VAN LANSCHOT N.V.

(a public company with limited liability (naamloze vennootschap) incorporated under the laws of the Netherlands, with its statutory seat in 's-Hertogenbosch, the Netherlands)

Offering of up to 11,272,729 depositary receipts representing 11,272,729 ordinary shares

Delta Lloyd N.V., Delta Lloyd Levensverzekering N.V. and Delta Lloyd Schadeverzekering N.V. (the "**Selling DR Holders**") are offering (the "**Offering**") up to 11,272,729 existing depositary receipts (the "**Offer DRs**", which includes unless the context indicates otherwise, the Additional DRs (as defined below)) representing class A ordinary shares (the "**Ordinary Shares**") in the capital of Van Lanschot N.V. (the "**Company**") with a nominal value of €1 each. The Offer DRs represent approximately 27.4% of the Company's issued share capital, assuming no exercise of the Over-Allotment Option (defined below). See "*The Offering*".

The Offering consists of: (i) a public offering to certain institutional and retail investors in the Netherlands; and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer DRs are being offered and sold: (i) within the United States of America (the "**United States**") to qualified institutional buyers ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the US Securities Act of 1933, as amended (the "**US Securities Act**"), pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws; and (ii) outside the United States in accordance with Regulation S under the US Securities Act ("**Regulation S**").

Investing in the Offer DRs involves certain risks. See "Risk Factors" for a description of the risk factors that should be carefully considered before investing in the Offer DRs.

The depositary receipts for Ordinary Shares (the "**DRs**") are listed and trading on Euronext in Amsterdam, a regulated market operated by Euronext Amsterdam N.V. ("**Euronext Amsterdam**"), under the symbol "LANS". Each DR represents one Ordinary Share.

The price of the Offer DRs (the "Offer Price") is expected to be in the range of €15.00 to €18.00 (inclusive) per Offer DR (the "Offer Price Range")

The Offering will take place during the period commencing at 8.00 Central European Summer Time ("**CEST**") on 31 May 2016 and ending at 14.00 CEST on 8 June 2016 for prospective institutional investors and during the period commencing at 8.00 CEST on 31 May 2016 and ending at 17.30 CEST on 7 June 2016 for prospective Dutch retail investors (the "**Offer Period**"), subject to acceleration or extension of the timetable for the Offering. The Offer Price Range is indicative. The Offer Price and the exact number of Offer DRs offered in the Offering will be determined after the end of the Offer Period on the basis of the quoted share price and the results of the bookbuilding process and taking into account market conditions, a qualitative assessment of demand for the Offer DRs and other factors deemed appropriate. Prior to allocation of the Offer DRs ("**Allocation**"), the number of Offer DRs can be increased or decreased and the Offer Price Range can be changed. Any increase at the top end of the Offer Price Range on the last day of the Offer Period will result in the Offering Period being extended by at least two business days; any increase at the top end of the Offer Price Range on the day prior to the last day of the Offer Period will result in the Offer Period being extended by at least one business day. In this case, if the Offer Period for Dutch retail investors would already have closed, the Offer Period for Dutch retail investors would be reopened. Accordingly, all investors, including Dutch retail investors, will have at least two business days to reconsider their subscriptions. Any such change in the number of Offer DRs and/or the Offer Price Range will be announced in a press release. Any such change in the number of Offer DRs and/or the Offer Price Range will be announced in a press release on the Company's website. The Offer Price and the exact number of Offer DRs offered in the Offering will be set out in a pricing statement (the "**Pricing Statement**") that will be filed with the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the "**AFM**") and published through a press release on the Company's website.

There will be a preferential allocation of up to 1% of the total number of Offer DRs (not including any Additional DRs) to eligible employees of Van Lanschot (the "**Preferential Employee Allocation**"). In addition, the members of the Company's Executive Board will subscribe for the Offer DRs at the Offer Price for an aggregate amount of €1,060,000. See "*The Offering – Preferential Employee Allocation and Executive Board Participation*."

Goldman Sachs International and UBS Limited are acting as joint global coordinators for the Offering (in such and any other capacity, the "**Joint Global Coordinators**") and together with ABN AMRO Bank N.V. and Merrill Lynch International as joint bookrunners for the Offering (the "**Joint Bookrunners**"). Kempen & Co N.V. ("**Kempen & Co**") and Kepler Cheuvreux S.A. are acting as co-lead managers for the Offering (the "**Co-lead Managers**", and the Joint Global Coordinators, the Joint Bookrunners and the Co-lead Managers, in their respective capacities, are together also referred to herein as the "**Underwriters**").

The Selling DR Holders have granted the Joint Global Coordinators, on behalf of the Underwriters, an option (the "**Over-Allotment Option**"), exercisable within 30 calendar days after the date of the Pricing Statement, pursuant to which the Joint Global Coordinators, on behalf of the Underwriters, may require the Selling DR Holders to sell at the Offer Price such number of additional existing DRs held by them, equalling up to 10% of the total number of Offer DRs (the "**Additional DRs**"), to cover short positions resulting from any over-allotments made in connection with the Offering or stabilisation transactions, if any.

Subject to acceleration or extension of the timetable for the Offering, payment (in euro) for, and delivery of, the Offer DRs ("**Settlement**") is expected to take place on 13 June 2016 (the "**Settlement Date**") through the book-entry systems of the Netherlands Central Institute for Giro Securities Transactions (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*) trading as Euroclear Nederland ("**Euroclear Nederland**"), in accordance with its normal settlement procedures applicable to equity securities.

If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer DRs will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Offer DRs on Euronext Amsterdam may be annulled. Any dealings in Offer DRs prior to Settlement are at the sole risk of the parties concerned. The Company, the Selling DR Holders, the Underwriters and Euronext Amsterdam do not accept any responsibility or liability towards any person as a result of the withdrawal of the Offering or the (related) annulment of any transactions in Offer DRs.

The Offering is only made in those jurisdictions in which, and only to those persons to whom, offers and sales of the Offer DRs may lawfully be made. The distribution of this prospectus (the "**Prospectus**") and the offer and sale of the Offer DRs in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves and observe any restrictions. Prospective investors in the Offer DRs should carefully read the restrictions described under "*Important Information—Notice to Investors*" and "*Selling and Transfer Restrictions*". The Company is not taking any action to permit a public offering of the Offer DRs in any jurisdiction outside the Netherlands.

The Offer DRs have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the Offer DRs are registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. The Offer DRs are being offered and sold in the United States only to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and outside the United States in reliance on Regulation S under the US Securities Act. There will be no public offer of the Offer DRs in the United States. Prospective purchasers are hereby notified that the Company and the Selling DR Holders may be relying on an exemption from the registration requirements of Section 5 of the US Securities Act, which may include Rule 144A or Regulation S thereunder.

Goldman Sachs International, UBS Limited, and Merrill Lynch International are each authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom. The Underwriters are acting exclusively for the Company and the Selling DR Holders and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective customers in relation to the Offering and will not be responsible to anyone other than the Company and the Selling DR Holders for providing the protections afforded to their respective customers or for giving advice in relation to, respectively, the Offering or any transaction or arrangement referred to herein.

This Prospectus constitutes a prospectus for the purposes of Article 3 of the Directive 2003/71/EC and any amendments thereto, including those resulting from Directive 2010/73/EU (the "**Prospectus Directive**") and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder (the "**Dutch Financial Supervision Act**"). This Prospectus has been filed with and approved by the AFM.

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International | **UBS Investment Bank**

Joint Bookrunners

ABN AMRO | **BofA Merrill Lynch**

Co-lead Managers

Kempen & Co | **Kepler Cheuvreux**

This Prospectus is dated 31 May 2016.

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SUMMARY

Summaries are made up of disclosure requirements known as "**Elements**". The Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A – Introduction and Warnings		
A.1	**General disclaimer regarding the summary**	This summary should be read as an introduction to the prospectus (the "**Prospectus**") relating to the offering (the "**Offering**") by Delta Lloyd N.V., Delta Lloyd Levensverzekering N.V. and Delta Lloyd Schadeverzekering N.V. (the "**Selling DR Holders**") of up to 11,272,729 existing depository receipts (the "**Offer DRs**", which include unless the context indicates otherwise, the Additional DRs (as defined below)) representing Class A ordinary shares ("**Ordinary Shares**") in the capital of Van Lanschot N.V. (the "**Company**") with a nominal value of €1 each. Assuming no exercise of the Over-Allotment Option (as defined below), the Offer DRs represent approximately 27.4% of the Company's issued share capital. The depositary receipts for Ordinary Shares (the "**DRs**") are listed and trading on Euronext in Amsterdam, a regulated market operated by Euronext Amsterdam N.V. ("**Euronext Amsterdam**"), under the symbol "LANS". Any decision to invest in the Offer DRs should be based on a consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area ("**EEA**") and other jurisdictions, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the DRs.
A.2	**Consent of the Company**	Not applicable. The Company does not consent to the use of the Prospectus for subsequent resale or final placement of Offer DRs by financial intermediaries.

Section B – Company		
B.31-B.1/ B.32	**Legal and commercial name**	Van Lanschot N.V.
B.31-B.2/ B.32	**Domicile, legal form, legislation and country of incorporation**	The Company is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands. The Company has its statutory seat in 's-Hertogenbosch, the Netherlands.

B.31-B.3	**Current operations and principal activities**	The Company and its subsidiaries ("**Van Lanschot**") operate as a specialist, independent wealth manager dedicated to the preservation and creation of wealth for its private and institutional clients. Van Lanschot's core operating segments consist of: Private Banking, Asset Management and Merchant Banking (each segment, "**Private Banking**", "**Asset Management**" and "**Merchant Banking**", respectively). Van Lanschot's wealth management strategy is strongly focused on its primary operating segments and product offering in selected niches and achieving a capital light business model. As a result of its strategic review in 2013 and as re-affirmed in the strategic update on 26 April 2016, the Company moved away from a universal banking model and is making progress towards becoming a specialist independent wealth manager. This is expected to lead to a more capital light business model and to increase the importance of commission income while reducing dependence on interest income as well as permitting lower levels of loan loss provisioning. In 2015, commission income accounted for over half of the Company's income due to growth in assets under management ("**AuM**") for the Private Banking and Asset Management segments, a strong year for Merchant Banking and the continued wind down of the corporate loan book. Van Lanschot's focus on preserving and creating wealth for its clients has led to its decision to gradually phase out any services that do not have a direct bearing on its core activities. This includes the wind down of the commercial loan portfolio, including commercial real estate and small and medium business enterprises ("**SME**") loans to clients that do not have a link to Private Banking. These activities have been subsumed into its Corporate Banking segment and are being wound down. However, Van Lanschot plans to continue to offer lending services relating to SMEs and real estate to the extent that these are consistent with the relationship model adopted by Private Banking, in particular in the areas of mortgages and financing for entrepreneurs, family businesses, business professionals and executives and healthcare professionals. The Company believes it has a solid balance sheet, strong capitalisation, ample liquidity and diversified funding mix and maintains high capital ratios including a Common Equity Tier 1 ratio ("**CET1 ratio**") at 16.3% at the end of 2015 (phase in, calculated with respect to the full year results, including retained earnings) and at 16.9% as at 31 March 2016 (phase in, calculated with respect to the quarterly results, excluding retained earnings). The CET1 ratio stood at 15.4% (fully loaded, calculated with respect to the full year results, including retained earnings) at the end of 2015 and at 16.4% as at 31 March 2016 (fully loaded, calculated with respect to the quarterly results, excluding retained earnings), while the leverage ratio improved further to 6.1% at the end of 2015 (6.3% as at 31 March 2016). The total equity of the Company as at 31 March 2016 was €1.3 billion, of which €1.3 billion is share capital and reserves. Van Lanschot's funding profile is largely made up of customer savings and deposits driven by its private banking franchise, and complemented by wholesale funding (issued debt securities as presented on the balance sheet). The Company's funding and liquidity position remains strong, with an aim to retain access to both retail and capital markets through diversified funding. As at 31 December 2015, the Company's funding ratio was 94.1% (91.9% as at 31 March 2016).

Private Banking

Van Lanschot's Private Banking offering has an established market position in the Netherlands as a leading independent Dutch private wealth manager with dedicated employees who have an in-depth knowledge of their clients and offer personal attention to clients' wealth, supporting them on all wealth-related matters in all stages of life.

Van Lanschot provides a full range of financial services to its clients, which includes financial planning, wealth planning, discretionary management and investment advice.

Within Private Banking, Van Lanschot focuses on (ultra) high net worth individuals, entrepreneurs and family businesses, while also targeting business professionals (accountants, lawyers, public notaries and attorneys) and executives of listed companies, healthcare professionals, and foundations and charities as well as mass affluent clients and individuals starting out on the wealth management market.

Asset Management

Under the Kempen Capital Management N.V. ("**Kempen Capital Management**") brand, the Company is a specialist European investment management boutique offering institutional and fiduciary asset management, management of investment funds and development of investment products and solutions aimed at the preservation and creation of wealth. Kempen Capital Management has offices in Amsterdam, London and Edinburgh.

Kempen Capital Management's target customers are both Dutch domestic and international institutional investors. Certain of these customers are obtained via wholesale distribution arrangements with financial institutions in the Netherlands, including ABN AMRO Bank, Rabobank and Binckbank, under which the clients of those institutions may invest in Kempen-managed funds.

Kempen Capital Management's activities focus on a limited number of high-quality investment strategies with specialty in small caps, real estate, high-dividend equities, fixed-income securities (government bonds and corporate bonds) and funds of hedge funds. Kempen Capital Management is focused on markets that are culturally, in terms of investment ideas, close to the current asset management approach, with a focus on Western Europe.

Kempen Capital Management also provides fiduciary services to national and international pension funds and insurance companies, with a focus on the Dutch pension and insurance market as well as the United Kingdom. Fiduciary management offers clients a hands-on solution that relieves them of their day-to-day asset management activities. It involves a comprehensive solution created around client specific objectives.

Kempen Capital Management also provides investment management solutions for Private Banking clients of Van Lanschot, including asset allocation, portfolio composition and other advisory services.

Merchant Banking

Under the Kempen & Co N.V. ("**Kempen & Co**") brand, Van Lanschot offers specialist services in mergers and acquisitions, capital markets transactions and debt advisory, as well as equity brokerage and research, and structured products for institutional investors, companies, financial institutions, clients of Private Banking and semi public and public entities. The Merchant Banking segment is pursuing a niche strategy aimed at European real estate, European life sciences and healthcare and the Benelux market.

Kempen & Co has offices in Amsterdam and New York. In 2015, Kempen & Co implemented 40 transactions and more than fifty private placements and various public issues and over the last five years, the Kempen & Co team of professionals advised on transactions in more than 15 countries with a combined value in excess of €50 billion. Kempen & Co is experiencing commission growth and growth in market share in transactions in its selected niches in Europe.

The services provided by Van Lanschot's Merchant Banking segment in Kempen Corporate Finance are generally separate assignments from which one-off fees and commissions are received. The Kempen Securities segment also offers securities research, brokerage and structured products to institutional clients, clients of Private Banking and listed companies.

Strengths

Van Lanschot believes that its key strengths include the following:

- Clear choice for wealth management targeting institutional and private clients
- Strong brand names, reliable reputation, rich history
- Core activities with their own distinct culture and positioning as niche players
- Mutually reinforcing core activities
- Straight forward governance model with highly experienced executive board
- Capital increasingly freed up by winding down corporate loan portfolio
- Strong balance sheet, capital ratios, cash reserves and diversified funding mix

Strategy

The Company announced its strategic update in April 2016 for the period until and including 2020, comprising four key strategic themes for its core activities:

- Private Banking: enhance the client experience through omnichannel service model and focus on increasing front-line effectiveness.
- Evi van Lanschot, the online service for wealth creation and preservation for first-time investors in the wealth management market and self-directed clients: to reflect the trend of increased individual responsibility for pensions and other needs, Evi will become a separate segment.
- Asset Management: realise growth from strong position by launching 3 new strategies, intensifying distribution and developing the United Kingdom as second home market.
- Merchant Banking: building on a solid, sustainable position in selected niches with a capital-light operating model.

Van Lanschot has identified the following 2020 financial targets: a CET1 ratio between 15% and 17%, a return on CET1 of 10% to 12%, and an efficiency ratio of 60% to 65%. Based on current plans and expectations and the outlook of future regulations, Van Lanschot aims to build up excess capital of at least €250 million by 2020. Part of this excess capital may be distributed in the form of ordinary dividends; for this purpose Van Lanschot is envisaging an annual dividend pay-out ratio target as of 2016 between 50% and 70% of the annual reported net results, subject to adjustment for selected one-off items. The Company checks whether the

		proposed dividend satisfies the ECB's recommendation on dividend payment policies. Management is committed to return any further excess capital to shareholders, subject to regulatory approval.
B.31-B.4	**Significant recent trends and (other) known trends affecting the Company and industries in which it operates**	Van Lanschot believes that the following trends may significantly affect Van Lanschot's core segments (Private Banking, Asset Management and Merchant Banking) in the future: • European and Dutch macroeconomic trends and environments • Changing client behaviour and expectations • The speed of technological change • Increasing regulation and supervision • On-going low interest rate environment • Eurozone recent instability and risks • Aging of client population • Changes in savings and investment trends in the Netherlands • Growth of passive as opposed to active fund management
B.31-B.5	**Description of the Group and the Company's position within the Group**	The Company is a holding company without direct business operations. The principal assets of the Company are the equity interests it directly or indirectly holds in its operating subsidiaries and participations.
B.31-B.6	**Persons who, directly or indirectly, have a notifiable interest in the Company's capital or voting rights**	At the date of this Prospectus, more than 99.99% of the Ordinary Shares are held by Stichting Administratiekantoor van gewone aandelen A Van Lanschot (the "**Foundation**"), which issued DRs in exchange for the delivery of these Ordinary Shares. The public register of the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) ("**AFM**") identifies the following investors holding a substantial interest of 3% or more in the Company as per the date of this Prospectus. **Percentage of share capital(1)** / **Voting rights** Delta Lloyd N.V. ..... 30.35% / 12,449,099 *Delta Lloyd N.V.* ..... *10.48%* / *4,300,000* *Delta Lloyd Levensverzekering N.V.* ..... *19.87%* / *8,149,099* Stichting Pensioenfonds ABP (via APG Asset Management N.V.) ..... 13.29% / 5,451,639 Rabobank Nederland ..... 12.09% / 4,956,873 Wellington Management Group LLP ..... 9.90% / 4,060,649 LDDM Holding B.V. ..... 9.76% / 4,003,640 (1) Holdings set out in the above table may differ from the actual holdings at the date of this Prospectus if notification thresholds are not triggered by changes to holdings. Delta Lloyd Schadeverzekering N.V. holds 300,000 DRs which is the equivalent to 0.73% of the share capital of the Company. Stichting Preferente aandelen C Van Lanschot (the "**Foundation Preference Shares**") has notified a potential interest of 100% to the AFM pursuant to the Call Option (as defined below).
	Different voting rights	Major shareholders have the same voting rights per Ordinary Share as other holders of Ordinary Shares.

		Any holder of DRs at any time will hereafter be referred to as a "**DR Holder**". The Company's major DR Holders as set out above do not have any other voting rights than the other DR Holders.
	Direct and indirect ownership of or control over the Company and nature of such control	The Company is not directly or indirectly owned or controlled by another person and the Company is not aware of any arrangement that may at a subsequent date result in a change of control, except for the call option granted to the Foundation Preference Shares set out below. At the date of this Prospectus, more than 99.99% of the Ordinary Shares are held by the Foundation, which issued DRs in exchange for the delivery of these Ordinary Shares. By creating DRs, the economic rights attached to the Ordinary Shares are separated from the voting rights attached thereto. As the Foundation is the legal holder of the Ordinary Shares, the voting rights attached to the Ordinary Shares legally vest in the Foundation. Pursuant to the articles of association of the Foundation (the "**Foundation Articles**") and the terms and conditions governing the DRs (the "**DR Terms**"), the Foundation shall at the request of DR Holders in all circumstances grant a power of attorney to the DR Holders to enable them to vote on, or otherwise exercise the rights attached to, the Ordinary Shares. The Foundation shall vote on, and exercise the other rights attached to, the Ordinary Shares for which no request to grant a power of attorney has been received. The Foundation shall exercise the rights attached to Ordinary Shares in such a way as to safeguard the interests of the DR Holders, taking into account the interests of the Company, the enterprise associated therewith and all parties concerned. The Foundation Preference Shares has been granted a call option by the Company (the "**Call Option**"). On exercise of the Call Option, the Foundation Preference Shares is entitled to acquire class C preference shares in the Company's share capital, with a nominal value of €1.00 per share (the "**Preference Shares**", and each Ordinary Share and Preference Share hereafter also: a "**Share**") from the Company up to a maximum corresponding with 100% of the issued share capital of the Company excluding the Preference Shares as outstanding immediately prior to the exercise of the Call Option, less one Share, from which maximum any Preference Shares already placed with the Foundation Preference Shares at the time of the exercise of the Call Option shall be deducted.
B.31-B.7	**Selected consolidated financial information**	The summary section below contains selected unaudited consolidated financial information of the Company as at and for the three months ended 31 March 2016, including comparative figures as at and for the three months ended 31 March 2015, which have been derived from the unaudited interim condensed consolidated financial statements of the Company as at and for the three months ended 31 March 2016, which are based on IFRS (the "**Interim Consolidated Financial Statements**") and selected audited consolidated financial information of the Company as at and for the years ended 31 December 2015, 2014 and 2013, which have been derived from the audited annual consolidated financial statements of the Company as at and for the years ended 31 December 2015, 2014 and 2013, which are based on IFRS (the "**Annual Consolidated Financial Statements**" and together with the Interim Consolidated Financial Statements: the "**Financial Statements**"), as included or incorporated by reference elsewhere in this Prospectus.

Selected Consolidated Statement of Income Data

	Three months ended 31 March		Year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)		€ million		
Income from operating activities					
Interest income	107.7	153.4	513.8	735.4	780.7
Interest expense	52.2	103.5	313.2	522.9	568.5
Net interest income	**55.5**	**50.0**	**200.6**	**212.5**	**212.2**
Income from associates using the equity method	2.0	1.7	11.8	36.6	10.6
Other income from securities and associates	-0.7	6.3	17.1	18.7	6.5
Income from securities and associates	**1.3**	**8.0**	**28.9**	**55.3**	**17.1**
Commission income	59.8	70.1	272.7	248.3	240.3
Commission expense	1.4	2.0	7.2	8.0	7.0
Net commission income	**58.4**	**68.1**	**265.6**	**240.3**	**233.3**
Result on financial transactions	**-2.2**	**22.1**	**23.3**	**42.0**	**66.3**
Other income	**10.4**	**10.2**	**42.8**	**16.2**	**22.3**
Total income from operating activities	**123.5**	**158.4**	**561.1**	**566.2**	**551.2**
Expenses					
Staff costs	57.8	60.9	233.7	151.7	239.7
Other administrative expenses	39.9	40.2	171.5	163.0	153.1
Staff costs and other administrative expenses	**97.7**	**101.0**	**405.1**	**314.6**	**392.7**
Depreciation and amortisation	4.0	4.6	17.4	22.5	15.9
Operating expenses	**101.7**	**105.6**	**422.5**	**337.1**	**408.6**
Addition to loan loss provision	3.4	15.3	51.0	76.0	102.4
Other impairments	0.4	0.4	10.9	19.5	2.7
Impairments	**3.8**	**15.7**	**61.9**	**95.5**	**105.1**
Result on sale loans and advances to the public and private sectors[1]	—	—	22.4	—	—
Total expenses	**105.5**	**121.3**	**506.9**	**432.7**	**513.8**
Operating result before tax	17.9	37.0	**54.3**	**133.5**	**37.4**
Income tax	3.9	8.1	11.5	24.8	3.9
Net result	**14.0**	**28.9**	**42.8**	**108.7**	**33.5**
Of which attributable to shareholders of Van Lanschot N.V.	13.2	26.9	34.2	99.0	29.2
Of which attributable to equity instruments issued by subsidiaries	—	0.2	0.9	1.1	1.1
Of which attributable to other non-controlling interests	0.8	1.8	7.6	8.6	3.2
Earnings per ordinary share (€)	0.32	0.66	0.83	2.42	0.71
Diluted earnings per ordinary share (€)	0.32	0.65	0.83	2.40	0.71
Dividend per share (€)	—	—	0.45	0.40	0.20

(1) Van Lanschot sold a portfolio of non-performing real estate loans to a company affiliated to Cerberus Capital Management LP in 2015. The result of this sale was recognised as a loss of €22.4 million. An amount of negative €0.8 million relating to interest rate swaps associated with the portfolio was taken to the Result on financial transactions, thus the total impact of the transaction amounted to negative €23.2 million.

