial institutions, listed	–	–	–	**–**
Debt instruments: covered bonds	366,218	–	–	**366,218**
Shares, listed	–	–	–	**–**
Shares, unlisted	881	19,739	19,344	**39,964**
	686,855	**19,739**	**19,344**	**725,938**
Available-for-sale investments				
Debt instruments: government paper and government-guaranteed paper	720,309	–	–	**720,309**
Debt instruments: banks and financial institutions, listed	1,003	–	–	**1,003**
Debt instruments: covered bonds	75,919	–	–	**75,919**
Debt instruments: asset-backed securities	180,940	–	135,525	**316,465**
Debt instruments: company cumprefs (shareholdings)	–	–	40,137	**40,137**
Shares, listed	1,587	4,446	–	**6,033**
Shares, unlisted	–	–	10,558	**10,558**
Shareholdings	–	–	27,307	**27,307**
	979,758	**4,446**	**213,527**	**1,197,731**
Derivatives (receivables)				
Equity derivatives	–	473	–	**473**
Client option positions	14,603	–	–	**14,603**
Derivatives: fair value hedge accounting	–	26,979	–	**26,979**
Derivatives: portfolio fair value hedge accounting	–	573	–	**573**
Derivatives: cash flow hedge accounting	–	258	–	**258**
Economic hedges	–	106,633	–	**106,633**
Structured product derivatives	–	58,615	–	**58,615**
	14,603	**193,531**	**–**	**208,134**
Total assets	**1,697,490**	**248,298**	**233,098**	**2,178,886**

Table 9.1.B Financial instruments at fair value as at 31/12/2013 (continued)	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities from trading activities				
Shares, listed	798	–	–	**798**
	798	**–**	**–**	**798**
Financial liabilities designated as at fair value through profit or loss				
Unstructured debt instruments	–	167,400	–	**167,400**
Structured debt instruments	–	173,948	16,285	**190,233**
	–	**341,348**	**16,285**	**357,633**
Derivatives (liabilities)				
Interest rate derivatives	–	1,880	–	**1,880**
Client option positions	13,826	–	–	**13,826**
Derivatives: fair value hedge accounting	–	13,750	–	**13,750**
Derivatives: portfolio fair value hedge accounting	–	68,699	–	**68,699**
Derivatives: cash flow hedge accounting	–	9,926	–	**9,926**
Economic hedges	–	144,619	–	**144,619**
Structured product derivatives	–	46,962	–	**46,962**
	13,826	**285,836**	**–**	**299,662**
Total liabilities	**14,624**	**627,184**	**16,285**	**658,093**

Breakdown of movements in financial assets and liabilities classified under Level 3

Tables 9.1.C and 9.1.D provide a breakdown of the movements in all financial assets and liabilities classified as Level 3 items and recognised at fair value in the statement of financial position.

Table 9.1.C.1 Breakdown of movements in financial assets classified as Level 3 in 2014

Line item	Position as at 1 January	To statement of income	To equity*	Purchases	Sales	Transfers	Position as at 31 December
Financial assets held for trading							
Debt instruments: banks and financial institutions, unlisted	–	–	–	–	–	–	**–**
Shares, unlisted	227	–	–	–	– 8	–	**219**
Financial assets designated as at fair value through profit or loss							
Shares, unlisted	19,344	– 850	–	152	– 4,565	–	**14,081**
Available-for-sale investments							
Debt instruments: asset-backed securities	135,525	–	–	–	– 135,525	–	**–**
Debt instruments: company cumprefs (shareholdings)	40,137	434	– 417	–	– 10,934	–	**29,220**
Shares, unlisted	10,558	–	– 1,129	–	– 109	–	**9,320**
Shareholdings	27,307	– 200	– 549	242	– 3,015	–	**23,785**
Derivatives (receivables)							
Equity derivatives	–	–	–	–	–	–	**–**
Structured product derivatives	–	7,063	–	–	–	1,456	**8,519**
Total financial assets Level 3	**233,098**	**6,447**	**– 2,095**	**394**	**– 154,156**	**1,456**	**85,144**

Table 9.1.C.2 Breakdown of movements in financial liabilities classified as Level 3 in 2014

Line item	Position as at 1 January	To statement of income	To equity*	Issues	Settlements	Transfers	Position as at 31 December
Financial liabilities designated as at fair value through profit or loss							
Structured debt instruments	16,285	4,113	–	55,308	– 4,221	42,213	**113,698**
Derivatives (liabilities)							
Interest rate derivatives	–	–	–	–	–	–	**–**
Structured product derivatives	–	– 306	–	–	–	1,398	**1,092**
Total financial liabilities Level 3	**16,285**	**3,807**	**–**	**55,308**	**– 4,221**	**43,611**	**114,790**
Total	**216,813**	**2,640**	**– 2,095**	**– 54,914**	**– 149,935**	**– 42,155**	**– 29,646**

* The changes in value recognised in equity are included in the statement of comprehensive income as Revaluation of equity instruments and Revaluation of debt instruments.

Table 9.1.D.1 Breakdown of movements in financial assets classified as Level 3 in 2013

Line item	Position as at 1 January	To statement of income	To equity*	Purchases	Sales	Transfers	Position as at 31 December
Financial assets held for trading							
Debt instruments: banks and financial institutions, unlisted	1,096	–	–	–	– 1,096	–	–
Shares, unlisted	247	–	–	–	– 20	–	227
Financial assets designated as at fair value through profit or loss							
Shares, unlisted	16,593	– 300	–	306	–	2,745	19,344
Available-for-sale investments							
Debt instruments: asset-backed securities	142,696	–	811	–	– 7,982	–	135,525
Debt instruments: company cumprefs (shareholdings)	38,417	2,359	97	1,000	– 1,736	–	40,137
Shares, unlisted	8,995	–	1,466	97	–	–	10,558
Shareholdings	28,507	– 444	632	830	– 2,218	–	27,307
Derivatives (receivables)							
Equity derivatives	70	– 27	–	–	– 25	– 18	–
Structured product derivatives	–	–	–	–	–	–	–
Total financial assets Level 3	**236,621**	**1,588**	**3,006**	**2,233**	**– 13,077**	**2,727**	233,098

Table 9.1.D.2 Breakdown of movements in financial liabilities classified as Level 3 in 2013

Line item	Position as at 1 January	To statement of income	To equity*	Issues	Settlements	Transfers	Position as at 31 December
Financial liabilities designated as at fair value through profit or loss							
Structured debt instruments	16,265	– 284	–	304	–	–	16,285
Derivatives (liabilities)							
Interest rate derivatives	2,132	–	–	–	–	– 2,132	–
Structured product derivatives	–	–	–	–	–	–	–
Total financial liabilities Level 3	**18,397**	**– 284**	**–**	**304**	**–**	**– 2,132**	16,285
Total	**218,224**	**1,872**	**3,006**	**1,929**	**– 13,077**	**4,859**	216,813

* The changes in value recognised in equity are included in the statement of comprehensive income as Revaluation of equity instruments and Revaluation of debt instruments.

Table 9.1.E Fair value changes recognised in profit or loss of financial instruments classified as Level 3	2014			2013		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net interest income	2,437	–	**2,437**	2,989	–	**2,989**
Income from securities and associates	–	– 850	**– 850**	–	– 300	**– 300**
Result on financial transactions	–	3,256	**3,256**	– 27	284	**257**
Impairments	–	– 2,203	**– 2,203**	–	– 1,074	**– 1,074**
Total	**2,437**	**203**	**2,640**	**2,962**	**– 1,090**	**1,872**

Table 9.1.F Notes on fair value determination using observable market inputs (Level 2) 31/12/2014	Fair value (x €1,000)	Valuation method	Significant observable market inputs
Assets			
Financial assets held for trading			
Debt instruments: banks and financial institutions, listed	493	Option model and discounted cash flow	– Asset price – Interest rate – Dividend yield – Volatility
Shares, unlisted	20,070	Net asset value	– Estimates of the net asset value of the underlying investments, based on generally accepted valuation methods, received from fund managers
Financial assets designated as at fair value through profit or loss			
Shares, unlisted	20,150	Net asset value	– Most recently published net asset value – Market value which on measurement date equals market price – Fair value reflecting generally accepted standards
Available-for-sale investments			
Shares, listed	3,966	Net asset value	– Most recently known (closing) price of the underlying assets
Derivatives (receivables)			
Equity derivatives			
– Interest rate swaps	184	Discounted cash flow	– Interest rate
– Inflation-linked swaps	1,239	Option model and Discounted cash flow	– Asset price – Interest rate – Dividend yield – Volatility – Correlation FX rates
Derivatives: fair value hedge accounting			
– Interest rate swaps	38,283	Discounted cash flow	– Interest rate
– Inflation-linked swaps	26,235	Discounted cash flow	– Interest rate – Inflation rate – Realised consumer price index (CPI) – Seasonality
Economic hedges			
– Interest rate swaps	103,384	Discounted cash flow	– Interest rate
Structured product derivatives			
– Options	38,311	Option model	– Asset price – Interest rate – Dividend yield – Volatility – FX rates
– Interest rate swaps	18,537	Discounted cash flow	– Interest rate
– Credit-linked swaps	261	Option model and discounted cash flow	– CDS spread – Interest rate – Recovery rate
– Equity swaps	25,734	Option model and discounted cash flow	– Asset price – Interest rate – Dividend yield – Volatility – Correlation – FX rates
Total assets	**296,847**		

Table 9.1.F Notes on fair value determination using observable market inputs (Level 2) 31/12/2014 (continued)

	Fair value (x €1,000)	Valuation method	Significant observable market inputs
Liabilities			
Financial liabilities designated as at fair value through profit or loss			
Unstructured debt instruments	259,715	Discounted cash flow	– Interest rate
Structured debt instruments	332,499	Option model and discounted cash flow	– Interest rate – Asset price – Dividend yield – Volatility – Correlation – FX rates
Derivatives (liabilities)			
Interest rate derivatives			
– Interest rate swaps	769	Discounted cash flow	– Interest rate
– FX options	1,241	Option model	– Interest rate – Asset price – Dividend yield – Volatility – FX rates
Derivatives: fair value hedge accounting			
– Interest rate swaps	64,270	Discounted cash flow	– Interest rate
Derivatives cash flow hedge accounting			
– Inflation-linked swaps	17,494	Discounted cash flow	– Interest rate – Inflation rate – Realised consumer price index (CPI)
Economic hedges			
– Interest rate swaps	219,478	Discounted cash flow	– Interest rate
– Cross-currency swaps	1,092	Discounted cash flow	– Interest rate – FX rates
Structured product derivatives			
– Options	35,314	Option model	– Asset price – Interest rate – Dividend yield – Volatility – FX rates
– Interest rate swaps	6,645	Discounted cash flow	– Interest rate
– Credit-linked swaps	5,660	Option model and discounted cash flow	– CDS spread
– Equity swaps	14,665	Option model and discounted cash flow	– Asset price – Interest rate – Dividend yield – Volatility – Correlation – FX rates
Total liabilities	**958,842**		

Table 9.1.G Notes on fair value determination using non-observable market inputs (Level 3) 31/12/2014			
	Fair value (x €1,000)	Valuation method	Significant non-observable market inputs
Assets			
Financial assets held for trading			
Shares, unlisted	219	Net asset value	– Net asset value – Face value
Financial assets designated as at fair value through profit or loss			
Shares, unlisted	14,081	Discounted cash flow Trade multiples Market multiples	– n/a*
		Net asset value	– Cost or lower market value
Available-for-sale investments			
Debt instruments: company cumprefs (shareholdings)**	29,220	Discounted cash flow	– Interest rates – Discount rates
Shares, unlisted	9,320	Net asset value	– Most recently published net asset values of the underlying assets
Shareholdings	10,175	Net asset value	– n/a*
	2,393	Net asset value	– Multiple analyses of comparable companies less a discount of 25% for illiquidity and company size – Most recently known share price
	3,610	Net asset value	– EBITA – Issue or transfer price – Market price on last trading day – Face value less provisions
	7,605	Net asset value	– Sales growth – EBIT(DA) margin development – Net working capital development – Capital expenditures – Weighted average cost of capital (WACC)
Derivatives (liabilities)			
Structured product derivatives			
– Options**	2,599	Option model	– Correlation
– Equity swaps**	5,920	Option model and discounted cash flow	– Volatility – Correlation
Total liabilities	**85,142**		

* The valuation is provided by a professional party. Van Lanschot has no insight into the significant non-observable market inputs, range and sensitivity.

** Please refer to Table 9.1.H for the range and sensitivity of these financial instruments. No range or sensitivity information is available for the other financial instruments.

Table 9.1.G Notes on fair value determination using non-observable market inputs (Level 3) 31/12/2014 (continued)

	Fair value (x €1,000)	Valuation method	Significant non-observable market inputs
Liabilities			
Financial liabilities designated as at fair value through profit or loss			
Structured debt instruments**	113,698	Net asset value Option model and discounted cash flow	– Fair value of Egeria NV and Egeria Private Equity Fund II NV – Own credit risk – Volatility – Correlation
Derivatives (liabilities)			
Structured product derivatives			
Equity swaps**	1,092	Option model and discounted cash flow	– Volatility – Correlation
Total liabilities	**114,790**		

* The valuation is provided by a professional party. Van Lanschot has no insight into the significant non-observable market inputs, range and sensitivity.

** Please refer to Table 9.1.H for the range and sensitivity of these financial instruments. No range or sensitivity information is available for the other financial instruments.

In 2014 we developed a policy document for the fair value hierarchy. The policy document divides the variables used into observable and non-observable market inputs. If the non-observable input variables are significant, the instrument is classified as Level 3. A non-observable input variable is significant if the change in the fair value due to the application of the variable is greater than the set threshold values. The fair value hierarchy is compiled twice a year. The significance of these non-observable market input variables is reassessed annually. Valuations are carried out on a daily basis using front office pricing models validated by Risk Management: the option model and the discounted cash flow model.

Table 9.1.H Notes on fair value determination using non-observable market inputs (Level 3)			
	Significant non-observable market inputs	Range	Sensitivity
Assets			
Available-for-sale investments			
Debt instruments: company cumprefs (shareholdings)	– Interest rates – Discount rates	6.5% - 12% 6.5% - 12%	change of 1% change of €0.3 million change of 1% - change of €0.3 million
Derivatives (receivables)			
Structured product derivatives			
– Options	– Correlation	– 19% - 25% (3%)	total impact – €0.3 million
– Equity swaps	– Volatility – Correlation	1% - 23% (16%) – 21% - 25% (2%)	total impact €0.9 million total impact – €0.5 million
Liabilities			
Financial liabilities designated as at fair value through profit or loss			
Structured debt instruments	– Correlation – Volatility	– 19% - 25% (3%) 1% - 23% (16%)	total impact €0.8 million total impact – €0.9 million
Derivatives (liabilities)			
Structured product derivatives			
– Equity swaps	– Volatility – Correlation	5% - 7% (6%) 14% - 16% (15%)	n/a total impact €0.1 million

9.2 Financial instruments not recognised at fair value

Table 9.2.A shows the nominal and fair value of financial instruments not recognised at fair value, with the exception of financial instruments where the nominal value is a reasonable approximation of the fair value.

The value of financial instruments not recognised at fair value is taken as the amount for which the instrument could be exchanged in an orderly transaction between willing parties, other than in a forced or liquidation sale. If there is an active market, Van Lanschot uses the market value to determine the fair value. For financial instruments for which no market prices are available, the fair values shown in Table 9.2.A are estimated on the basis of the present value or other estimation or valuation methods.