Selected Consolidated Balance Sheet Data

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)			
			€ million	
Assets				
Cash and cash equivalents and balances at central banks	1,072.9	881.0	1,157.0	2,000.0
Financial assets held for trading	11.7	6.9	43.2	47.1
Due from banks	232.7	200.1	449.1	429.2
Financial assets designated as at fair value through profit or loss	504.2	712.6	1,309.5	725.9
Available-for-sale investments	2,216.5	2,159.1	1,952.7	1,197.7
Held-to-maturity investments	521.1	523.6	533.7	—
Loans and advances to the public and private sectors	10,123.0	10,168.4	11,021.1	12,490.7
Derivatives (receivables)	377.3	333.4	275.1	208.1
Investments in associates using the equity method	67.2	56.3	50.7	50.4
Property, plant and equipment	78.2	79.2	76.4	84.6
Goodwill and other intangible assets	174.5	175.1	153.5	172.4
Current tax assets	1.4	1.9	1.3	13.6
Deferred tax assets	45.9	49.8	59.8	59.8
Other assets	142.9	148.3	176.4	190.7
Total assets	**15,569.6**	**15,495.7**	**17,259.4**	**17,670.4**
Equity and liabilities				
Financial liabilities from trading activities	5.1	0.4	0.1	0.8
Due to banks	459.7	698.1	880.0	1,175.4
Public and private sector liabilities	9,300.1	9,572.3	10,499.2	10,161.4
Financial liabilities designated as at fair value through profit or loss	803.5	804.6	705.9	357.6
Derivatives (liabilities)	434.1	324.8	381.3	299.7
Issued debt securities	2,954.1	2,480.0	3,073.4	3,849.1
Provisions	20.8	23.7	21.3	35.9
Current tax liabilities	1.4	1.6	0.5	22.9
Deferred tax liabilities	1.8	3.3	10.1	8.4
Other liabilities	147.6	148.8	215.8	292.0
Subordinated loans	118.0	118.2	121.4	128.2
Total liabilities	**14,246.2**	**14,175.8**	**15,908.9**	**16,331.4**
Issued share capital	41.1	41.0	41.0	41.0
Treasury shares	-2.1	-1.1	-3.6	-2.1
Share premium reserves	481.3	479.9	479.9	479.9
Other reserves	742.4	745.3	676.0	735.5
Undistributed profit attributable to shareholders of Van Lanschot N.V.	13.2	34.2	99.0	29.2
Undistributed profit of previous year attributable to shareholders of Van Lanschot N.V.	34.2	—	—	—
Equity attributable to shareholders of Van Lanschot N.V.	**1,310.0**	**1,299.4**	**1,292.3**	**1,283.5**
Equity instruments issued by subsidiaries	—	—	27.3	36.1
Undistributed profit attributable to equity instruments issued by subsidiaries	0.9	0.9	1.1	1.1
Equity attributable to equity instruments issued by subsidiaries	**0.9**	**0.9**	**28.4**	**37.2**
Other non-controlling interests	10.1	12.0	21.3	15.1
Undistributed profit attributable to other non-controlling interests	0.8	7.6	8.6	3.2
Undistributed profit of previous year attributable to other non-controlling interests	1.7	—	—	—
Equity attributable to other non-controlling interests	**12.6**	**19.6**	**29.9**	**18.3**
Total equity	**1,323.5**	**1,319.9**	**1,350.5**	**1,339.0**
Total equity and liabilities	**15,569.6**	**15,495.7**	**17,259.4**	**17,670.4**
Contingent liabilities	79.6	82.5	115.6	117.9
Irrevocable commitments	253.6	492.4	601.4	447.3
Total contingent liabilities and irrevocable commitments	**333.2**	**574.9**	**716.9**	**625.3**

Selected Consolidated Statements of Cash Flow Data

	Three months ended 31 March		Year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)		€ million		
Cash flow from operating activities					
Operating result before tax	17.9	37.0	54.3	133.5	37.4
Adjustments for					
• Depreciation and amortisation	4.1	4.6	18.5	22.5	24.1
• Costs of share plans	0.7	0.6	2.8	2.0	1.3
• Valuation results on associates using the equity method	-2.0	-1.7	-9.8	-9.8	-10.1
• Valuation results on financial assets designated as at fair value through profit or loss	-3.2	79.9	96.2	-103.7	13.2
• Valuation results on financial liabilities designated as at fair value through profit or loss	-12.1	32.5	-2.6	28.8	-6.9
• Valuation results on derivatives (receivables and liabilities)	22.1	-50.6	-24.8	-21.0	5.2
• Impairments	3.8	15.7	61.9	95.5	105.1
• Result on termination of defined benefit pension scheme	—	—	—	-122.7	—
• Changes in provisions	-0.4	-1.0	1.2	-7.4	—
Cash flow from operating activities	**31.0**	**117.0**	**197.7**	**17.9**	**169.5**
Net increase/(decrease) in operating assets and liabilities					
• Financial assets/liabilities held for trading	-0.2	-13.0	-4.3	3.2	5.1
• Financial assets designated as at fair value through profit or loss	—	—	—	—	-105.9
• Due from/due to banks	-273.6	-136.7	90.6	-336.5	-382.9
• Loans and advances to the public and private sectors/public and private sector liabilities	-206.3	152.6	-229.1	1,714.1	-337.0
• Derivatives (receivables and liabilities)	-0.6	-93.2	-27.9	57.7	-69.5
• Withdrawals from restructuring provision and other provisions	-2.5	-0.6	-1.2	-11.3	-19.3
• Other assets and liabilities	4.0	-6.7	-39.9	-66.9	-76.8
• Income taxes paid/received	-0.2	-1.6	-3.0	-6.9	0.5
• Dividends received	0.3	—	10.5	3.4	3.0
Total movement in assets and liabilities	**-479.2**	**-99.2**	**-204.2**	**1,356.7**	**-982.8**
Net cash flow from operating activities	**-448.2**	**17.8**	**-6.5**	**1,374.5**	**-813.3**
Cash flow from investing activities					
Investments and acquisitions					
• Investments in debt instruments	-440.9	-2,022.7	-4,361.6	-4,476.7	-1,120.1
• Investments in equity instruments	-10.3	-9.7	-10.9	-26.4	-1.7
• Acquisitions (excluding acquired cash and cash equivalents)	—	—	2.0	—	—
• Investments in associates using the equity method	-9.5	—	-0.1	-7.8	-1.1
• Property, plant and equipment	-2.4	-1.7	-11.5	-11.7	-14.4
• Goodwill and other intangible assets	-0.1	-0.6	-1.5	-1.6	-16.1
Divestments, redemptions and sales					
• Investments in debt instruments	628.2	2,058.1	4,631.1	2,751.0	802.7
• Investments in equity instruments	5.1	20.8	49.4	7.9	1.2
• Investments in associates using the equity method	-0.4	0.9	0.7	9.8	2.9
• Property, plant and equipment	—	0.4	4.4	5.4	23.8
• Goodwill and other intangible assets	—	—	—	3.0	0.0
• Dividends received	0.2	—	3.5	5.1	1.9
Net cash flow from investing activities	**169.9**	**45.4**	**301.7**	**-1,741.9**	**-320.9**

	Three months ended 31 March		Year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)				
			€ million		
Cash flow from financing activities					
Options issued / Share plans	0.3	—	0.8	0.5	0.0
Repurchased equity instruments	-0.7	—	—	-2.7	—
Equity instruments issued by subsidiaries	—	—	-27.3	-8.8	—
Other non-controlling interests	-1.9	-9.2	-8.7	6.5	1.1
Redemptions on subordinated loans	-0.1	-1.1	-3.1	-6.7	-4.1
Receipts on debt securities	498.0	31.3	522.8	204.3	1,930.6
Redemptions on debt securities	-33.0	-175.2	-1,110.5	-996.5	-625.3
Receipts on financial liabilities designated as at fair value through profit or loss	42.8	88.9	254.9	402.8	175.3
Redemptions on financial liabilities designated as at fair value through profit or loss	-31.8	-73.9	-153.6	-83.3	-25.2
Dividends paid	-5.8	-6.2	-23.8	-12.9	-2.8
Net cash flow from financing activities	**467.7**	**-145.6**	**-548.4**	**-496.7**	**1,449.6**
Net change in cash and cash equivalents and balances at central banks	**189.4**	**-82.4**	**-253.3**	**-864.1**	**315.4**
Cash and cash equivalents and balances at central banks at 1 January	868.7	1,121.9	1,121.9	1,986.0	1,670.6
Cash and cash equivalents and balances at central banks at 31 December	1,058.1	1,039.5	868.7	1,121.9	1,986.0
Additional disclosure					
Cash flows from interest received	126.1	170.2	523.5	725.6	792.3
Cash flows from interest paid	51.7	154.5	370.1	569.3	633.2

Selected Segmental Information

Van Lanschot uses the following segmentation: Private Banking, Asset Management, Merchant Banking, Other Activities ("**Other Activities**") and Corporate Banking. The Company's three primary operating segments – Private Banking, Asset Management and Merchant Banking – represent the majority of its financial results and financial position for the periods presented. In addition to the Corporate Banking activities, the "Other" segment presented in "*Operating and Financial Review*" is comprised of activities in the fields of interest rate, market and liquidity risk management, as well as the equity investments of Van Lanschot Participaties, Van Lanschot Chabot, the Company's non-strategic investments and one-off charges under the investment and cost reduction programme in 2013 and 2014.

Private Banking

	Three months ended 31 March		Year ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	(unaudited)				
			€ million		
Net interest income	39.4	38.0	158.1	161.6	152.5
Income from securities and associates	—	—	—	—	—
Net commission income	26.3	27.8	111.9	100.1	104.9
Result on financial transactions	0.3	0.6	1.8	1.6	1.3
Other income	—	—	—	—	—
Total income from operating activities	**66.0**	**66.4**	**271.8**	**263.3**	**258.7**
Staff costs	21.6	17.8	85.4	74.4	84.8
Other administrative expenses	14.2	7.1	39.6	41.7	35.2
Internal allocated overhead expenses[1]	18.2	34.1	113.3	107.7	109.5
Depreciation and amortisation	0.6	1.2	5.7	6.4	5.6
Impairments	-0.4	7.8	22.1	13.1	34.7
Total expenses	**54.2**	**68.0**	**266.2**	**243.4**	**269.9**
Operating result before tax	**11.8**	**-1.6**	**5.6**	**19.9**	**-11.2**
Income tax	2.9	-0.5	1.6	3.5	-2.9
Net result	**8.9**	**-1.1**	**4.0**	**16.4**	**-8.3**

Asset Management

	Three months ended 31 March		Year ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	(unaudited)				
			€ million		
Net interest income	—	—	—	—	—
Income from securities and associates	-0.2	0.1	0.3	2.6	—
Net commission income	21.6	20.0	82.7	81.4	75.9
Result on financial transactions	—	—	-0.1	—	-0.1
Other income	—	—	—	—	—
Total income from operating activities	**21.4**	**20.1**	**82.9**	**84.0**	**75.8**
Staff costs	8.6	8.3	30.2	31.1	31.3
Other administrative expenses	3.8	2.8	13.7	9.2	10.6
Internal allocated overhead expenses[1]	3.9	3.8	14.0	10.6	10.7
Depreciation and amortisation	0.1	—	0.1	0.0	0.1
Impairments	—	—	—	—	—
Total expenses	**16.4**	**14.9**	**58.1**	**51.0**	**52.7**
Operating result before tax	**5.0**	**5.2**	**24.8**	**33.0**	**23.1**
Income tax	1.3	1.2	6.2	9.3	8.2
Net result	**3.7**	**4.0**	**18.6**	**23.7**	**14.9**

Merchant Banking[2]	Three months ended 31 March		Year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)				
			€ million		
Net interest income	—	—	-0.3	2.8	2.4
Income from securities and associates	—	—	—	—	—
Net commission income	9.6	19.0	66.6	52.1	44.9
Result on financial transactions	0.4	0.4	3.4	6.3	2.8
Other income	—	—	—	—	—
Total income from operating activities	**10.0**	**19.4**	**69.8**	**61.2**	**50.1**
Staff costs	4.6	7.4	24.5	22.1	21.7
Other administrative expenses	1.9	2.0	8.0	6.7	2.6
Internal allocated overhead expenses[1]	2.2	2.4	8.8	6.8	11.7
Depreciation and amortisation	—	—	0.1	0.1	0.1
Impairments	—	—	0.1	2.0	1.4
Total expenses	**8.7**	**11.8**	**41.4**	**37.7**	**37.6**
Operating result before tax	**1.3**	**7.6**	**28.4**	**23.5**	**12.5**
Income tax	0.4	1.9	8.3	6.3	1.7
Net result	**0.9**	**5.7**	**20.1**	**17.2**	**10.8**

(1) As at 1 January 2016, the Company decided to amend the composition of certain operating segments in its accounts, to bring its IFRS reporting in line with its internal management reporting structure. The intent was to more accurately align each segment's reported costs with the actual costs incurred by that segment. See "*Operating and Financial Review—Results of Operations—Comparison of Results of Operations for the Three Months ended 31 March 2016 and the Three Months ended 31 March 2015—Other Administrative Expenses—Internal Allocated Overhead Expenses*". For reporting reasons, comparative figures have been restated for the years ended 31 December 2015, 2014 and 2013.

(2) As of 1 January 2016, the Kempen Dutch Inflation Fund product has been reclassified from the Merchant Banking segment to the Other segment in the Company's accounts, as it is managed by a team distinct from the Merchant Banking operations. For reporting reasons, comparative figures have been restated for the year ended 31 December 2015. Thus the years ended 31 December 2014 and 2013 reflect the inclusion of the Kempen Dutch Inflation Fund within Merchant Banking. See also "*Risk Factors—Van Lanschot is subject to risks relating to its Kempen Dutch Inflation Fund product*".

Selected Key Metrics

	As at or for the three months ended 31 March		As at or for the year ended 31 December		
	2016	2015	2015	2014	2013
	€ million, unless indicated				
Underlying result	**14.0**	**28.9**	**60.1**	**54.2**	**33.5**
Calculated on the basis of the following adjustments to net result					
• One-off pension gain[1]	—	—	—	72.7	—
• One-off charge on the sale of non-performing commercial real estate loans[2]	—	—	-23.2	—	—
• Tax effects[3]	—	—	5.9	-18.2	—
Net result	**14.0**	**28.9**	**42.8**	**108.7**	**33.5**
Underlying result per share (€)	—	—	1.26	1.09	0.71
Dividend payout ratio (of underlying result)[4]	—	—	35.8%	36.7%	28.0%
Efficiency ratio, excluding one-off gains and losses[5]	82.2%	66.0%	74.4%	69.8%	70.8%
Funding ratio[6]	91.9%	96.7%	94.1%	95.3%	81.3%
Risk weighted assets (€ billion)[7]	6.2	7.6	6.4	7.4	9.0
CET1 ratio (phase in)[8]	16.9%	14.2%	16.3%	14.6%	13.1%
Tier I ratio[9]	16.9%	14.2%	16.3%	14.6%	13.1%
Total capital ratio(10)	17.7%	14.9%	17.0%	15.2%	13.9%
Basel III					
CET1 ratio (fully loaded)[8]	16.4%	13.3%	15.4%	13.4%	10.5%
Liquidity coverage ratio(11)	146.7%	128.5%	139.5%	125.1%	151.3%
Net stable funding ratio(12)	118.6%	112.3%	118.1%	114.3%	102.9%
Leverage ratio (fully loaded)(13)	6.3%	5.7%	6.1%	5.3%	5.1%
Client assets (€ billion)	**64.3**	**62.5**	**62.6**	**58.5**	**53.4**
Comprised of					
• Savings and deposits (€ billion)[14]	9.3	10.5	9.6	10.5	10.2
• Assets under administration (€ billion)[15]	2.3	3.8	2.8	3.9	1.6
• Assets under management (€ billion)	52.7	48.2	50.2	44.1	41.6
Comprised of					
• Discretionary assets under management (€ billion)[16]	44.7	39.3	41.9	35.7	31.8
• Non-discretionary assets under management (€ billion)[17]	8.1	8.9	8.4	8.4	11.4
Return on average CET1 equity[18]	5.1%	9.4%	4.9%	4.0%	2.5%
Interest margin[19]	1.28%	1.20%	1.21%	1.19%	1.23%
Clean interest margin[20]	1.20%	1.16%	1.15%	1.15%	1.19%
Number of staff (FTEs)[21]	1,649	1,715	1,666	1,712	1,808

(1) In 2014, a new pension scheme was agreed 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, resulting in a one-off non-cash gain of €72.7 million which was reflected in the Company's consolidated statement of income as a non-recurring gain.

(2) One-off charge consists of losses recognised upon the sale of non-performing commercial real estate loans with a face value of around €400 million to a company affiliated to Cerberus Capital Management LP in 2015.

(3) Tax effects represents the statutory tax impact of 25% on the gross one-off amounts listed above.

(4) Dividend payout ratio is defined as dividend per share divided by the underlying result per share

(5) Efficiency ratio is defined as operating expenses as a percentage of income from operating activities, excluding one-off gains and losses reflecting the one-off pension gain, and the one-off charge on the sale of non-performing commercial real estate loans, as described above. The data underlying the efficiency ratio metric are thus adjusted figures which the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures.

(6) Funding ratio is defined as the Company's public and private sector liabilities as a percentage of its loans and advances to the public and private sectors (i.e. excluding the Company's liabilities due to banks and its assets to banks).

(7) Risk weighted assets are defined as the Company's assets after being adjusted by a weighting factor set by its regulators that reflects the relative risk attached to the relevant classes of asset. Risk weighted assets are used to calculate the minimum amount of capital the Company is required to hold.

(8) CET1 ratio is defined as the Company's Common Equity Tier I ratio based on full compliance with the Basel III Framework from 2014, with the ratio designated "(phase in)" based the gradual application of more stringent standards as to what capital qualifies as CET1, and the ratio designated "(fully loaded)" in full compliance with these more stringent guidelines, and including retained earnings

in respect of full year results only. Figures for 2013 are based on compliance with Basel II and the ratio itself is calculated as the Company's Core Tier I capital divided by its total risk weighted assets.

(9) Tier I ratio is defined as the ratio between total Tier I capital and risk weighted assets. Tier I capital 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.

(10) Total capital ratio is defined as a measure of the Company's capital adequacy calculated by dividing qualifying capital (the sum of total Tier I and total Tier II capital) by its total risk weighted assets.

(11) Liquidity coverage ratio is defined as the ratio between high quality liquid assets and the balance of anticipated cash outflows and cash inflows over a period of 30 days. As from 31 December 2015 the liquidity coverage ratio is calculated according to the Delegated Act with regard to the Liquidity Coverage Requirement for Credit Institutions of the European Commission, adopted on 10 October 2014. Before 31 December 2015, it was calculated according to the Bank for International Settlements standards.

(12) Net stable funding ratio is defined as the relationship between available stable funding and the required amount of stable funding. Available stable funding is defined as the portion of capital and liabilities expected to be available and not withdrawn over the coming year.

(13) Leverage ratio is defined as the relationship between total assets plus contingent items and the Basel III Tier I capital. The leverage ratio is calculated in accordance with the Delegated Act on the Leverage Ratio of the European Commission, adopted on 10 October 2014. Fully loaded indicates that it applies to all relevant capital.

(14) Savings and deposits represents public and private sector liabilities on the Company's consolidated balance sheet. Savings have no maturity date, deposits have a maturity date.

(15) Starting in 2015, Van Lanschot began to recognise assets under administration as distinct from assets under management. Assets under administration are assets entrusted by clients to Van Lanschot purely for custody or for which solely administrative services are performed. Clients for which Van Lanschot administers such assets make their own investment decisions, over which Van Lanschot has no influence. Comparative figures for 2014 and 2013 have been adjusted accordingly.

(16) Discretionary assets under management is defined as client assets entrusted to Van Lanschot under a discretionary management agreement, irrespective of whether these assets are held in investment funds, deposits, structured products or cash.

(17) Non-discretionary assets under management is defined as client assets held for clients, irrespective of whether these assets are held in investment funds, deposits, structured products 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.

(18) Return on average CET1 equity is defined as net result divided by the Company's core equity capital (i.e. excluding Tier II capital, such as preference shares or non-controlling interests) and as from 2014 is in compliance with the Basel III Framework, based on phase-in and including retained earnings. Figures for 2013 are based on compliance with Basel II. For the three months ended 31 March 2015 and for the three months ended 31 March 2016, the ratio is annualised.

(19) Interest margin is defined as interest income as a percentage of the twelve-month average total assets excluding non-strategic investments of generally greater than 50% ownership and which are therefore consolidated in the Company's statement of income, but are not held for strategic reasons and are therefore excluded from the Group's results to allow an assessment of the Company's core business. These investments are generally equity interests which are held as a result of loan for equity swaps in past periods. The data underlying the interest margin metric are adjusted figures the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures.

(20) Clean interest margin is defined as interest margin adjusted for interest equalisation and interest-related derivatives amortisation. Interest equalisation reflects, for bonds are acquired above par, the percentage above par that is capitalised and written off during the expected life time of the bond, which is recognised as interest income. The data underlying the clean interest margin metric are adjusted figures the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures.

(21) FTEs at period end, excluding non-strategic investments.

Changes to the Company's financial condition and results of operations over the period under review include:

- The Company's total income from operating activities was €123.5 million for the three months ended 31 March 2016, compared to €158.4 million for the three months ended 31 March 2015 and €561.1 million for the year ended 31 December 2015 compared to €566.2 million for the year ended 31 December 2014 and €551.2 million for the year ended 31 December 2013. The decrease for the first quarter of 2016 was primarily driven by the weak investment market, which had a negative impact on the value of AuM and therefore on commission income, whereas the stability over the previous years was driven by growth in commission income as a result of increased assets under management, particularly in Private Banking and increased Merchant Banking activity in the Company's target markets, offset by a drop in interest income resulting from the strategic wind down of the Corporate Banking loan portfolio in combination with a challenging low interest rate environment. Fluctuations in total income from operating activities were also due to the sale of a non-strategic investment in 2014, reflected in the line item "income from securities and associates" and resulting in decreased capital gains in 2015, offset in part by increased dividends from other non-strategic investments.

- The Company's staff costs were €57.8 million for the three months ended 31 March 2016, compared to €60.9 million for the three months ended 31 March 2015 and €233.7 million for the year ended 31 December 2015 compared to €151.7 million for the year ended 31 December 2014 and €239.7 million for the year ended 31 December 2013. The decrease in the first quarter of 2016 resulted primarily from a reorganisation in the Private Banking segment, resulting in a lower number of FTEs. A large part of the increase between 2014 and 2015 was attributable to the one-off net gain in 2014 resulting from changes to the pension scheme (which lowered staff costs) as

	well as higher staff costs at Merchant Banking in 2015 on the back of buoyant results, although these higher staff costs were partly offset by lower salary expenses due to reduced staffing at Private Banking and Corporate Banking. • The Company's other administrative expenses were €39.9 million for the three months ended 31 March 2016 and €40.2 million for the three months ended 31 March 2015 and €171.5 million for the year ended 31 December 2015 compared to €163.0 million for the year ended 31 December 2014 and €153.1 million for the year ended 31 December 2013. The increase in the Company's other administrative expenses during the period under review was a result of ongoing investments to upgrade IT and informational systems to improve client services, expand and market Evi offerings, integrate certain aspects of Van Lanschot and Kempen IT systems and to absorb the MN UK acquisition in the third quarter of 2015. • The Company's impairments were €3.8 million for the three months ended 31 March 2016, compared to €15.7 million for the three months ended 31 March 2015 and €61.9 million for the year ended 31 December 2015 compared to €95.5 million for the year ended 31 December 2014 and €105.1 million for the year ended 31 December 2013. The decrease across the period reflected the strategic wind down of the Corporate Banking loan portfolio including the sale of non-performing commercial real estate loans to a company affiliated to Cerberus Capital Management LP in 2015, which significantly reduced the volume of impaired loans, as well as a substantial fall in impairments on loans granted by Private Banking. • The Company's income tax was €3.9 million for the three months ended 31 March 2016, compared to €8.1 million for the three months ended 31 March 2015 and €11.5 million for the year ended 31 December 2015 compared to €24.8 million for the year ended 31 December 2014 and €3.9 million for the year ended 31 December 2013. The marked increase between 2013 and 2014 is attributable to a decline in the proportion of income governed by the equity holding tax exemption which is applicable to income (including any capital gains) from securities and associates held by Van Lanschot Participaties, which effectively increased the Company's tax rate, as well as, with respect to the quarterly figures, the lower level of gross result for the three months ended 31 March 2016. • The Company's net result was €14.0 million for the three months ended 31 March 2016, compared to €28.9 million for the three months ended 31 March 2015 and €42.8 million for the year ended 31 December 2015 compared to €108.7 million for the year ended 31 December 2014 and €33.5 million for the year ended 31 December 2013. The variance seen in the net result over the period is primarily attributable to a one-off pension gain recognised in 2014 (which lowered staff costs) and a one-off charge arising from the sale of non-performing real estate loans in 2015, as well as, lower gains and losses on the investment portfolio reported under result on financial transactions, partly offset by the lower additions to loan loss provisioning.	
B.8	**Pro forma financial information**	Not applicable. No *pro forma* financial information has been included in the Prospectus.
B.31-B.9	**Profit forecast or estimate**	Not applicable. The Company has not issued a profit forecast.
B.31-B.10	**Historical audit report qualification**	Not applicable. There are no qualifications.
B.31-D4	*See D4 below.*	
B.32	**Issuer of the depository receipts**	Stichting Administratiekantoor van gewone aandelen A Van Lanschot, a foundation (*stichting*) incorporated under the laws of the Netherlands, with its statutory seat in 's-Hertogenbosch, the Netherlands, and its registered office at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands.

Section C – Securities		
C.13-C.1	**Type, class, and security codes of the Ordinary Shares**	The offer securities are DRs representing Ordinary Shares in the share capital of the Company.
C.13-C.2	**Currency of the Ordinary Shares**	The Ordinary Shares are denominated in euro.
C.13-C.3	**Number of Ordinary Shares and value**	On the date of the Prospectus, a total of 41,091,668 Ordinary Shares are issued with a nominal value of €1 each.
C.13-C.4	**Rights attached to the Ordinary Shares**	The general meeting of the Company, being the corporate body, or where the context so requires, the physical meeting of that body shall hereafter be referred to as the "**General Meeting**". The Shares carry dividend rights. Each Share confers the right on the holder to cast one vote in the General Meeting. ***Issue of shares and pre-emptive rights*** Shares can be issued either (a) if and to the extent the management board (*bestuur*) of the Company (the "**Statutory Board**") has been designated by the General Meeting as the authorised corporate body to resolve to issue Shares, pursuant to a resolution by the Statutory Board, which resolution has been approved by the supervisory board (*raad van commissarissen*) of the Company (the "**Supervisory Board**") or (b) if and to the extent the Statutory Board has not been designated as the authorised corporate body to resolve to issue Shares, pursuant to a resolution by the General Meeting on a proposal to that effect by the Statutory Board, which proposal has been approved by the Supervisory Board. This also applies to the granting of rights to subscribe for Shares, such as options, but is not required for an issue of Shares pursuant to the exercise of a previously granted right to subscribe for Shares. A designation as referred to above will only be valid for a specific period of no more than five years and may from time to time be extended for a period of no more than five years. Upon issue of Ordinary Shares, each Shareholder shall have a pre-emptive right in proportion to the aggregate nominal amount of his Ordinary Shares. Shareholders do not have pre-emptive rights in respect of (a) the issue of Ordinary Shares (or the granting of rights to subscribe for Ordinary Shares) (i) against a contribution in kind, (ii) to employees of Van Lanschot or (iii) to persons exercising a previously-granted right to subscribe for Ordinary Shares and (b) the issue of Preference Shares. These pre-emptive rights also apply in case of granting of rights to subscribe for Ordinary Shares. Pre-emptive rights may be limited or excluded by a resolution of the General Meeting, upon a proposal of the Statutory Board, which has been approved by the Supervisory Board. The General Meeting may delegate this authority to the Statutory Board. A designation as referred to above will only be valid for a specific period of no more than five years and may from time to time be extended for a period of no more than five years (i.e. for the same period as the delegation of authority to issue shares). A resolution by the Statutory Board (if so designated by the General Meeting) to limit or exclude pre-emptive rights requires the approval of the Supervisory Board. On 19 May 2016, the General Meeting designated the Statutory Board as the body authorised, subject to the approval of the Supervisory Board, to issue Ordinary Shares, to grant rights to subscribe for Ordinary Shares and to exclude statutory pre-emptive rights in relation to such issuances of Ordinary Shares or granting of rights to subscribe for Ordinary Shares.