Table 9.2.A Financial instruments not recognised at fair value	2014		2013				
	Fair value	Carrying amount	Fair value	Carrying amount	Level	Valuation method	Significant observable and non-observable market inputs
Assets							
Due from banks	449,130	449,125	429,220	429,215	Level 2	Discounted cash flows using applicable money market rates	Interest rate and discount rate
Held-to-maturity investments	569,699	533,708	–	–	Level 1	Quoted prices in active markets	–
Loans and advances to the public and private sectors	11,410,793	11,021,107	12,925,781	12,490,723	Level 3	Discounted cash flows using current market fees for comparable loans and taking into account the creditworthiness of the counterparty	Interest rate, discount rate and counterparty credit risk
Investments in associates using the equity method	74,444	50,679	88,252	50,385	Level 3	Capitalisation method, net present value method and disclosed net asset value method.	Discount rate and operational cash flows
Liabilities							
Due to banks	879,321	879,972	1,169,361	1,175,422	Level 3	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk.	Interest rate, discount rate and own credit risk
Public and private sector liabilities	10,735,038	10,586,250	10,381,100	10,258,810	Level 3	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk.	Interest rate, discount rate and own credit risk
Issued debt securities	3,142,392	3,073,410	3,899,252	3,849,119	Level 3	Discounted cash flows using applicable money market rates for debt instruments with a comparable term to maturity, taking account of own credit risk.	Interest rate, discount rate and own credit risk
Subordinated loans	158,916	121,415	146,828	128,218	Level 3	Discounted cash flows using applicable money market rates for debt instruments with a comparable term to maturity, taking account of own credit risk.	Interest rate, discount rate and own credit risk

Notes to the consolidated statement of financial position

(x €1,000)

1. Cash and cash equivalents and balances at central banks	31/12/2014	31/12/2013
Total	**1,156,985**	**1,999,963**
Cash	402	1,562
Statutory reserve deposits at central banks	24,316	19,811
Balances at central banks	986,521	1,883,711
Amounts due from banks	145,746	94,879

Statutory reserve deposits comprise balances at central banks within the scope of the minimum reserves requirement. These balances cannot be used by Van Lanschot in its day-to-day operations.

Reconciliation with consolidated statement of cash flows	2014	2013	Movements
Cash and cash equivalents	1,156,985	1,999,963	– 842,978
Due from banks, available on demand	40,415	44,265	– 3,850
Due to banks, available on demand	– 75,469	– 58,191	– 17,278
Due from/to banks available on demand, net	– 35,054	– 13,926	– 21,128
Total	**1,121,931**	**1,986,037**	**– 864,106**

2. Financial assets held for trading	31/12/2014	31/12/2013
Total	**43,153**	**47,083**
Debt instruments		
Banks and financial institutions, listed	493	–
Total debt instruments	**493**	**–**
Equity instruments		
Shares, listed	22,371	10,193
Shares, unlisted	20,289	36,890
Total equity instruments	**42,660**	**47,083**

3. Due from banks	31/12/2014	31/12/2013
Total	**449,125**	**429,215**
Deposits	399,654	363,937
Securities transactions settlement claims	40,415	44,265
Loans and advances	9,056	21,013

Deposits include deposits to a total of €257.5 million (2013: €233.0 million) which serve as collateral for liabilities arising from derivatives transactions.

A provision for the deposit guarantee scheme of €1.9 million (2013: €5.5 million) has been deducted from Loans and advances.

4. Financial assets designated as at fair value through profit or loss	31/12/2014	31/12/2013
Total	**1,309,524**	**725,938**
Debt instruments		
Government paper and government-guaranteed paper	910,082	319,756
Banks and financial institutions, listed	135	–
Covered bonds	334,261	366,218
Total debt instruments	**1,244,478**	**685,974**
Equity instruments		
Shares, listed	30,815	–
Shares, unlisted	34,231	39,964
Total equity instruments	**65,046**	**39,964**

Movements in financial assets designated as at fair value through profit or loss	2014	2013
Position as at 1 January	725,938	631,411
Purchases	567,558	141,287
Sales	– 32,258	– 44,095
Redemptions	– 55,000	–
Value changes	103,286	– 5,779
Reclassification of financial assets held for trading	–	2,460
Reclassification of investments in associates using the equity method	–	654
Position as at 31 December	**1,309,524**	**725,938**

Mark-to-market portfolio

Surplus liquidity is invested in government bonds, covered bonds and asset-backed securities. These investments are held in a separate portfolio and are carried at fair value with value changes through profit or loss.

Shares: fund investments

Van Lanschot has interests in companies specifically founded in order to invest. These are investment funds in which we hold a non-controlling interest, and we regard these interests as investments in a similar entity to a mutual fund or unit trust. The investments in these funds are managed and valued on the basis of fair value. All information provided by the investment funds to the bank is based on fair value, thus meeting the condition for applying the fair value option. These investments are designated and valued as financial assets at fair value through profit or loss.

Shares: equity notes

Interests in Egeria NV and Egeria Private Equity Fund II NV are included in the line item Financial assets designated as at fair value through profit or loss. The equity-linked notes are included at fair value under Financial liabilities designated as at fair value through profit or loss. The interests in Egeria and Egeria Private Equity Fund II should be included in the investment portfolio as available for sale, with value changes being recognised through equity. However, this would result in an accounting mismatch. We have opted to apply the fair value method in order to limit this mismatch. The interests in Egeria and Egeria Private Equity Fund II are carried at fair value, with value changes recognised through profit or loss.

5. Available-for-sale investments	31/12/2014		31/12/2013	
	Fair value	Face value	Fair value	Face value
Total	**1,952,731**	**1,799,440**	**1,197,731**	**1,081,181**
Debt instruments				
Government paper and government-guaranteed paper	842,849	739,500	720,309	652,500
Banks and financial institutions, listed	–	–	1,003	1,000
Covered bonds	102,107	99,000	75,919	76,000
Asset-backed securities	941,484	929,962	316,465	314,520
Company cumprefs (shareholdings)	29,220	30,978	40,137	37,161
Total debt instruments	**1,915,660**	**1,799,440**	**1,153,833**	**1,081,181**
Equity instruments				
Shares, listed	3,966		6,033	
Shares, unlisted	9,320		10,558	
Shareholdings	23,785		27,307	
Total equity instruments	**37,071**		**43,898**	

Movements in available-for-sale investments	2014	2013
Position as at 1 January	1,197,731	913,079
Purchases	3,390,657	1,117,002
Sales	– 1,564,549	– 788,351
Redemptions	– 1,122,739	– 34,415
Share premium (discount), debt instruments	– 12,185	– 9,034
Value changes	63,690	– 2,464
Impairments	– 2,203	– 1,074
Other changes	2,329	2,988
Position as at 31 December	**1,952,731**	**1,197,731**

6. Held-to-maturity investments	31/12/2014		31/12/2013	
	Carrying amount	Face value	Carrying amount	Face value
Total	**533,708**	**475,000**	**–**	**–**
Debt instruments				
Government paper and government-guaranteed paper	344,743	300,000	–	–
Banks and financial institutions, listed	188,965	175,000	–	–
Total debt instruments	**533,708**	**475,000**	**–**	**–**

Movements in held-to-maturity investments	2014	2013
Position as at 1 January	–	–
Purchases	539,714	–
Share premium (discount), debt instruments	– 6,006	–
Position as at 31 December	**533,708**	**–**

7. Loans and advances to the public and private sectors	31/12/2014	31/12/2013
Total	**11,021,107**	**12,490,723**
Mortgage loans	6,111,981	6,482,709
Current accounts	1,405,481	1,730,255
Loans	3,358,216	4,055,284
Securities-backed loans and settlement claims	266,149	329,642
Subordinated loans	37,463	46,977
Value adjustments, fair value hedge accounting	165,795	178,484
Impairments	– 323,978	– 332,628

Impairments	31/12/2014	31/12/2013
Total	**– 323,978**	**– 332,628**
Mortgages	– 69,722	– 67,645
Loans	– 254,256	– 264,983

Van Lanschot acquired no financial or non-financial assets during the year through the seizure of collateral held as security (2013: €0.9 million). In general, the policy is to dispose of these assets within a reasonably short period. The proceeds are used to redeem the outstanding amount.

See the Risk management section (under 2, Credit risk) for more information about Loans and advances to private and public sectors.

8. Derivatives

As at 31 December 2014	Asset	Liability	Contract amount
Total	**275,093**	**381,313**	**5,882,611**
Derivatives used for trading purposes			
Interest rate derivatives	–	2,010	197,003
Equity derivatives	1,423	–	4
Client option positions	14,406	13,593	14,406
Total derivatives used for trading purposes	**15,829**	**15,603**	**211,413**
Derivatives used for hedge accounting purposes			
Derivatives: fair value hedge accounting	64,518	64,270	1,694,196
Derivatives: portfolio fair value hedge accounting	–	–	–
Derivatives: cash flow hedge accounting	–	17,494	100,000
Total derivatives used for hedge accounting purposes	**64,518**	**81,764**	**1,794,196**
Other derivatives			
Economic hedges	103,384	220,570	3,562,734
Structured product derivatives	91,362	63,376	318,268
Total other derivatives	**194,746**	**283,946**	**3,877,002**

As at 31 December 2013	Asset	Liability	Contract amount
Total	**208,134**	**299,662**	**5,541,761**
Derivatives used for trading purposes			
Interest rate derivatives	–	1,880	91,016
Equity derivatives	473	–	18
Client option positions	14,603	13,826	14,603
Total derivatives used for trading purposes	**15,076**	**15,706**	**105,637**
Derivatives used for hedge accounting purposes			
Derivatives: fair value hedge accounting	26,979	13,750	1,192,326
Derivatives: portfolio fair value hedge accounting	573	68,699	802,000
Derivatives: cash flow hedge accounting	258	9,926	100,000
Total derivatives used for hedge accounting purposes	**27,810**	**92,375**	**2,094,326**
Other derivatives			
Economic hedges	106,633	144,619	2,997,554
Structured product derivatives	58,615	46,962	344,244
Total other derivatives	**165,248**	**191,581**	**3,341,798**

We use derivatives for both trading and hedging purposes. Note 8, Derivatives shows both the positive and negative market values of the derivatives, as well as their notional values.

The following types of interest rate derivatives are used:
- Interest rate swaps
- Interest rate options

The following types of currency derivatives are used:
- Cross-currency swaps
- Currency options

The following types of equity derivatives are used:
- Forwards
- Futures
- Long and short structured product options
- Equity swaps

Inflation swaps are also used.

We use interest rate swaps and inflation swaps as hedging instruments in our hedge accounting.

Ineffectiveness of derivatives for hedge accounting purposes	13/12/2014		31/12/2013	
	Fair value	Ineffective	Fair value	Ineffective
Total	**– 17,246**	**3,212**	**– 64,565**	**1,035**
Fair value hedge accounting model	248	692	13,229	1,087
Portfolio fair value hedge accounting model	–	2,520	– 68,126	– 52
Cash flow hedge accounting model	– 17,494	–	– 9,668	–

The total ineffectiveness of fair value hedges at year-end 2014 was €3.2 million (2013: €1.0 million), comprising €24.3 million in negative value changes in hedging instruments (2013: €0.5 million negative) and positive changes in the value of the hedged items of €21.1 million (2013: €1.5 million).

Hedged items in cash flow hedge accounting by term at 31/12/2014	Within 1 year	1 to 3 years	3 to 5 years	5 years and longer
Total	**–**	**–**	**–**	**12,409**
Cash inflow	–	–	–	–
Cash outflow	–	–	–	– 12,409

Hedged items in cash flow hedge accounting by term at 31/12/2013	Within 1 year	1 to 3 years	3 to 5 years	5 years and longer
Total	**–**	**–**	**–**	**6,740**
Cash inflow	–	–	–	–
Cash outflow	–	–	–	– 6,740

9. Investments in associates using the equity method	31/12/2014		31/12/2013	
	Associates, equity method	Van Lanschot's share	Associates, equity method	Van Lanschot's share
Total	**109,328**	**50,679**	**123,613**	**50,385**
Current assets	204,717	60,869	219,004	63,745
Non-current assets	233,434	66,910	295,016	78,204
Current liabilities	– 134,134	– 39,926	– 161,651	– 45,206
Non-current liabilities	– 194,689	– 53,537	– 228,756	– 59,910
Goodwill		9,543		5,732
Impairments		– 4,654		– 2,089
Other		11,474		9,909

Van Lanschot's share in income from the operating activities of associates using the equity method totalled €11.2 million in 2014 (2013: €15.7 million); the share in the net result amounted to €9.4 million (2013: €10.1 million).

The cumulative revaluation was nil (2013: nil). Total comprehensive income amounted to €9.9 million (2013: €10.1 million).

Van Lanschot's share in unrecognised losses totalled €1.2 million negative in 2014 (2013: €0.3 million). Van Lanschot's cumulative share in unrecognised losses totalled €11.0 million (2013: €9.8 million).

All associates using the equity method are unlisted investments.

Movements in investments in associates using the equity method	2014	2013
Position as at 1 January	50,384	46,443
Purchases and contributions	7,777	1,082
Sales and repayments	– 9,380	– 2,768
Income from associates	9,763	10,095
Impairments	– 2,579	– 16
Dividends received	– 5,094	– 1,855
Other changes	– 192	– 2,596
Position as at 31 December	**50,679**	**50,385**

10. Property, plant and equipment	31/12/2014	31/12/2013
Total	**76,392**	**84,638**
Buildings	58,166	64,675
IT, operating software and communications equipment	7,297	7,796
Other assets	10,642	11,558
Work in progress	287	609

We sold a number of buildings in 2013 and entered into lease contracts for two buildings. These contracts are included under Non-current liabilities.

The fair value of the buildings totalled €54.5 billion (2013: €78.5 million). The carrying amount of buildings not in use amounted to €9.2 million at year-end 2014 (year-end 2013: €11.4 million).

In 2014 we sold a building and entered into a lease contract for this location with a term of ten years and an extension option of five years. Van Lanschot retains the economic risk, and this building is therefore recognised in this section.

The carrying amount of the building is €1.7 million and the total amount of the minimum future lease payments is €2.7 million. The present value of minimum future lease payments is €2.0 million, of which €0.2 million falls within one year, €0.7 million between one and five years and €1.1 million after five years.

Work in progress relates to ongoing IT and building maintenance projects.

No restrictive rights apply to property, plant and equipment.

Movements in property, plant and equipment 2014	Buildings	IT, operating software and communications equipment	Other assets	Work in progress	Total
Historical cost					
Position as at 1 January	135,395	53,065	69,523	609	**258,592**
Acquisition of subsidiaries	–	–	–	–	**–**
Capital expenditure	4,579	2,988	4,405	7,910	**19,882**
Disposals	– 16,584	– 67	– 33,041	–	**– 49,692**
Capitalisation of investments	–	–	–	– 8,232	**– 8,232**
Impairments	– 3,708	–	–	–	**– 3,708**
Other	–	24	– 24	–	**–**
Position as at 31 December	**119,682**	**56,010**	**40,863**	**287**	**216,842**
Accumulated depreciation					
Position as at 1 January	70,720	45,269	57,965	–	**173,954**
Acquisition of subsidiaries	–	–	–	–	**–**
Disposals	– 12,860	– 777	– 30,671	–	**– 44,308**
Depreciation	3,632	4,228	2,905	–	**10,765**
Impairments	–	–	–	–	**–**
Other	24	– 7	22	–	**39**
Position as at 31 December	**61,516**	**48,713**	**30,221**	**–**	**140,450**
Net carrying amount as at 31 December	**58,166**	**7,297**	**10,642**	**287**	**76,392**

Movements in property, plant and equipment 2013	Buildings	IT, operating software and communications equipment	Other assets	Work in progress	Total
Historical cost					
Position as at 1 January	168,314	67,371	53,198	79	**288,962**
Acquisition of subsidiaries	7,050	1,590	12,722	–	**21,362**
Capital expenditure	1,121	3,601	1,688	4,705	**11,115**
Disposals	– 41,119	– 19,494	1,946	–	**– 58,667**
Capitalisation of investments	–	–	–	– 4,175	**– 4,175**
Other	29	– 3	– 31	–	**– 5**
Position as at 31 December	**135,395**	**53,065**	**69,523**	**609**	**258,592**
Accumulated depreciation					
Position as at 1 January	86,691	59,633	42,272	–	**188,596**
Acquisition of subsidiaries	3,126	1,193	9,625	–	**13,944**
Disposals	– 18,198	– 19,358	2,669	–	**– 34,887**
Depreciation	4,510	3,801	3,399	–	**11,710**
Impairments	220	–	–	–	**220**
Reversal of impairments	– 5,629	–	–	–	**– 5,629**
Position as at 31 December	**70,720**	**45,269**	**57,965**	**–**	**173,954**
Net carrying amount as at 31 December	**64,675**	**7,796**	**11,558**	**609**	**84,638**

11. Goodwill and other intangible assets	31/12/2014	31/12/2013
Total	**153,471**	**172,431**
Goodwill	128,551	134,289
Other intangible assets	24,920	38,142

Movements in goodwill and other intangible assets 2014	Goodwill	Client base	Third-party distribution channels	Brand names	Application software	Total
Historical cost						
Position as at 1 January	134,289	54,884	4,899	15,330	69,211	**278,613**
Additions	–	–	–	–	1,590	**1,590**
Withdrawals	–	–	–	–	– 985	**– 985**
Impairments	– 2,705	–	–	–	– 3,029	**– 5,734**
Other	– 3,033	–	–	–	–	**– 3,033**
Position as at 31 December	**128,551**	**54,884**	**4,899**	**15,330**	**66,787**	**270,451**
Accumulated amortisation						
Position as at 1 January	–	44,547	2,857	5,367	53,411	**106,182**
Amortisation	–	4,731	408	767	5,878	**11,784**
Withdrawals	–	–	–	–	– 985	**– 985**
Other	–	1	–	–	–	**1**
Position as at 31 December	**–**	**49,277**	**3,265**	**6,134**	**58,304**	**116,980**
Net carrying amount as at 31 December	**128,551**	**5,607**	**1,634**	**9,196**	**8,483**	**153,471**

The accumulated impairments on goodwill amounted to €113.1 million as at 31 December 2014 (2013: €110.4 million).