		Aforementioned authorisation of the Statutory Board is limited to 10% of the total nominal issued capital of the Company as at 19 May 2016, increased by an additional 10% of the issued capital as at 19 May 2016 if the issue takes place within the context of a merger or acquisition, and is valid for a period of 18 months after the date of granting of the authorisation, until 19 November 2018. In the event of an issue of Preference Shares, a General Meeting shall be convened, to be held not later than twelve months after the date on which Preference Shares were issued for the first time. ***Dividends and other distributions*** The payment of dividends may be limited, restricted or prohibited, including by the competent supervisory authority, if this measure is required or deemed required to strengthen Van Lanschot's capital in view of prudential requirements such as amongst other things the combined buffer requirements, additional capital requirements as a result of the Supervisory Review and Evaluation Process ("**SREP**"), the leverage ratio, minimum requirement for own funds and eligible liabilities ("**MREL**") and total loss-absorbing capacity (TLAC) requirements. In addition, any payment of dividends can only be paid out of distributable items as defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.
C.13-C.5	**Restrictions on free transferability of the Ordinary Shares**	There are no special restrictions in the Company's articles of association or Dutch law that limit the right of Shareholders who are not citizens or residents of the Netherlands to hold or vote on Ordinary Shares. Pursuant to the Foundation Articles, the Foundation may not dispose of or encumber the Ordinary Shares held by it, with the exception of transferring the Ordinary Shares to another foundation (*administratiekantoor*) or to a DR Holder.
C.13-C.6	**Listing and admission to trading of the Ordinary Shares**	Not applicable. The Shares are not listed or admitted to trading.
C.13-C.7	**Dividend policy**	The Company intends to pay an annual dividend that creates sustainable long-term value for its DR Holders. The reservation and dividend policy will be determined by the Statutory Board, subject to the approval of the Supervisory Board. The Company's dividend policy and the intended payment of dividends are without prejudice to the absolute discretion of the Statutory Board to elect not to make dividend payments or to make higher or lower dividend payments than previously indicated, and may be limited, restricted or prohibited, including by the competent supervisory authority, if this measure is required or deemed required to strengthen the Company's capital position. Any dividend proposal will take into account considerations including capital and liquidity requirements and other regulatory requirements or constraints, future income, profits, resources available for distribution, financial conditions, growth opportunities, the outlook of the Company's business, its short-term and long-term viability, general economic conditions and any circumstances the Statutory Board may deem relevant or appropriate. Considering the foregoing, and without prejudice to the fact that the Company is under no circumstances obliged to make distributions, the envisaged annual dividend pay-out ratio as at 2016 is targeted between 50% and 70% of the annual reported net results,

		subject to adjustment for selected one-off items. The Company checks whether the proposed dividend satisfies the European Central Bank's recommendation on dividend payment policies.
C.14-C.1	**Type, class and security codes of the Offer DRs**	The DRs are depository receipts each representing one Ordinary Share in the share capital of the Company with a nominal value of €1 each. ISIN: NL0000302636; symbol: "LANS"; Common code: 009878335
C.14-C.2	**Currency of the DRs**	The DRs are denominated in euro.
C.14-C.4	**Rights attached to the DRs**	***Economic rights*** As the legal holder, the Foundation will collect dividends and other distributions on the Ordinary Shares from the Company. In such case, under the DR Terms, the Foundation has the obligation to make a corresponding distribution on the DRs, without charging any commission or costs. If the Company makes a distribution in kind on the Ordinary Shares in the form of Ordinary Shares, the Foundation will make, to the greatest extent possible, a corresponding distribution to the DR Holders in the form of DRs. If the Company declares a distribution which is in cash or in kind, at the option of the Shareholder, the Foundation will enable each DR Holder to the greatest possible extent to make the same choice. The Rule Book of Euronext Amsterdam requires the Foundation to enable each DR Holder as much as possible to express his choice. If the Foundation, as the legal holder of the Ordinary Shares has a pre-emptive right on newly issued Ordinary Shares in the share capital of the Company, it will enable the DR Holders to exercise a corresponding pre-emptive right on DRs representing such newly issued Ordinary Shares. ***Governance rights*** As the Foundation is the legal holder of the Ordinary Shares, the voting rights attached to the Ordinary Shares legally vest in the Foundation. Pursuant to the Foundation Articles and the DR Terms, the Foundation shall at the request of DR Holders in all circumstances grant a power of attorney to the DR Holders to enable them to vote on, or otherwise exercise the rights attached to, the Ordinary Shares. The Foundation shall vote on, and exercise the other rights attached to, the Ordinary Shares for which no request to grant a power of attorney has been received. The Foundation shall exercise the rights attached to Ordinary Shares in such a way as to safeguard the interests of the DR Holders, taking into account the interests of the Company, the enterprise associated therewith and all parties concerned. A DR Holder may use the power of attorney to vote on the Ordinary Shares himself or may decide to grant the power of attorney (with or without voting instructions) to a third party. A DR Holder may also decide to request the Foundation to vote on the Ordinary Shares on his behalf (with or without an instruction with regard to the relevant matter). If the Foundation considers it appropriate to hear the view of the DR Holders on a certain subject, or if the approval of the meeting of holders of DRs, being the corporate body, or where the context so requires, the physical meeting of that body (the "**Meeting of DR Holders**") is required pursuant to the DR Terms, the Foundation shall convene a Meeting of DR Holders. In addition, one or more DR Holders, who solely or jointly represent at least one-tenth of the nominal value of the DRs issued, may request that a Meeting of DR Holders be convened, the request setting out in detail matters to be considered. A Meeting of DR Holders cannot be held in the eight weeks before the General Meeting of the Company.

		DR Holders have the right to attend the General Meeting and to speak at the meeting. The DR Holders also have the right to propose agenda items under the same conditions that apply to Shareholders. ***Other*** DR Holders are at all times entitled to convert the DRs into Ordinary Shares. At the request of the DR Holders, the Foundation shall transfer to the DR Holder Ordinary Shares with the aggregate nominal amount as the DRs to be converted. The Foundation will charge costs or fees for such transaction to the DR Holder.
C.14-C.5	**Restrictions on free transferability of the Offer DRs**	There are no special restrictions in the Company's articles of association, the Foundation Articles, the DR Terms or Dutch law that limit the right of DR Holders who are not citizens or residents of the Netherlands to hold DRs.
C.14	**Underwriting of the Offering**	The Offering is being underwritten by the Underwriters (as defined below).

Section D – Risks		
D.1/ D.4-D.2	**Risks relating to the Company's business and industry**	The following is a summary of selected key risks that relate to the Company and its business and industry. Investors should read, understand and consider all risk factors, which are material and should be read in their entirety, in "*Risk Factors*" beginning on page 27 of the Prospectus before making an investment decision to invest in the Offer DRs. **Selected Risks Relating to Van Lanschot's Business and Industry** • Van Lanschot's business, results of operations, financial condition and prospects are affected by the conditions and future prospects of the Dutch, European and global economic, business and capital markets environments. • The low interest rate environment has affected in the past and may continue to materially and adversely affect Van Lanschot's business, financial condition, results of operations and cash flows. • Adverse capital and credit market conditions may cause client fund outflow and impact Van Lanschot's ability to execute its strategy, access liquidity and capital, as well as the cost of credit and capital. • Van Lanschot has generated, and in the future may generate, lower income from commission and fees due to fluctuations in the financial markets and clients experiencing weaker than expected returns on their investments. • Van Lanschot's Asset Management and Private Banking segments may fail to sustain or increase its level of AuM. • Van Lanschot is exposed to the risk of damage to its brands and reputation which may cause business and deposit outflows. • Van Lanschot remains subject to the risk of cybercrime. • IT and other systems on which Van Lanschot depends for its day-to-day operations may fail and could contribute to a breach of regulations and other obligations. • Van Lanschot's risk management policies and guidelines may prove inadequate for the risks it faces.

		• Van Lanschot's counterparties may be unable to meet their financial or other obligations. • Van Lanschot is undertaking ongoing change in its business, and if it cannot adequately manage these changes, its operations will suffer. • Van Lanschot's results can be adversely affected by the uncertain future of the interdependency of the European market, the European Union and the Eurozone. **Selected Risks relating to the Regulatory Environment** • Van Lanschot is exposed to regulatory scrutiny and potential significant claims for violation of the duty of care owed by it to clients and third parties. A negative outcome of proceedings, settlements, action taken by supervisory and other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could substantially adversely affect Van Lanschot's business, reputation, results of operations, financial condition and prospects. • Van Lanschot operates in an industry that is highly regulated and subject to significant regulatory change, which could result in Van Lanschot's failure to comply with certain requirements or with significantly increased legal and compliance costs, and non-compliance could result in monetary and reputational damages, all of which could have a material adverse effect on Van Lanschot's business, financial condition and result of operations. • Van Lanschot is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and Van Lanschot may have insufficient capital resources or liquidity to meet these requirements. • Van Lanschot may be subject to the intervention and resolution powers under the Dutch Financial Supervision Act, the Bank Recovery and Resolution Directive and the SRM Regulation, which could have an adverse effect on Van Lanschot's business. • Major changes in laws and regulations and in their interpretation could materially and adversely affect Van Lanschot's business, business model, financial condition, results of operations and prospects.
D.5-D.3	**Risks relating to the Offer DRs and the Offering**	The following is a summary of the key risks that relate to the Offer DRs and the Offering. Investors should read, understand and consider all risk factors, which risk factors are material and should be read in their entirety, in "*Risk Factors*" beginning on page 27 of the Prospectus before making an investment decision to invest in the Offer DRs. • Provisions in banking laws and the structure with the Foundation Preference Shares may delay, deter or prevent takeover attempts that may be favourable to the Shareholders or DR Holders. • Several holders of (DRs representing) Ordinary Shares holding a substantial interest and/or the Foundation may influence the decision-making in the general meeting of the Company and the concentration of ownership may adversely affect the trading volume and market price of the (DRs representing) Ordinary Shares. • Future sales or the possibility of future sales of a substantial number of the Company's DRs could have an adverse effect on the price of its DRs.

		• The price of the Company's DRs may be volatile and may be affected by a number of factors, some of which are beyond Van Lanschot's control. • The Company may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings or DR holdings in the Company. • Holders of DRs representing Ordinary Shares outside the Netherlands may not be able to exercise pre-emptive rights in future offerings. • Dealings in the Shares and/or DRs may become subject to a financial transactions tax. • Payments on the Offer DRs could be subject to FATCA withholding tax after 2018. • The DRs may trade below the Offer Price and investors could lose all or part of their investment. • If closing of the Offering does not take place, purchases of the Offer DRs will be disregarded and Euronext Amsterdam may annul transactions that have occurred. • Investors with a reference currency other than the euro will become subject to foreign exchange risks when investing in the DRs.

Section E – the Offering		
E.1	**Net proceeds and estimated expenses**	The Selling DR Holders will receive the net proceeds from the Offering and, if the Over-Allotment Option (as defined below) is exercised, the net proceeds from the sale of the Additional DRs. The Company will not receive any proceeds from the Offering. The expenses related to the Offering will be paid by the Selling DR Holders and include, among other items, the fees due to the AFM and Euronext Amsterdam, the commission for the Underwriters and legal and administrative expenses, as well as publication costs and applicable taxes, if any. No expenses or taxes will be charged by the Company, the Selling DR Holders or the Underwriters to the purchasers in the Offering.
E.2a	**Reasons for the Offering and use of proceeds**	The Offering is part of the Selling DR Holders' broader plan of management actions and capital measures to ensure the Selling DR Holders' solvency position is strengthened as it transitions into the new Solvency II regime, effective from 1 January 2016. The proceeds received by the Selling DR Holders will be entirely at their disposal.
E.3	**Terms and conditions of the Offering**	**Offer DRs** The Selling DR Holders are offering up to 11,272,729 Offer DRs, (not including any Additional DRs) (as defined below). Assuming no exercise of the Over-Allotment Option (as defined below), the Offer DRs represent up to approximately 27.4% of the Company's issued share capital. The Offering consists of: (i) a public offering to certain institutional and retail investors in the Netherlands; and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer DRs are being offered and sold: (i) within the United States to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state

securities laws; and (ii) outside the United States in accordance with Regulation S under the US Securities Act. The Offer DRs have not been and will not be registered under the US Securities Act. The Offering is made only in those jurisdictions in which, and only to those persons to whom, the Offering may be lawfully made.

Over-Allotment Option

The Selling DR Holders have granted the Joint Global Coordinators (as defined below), on behalf of the Underwriters, an option (the "**Over-Allotment Option**"), exercisable within 30 calendar days after the date of the pricing statement in which the Offer Price and the exact number of Offer DRs offered in the Offering will be set out (the "**Pricing Statement**"), pursuant to which the Joint Global Coordinators, on behalf of the Underwriters (as defined below), may require the Selling DR Holders to sell at the Offer Price (as defined below) such number of additional existing DRs held by them, equalling up to 10% of the total number of Offer DRs (the "**Additional DRs**"), to cover short positions resulting from any over-allotments made in connection with the Offering or stabilisation transactions, if any.

Timetable

Subject to acceleration or extension of the timetable for, or withdrawal of, the Offering, the timetable below sets forth certain expected key dates for the Offering.

Event	Expected Date and Time	
Start of Offer Period	31 May 2016	8.00 CEST
End of Offer Period for Dutch retail investors	7 June 2016	17.30 CEST
End of Offer Period for institutional investors	8 June 2016	14.00 CEST
Expected pricing and Allocation	9 June 2016	
First day of trading after close of the Offer Period	9 June 2016	9.00 CEST
Settlement (payment and delivery)	13 June 2016	

Offer Period

Subject to acceleration or extension of the timetable for the Offering, prospective institutional investors may subscribe for Offer DRs during the period commencing at 8.00 CEST on 31 May 2016 and ending at 14.00 CEST on 8 June 2016 and prospective Dutch retail investors may subscribe for Offer DRs during the period commencing at 8.00 CEST on 31 May 2016 and ending at 17.30 CEST on 7 June 2016 (the "**Offer Period**"). In the event of an acceleration or extension of the Offer Period, pricing, allocation, admission and first trading of the Offer DRs, as well as payment (in euro) for and delivery of the Offer DRs, may be advanced or extended accordingly.

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer DRs arises or is noted before the end of the Offer Period, a supplement to this Prospectus will be published, the Offer Period will be extended, if so required by the Prospectus Directive, the Dutch Financial Supervision Act or the rules promulgated thereunder, and investors who have already agreed to purchase Offer DRs may withdraw their subscriptions within two business days following the publication of the supplement, provided that the new factor, material mistake or inaccuracy arose or was noted before the end of the Offer Period.

Offer Price and Number of Offer DRs

At the date of this Prospectus, the price of the Offer DRs (the "**Offer Price**") is expected to be in the range of €15.00 to €18.00 (inclusive) per Offer DR (the "**Offer Price Range**"). The Offer Price Range is indicative.

The Offer Price, which may be higher or lower than the Offer Price Range, and the exact number of Offer DRs will be determined on the basis of a bookbuilding process. The Offer Price and the exact number of Offer DRs offered in the Offering will be determined by the Selling DR Holders in consultation with the Company and the Joint Global Coordinators after the Offer Period has ended, taking into account the quoted DR price, prevailing market conditions, a qualitative and quantitative assessment of demand for the Offer DRs and other factors deemed appropriate.

The Offer Price and the exact number of Offer DRs offered in the Offering will be set out in the Pricing Statement that will be deposited with the AFM and published in a press release on the Company's website. Printed copies of the Pricing Statement will be made available at the Company's registered office address.

The Selling DR Holders, in consultation with the Joint Global Coordinators, reserve the right to decrease the number of Offer DRs being offered, and to change the Offer Price Range, prior to the allocation of the Offer DRs (the "**Allocation**"). Any such change in the number of Offer DRs being offered and/or the Offer Price Range will be published in a press release on the Company's website.

Subscription and Allocation

Eligible Dutch retail investors who wish to subscribe for Offer DRs should submit their subscriptions through their own financial intermediary. The financial intermediary will be responsible for collecting subscriptions from eligible retail investors and for submitting their subscriptions to Kempen & Co as the retail coordinator (the "**Retail Coordinator**"). The Retail Coordinator will consolidate all subscriptions submitted by eligible Dutch retail investors to financial intermediaries and inform the Joint Global Coordinators, the Company and the Selling DR Holders. All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the purchase of Offer DRs will be determined by the financial intermediaries in accordance with their usual procedures or as otherwise notified to the retail investors. Neither the Company, the Selling DR Holders nor the Underwriters are liable for any action or failure to act by a financial intermediary in connection with any purchase, or purported purchase, of Offer DRs.

Subscriptions by eligible Dutch retail investors for the Offer DRs can only be made on a market order (*bestens*) basis. Accordingly, eligible Dutch retail investors will be bound to purchase and pay for the Offer DRs indicated in their share application, to the extent allocated to them, at the Offer Price determined in accordance with the criteria set out under "—*Offer Price and Number of Offer DRs*" above, even if the Offer Price Range has been changed. Eligible Dutch retail investors are entitled to cancel or amend their application with the financial intermediary where their original application was submitted at any time prior to the end of the Offer Period (if applicable, as amended or extended), for any reason, including an upward amendment of the Offer Price Range. Such cancellations or amendments may be subject to the terms of the financial intermediary involved. See "—*Offer Period*" in relation to investor's rights to withdraw their acceptances if a supplement is published.

There will be a preferential allocation of up to 1% of the total number of Offer DRs (not including any Additional DRs) to eligible employees of Van Lanschot (the "**Preferential Employee Allocation**"). In addition, the members of the Company's executive board will subscribe for the Offer DRs at the Offer Price for an aggregate amount of €1,060,000. The subscriptions of the members of the Executive Board will be allocated in

full. Offer DRs subscribed for by and allocated to members of the Executive Board will be subject to a lock-up period of 12 months after the Settlement Date.

Allocation is expected to take place on the day of the closing of the Offer Period, expected on 8 June 2016 subject to acceleration or extension of the timetable for the Offering. Allocation of the Offer DRs to investors will be determined by the Selling DR Holders and the Company following recommendations from the Joint Global Coordinators.

Allocation to investors who subscribed for Offer DRs will be made on a systematic basis using both quantitative and qualitative measures. Nevertheless, other than in respect of the Preferential Employee Allocation and the Executive Board Participation, full discretion will be exercised as to whether or not and how to allocate the Offer DRs subscribed for. Investors may be allocated less than the Offer DRs which they subscribed for. There is no maximum or minimum number of Offer DRs for which prospective investors may subscribe and multiple (applications for) subscriptions are permitted. In the event that the Offering is over-subscribed, investors may receive fewer Offer DRs than they applied to subscribe for. The Company and the Selling DR Holders may, in consultation with the Joint Global Coordinators, at their own discretion and without stating the grounds therefor, reject any subscriptions wholly or partly.

The Joint Global Coordinators will notify investors or the relevant financial intermediary of any allocation of Offer DRs to them on the date of or immediately following Allocation.

Listing and Trading

The DRs, including the Offer DRs, are currently listed and trade on Euronext Amsterdam under the symbol "LANS". The ISIN (International Security Identification Number) is NL0000302636 and the common code is 009878335. Delivery of the Offer DRs will take place on the Settlement Date, which is expected to occur on or about 13 June 2016, through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment (in euro) for the Offer DRs in immediately available funds.

The closing of the Offering may not take place on the Settlement Date or at all, if certain conditions or events referred to in the Underwriting Agreement (as defined below) are not satisfied or waived or occur on or prior to such date. If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer DRs will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Offer DRs on Euronext Amsterdam may be annulled. All dealings in DRs prior to Settlement are at the sole risk of the parties concerned. The Company, the Selling DR Holders, the Underwriters and Euronext Amsterdam do not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transactions on Euronext Amsterdam.

Underwriting Agreement

The Selling DR Holders, the Company and the Underwriters (as defined below) entered into an underwriting agreement on or about 31 May 2016 with respect to the offer and sale of the Offer DRs (the "**Underwriting Agreement**").

Subject to the satisfaction of conditions precedent, the proportion of total Offer DRs which each Underwriter may severally be required to purchase is indicated below.

Managers	Percentage of Offer DRs
Goldman Sachs International	31.25%
UBS Limited	31.25%
ABN AMRO Bank N.V.	17.5%
Merrill Lynch International	15%
Kempen & Co N.V.	2.5%
Kepler Cheuvreux S.A.	2.5%
Total	100%

After the entering into of the Pricing Agreement, which is a condition for the obligations of the Underwriters under the Underwriting Agreement, and on the terms and subject to the conditions set forth in the Underwriting Agreement, the Underwriters will severally (and not jointly or jointly and severally) agree to procure purchasers for the Offer DRs or, failing which, to purchase themselves, and the Selling DR Holders will agree to sell the Offer DRs to purchasers procured by the Underwriters or, failing which, to the Underwriters themselves.

In the Underwriting Agreement, the Selling DR Holders and the Company have made certain representations and warranties and given certain undertakings. In addition, the Selling DR Holders will agree to indemnify the Underwriters against certain liabilities in connection with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are subject to the fulfilment, or discretionary waiver by the Underwriters of a number of conditions for the benefit of the Underwriters, including but not limited to (i) the absence of any material adverse change in Van Lanschot's business, (ii) receipt of opinions from legal counsels to the Company, the Selling DR Holders and the Underwriters, (iii) the execution of documents relating to the Offering, the AFM's approval of this Prospectus and such documents being in full force and effect, (iv) the entering into of the Pricing Agreement, and thereby the determination of the Offer Price and the exact number of Offer Shares (i.e. underwriting of settlement risk only), and (vi) certain other customary closing conditions. The Underwriters have the right to waive the satisfaction of any such conditions or part thereof.

Upon the occurrence of certain events, such as any of the conditions precedent not being satisfied or waived, a breach of representation, warranty or undertaking or otherwise of the Underwriting Agreement or a statement in this Prospectus, the Pricing Statement or any amendment or supplement to this Prospectus being untrue, inaccurate or misleading, the Underwriters have the right to terminate the Underwriting Agreement.

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International and UBS Limited are acting as joint global coordinators for the Offering (in such and any other capacity, the "**Joint Global Coordinators**"), and together with ABN AMRO Bank N.V. and Merrill Lynch International, as joint bookrunners for the Offering (the "**Joint Bookrunners**").

Co-Lead Managers

Kempen & Co and Kepler Cheuvreux S.A. are acting as co-lead managers for the Offering (the "**Co-lead Managers**").

		Underwriters The Joint Global Coordinators, the Joint Bookrunners and the Co-lead Managers are acting as underwriters (the "**Underwriters**"). **Retail Coordinator** Kempen & Co is the retail coordinator with respect to the Offering. **Stabilisation Agent** Goldman Sachs International is the stabilisation agent with respect to the Offer DRs on Euronext Amsterdam.
E.4	**Interests material to the Offering (including conflicts of interests)**	Certain of the Underwriters and/or their respective affiliates have in the past engaged, and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or the Selling DR Holders or any parties related to any of them, in respect of which they have received, and may in the future receive, customary fees and commissions. Additionally, the Underwriters and/or their respective affiliates may have held and in the future may hold, in the ordinary course of their business, the Company's securities for investment purposes. Kempen & Co is an Underwriter and also a subsidiary of the Company. As a result, these parties may have interests that may not be aligned, or could possibly conflict with the interests of investors. The Company is not aware of any potential conflicts of interest between the private interests or duties of each of the members of the Statutory Board and Supervisory Board on the one hand and the interests of the Company on the other hand. According to best practice provision III.6.3 of the Dutch Corporate Governance Code, the Company will report on conflicts of interest in its annual report.
E.5	**Name of entity offering the securities and lock-up arrangements**	***Company Lock-Up*** In connection with the Offering, the Company has agreed that, for a period of 90 days from the Settlement Date, it will not, except as set forth below, without the prior consent of the Joint Global Coordinators (acting on behalf of the Underwriters), which prior consent shall not be unreasonably withheld, (A) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of directly or indirectly, any DRs or Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, DRs or Ordinary Shares or other shares of the Company or file any registration statement under the US Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any DR, Ordinary Shares or other shares of the Company, whether any such transaction is to be settled by delivery of DRs, Ordinary Shares, in cash or otherwise; (C) publicly announce such an intention to effect any such transaction; or (D) submit to its shareholders, holders of DRs or any other body of the Company a proposal to effect any of the foregoing. The foregoing shall not apply to: (i) the granting of awards in options or DRs by the Company or the issuance of Ordinary Shares or DRs pursuant to employee incentive schemes disclosed in this Prospectus; (ii) in respect of executions of collateral made in the ordinary course of business in respect of client positions should such positions include DRs; or (iii) if the

		Company is required by the DNB or another regulatory authority to recapitalise on the basis of Directive 2013/36/EU, Regulation (EU) No 575/2013, Directive 2014/59/EU, or Regulation (EU) 806/2014, if applicable as implemented in Dutch law, or is required to take necessary measures to address breaches of requirements of Directive 2013/36/EU or Regulation (EU) No 575/2013 or to address evidence that the Company is likely to breach any requirements of Directive 2013/36/EU or Regulation (EU) No 575/2013. ***Selling DR Holders lock-up*** In connection with the Offering, each of the Selling DR Holders have agreed that, for a period of 90 days from the Settlement Date, it will not, except as set forth below, without the prior consent of the Joint Global Coordinators (acting on behalf of the Underwriters), which prior consent shall not be unreasonably withheld, (A) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any DRs, Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for DRs, Shares or other shares of the Company or request or demand that the Company file any registration statement under the US Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any DRs, Shares or other shares of the Company, whether any such transaction is to be settled by delivery of DRs, Shares or such other securities, in cash or otherwise; (C) publicly announce such an intention to effect any such transaction; or (D) submit to the Company's shareholders, holders of DRs or any other body of the Company a proposal to effect any of the foregoing. The foregoing shall not apply to: (i) the sale of the Offer DRs as set out in the Pricing Statement and the Additional DRs in the Offering; (ii) the lending of DRs to the Joint Global Coordinators (acting on behalf of the Underwriters) pursuant to the Share Lending Agreement; (iii) any transfer of DRs to any legal successors following a merger, liquidation, demerger or similar transaction, provided that such transferee shall continue to be bound by the foregoing restrictions for the remained of the lock-up period; (iv) any transfer of DRs following the acceptance of a public takeover bid in respect of the DRs; or (v) any transfer of DRs by each of the Selling DR Holders to their direct and indirect shareholders or subsidiaries, provided that each such transferee shall continue to be bound by the foregoing restrictions for the remainder of the lock-up period.
E.6	**Dilution**	None.
E.7	**Estimated expenses charged to the investor by the Company or offeror**	Not applicable. No expenses or taxes will be charged by the Company or the Underwriters to the purchasers in the Offering.

RISK FACTORS

Before investing in the Offer DRs, prospective investors should carefully consider the risks and uncertainties described below, together with the other information contained or incorporated by reference in this Prospectus. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, could have a material adverse effect on Van Lanschot, its business, results of operations, financial condition and prospects. In that event, the value of the Offer DRs could decline and an investor might lose part or all of his investment.

All of these risk factors and events are contingencies which may or may not occur. Van Lanschot may face a number of these risks described below simultaneously and one or more risks described below may be interdependent. Neither the numbering, which has been included to aid prospective investors when risk factors are referenced in other chapters of this Prospectus, nor the order in which risks are presented is necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the business, results of operations, financial condition and prospects of Van Lanschot. Van Lanschot determines on the basis of applicable accounting principles whether or not it needs to form a provision for threatened or ongoing proceedings. Unless mention is made of a provision having been formed, no provisions have been formed for threatened or pending proceedings described in this section.

The risk factors are based on assumptions that could turn out to be incorrect. Furthermore, although Van Lanschot believes that the risks and uncertainties described below are the material risks and uncertainties concerning Van Lanschot's business and the Offer DRs, they are not the only risks and uncertainties relating to Van Lanschot and the Offer DRs. Other risks, facts or circumstances not presently known to Van Lanschot, or that Van Lanschot currently deems to be immaterial could, individually or cumulatively, prove to be important and could have a material adverse effect on Van Lanschot's business, results of operations, financial condition and prospects. The value of the Offer DRs could decline as a result of the occurrence of any such risks, facts or circumstances or as a result of the events or circumstances described in these risk factors, and investors could lose part or all of their investment.

Prospective investors should carefully read and review the entire Prospectus and should form their own views before making an investment decision with respect to any Offer DRs. Furthermore, before making an investment decision with respect to any Offer DRs, prospective investors should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and/or tax advisers and carefully review the risks associated with an investment in the Offer DRs and consider such an investment decision in light of their personal circumstances.

Risks Relating to Van Lanschot's Business and Industry

1. Van Lanschot's business, results of operations, financial condition and prospects are affected by the conditions and future prospects of the Dutch, European and global economic, business and capital markets environments.

As a specialist wealth manager, Van Lanschot's business and performance are affected by the rate of wealth creation by its customers, which is in turn driven by global economic conditions and future economic prospects as well as regional economic conditions and economic prospects, particularly in the Netherlands, where a significant part of Van Lanschot's business is concentrated.