Movements in goodwill and other intangible assets 2013	Goodwill	Client base	Third-party distribution channels	Brand names	Application software	Total
Historical cost						
Position as at 1 January	128,614	58,031	4,899	15,330	61,339	**268,213**
Additions	10,545	–	–	–	5,589	**16,134**
Withdrawals	–	– 3,147	–	–	– 6,680	**– 9,827**
Impairments	– 4,873	–	–	–	– 247	**– 5,120**
Other	3	–	–	–	9,210	**9,213**
Position as at 31 December	**134,289**	**54,884**	**4,899**	**15,330**	**69,211**	**278,613**
Accumulated amortisation						
Position as at 1 January	–	42,049	2,449	4,600	45,240	**94,338**
Amortisation	–	5,644	408	767	5,604	**12,423**
Withdrawals	–	– 3,146	–	–	– 6,643	**– 9,789**
Other	–	–	–	–	9,210	**9,210**
Position as at 31 December	–	**44,547**	**2,857**	**5,367**	**53,411**	**106,182**
Net carrying amount as at 31 December	**134,289**	**10,337**	**2,042**	**9,963**	**15,800**	**172,431**

In 2014 we performed impairment tests on the goodwill arising from acquisitions in earlier years. This goodwill was allocated to cash generating units (CGUs). The impairment tests resulted in a goodwill impairment in the CGU Non-strategic investments.

The recoverable amount of the CGUs is calculated on the basis of value in use. This calculation uses cash flow projections for each CGU for a five-year period. These projections for each CGU are based on the current year and on the financial estimates used by management to set objectives. Van Lanschot's growth target has been set at the long-term market growth rate of 2.0% for the period after the explicit projections per CGU. Management has compared the main assumptions against market forecasts and expectations.

Cash flow estimates are based on the long-term plan, the strategic plans and potential future trends. Events and factors that could have a significant impact on the estimates include market expectations, effects of mergers and acquisitions, competitive conditions, client behaviour and changes in the client base, cost structure, trends in interest rates and risks, and other circumstances specific to the industry and sector. The cash flows are discounted using a discount rate for each CGU which reflects the risk-free interest rate, supplemented with a surcharge for the market risk exposure of each CGU.

A significant element in the new strategic focus is the scaling down of the corporate loan portfolio in a dedicated Corporate Bank set up for that purpose. In line with this, the former CGU Private & Business Banking (PBBB) was split in the impairment test into the CGUs Private Banking (PB) and Corporate Banking (CB). The Securities & Corporate Finance (SCF) segment was renamed Merchant Banking and remains unchanged as a CGU.

The multiple method was used in addition to the cash flow projections in order to calculate the value in use of the non-strategic investments. In this method, the value in use is calculated as a multiple of EBITDA. The weighted average cost of capital (WACC) is used as the discount rate for the cash flows in the impairment test for non-strategic investments.

The impairment test performed in 2014 indicated an impairment of €2.7 million of the goodwill capitalised in the CGU Non-strategic investments; the recoverable amount of this CGU was €4.0 million at year-end 2014. The impairment test for CGUs Asset Management and Merchant Banking did not lead to an impairment. The model uses a baseline scenario. A sensitivity analysis was also performed, which focused particular attention on a decrease in net profit, a change in the pay-out ratio and a further increase in the cost of equity. This analysis demonstrates that a deterioration in the variables applied has not led to an impairment in the CGUs Asset Management and Merchant Banking.

An annual test is carried out for indications of impairment of other intangible assets with an indefinite useful life. For the line item Client bases, movements in the number of clients are assessed. For Third-party distribution channels, an assessment is carried out to determine whether the relationships with these parties still exist. For Brand names, a judgement is made as to whether Van Lanschot will continue to use the brand name in question in the future. The useful life tests carried out in 2014 provided no indication of a need for further examination, nor of impairments.

CGU (%)	Discount rate before tax		Discount rate after tax	
	2014	2013	2014	2013
Private Banking	13.8	11.6	11.1	9.4
Asset Management	13.3	9.4	10.4	7.4
Merchant Banking	14.2	11.6	11.8	9.0
Other activities	15.8	11.1	11.8	8.6
Corporate Banking	11.1	11.6	11.1	9.4
Non-strategic investments	16.0	12.5 - 13.6	12.5	11.6 - 11.4

Allocation of goodwill to CGUs (based on segments)	Balance as at 31/12/2013	Additions	Withdrawals	Balance as at 31/12/2014
Total	**134,289**	**–**	**– 5,738**	**128,551**
Asset Management	49,292	–	–	49,292
Merchant Banking	76,293	–	–	76,293
Non-strategic investments	8,704	–	– 5,738	2,966

Expected amortisation of intangible assets	2015	2016	2017	2018	2019	2020-2026
Expected amortisation of intangible assets	6,886	4,754	3,759	3,164	992	5,366

12. Current tax assets	31/12/2014	31/12/2013
Total	**1,258**	**13,616**
Tax receivable	1,258	13,616

13. Deferred tax assets

Movements in deferred tax assets in 2014	Employee benefits	Property, plant and equipment	Loss available for set-off	Commission	Other	Total
Position as at 1 January	3,887	–	55,267	311	332	**59,797**
Withdrawals through profit or loss	– 19,319	871	– 4,151	– 135	– 79	**– 22,813**
Additions through profit or loss	163	–	3,073	–	933	**4,169**
Total through profit or loss	**– 19,156**	**871**	**– 1,078**	**– 135**	**854**	**– 18,644**
Directly from/to equity	18,678	–	–	–	–	**18,678**
Position as at 31 December	**3,409**	**871**	**54,189**	**176**	**1,186**	**59,831**

Movements in deferred tax assets in 2013	Employee benefits	Property, plant and equipment	Commission	Loss available for set-off	Other	Total
Position as at 1 January	28,763	–	390	39,484	1,061	**69,698**
Withdrawals through profit or loss	– 16,980	–	– 79	–	– 729	**– 17,788**
Additions through profit or loss	–	–	–	15,440	–	**15,440**
Total through profit or loss	**– 16,980**	**–**	**– 79**	**15,440**	**– 729**	**– 2,348**
Directly from/to equity	– 7,896	–	–	–	–	**– 7,896**
Increase in consolidation base	–	–	–	343	–	**343**
Position as at 31 December	**3,887**	**–**	**311**	**55,267**	**332**	**59,797**

A proportion of the deferred tax assets depends on future taxable profits. Tax losses incurred up to and including 2014 can be offset against taxable profits in future years. Based on the most recent forecast, it is likely that the existing tax losses can be offset well before expiry.

Tax losses to be offset	Amount	Final year for offsetting
2009	95,306	2018
2010	678	2019
2011	–	2020
2012	67,557	2021
2013	40,542	2022
2014	12,671	2023

Unrecognised losses	31/12/2014	31/12/2013
Unrecognised losses	4,904	–

These items have an expiry date between 2019 and 2023.

14. Other assets	31/12/2014	31/12/2013
Total	**176,381**	**190,711**
Interest receivable	56,365	46,616
Transitory items	53,312	76,938
Assets arising from pension schemes	414	728
Assets acquired through foreclosures	31,362	39,389
Inventories	421	1,653
Other	34,507	25,387

Assets acquired through foreclosures relate to property. Given the nature of this item, conversion to cash is not likely in the near future.

15. Financial liabilities held for trading	31/12/2014	31/12/2013
Total	**71**	**798**
Equity instruments		
Shares, listed	71	798
Total equity instruments	**71**	**798**

16. Due to banks	31/12/2014	31/12/2013
Total	**879,972**	**1,175,422**
Special loans, European Central Bank	350,000	750,000
Deposits	55,390	54,923
Securities transactions settlement claims	22,822	22,920
Repo transactions	387,732	266,569
Loans and advances drawn	63,288	80,270
Value adjustments fair value hedge accounting	740	740

17. Public and private sector liabilities	31/12/2014	31/12/2013
Total	**10,586,250**	**10,258,810**
Savings	4,680,470	3,481,117
Deposits	1,705,745	2,523,466
Other client assets	4,193,460	4,252,331
Value adjustments fair value hedge accounting	6,575	1,896

18. Financial liabilities designated as at fair value through profit or loss	31/12/2014	31/12/2013
Total	**705,912**	**357,633**
Unstructured debt instruments	259,715	167,400
Structured debt instruments	446,197	190,233

Van Lanschot has issued debt instruments which are managed on the basis of fair value. Management believes that valuation as at fair value through profit or loss applies, as this largely eliminates or reduces inconsistencies in valuation and disclosure, and performance is assessed on the basis of fair value.

Financial liabilities as at fair value through profit or loss include unstructured debt instruments such as floating-rate notes and fixed-rate notes, and structured debt instruments such as Egeria and index guarantee notes. Internal and external models, such as iTraxx, are used to calculate own credit risk. Van Lanschot's own credit risk decreased, and the liability in the reporting year therefore increased by €11.0 million (2013: €3.5 million). The cumulative change in the fair value of Financial liabilities as at fair value through profit or loss which can be allocated to the changes in own credit risk totalled €17.7 million (2013: €6.7 million).

Van Lanschot has to pay the fair value on the maturity date.

19. Issued debt securities	31/12/2014	31/12/2013
Total	**3,073,410**	**3,849,119**
Bond loans and notes	1,255,565	1,528,698
Notes as part of securitisation transactions	1,697,061	2,058,196
Floating-rate notes	108,284	249,725
Medium-term notes	12,500	12,500

This item consists of debt instruments and other negotiable debt securities issued with rates of interest that are either fixed or variable, in so far as not subordinated. €996 million of the debt securities become payable on demand in 2015 (2014: €588 million), based on the following breakdown:

- Instruments with contractual maturity date in 2015: €41 million (2014: €556 million);
- Instruments subject to a trigger with optional maturity date in 2015: nil (2014: €32 million);
- Securitised transactions with call date in 2015: €955 million (2014: nil).

Face value versus carrying amount

The value adjustment of debt securities as a result of hedge accounting is recognised under the line item Issued debt securities.

Face value versus carrying amount of debt securities as at 31/12/2014	Face value	Value adjustments fair value hedge accounting	Premium/ discount	Carrying amount
Total	**3,070,598**	**12,510**	**– 9,698**	**3,073,410**
Bond loans and notes	1,252,439	12,510	– 9,384	1,255,565
Notes as part of securitisation transactions	1,697,926	–	– 865	1,697,061
Floating-rate notes	107,733	–	551	108,284
Medium-term notes	12,500	–	–	12,500

Face value versus carrying amount of debt securities as at 31/12/2013	Face value	Value adjustments fair value hedge accounting	Premium/ discount	Carrying amount
Total	**3,862,826**	**1,795**	**– 15,502**	**3,849,119**
Bond loans and notes	1,544,349	1,795	– 17,446	1,528,698
Notes as part of securitisation transactions	2,057,546	–	650	2,058,196
Floating-rate notes	248,431	–	1,294	249,725
Medium-term notes	12,500	–	–	12,500

20. Provisions	31/12/2014	31/12/2013
Total	**21,256**	**35,910**
Provisions for pensions	8,356	16,669
Provision for long-service benefits scheme	3,556	2,701
Provision for employee discounts	3,734	3,785
Provision for restructuring	1,849	9,862
Other provisions	3,761	2,893

We operate a number of employee schemes under which participants receive payments or benefits after they retire. Specifically, there is a pension scheme and a discount scheme for mortgage interest rates, as well as a long-service benefits scheme.

Agreement was reached at the end of 2014 with representatives of the employees of Van Lanschot Bankiers on an adjustment of the terms of employment. A substantial part of the adjustments relate to a new pension scheme for these employees, which came into effect on 1 January 2015.

The new pension scheme is a hybrid average salary scheme with a retirement age of 67 years. The target accrual rate for the period up to and including 31 December 2019 is 1.875% of the pension basis each year.

A collective defined contribution scheme applies up to a salary level of €50,000, and an individual defined contribution scheme for salaries between €50,000 and €100,000. The target retirement pension accrual rate is reduced if in the opinion of the pension fund board the fixed employer's contribution in any year is insufficient to fund that accrual rate. The fixed pension contribution amounts to 20.5% per year of the pensionable salary up to €100,000. This contribution is fixed until at least 31 December 2019. In paying the annual pension contribution, Van Lanschot will meet all its pension obligations in full. To compensate for the transfer of risks, Van Lanschot has paid a one-off amount of €50.0 million into the pension fund, and from that point on no longer has any obligations in respect of the old pension scheme.

The new pension scheme qualifies as a defined contribution scheme under IAS 19. During the reporting year, the actuarial results of the defined benefit scheme up to the effective date of the new pension scheme were taken directly to equity as unrealised result. The cumulative actuarial results within Other reserves arising from the ending of the defined benefit scheme were transferred from Actuarial results to Retained earnings in 2014. The pension obligation stood at €122.7 million on the effective date of the new scheme. On winding up of the defined benefit scheme, the obligation was taken to the statement of income as part of the result on discontinuation, as was the one-off payment of €50.0 million.

As the pension scheme that has been placed with Stichting Pensioenfonds F. van Lanschot no longer qualifies as a defined benefit scheme, only the scheme for staff employed at branches in Belgium and staff of Kempen still qualified as a defined benefit scheme at 31 December 2014.

The following defined benefit schemes were valued for the purpose of the 2014 annual figures:

- Van Lanschot employees are eligible for discounted mortgage interest rates. Entitlement to this discount continues beyond retirement from active service.
- The long-service award depends on the number of years of service.
- Both a defined contribution scheme and a defined benefit scheme are in place for employees working at the branches in Belgium. The pensionable salary for the defined benefit scheme is taken as the average basic salary over the last five years of service. The pension capital is insured with UKZT (Uitgesteld Kapitaal Zonder Tegenverzekering). The accompanying term life assurance is funded from risk premiums.
- Kempen operates an average salary scheme under which 1.875% of the pensionable salary (salary less state pension offset) is accrued for each year of service and which is based on a retirement age of 67. The surviving dependants’ pension is insured on a risk basis.

Only within the pension scheme, equity has been invested to fund the obligations. The other schemes are unfunded; payments in any year are made directly by the company.

The obligations are calculated using the projected unit credit method.

A contribution of 27.4% (2013: 29.4%) was payable for the Van Lanschot Bankiers pension scheme in 2014. Van Lanschot also paid an additional recovery premium into the pension fund for the years 2011 to 2014 inclusive as the funding ratio had fallen below the minimum requirement at year-end 2011.