Weak macroeconomic conditions, recession, the implementation of austerity measures, along with global financial market turmoil and volatility, such as experienced in the recent financial crisis, have affected and may continue to affect wealth creation and therefore affect Van Lanschot's business, the commercial activity levels and behaviour of Van Lanschot's clients, as well as Van Lanschot's financial performance and profitability. External economic factors have in the past also affected and may continue to affect Van Lanschot's performance. These factors include consumer and government spending levels, government monetary and fiscal policies, inflation rates, credit spreads, currency exchange rates, the availability and cost of capital, market indices, investor sentiment and confidence in the financial markets, consumer confidence, the liquidity in financial markets, the level and volatility of equity prices, commodity prices and interest rates and real estate prices. The overall decline in investor confidence and economic activity during the 2008 financial crisis and subsequent recession resulted in, and in the event of similar future circumstances may again result in, higher levels of non-performing loans and loan loss provisions, and a decline in mortgage demand (within

the Private Banking segment), a reduction in commission and fee income within the Asset Management segment and Private Banking segment as a result of the market value in assets under management ("**AuM**") declining, and a reduction in the number of transactions executed for clients and the resulting fee and commission income within the Merchant Banking segment, any of which could contribute to a significant decrease in the Company's net result. Furthermore, other factors or events may affect wealth creation by negatively affecting Dutch, European and global economic conditions. These factors include the potential exit of countries such as Greece from the Eurozone, and the United Kingdom from the European Union, a sharp slowdown in China, deflationary pressures in a significant number of countries which have an impact on the global macroeconomic environment, a negative market reaction to (stronger than expected) interest rate increases by the United States Federal Reserve (the "**US Federal Reserve**") or other central banks, heightened geopolitical tensions, war, acts of terrorism, natural disasters or other similar events outside Van Lanschot's control. The Dutch economy has recovered steadily from the global economic downturn but continued growth is uncertain, and any of the above or other factors could contribute to a decline in investor confidence and economic activity.

In addition, through its Corporate Banking segment, Van Lanschot has exposure to small and medium business enterprises ("**SME**") and real estate-related loans in the Netherlands. Even after the wind down of the Corporate Banking loan portfolio is complete, it will continue to have such exposure through the SME loans and other private banking loans that Van Lanschot generated as a result of its Private Banking relationship model. As at 31 March 2016, the Private Banking book of other private banking loans was €2.3 billion. As a result of this exposure, and of the Company's portfolio of Dutch residential mortgages (which was €5.9 billion as at 31 March 2016), the Company's results are driven by the prevailing economic, political and social conditions in the Netherlands.

In recent years, up to 2015, the mortgage market for primary residences in the Netherlands has been subject to a decline in housing prices and major regulatory changes, which has in the past influenced, and may with any future changes and developments continue to influence, the volumes, margin and costs of the mortgage business. Future volatility in housing prices, regulatory developments and other market factors may also influence the volumes, margin and costs of Van Lanschot's mortgage loans. Since mortgages represent a significant percentage of the loans granted through the Private Banking segment, the health of the Dutch mortgage market may have an impact on the performance of Van Lanschot's Private Banking segment. In particular, the Dutch mortgage market is characterised by relatively high levels of mortgage debt, and loan-to-value ratios which frequently exceed 100%, leaving borrowers particularly exposed to any declines in property values. A downturn in the Dutch mortgage market due to macro-economic or other factors could result in margin pressure on residential mortgages granted by the Private Banking segment, and impede Van Lanschot's ability to securitise mortgages it has originated.

2. The low interest rate environment has affected in the past and may continue to materially and adversely affect Van Lanschot's business, financial condition, results of operations and cash flows.

The level of interest rates, which are dependent to a large extent on general economic conditions, affects Van Lanschot's results, particularly in its Private Banking segment, the remainder of its Corporate Banking segment and its investment and trading portfolio. In particular, fluctuations in interest rates have a direct effect on net interest income, which constitutes a significant element of Van Lanschot's revenue.

Since 2012, in response to concerns about Europe's sovereign debt crisis and slowing global economic growth, central banks around the world, including the European Central Bank (the "**ECB**"), the Bank of England, the Bank of Japan, the Bank of Australia, the Central Bank of Brazil and the Central Bank of China, and the US Federal Reserve have lowered interest rates to historically low levels. The result has been a low interest rate environment in the Netherlands, in Europe and globally which has maintained prevailing interest rates at or near zero for a substantial period of time. The ECB and certain other monetary authorities have recently instituted negative interest rates on reserves maintained by commercial banks with central banks. As a result, the Company and other financial institutions are subject to liquidity costs for these reserves, which are not likely to be fully passed on to customers in the form of zero or below zero interest rates on customer savings and deposits. At the same time, the relatively flat yield curve and the excess liquidity available in the market to lenders has generated an interest rate environment characterised

by very low investment yields on fixed-income securities, and very low levels of yield on duration risk taken on by lenders, for example on long-term fixed rate mortgage products which are now in significant demand from borrowers in the Netherlands and elsewhere. In addition, the low yield environment has resulted in an increase in the redemption of existing mortgages, and a period of "rate averaging" as well as an increase in competition in the market for Dutch mortgages from new entrants, which could result in lower margins on new mortgage production and could adversely affect the Company's net result, see "*—Van Lanschot's performance is subject to substantial competitive pressures across all of its business segments.*" The above factors have adversely affected, and are likely to continue to have an adverse effect on, Van Lanschot's net interest income.

The current environment of particularly low interest rates is resulting in interest-earning assets (in particular residential mortgage loans) generating lower yields upon origination or refinancing, and other loans and securities held in the investment portfolio also generating lower levels of interest income when compared to historical levels. In a period of changing interest rates, the Company's level of interest expense may increase more rapidly than the interest it earns on its mortgage loans and other assets. Unfavourable market movements in interest rates (for example a prolonged period of flatter than usual interest rate curves, a stronger than expected rise in interest rates, in certain circumstances negative interest rates, or an inverse yield curve) could materially and adversely affect earnings and current and future cash flows. Changes in interest rates may also negatively affect the value of Van Lanschot's assets and its ability to realise gains or avoid losses from the sale of those assets, all of which also ultimately affect net result. See *"—Van Lanschot is subject to risks relating to its Kempen Dutch Inflation Fund product*".

3. Adverse capital and credit market conditions may cause client fund outflow and impact Van Lanschot's ability to execute its strategy, access liquidity and capital, as well as the cost of credit and capital.

The capital and credit markets periodically experience volatility and disruption which may affect the availability and cost of borrowed funds, thereby impacting Van Lanschot's ability to fund its business, refinance liabilities and execute its strategy. Van Lanschot needs liquidity in its day-to-day business activities to pay its operating expenses and interest on its savings and deposits and other liabilities, as well as to refinance certain maturing liabilities. There is a risk that external funding sources might not be available or be available only on unfavourable terms, this, in turn, may limit Van Lanschot's ability to raise additional funding to support the execution of its strategy or to counter-balance the consequences of losses or increased regulatory capital requirements. The availability of additional funding will depend on a variety of factors including market conditions, the general availability of credit, the volume of trading activities, the volume of maturing debt that needs to be refinanced, the overall availability of credit to the financial services industry, Van Lanschot's credit ratings, credit capacity and reputation, as well as the possibility that clients or lenders could develop a negative perception of Van Lanschot's long- or short-term financial prospects. Similarly, Van Lanschot's access to funds may be limited if regulatory authorities or rating agencies take negative actions against it. In periods of liquidity stress, especially if severe or prolonged, Van Lanschot may need to raise additional secured funding, potentially at higher costs than is commercially attractive. Without sufficient liquidity, Van Lanschot's ability to execute its strategy may suffer and Van Lanschot may be forced to curtail its operations.

In particular, Van Lanschot relies on savings and deposits from high net worth individual clients in the Netherlands and Belgium to meet the majority of its funding needs. As at 31 March 2016, the total amount of Van Lanschot's savings and deposits amounted to €9.3 billion, or 65.3% of the Company's total liabilities, of which the significant majority represented savings. Such savings and deposits may be subject to fluctuation as a result of several factors, some of which are outside Van Lanschot's control. These factors include a loss of confidence in banks generally, or in Van Lanschot specifically, resulting in a significant outflow of, in particular, savings accounts (which can be withdrawn on demand) within a short period of time. An inability to maintain, or any material decrease in Van Lanschot's deposits could, particularly if accompanied by one of the other factors described above, have a material adverse effect on its ability to satisfy its liquidity needs.

Van Lanschot also relies, to a more limited extent, on the availability of wholesale funding (issued debt securities as presented on the balance sheet), raised mainly from various institutional investors. As at 31 March 2016, the Company's issued debt securities amounted to €3.0 billion, or 20.7% of the Company's total liabilities. The ability to fund Van Lanschot with wholesale funding may be hindered by various factors which sometimes are outside Van Lanschot's control, such as

changes in market conditions, investors deploying their funds into higher-yielding asset classes or investments and loss of confidence in banks generally, or in Van Lanschot specifically.

4. Van Lanschot has generated, and in the future may generate, lower income from commission and fees due to fluctuations in the financial markets and clients experiencing weaker than expected returns on their investments.

Income from commissions and fees is the Company's primary source of revenue. The Company's net commission income has increased compared to €233.3 million in 2013 (representing 42.3% of total income from operating activities), to €240.3 million in 2014 (representing 42.4% of total income from operating activities), and to €265.6 million in 2015 (representing 47.3% of total income from operating activities) and was €58.4 million in the three months ending 31 March 2016 (representing 47.3% of total income from operating activities). All three of the Company's primary operating segments generate significant fee and commission income, and each is subject to distinct risks:

- Private Banking – Commission income is generated in the Private Banking segment through securities commissions (being management fees and transaction fees) on discretionary management, investment advisory and execution only services on the AuM that are held and/or managed by Van Lanschot for individual clients. Management fees are generally calculated as a percentage of AuM, which varies based on product type, geographic market and other factors. Any decline in the performance of the underlying assets, and resulting decline in AuM, could lower the management commission income from the Private Banking segment.
- Asset Management – Commission income in the Asset Management segment is generally calculated as a percentage of AuM, which varies based on product type, geographic market and other factors. Weak investment performance in the financial markets could therefore adversely impact the value of the assets Van Lanschot manages for its clients, reducing commission income. In addition, clients experiencing weaker than expected returns on investments could result in substantial redemptions and outflows from Van Lanschot's clients' accounts, further reducing AuM and commission income. Moreover, in an environment of historically low interest rates, the resulting low base returns to clients have limited the commissions that Van Lanschot can charge on fixed income products.
- Merchant Banking – Commission income in the Merchant Banking segment is driven by corporate finance and equity capital markets commissions and brokerage commissions which are related to the transactions for which the Company offers specialist services. A decline in the number of corporate transactions could lead to a decrease in merchant banking transactions and thereby lower commission income. In addition, within its Merchant Banking segment, Van Lanschot has made the strategic decision to focus on niche segments, consisting of European real estate, European life sciences and healthcare and the Benelux market. This focused approach restricts the number of potential transactions that will result in commission income. A decline of transaction activity in one of the niche segments in which Van Lanschot is active could adversely affect the Merchant Bank segment and thus Van Lanschot's business, financial condition and results of operations.

In addition, Van Lanschot's fee rates across all operating segments are subject to significant competitive pressure. See "*—Van Lanschot's performance is subject to substantial competitive pressures across all of its business segments.*"

5. Operational risks are inherent in Van Lanschot's business.

Operational risks are potential financial losses as a result of inadequate or defective internal processes and systems, inadequate or incorrect human actions, or external events and fraud. Van Lanschot's businesses depend on the ability to process a large number of transactions efficiently and accurately, and to manage personal financial information on behalf of its customers. Each stage of each transaction is susceptible to errors and inaccuracies generated by operational failures. Operational incidents are classified using the framework of incident types as set out in the Basel guidelines. Such incidents may include external or internal fraud, disruption of infrastructure or technological system failures, failure of employees to comply with internal procedures, rules,

regulations or professional standards, customer service or transaction processing failures or public safety emergencies. Any failure by Van Lanschot to manage its operational risks can potentially result in financial loss, harm to Van Lanschot's reputation, interruptions in business operations, regulatory fines or other sanctions. Van Lanschot also faces the risk that the design and operating effectiveness of its controls, processes and procedures it has in place to control operational risk prove to be inadequate or are circumvented. Van Lanschot has experienced costs and losses from operational risks in the past and there can be no assurance that it will not suffer material losses from operational risks in the future.

6. Van Lanschot's performance is subject to substantial competitive pressures across all of its business segments.

There is high level of competition in the specialist wealth management products and services that Van Lanschot provides. Such competition is affected by consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. If Van Lanschot is unable to provide product and service offerings that are profitable and attractive to customers, it may lose market share, experience lower net results and higher costs, and have difficulties in executing its strategy across any of its segments.

Many competitors offer similar or comparable products to those offered by Van Lanschot's Private Banking segment. Successfully competing in the Private Banking industry requires increasing sophistication in order to address increasing regulatory requirements and operating costs. It also entails, among others, creating offers for clients that are becoming more service-oriented, more digitalised and online focused, and have access to a wider range of products to choose from in the market, as well as the successful hiring and retention of relationship bankers, see "*Industry—Competitive Dynamics—Private Banking*". Van Lanschot's competitors in the general wealth management market include established domestic and international financial institutions with significantly greater scale and resources than Van Lanschot as well as new market entrants. In addition, any loss of customer confidence in a product type offered by Van Lanschot could lead to lower levels of AuM, lower levels of originations of mortgages or other loans, lower income margins, lower levels of savings and deposits in the Private Banking segment, or contribute to withdrawals of savings and deposits, creating liquidity issues in Van Lanschot's funding base, which may cause Van Lanschot to experience limited growth, higher funding costs and lower net results.

The asset management industry is highly competitive and has only moderate barriers to entry. Within the Asset Management segment, Van Lanschot's main competitors are domestic and international asset management companies, insurance companies and financial services companies, many of which offer investment products similar to those of Van Lanschot. See "*Industry—Competitive Dynamics—Asset Management*". Competition in this industry is based on a number of factors including, but not limited to, investment performance, the level of fees, the quality and diversity of services and products, name recognition and reputation, the effectiveness of distribution channels, and the ability to develop new investment strategies and products to meet the changing needs of investors. Retail investors have numerous investment choices, aided by the increasing amounts of online investments available. In addition, the commissions charged by Van Lanschot to retail investors are generally required to be disclosed under applicable regulations, and the commissions charged to institutional investors are generally determined by competitive bidding. As a result, commissions in the asset management market have been subject to significant competitive pressure in recent years. Increased competition in the asset management segment, particularly when it leads to fee reductions on existing or new business, could cause the Company's AuM, revenue and net result to decline. In addition, both new domestic and international operators may enter the markets where Van Lanschot operates and thus intensify competition which could have a material adverse effect on Van Lanschot's business, results of operations, financial condition and prospects. In the event the asset classes favoured by investors in key markets are not those in which Van Lanschot has strong positions, the competitive position of Van Lanschot could be adversely affected, which could in turn reduce the Company's AuM as well as its net income.

The merchant banking sector is also highly competitive in the niche markets Van Lanschot focuses on, including European real estate, European life sciences and healthcare and the Benelux market. The Merchant Banking industry features many banks that offer services that are similar to those offered by Van Lanschot as well as a relatively high number of such client options and services, see "*Industry-Competitive Dynamics-Merchant Banking*". Because Van Lanschot's strategy is to offer

Merchant Banking services in selected niche markets and other European markets, Van Lanschot is often faced with the challenge of attracting new customers from established competitors in a concentrated environment. If Van Lanschot is unable to distinguish itself from competitors, this could have a material adverse effect on the Company's net result and income from operating activities.

7. Van Lanschot's Asset Management and Private Banking segments may fail to sustain or increase its level of AuM.

In 2015 the Company generated €265.6 million, or 47.3% of its income, from operating activities from net commission income, part of which is calculated as a percentage of the €50.2 billion AuM of funds managed within the Private Banking and Asset Management segments as at 31 December 2015. Van Lanschot manages open-ended funds, which allow investors to reduce the aggregate amount of their investment, or to withdraw altogether from such funds, without notice. Similarly, portfolio management mandates and fiduciary mandates (for Asset Management) and discretionary and advisory mandates (for Private Banking) can typically be reduced or cancelled on short notice. If markets are declining and/or the investment performance of Van Lanschot's products and third party products provided by it is seen as unsatisfactory, or if customers are dissatisfied with the quality of Van Lanschot's services (for instance, in respect of performance, reporting or compliance with client instructions), this could lead to significant AuM redemptions and withdrawals. In addition, the funds managed or provided by the Company could underperform the market or otherwise generate poor performance, undermining growth in AuM, negatively affecting net commission income as well as contributing to redemptions and withdrawals. Withdrawals of AuM would have an immediate impact on net commission income, and therefore income from operating activities and, depending on the extent of such withdrawals, could have a material adverse effect on the Company's results of operations. Van Lanschot's historical performance is not an indicator of the level of its future performance, and it may not be able to sustain successful performance over time. Results and performance levels in later periods may differ significantly from prior results and performance for various reasons (such as macroeconomic factors, performance of new funds compared with old funds, the departure of fund managers, market conditions and a lack of investment opportunities).

Van Lanschot manages assets for retail and institutional investors in a broad range of asset classes. Certain of these asset classes may be viewed more or less favourably by potential clients at different times and in different markets with different regulatory and fiscal frameworks. Moreover, the overall proportion of client assets across the asset management and private banking industry that is dedicated to actively managed funds of the type managed by Van Lanschot's Asset Management segment is decreasing in favour of passively managed funds such as index funds, trackers and other similar low-fee alternatives. See, "*Industry*". In addition, new asset classes and categories of actively managed funds may be developed by competitors, some of which might not be among the principal products offered by Van Lanschot.

To attract new investors to a recently created fund, Van Lanschot may invest in the fund using its own capital in the form of "seed money" to reach a critical mass of investment in the fund. Van Lanschot seeks to limit this practice as much as possible by divesting from the funds within a relatively short period of time after the creation of the fund. However, in the process of developing a new fund, Van Lanschot may fail to generate a return on its seed money. If these funds decrease in value while the seed money is still invested, the decline in the value of the fund may adversely affect the Company's business, reputation, financial condition, profitability and results of operations.

8. Van Lanschot is exposed to the risk of damage to its brands and reputation which may cause business and deposit outflows.

The integrity of Van Lanschot's brands, in particular its "Van Lanschot", "Kempen & Co", "Kempen Capital Management" and "Evi" brands, and reputation associated with these brands is critical to Van Lanschot's ability to attract and retain clients, business and employees. Van Lanschot's reputation could be damaged by factors such as negative publicity, poor investment performance, poor financial performance, litigation, regulatory action, employee misconduct, claims by former employees contesting grounds for dismissal or breach of applicable laws or regulations. The negative publicity associated with any of these and other factors could adversely impact Van Lanschot's relationships with existing and potential clients, third-party distributors and other business partners. Damage to the "Van Lanschot", "Kempen & Co", "Kempen Capital Management" and "Evi"

brands would negatively impact Van Lanschot's standing in the industry and result in loss of business in both the short and long term.

Failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities, increasing regulatory and law enforcement scrutiny of "know your customer", anti-money laundering, prohibited transactions with countries subject to sanctions, anti-bribery or other anti-corruption measures, anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the financial services industry, and litigation that arises from the failure or perceived failure by Van Lanschot to comply could result in adverse publicity and reputational harm (regardless of whether the allegations are valid or whether Van Lanschot is ultimately found liable), lead to increased regulatory supervision, affect Van Lanschot's ability to attract and retain clients and employees, result in reduced access to the capital markets, generate suits, enforcement actions, fines and civil and criminal penalties, or other disciplinary actions or have other material adverse effects on Van Lanschot in ways that are not predictable, see "—*Claims, investigations, litigation or other proceedings or actions may adversely affect the business, financial condition and results of operations of Van Lanschot*." Furthermore, any failure of Van Lanschot's information technology systems, loss of customer data or confidential information, or failure in risk management procedures could result in negative publicity. Van Lanschot handles sensitive and private information for its clients, and any breach in the integrity of the protection of this important data could therefore have repercussions in the reputation of the Company that could adversely affect the ability to retain clients, or attract new clients who may be reluctant to trust Van Lanschot with their private information. Furthermore, Van Lanschot's overall strategy may involve the discontinuation of certain services entirely, or to certain groups of clients, which may also negatively impact its relationships with certain clients and could result in negative publicity.

In addition, when Van Lanschot brings new financial products to the market, it may face claims of mis-selling if its marketing efforts fail to present a balanced view of the products, if such products or transactions do not generate the expected profit for its clients, or result in a loss, or otherwise do not meet expectations. Clients may allege that they have received misleading advice or other information from Van Lanschot. Complaints may also arise if clients feel that they have not been treated reasonably or fairly, or that Van Lanschot's duty of care has not been complied with. Van Lanschot's historic sales and "know your customer ("**KYC**")" practices, and its risk management, legal and compliance procedures to monitor current sales practices may fail to identify all of the issues associated with current and historic sales practices. The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and/or regulatory changes resulting from such issues could have a material adverse effect on Van Lanschot's reputation, operations and net result.

Any damage to Van Lanschot's reputation could cause its existing customers to withdraw their business or savings and deposits from Van Lanschot and potential customers to choose not to do business with Van Lanschot. Withdrawal of savings and deposits and reluctance to place new savings and deposits may limit Van Lanschot's funding and liquidity as well as ability to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. Furthermore, negative publicity could result in greater regulatory scrutiny and influence rating agency or market perception of Van Lanschot, which, among other factors, may make it more difficult for it to maintain its credit rating.

9. Van Lanschot remains subject to the risk of cybercrime.

Cyber security risks change rapidly and require continued focus and investment, particularly given the increasing sophistication and scope of potential attacks. Such attacks may take the form of identity theft, distributed denial of service ("**DDOS**") attacks, corporate espionage or financial fraud by employees, clients or third parties. Van Lanschot may fail to adequately manage its cyber security risk. Even if cyber security risk is adequately managed, a cyber-attack can take place and be successful, which could lead to breach of regulations, investigations and administrative enforcement by supervisory authorities, execution of unauthorised payments and/or securities transactions and claims that may materially and adversely affect Van Lanschot's business, reputation, results of operations, financial condition, prospects and position in legal proceedings.

Van Lanschot's clients are themselves subject to cybercrime in the form of phishing and malware. In case of phishing, a client is tricked into surrendering personal codes via social engineering. In case of malware, a client's computer is infected with a computer virus. Either form of

cybercrime may enable criminals to initiate fraudulent payments at the expense of clients. European law tends to hold the bank liable for any resulting losses unless it provides proof of intentional misconduct or gross negligence by the client, and as a result of cybercrime propagated against its clients Van Lanschot could face significant reputational damage, operational disruption and cost.

Individuals and groups, including organised crime, also regularly attempt to directly target financial institutions such as Van Lanschot via cyberspace to commit fraud or to gain access to information technology systems and personal data of clients and employees. Van Lanschot may also be subject to disruptions of its operating or information technology systems arising from such criminal acts, which may interrupt its provision of service to clients (for example, as a result of DDOS attacks). If successful, either eventuality could prove costly for Van Lanschot, as Van Lanschot may not be able to access data or operate its systems, recover data or establish that data is not compromised.

10. Van Lanschot's fiduciary management business provides services tailored to its clients and a failure to properly perform these services could have a material adverse effect on the Company's business, revenues, results of operations and prospects.

Van Lanschot offers a fiduciary service to clients, which provides a comprehensive asset management solution based on a client's specific objectives. Van Lanschot could fail to meet client expectations in respect of this fiduciary service and therefore may experience client outflow from certain and sizeable clients. Further, if Van Lanschot fails to meet its fiduciary responsibility in respect of asset allocation or advisory services, it could result in reputational damage which could in turn create a decline in AuM and in the Company's net result. See "*Business—Operational Segments—Asset Management-Services*".

11. Van Lanschot is undertaking ongoing change in its business, and if it cannot adequately manage these changes, its operations will suffer.

The Company has experienced significant change since its 2013 strategic review, as a result of which Van Lanschot has evolved from a universal banking model to become a specialist independent wealth manager while simplifying its organisation, focusing its product offering in selected niches and winding down the majority of its corporate loan book. As part of the strategic update presented on 26 April 2016, Van Lanschot announced an investment program of approximately €60 million for the period 2016 to 2019 to finalise the transformation of its IT landscape, to implement the omnichannel private banking service model and to further develop Evi. The digital transformation will be supplemented by changes to the set up of the Company's branch network. In addition, the Company's strategy is to expand its existing capabilities and distribution of the Asset Management segment to specific countries and client segments, with a focus on the UK, France and Germany. This results in ongoing change to its business, IT systems and operational processes.

The Company faces the risk that the pace and degree of change in its systems, operations and the services it offers will mean that its management and employees may not have the capacity to appropriately engage with all required change initiatives across the business as well as devote sufficient time to their normal activities. The Company may also not have, and may not be able to hire, employees with the skills required to implement all changes, which may result in delays to the implementation of changes or in higher costs than currently envisaged. Moreover, certain of the Company's management, technology and operations staff may lack capacity and time to adequately manage all critical issues, resulting in a focus on certain initiatives to the detriment of others. In addition, the pace of regulatory change in the financial services sector has been, and is expected to continue to be, rapid, while the impact and consequences of such change on the Company's operations and its level of risk may be difficult to anticipate. See "– *Risks Relating to the Regulatory Environment*".

12. Van Lanschot's business is concentrated in certain client segments, and its activities are less diversified than some other Dutch banks.

Van Lanschot is exposed to a certain degree of business concentration risk due to its focused niche strategy. Most of its Private Banking clients are based in the Netherlands and Belgium, its Asset Management business focuses on a limited number of strategies while the fiduciary activities target pension funds and insurers, and its Merchant Banking segment pursues a niche strategy aimed at certain industry sectors and the Benelux market.

The Private Banking segment is focused on entrepreneurs, business professionals and executives, medical professionals, foundations, charities, high net worth individuals and first-time investors in the wealth management market. These clients have, to a certain degree, similar socio-economic characteristics and they are therefore exposed to comparable macroeconomic, tax and other risks. In addition, within the Asset Management segment, a limited number of clients will continue to be significant to the Company in terms of AuM. In the Asset Management segment, Van Lanschot offers fiduciary services to pension funds, a market which has seen significant consolidation in recent years. If pension funds continue to consolidate, practical opportunities to service new clients in this business line will be limited, and the concentration risk to which Van Lanschot is exposed will increase. Similarly, the Merchant Banking segment's focus on European real estate, European life sciences and healthcare as well as the Benelux market exposes the segment to specific stresses faced by those industries and geographies. If any one of these niches experiences a sharp decline, it could negatively affect the income from operating activities generated from the Merchant Banking segment. As a result, Van Lanschot is less diversified in terms of business lines than some other Dutch financial institutions, limiting the potential client base for which Van Lanschot competes, leading to more vulnerability to adverse effects within those client groups and niches on its operating segments.

13. The default or perceived weakness of a major market participant could disrupt the markets in which Van Lanschot participates.