Obligations/assets included in the statement of financial position by scheme as at 31/12/2014	Pension scheme	Early retirement scheme	Employee discounts	Long-service benefits scheme
Defined benefit obligations	168,771	164	3,734	3,556
Fair value of plan assets	160,993	–	–	–
Surplus/(deficit)	– 7,778	– 164	– 3,734	– 3,556
Obligation at year-end	– 8,192	– 164	– 3,734	– 3,556
Asset at year-end	414	–	–	–

Obligations/assets included in the statement of financial position by scheme as at 31/12/2013	Pension scheme	Early retirement scheme	Employee discounts	Long-service benefits scheme
Defined benefit obligations	821,043	170	3,785	2,701
Fair value of plan assets	805,272	–	–	–
Surplus/(deficit)	– 15,771	– 170	– 3,785	– 2,701
Obligation at year-end	– 16,499	– 170	– 3,785	– 2,701
Asset at year-end	728	–	–	–

Movements in the defined benefit obligation for the pension scheme	2014	2013
Benefit obligations as at 1 January	821,043	855,156
Annual costs	14,367	17,981
Interest costs	31,739	28,841
Members' contributions	4,083	4,768
Actuarial (gains)/losses	267,278	– 7,872
Gross benefits	– 14,040	– 13,817
Transfers	– 644	– 1,418
Discontinuation	– 951,878	– 2,418
Changed assumptions	– 3,177	– 60,178
Benefit obligations as at 31 December	**168,771**	**821,043**

Movements in the defined benefit obligation for the early retirement scheme	2014	2013
Benefit obligations as at 1 January	170	175
Annual costs	– 10	–
Discontinuation	–	– 5
Changed assumptions	4	–
Benefit obligations as at 31 December	**164**	**170**

Movements in the defined benefit obligation for employee discounts	2014	2013
Benefit obligations as at 1 January	3,785	4,310
Annual costs	259	300
Interest costs	115	113
Actuarial (gains)/losses	– 282	– 619
Gross benefits	– 143	– 163
Changed assumptions	–	– 156
Benefit obligations as at 31 December	**3,734**	**3,785**

Movements in the defined benefit obligation for the long-service benefits scheme	2014	2013
Benefit obligations as at 1 January	2,701	3,507
Annual costs	267	342
Interest costs	77	81
Actuarial (gains)/losses	674	– 527
Gross benefits	– 163	– 203
Discontinuation	–	– 371
Changed assumptions	–	– 128
Benefit obligations as at 31 December	**3,556**	**2,701**

Movements in the fair value of pension plan assets	2014	2013
Fair value at 1 January	805,272	810,450
Expected return on plan assets	31,607	27,859
Actuarial (gains)/losses	140,542	– 45,557
Employer's contribution	75,827	24,548
Employees' contributions	2,847	4,391
Gross benefits	– 13,860	– 13,648
Transfers	– 644	– 1,418
Costs	– 1,380	– 1,353
Discontinuation	– 879,218	–
Market value as at 31 December	**160,993**	**805,272**
Actual return on plan assets	172,149	– 17,698

The final payment in respect of the recovery plan was made at the start of 2014, in an amount of €5.2 million. This is included in the employer's contribution in 2013.

A one-off payment of €50.0 million is included in the employer's contribution in 2014.

Annual costs of pension scheme included in the statement of income	2014	2013
Annual costs	14,178	17,830
Net interest income	31,473	28,622
Expected return	– 31,341	– 27,640
Additional charges	1,380	1,138
Discontinuation, restriction of benefits	– 3,177	– 2,203
Amortisation	–	5
Result on discontinuation	– 72,660	–
Net costs	**– 60,147**	**17,752**

An amount of €3.2 million (2013: €2.2 million) was released from the pension obligations to the statement of income in 2014 as a result of the restructuring which began in 2012.

Annual costs of early retirement scheme included in the statement of income	2014	2013
Annual costs	–	–
Net interest income	4	–
Discontinuation, restriction of benefits	–	– 5
Net costs	**4**	**– 5**

Annual costs of employee discount scheme included in the statement of income	2014	2013
Annual costs	259	300
Net interest income	115	113
Amortisation	–	–
Net costs	**374**	**413**

Annual costs of long-service benefits scheme included in the statement of income	2014	2013
Annual costs	267	302
Net interest income	77	81
Amortisation	–	–
Discontinuation, restriction of benefits	–	– 371
Net costs	**344**	**12**

Investments per investment category as at 31 December 2014	Fair value	%
Total	**160,993**	**100%**
Fixed-income	119,706	74%
Equities	28,227	17%
Mixed funds	1,558	1%
Real estate	4,166	3%
Cash and cash instruments	– 68	0%
Other	7,404	5%

The most significant actuarial assumptions made at the reporting date are as follows:

Assumptions (%)	2014	2013
Actuarial interest rate pension	2.30	3.8 - 3.9
Actuarial interest rate employee discounts	1.4	2.9
Actuarial interest rate long-service benefits	1.3	2.7
Expected return on investments	2.3	3.8 - 3.9
Price inflation	2.0	2.0
General salary increase	1.25 - 2.0	1.25 - 2.0
Career promotions (up to age 50)	1.8 - 2.0	2.0
Pension increase/increase in social security charges	1.25 - 2.0	1.25 - 2.0
Retirement age	65 - 67 years	65 - 67 years

The mortality tables as published by the Dutch Association of Actuaries (Prognosetafel AG 2012-2062) were used for the calculations as at 31 December 2014, based on empirical mortality rates.

A reduction of ten basis points in the actuarial interest rate will lead to an increase of 2.6% in the pension obligations and the annual costs in the statement of income will rise by 3.5%.

History of movements in pension scheme gains and losses	2014	2013	2012	2011	2010
Defined benefit obligations	168,771	821,043	855,156	686,179	651,132
Market value of plan assets	160,993	805,272	810,450	701,726	588,063
Surplus/(deficit)	**– 7,778**	**– 15,771**	**– 44,706**	**15,547**	**– 63,069**
Actuarial gains/(losses) on obligations	– 267,278	72,751	– 138,316	– 12,744	19,890
Actuarial gains/(losses) on investments	140,542	– 5,064	52,010	21,411	156

Expected contributions for 2015	Pension obligations	Employee discounts	Long-service benefits scheme
Total	**3,355**	**238**	**305**
Expected employer's contributions	2,725	238	305
Expected employees' contributions	630	–	–

Provision for restructuring	2014	2013
Position as at 1 January	9,862	14,770
Withdrawals	– 8,722	– 14,489
Release	– 733	– 3,131
Additions	1,442	12,188
Other changes	–	524
Position as at 31 December	**1,849**	**9,862**

The provision for restructuring as at 31 December 2014 mainly comprised expected lump-sum payments. These payments are likely to be made in 2015.

Other provisions	2014	2013
Position as at 1 January	2,893	3,710
Withdrawals	– 2,467	– 95
Release	– 69	– 1,212
Reclassification	–	– 429
Additions	3,403	920
Other changes	1	– 1
Position as at 31 December	**3,761**	**2,893**

21. Current tax liabilities	31/12/2014	31/12/2013
Total	**507**	**22,904**
Tax payable	507	22,904

22. Deferred tax liabilities

Movements in 2014	Property, plant and equipment	Intangible assets	Derivatives	Investment portfolio	Employee benefits	Other	Total
Position as at 1 January	2,948	6,883	– 2,246	295	297	181	**8,358**
Withdrawals through profit or loss	– 901	– 2,169	–	–	– 194	– 72	**– 3,336**
Total through profit or loss	**– 901**	**– 2,169**	**–**	**–**	**– 194**	**– 72**	**– 3,336**
Directly from/to equity	– 59	–	– 1,890	7,022	–	–	**5,073**
Position as at 31 December	**1,988**	**4,714**	**– 4,136**	**7,317**	**103**	**109**	**10,095**

Movements in 2013	Property, plant and equipment	Intangible assets	Derivatives	Investment portfolio	Employee benefits	Other	Total
Position as at 1 January	3,305	9,366	– 1,064	8,856	1,804	266	**22,533**
Withdrawals through profit or loss	– 1,071	– 2,483	–	–	–	– 85	**– 3,639**
Total through profit or loss	**– 1,071**	**– 2,483**	**–**	**–**	**–**	**– 85**	**– 3,639**
Directly from/to equity	–	–	– 1,182	– 8,561	– 1,507	–	**– 11,250**
Increase in consolidation base	714	–	–	–	–	–	**714**
Position as at 31 December	**2,948**	**6,883**	**– 2,246**	**295**	**297**	**181**	**8,358**

See Note 37, Income tax for more information.

23. Other liabilities	31/12/2014	31/12/2013
Total	**215,402**	**291,558**
Interest payable	104,320	150,651
Other accruals and deferred income	47,873	55,705
Other liabilities	63,209	85,202

Other liabilities comprise income received to be credited to future periods and amounts payable such as accrued interest, payables, suspense accounts and unsettled items.

24. Subordinated loans	31/12/2014	31/12/2013
Total	**121,415**	**128,218**
Certificates of indebtedness	100,000	100,000
Other subordinated loans	21,415	28,218

Amortised cost versus carrying amount

The value adjustment of subordinated loans used as hedged items is recognised under Subordinated loans.

Amortised cost versus carrying amount subordinated loans as at 31/12/2014	Amortised cost	Value adjustments fair value hedge accounting	Carrying amount
Total	**120,017**	**1,398**	**121,415**
5.362% subordinated bond loan 08/33	25,000	–	25,000
5.311% subordinated bond loan 08/38	25,000	–	25,000
5.260% subordinated bond loan 08/43	50,000	–	50,000
Other subordinated loans	20,017	1,398	21,415

The average coupon on the other subordinated loans in 2014 was 5.40% (2013: 5.91%).

Amortised cost versus carrying amount subordinated loans as at 31/12/2013	Amortised cost	Value adjustments fair value hedge accounting	Carrying amount
Total	**126,668**	**1,550**	**128,218**
7.233% subordinated bond loan 08/33	25,000	–	25,000
7.182% subordinated bond loan 08/38	25,000	–	25,000
7.131% subordinated bond loan 08/43	50,000	–	50,000
Other subordinated loans	26,668	1,550	28,218

25. Equity		31/12/2014		31/12/2013
Total		**1,263,835**		**1,241,973**
Equity attributable to shareholders of Van Lanschot NV				
Issued share capital		40,000		40,000
Share premium reserve		247,396		247,396
Revaluation reserve	40,034		21,908	
Actuarial results on defined benefit pension schemes	– 14,251		– 81,616	
Currency translation reserve	– 973		– 1,222	
Cash flow hedges reserve	– 12,409		– 6,743	
Retained earnings	806,793		937,546	
Other reserves		819,194		869,873
Undistributed profit attributable to shareholder		99,001		29,225
Total equity attributable to shareholder		**1,205,591**		**1,186,494**
Equity attributable to equity instruments issued				
Equity instruments issued		27,250		36,063
Undistributed profit (attributable to equity instruments issued)		1,110		1,125
Total equity attributable to equity instruments issued		**28,360**		**37,188**
Equity attributable to other non-controlling interests				
Other non-controlling interests		21,287		15,140
Undistributed profit (attributable to other non-controlling interests)		8,597		3,151
Total equity attributable to other non-controlling interests		**29,884**		**18,291**

Our authorised share capital amounts to €100 million and consists of 1,000,000 shares at a nominal value of €100 per share. We had 400,000 shares in issue at 31 December 2014 and 2013.

Movements in reserves 2014	Revaluation reserve: available-for-sale investments		Actuarial results on defined benefit pension scheme	Currency translation reserve	Cash flow hedge reserve	Retained earnings	Total
	Equity instruments	Debt instruments					
Position as at 1 January	21,498	410	– 81,616	– 1,222	– 6,743	937,547	**869,873**
Net changes in fair value	– 2,457	46,005	–	–	– 5,666	–	**37,882**
Realised gains/losses through profit or loss	– 1,730	– 23,692	–	–	–	–	**– 25,422**
Profit appropriation	–	–	–	–	–	29,225	**29,225**
Actuarial results	–	–	– 94,809	–	–	–	**– 94,809**
Termination of defined benefit pension scheme	–	–	162,174	–	–	– 162,174	**–**
Other changes	–	–	–	249	–	2,196	**2,445**
Balance as at 31 December	**17,311**	**22,723**	**– 14,251**	**– 973**	**– 12,409**	**806,793**	**819,194**
Tax effects	–	– 7,618	31,945	–	1,889	–	**26,216**

In 2014 no dividend for 2013 was made payable.

Movements in reserves 2013	Revaluation reserve: available-for-sale investments		Actuarial results on defined benefit pension scheme	Currency translation reserve	Cash flow hedge reserve	Retained earnings	Total
	Equity instruments	Debt instruments					
Position as at 1 January	19,717	24,025	– 98,560	– 687	– 3,191	1,095,088	**1,036,392**
Net changes in fair value	2,830	– 4,150	–	–	– 3,552	–	**– 4,872**
Realised gains/losses through profit or loss	– 1,049	– 19,465	–	–	–	–	**– 20,514**
Profit appropriation	–	–	–	–	–	– 158,207	**– 158,207**
Actuarial results	–	–	16,944	–	–	–	**16,944**
Other changes	–	–	–	– 535	–	665	**130**
Balance as at 31 December	**21,498**	**410**	**– 81,616**	**– 1,222**	**– 6,743**	**937,547**	**869,873**
Tax effects	7	8,558	– 5,737	–	1,184	–	**4,012**

No 2012 dividend was made payable in 2013.

Nature and purpose of other reserves

Share premium reserve: Covers amounts paid to Van Lanschot by the shareholder above the nominal value of purchased shares.

Revaluation reserve: Covers movements in the fair value of available-for-sale investments and associates.

Actuarial results on defined benefit pension scheme: Covers the actuarial gains and losses on revaluation of the investments and the defined benefit obligations.

Currency translation reserve: This reserve (which is not available for free distribution) covers currency exchange differences resulting from the valuation of investments in group companies at the ruling exchange rate in so far as the currency rate risk is not hedged.

Cash flow hedges reserve: Covers the share in the gain or loss on hedging instruments in a cash flow hedge that has been designated as an effective hedge.

Retained earnings: Covers past profits added to equity and changes in connection with the share option scheme.

Movements in equity instruments issued	2014			2013		
	Equity instruments issued	Undistributed profit attributable to equity instruments issued	**Total**	Equity instruments issued	Undistributed profit attributable to equity instruments issued	**Total**
Position as at 1 January	36,063	1,125	**37,188**	36,063	1,132	**37,195**
Repayments	– 8,813	–	**– 8,813**	–	–	**–**
Dividends	–	– 1,125	**– 1,125**	–	– 1,132	**– 1,132**
Result for the reporting period	–	1,110	**1,110**	–	1,125	**1,125**
Position as at 31 December	**27,250**	**1,110**	**28,360**	**36,063**	**1,125**	**37,188**

Equity instruments issued

In October 2014 Van Lanschot fully redeemed the perpetual capital securities it had issued on 29 October 2004.

On 14 December 2005, Van Lanschot issued €150 million in perpetual capital securities at an issue price of 100%. In 2011, many holders of these securities took up the cash tender offer. The securities have no maturity date, but Van Lanschot reserves the right to redeem the entire loan at face value on each coupon payment date after ten years. The securities pay a fixed dividend of 4.855% in the first ten years. If not redeemed after ten years, the capital securities will have a dividend payment linked to three-month Euribor with a mark-up of 2.32%. We are allowed to defer payment on these securities, provided we make no other payments or repurchase ordinary shares. The dividend percentage applicable to the principal will apply to any deferred payments.

Movements in other non-controlling interests	2014			2013		
	Other non-controlling interests	Undistributed profit attributable to other non-controlling interests	**Total**	Other non-controlling interests	Undistributed profit attributable to other non-controlling interests	**Total**
Position as at 1 January	15,140	3,151	**18,291**	13,995	1,670	**15,665**
Profit appropriation	– 388	388	**–**	– 3	3	**–**
Dividends	–	– 3,539	**– 3,539**	–	– 1,673	**– 1,673**
Result for the period	–	8,597	**8,597**	–	3,151	**3,151**
Acquisition of interest	6,535	–	**6,535**	1,158	–	**1,158**
Other changes	–	–	**–**	– 10	–	**– 10**
Position as at 31 December	**21,287**	**8,597**	**29,884**	**15,140**	**3,151**	**18,291**

26. Contingent liabilities	31/12/2014	31/12/2013
Total	**115,564**	**177,912**
Guarantees, etc.	115,223	151,145
Irrevocable documentary letters of credit	–	14,245
Other	341	12,522

For several group companies, guarantees of €268.2 million (2013: €271.9 million) have been issued. It is impossible to predict whether, when and how much of these contingent liabilities will be claimed.

27. Irrevocable commitments	31/12/2014	31/12/2013
Total	**541,373**	**447,342**
Unused credit facilities	94,581	105,801
Sale and repurchase commitments	436,250	330,275
Other	10,542	11,266

Notes to the consolidated statement of income

(x €1,000)

28. Interest	2014	2013
Interest income		
Total	**735,397**	**780,728**
Interest income on cash equivalents	29	490
Interest income on banks and private sector	411,041	492,027
Interest income on held-to-maturity investments	5,400	–
Other interest income	839	934
Interest income on items not recognised at fair value	**417,309**	**493,451**
Interest income on available-for-sale investments	21,926	16,328
Interest income on assets at fair value	27,029	17,393
Interest income on derivatives	269,133	253,556
Interest expense		
Total	**522,927**	**568,517**
Interest expense on banks and private sector	137,485	170,525
Interest expense on issued debt securities	72,396	81,281
Interest expense on subordinated loans	6,342	9,064
Other interest expense	1,126	682
Interest expense on items not recognised at fair value	**217,349**	**261,552**
Interest expense on derivatives	305,578	306,965

The interest result on loans subject to impairment was €29.4 million (2013: €29.2 million). The average expected term of the loan portfolio was adjusted in 2013, reducing the expected term of money loans, and the loan commission amortisation term was adjusted accordingly.

29. Income from securities and associates	2014	2013
Total	**55,276**	**17,126**
Dividends and fees	5,660	3,033
Movements in value of investments at fair value through profit or loss	5,730	47
Realised gains on available-for-sale investments in equity instruments	1,732	1,049
Other gains on sale	5,561	2,395
Income from associates using the equity method	36,593	10,602

30. Commission income	2014	2013
Total	**240,319**	**233,277**
Securities commissions	33,269	47,252
Management commissions	157,823	140,672
Cash transactions and funds transfer commissions	12,919	15,987
Corporate Finance and Equity Capital Markets commissions	28,466	21,911
Other commissions	7,842	7,455

31. Result on financial transactions	2014	2013
Total	**41,971**	**66,273**
Profit on securities trading	2,598	3,424
Profit on currency trading	9,351	13,064
Unrealised gains/losses on derivatives under hedge accounting	2,141	1,157
Realised and unrealised gains/losses on trading derivatives	6,997	4,640
Realised gains/losses on available-for-sale debt instruments	31,589	26,359
Gains/losses on economic hedges	– 76,582	32,040
Gains/losses on financial assets at fair value through profit or loss	65,877	– 14,411

32. Other income	2014	2013
Total	**16,161**	**22,306**
Net sales	102,220	132,644
Cost of sales	– 86,059	– 110,338

Other income comprises income from non-strategic associates and arises from debt conversion, i.e. corporate loans that companies were unable to repay and that have been converted into shares, giving these companies time to recover. We aim to sell any shares in non-strategic associates in due course.

33. Staff costs	2014	2013
Total	**151,669**	**239,662**
Salaries and wages	171,591	185,722
Pension costs for defined contribution schemes	2,709	2,714
Pension costs for defined benefit schemes	– 55,327	19,963
Other social security costs	20,317	21,804
Share-based payments	2,067	1,316
Other staff costs	10,312	8,143

Share-based payments added €1.8 million to equity of Van Lanschot NV in 2014 (2013: €0.8 million).

Pension costs for defined contribution schemes includes €0.5 million (2013: €0.5 million) for the members of the Statutory Board.

The average number of staff was 1,885 in 2014 (2013: 2,213), or 1,805 in full-time equivalents (FTEs in 2013: 2,041) as shown below:

Average FTEs	2014	2013
Total	**1,805**	**2,041**
Netherlands	1,630	1,855
Belgium	134	129
Other	41	57

Unconditional options Van Lanschot NV granted to staff and members of the Statutory Board	2014		2013	
	Number of options	Average exercise price (€)	Number of options	Average exercise price (€)
Position as at 1 January	13,070	62.84	174,063	72.73
Expired and forfeited options	– 623	65.01	– 160,993	73.53
Position as at 31 December	**12,447**	**62.73**	**13,070**	**62.84**

Unconditional options Van Lanschot NV can be exercised twice a year in the open period after the release of the interim and full-year figures. No option rights Van Lanschot NV were exercised in 2014. Members of the Statutory Board held no conditional depositary receipts for shares Van Lanschot NV in either 2014 or 2013.

Conditional and unconditional share and option plans Van Lanschot NV	2014		2013	
Exercise period up to and including	Number	Average exercise price in €	Number	Average exercise price in €
2016	1,449	40.15	1,449	40.15
2017	3,826	51.04	4,062	51.04
2018	7,172	73.53	7,559	73.53
Unconditional options	**12,447**	**62.73**	**13,070**	**62.84**
Conditional shares	**395,664**	**n/a**	**238,298**	**n/a**

No option rights have been granted since 2008. By the end of 2014, board members held a total of 223,147 shares and depositary receipts for shares in Van Lanschot. Unconditional awards are linked to performance and employment contract.

Conditional depositary receipts for shares Van Lanschot NV granted to staff (excluding Statutory Board)	2014	2013
Position as at 1 January	238,298	142,827
Commitments	193,753	142,750
Granted	– 23,934	– 28,129
Forfeited rights	– 12,453	– 19,150
Position as at 31 December	**395,664**	**238,298**

The fair value is determined based on the volume-weighted day price for depositary receipts for Class A ordinary shares of Van Lanschot NV on the second trading day after release of Van Lanschot NV's annual figures. Depositary receipts Van Lanschot NV granted in 2014 had a fair value of €19.03 (2013: €13.62), ignoring dividends.

In 2014, 14,714 conditional depositary receipts for shares Van Lanschot NV were granted to a number of senior managers other than members of the Statutory Board (2013: 19,296).

Share-based employee benefits: Management Investment Plan (MIP)

Under the terms of the Kempen MIP, selected Kempen staff purchase ordinary shares indirectly held in Kempen's share capital and Kempen profit-sharing certificates. Kempen issued these to Coöperatie MIP, a cooperative with two members: Stichting MIP and Van Lanschot, with Stichting MIP holding virtually all membership rights.

Stichting MIP issues depositary receipts to selected staff, who pay their issue price and receive the indirect right of beneficial ownership of the underlying Kempen shares and profit-sharing certificates. Any dividends Kempen pays on the ordinary shares owned by Coöperatie MIP and the right to profit on the profit-sharing certificates are distributed to Coöperatie MIP, which in turn pays dividends to its members: Stichting MIP and Van Lanschot.

Individual staff pay the issue price themselves and are not financially supported in doing so by Van Lanschot or Kempen in any way.

34. Other administrative expenses	2014	2013
Total	**162,958**	**153,086**
Accommodation expenses	23,380	19,177
Marketing and communication	11,803	10,654
Office expenses	14,054	15,277
IT expenses	61,796	61,598
External auditor fees	2,672	2,662
Consultancy fees	11,954	12,024
Travel and hotel fees	12,427	10,942
Information providers fees	7,682	6,906
Payments charges	4,782	4,831
Other administrative expenses	12,408	9,015

Consultancy fees relate to advisory services (business consultancy, tax) and the implementation and maintenance of software and hardware.

Fees paid to the external auditors (and their network of offices) can be broken down as follows:

Fees paid to the external auditors (and their network of offices) can be broken down as follows:

Fees paid to the external auditors	2014	2013
Total	**1,784**	**1,776**
Financial statements audit fees	1,427	1,301
Fees for other audit services	159	184
Fees for tax services	–	98
Other fees	198	193

35. Depreciation and amortisation	2014	2013
Total	**22,511**	**15,890**
Buildings	3,632	4,510
IT, software and communication equipment	4,228	3,801
Application software	5,878	5,604
Intangible assets arising from acquisitions	5,906	6,819
Results on disposals of property, plant and equipment	– 38	– 8,243
Other depreciation and amortisation	2,905	3,399

36. Impairments	2014	2013
Total	**95,529**	**105,117**
Loans and advances to the public and private sectors	75,998	102,385
Available-for-sale investments	2,203	1,074
Investments in associates using the equity method	2,579	16
Property, plant and equipment	3,708	220
Reversal on impairment on property, plant and equipment	–	– 5,629
Goodwill and intangible assets	5,734	5,120
Assets acquired through foreclosures	5,307	1,931

Available-for-sale investments comprises the impairments that arise when fair values of the investments move below cost significantly or for a prolonged period of time, in keeping with relevant policies.

Investments in associates using the equity method includes impairments on investments whose realisable values are below their carrying amounts.

Property, plant and equipment includes required impairments on office buildings whose estimated realisable values are below their carrying amount. Realisable values are the higher of value in use and fair value less costs to sell.

Assets acquired through foreclosures includes required impairments on foreclosed assets whose estimated net realisable values are below their carrying amounts.

37. Income tax	2014	2013
Operating profit before tax from continuing operations	133,530	37,438
Profit before tax from discontinued operations	–	–
Total gross result	**133,530**	**37,438**
Prevailing tax rate in the Netherlands	25%	25%
Expected tax	33,383	9,360
Increase/decreased in tax payable due to:		
Tax-free interest	– 1,054	– 2,113
Tax-free income from securities and associates	– 11,159	– 4,558
Taxed release of tax reserves	493	–
Non-deductible impairments	360	1,218
Non-deductible costs	3,824	954
Non-deductible losses	1,217	–
Adjustments to taxes of prior financial years	– 873	– 1,140
Impact of foreign tax rate differences	– 485	48
Other changes	– 884	166
	– 8,561	**– 5,423**
Total tax	**24,822**	**3,937**

This tax amount consists of the tax expense for the financial year on the operating result as disclosed in the statement of income. When determining the tax amount, we have applied existing tax facilities. Changes in the effective tax rate are particularly caused by the equity holding exemption, notional interest deduction, unused losses and non-deductible costs. In 2014, non-deductible costs chiefly concerned Van Lanschot's and Kempen's payments under the temporary Dutch bank levy to finance resolution funds in the Netherlands.

Key income tax components		2014	2013
Total		**24,822**	**3,937**
Standard tax		10,872	6,320
(Income)/expense from foreign tax rate difference		– 485	48
(Income)/expense from changes in deferred tax assets	(13)	18,644	2,348
(Income)/expense from deferred tax liabilities	(22)	– 3,336	– 3,639
(Income)/expense from prior-year adjustments		– 873	– 1,140

The breakdown of deferred assets and liabilities is as follows:

Deferred tax assets	2014	2013
Total	**18,644**	**2,348**
Employee benefits	19,156	16,980
Commissions	135	79
Property, plant and equipment	– 871	–
Tax-loss carry-forwards	1,078	– 15,440
Other	– 854	729

Deferred tax liabilities	2014	2013
Total	**– 3,336**	**– 3,639**
Property, plant and equipment	– 901	– 1,071
Intangible assets	– 2,169	– 2,483
Employee benefits	– 194	–
Other	– 72	– 85

38. Earnings per share	2014	2013
Net result	108,708	33,501
Interest on equity instruments issued	– 1,110	– 1,125
Non-controlling interests	– 8,597	– 3,151
Net result attributable to shareholder	**99,001**	**29,225**
Weighted average number of shares in issue	400,000	400,000
Earnings per share (€)	247.50	73.06
Proposed dividend per share (€)	–	–

To calculate earnings per share, the number of shares consists solely of the weighted average number of shares in issue.

Disposals of group companies in 2014

We sold the following group companies in 2014: ARLON Holding SARL, MediZorg Holding BV and Topaas Medicijnen BV. The proceeds of these sales have been recognised under Other gains on sale. See Note 29, Income from securities and associates.

Consolidated statement of financial position by accounting principles as at 31 December 2014

(x €1,000)

	Held for trading	At fair value through profit or loss	Available-for-sale	Financial assets or liabilities at amortised cost	Derivatives for hedge accounting	Total
Assets						
Cash and cash equivalents at central banks	–	–	–	1,156,985	–	**1,156,985**
Financial assets held for trading	43,153	–	–	–	–	**43,153**
Due from banks	–	–	–	449,125	–	**449,125**
Financial assets designated as at fair value through profit or loss	–	1,309,524	–	–	–	**1,309,524**
Available-for-sale investments	–	–	1,952,731	–	–	**1,952,731**
Held-to-maturity investments	–	–	–	533,708	–	**533,708**
Loans and advances to the public and private sectors	–	–	–	11,021,107	–	**11,021,107**
Derivatives (receivables)	15,829	194,746	–	–	64,518	**275,093**
Investments in associates using the equity method	–	–	50,679	–	–	**50,679**
Current tax assets	–	–	–	1,258	–	**1,258**
Deferred tax assets	–	–	–	59,831	–	**59,831**
Other assets	–	–	–	176,381	–	**176,381**
Total financial assets	**58,982**	**1,504,270**	**2,003,410**	**13,398,395**	**64,518**	**17,029,575**
Non-financial assets						**229,863**
Total assets	**58,982**	**1,504,270**	**2,003,410**	**13,398,395**	**64,518**	**17,259,438**
Liabilities						
Financial liabilities held for trading	71	–	–	–	–	**71**
Due to banks	–	–	–	879,972	–	**879,972**
Public and private sector liabilities	–	–	–	10,586,250	–	**10,586,250**
Financial liabilities designated as at fair value through profit or loss	–	705,912	–	–	–	**705,912**
Derivatives (liabilities)	15,603	283,946	–	–	81,764	**381,313**
Issued debt securities	–	–	–	3,073,410	–	**3,073,410**
Provisions	–	–	–	21,256	–	**21,256**
Current tax liabilities	–	–	–	507	–	**507**
Deferred tax liabilities	–	–	–	10,095	–	**10,095**
Other liabilities	–	–	–	215,402	–	**215,402**
Subordinated loans	–	–	–	121,415	–	**121,415**
Total financial liabilities	**15,674**	**989,858**	**–**	**14,908,307**	**81,764**	**15,995,603**
Non-financial liabilities						**1,263,835**
Total liabilities	**15,674**	**989,858**	**–**	**14,908,307**	**81,764**	**17,259,438**

Consolidated statement of financial position by accounting principles as at 31 December 2013

(x €1,000)

	Held for trading	At fair value through profit or loss	Available-for-sale	Financial assets or liabilities at amortised cost	Derivatives for hedge accounting	Total
Assets						
Cash and cash equivalents at central banks	–	–	–	1,999,963	–	**1,999,963**
Financial assets held for trading	47,083	–	–	–	–	**47,083**
Due from banks	–	–	–	429,215	–	**429,215**
Financial assets designated as at fair value through profit or loss	–	725,938	–	–	–	**725,938**
Available-for-sale investments	–	–	1,197,731	–	–	**1,197,731**
Held-to-maturity investments	–	–	–	–	–	**–**
Loans and advances to the public and private sectors	–	–	–	12,490,723	–	**12,490,723**
Derivatives (receivables)	15,076	165,248	–	–	27,810	**208,134**
Investments in associates using the equity method	–	–	50,385	–	–	**50,385**
Current tax assets	–	–	–	13,616	–	**13,616**
Deferred tax assets	–	–	–	59,797	–	**59,797**
Other assets	–	–	–	190,711	–	**190,711**
Total financial assets	**62,159**	**891,186**	**1,248,116**	**15,184,025**	**27,810**	17,413,296
Non-financial assets						**257,069**
Total assets	**62,159**	**891,186**	**1,248,116**	**15,184,025**	**27,810**	17,670,365
Liabilities						
Financial liabilities held for trading	798	–	–	–	–	**798**
Due to banks	–	–	–	1,175,422	–	**1,175,422**
Public and private sector liabilities	–	–	–	10,258,810	–	**10,258,810**
Financial liabilities designated as at fair value through profit or loss	–	357,633	–	–	–	**357,633**
Derivatives (liabilities)	15,706	191,581	–	–	92,375	**299,662**
Issued debt securities	–	–	–	3,849,119	–	**3,849,119**
Provisions	–	–	–	35,910	–	**35,910**
Current tax liabilities	–	–	–	22,904	–	**22,904**
Deferred tax liabilities	–	–	–	8,358	–	**8,358**
Other liabilities	–	–	–	291,558	–	**291,558**
Subordinated loans	–	–	–	128,218	–	**128,218**
Total financial liabilities	**16,504**	**549,214**	**–**	**15,770,299**	**92,375**	16,428,392
Non-financial liabilities						**1,241,973**
Total liabilities	**16,504**	**549,214**	**–**	**15,770,299**	**92,375**	17,670,365

Remuneration of the Statutory and Supervisory Boards

For further details of remuneration received in 2014, see our remuneration report on the Van Lanschot corporate website.