Within the financial services industry, the severe distress or default of any one institution (including sovereigns) could lead to defaults or severe distress by other institutions. Such distress or defaults could disrupt securities markets or clearance and settlement systems in the Netherlands, elsewhere in Europe, or globally, resulting in market declines or volatility. Such events could further contribute to a chain of defaults that could adversely affect Van Lanschot as well as the third parties upon which Van Lanschot relies for funding or for financial products, such as derivatives, and financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom Van Lanschot interacts on a daily basis. Concerns about the creditworthiness of an institution (or a default by any such entity) could contribute to significant liquidity and/or solvency problems in the market as a whole as commercial and financial soundness of many institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of liquidity or creditworthiness of, or questions about, a major sovereign or a significant market counterparty may lead to market-wide liquidity problems and losses or defaults by Van Lanschot or other institutions. Any failure or negative performance of competitors' products could lead to a loss of confidence in Van Lanschot's products, within the Netherlands or in Europe, or global markets more generally, irrespective of the performance of such products.

In Europe, systemic risk remains at an elevated level. High levels of sovereign indebtedness, low capital levels at many banks and the high interconnectivity between the largest banks and certain European economies are important factors that contribute to this systemic risk. In the Netherlands in particular, systemic risk may materialise due to the high loan-to-deposit ratio of the Dutch banking sector compared with other European banking sectors, which is in part caused by the fiscal treatment of residential mortgages in the Netherlands. The large sovereign debts and/or fiscal deficits of a number of European countries, as well as Japan and the United States have also raised concerns regarding the financial condition of financial institutions. In addition, systemic risk may materialise due to negative results of exercises similar to the recent asset quality review by the ECB and their adverse impact on banks' access to funding in wholesale markets.

Such conditions could have a material adverse effect on Van Lanschot's business, results of operations, financial condition and prospects. In addition, Van Lanschot's hedging and other risk management strategies, such as balance sheet asset-liability matching and interest rate management, may not be as effective at mitigating risks as such strategies would be under less distressed market conditions. This could potentially lead to a decrease of Van Lanschot's profitability, financial condition and financial flexibility.

14. IT and other systems on which Van Lanschot depends for its day-to-day operations may fail and could contribute to a breach of regulations and other obligations.

Van Lanschot's technological infrastructure is critical to the operations of Van Lanschot's business and the delivery of products and services to clients, including the ability to process and monitor a significant number of daily transactions. Van Lanschot's financial, accounting, data processing, regulatory reporting or other operating systems and facilities may fail to operate properly

or may become disabled, which may have an adverse effect on Van Lanschot's ability to process these transactions, provide services or conduct its operations. Any disruption in a client's access to account information or delays in making payments or carrying out client instructions may have a significant impact on Van Lanschot's reputation. These disruptions may lead to potentially large costs to both rectify the issue and an obligation to reimburse losses incurred by clients. Current and future laws and regulations may result in penalties and other sanctions for Van Lanschot in the event of a significant interruption in service or breach of data security, and may for example require Van Lanschot to pay compensation to affected clients. The failure to maintain infrastructure to support the size and scope of Van Lanschot's business, or the occurrence of a business outage or event outside Van Lanschot's control, could materially impact operations, resulting in disruption to the business. Van Lanschot could experience disruptions of its operating or information systems, arising from events that are wholly or partially beyond its control, including computer viruses, electrical or telecommunication outages, breakdowns in processes, controls or procedures, and operational errors, including administrative or recordkeeping errors or errors resulting from system failures, or from faulty computer or telecommunications systems. In addition, a breakdown or failure of Van Lanschot's information systems could affect its capacity to determine the net asset value of the funds it manages, expose it to regulatory penalties and claims from its clients, and affect its reputation. Even with the back-up recovery systems and contingency plans that are in place, Van Lanschot cannot guarantee that interruptions, failures or breaches in capacity or security of these processes and systems will not occur or, if they do occur, that they will be adequately addressed. Despite Van Lanschot's ongoing expenditures on its IT systems, there can be no assurance that these expenditures will be sufficient or that its IT systems will function as expected.

15. Van Lanschot and its management depend on the accuracy and completeness of information about clients and counterparties. If this information is unavailable, turns out to be materially inaccurate, incomplete, not up-to-date or evaluated wrongly this could materially and adversely affect Van Lanschot's business, financial condition, reputation or results of operations.

In the course of its business operations, Van Lanschot requires certain information from its clients to be able to set up client profiles and structure transactions properly, to comply with anti-money laundering, anti-bribery, tax and corruption laws or international sanctions requirements, and to prevent it from taking unnecessary commercial risks. For example, when deciding whether to extend credit to or enter into other transactions with clients and counterparties, Van Lanschot relies on information provided to it by or on behalf of clients and counterparties, including their financial statements and other financial information. Van Lanschot is subject to rules and regulations which require it to obtain information from its clients, for example to perform customer due diligence (including know your customer procedures) and to establish risk profiles. If the Company does not perform thorough due diligence or if the information that it receives or records is insufficient, inaccurate, not up-to-date or incomplete, it may take incorrect commercial decisions, offer unsuitable products, engage in incorrect commercial transactions such as over-crediting and incur risks that it is not aware of. This may also lead Van Lanschot to violate rules and regulations, for example if it does not identify that a client is subject to sanctions or if it sells a product that is not suitable for the client. It could also lead to the violation of its duty of care towards clients and third parties. In addition, incorrect or incomplete client or counterparty data could result in Van Lanschot supplying incorrect or incomplete information to supervisory and tax authorities or not supplying information in a timely manner.

If information about clients and counterparties is not available, turns out to be materially inaccurate, insufficient, not up-to-date or incomplete, this could lead to fines or regulatory action.

Furthermore, the failure to effectively measure and limit the credit risk associated with its guarantee and loan portfolio could have a material adverse effect on business, financial condition, results of operations and prospects. In addition, Van Lanschot may be unable to monitor its customers' actual use of the financing which Van Lanschot guaranteed or provided, or verify if its customers have other undisclosed private money or borrowings. Van Lanschot may not be able to detect its customers' suspicious or illegal transactions, such as money laundering activities, in Van Lanschot's business and it may suffer financial and/or reputational damage as a result.

16. Van Lanschot is subject to risks relating to its Kempen Dutch Inflation Fund product.

Van Lanschot's subsidiary Kempen & Co has created the Kempen Dutch Inflation Fund, an alternative fund that invests in leasehold contracts primarily in connection with Dutch residential real

estate to create an investment in long term inflation-linked cashflows. To date, this fund has not been placed with third parties and as a result the leasehold portfolio (valued at €187.3 million as at 31 March 2016) is on the balance sheet of Van Lanschot. In respect of this investment, Van Lanschot is exposed to, *inter alia*, changes in inflation, changes in real interest rates and prepayments in relation to the leaseholds. The counterparties to the leaseholds have a prepayment option which can be exercised from 2018 onwards. Given the decrease in the real interest rate over the last years, the counterparties to the leaseholds may exercise their prepayment option leading to a write-off of capitalised cash flows. Van Lanschot manages the interest rate and inflation risk as well as the prepayment risk primarily with derivatives. If these derivatives are not well managed or if actual prepayments exceed estimations, this could result in significant losses. In addition, the revaluation impact on the balance sheet value of the leasehold portfolio could be volatile under circumstances of extreme interest rates, with an impact on the consolidated statement of income. This impact on the consolidated statement of income and the revaluation risk is hedged with derivatives. The hedge could fail to mitigate the risk of any unanticipated changes to the assumed prepayment rates.

17. Van Lanschot may fail to achieve its strategic goals or its strategic targets.

Van Lanschot's ability to execute its strategy, as discussed further in "*Business—Strategy*", will depend on a variety of factors which are to some degree within its control, such as its ability to attract clients and investors and its skill in structuring and executing transactions, as well as factors outside of its control, such as global economic conditions, interest rates and demand for certain products. Van Lanschot cannot be certain that its strategy will be a success or whether it will meet its published targets.

Van Lanschot's business strategies are based on its assumptions about future demand for Van Lanschot's services. This future demand depends, among others, on Van Lanschot's ability to realign its product portfolio, innovate to keep up with changes in technology or the competitive environment, finalise the transformation of its IT landscape, finance its operations, maintain adequate customer service levels, respond to regulatory changes, and retain and attract highly skilled technical, portfolio management, relationship management, managerial, marketing, sales and finance personnel. Any failure to develop, revise or implement Van Lanschot's business strategies in a timely and effective manner or continue to offer the services that customers demand may adversely affect Van Lanschot's business, financial condition, results of operations and cash flows and may result in the requirement to write down the carrying value of goodwill and/or the deferred tax asset currently on the balance sheet of Van Lanschot. See "*Operating and Financial Review—Critical Accounting Policies and Judgments*".

Since the global financial crisis in 2008-2009, macroeconomic volatility has made it more difficult to predict gross domestic product ("**GDP**") development in many economies, resulting in frequent modifications to growth expectations published by economic research institutions, as well as in adjustments by market research specialists, sometimes giving rise to significant revisions to growth expectations for specific markets. As a result, many banks, including Van Lanschot, may find it difficult to accurately model and predict the prospects for their businesses, and set viable financial targets, and it may be difficult for investors to use historical financial information as an indicator for future results. Any failure by Van Lanschot to accurately predict the economic environment and the development of its business could lead to misjudgements as to the level of production capacities needed by it for its business, could increase the risk of failed investments and may materially affect its business, financial condition and results of operations.

18. The Company could experience a rise in provisions and loan impairment charges.

In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments and lower consumer spending, the demand for financial services is usually adversely affected, which, in the event of such a downturn, could result in an adverse effect on the value of Van Lanschot's assets, and the ability of its clients or counterparties to meet financial obligations. In such an environment, as clients are less likely to meet their financial obligations, the Company's provision and loan impairment could rise (causing a significant increase in the loan impairment charges the Company recognises) adversely affecting the Van Lanschot's net result.

Furthermore, Van Lanschot may be exposed to information asymmetries where Van Lanschot does not receive any information in relation to changes in a client's circumstances where there is no

immediate default or risk of default but which may cause the client to be unable to meet their financial obligations in the short and/or medium-term. In order to cover this information asymmetry a provision is made in the collective assessment incurred but not reported ("**IBNR**"). This IBNR is based on the multiplier of probability of default, exposure at default, loss given default and the loss identification period. In 2015, Van Lanschot's restructuring and recovery department implemented more stringent procedures and provisioning criteria, as well as an increasing emphasis on preventive and intensive management of such loans. By applying stricter provisioning criteria Van Lanschot classifies loans as non-performing sooner, such that provisions that are taken are typically smaller and this may lead to a decrease in the coverage ratio. However, there is no assurance that higher provisioning may not be required in the future.

19. Van Lanschot's derivative instruments may fail to manage its market risks successfully.

Van Lanschot employs various economic hedging strategies to mitigate the market risks that are inherent in its business and operations. These risks may include: currency fluctuations, the impact of interest rates, equity market fluctuations, credit spread changes and the occurrence of credit defaults. Van Lanschot seeks to manage these risks by, among other things, entering into a number of derivative instruments. These derivatives include interest rate derivatives, equity derivatives, currency derivatives and inflation derivatives.

Developing an effective strategy for managing Van Lanschot's market risk is complex, and no strategy can completely insulate it from risk. Van Lanschot's hedging strategies also rely on assumptions and projections regarding its assets, liabilities, general market factors and the creditworthiness of its counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, Van Lanschot's hedging activities may not have the desired effect on its net result or financial condition, and poorly designed strategies or improperly executed transactions could actually increase its risks and losses, such as credit value adjustment risks or unexpected profit and loss effects, and unanticipated cash needs to collateralise or settle such transactions.

Adverse market conditions can limit the availability and increase the costs of hedging instruments, and Van Lanschot may fail to recover such costs via pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations resulting in vulnerability on positions that are not collateralised. As such, Van Lanschot's hedging strategies may involve additional transaction costs, and if Van Lanschot terminates a hedging arrangement, it may also be required to pay additional costs, such as breakage costs. It is possible that there will be periods in the future during which Van Lanschot may incur significant losses on transactions after taking into account its hedging strategies.

Finally, Van Lanschot's hedging strategy relies on the assumption that hedging counterparties remain able and willing to provide the hedges required by its strategy. Increased regulation, market shocks, worsening market conditions (whether due to the ongoing market dislocation in the Eurozone or otherwise), and/or other factors that affect or are perceived to affect the financial condition, liquidity and creditworthiness of Van Lanschot may reduce the ability and/or willingness of such counterparties to engage in hedging contracts with it, affecting Van Lanschot's overall ability to hedge its risks and adversely affecting its business, financial condition, results of operations, liquidity and/or prospects. See "*Van Lanschot's counterparties may be unable to meet their financial or other obligations.*".

20. Van Lanschot may be unable to attract or retain key personnel.

The success of Van Lanschot's operations is dependent, among other things, on Van Lanschot's ability to attract and retain highly qualified professional personnel. Van Lanschot's ability to attract and retain key personnel, in particular members of senior management and employees who are qualified portfolio managers, private bankers, investment bankers, and product and sector specialists, as well as experienced support staff and IT professionals, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. In addition, Van Lanschot may be unable to attract or retain key employees to maintain an adequate level of operations in certain business areas that are being wound down, such as in respect of its Corporate Banking loan portfolio.

Van Lanschot's ability to attract and retain key employees is also dependent on its reputation, and its commitment to effectively managing career opportunities and executive succession, including

the development and training of qualified individuals. There can be no assurance that Van Lanschot will continue to be successful in its efforts to recruit and retain employees and effectively manage the progression of the careers of employees. If Van Lanschot is unable to or otherwise fails to do so, its ability to compete effectively and retain its existing clients may be significantly impacted.

As a part of the response of the European Commission (the "**European Commission**") and the Dutch government to the financial crisis in 2008, there have been various legislative initiatives, including, but not limited to, those set out in CRD IV Directive, the Guidelines on Sound Remuneration Policies and Practices published by the European Banking Authority (the "**EBA**"), the DNB Regulation on Sound Remuneration Policies (the "**DNB Regulation on Sound Remuneration Policies**") (*Regeling beheerst beloningsbeleid Wft 2014*) and the Act on remuneration policy for financial enterprises (*Wet Beloningsbeleid financiële ondernemingen*), to ensure that financial institutions' remuneration policies and practices are consistent with and promote sound and effective risk management. In addition, this legislation imposes restrictions on the remuneration of personnel, with a focus on risk alignment of performance-related remuneration. Although Van Lanschot has amended its remuneration policies and individual remuneration packages to comply with these restrictions, any strengthening of these restrictions or changes to the interpretation thereof will have an impact on Van Lanschot's existing remuneration policies and individual remuneration packages of personnel. In addition, these restrictions have also resulted, and may continue to result, in a shift within remuneration packages of certain key employees of part of their remuneration from variable to fixed compensation which could limit the ability of Van Lanschot to reduce staff-related costs in any period of lower net results.

21. Van Lanschot's risk management policies and guidelines may prove inadequate for the risks it faces.

Van Lanschot employs various quantitative models and tools to support its investment management processes, including those related to balance sheet management, portfolio management, risk assessment, trading and hedging activities and product valuations. Nonetheless, Van Lanschot's policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during periods of extreme market dislocation. The methods Van Lanschot uses to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historic experience. For instance, these methods may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately account for the impact of government interventions, stimulus and/or austerity packages, which increase the difficulty of applying past market behaviour to present risks. Other methods for risk management are based on evaluation of information regarding markets, clients or other information that is publicly known or otherwise available to Van Lanschot. Such information may not always be correct, complete, updated or correctly evaluated.

Van Lanschot has credit and counterparty exposure to multiple parties, and failure by Van Lanschot to create performing and adequate quantitative models and tools to manage its risk may have an adverse effect on its business. The creation of quantitative risk management tools and models may require significant investment to be made, and Van Lanschot may be unable to recover such costs. In addition, any errors in the underlying models, model assumptions or tools could have unanticipated and adverse consequences on Van Lanschot's business and results of operations.

Although Van Lanschot has adopted a risk management process and is constantly updating various controls, procedures, policies, systems and compliance policies (including the management of conflict of interests that may arise in the context of the operations of Van Lanschot) to monitor and manage risks on an ongoing basis, Van Lanschot cannot guarantee that such controls, procedures, policies and systems will successfully identify and manage external risks to its businesses.

22. Van Lanschot's businesses may be subject to losses from unforeseeable andlor catastrophic events.

Because unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, Van Lanschot's business operations may be subject to losses resulting from such disruptions, which may result from events that are wholly or partially beyond its control, such as acts of terrorism, fire, sabotage, extreme weather, riots, strikes, explosions, acts of war or other hostility. Losses from such events can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If Van Lanschot's business continuity plans do not suffice to

maintain its operations upon the occurrence of such events, Van Lanschot's financial condition could be adversely affected.

In addition, such events and responses thereto may create economic and political uncertainties, which could result in periods of high volatility and which could have a material adverse effect on Dutch, European and global economic conditions and global financial markets generally, and more specifically on the business and results of Van Lanschot in ways that cannot necessarily be predicted. Van Lanschot may be forced, legally or as a practical commercial matter, to bear the losses for damages that have been caused to clients and/or third parties.

23. Van Lanschot is subject to risks in respect of changes in foreign exchange rates.

The Company publishes its consolidated annual financial statements in euro and therefore is exposed to certain fluctuations in the foreign exchange rates used to translate other currencies into euros, which exposure the Company seeks to hedge by making use of foreign currency contracts and cross currency swaps. For example, certain transactions with clients of the Merchant Banking segment are denominated in US dollars. To the extent that currency fluctuations are insufficiently hedged, or if there is a default by a hedging counterparty, such events could affect the Company's reported financial condition, results of operations and cash flows. The Company is also exposed to foreign exchange risk through transactions executed in currencies other than the euro, which exposure the Company seeks to limit through foreign exchange instruments used to keep open currency positions within certain limits. To the extent that such currency positions are not adequately managed, such event could also affect the Company's reported net results. Van Lanschot is not only exposed directly to these fluctuations but it may also be affected indirectly, for example when clients suffer losses due to unfavourable foreign exchange movements or when the value of client collateral goes down as a result of market fluctuations.

24. Van Lanschot relies on third parties for certain key services, and these external providers may fail to deliver the contracted services, to deliver the services at an adequate and acceptable level, in a timely manner, or to comply with privacy rules.

Van Lanschot uses external providers for certain IT and operational services and is considering alternative ways for the administration and servicing of payments and mortgages such as partnerships, SaaS (Software-as-a-Service) solutions or outsourcing. Van Lanschot therefore strongly depends, and could increase such dependency in the future, on the services, products and knowledge of its key third party service providers including its information and communications technology, software providers and other service providers. Accordingly, Van Lanschot faces the risk that these third parties become insolvent, enter into default or fail to deliver on their contractual obligations or fail to adequately deliver the level of performance expected. Any such failure could cause an interruption in Van Lanschot's operations or a vulnerability in its IT systems, exposing it to operational failures, additional costs or cyber-attacks. Van Lanschot may need to replace a key supplier on short notice in order to resolve this potential problem, and the search for and payment of a new key supplier on short notice or any other measures to remedy such a potential problem could materially adversely affect the Company's business, financial condition and results of operations.

In addition, there can be no guarantee that the suppliers selected by Van Lanschot will be able to provide the functions for which they have been contracted, for example, as a result of failing to have the relevant capabilities, products or services or due to changed regulatory requirements. Because Van Lanschot is dependent on the cooperation and ability of third party software and information technology and other suppliers to support Van Lanschot's operations, it cannot be assured that all necessary upgrades will be made in a timely manner. Any failure of suppliers to deliver the contracted services or to deliver these services in compliance with applicable laws and regulations and at an adequate and acceptable level could result in reputational damage, claims, losses and damages and could adversely affect Van Lanschot's business, net result, financial condition and prospects.

25. Claims, investigations, litigation or other proceedings or actions may adversely affect the business, financial condition and results of operations of Van Lanschot.

Van Lanschot is involved in a number of proceedings and settlement negotiations that arise with customers, counterparties, current or former employees or others in the ordinary course of its business. Proceedings may relate to alleged violations of the Company's duty of care (*zorgplicht*)

vis-à-vis its (former) customers, the provision of allegedly inadequate investment advice or the provision of allegedly inadequate services, including in relation to the sale of interest rate derivatives. See "*Business-Legal and Arbitration Proceedings*" for an overview of the Company's current proceedings.

Dutch financial services providers are increasingly exposed to collective claims from groups of customers or consumer organisations seeking damages for an unspecified or indeterminate amount or involving unprecedented legal claims in respect of mis-selling or other violations of law or customer rights. These legal risks may involve disputes concerning products and services similar to those in which Van Lanschot acts as principal or intermediary. For example, public and regulatory attention has recently been drawn to the sale of interest rate derivatives to SMEs by Dutch financial institutions. Such derivative instruments have, as a result of the sharp fall in interest rates during the past few years, not generated the results expected and – in some cases – have caused losses to the business owners that purchased them. This development has received negative attention in the Dutch media, in Parliament and increased scrutiny from the AFM. Multiple lawsuits against various financial institutions, including class actions, in connection with these types of transactions are pending or have resulted in settlements or court decisions and administrative rulings. In addition, a number of Dutch banks including Van Lanschot is currently participating in the initiative of the Dutch Minister of Finance to create a uniform recovery framework. A panel of three independent experts has been instructed to reach an agreement with Dutch banks. The framework has been set up to allow for an efficient review of the relevant portfolio of each bank and a scheme for settlement of damages. Although no agreement has been reached yet, and the amounts of any such financial settlement, and the nature and extent or costs of any alternative client arrangements, remain uncertain, the costs of such settlement, if agreed, could be substantial and therefore have a material adverse effect on Van Lanschot's financial condition. Even if a recovery framework is agreed, SMEs may decide to not accept the compensation offered under the framework and initiate legal proceedings and to claim damages from Van Lanschot.

These risks are often difficult to assess or to quantify. It is difficult to predict the outcome of many of the pending or future claims, regulatory proceedings and other adversarial proceedings and whether they will involve Van Lanschot specifically. The costs and staffing capacity required to defend against future actions may be significant. Counterparties in these proceedings may also seek publicity, over which Van Lanschot will have no control, and this publicity could lead to reputational harm to Van Lanschot and potentially decrease customer acceptance of Van Lanschot's services, each regardless of whether the allegations are valid or whether Van Lanschot is ultimately found liable. In addition, Van Lanschot's provisions for defending these claims may not be sufficient and this may further affect business, financial condition and results of operations.

The outcome of any proceedings and settlement negotiations is difficult to predict and may have an adverse effect on Van Lanschot's business, financial condition and results of operations. Even if Van Lanschot is able to successfully defend against all claims, it could also suffer reputational damage and negative publicity as a result of the dispute.

26. Van Lanschot's counterparties may be unable to meet their financial or other obligations.

Third parties that owe Van Lanschot money, securities or other assets, may fail to pay or perform their obligations. These parties include the issuers and guarantors (including sovereigns) of securities that Van Lanschot holds, borrowers under mortgages and loans originated by the Company, as well as trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses, securities depositaries and other banks and financial intermediaries as well as suppliers. Severe distress or defaults by one or more of these parties on their obligations to Van Lanschot due to, for example, fraud, bankruptcy, lack of liquidity, macroeconomic or other market conditions, operational failure, or even rumours about potential severe distress or defaults by one or more of these parties or regarding the financial services industry generally, could lead to losses for Van Lanschot, and defaults by other institutions. In light of the high level of interdependence between financial institutions, Van Lanschot is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions. Van Lanschot routinely executes a significant number of transactions with counterparties in the financial services industry, resulting in daily settlement amounts and significant credit and counterparty exposure. As a result, Van Lanschot

faces concentration risk with respect to specific counterparties, and counterparty risk as a result of recent financial institution failures and weakness.

In addition, Van Lanschot is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations Van Lanschot holds could result in losses and/or adversely affect Van Lanschot's ability to re-hypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of certain of Van Lanschot's counterparties could also have a negative impact on its income and risk weighting, leading to increased capital requirements.

While in many cases Van Lanschot is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral it is entitled to receive and the value of pledged assets. Van Lanschot's credit risk may also be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to Van Lanschot, which can in particular occur during periods of illiquidity and depressed asset valuations, such as those experienced during the recent financial crisis. The termination of contracts and the foreclosure on collateral may subject Van Lanschot to claims for the improper exercise of its rights under such contracts. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

Any of these developments or losses could materially and adversely affect Van Lanschot's business, financial condition, results of operations, liquidity and/or prospects.

27. Van Lanschot is exposed to certain risks relating to the inflation rate in the Netherlands.

A sustained increase in the inflation rate, particularly in the Netherlands, would have multiple negative impacts on Van Lanschot. For example, a sustained increase in the inflation rate would likely result in an increase in market interest rates which could contribute to a decrease in the estimated fair value of certain fixed income securities Van Lanschot holds in its investment portfolios, resulting in lower collateral values and reduced levels of unrealised capital gains available to it which could negatively impact its solvency position and net result. In addition, higher rates of inflation would require Van Lanschot, as an issuer of securities, to pay higher interest rates on debt securities it issues in the financial markets from time to time to finance its operations, as well as on the savings and deposits Van Lanschot relies upon for a significant percentage of its funding, each of which would increase its interest expenses and reduce its net result.

In addition, a significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may therefore result in lower values for the equity securities Van Lanschot manages on behalf of its Asset Management and Private Banking customers, thereby reducing the value of AuM and reducing net commission income, as well as resulting in the write-down or impairment of the value of the unlisted equity securities Van Lanschot holds through Van Lanschot Participaties B.V. ("**Van Lanschot Participaties**") investment portfolio for its own account.

Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of clients, lead to client deposit outflows and may make client default more likely, all of which may therefore impact the Company's financial condition and results of operations.

28. Credit ratings are important to Van Lanschot's business, and downgrades, or potential downgrades, could have an adverse impact on its business, financial condition and results of operations.

A downgrade or a potential downgrade in Van Lanschot's credit ratings could have a material adverse effect on Van Lanschot's ability to raise additional funding, or increase the cost of additional funding, and could result in, amongst others, a loss of existing or potential business (including loss of funding due to withdrawals of customer savings and deposits which may require the sale of invested assets, including illiquid assets, at a price that may result in investment losses), lower AuM and commission income, and decreased liquidity, each of which could have a material adverse effect on Van Lanschot's business, revenues, results of operations, financial condition and prospects.

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. Van Lanschot's credit ratings are important to its ability to raise funding through the issuance of debt instruments and to the cost of its debt financing. In the event of a rating downgrade, or a negative change in outlook, Van Lanschot's cost of issuing debt will increase, increasing its interest expense and adversely affecting net results. Certain institutional investors may also be obliged to withdraw investments in such debt instruments from Van Lanschot following a downgrade, which could have an adverse effect on the instrument's liquidity and decreases Van Lanschot's ability to raise capital. Van Lanschot (via its subsidiary F. van Lanschot Bankiers N.V.) currently has a credit rating of BBB+ from Standard & Poor's Rating Services (the trading name of Standard & Poor's Financial Services LLC and its affiliate Standard & Poor's Credit Market Services Europe Limited) and BBB+ from Fitch Ratings Limited. Fitch Ratings Limited and Standard & Poor's Credit Market Services Europe Limited are registered Credit Rating Agencies in the European Union in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade, or a change in outlook, at any time.

As rating agencies continue to monitor Van Lanschot and other institutions in the financial services industry, it is possible that they will increase the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain rating levels. It is possible that the outcome of any such review of Van Lanschot would have additional adverse rating consequences, which could have a material adverse effect on Van Lanschot's results of operations, financial condition and liquidity. Van Lanschot may need to take actions in response to changing standards set by any of the rating agencies which could cause its business and operations to suffer. Van Lanschot cannot predict what additional actions rating agencies may take, or what actions Van Lanschot may take in response to the actions of rating agencies.