Statutory Board in 2014

	Salary	Pension contributions*	Variable pay, cash	Variable pay, shares Van Lanschot NV	Severance pay	Compensation	Total remuneration
Total	**2,450**	**568**	**–**	**339**	**425**	**–**	**3,782**
Karl Guha	750	168	–	67	–	–	**985**
Constant Korthout	425	100	–	68	–	–	**593**
Richard Bruens**	425	100	–	68	–	–	**593**
Arjan Huisman	425	100	–	68	–	–	**593**
Ieko Sevinga***	425	100	–	68	425	–	**1,018**

* Pension contributions reflect contributions to the defined contribution scheme and disability insurance premiums.

** Richard Bruens was appointed a member of the Statutory Board by Van Lanschot's General Meeting of Shareholders on 15 May 2014, his employment having started on 1 August 2013. The amounts in the table reflect the full 2014 calendar year.

*** Ieko Sevinga stepped down as a member of the Statutory Board on 13 November 2014, and his employment contract will end in May 2015 to coincide with the expiry of his term in office. The amounts in the table reflect the full 2014 calendar year and the agreed severance pay reflects a year's salary. Ieko Sevinga will receive his severance pay upon termination of his contract, with the expense recognised in the 2014 financial statements.

Statutory Board in 2013

	Salary	Pension contributions*	Variable pay, cash	Variable pay, shares Van Lanschot NV	Severance pay	Compensation	Total remuneration
Total	**2,022**	**468**	**–**	**–**	**–**	**750**	**3,240**
Karl Guha**	747	168	–	–	–	750	**1,665**
Constant Korthout	425	100	–	–	–	–	**525**
Arjan Huisman	425	100	–	–	–	–	**525**
Ieko Sevinga	425	100	–	–	–	–	**525**

* Pension contributions reflect contributions to the defined contribution scheme and disability insurance premiums.

** Karl Guha received a contractual one-off payment of €750,000 to compensate for part of lost earnings at his previous employer.

Floris Deckers' employment contract ended on 30 June 2013 and he was available for consultancy services up to a maximum of 18 months after that. In 2013, he received a one-off payment of €75,000 for his services. His remuneration in 2013 consisted of a salary of €325,000 and pension contributions of €84,000.

In 2013, a crisis levy of €448,000 was charged to the statement of income related to current and former members of the Statutory Board. The levy was paid in 2014 and is not included in the table above.

Depositary receipts for shares Van Lanschot NV granted and awarded to the Statutory Board as at 31 December 2014	Granted conditionally (maximum)			Awarded unconditionally			
	Year	Number	Value (x €1,000)	Year	Number	Value (x €1,000)	Lock-up period until
Ieko Sevinga*	2007	1,853	122	2010	forfeited	–	n/a
	2008	4,981	330	2011	forfeited	–	n/a
	2009	8,977	330	2012	8,977	189	2017

Number of depositary receipts for shares Van Lanschot NV held by Statutory Board in 2014	At 1 January	Bought	Sold	At 31 December
Total	**216,840**	**6,307**	**–**	**223,147**
Karl Guha	–	6,307	–	6,307
Constant Korthout	10,412	–	–	10,412
Richard Bruens	6,374	–	–	6,374
Arjan Huisman	5,025	–	–	5,025
Ieko Sevinga*	195,029	–	–	195,029

Loans and advances to Statutory Board as at 31 December 2014	At 31 December	Repaid	Interest	Term	Collateral
Total	**4,251**	**590**			
Constant Korthout	450	–	floating	30	mortgage
	350	100	3.50%	30	mortgage
Richard Bruens	1,201	14	2.50%	30	mortgage
	294	6	floating	30	mortgage
Arjan Huisman	680	340	3.75%	30	mortgage
	420	–	floating	30	mortgage
Ieko Sevinga*	856	130	floating	30	mortgage

* Ieko Sevinga stepped down as a member of the Statutory Board on 13 November 2014, and his employment contract will end in May 2015 to coincide with the expiry of his term in office.

Loans and advances to Statutory Board as at 31 December 2013	At 31 December	Repaid	Interest	Term	Collateral
Total	**3,326**	**473**			
Constant Korthout	450	13	floating	30	mortgage
	450	50	3.50%	30	mortgage
Arjan Huisman	1,020	340	3.75%	30	mortgage
	420	–	floating	30	mortgage
Ieko Sevinga	986	70	floating	30	mortgage

Remuneration of the Supervisory Board	2014	2013
Total	**411**	**435**
Tom de Swaan	74	74
Jos Streppel	71	71
Willy Duron	63	63
Jeanine Helthuis (from 2 July 2013)	56	33
Heleen Kersten	53	53
Godfried Van Lanschot	60	60
Truze Lodder (up to 14 May 2013)	–	23
Abel Slippens (up to 1 August 2014)	34	58

No loans or advances had been granted to members of the Supervisory Board as at 31 December 2014 and 31 December 2013.

The company and its subsidiaries only grant personal loans, guarantees and the like to Supervisory Board members within the scope of normal operations and in keeping with conditions laid down in the financial services regulations for directors of F. van Lanschot Bankiers NV, subject to the approval of the Supervisory Board. Loans are not forgiven.

Related parties

The consolidated statement of financial position and consolidated statement of income include the financial data of the subsidiaries listed below (excluding those of relatively minor significance) and of entities controlled by Van Lanschot.

Subsidiaries (%)	2014	2013
F. van Lanschot Bankiers (Schweiz) AG	100	100
Kempen & Co NV	95	95
Van Lanschot Participaties BV	100	100

Entities controlled by Van Lanschot

- Citadel 2010-I BV
- Citadel 2010-II BV
- Citadel 2011-I BV
- Courtine RMBS 2013-I
- Lunet RMBS 2013-I

Affiliates	2014		2013	
	Income	Expenditure	Income	Expenditure
Stichting Pensioenfonds F. van Lanschot	1,174	–	1,061	–

Parties with significant influence in Van Lanschot

Parties with significant influence in Van Lanschot are entities with a shareholding of at least 5% in Van Lanschot.

Parties with significant influence in Van Lanschot in 2014	Income	Expenditure	Amounts receivable	Amounts payable
Van Lanschot NV	–	–	–	87,090

Parties with a significant influence in Van Lanschot in 2013	Income	Expenditure	Amounts receivable	Amounts payable
Van Lanschot NV	–	–	–	97,413

Associates
On 31 December 2014, Kempen MIP and Van Lanschot Growth Fund were associates of Van Lanschot. No amounts were receivable from or payable to associates in either 2014 or 2013. Van Lanschot did not grant any guarantees in 2014 or 2013.

Kempen MIP

Kempen Management Investment Plan (MIP)
Before the Kempen Management Investment Plan (MIP) was implemented in 2010, all Kempen shares were held by F. van Lanschot Bankiers NV. These shares were all converted into Class A ordinary shares following the implementation of the Kempen MIP. At the same time, within the scope of this implementation, Kempen issued 1,658,671 new Class B ordinary shares to Coöperatie MIP in exchange for a total purchase price of €15.0 million.

In 2013, the MIP's structure changed, with Class A ordinary shares converted to ordinary shares and Class B shares to ordinary shares and profit-sharing certificates.

Coöperatie MIP has two members – Stichting MIP and F. van Lanschot Bankiers NV – which hold the membership rights issued by Coöperatie MIP, with Van Lanschot's membership legally required.

Stichting MIP issued depositary receipts for its membership right in Coöperatie MIP to selected Kempen employees who accepted the offer to invest in the Kempen MIP. The total purchase price of the ordinary shares amounted to €15.0 million.

In 2014, F. van Lanschot Bankiers NV transferred 1,314,000 membership rights to Stichting MIP in order to issue 1,314 depositary receipts to staff at Kempen & Co NV. These depositary receipts were sold at €1,000 a piece, which represents the fair value of the depositary receipts at the time of the transfer.

As at 31 December 2014, there were 15,000 depositary receipts in issue, i.e. 100% of total available underlying depositary receipts under the Kempen MIP.

Coöperatie MIP has granted Van Lanschot a call option to acquire the outstanding shares and profit-sharing certificates in MIP held by Coöperatie MIP. This call option may be exercised at any time during a three-month period starting on 1 January of every fifth year following the implementation of the MIP, the first of these starting on 1 January 2016. Van Lanschot may only exercise the option in the event of unforeseen circumstances that are beyond the control of the members and Kempen or Van Lanschot. Therefore, the execution of the call option is designated as a deferred settlement alternative. At year-end 2014, the fair value of this option was nil (2013: nil).

	31/12/2014	31/12/2013
Number of depositary receipts issued	15,000	13,686
Value of membership rights, pre-financed by Van Lanschot (x €1,000)	–	1,314
Legally required contribution by Van Lanschot (€)	100	100

Shareholdings in which Van Lanschot is a participant

Shareholdings in which Van Lanschot is a participant refer to investments in entities over which Van Lanschot has significant influence but not control.

Name	Activities	Head office	Interest
Gerco Brandpreventie BV	Gerco leads the Dutch market in fire-resistant compartmentalising of buildings.	Schoonhoven	40.00%
Marfo Food Group Holding BV	Marfo designs and prepares fresh frozen meals for airlines, hospitals, care homes, detention centres and remote locations.	Lelystad	50.00%
Movares Group BV	Movares provides engineering and consultancy services in the fields of mobility, infrastructure, spatial planning and transport systems.	Utrecht	29.63%
OGD Beheer BV	OGD provides ICT services to medium-sized and large companies, (semi-) public and non-profit organisations. Its services include service management, outsourcing, software development and ICT training.	Delft	30.36%
ORMIT Holding BV	Specialising in talent and leadership development, ORMIT helps large companies find, develop and retain talent, and operates in Belgium and the Netherlands.	De Bilt	30.50%
Ploeger Oxbo Group BV	Ploeger Oxbo develops, manufactures and sells a wide range of specialist harvesting equipment to customers across the world.	Roosendaal	21.02%
Quint Wellington Redwood Holding BV	Quint is an independent consultancy focusing on the strategy, sourcing and outsourcing, and implementation of IT-related processes in organisations.	Amstelveen	20.83%
Software Huis Holland BV	Software Huis Holland is the holding company of Kraan Bouwcomputing, provider of a wide range of software products for the construction and property sectors.	Rotterdam	49.00%
Techxs Value Added IT Distribution BV	TechAccess is a value-added IT distributor of hardware and software in networking, wireless, security and storage/servers.	Son & Breugel	40.00%
Tecnotion Holding BV	Tecnotion designs, produces and sells linear motors across the world, to the semiconductor, electronics, LCD, automotive and robotics industries among others.	Almelo	38.00%
Van Lanschot Chabot	Independent insurance advisor and intermediary.	's-Hertogenbosch	49.00%

Shareholdings in which Van Lanschot is a participant	31/12/2014	31/12/2013
Income	424	1,796
Expenditure	49	2,554
Amounts receivable	13,621	36,373
Amounts payable	2,527	8,232
Guarantees	180	586
Impairments of receivables	–	772
Accumulated impairments of receivables	–	11,747

Joint ventures in which Van Lanschot is a partner

Van Lanschot has no joint ventures.

Non-current liabilities

Lease and rental agreements

Van Lanschot has included the following operating lease payments in the statement of income under Other administrative expenses.

Lease and rental agreements	2014	2013
Total	**16,222**	**14,038**
Minimum lease payments	5,444	6,850
Rent	10,778	7,188

Van Lanschot expects to include the following minimum payments concerning contractually agreed lease and rental agreements over the next few years.

Expected payments for lease and rental agreements	31/12/2014	31/12/2013
Total	**106,879**	**83,715**
< 1 year	16,947	18,372
≥ 1 year < 5 years	40,707	42,617
≥ 5 years	49,225	22,726

Future liabilities (x € million)	31/12/2014	31/12/2013
Rent		
Rent for buildings (including service fees and rent for any parking spaces)	96.9	71.5
Expected lease payments		
Car lease costs	7.4	7.8
Computer lease costs	2.6	0.9
Lease costs for copying equipment	–	3.5
Other future liabilities	–	–

The remaining terms of the lease and rental agreements range between 3 months and 14 years.

In 2014, we agreed a sale-and-leaseback arrangement for an office building, recognised under Property, plant and equipment.

Other non-current liabilities

Outsourcing of facility services

We have agreed a facility services outsourcing contract for about 27 types of facility services inclusive of their management. Key services concern filing, security, maintenance of buildings and installations, catering, mail services (internal and external mail dispatch) and office supplies. We have committed to the €8.0 million a year contract up to and including 2016. It can be terminated at any time, subject to three months' notice. Exit fees are linked to the remaining term of the contract.

IT outsourcing

On 1 November 2010, we outsourced the management and maintenance of the telecom/network activities to a sourcing partner, and committed to a €7.3 million contract up to and including 2016. In 2014, we renegotiated the management, maintenance and development contract for all software applications in use within the bank; it will run until the end of 2017 and will cost €31.7 million.

In view of the lengthy contract terms, the sourcing partners have structured their organisations accordingly and early termination could result in additional costs. The shorter the contract term remaining, the lower such additional costs are likely to be.

Licence purchase contract

In May 2013, we entered into a €7.9 million contract for licensing and maintenance of our securities system, and committed to a period up to and including 2019. We will be able to terminate the contract five years after its commencement, with the exit fee depending on the remaining term.

Segment information

Segmentation of our activities is based on operating segments, as our risk and return profile is chiefly affected by differences in our products and services. Our activities break down into five operating segments. In addition, information is reported geographically, while intra-segment transactions are conducted on an arm's length basis.

Private Banking

Private Banking offers private clients and entrepreneurs a broad range of products in the private banking market, while also focusing on business professionals and executives, healthcare professionals, and associations and charitable societies.

Corporate Banking

A team of experts within Corporate Banking is engaged in managing and winding down the property and SME loan portfolios not linked to Private Banking clients.

Asset Management

A specialist asset manager, Van Lanschot's Asset Management division focuses on a range of investment strategies while also offering fiduciary services to domestic and international institutional clients such as pension funds and insurers.

Merchant Banking

Merchant Banking offers specialist services including securities and acquisitions & mergers services, capital market transactions and financial advice to institutional investors, corporates, financial institutions and public and semi-public entities.

Other activities

These comprise activities in the field of interest rate, market and liquidity risk management, as well as Van Lanschot Participaties and one-off charges under the investment and cost reduction programmes.