29. Van Lanschot is subject to changes in financial reporting standards or policies which could materially adversely affect the Company's reported results of operations and financial condition.

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), which is periodically revised, modified and subject to revised interpretive guidance. Accordingly, from time to time the Company is required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board ("**IASB**"). It is possible that future accounting standards which the Company is required to adopt, or as a result of choices made by the Company, could change the current accounting treatment that applies to its consolidated financial statements and that such changes could have a material adverse effect on the Company's reported results of operations and financial condition and may have a corresponding impact on capital ratios. In particular, the Company is currently evaluating the impact of IFRS 9 upon its financial position, and as a result of the full implementation of IFRS 9 from 1 January 2018, subject to EU endorsement, the Company is expected to be subject to significant adjustments in the measurement of financial instruments which could have an impact on the Company's balance sheet, its loan loss provisions and its consolidated statement of income.

30. Van Lanschot has in the past completed, and may going forward complete, acquisitions and divestments of activities. These can result in unforeseen costs or liabilities which could have a material adverse effect on Van Lanschot's business, financial condition and results of operations.

Van Lanschot may pursue add-on acquisitions and/or divestments of businesses, operations, assets and/or entities. Acquisitions and divestment transactions may involve complexities and time delays, for example in terms of integrating and/or merging businesses, operations and entities, and targeted benefits may therefore not be achieved or be delayed and additional costs may be incurred. Furthermore, Van Lanschot may incur unforeseen liabilities from former and future acquisitions and divestments.

31. The determination of the amount of allowances and impairments taken on Van Lanschot's assets requires the use of management judgment.

Van Lanschot's business requires management to apply judgment and assumptions which may prove incorrect. The determination of the amount of allowances, provisions and impairments under

the Company's accounting principles and policies with respect to certain assets vary by type and is based upon Van Lanschot's periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such judgments also apply to other financial items such as goodwill and deferred tax assets. In considering impairments, management considers a wide range of factors and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security or cash-generating unit and the prospects for near-term recovery. For certain asset classes, in particular in respect of loss provisioning for its residential mortgages and other loans, management's evaluation involves a variety of assumptions and estimates about operations and future earnings potential. The need for additional impairments and/or allowances may have a material adverse effect on the Company's consolidated results of operations and financial condition.

32. Van Lanschot's results can be adversely affected by the uncertain future of the interdependency of the European market, the European Union and the Eurozone.

Van Lanschot operates almost entirely in Europe, particularly in the Netherlands, Belgium and increasingly in the UK in connection with its fiduciary management operations, and its success is therefore closely tied to general economic conditions in these markets, which, in turn, are part of the European economy and the Eurozone. There remains concern regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. In addition, the actions required to be taken by those countries as a condition to rescue packages have resulted in increased political discord within and among Eurozone countries. The interdependencies among European economies and financial institutions have also intensified concern regarding the stability of European financial markets generally. These concerns could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the euro currency entirely. The legal and contractual consequences for holders of euro denominated obligations would be determined by laws in effect at such time. This could create significant uncertainties regarding the enforceability and valuation of euro denominated contracts to which the Company (or its counterparties) is a party. These potential developments, or market perceptions concerning these and related issues could adversely affect the value of Van Lanschot's euro denominated assets and obligations.

Furthermore, it is possible that the planned UK referendum (to be held on 23 June 2016) will result in the UK exiting the EU ("**Brexit**"). The implications of a Brexit are uncertain and could have an adverse impact with respect to the European integration process, the relationship between the UK and the European Union, and economies and businesses in the EU and the UK. Van Lanschot could be adversely impacted by related market developments such as increased exchange rate movements of the pound sterling versus the euro and higher financial market volatility in general due to increased uncertainty, any of which could affect the results of Van Lanschot's operations in the EU or the UK. Van Lanschot could also be adversely impacted should a Brexit result in the UK moving away from agreed and implemented EU legislation.

33. Defects and errors in Van Lanschot's processes, systems and reporting may cause internal and external miscommunication (including incorrect public disclosure), wrong decisions and incorrect reporting to customers. Should they occur, such events could harm Van Lanschot's reputation and could have a material adverse effect on Van Lanschot's business, revenues, results of operations and financial condition.

Defects and errors in Van Lanschot's financial processes, systems and reporting, including both human and technical errors, could result in a late delivery of internal and external reports, or reports with insufficient or inaccurate information. In Van Lanschot's current financial reporting, business units and legal entities do not always coincide. This increases the complexity of the financial reporting process, both within the business segments and legal entities, which in turn increases the risk of financial reporting errors. In addition, in recent years, the frequency, quality, volume, and complexity of the type of financial information that must be processed by Van Lanschot's financial reporting systems has increased, in part due to more onerous regulatory requirements. For instance, new reporting metrics (such as new reports under the CRD IV framework) are significantly more complex and require data on a more granular level than the financial information Van Lanschot's financial reporting systems processed in the past, and require a higher level of skill by Van Lanschot's employees.

Defects and errors in Van Lanschot's financial processes, systems and reporting could lead to wrong decisions in respect of, for instance, product pricing and hedge decisions which could materially adversely affect its business, revenues, results of operations and financial condition. In addition, misinforming customers, investors and regulatory bodies could lead to substantial claims and regulatory fines, increased regulatory scrutiny, reputational harm and increased administrative costs to remedy errors. In the event any such defects and errors occur, this could harm Van Lanschot's reputation and could materially adversely affect Van Lanschot's business, revenues, results of operations and financial condition.

Risks Relating to the Regulatory Environment

34. Van Lanschot is exposed to regulatory scrutiny and potential significant claims for violation of the duty of care owed by it to clients and third parties. A negative outcome of proceedings, settlements, action taken by supervisory and other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could substantially adversely affect Van Lanschot's business, reputation, results of operations, financial condition and prospects.

Pursuant to Dutch law, financial institutions in the Netherlands owe a duty of care (*zorgplicht*) to society due to their position in Dutch society (*maatschappelijke functie*) and their specific expertise. Financial institutions must therefore comply with duty of care rules, which include provisions on client classification, disclosure requirements and know-your-customer obligations. See "*Supervision and Regulation—Supervision of Banking Services and Activities—General—Duty of Care*" for an overview of the Dutch duty of care rules.

After the global financial crisis, the duty of care standards applicable to Dutch financial institutions have become more stringent as a result of new European and national regulations and resulting from a more expansive interpretation of existing rules and standards by courts and supervisory authorities. For example, financial institutions are required to provide elaborate disclosure to clients on services and products and to provide (potential) clients insight into the total costs of the relevant investment service and the total costs of the investment products on an aggregate level. Van Lanschot expects these trends to continue. As a result, the negative effect to Van Lanschot of non-compliance could be more pronounced in the future than a similar event of non-compliance would have had in the past.

Although in the past the duty of care was held to apply predominantly to a financial institution's retail and private banking clients, the application of this standard has on the basis of case law been extended more broadly for the benefit of commercial and professional parties and of third parties that suffer damages inflicted by clients of the financial institution. In these cases, courts held, for example, that in certain circumstances financial institutions may be expected to monitor activities of their clients, denouncing or even halting any suspected illegal activity. Over the last years a number of proceedings has been initiated by customers, counterparties, current or former employees or others in the ordinary course of its business against Van Lanschot for violation of the Company's duty of care related standards. See "*—Claims, investigations, litigation or other proceedings or actions may adversely affect the business, financial condition and results of operations of Van Lanschot.*" Also, a number of class action groups are actively soliciting plaintiffs for mass litigation proceedings, which consist of amalgamating the claims of all similarly-situated persons, and may also involve Van Lanschot. Mass litigation proceedings by virtue of their size are more likely to attract media and political attention and may result in reduced litigation costs for claimants, both of which may result in additional claimants coming forward.

A recent example of this development with a potentially sector-wide impact is the following. On 11 November 2015, a Dutch court ruled that the standard provision in documentation for EURIBOR-mortgages pursuant to which a Dutch bank (not related to Van Lanschot) could unilaterally amend the margin, charged to consumers, is considered to be unreasonably onerous (*onredelijk bezwarend*). This standard provision has been nullified as a result thereof. This verdict and other court verdicts in cases dealing with floating interest rates and margin adjustments on mortgage loans and other loans could have an impact on Van Lanschot's ability to adjust margin to reflect changing external circumstances to which Van Lanschot is exposed. Van Lanschot may no longer be able to pass on costs, make less or no profits, and be forced to pay compensation.

The developments and application of the duty of care remains a complex and evolving area of law and one which could have substantial consequences for Van Lanschot, including an increase in

regulatory enforcement and related fines, reputational damage, additional claims by customers and increased costs and resources for, among other things, the conduct of large volumes of litigation. Also, it cannot be excluded that additional sector-wide measures are imposed or expanded interpretations of existing requirements are adopted by supervisory authorities, the legislator or the courts, as applicable, that may have an adverse effect on Van Lanschot. All these developments may have a material adverse effect on Van Lanschot's business, reputation, results of operations, financial condition and prospects.

Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions relating to its duty of care may have a material adverse effect on Van Lanschot's business, revenues, results of operations, financial condition and prospects. A negative outcome of such claims and proceedings brought by customers or organisations acting on their behalf, actions taken by supervisory or governmental authorities against Van Lanschot and sector-wide measures could substantially affect Van Lanschot's business and, as a result, may have a material adverse effect on Van Lanschot's business, reputation, revenues, results of operations, solvency, financial condition and prospects. In addition, claims and proceedings may be brought against Van Lanschot in respect of products sold, issued or advised on by Van Lanschot in and outside the Netherlands with characteristics that are similar to characteristics of products offered by other financial institutions against which claims and proceedings are brought.

35. Van Lanschot operates in an industry that is highly regulated and subject to significant regulatory change, which could result in Van Lanschot's failure to comply with certain requirements or with significantly increased legal and compliance costs, and non-compliance could result in monetary and reputational damages, all of which could have a material adverse effect on Van Lanschot's business, financial condition and result of operations.

The business of Van Lanschot is highly regulated and supervised by several regulatory authorities. The Company's regulated subsidiaries are required to hold licences for their operations by authorities in the Netherlands (such as DNB and the AFM) and in all other jurisdictions in which they operate. Since 4 November 2014, F. van Lanschot Bankiers N.V. ("**Van Lanschot Bankiers**") and Kempen & Co N.V. ("**Kempen & Co**" and together with Van Lanschot Bankiers the "**Regulated Credit Institutions**") have also been subject to indirect supervision by the ECB under the new system of supervision, which comprises the ECB and the national competent authorities of participating EU Member States, the Single Supervisory Mechanism (the "**SSM**"). As a result, the ECB may give instructions to the Dutch Central Bank (*De Nederlandsche Bank*) ("**DNB**") or even assume direct supervision over the prudential aspects of the Regulated Credit Institutions' business. However, DNB remains responsible for the direct supervision of the Regulated Credit Institutions. The SSM may result in a change in the interpretation of regulations, an alignment of national legislative options and discretions and changes to the supervisory practice which could lead to more sanctions. Further, there could be an adverse change or increase in existing financial services laws, regulations or policies governing Van Lanschot's business, including changes in tax law. In addition, the interpretation or application of such laws, regulations or policies may adversely change. There are frequent investigations by supervisory authorities, both into the financial services industry and into Van Lanschot, which could result in governmental enforcement actions, fines, penalties, negative publicity or reputational damage.

In recent years, the cost of supervision of banks in general has increased significantly and is expected to increase further. Van Lanschot is a relatively small financial group compared to some of its peers and competitors, thus the increased costs required to meet changing legal and compliance requirements and the heightened duty to provide reports to regulators are relatively high and burdensome. In light of the responses to the global economic and financial crisis there is an increased emphasis on new regulations, including rules and regulations regarding capital requirements, resolution mechanisms and measures, liquidity, leverage and other factors (such as provision of financial services, tax compliance, anti-money laundering and otherwise) affecting banks such as the Regulated Credit Institutions. This new emphasis on regulations could adversely affect Van Lanschot by, for example, restricting the sale of the products and services it offers, or negatively affecting the performance of the products and services it offers. The Company's income from operating activities and costs, profitability and required regulatory capital could also be affected by an increase or change in the degree of regulation in any of the markets in which Van Lanschot operates. For example, bail-in regulations forcing write-down or conversion into equity of debt incurred by a failing financial institution put into resolution by a competent authority may increase interest on debt instruments

incurred by financial institutions generally and thus generally increase funding cost in the banking sector generally, or for the Regulated Credit Institutions specifically. See "*Risk Factors—Van Lanschot may be subject to the intervention and resolution powers under the Dutch Financial Supervision Act, the BRRD and the SRM Regulation, which could have an adverse effect on Van Lanschot's business*." Due to the highly complex nature of the regulatory environment in which Van Lanschot operates, it is likely to face higher costs to ensure that it is, and will continue to be, in compliance with all applicable laws and regulations at all times.

An example of increased regulatory scrutiny is the recent sector study of the Netherlands Authority for Consumers and Markets (*Autoriteit Consument & Markt*) (the "**ACM**") on the SME loan market. In this study published in June 2015, the ACM concluded that competition in the market for SME loans from banks is suboptimal and has decreased in the past few years. As a result, it is possible that sector-wide measures will be implemented to stimulate competition and reduce barriers to entry in the SME loan market, potentially resulting in a material adverse effect on the industry and therefore on the Regulated Credit Institutions. If Van Lanschot is unable to commit sufficient resources for regulatory compliance in response to any such measures, this could lead to delays and errors in ensuring compliance, and may force it to choose between prioritising compliance matters over support for commercial activities, or may ultimately force Van Lanschot to cease the offering of certain products or services.

If Van Lanschot is in breach of any existing or new laws or regulations, now or in the future, it will be exposed to the risk of intervention by regulatory authorities, including investigation and surveillance, and judicial or administrative proceedings. In addition, the reputation of Van Lanschot could suffer and it could be fined or prohibited from engaging in some of its business activities or be sued by clients if it does not comply with applicable laws or regulations.

Furthermore, by nature of their banking activities, the Regulated Credit Institutions service a higher number of clients with savings and deposits in excess of the current reimbursement limit of €100,000 of the Dutch deposit guarantee scheme (*depositogarantiestelsel*) ("**DGS**"). Such clients may be more likely to be affected and/or influenced by any measures taken in respect of such savings and deposits, which may include but are not be limited to the aforementioned bail-in measures and bank resolutions. These clients may decide to withdraw or decrease their savings and deposits with banks such as the Regulated Credit Institutions, which depend on such savings and deposits for a significant proportion of their funding. Any of the abovementioned circumstances could have a material adverse effect on the ability of banks such as the Regulated Credit Institutions to maintain or increase their current and future liquidity ratios and on their financial condition.

36. Van Lanschot is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and Van Lanschot may have insufficient capital resources or liquidity to meet these requirements.

Van Lanschot is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Specifically, the standards in the Basel III Framework are significantly more stringent than the requirements previously in force. CRD IV and CRR, in implementing the Basel III Framework, are intended to increase the quality and quantity of capital, and therefore require increased capital to be held. CRD IV and CRR also introduce requirements in respect of a capital conservation buffer, a counter-cyclical buffer, a systemic relevance buffer (consisting of a buffer for globally systemically important institutions ("**G-SIIs**") and a buffer for other systemically important institutions ("**O-SIIs**")), a systemic risk buffer, a new liquidity framework (liquidity coverage requirements and net stable funding requirements) as well as a leverage ratio. Defined as Tier I capital divided by the firm's total exposure measure, the leverage ratio requirement will be phased in gradually, and is expected to become a binding harmonised requirement on 1 January 2018. If the Basel III Framework is followed under CRR, the leverage ratio may not fall below 3%, though there is still uncertainty as to the exact percentage and the scope of the leverage ratio under CRR. With respect to the percentage, the Dutch government has announced that it wishes to implement a leverage ratio of at least 4% for significant Dutch banks. The Regulated Credit Institutions are currently not included in the Dutch government's list of significant banks, and therefore would not be subject to this 4% leverage ratio.

In addition, in December 2014, the Basel Committee published a public consultation regarding the introduction of capital floors based on standardised approaches as a result of which banks may be required to apply advanced approaches to risk categories by applying the higher of (i) the risk weighted assets ("**RWA**") floor based on (new) standardised approaches and (ii) the RWA based on

advanced approaches in the denominator of their ratios. Since then, the Basel Committee has published additional changes to the standardised approach for credit risk in December 2015 ("Revisions to the Standardised Approach for credit risk – second consultative document") as well as requesting consultation on proposals to reduce the variation in credit risk weighted assets that are calculated using internal models (F-IRB and A-IRB) and to impose floors on input parameters ("Reducing variation in credit risk-weighted assets – constraints on the use of internal model approaches", issued for comments in March 2016). The consultations are now closed. Although the timing for the adoption, content and impact of these proposals remains subject to considerable uncertainty, the implementation of the standardised RWA floors could have a significant impact on the calculation of Van Lanschot's risk weighted assets if differences occur in risk weighted assets calculated on the basis of advanced approaches and such calculation on the basis of new standardised rules.

There can be no assurance that, prior to its implementation, the Basel Committee will not amend the package of reforms described above. Regulatory reform proposals could result in the imposition of additional restrictions on Van Lanschot's activities if it were to no longer meet certain capital requirements at the level of the Company, or at the level of certain subsidiaries. Van Lanschot believes that it will become subject to stricter capital and liquidity requirements which may also affect the scope, coverage or calculation of capital, liquidity and risk weighted assets, all of which could significantly reduce the Company's income and require the Company to reduce business levels, to reduce or cease dividend payments, or to raise additional share capital. The quantitative impact of additional regulatory capital requirements is currently uncertain and will depend also on the future development of Van Lanschot's balance sheet and whether multiple or even all of the changes have negative consequences for the Company, or only a few.

Further, the European Commission, the EBA, the ECB, the Netherlands and/or DNB may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital and liquidity requirements on (a subset of) Dutch banks. Additionally, the revised accounting standard IAS 19R may lead to higher volatility in the Regulated Credit Institutions' Common Equity Tier I ("**CET1**") ratio in the future.

Van Lanschot uses internal models to assess the risks of its loan portfolio. These models are subject to regulatory approval, which can be withdrawn at the discretion of the DNB for instance, based on regulatory developments or the development of Van Lanschot's loan portfolio. A withdrawal of regulatory approval could have a significant impact on the risk weighted assets of the Company due to the substantial difference in risk weighted assets calculated on the basis of the internal models when compared to the outcome if such models are not available. See "*Risk Management*".

In addition, as part of the SREP, supervisory authorities may perform an analysis of the Regulated Credit Institutions' business model, arrangements, strategies, processes and mechanisms to form a view on its viability and sustainability. If necessary, they may take measures to address any problems and concerns including, among other things, requiring additional capital and/or liquidity buffers. Such measures may result in changes to the business plan and strategy, or require the Regulated Credit Institutions to reduce risks that are inherent in certain products by requiring changes to the offering of these products or improvements of the governance and control arrangements around product development and maintenance. They may also include measures to reduce risks inherent to the Regulated Credit Institutions' systems by requiring improvements of its systems. Any such measures may materially and adversely affect Van Lanschot's business and may force Van Lanschot to make substantial investments to meet the requirements. In addition, Van Lanschot may be subjected to SREP requirements imposed by DNB which may prohibit Van Lanschot from distributing more than the maximum distributable amount calculated in accordance with the Dutch CRD IV and CRR, or may require Van Lanschot to reduce or cease dividend payments.

If the regulatory capital requirements, liquidity restrictions or ratios applied to the Company are increased in the future, any failure of Van Lanschot to maintain such increased capital and liquidity ratios could result in administrative actions and/or sanctions, which may have an adverse effect on Van Lanschot's results of operations or financial condition.

In addition, Van Lanschot may need to raise new capital to meet higher regulatory capital standards, which may be dilutive of its net result in the three main segments of its business.

37. Van Lanschot may be subject to the intervention and resolution powers under the Dutch Financial Supervision Act, the BRRD and the SRM Regulation, which could have an adverse effect on Van Lanschot's business.

Under the Dutch Financial Supervision Act, the Dutch Minister of Finance (the "**Dutch Minister of Finance**") has the power to (i) commence proceedings leading to ownership by the Dutch State (nationalisation) of a given financial institution, or also of its parent company and expropriation of property and/or securities and (ii) take immediate measures which may deviate from statutory provisions or from the articles of association of the relevant financial institution (the "**Dutch Law Intervention Powers**") when the Dutch Minister of Finance, with a view to the stability of the financial system, is of the opinion that stability is in serious and immediate danger given the situation of the relevant financial institution. See "*Supervision and Regulation—Recovery and Resolution—Intervention Act*". Furthermore, governments in the Netherlands and abroad have also intervened in the banking sector over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets.

Pursuant to the Bank Recovery and Resolution Directive (the "**BRRD**") as implemented in the Dutch Financial Supervision Act, DNB, in its capacity as national resolution authority ("**NRA**"), has various resolution tools which include a sale of (part of) a business, an asset separation tool and a bail-in tool. See "S*upervision and Regulation—Recovery and Resolution—Pre-Resolution Measures and Resolution Measures*".

Van Lanschot is unable to predict what effects, if any, the Dutch Law Intervention Powers, the BRRD and Regulation (EU) No 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 ("**SRM Regulation**") may have on the financial system generally, on Van Lanschot's counterparties, or on Van Lanschot, its operations and/or its financial condition. The Dutch Law Intervention Powers, the BRRD and the SRM Regulation could negatively affect the position of holders of Shares ("**Shareholders**") and holders of DRs ("**DR Holders**") in the capital of the Company. See "*Supervision and Regulation—Banking Union—SRM*".

38. The Financial Stability Board and additional governmental measures may negatively affect Van Lanschot's results.

In addition to the adoption of the laws, regulations and other measures described herein, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the Financial Stability Board ("**FSB**"), consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. The FSB has developed proposals to enhance the total loss-absorbing capacity ("**TLAC**") of global systemically important banks in resolution. On 9 November 2015, the FSB issued the final TLAC standard (the "**TLAC Standard**") for global systemically important banks ("**G-SIBs**"). The TLAC Standard has been designed so that failing G-SIBs will have sufficient loss-absorbing and recapitalisation capacity available in resolution for authorities to implement an orderly resolution that minimises impacts on financial stability, maintains the continuity of critical functions, and avoids exposing public funds to loss. The TLAC Standard defines a minimum requirement for the instruments and liabilities that should be readily available for bail-in within resolution at G-SIBs, but does not limit authorities' powers under the applicable resolution law to expose other liabilities to loss through bail-in or the application of other resolution tools. Although the TLAC Standard will not be applicable to the Regulated Credit Institutions, there is a possibility that future capital and buffer requirements applicable to the Company will increase in order to be more in line with the TLAC Standard for G-SIBs and that as a result the Company may be required to strengthen its capital position. This may result in higher capital and funding costs for the Company, and as a result materially and adversely affect the Company's profits and its possible ability to pay dividends.

39. The Dutch Deposit Guarantee Scheme requires the payments of levies that may rise in the future.

In the Netherlands and other jurisdictions, deposit guarantee schemes and similar funds have been implemented to dictate which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against itself. In many jurisdictions these compensation schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. As a result of the increased number of bank failures, in particular since the fall of 2008, Van Lanschot expects that levies in the industry will continue to rise as a result of the compensation schemes. In particular, the Regulated Credit Institutions are participants in the DGS, which guarantees an amount of €100,000 per person, per bank (regardless of the number of accounts held). The ultimate costs to the industry of payments which may become due under the DGS remain uncertain although they may be significant and the associated costs to Van Lanschot may have a material adverse effect on its net result and financial condition.

As at 26 November 2015, the DGS was changed from an ex-post to an ex-ante scheme where banks pay risk- and volume-weighted contributions into a fund on a periodic basis rather than face charges when an actual insolvency event occurs requiring them to compensate the clients of the affected banks. The available funds in the DGS system will in principle need to be 0.8% of the amount of covered deposits held with the participating banks in 2024. See "*Supervision and Regulation—Recovery and Resolution—Deposit Guarantee Scheme*".

In addition to the DGS, the Regulated Credit Institutions must also contribute mandatorily to the European Resolution Fund ("**Single Resolution Fund**") which is also to be financed ex-ante from individual banking entities. Where the funds of the Single Resolution Fund are not sufficient to cover the losses, costs or other expenses incurred by the use of the Single Resolution Fund in resolution actions, extraordinary ex-post contributions from the participating banks may be raised to a maximum of three times the annual amount of the individual contribution. The contribution to the Single Resolution Fund is expected to increase in the years 2016 and 2017 and this calculation and raise of the contribution could serve to dilute the Company's net result and adversely affect the business of Van Lanschot. See "*Supervision and Regulation—Recovery and Resolution—Resolution Fund*".

Based on currently available information, the Company expects to incur €7 to €10 million in regulatory expenses, including mandatory contributions to the DGS and Single Resolution Fund, in 2016. The specific amounts of any such expense will be determined by further guidance from DNB, and such amounts could be significantly higher than projected.

40. Changed legislation applicable to mortgages in the Netherlands may have a significant impact on Van Lanschot's Private Banking mortgage business. This could materially and adversely affect Van Lanschot's business, financial condition, results of operations and prospects.

In the Netherlands, increasing restrictions apply to the principal residential mortgage loan market for consumers. The lowering of the maximum loan-to-value ratio on new residential mortgage originations to 100% as per 1 January 2018 is expected to put downward pressure on the total outstanding volume of mortgages in the Netherlands which could decrease the size of the mortgage portfolio of the Private Banking segment. In addition, since 2013, new mortgage loans must (in order for loan interest payments to be fully deductible from a borrower's taxable income) be redeemed fully (100%) during the term of the loan based on an annuity or linear scheme. For all mortgage loans, new and existing, tax deductibility will be gradually reduced in the next 28 years from a maximum of 52% to a maximum of 38%, which may reduce the Private Banking segment's mortgage portfolio. Furthermore, with a view to reducing the mortgage debt and loan-to-value ratio of home owners, the Dutch government has announced its intention to introduce an elevated gift tax exemption of €100,000 as of 2017. The fiscal incentive of the Dutch government to introduce an elevated gift tax exemption of €100,000 as of 2017 may also impact the Private Banking segment's mortgage book as clients could use these amounts for pre-payment on existing loans or use when buying a new house.

These increasing restrictions applicable to the mortgage interest relief by the Dutch tax authorities may, among other things, have a material adverse effect on house prices and the rate of economic recovery and may result in an increase of defaults. Moreover, the mortgage lending rules remain subject to political discussions and the outcome of these discussions cannot be predicted, the

benefits of the current tax treatment may be further restricted and additional changes may be implemented affecting, for example, mortgage loan requirements or lending criteria.

In addition, the Basel Committee recently identified reasons to further reinforce the risk-weighted capital framework for residential mortgages, both by applying updates to the calculation of and by possibly applying capital floors on each major risk category (credit risk, market risk and operational risk) which could have a significant impact on the calculation of the Private Banking segment's risk weightings, especially for exposures secured by mortgage on residential property.

As a result of the above changes to the mortgage lending rules and the restrictions on the mortgage interest relief, applicable to the principal residence mortgage market, Van Lanschot's principal residence mortgage business could be adversely affected. These measures might have a material adverse effect on the sale of the Private Banking segment's principal residence mortgage products and therefore on the aggregate loan portfolio of the Private Banking segment on the interest margins that it is able to earn on new and existing principal residence mortgages, as well as on the ability of its clients to pay amounts due in a timely manner and in full.