Operating segments in 2014 (x € million)	Private Banking	Corporate Banking	Asset Management	Merchant Banking	Other activities	Total
Statement of income						
Interest income	735.4	138.1	–	3.6	– 141.7	**735.4**
Interest expense	573.9	71.3	–	0.8	– 123.0	**522.9**
Interest	**161.5**	**66.8**	**–**	**2.8**	**– 18.7**	**212.5**
Income from securities and associates	–	–	2.6	–	52.7	**55.3**
Commission income	103.1	5.6	81.4	56.7	1.5	**248.3**
Commission expense	3.0	–	–	4.6	0.5	**8.1**
Net commission income	**100.1**	**5.6**	**81.4**	**52.1**	**1.0**	**240.2**
Result on financial transactions	1.6	–	–	6.3	34.1	**42.0**
Other income	–	–	–	–	16.2	**16.2**
Total income from operating activities	**263.3**	**72.4**	**84.0**	**61.2**	**85.3**	**566.2**
Of which income from other segments	– 2.6	4.8	14.7	3.8	– 20.7	**–**
Staff costs	118.9	20.2	36.3	25.4	– 49.1	**151.7**
Other administrative expenses	104.6	19.3	13.9	9.7	15.5	**163.0**
Depreciation and amortisation	6.9	0.1	0.8	0.6	14.1	**22.5**
Impairments	13.0	69.3	–	2.0	11.2	**95.5**
Total expenses	**243.4**	**108.9**	**51.0**	**37.7**	**– 8.3**	**432.7**
Operating result before tax	**19.9**	**– 36.5**	**33.0**	**23.5**	**93.6**	**133.5**
Income tax	3.5	– 9.1	9.2	0.3	20.9	**24.8**
Net result	**16.4**	**– 27.4**	**23.8**	**23.2**	**72.7**	**108.7**
Efficiency ratio (%)	88%	55%	61%	58%	– 23%	**60%**
Number of staff (FTEs)	1,017	169	271	170	145	**1,772**
Statement of financial position						
Total assets	8,118.2	2,785.1	125.6	464.7	5,765.8	**17,259.4**
Of which investments in associates using the equity method	–	–	–	–	50.7	**50.7**
Total liabilities	11,392.5	992.1	114.6	159.7	3,336.7	**15,995.6**
Capital expenditure	10.2	1.7	–	–	1.3	**13.2**

Operational segments in 2013 (x € million)	Private Banking	Corporate Banking	Asset management	Merchant Banking	Other activities	Total
Statement of income						
Interest income	765.6	143.2	–	3.2	– 131.3	**780.7**
Interest expense	613.1	88.1	–	0.8	– 133.5	**568.5**
Interest	**152.5**	**55.1**	**–**	**2.4**	**2.2**	**212.2**
Income from securities and associates	–	–	–	–	17.1	**17.1**
Commission income	107.3	7.5	75.9	47.1	2.5	**240.3**
Commission expense	2.4	–	–	2.2	2.4	**7.0**
Net commission income	**104.9**	**7.5**	**75.9**	**44.9**	**0.1**	**233.3**
Result on financial transactions	1.3	–	– 0.1	2.8	62.3	**66.3**
Other income	–	–	–	–	22.3	**22.3**
Total income from operating activities	**258.7**	**62.6**	**75.8**	**50.1**	**104.0**	**551.2**
Of which income from other segments	– 17.1	–	14.2	3.9	– 1.0	**–**
Staff costs	122.9	20.2	37.8	28.7	30.1	**239.7**
Other administrative expenses	96.1	13.7	14.2	6.6	22.5	**153.1**
Depreciation and amortisation	16.2	2.3	0.7	0.9	– 4.2	**15.9**
Impairments	34.7	74.7	–	1.4	– 5.7	**105.1**
Total expenses	**269.9**	**110.9**	**52.7**	**37.6**	**42.7**	**513.8**
Operating result before tax	**– 11.2**	**– 48.3**	**23.1**	**12.5**	**61.3**	**37.4**
Income tax	– 2.9	– 12.0	8.2	1.7	8.9	**3.9**
Net result	**– 8.3**	**– 36.3**	**14.9**	**10.8**	**52.4**	**33.5**
Efficiency ratio (%)	91%	58%	70%	72%	47%	**74%**
Number of staff (FTEs)	1,057	200	230	181	324	**1,992**
Statement of financial position						
Total assets	8,725.9	3,614.1	153.8	377.5	4,799.1	**17,670.4**
Of which investments in associates using the equity method	–	–	–	–	50.4	**50.4**
Total liabilities	10,999.8	1,343.4	134.2	100.3	3,850.7	**16,428.4**
Capital expenditure	10.0	0.6	–	–	19.9	**30.5**

Geographical segments in 2014 (x € million)	Netherlands	Belgium	Other	Total
Statement of income				
Interest income	681.5	49.2	4.7	**735.4**
Interest expense	489.7	32.6	0.6	**522.9**
Interest	**191.8**	**16.6**	**4.1**	**212.5**
Income from securities and associates	55.3	–	–	**55.3**
Commission income	216.0	17.6	14.7	**248.3**
Commission expense	5.9	1.5	0.7	**8.1**
Net commission income	**210.1**	**16.1**	**14.0**	**240.2**
Result on financial transactions	40.5	0.8	0.7	**42.0**
Other income	16.2	–	–	**16.2**
Total income from operating activities	**513.9**	**33.5**	**18.8**	**566.2**
Of which income from other segments	– 1.8	1.4	0.4	**–**
Staff costs	125.4	16.6	9.7	**151.7**
Other administrative expenses	145.3	12.3	5.4	**163.0**
Depreciation and amortisation	19.1	3.3	0.1	**22.5**
Impairments	90.5	5.0	–	**95.5**
Total expenses	**380.3**	**37.2**	**15.2**	**432.7**
Operating result before tax	**133.6**	**– 3.7**	**3.6**	**133.5**
Income tax	25.7	– 2.4	1.5	**24.8**
Net result	**107.9**	**– 1.3**	**2.1**	**108.7**
Efficiency ratio (%)	56%	96%	81%	**60%**
Number of staff (FTEs)	1,595	135	42	**1,772**
Statement of financial position				
Total assets	14,098.0	2,771.4	390.0	**17,259.4**
Of which investments in associates using the equity method	50.7	–	–	**50.7**
Total liabilities	12,979.7	2,665.9	350.0	**15,995.6**
Capital expenditure	12.3	0.9	–	**13.2**

Geographical segments in 2013 (x € million)	Netherlands	Belgium	Other	Total
Statement of income				
Interest income	731.1	41.2	8.4	**780.7**
Interest expense	538.9	26.9	2.7	**568.5**
Interest	**192.2**	**14.3**	**5.7**	**212.2**
Income from securities and associates	17.1	–	–	**17.1**
Commission income	209.5	17.6	13.2	**240.3**
Commission expense	4.9	1.3	0.8	**7.0**
Net commission income	**204.6**	**16.3**	**12.4**	**233.3**
Result on financial transactions	65.2	0.7	0.4	**66.3**
Other income	22.3	–	–	**22.3**
Total income from operating activities	**501.4**	**31.3**	**18.5**	**551.2**
Of which income from other segments	– 1.1	1.2	– 0.1	**–**
Staff costs	215.5	14.8	9.4	**239.7**
Other administrative expenses	138.8	8.3	6.0	**153.1**
Depreciation and amortisation	12.7	2.6	0.6	**15.9**
Impairments	103.6	1.5	–	**105.1**
Total expenses	**470.6**	**27.2**	**16.0**	**513.8**
Operating result before tax	**30.8**	**4.1**	**2.5**	**37.4**
Income tax	2.1	1.4	0.4	**3.9**
Net result	**28.7**	**2.7**	**2.1**	**33.5**
Efficiency ratio (%)	73%	82%	86%	**74%**
Number of staff (FTEs)	1,817	130	45	**1,992**
Statement of financial position				
Total assets	14,657.6	2,580.4	432.4	**17,670.4**
Of which investments in associates using the equity method	50.4	–	–	**50.4**
Total liabilities	13,754.0	2,359.3	315.1	**16,428.4**
Capital expenditure	24.5	6.0	–	**30.5**

Country by country reporting on a consolidated basis as at 31 December 2014							
Country	Name of main subsidiaries	Nature of activities	Average number of staff, in FTEs	Total income from operating activities (x € million)	Operating result before tax (x € million)	Income tax (x € million)	Government subsidies
Total			**1,805**	**566.2**	**133.5**	**24.8**	**–**
Netherlands	F. van Lanschot Bankiers NV	Wealth management	1,630	513.9	133.6	25.7	–
Belgium	F. van Lanschot Bankiers NV branch	International private banking	134	33.5	– 3.7	– 2.4	–
Switzerland	F. van Lanschot Bankiers (Schweiz) AG	International private banking	23	8.6	0.2	0.0	–
United Kingdom (Scotland)	Kempen Capital Management (UK) Ltd	Asset management	11	6.3	2.4	0.5	–
United States	Kempen & Co USA Inc.	Securities trading and research distribution	7	2.9	0.2	0.1	–
Curaçao	Vakan NV	Other	–	1.0	0.8	0.9	–

Country by country reporting on a consolidated basis as at 31 December 2013				
Country	Name of main subsidiaries	Nature of activities	Average number of staff, in FTEs	Total income from operating activities (x € million)
Total			**2,041**	**551.2**
Netherlands	F. van Lanschot Bankiers NV	Wealth management	1,855	501.3
Belgium	F. van Lanschot Bankiers NV branch	International private banking	129	31.3
Luxemburg	Van Lanschot Bankiers (Luxembourg) SA*	International private banking	–	0.1
Switzerland	F. van Lanschot Bankiers (Schweiz) AG	International private banking	22	9.7
United Kingdom (Scotland)	Kempen Capital Management (UK) Ltd	Asset management	11	4.5
United States	Kempen & Co USA Inc.	Securities trading and research distribution	6	2.1
Curaçao	Van Lanschot Overseas NV**	International private banking	18	2.2

* Van Lanschot Bankiers Luxemburg SA was sold on 10 April 2013.
** Van Lanschot Overseas NV went into liquidation on 30 September 2013.

's-Hertogenbosch, the Netherlands, 4 September 2015

Supervisory Board
- Tom de Swaan, *Chairman*
- Jos Streppel, *Deputy Chairman*
- Willy Duron
- Jeanine Helthuis
- Heleen Kersten (up to 13 May 2015)
- Bernadette Langius (since 13 May 2015)
- Godfried van Lanschot
- Abel Slippens (up to 1 August 2014)

Statutory Board
- Karl Guha, *Chairman*
- Constant Korthout
- Richard Bruens (since 15 May 2014)
- Arjan Huisman
- Ieko Sevinga (up to 13 November 2014)

Other information

Events after the reporting period

MN UK acquisition

In July 2015, Kempen Capital Management (KCM) announced the acquisition of the UK fiduciary management activities of Dutch pensions and investment manager MN. KCM will integrate MN UK into its existing business. The transaction will be completed on 1 October 2015 subject to regulatory approval.

Sale of portfolio of CRE loans

Early in August, Van Lanschot signed an agreement with an affiliate of Cerberus Capital Management LP on the sale of a portfolio of non-performing commercial real estate loans at a face value of over €400 million. The sale significantly reduces the risk profile of the corporate banking loan book and should have a positive impact on loan loss provisions going forward. Van Lanschot will take a one-off c. €23 million gross charge in the second half of 2015 and the transaction is expected to complete in the third quarter.

Independent auditor’s report

To: the shareholders and Supervisory Board of F. van Lanschot Bankiers N.V.

Report on the audit of the consolidated financial statements 2014

Our opinion

We have audited the consolidated financial statements 2014 of F. van Lanschot Bankiers N.V. (the company), based in ’s Hertogenbosch.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of F. van Lanschot Bankiers N.V. as at 31 December 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2014.
- The following statements for 2014: consolidated statement of profit and loss, consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the ‘Our responsibilities for the audit of the consolidated financial statements’ section of our report.

We are independent of F. van Lanschot Bankiers N.V. in accordance with the ‘Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)’ and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the consolidated financial statements as a whole at €11.5 million. The materiality is based on a percentage of the Common Equity Tier I capital. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the consolidated financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of €0.6 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

F. van Lanschot Bankiers N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of F. van Lanschot Bankiers N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities, based on the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities F. van Lanschot Bankiers N.V. (including België branch), F. van Lanschot Bankiers (Schweiz) AG, Kempen & Co N.V. and Van Lanschot Participaties B.V. We have performed audit procedures ourselves at group entities F. van Lanschot Bankiers N.V., Kempen & Co N.V. and Van Lanschot Participaties B.V. We have used the work of other auditors within our organization when auditing entity F. van Lanschot Bankiers (Schweiz) AG.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group’s financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Credit risk on loans and advances
Credit risk and related impairment losses are inherent to the activities of F. van Lanschot Bankiers N.V.. Developments in the economic environment and the loan portfolio further increase the attention for credit risk in the loan portfolio. Periodically, F. van Lanschot Bankiers N.V. assesses for loans and advances to the public and private sector whether there are objective indicators of impairment. For all loans and advances where an objective indication of impairment exists, an estimate is made of the discounted future cash flows. Assumptions used are the estimated collateral value, estimated future payments, time to receive of these payments and the discount rate.

Our audit included a review of the estimation process of determining impairment losses. We tested the internal controls concerning the measurement of impairment losses. In addition, we selected a number of loans and advances following a risk based approach and examined these loans and advances in detail and verified whether impairment losses exist and assumptions used in determined estimations are adequate. In case of real estate related collateral, we used the work of real estate valuation experts. Furthermore, we audited the credit risk disclosures, as included in chapter 2 of the Risk Management paragraph.

Changes in pension scheme
Per 1 January 2015 F. van Lanschot Bankiers N.V. changed its defined benefit pension scheme to a combination of a collective and individual defined contribution schemes. As a result of this change, the existing defined benefit obligation was released and the one-off contribution for future expenses has been recorded in the income statement.

In our audit we verified whether the new pension scheme classifies as a defined contribution scheme. Additionally, we verified the correctness of the accounting treatment and disclosure on the settlement of the defined benefit pension scheme as included in note 20 to the consolidated financial statements. We involved experts on pension legislation and accounting within our organisation.

Responsibilities of management and the Supervisory Board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU-IFRS. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the consolidated financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the consolidated financial statements

Our responsibility is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures.
- Evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Report on the Management Board report
We state that the Management Board report, to the extent we can assess, is consistent with the consolidated financial statements.

Appointment
We were appointed as external auditor of F. van Lanschot Bankiers N.V. for the audit of the consolidated financial statements 2014 and have been the external auditor for several years. Periodic rotation of the signing auditor is an important measure for safeguarding the independence of the auditor. The most recent rotation of the signing auditor took place in 2013.

Amsterdam, 4 September 2015

Ernst & Young Accountants LLP

Signed by W.J. Smit

Profit appropriation

Articles of Association on profit appropriation

Profit is appropriated in accordance with Article 32 of the Articles of Association. This article states that profit is at the disposal of the General Meeting (Article 28 (1)).

Distributions may only be made if equity exceeds the issued and paid up share capital, plus the reserves required by law (Article 28 (2)).

Profit is distributed after adoption of the financial statements, which should prove that such distribution is justified (Article 23 (3)).

With due observance of Article 28 (2), the General Meeting can decide to distribute from a reserve it is not required to keep under the law (Article 28 (5)).

The General Meeting resolved to add the €99.0 million result for the 2014 financial year to Other reserves (2013: €29.2 million). It had access to the company financial statements and made its decision on the basis of these statements.

Glossary

Advanced internal ratings-based approach (A-IRB)
The most sophisticated credit risk measurement technique. Under A-IRB, a bank is allowed to develop its own models, based on direct or indirect observations, to estimate parameters for calculating risk-weighted assets. Credit risk under A-IRB is determined by using internal input for probability of default (PD), loss given default (LGD), exposure at default (EAD) and maturity (M).

Amortised cost
The amount for which financial assets or liabilities are initially recognised less redemptions, plus or minus accumulated depreciation/amortisation using the effective interest rate method for the difference between the original amount and the amount at maturity date, and less impairments or amounts not received.

Assets under discretionary management
Client assets entrusted to Van Lanschot under a discretionary management agreement, irrespective of whether these assets are held in investment funds, deposits, structured products (Van Lanschot Index Guarantee Contracts) or cash.

Assets under management
Assets deposited with Van Lanschot by clients, breaking down into assets under discretionary management and assets under non-discretionary management.

Assets under non-discretionary management
Client assets held for clients by Van Lanschot, irrespective of whether these assets are held in investment funds, deposits, structured products (Index Guarantee Contracts) or cash, with either a Van Lanschot investment adviser advising the client on investment policy or clients making their own investment decisions without Van Lanschot's input.

Base point value (BPV)
A method to measure interest rate risk. It indicates how much profit or loss is generated in the event of a parallel shift in the yield curve by one basis point.

Basel III
The new framework drawn up by the Basel Committee on Banking Supervision, which introduces a stricter definition of capital and several new ratios and buffers with which banks must comply. The gradual transition from Basel II to Basel III is taking place over a period of five years and started in January 2014.

Basel III Leverage Ratio (LR)
The leverage ratio represents the relationship between total assets plus contingent items and the Basel III Tier I capital.

Basel A-IRB exposures: Retail
Receivables modelled in retail models. At Van Lanschot, this class includes the mortgage portfolio, the securities-backed loan portfolio and consumer loans up to €250,000.

Basel F-IRB exposures: Corporates
Receivables from corporates modelled in non-retail models. At Van Lanschot, this class of exposure comprises commercial real estate clients, holding companies as clients, and private and corporate loan accounts.

Basel F-IRB exposures: Equities
Positions in equities and subordinated loans, provided these are not designated as deductions from capital. Van Lanschot applies the simple risk weight method.

Basel F-IRB exposures: Securitisation
Van Lanschot's securitisation investor positions, recognised in keeping with the ratings-based method, i.e. with risk weightings calculated on the basis of external credit ratings.

Basel SA exposures: Administrative bodies and non-commercial undertakings
Receivables from administrative bodies and non-commercial undertakings. These receivables are assigned a risk weighting of 100% unless they are established in the Netherlands (20% weighting) or a government guarantee is available.

Basel SA exposures: Central counterparties
Receivables from entities acting as a single party between counterparties trading contracts on one or more financial markets; risk weighting was set at 2%.

Basel SA exposures: Central governments and central banks
Receivables from central governments and central banks with credit ratings from designated rating agencies. Their risk weightings are linked to their precise credit quality steps. At Van Lanschot, this class of exposures chiefly comprises Dutch government bonds, balances withdrawable on demand at central banks and exposures for which a government guarantee is available.

Basel SA exposures: Corporates
Receivables from corporates owed to Van Lanschot's subsidiaries and non-retail receivables, in so far as these are not covered by one of the non-retail models. These items are assigned a risk weighting of 100%.

Basel SA exposures: Covered bonds
Bonds backed by collateral. This class of receivables is assigned a risk weighting between 10% and 100%, depending on the risk weighting of the financial company issuing them.

Basel SA exposures: Financial companies and financial institutions
Receivables from and debt securities issued by banking counterparties. Almost all of these receivables have short maturities, and such good credit ratings that the credit quality step system allows for a risk weighting of 20%. Risk weightings are 50% where no such ratings are available.

Basel SA exposures: International organisations
Almost all receivables from international organisations have such good credit ratings that the credit quality step system allows for a risk weighting of 0%.

Basel SA exposures: Items associated with particular high risk
This class of exposures comprises investments in venture capital, which are assigned risk weightings of 150%.

Basel SA exposures: Multilateral development banks
Almost all receivables from multilateral development banks have such good credit ratings that the credit quality step system allows for a risk weighting of 20%.

Basel SA exposures: Other risk-weighted assets
This class of exposures consists of property, plant and equipment, prepayments and accrued income, and equities available for sale.

Basel SA exposures: Past-due items
Receivables that are past due by more than 90 days, to which the standardised method is applied, and that exceed the agreed limits by at least €5,000. Risk weightings are 150% or 100%, depending on the size of the relevant provision. If the relevant provisions amount to less than 20% of the unsecured portion of the receivable, a risk weighting of 150% applies.

Basel SA exposures: Private individuals and medium-sized enterprises
Receivables owed to subsidiaries by private individuals and medium-sized enterprises not backed by securities or residential mortgages, assigned a risk weighting of 75%. At Van Lanschot this class of exposures mainly includes receivables owed to group companies by private individuals.

Basel SA exposures: Secured on real estate
Receivables whose amounts are smaller than or equal to 75% of the value of the residential property, in so far as these are not included in a retail model. These are assigned a risk weighting of 35%.

Basel SA exposures: Securitisation positions
Securitisation positions in subsidiaries' investment portfolio, recognised in keeping with the SA method, i.e. with risk weightings calculated on the basis of external credit ratings.

BIS ratio
The percentage of a bank's capital adequacy calculated by dividing qualifying capital by the risk-weighted assets as defined by the Bank for International Settlements (BIS).

Carried interest arrangement
A carried interest arrangement relates primarily to private equity fund managers who are given the opportunity to obtain a stake in a company acquired. This arrangement is financed by a subordinated loan or by cumulative preference shares that do not participate in any surplus profits. The manager holds ordinary shares and does participate in any surplus profits.

Cash flow hedges (hedge accounting)
Instruments to hedge the exposure to fluctuations in cash flows of assets, liabilities or future transactions, arising as a result of interest rate changes and/or inflation.

Client option positions
Clients are unable to buy or sell share options directly on the stock exchange. Van Lanschot purchases or sells on behalf of these clients and covers this with offsetting transactions on the stock exchange. Such receivables and payables are recognised under Derivatives.

Common Equity Tier I capital
Also referred to as core capital. Core Tier I capital encompasses share capital, share premium and other reserves, adjusted for deductions as specified by regulators, such as goodwill, deferred tax assets and IRB shortfall.

Common Equity Tier I ratio
Common Equity Tier I capital as a percentage of total risk-weighted assets.

Contingent liabilities
All commitments arising from transactions for which the bank has given a guarantee to third parties.

Credit default swaps
Floating rate interest payments linked to Euribor exchanged with credit guarantees vis-à-vis a third party, with the counterparty required to pay up if the third party is unable to meet their payment obligations. The contract will identify specific payment-triggering events.

Credit risk
The risk that loans are not repaid, not fully repaid or not repaid on time. This also includes the settlement risk, i.e. the risk that counterparties do not fulfil their obligations in connection with, for instance, securities transactions.

Credit support annex (CSA)
Forming part of an International Swaps and Derivatives Agreement (ISDA), a CSA regulates credit support (collateral) for obligations resulting from derivatives.

Credit valuation adjustment (CVA)
An adjustment made on the valuation of derivatives transactions with a counterparty, reflecting the current market value of counterparty credit risk.

Cross-currency swap
A currency swap in which the principal and interest payments denominated in one currency are exchanged for the principal and interest payments denominated in another currency during a fixed term.

Currency option
A currency option grants the buyer the right, but not the obligation, to buy or sell a quantity of a certain currency at a pre-determined exchange rate during or at the end of a pre-determined period. The currency option constitutes an obligation for the seller. Van Lanschot's currency options mainly relate to client transactions covered by offsetting transactions in the markets.

Defined benefit scheme
A pension scheme other than a defined contribution scheme (see below). In a defined benefit scheme, the company has the constructive obligation to make up any deficit in the scheme. This does not have to be based on any legal agreement, but may be simply on the basis of an historical intention on the part of the company to make up any deficits.

Defined contribution scheme
A scheme in which the company makes agreed contributions to a separate entity (a pension fund) to secure pension rights. The company is not obliged, either legally or effectively, to pay additional contributions if the pension fund does not have enough assets to cover all of its current and future obligations.

Depositary receipt for shares (DRS)
Depositary receipts for shares have no voting rights, but do entitle their holders to profits.

Derivatives
Financial assets whose value derives from the value of other financial assets, indices or other variables. Van Lanschot holds both derivatives whose size (face value), conditions and prices are determined between Van Lanschot and its counterparties (OTC derivatives), and standardised derivatives traded on established markets.

Discounted cash flow (DCF)
A method to value an investment by estimating future cash flows, taking account of the time value of money.

Duration of equity
Duration of equity is a measure of the interest rate sensitivity of equity and reflects the impact on equity of a 1% parallel shift in the interest curve.

EBIT
Earnings before interest and tax.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Economic hedges
Derivatives to manage risks without applying hedge accounting, and are carried at fair value. At Van Lanschot, these primarily take the shape of interest rate derivatives.

Effective interest rate
The rate that discounts estimated cash flows to the net carrying amount of the financial asset over the life of the financial instrument or, where appropriate, over a shorter period.

Efficiency ratio
Operating expenses excluding impairments as a percentage of income from operating activities.

Equity instruments issued by subsidiaries
Perpetuals issued by subsidiaries, which count as Tier I qualifying capital under Basel II when determining capital adequacy.

Expected loss (EL)
Expected loss on loans, reflected in the formula EL=PD*EAD*LGD.

Exposure at default (EAD)
Exposure at the time of a client's default, also referred to as net exposure.

Fair value hedges (hedge accounting)
A fair value hedge comprises one or more swaps concluded to cover the changes in fair value resulting from changes in interest rates, of debt securities in particular. Hedge relations are typically exact hedges, involving debt securities with fixed rates and terms offset by swaps with exactly the same terms and fixed interest rates.

Forward rate agreement (FRA)
An agreement between two parties, the purchaser and the vendor, to settle at a future date the difference between a pre-agreed interest rate and one to be set in the future. The agreement has a set term. The purchaser of an FRA fixes interest for a certain period in the future.

Forwards
Contractual obligations to purchase or sell goods or financial assets at a future date at a pre-determined price. Forward contracts are customised contracts traded on the OTC markets.

Foundation internal ratings-based approach (F-IRB)
A sophisticated credit risk measurement technique. Under F-IRB, a bank is allowed to develop its own models, based on direct or indirect observations, to estimate parameters for calculating risk-weighted assets. Credit risk under F-IRB is determined by using internal input for probability of default (PD). In contrast to A-IRB, the loss given default (LGD) is included, based on prescribed values.

Funding ratio
The ratio between public and private sector liabilities and total loans and advances (excluding bank borrowing and lending).

Futures
Contractual obligations to purchase or sell goods or financial assets at a future date at a pre-agreed price. Futures are standardised contracts traded on organised markets, with stock exchanges acting as intermediaries and requiring daily settlement in cash and/or deposits of collateral. Van Lanschot has a number of futures on share indices on its books, partly for own use and partly for clients by offsetting transactions in the markets.

General Meeting
This is the name for the body formed by voting shareholders and others with voting rights.

General Meeting of Shareholders
More commonly Annual General Meeting of Shareholders or AGM, this is the meeting of shareholders and others with meeting rights.

Gross exposure
The value at which receivables are recognised in the consolidated statement of financial position, with the exception of derivatives. For derivatives, gross exposure is calculated on the basis of an add-on percentage of the nominal value (fixed percentages in accordance with the Financial Supervision Act) and the positive replacement value.

Hedge
Protection of a financial position – against interest rate risks in particular – by means of a financial instrument (typically a derivative).

Impairment
Amount charged to the result for possible losses on non-performing or irrecoverable loans and advances. Alternatively, an impairment test may suggest lower asset values, if fair values are lower than carrying amounts and/or the fair value of investments and associates are below cost.

Incurred but not reported (IBNR)
Value decreases which have occurred at reporting date but of which the bank is not yet aware due to an information time lag.

Innovative Tier I instruments
Equity elements other than paid-up share capital and reserves, taken into account when determining Tier I capital (core capital).

Interest-rate option
An agreement between a buyer and a seller, under which the seller guarantees the buyer a maximum interest rate (cap) or minimum interest rate (floor) for a fixed term.

Interest rate risk
The risk that profit and equity are impacted by changes in interest rates, in particular in the event of an intentional or unintentional mismatch in the terms of funds lent and borrowed.

Interest rate swaps
A contract in which two parties exchange interest payments for a pre-agreed period and a notional principal amount, while not swapping the face value. An interest rate swap typically involves exchanging fixed rate cash flows for floating rate cash flows in the same currency, with the floating rate based on a benchmark interest rate (usually Euribor).

Internal capital adequacy assessment process (ICAAP)
Strategies and procedures designed for the bank's continuous assessment as to whether the amount, composition and distribution of its equity still reconcile with the size and nature of its current and potential future risks.

Internal ratings-based approach (IRB)
An advanced approach to calculate credit risk. Van Lanschot applies both the foundation internal ratings-based (F-IRB) and advanced internal ratings-based (A-IRB) approaches. In this report, IRB refers to both internal ratings-based model approaches.

International Financial Reporting Standards (IFRS)
Accounting and reporting standards drawn up by the International Accounting Standards Board. These standards have been adopted by the European Union and must be applied by all listed companies in the European Union from the 2005 financial year.

Irrevocable commitments
All obligations resulting from irrevocable commitments that could result in loans being granted.

Level 1: Quoted prices in active markets
The fair value of financial assets traded in an active market is based on the price at the reporting date (market price). The bid price is applied for financial assets and the offer price for financial liabilities. Since these instruments are traded in active markets, their prices adequately reflect current and frequent market transactions between unrelated parties.

Level 2: Inputs observable in the markets
The fair value of financial assets not traded in active markets (e.g. over-the-counter financial derivatives) is established using cash flow and option valuation models. On the basis of its estimates, Van Lanschot selects a number of methods and makes assumptions based on market conditions (observable data) at the reporting date.

Level 3: Input not based on observable market data
The financial assets in this category have been assessed on an individual basis. Their valuation is based on management's best estimate by reference to most recent prices, prices of similar instruments and, to a not insignificant extent, information not observable in the market.

Liquidity coverage ratio (LCR)
The LCR represents the ratio between high quality liquid assets and the balance of cash outflows and cash inflows in the next 30 days.

Liquidity risk
The risk that the bank has insufficient liquid assets available to meet current liabilities in the short term.

Loss given default (LGD)
An estimate of the loss for Van Lanschot after liquidation of the received collateral.

Market risk
The risk that the value of a financial position changes due to movements in stock exchange prices, foreign exchange and/or interest rates.

MSCI
A global equity index by Morgan Stanley Capital International, typically used as a standard benchmark.

Net exposure (EAD)
Exposure at the time of a client's default.

Net stable funding ratio (NSFR)
The relationship between available stable funding and the required amount of stable funding.

Operational risk
The risk of direct or indirect losses as a result of inadequate or defective internal processes and systems, inadequate or defective human acts, or external events.

Other non-controlling interests
Non-controlling interests in entities that are fully consolidated by Van Lanschot.

Portfolio of fair value hedges (hedge accounting)
Such a portfolio may comprise one or more swaps or caps (interest rate options) jointly entered into to hedge the interest rate risk of a mortgage portfolio. Both swaps (or caps) and mortgages are divided into term buckets, with the fair value of these mortgages mainly affected by interest rate levels, similar to the valuation of swaps. Minor differences in terms and interest rates may cause some ineffectiveness within the term buckets.

Probability of default (PD)
The likelihood that a client will default on a loan within one year.

Qualifying capital
The sum of total Tier I and total Tier II capital.

Residential mortgage-backed security (RMBS)
Securities backed by residential mortgages. A provider of residential mortgages (typically a bank) will sell these on to a separate entity, a special purpose vehicle (SPV). To finance the mortgages, the SPV will issue securities called RMBS, which are secured by the mortgages.

Risk-weighted assets (RWA)
The assets of a financial institution after being adjusted by a weighting factor, set by its regulators, that reflects the relative risk attached to the relevant assets. Risk-weighted assets are used to calculate the minimum amount of capital the institution needs to hold.

Shortfall
The difference between the calculated expected loss (EL) and the provision made for a loan for which the capital adequacy requirement is calculated using the IRB method. If the calculated EL exceeds the provision made, the difference must be deducted from Common Equity Tier I capital.

Solvency
The bank's buffer capital expressed as a percentage of risk-weighted assets.

Standardised approach (SA)
A method used under Basel to measure operational, market and credit risks, based on a standardised approach, in which risk weightings are prescribed by the regulators.

Strategic risk
Current or future threats to the bank's results or equity resulting from not or inadequately responding to changes in the environment and/or from taking incorrect strategic decisions.

Structured product
Synthetic investment instruments specially created to meet specific needs that cannot be met by the standardised financial assets available in the markets.

Tier I ratio
The ratio between total Tier I capital and risk-weighted assets.

Total Tier I capital
Total Tier I capital of the bank includes share capital, share premium, other reserves and equity instruments issued by subsidiaries, adjusted for certain deductions set by the regulator, such as goodwill and shortfall.

Total Tier II capital
Capital instruments and subordinated loans may be designated Tier II capital under certain conditions.

Value at risk (VaR)
Statistical analysis of historical market trends and volatilities to estimate the likelihood that a portfolio's losses will exceed a certain amount.

Weighted average cost of capital (WACC)
A measure of the average cost of a company's capital, in which debt and equity are proportionally weighted.

Wft (Financial Supervision Act)
Wft governs the supervision of the financial sector in the Netherlands.

Wholesale funding
A type of funding, in addition to savings and deposits, used by banks to fund operations and manage risks.

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