41. Major changes in laws and regulations and in their interpretation could materially and adversely affect Van Lanschot's business, business model, financial condition, results of operations and prospects.

Since 2009, as many emergency government programmes slowed or wound down, global regulatory and legislative focus has generally moved to a next phase of broader reform and a restructuring of financial regulation. Legislators and supervisory authorities, predominantly in Europe and in the United States but also elsewhere, are currently introducing and implementing a wide range of proposals that could result in major changes to the way Van Lanschot's operations are regulated and could have material adverse consequences for its business, business model, revenues, cost base, financial condition, results of operations, reputation and prospects. Van Lanschot may also be materially and adversely affected by changes in interpretation of existing rules, for example as a result of court judgments, or developing or changing views of regulators, tax authorities and other authorities on the application of rules. Changes in law also affect the business operations of Van Lanschot. Currently proposed or debated regulatory changes or other such changes that may be proposed and that take effect in the future are likely to have a material impact on Van Lanschot. In addition to the developments mentioned above, recent and ongoing prudential, conduct of business and more general regulatory and other legislative initiatives include:

EMIR. Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories ("**EMIR**") has introduced new requirements to improve transparency and reduce the risks associated with the OTC derivatives market. Some of these requirements have already entered into force, while others will do so in the future. As a result, counterparties that enter into derivative contracts subject to EMIR must report certain information on these contracts and their counterparties to a trade repository, and in addition apply risk mitigating techniques (including portfolio reconciliation, mark-to-market valuation, and margining, if applicable) for all OTC derivative trades that are not cleared by a central counterparty, and clear through a central counterparty OTC derivatives that are subject to a central clearing obligation set forth in EMIR. Van Lanschot has implemented the relevant EMIR requirements. See "*Supervision and Regulation—Corporate Banking—EMIR*"

MiFID II. MiFID II and MiFIR are intended to replace, extend and improve existing European rules on markets in financial instruments. It will give more extensive powers to supervisory authorities and introduce the possibility to impose higher fines in case of infringement of its requirements. Under MiFID II and MiFIR, rules on transparency and oversight of financial markets, including derivatives markets, will be extended to have a broader application. MiFID II seeks to strengthen investor protection by introducing additional organisational and conduct requirements. As MiFID II and MiFIR will significantly extend not only the scope but also the detail of existing regulations, Van Lanschot will have to review existing activities and, where necessary, may need to adjust the manner in which it operates. Van Lanschot is also likely to have to provide more information to their clients, such as about the costs and charges involved in providing investment services, and as a result could face significantly higher compliance costs and become subject to increasingly complex requirements. See "*Supervision and Regulation—Supervision of Banking Services and Activities—Private and Merchant Banking and Asset Management—MiFID, MiFID II, MiFIR, PRIIPS*".

PRIIPS. The PRIIPS Regulation requires a key information document to be provided when offering PRIIPS to retail clients. This document must include information on the features, risks and costs. The PRIIPS Regulation covers, among other products, insurance-based investment products, structured investment products and collective investment schemes. The PRIIPS Regulation will apply from 31 December 2016, and may represent increased compliance costs for Van Lanschot. See "*Supervision and Regulation—Supervision of Banking Services and Activities—Private and Merchant Banking and Asset Management—MiFID, MiFID II, MiFIR, PRIIPS*".

Mortgage Credit Directive. Van Lanschot expects that as a result of the implementation of the Mortgage Credit Directive into Dutch law, it will be required to amend certain procedures to meet the new requirements. See "*Supervision and Regulation-Supervision of Banking Services and Activities General—Private and Merchant Banking and Asset Management—Mortgage Lending*".

PSD II and Regulation on interchange fees. PSD II imposes additional requirements on Van Lanschot with respect to payment services in the EEA. The directive supports the emergence of new players and the development of innovative mobile and internet payments in Europe. Banks will be obliged to allow access to the accounts of their customers for so called third party payment services providers offering payment initiation services or account information services. These changes may force Van Lanschot to make substantial investments and expose it to more or intensified competition and an increased risk of fraudulent transactions. PSD II has been adopted by the European Parliament and the Council, Member States will have two years to implement the PSD II into national legislation. A new Regulation on interchange fees introduces maximum levels of interchange fees for transactions based on consumer debit and credit cards. As a consequence the income on card issuing activities may decrease. See "*Supervision and Regulation—Supervision of Banking Services and Activities—Private and Merchant Banking and Asset Management—Payment Services and Payment Accounts*".

Dutch banking tax. As of 1 October 2012, the Dutch government introduced a banking tax for all entities that are authorised to conduct banking activities in the Netherlands. The tax is based on the amount of the total liabilities on the balance sheet of the relevant bank as of the end of such bank's preceding financial year, subject to certain exceptions. The levy on short-term funding liabilities is currently 0.044% and the levy on long-term funding liabilities is currently 0.022%, but there is no guarantee that the tax will remain at those levels. Van Lanschot does not pay banking tax as its total assets are less than €20 billion, but the total asset threshold at which the banking tax is due could be lowered, exposing Van Lanschot to this tax in the future. Some other countries have also introduced a banking tax or similar taxes, including Belgium. The basis these countries use to levy this tax may vary. As a result, Van Lanschot may be subject to increased taxation or double taxation.

Financial transaction tax. In February 2013, the European Commission published a proposed Directive for a common Financial Transaction Tax ("**FTT**") to be implemented in 11 participating EU Member States, being Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the FTT-zone (the "**Participating Member States**", though Estonia has since stated that it will not participate). The proposed directive has a very broad scope. Under the proposed directive, the FTT could if introduced in the form proposed in February 2013, among other things, levy a tax on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the FTT-zone. A financial institution may be, or be deemed to be, established in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State. Following the Economic and Affairs Council ("**ECOFIN**") meeting which took place on 27 January 2015, ten of the Participating Member States signed a Joint Statement (the "**Renewed Joint Statement**") reaffirming their commitment, expressed in their joint statement issued in May 2014, to implement an EU FTT from 1 January 2016. While details as to the scope of any such tax are unavailable, the Renewed Joint Statement suggested that the FTT should be based on the principle of the widest possible base, but with lower rates than proposed in the original 2013 EC proposal. As of the date of this Prospectus, it has not been proposed that the Netherlands become a Participating Member State, and the FTT proposal remains subject to negotiation between the Participating Member States and may be the subject of further legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EEA Member States may decide to participate and/or certain of the Participating

Member States may decide to withdraw. If the FTT were to come into force and to the extent the FTT were to apply, Van Lanschot could incur significant additional costs. For the possible consequences for a holder of Shares or DRs in the Company, see "*Description of Share Capital*". Prospective holders of Shares or DRs are strongly advised to seek their own professional advice in relation to FTT.

FATCA. Under Sections 1471 through 1474 of the US Internal Revenue Code of 1986, as amended (the "**Revenue Code**") commonly referred to as the Foreign Account Tax Compliance Act ("**FATCA**"), a new reporting regime is imposed, which may lead to a compliance risk of the Company, and potentially a 30% withholding tax will be imposed on "passthru payments" made to certain non-US financial institutions that fail to provide certain information regarding their US accountholders and certain US investors to the US Internal Revenue Service ("**IRS**"). Some countries (including the Netherlands) have entered into, and other countries are expected to enter into, intergovernmental agreements ("**IGA**s") with the United States to facilitate the type of information reporting required under FATCA. IGAs will often require financial institutions in those countries to report some information on their US accountholders to the taxing authorities of those countries, which will then pass the information on to the IRS.

The Company is a financial institution for purposes of FATCA and the IGA between the United States and the Netherlands (the "**U.S.-Netherlands IGA**"). Van Lanschot has taken all necessary steps to comply with FATCA and any legislation implementing the U.S.-Netherlands IGA. If the Company or one of its subsidiaries is not FATCA compliant, Van Lanschot could face certain withholding penalties and this may also lead to reputational damage, regulatory fines, loss of market share, financial losses and legal risk.

Information exchange and reporting. There are various international and EU initiatives on automatic exchange of information such as the OECD Common Reporting Standard and the EU Directive on Administrative Cooperation in the field of Taxation (Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU). These initiatives, implemented on 1 January 2016, call on jurisdictions to obtain information from financial institutions such as Van Lanschot. The information so obtained will be automatically exchanged with other jurisdictions. These initiatives, implemented on 1 January 2016, will have considerable impact on client on-boarding and administrative processes of Van Lanschot. Increasingly, countries in which Van Lanschot operates request it to report information in greater detail than previously, which includes information related to deposits held, and dividends and interests received, by clients. The manner and detail of reporting requirements differ from country to country. Accordingly, an increasing number of requests are being made to Van Lanschot and entering into relationships with new clients is becoming more complex. Therefore, Van Lanschot may be required to make significant investments in money and time in order to be able to continue to operate in all countries where it has a presence. On 18 March 2015, the European Commission presented a package of tax transparency measures as part of its agenda to tackle corporate tax avoidance and harmful tax competition in the EU (the "**Tax Transparency Package**"). In this respect, on 6 October 2015, a political agreement was reached on the amendment of the EU Directive on mandatory automatic exchange of information in the field of taxation (Council Directive 2011/16/EU, as amended by Council Directive 2015/135/EU) with regard to the mandatory exchange of information on advance cross-border tax rulings, as well as advance pricing arrangements. The implementation of the Tax Transparency Package in its current form would have no impact on Van Lanschot. However, the Tax Transparency Package may be amended at a later stage and the consequences thereof at the date of this Prospectus are unknown. In addition, there are multiple other initiatives worldwide for multinationals to become more transparent to the relevant tax authorities and other initiatives may follow. It is unclear what the costs and impact on Van Lanschot's resources would be if such initiatives would be implemented.

Privacy and data protection legislation. The privacy and data protection laws to which Van Lanschot is subject could be amended in the future to impose greater obligations on data controllers, including Van Lanschot. For example, on 14 April 2016, the European Parliament adopted a regulation on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the "**General Data Protection Regulation**"), which, once entered into force on 25 May 2018, will be directly enforceable in each EU Member State in which the Company operates. The General Data Protection Regulation will replace the EU Data Protection Directive 95/46/EC and will impose a substantially higher compliance burden on the Company. The new regulation contains, among other things, high accountability standards for data controllers, stricter

requirements to providing information notices to and obtaining consent from individuals, restrictions on profiling of individuals, restrictions on the collection and use of sensitive personal data, compulsory data protection impact assessments of certain processing operations, and mandatory notification of data security breaches. Additional requirements to the content of data processing agreements could necessitate updating current outsourcing arrangements. The regulation provides for penalties for non-compliance, the maximum fine will be the greater of €20 million, or 4% of the violator's worldwide annual turnover.

In addition, on 6 October 2015 the European Court of Justice (the "**European Court of Justice**") ruled that the European Commission's safe harbour decision ("**Safe Harbour Framework**") for the transfer of personal data from the EU to the US (European Commission decision 2000/520/EC) is rendered invalid with immediate effect. The Safe Harbour framework contained conditions for the processing of personal data which, if adhered to by the US data recipient, permit transfers of personal data from the EU to the US. Van Lanschot has evaluated if it bases any transfer of personal data to the US on the Safe Harbour framework (including onwards transfers) in whole or in part, and has concluded no transfer of personal data is based on the former Safe Harbor Framework.

Dutch data protection law. The Act on Data Breach Notifications (*Wet Meldplicht datalekken en uitbreiding bestuurlijke boetebevoegdheid Cbp*) entered into force on 1 January 2016 and introduced a mandatory notification for security breaches of personal data that adversely affect the privacy or personal data of data subjects for all data controllers in the Netherlands and increased sanctions for violations of the Dutch Data Protection Act. Data controllers have to maintain an internal register recording all security breaches they experience. The act furthermore introduced the power of the APD to impose higher fines for violations of the Dutch Data Protection Act, up to a maximum of either €810,000 or 10% of the Company's annual net turnover per violation. See "*Supervision and Regulation—Dutch Data Protection Act*".

Dutch bill on processing of data related to safety and integrity of vital ICT systems and cyber security. On 19 January 2016, the Dutch government introduced a bill that would require the mandatory notification of serious security breaches in the key information and communication technology ("**ICT**") systems and provide the rules on processing of data related to cyber security (*Wet gegevensverwerking en meldplicht cybersecurity*) (the "**WGMC**"). The WGMC will be applicable to a wide range of sectors that have key ICT systems to manage their operations, including financial institutions and banks. The WGMC has been reviewed by the Council of State and is expected to be shortly introduced to Parliament. As of the date of this Prospectus, it is expected that the WGMC will come into force by the end of 2016. However, once adopted, compliance with cyber security and notification requirements of the WGMC could cause Van Lanschot to incur significant additional costs.

4th EU AML/CFT Directive. On 25 June 2015, Directive EU 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, entered into force, enhancing the existing EU measures to combat money laundering and the financing of terrorism. The provisions of the directive will need to be transposed into the national laws, primarily the Act for the Prevention of Money Laundering and Financing of Terrorism (*Wet ter voorkoming van witwassen en financieren van terrorisme*) and must be applied by 26 June 2017. Important changes in the EU requirements regarding anti-money laundering and the countering of the financing of terrorism (EU AML/CFT requirements) relate to additional requirements for identification and verification of the ultimate beneficial owner ("**UBO**"), introduction of a central UBO register, extension of the definition of politically exposed persons ("**PEPs**") to domestic PEPs and supervision of correct application of the directive outside the EU. The changes will have considerable impact on client on-boarding processes and may require re-papering of client files to meet the obligations throughout Van Lanschot's businesses.

For further information on laws and regulation to which Van Lanschot is subject, see "*Supervision and Regulation*".

The financial services industry continues to be the focus of significant regulatory scrutiny and the political climate often determines the supervisory authorities' agendas and focus points. This trend has accelerated markedly as a result of the recent financial crisis. This has led to a more intensive

approach to supervision and oversight, increased expectations, a sharp increase in the volume of new regulations and the pace at which they are issued, an increasing frequency and amount of data requests and visits from competent supervisory authorities and enhanced enforcement.

The timing and full impact of new laws and regulations, including the initiatives described above, cannot be determined yet and are beyond Van Lanschot's control. The introduction of these and other new rules, requirements, guidelines and/or policy changes, which sometimes have retroactive effect, could significantly impact the manner in which Van Lanschot operates, particularly in situations where regulatory legislation can interfere with or even set aside national private law, but also where regulatory legislation is inconsistent in its requirements applicable to Van Lanschot. Often, regulations use open standards as a result of which Van Lanschot has to form a view on how to implement or apply the regulations with the risk that a supervisory authority or court in the future finds that the implementation or application was incorrect. New requirements may materially and adversely affect Van Lanschot's business, capital and risk management strategies and may result in Van Lanschot deciding to raise capital, reduce or eliminate its dividend, modify its legal entity structure, capital and funding structures and business mix or to exit certain business activities altogether or to determine not to expand in certain business areas despite their otherwise attractive potential. In addition, interpretation of requirements by supervisory authorities and courts may change over time. Major changes in laws and regulations and interpretations, including by EBA, could materially and adversely affect Van Lanschot's business, business model, financial condition, results of operations and prospects.

The large number of legislative initiatives requires constant attention from Van Lanschot's senior management and consumes significant levels of resources to identify and analyse the implications of these initiatives. Van Lanschot may have to adapt its strategy, operations and businesses, including policies, procedures and documentation, to comply with the requirements stemming therefrom. Especially in view of the volume of existing initiatives, it cannot be guaranteed that certain new requirements will be implemented timely or implemented without errors, resulting in non-compliance and possible associated negative consequences. Additionally, Van Lanschot may be forced to cease to serve certain types of clients or offer certain services or products as a result of new requirements. Finally, these changes could be a significant burden on Van Lanschot's IT systems and financial means, as a result of which it may be forced to spend less time and money on business development necessary to achieve its strategic goals.

When expanding its business to other jurisdictions or offering new products in jurisdictions in which Van Lanschot is already active, Van Lanschot may become subject to additional legislation and regulatory requirements. As a result, keeping ahead of requirements is in practice more difficult. The local businesses will not only need to comply with the local laws and regulations, but also with certain laws and regulations with worldwide application, including certain European legislation and the FATCA regime. See "*Supervision and Regulation—International Regulation—FATCA*".

Risks Relating to the (DRs representing) Ordinary Shares

42. Provisions in banking laws and the structure with the Foundation Preference Shares may delay, deter or prevent takeover attempts that may be favourable to the Shareholders or DR Holders.

Certain banking laws and regulations to which Van Lanschot is subject prohibit an entity from acquiring control of among others a bank or investment firm without the prior approval from the ECB (if it concerns a bank) or DNB (in other cases) before it can hold, acquire or increase a qualifying holding, or exercise any voting power in connection with such holding. A 'qualifying holding' is a direct or indirect holding of 10% or more of the issued share capital of an enterprise, or the ability to exercise directly or indirectly 10% or more of the voting rights in an enterprise, or the ability to exercise directly or indirectly a comparable degree of control in an enterprise. See "*Supervision and Regulation—Sound and Controlled Business Operations—Structural Supervision*".

Stichting Preferente aandelen C Van Lanschot (the "**Foundation Preference Shares**") has been granted a call option by the Company. On exercise of the call option, the Foundation Preference Shares is entitled to acquire Preference Shares from the Company up to a maximum corresponding with 100% of the issued share capital of the Company excluding the Preference Shares as outstanding immediately prior to the exercise of the call option, less one Share, from which maximum any Preference Shares already placed with the Foundation Preference Shares at the time of the exercise of the call option shall be deducted. See "*Description of Share Capital and Corporate Structure—Anti-*

Takeover Measure; Preference Shares" for a description of events which could trigger the exercise of the call option. If, as a consequence of the exercise of the call option, the Foundation Preference Shares will hold a number of DRs of 10% or more, a declaration of no objection for acquiring a qualifying holding in a bank or investment firm will have to be obtained. See "*Supervision and Regulation—Sound and Controlled Business Operations—Structural Supervision*". There is a risk that these processes may delay the exercise of the call option by the Foundation Preference Shares.

These regulatory restrictions and the structure with the Foundation Preference Shares could have the effect of preventing, discouraging or delaying a change of control that might otherwise be regarded as attractive by Shareholders and DR Holders, or that might otherwise have resulted in an opportunity for Shareholders and DR Holders to sell the (DRs representing) Ordinary Shares at a premium to the then prevailing market price. There is also a risk that a declaration of no objection for the Foundation Preference Shares as described above will not be granted, which may adversely affect the effectiveness of the Company's protection against hostile situations, which, in turn, may (indirectly) prevent the Company from achieving its strategic goals. This structure may have an adverse effect on the market price of the (DRs representing) Ordinary Shares.

43. Several holders of (DRs representing) Ordinary Shares holding a substantial interest, andlor the Foundation, may influence the decision-making in the general meeting of the Company and the concentration of ownership may adversely affect the trading volume and market price of the (DRs representing) Ordinary Shares.

Immediately following the Offering, several DR Holders will hold a substantial interest. The four largest DR Holders (excluding the Selling DR Holders) hold, according to the public register of the AFM, in aggregate approximately 45.0% of the DRs as at 20 May 2016. See "*Shareholder Structure and Related Party Transactions-Shareholder Structure-Major DR Holders*". This concentration of ownership with several individual DR Holders could adversely affect the trading volume and market price of the DRs.

In addition, the Ordinary Shares of the Company are almost all held by Stichting Administratiekantoor van gewone aandelen A Van Lanschot (the "**Foundation**"), which issued DRs in exchange for the delivery of these Ordinary Shares. The DRs are admitted to listing and trading on Euronext Amsterdam. By creating DRs, the economic rights attached to the Ordinary Shares are separated from the voting rights attached thereto. As the Foundation is the legal holder of the Ordinary Shares, the voting rights attached to the Ordinary Shares legally vest in the Foundation. Pursuant to the articles of association of the Foundation (the "**Foundation Articles**") and the terms and conditions governing the DRs (the "**DR Terms**"), the Foundation shall at the request of DR Holders in all circumstances grant a power of attorney to the DR Holders to enable them to vote on, or otherwise exercise the rights attached to, the Ordinary Shares. The Foundation shall vote on, and exercise the other rights attached to, the Ordinary Shares for which no request to grant a power of attorney has been received. The Foundation shall exercise the rights attached to Ordinary Shares in such a way as to safeguard the interests of the DR Holders, taking into account the interests of the Company, the enterprise maintained by the Company and all parties concerned.

As a result, several holders of (DRs representing) Ordinary Shares may each be able to influence matters requiring approval by the general meeting of the Company, being the corporate body, or, where the context so requires, the physical meeting of shareholders of the Company (the "**General Meeting**").

44. Future sales or the possibility of future sales of a substantial number of the Company's DRs could have an adverse effect on the price of its DRs.

The Company cannot predict whether substantial numbers of its DRs will be sold in the open market. DR Holders may reduce their holdings of the Company's DRs and sell a substantial number of its DRs in the public market. A sale of a substantial number of the Company's DRs, or the perception that such sale could occur, could adversely affect the market price of the DRs. The four largest DR Holders (excluding the Selling DR Holders) hold, according to the public register of the AFM, in aggregate approximately 45.0% of the DRs as at 20 May 2016.

45. The price of the Company's DRs may be volatile and may be affected by a number of factors, some of which are beyond Van Lanschot's control.

The market price of the Company's DRs may be volatile in response to various factors, many of which are beyond Van Lanschot's control. These factors include many of the risks discussed in "*Risk Factors*", as an economic impact on the business may have a corresponding impact on the price of the Company's DRs. As discussed above, these include but are not limited to:

- national and global macroeconomic and financial market conditions;
- actual or anticipated fluctuations in results of operations or financial condition;
- the entrance of new competitors or new products in the markets in which Van Lanschot operates;
- adverse developments in legal or other proceedings or negative publicity associated therewith;
- regulatory changes affecting Van Lanschot's business; and
- potential or actual sales of blocks of the DRs in the market.

As a publicly traded company, the market price of the Company's DRs may also be impacted by market expectations for Van Lanschot's financial performance and changes in the estimates of Van Lanschot's results of operations by securities analysts, regardless of Van Lanschot's actual results of operations and financial condition.

46. The Company may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings or DR holdings in the Company.

The Company may in the future seek to raise capital, for regulatory purposes or otherwise, through public or private equity financings by issuing additional (DRs representing) Ordinary Shares, debt or equity securities convertible into (DRs representing) Ordinary Shares or rights to acquire these securities and exclude the pre-emptive rights pertaining to the then outstanding (DRs representing) Ordinary Shares. Any additional capital raised through the issue of additional (DRs representing) Ordinary Shares may dilute an investor's shareholding interest in the Company. Furthermore, any additional offering of (DRs representing) Ordinary Shares by the Company, or the public perception that an offering may occur, could also have a material adverse effect on the trading price of the DRs and could increase the volatility in the trading price of the DRs.

47. Holders of (DRs representing) Ordinary Shares outside the Netherlands may not be able to exercise pre-emptive rights in future offerings.

In the event of an increase in the Ordinary Share capital, holders of (DRs representing) Ordinary Shares are generally entitled to full pre-emptive rights unless these rights are excluded either by a resolution of the General Meeting at the proposal of the management board of the Company (*bestuur*) (the "**Statutory Board**"), with the approval of the supervisory board of the Company (the "**Supervisory Board**"), or by a resolution of the Statutory Board with the approval of the Supervisory Board (if the Statutory Board has been designated by the General Meeting or the articles of association of the Company (the "**Articles of Association**") for this purpose. However, certain holders of (DRs representing) Ordinary Shares outside the Netherlands may not be able to exercise pre-emptive rights unless local securities laws have been complied with.

US holders of (DRs representing) Ordinary Shares may not be able to exercise their pre-emptive rights or participate in a rights offer, as the case may be, unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. The Company intends to evaluate at the time of any issue of (DRs representing) Ordinary Shares subject to pre-emptive rights or in a rights offer, as the case may be, the costs and potential liabilities associated with any such registration statement, as well as the indirect benefits to it of enabling the exercise of US holders of their pre-emptive rights to (DRs representing) Ordinary Shares or participation in a rights offer, as the case may be, and any other factors considered appropriate at the time and then to make a decision as to whether to file such a registration statement. Van Lanschot cannot assure investors that any registration statement would be filed as to enable the exercise of such holders' pre-emptive rights or participation in a rights offer.

48. Dealings in the Shares and/or DRs may become subject to a financial transaction tax.

The EC published a proposed directive for a common FTT. See "*—Major changes in laws and regulations and in their interpretation could materially and adversely affect Van Lanschot's business, business model, financial condition, results of operations and prospects.*" under "*Financial transaction tax*". If the FTT were to come into force, there is a risk that dealings in the Shares and/or DRs may be subject to the FTT if at least one of the parties to the transaction is established in the FTT-zone and at least one of the parties to the transaction is a financial institution.

49. Payments on the Offer DRs could be subject to FATCA withholding tax after 2018.

Under FATCA as well as certain intergovernmental agreements between the United States and certain other countries (including the Netherlands) together with implementing legislation and regulations, certain payments made in respect of the Offer DRs after 31 December 2018 may be subject to withholding to the extent that such payments are "foreign passthru payments" to non-US financial institutions (including intermediaries) that have not entered into agreements with the United States Treasury (the "**US Treasury**") pursuant to FATCA or otherwise are not compliant with, or exempt from, FATCA, or to other holders that fail to provide sufficient identifying information. Under current guidance it is not clear whether and to what extent payments on the Offer DRs will be considered foreign passthru payments subject to FATCA withholding tax or the extent to which foreign passthru payment withholding will be required under intergovernmental agreements or implementing legislation or regulations. Holders of the Offer DRs should consult their tax advisers as to how these rules may apply to payments they receive under the Offer DRs. See "*Taxation—Foreign Account Tax Compliance Act*".

Risks Relating to the Offering

50. The DRs may trade below the Offer Price and investors could lose all or part of their investment.

The Offer Price may not be indicative for the market price of the DRs after the Offering has been completed. The market price of the DRs could also fluctuate substantially due to various factors, some of which could be specific to Van Lanschot and its operations and some of which could be related to the industry in which the Company operates and equity markets generally. See also "*—The price of the Company's DRs may be volatile and may be affected by a number of factors, some of which are beyond Van Lanschot's control.*" As a result of these and other factors, the DRs may trade at prices significantly below the Offer Price. Van Lanschot cannot assure that the market price of the DRs will not decline and the DRs may trade at prices significantly below the Offer Price, regardless of Van Lanschot's actual operating performance. As a result, investors may not be able to (re)sell their DRs at or above the Offer Price, or at all.

51. If closing of the Offering does not take place, purchases of the Offer DRs will be disregarded and Euronext Amsterdam may annul transactions that have occurred.

The Offer DRs and Additional DRs are admitted to listing on Euronext Amsterdam under the symbol "LANS". The Company expects that trading in the Offer DRs and Additional DRs will commence prior to the Settlement Date. The closing of the Offering may not take place on the Settlement Date or at all, if certain conditions or events referred to in the underwriting agreement dated 31 May 2016 between the Company, the Selling DR Holders and the Joint Global Coordinators (on behalf of themselves and the other Underwriters) (the "**Underwriting Agreement**") are not satisfied or waived or occur on or prior to such date. See "*Plan of Distribution*". Trading in the Offer DRs and Additional DRs before the closing of the Offering will take place subject to the condition that, if closing of the Offering does not take place, the Offering will be withdrawn, all subscriptions for the Offer DRs will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and transactions on Euronext Amsterdam will be annulled. All dealings in the Offer DRs and Additional DRs prior to settlement and delivery are at the sole risk of the parties concerned. The Company, the Selling DR Holders, the Underwriters and Euronext Amsterdam do not accept any responsibility or liability for any loss incurred by any person as a result of the withdrawal of the Offering or the related annulment of any transactions on Euronext Amsterdam.

52. Investors with a reference currency other than the euro will become subject to foreign exchange risks when investing in the DRs.

The DRs are denominated in and will trade in euro, and all dividends on the DRs, if any, will be paid by the Company in euro. Investors whose reference currency is a currency other than the euro may be materially and adversely affected by any reduction in the value of the euro relative to the value of the investor's reference currency. In addition, such investors could incur additional transaction costs in converting euro into another currency. Investors whose reference currency is a currency other than euro are therefore urged to consult their financial advisers.

53. The Company may be classified as a passive foreign investment company for U.S. federal income tax purposes.

Based in part on certain proposed US Treasury regulations applicable to active foreign banks (which are not yet finalised), the Company does not expect to be a passive foreign investment company ("**PFIC**") (as defined below under ("*Taxation—United States Federal Income Taxation*") for US federal income tax purposes for its current taxable year or in the foreseeable future. However, because PFIC status is factual in nature and determined annually at the close of the taxable year in question, the proposed regulations applicable to active foreign banks have not yet been finalised and because the composition of the Company's income and assets will vary over time, there can be no assurance that the Company will not be a PFIC for any taxable year. If the Company is classified as a PFIC for any taxable year during which a US investor holds Offer DRs, certain adverse US federal income tax consequences could apply to such US investor.

IMPORTANT INFORMATION

General

Prospective investors are expressly advised that an investment in the Offer DRs entails certain risks and that they should therefore carefully review the entire contents of this Prospectus and not merely rely on selected or summarised information. Furthermore, before making an investment decision with respect to the Offer DRs, prospective investors should consult their stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Offer DRs. In making an investment decision, prospective investors must rely on their own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved, in light of their personal circumstances.

Prospective investors should only rely on the information contained in this Prospectus, the Pricing Statement and any supplement to this Prospectus within the meaning of Section 5:23 of the Dutch Financial Supervision Act, see "—*Supplements*". Prospective investors should not assume that the information in this Prospectus is accurate as of any date other than the date of this Prospectus. No person is or has been authorised to give any information or to make any representation in connection with the Offering, other than as contained in this Prospectus. If any information or representation not contained in this Prospectus is given or made, the information or representation must not be relied upon as having been authorised by the Company, the members of the Statutory Board and the Supervisory Board, the Selling DR Holders or the Underwriters, or any of their respective affiliates or representatives.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to the Dutch Financial Supervision Act, neither the delivery of this Prospectus nor any subscription or sale of the Offer DRs pursuant to the Offering shall, under any circumstances, create any implication that there has been no change in the business or affairs of Van Lanschot since the date of the Prospectus or that the information contained herein is correct as at any time subsequent to its date. Prospective investors should therefore not assume that the information in this Prospectus is accurate as of any other date than the date of this Prospectus. The Company does not undertake to update this Prospectus unless pursuant to Section 5:23 of the Dutch Financial Supervision Act.

No representation or warranty, express or implied, is made by, or on behalf of, the Underwriters or any of their respective affiliates or representatives, or their respective directors, officers or employees, as to the accuracy, fairness or completeness of information or opinions contained in this Prospectus, or incorporated by reference herein, and nothing in this Prospectus, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the Underwriters or any of their respective affiliates or representatives, or their respective directors, officers or employees, as to the past or future. None of the Underwriters, in any of their respective capacities in connection with the Offering, accepts any responsibility whatsoever for the contents of this Prospectus or for any other statements made or purported to be made by either itself or on its behalf in connection with the Company, the Offering or the Offer DRs. Accordingly, the Underwriters disclaim, to the fullest extent permitted by applicable law, all and any liability, whether arising in tort or contract or otherwise in respect of this Prospectus or any such statement.

The Underwriters are acting exclusively for the Company and the Selling DR Holders and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective customers in relation to the Offering and will not be responsible to anyone other than the Selling DR Holders for providing the protections afforded to their respective customers or for giving advice in relation to, respectively, the Offering or any transaction or arrangement referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the Financial Services and Markets Act 2000, as amended (the "**FSMA**") or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither the Underwriters nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Selling DR Holders, the Offer DRs or the Offer. The Underwriters and each of their respective affiliates accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether

arising in tort, contract or otherwise (save as referred to above) which they might otherwise be found to have in respect of this Prospectus or any such statement. No representation or warranty express or implied, is made by the Underwriters or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future.

Restrictions on the Offering

The Offering and the distribution of this Prospectus and any related materials is in certain jurisdictions restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. Other than in the Netherlands, no action has been or will be taken in any jurisdiction by the Company or the Underwriters that would permit a public offering of the Offer DRs or possession or distribution of a prospectus in any jurisdiction where action for that purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Offer DRs offered hereby in any jurisdiction in which such offer or invitation would be unlawful. Neither the Company nor the members of the Statutory Board and the Supervisory Board, the Selling DR Holders or any of the Underwriters accept any responsibility for any violation by any person, whether or not such person is a prospective purchaser of the Offer DRs, of any of these restrictions.

Each person receiving this Prospectus acknowledges that: (i) such person has not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus or its investment decision; and (ii) it has relied only on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Company or the Offer DRs (other than as contained herein and information given by the Company's duly authorised officers and employees in connection with investors' examination of the Company and the terms of the Offering) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Underwriters.

Responsibility Statement

This Prospectus is made available by the Company. The Company accepts responsibility for the information contained in this Prospectus. The Company declares that it has taken all reasonable care to ensure that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Potential Conflict of Interest

Certain of the Underwriters and/or their respective affiliates have in the past engaged and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or the Selling DR Holders or any parties related to any of them, in respect of which they have received, and may in the future receive, customary fees and commissions. Additionally, the Underwriters and/or their respective affiliates may have held and in the future may hold, in the ordinary course of their business, the Company's securities for investment purposes. Kempen & Co is an Underwriter and also a subsidiary of the Company. As a result, these parties may have interests that may not be aligned, or could possibly conflict with the interests of investors. See "*Plan of Distribution—Potential Conflicts of Interest*".

Supplements

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer DRs arises or is noted between the date of this Prospectus and the later of the end of the Offer Period and the start of trading of the Offer DRs on Euronext Amsterdam, a supplement to this Prospectus is required. Such a supplement will be subject to approval by the AFM in accordance with Section 5:23 of the Dutch Financial Supervision Act and will be made public in accordance with the relevant provisions under the Dutch Financial Supervision Act. The summary shall also be supplemented, if necessary, to take into account the new information included in the supplement.

Investors who have already agreed to purchase Offer DRs before the supplement is published shall have the right, exercisable within two business days following the publication of a supplement, to withdraw their acceptances. Investors who have already agreed to purchase Offer DRs may withdraw their subscriptions within two business days following the publication of the supplement, provided that the new factor, material mistake or inaccuracy, arose or was noted before the end of the Offer Period. Eligible Dutch retail investors are entitled to cancel or amend their application with the financial intermediary where their original application was submitted at any time prior to the end of the Offer Period (if applicable, as amended or extended). Such cancellations or amendments may be subject to the terms of the financial intermediary involved.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall, except as so modified or superseded, no longer constitute a part of this Prospectus. For the avoidance of doubt, references in this paragraph to any supplement being published by the Company do not include the Pricing Statement.

Presentation of Financial and Other Information

General

This Prospectus includes:

- the audited consolidated annual financial statements of the Company as at and for the years ended 31 December 2015 and 2014, which have been prepared in accordance with IFRS and audited by the Company's former independent auditors Ernst & Young Accountants LLP, as set forth in their audit reports included elsewhere herein (together with audited consolidated annual financial statements of the Company as at and for the year ended 31 December 2013, the "**Annual Consolidated Financial Statements**"); and
- the unaudited condensed consolidated interim financial statements of the Company as at and for the three months ended 31 March 2016, including comparative figures as of and for the three months ended 31 March 2015, which have been prepared in accordance with IFRS, and audited by the Company's independent auditors, PricewaterhouseCoopers Accountants N.V., as set forth in their review report included elsewhere herein (the "**Interim Consolidated Financial Statements**" together with the Annual Consolidated Financial Statements, the "**Financial Statements**").

The Company's audited consolidated financial statements as at and for the year ended 31 December 2013 and the independent auditor's report associated therewith are contained in the Company's 2013 annual report and are incorporated by reference herein. See *"—Documents Incorporated by Reference"*.

Operating Segments

Van Lanschot uses the following segmentation: Private Banking, Asset Management, Merchant Banking, Other Activities and Corporate Banking. The Company's three core segments – Private Banking, Asset Management and Merchant Banking – represent the significant majority of its financial results and financial position for the periods presented. Following the announcement in April 2016 of the outcome of Van Lanschot's strategic update for the period until and including 2020, going forward there will be four core activities, with Evi becoming a separate segment next to Private Banking, Asset Management and Merchant Banking.

Non-IFRS Financial Measures and Key Performance Indicators

This Prospectus contains certain non-IFRS financial measures and key performance indicators including efficiency ratio, funding ratio, risk weighted assets, CET1 ratio, Tier I ratio, total capital ratio, liquidity coverage ratio, net stable funding ratio, leverage ratio, interest margin, clean interest margin, return on average CET1 equity, assets under management and assets under administration. Certain of these non-IFRS financial measures are capital metrics and risk exposures reported under the Basel framework, and have been disclosed in the Financial Statements, while others are non-IFRS financial measures and key performance indicators which have not been audited or reviewed, and

which are not recognised measures of financial performance or liquidity under IFRS, but are capital metrics and risk exposures reported under the Basel framework or measures used by management to monitor the underlying performance of the Company's business and operations. These non-IFRS financial measures and key performance indicators may not be indicative of the Company's historical operating results, nor are such measures meant to be predictive of the Company's future results. The Company has presented these non-IFRS financial measures and key performance indicators in this Prospectus because the Company considers them an important supplemental measure of the Company's performance and believe that they and similar measures are widely used in the industry in which it operates as a means of evaluating a company's operating performance and liquidity. However, not all companies calculate non-IFRS financial measures and key performance indicators in the same manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on the non-IFRS financial measures and key performance indicators contained in this Prospectus and they should not be considered as a substitute for operating profit, profit for the year, cash flow, expenses or financial measures computed in accordance with IFRS. Each of the non-IFRS financial measures and key performance measures is described below. The Company defines:

- *efficiency ratio* as operating expenses as a percentage of income from operating activities, excluding one-off gains and losses reflecting a one-off pension gain, and a one-off charge on the sale of non performing commercial real estate loans, as well as related tax effects. The data underlying the efficiency ratio metric are thus adjusted figures which the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures;

- *funding ratio* as the Company's public and private sector liabilities as a percentage of its loans and advances to the public and private sector (i.e. excluding the Company's liabilities due to banks and its assets to banks);

- *risk weighted assets* ("**RWA**") as the Company's assets after being adjusted by a weighting factor, based on regulation, that reflects the relative risk attached to the relevant classes of assets. Risk weighted assets are used to calculate the minimum amount of capital the Company is required to hold;

- *CET1 ratio* as the Company's Common Equity Tier I ratio based on full compliance with the Basel III Framework from 2014, with the ratio designated "(phase in)" based on the gradual application of more stringent standards as to what capital qualifies as CET1, and the ratio designated "(fully loaded)" in full compliance with these more stringent guidelines, and including retained earnings in respect of full year results only. Figures for 2013 are based on compliance with Basel II and the ratio itself is calculated as the Company's Core Tier I capital divided by its total risk weighted assets;

- *Tier I ratio* as the ratio between total Tier I capital and risk weighted assets; Tier I capital 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 capital ratio* as a measure of the Company's capital adequacy calculated by dividing qualifying capital (the sum of total Tier I and total Tier II capital) by its total risk weighted assets;

- *liquidity coverage ratio* as the ratio between high quality liquid assets and the balance of anticipated cash outflows and cash inflows over a period of 30 days. As from 31 December 2015 the liquidity coverage ratio is calculated according to the Delegated Act with regard to the Liquidity Coverage Requirement for Credit Institutions of the European Commission, adopted on 10 October 2014. Before 31 December 2015, it was calculated according to the Bank for International Settlements standards;

- *net stable funding ratio* as the relationship between available stable funding and the required amount of stable funding. Available stable funding is defined as the portion of capital and liabilities expected to be available and not withdrawn over the coming year;

- *leverage ratio* as the relationship between total assets plus contingent items and the Basel III Tier I capital. The leverage ratio is calculated in accordance with the Delegated Act on the Leverage Ratio of the European Commission, adopted on 10 October 2014;
- *interest margin* as interest income as a percentage of the twelve-month average total assets excluding non-strategic investments of generally greater than 50% ownership and which are therefore consolidated in the Company's statement of income, but are not held for strategic reasons and are therefore excluded from the Group's results to allow an assessment of the Company's core business. These investments are generally equity interests which are held as a result of loan for equity swaps in past periods. The data underlying the interest margin metric are adjusted figures the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures;
- *clean interest margin* as interest margin adjusted for interest equalisation and interest-related derivatives amortisation. Interest equalisation reflects, for bonds that are acquired above par, the percentage above par that is capitalised and written off during the expected life time of the bond, which is recognised as interest income. The data underlying the clean interest margin metric are adjusted figures the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures;
- *return on average CET1 equity* as net result divided by the Company's common equity capital (i.e. excluding Tier II capital, such as preferred shares or non-controlling interests) and as from 2014 is in compliance with the Basel III Framework, based on phase-in and including retained earnings for year end numbers and excluding retained earnings for March 2016. Figures for 2013 are based on compliance with Basel II. For the three months ended 31 March 2015 and for the three months ended 31 March 2016, the ratio is annualised;
- *assets under management* as assets deposited with Van Lanschot by clients, comprising assets under discretionary management and assets under non-discretionary management; and
- *assets under administration* as assets entrusted by clients to Van Lanschot purely for custody or for which solely administrative services are performed. Clients for which Van Lanschot administers such assets make their own investment decisions, over which Van Lanschot has no influence.

Rounding

Certain figures in this Prospectus, including financial data, have been rounded. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them. In tables, negative amounts are shown by "–" or "negative" before the amount.

Currency

In this Prospectus, unless otherwise indicated: all references to the "**EU**" are to the European Union; all references to "**EUR**", "**euro**" or "**€**" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union (the "**EMU**") pursuant to the Treaty on the functioning of the European Community (the "**EC**"), as amended from time to time; all references to the "**United States**" or the "**US**" are to the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia; and all references to "**US dollars**", "**US$**" or "**$**" are to the lawful currency of the United States, all references to the pound sterling are to the lawful currency of the United Kingdom and all references to "**CHF**" are to the lawful currency of Switzerland.

Exchange Rates

The Financial Statements provided herein are published in euro. The exchange rates below are provided solely for information and convenience. The table below shows, for the periods indicated, the period end, average, high and low Bloomberg composite rate expressed as US dollar per €1.00. The Bloomberg composite rate is a 'best market' calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the

lowest ask rate offered by these banks. The average rate for a year means the average of the Bloomberg composite rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg composite rates during that month, or shorter period, as the case may be. The rates may differ from the actual rates used in the preparation of the Selected Consolidated Financial Information and other financial information appearing in this Prospectus. No representation is made that euros could have been, or could be, converted into US dollars at any particular rate indicated or any other rate.

	US dollars per euro			
	Period End	**Average**	**High**	**Low**
Year:				
2013	1.3789	1.3283	1.3804	1.2272
2014	1.2100	1.3285	1.3925	1.2100
2015	1.0866	1.1096	1.2010	1.0492
Month:				
January 2016	1.0843	1.0859	1.0951	1.0746
February 2016	1.0875	1.1099	1.1330	1.0875
March 2016	1.1381	1.1026	1.1529	1.0492
April 2016	1.1440	1.1344	1.1440	1.1223
May 2016 (through 26 May)	1.1176	1.1103	1.1529	1.0560

Market and Industry Data

All references to market share, market data, industry statistics and industry forecasts in this Prospectus consist of estimates compiled by industry professionals, competitors, organisations or analysts, of publicly available information or of the Company's own assessment of the Company's sales and markets. Certain statements made in this Prospectus are based on the Company's own proprietary information, insights, opinions or estimates, and not on any third party or independent source; these statements contain words such as 'Van Lanschot believes' and 'Van Lanschot expects', and as such do not purport to cite, refer to or summarise any third party or independent source and should not be so read.

Industry publications and market studies generally state that their information is obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. Where third party information has been sourced in this Prospectus, the source of such information has been identified. Although the Company believes these sources are reliable, the Company does not have access to the information, methodology and other bases for such information and has not independently verified the information. Where third party information has been sourced in this Prospectus, the source of such information has been identified. The information in this Prospectus that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In this Prospectus, certain statements are made regarding the Company's competitive and market position. The Company believes these statements to be true, based on market data and industry statistics, but the Company has not independently verified the information. The Company cannot guarantee that a third party using different methods to assemble, analyse or compute market data or public disclosure from competitors would obtain or generate the same results. In addition, the Company's competitors may define their markets and their own relative positions in these markets differently than the Company does and may also define various components of their business and operating results in a manner which makes such figures non-comparable with the Company's figures.

NOTICE TO INVESTORS

EXCEPT AS OTHERWISE SET OUT IN THIS PROSPECTUS, THE OFFERING DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO INVESTORS IN THE UNITED STATES, CANADA, AUSTRALIA OR JAPAN, AND THIS PROSPECTUS SHOULD NOT BE FORWARDED OR TRANSMITTED IN OR INTO THE UNITED STATES, CANADA, AUSTRALIA OR JAPAN.

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the shares.

This Prospectus does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire Offer DRs in any jurisdiction in which such an offer or solicitation is unlawful or would result in the Company becoming subject to public company reporting obligations outside the Netherlands.

The distribution of this Prospectus, and the offer or sale of Offer DRs is restricted by law in certain jurisdictions. This Prospectus may only be used where it is legal to offer, solicit offers to purchase or sell Offer DRs. Persons who obtain this Prospectus must inform themselves about and observe all such restrictions.

No action has been or will be taken to permit a public offer or sale of Offer DRs, or the possession or distribution of this Prospectus or any other material in relation to the Offering in any jurisdiction outside the Netherlands where action may be required for such purpose. Accordingly, neither this Prospectus nor any advertisement or any other related material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

Shareholders who have a registered address in, or who are resident or located in, jurisdictions other than the Netherlands and any person (including, without limitation, agents, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Prospectus to a jurisdiction outside the Netherlands should read "*Selling and Transfer Restrictions*" in this Prospectus.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Offer DRs have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered, sold, pledged or otherwise transferred within the United States unless the Offer DRs are registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. The Offer DRs will only be offered and sold in the United States to persons reasonably believed to be QIBs, pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. All offers and sales of the Offer DRs outside the United States will be made in compliance with Regulation S under the US Securities Act. Transfers of the Offer DRs will be restricted and each purchaser of the Offer DRs will be deemed to have made acknowledgments, representations and agreements, as described under "*Selling and Transfer Restrictions*".

In addition, until the end of the 40th calendar day after the commencement of the offering, an offer or sale of the Offer DRs within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the US Securities Act.

None of the Company, the Selling DR Holders or the Underwriters accept any legal responsibility for any violation by any person, whether or not a prospective investor in the Offer DRs, of any of the foregoing restrictions.

THE OFFER DRS OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY US FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE RIGHTS OR THE OFFER DRS OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective purchaser to consider purchasing the particular securities described herein.

The information contained in this Prospectus has been provided by the Company and the other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified

by the Company and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without the Company's prior written consent, is prohibited.

This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the securities described herein. Investors agree to the foregoing by accepting delivery of this Prospectus.

For so long as any Offer DRs are 'restricted securities' within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will during any period in which the Company is neither subject to section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "**US Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the US Securities Act. The Company is not currently subject to the periodic reporting requirements of the US Exchange Act.

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

The Offering is being made in the Provinces of Alberta, British Columbia, Ontario and Quebec only.

This Offering is not, and under no circumstances is to be construed as, an advertisement or a public offering of the Offer DRs in Canada or in any province or territory thereof. Any offer or sale of the Offer DRs in Canada will be made only in accordance with an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and, as applicable, only by a dealer properly registered under applicable Canadian securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement under the securities laws of the Canadian province or territory in which such offer or sale is made. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the Offering of the Offer DRs. In addition, no securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Offering or the merits of the Offer DRs and any representation to the contrary is an offence.

Canadian investors are advised that the information contained within this Prospectus has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within this Prospectus and as to the suitability of an investment in the Offer DRs in their particular circumstances.

Canadian investors are advised that the Company and the Underwriters in the Offering are relying on section 3a.3 of national instrument 33-105 *underwriting conflicts* ("NI 33-105") and, therefore, are not required to provide Canadian investors with disclosure pertaining to conflicts of interest and any "connected Company" and/or "related Company" relationships that may exist between the Company and the Underwriters as otherwise required to be disclosed pursuant to subsection 2.1(1) of NI 33-105 in connection with this Offering.

Distribution restrictions

The information contained within this Prospectus does not constitute an offer in Canada to any other person, or a general offer to the public, or a general solicitation from the public, to subscribe for or purchase the Offer DRs. The distribution of this Prospectus and the offer and sale of the Offer DRs in certain of the Canadian provinces and territories may be restricted by law. Persons into whose possession this Prospectus comes must inform themselves about and observe any such restrictions.

Responsibility

Except as otherwise expressly required by applicable law or as agreed to in contract, no representation, warranty or undertaking (express or implied) is made and no responsibilities or liabilities of any kind or nature whatsoever are accepted by the Underwriters or any dealer as to the

accuracy or completeness of the information contained within this Prospectus or any other information provided by the Company and/or its affiliates in connection with the Offering of the Offer DRs.

Resale restrictions

The distribution of the Offer DRs in Canada is being made on a private placement basis only and is exempt from the requirement that the Company prepares and files a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Offer DRs must be made in accordance with applicable securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with prospectus and registration requirements, statutory exemptions from the prospectus and registration requirements or under a discretionary exemption from the prospectus and registration requirements granted by the applicable Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the Offer DRs outside of Canada. Canadian investors are advised to seek legal advice prior to any resale of the Offer DRs, both within and outside of Canada.

The Company is not presently, and does not presently intend to become, a "reporting Company", as such term is defined under applicable Canadian securities legislation in any province or territory of Canada. Canadian investors are advised that the Offer DRs are not presently listed, and will not be listed, on any stock exchange in Canada and that no public market presently exists, or is expected to exist, for the Offer DRs in Canada following this Offering. Canadian investors are further advised that the Company is not required to file, and currently does not intend to file, a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Offer DRs to the public in any province or territory of Canada in connection with this Offering. Accordingly, the Offer DRs may be subject to an indefinite hold period under applicable Canadian securities laws unless resales are made in accordance with applicable prospectus requirements or pursuant to an available exemption from such prospectus requirements.

Representations of purchasers

Each Canadian investor who purchases the Offer DRs will be deemed to have represented to the Company, the Selling DR Holders the Underwriters and each dealer from whom a purchase confirmation is received:

(a) the investor is resident in the province of Alberta, British Columbia, Ontario or Quebec and is basing its investment decision solely on this Prospectus and not on any other information concerning the Company or the offer or sale of the Offer DRs;

(b) to the knowledge of the investor, the offer and sale of the Offer DRs in Canada was made exclusively through this Prospectus and was not made through an advertisement of the Offer DRs in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada;

(c) the investor has reviewed and acknowledges the terms outlined herein above under the section entitled "resale restrictions" and agrees not to sell the Offer DRs, except in compliance with applicable Canadian resale restrictions and in accordance with the terms of the Offer DRs;

(d) where required by law, the investor is purchasing as principal, or is deemed to be purchasing as principal in accordance with the applicable securities laws of the province in which the investor is resident, for its own account and not as agent for the benefit of another person;

(e) the investor, or any ultimate purchaser for which the investor is acting as agent, is entitled under applicable Canadian securities laws to purchase the Offer DRs without the benefit of a prospectus qualified under such securities laws, and without limiting the generality of the foregoing, is an "accredited investor" as such term is defined in section 1.1 of national instrument 45-106 *prospectus exemptions* ("**NI 45-106**") or in Ontario, section 73.3(1) of the *securities act* (Ontario) and a "permitted client" as such term is defined in section 1.1 of national instrument 31-103 *registration requirements, exemptions and ongoing registrant*

obligations ("**NI 31-103**") and is purchasing the Offer DRs from a dealer that is registered in Canada or is relying on the "international dealer exemption" contained in, and has received the notice from such dealer referred to in, section 8.18 of NI 31-103;

(f) the investor is not a person created or used solely to purchase or hold the Offer DRs as an "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in section 1.1 of NI 45-106; and

(g) none of the funds being used to purchase the Offer DRs are, to the best of the investor's knowledge, proceeds obtained or derived, directly or indirectly, as a result of illegal activities and:

  (i) the funds being used to purchase the Offer DRs and advanced by or on behalf of the investor to the Selling DR Holders and the Underwriters do not represent proceeds of crime for the *purpose of the proceeds of crime (money laundering) and terrorist financing act* (Canada) (the "**PCMLTFA**");

  (ii) the investor is not a person or entity with or in respect of whom transactions may be prohibited under part ii.1 of the *criminal code* (Canada) or under regulations enacted pursuant to the *united nations act* (Canada), the *special economic measures act* (Canada) or the *freezing assets of corrupt foreign officials act* (Canada);

  (iii) the Selling DR Holders and the Underwriters, as applicable, may in the future be required by law to disclose the investor's name and other information relating to the investor and any purchase of the Offer DRs, on a confidential basis, pursuant to the PCMLTFA, *criminal code* (Canada), or under regulations enacted pursuant to the *united nations act* (Canada), the *special economic measures act* (Canada) or the *freezing assets of corrupt foreign officials act* (Canada) or as otherwise may be required by applicable laws, regulations or rules, and, by accepting delivery of this Prospectus, the investor is deemed to have agreed to the foregoing;

  (iv) to the best of the investor's knowledge, none of the funds to be provided by or on behalf of the investor to the Selling DR Holders and the Underwriters, as applicable, are being tendered on behalf of a person or entity who has not been identified to the investor; and

  (v) the investor shall promptly notify the Company and the Underwriters, as applicable, if the investor discovers that any such representations cease to be true, and shall provide the Company and the Underwriters, as applicable, with appropriate information in connection therewith; and

(h) where required by applicable securities laws, regulations or rules, including any applicable stock exchange rules, the investor will execute, deliver and file such reports, undertakings and other documents relating to the purchase of the Offer DRs by the investor as may be required by such laws, regulations and rules, or assist the Company and the Underwriters, as applicable, in obtaining and filing such reports, undertakings and other documents.

Each Canadian purchaser of the Offer DRs acknowledges that its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, may be collected, used and disclosed for purposes of meeting legal and/or regulatory requirements. Such information may be disclosed to Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws and regulations. By purchasing the Offer DRs, each Canadian purchaser consents to the disclosure of such information. In addition, by purchasing the Offer DRs, each Canadian purchaser will be deemed to have agreed to provide the Company and the Underwriters, as applicable, with any and all information about the Canadian purchaser necessary to permit the Company and the Underwriters, as applicable, to properly complete and file form 45-106f1.

Taxation and eligibility for investment

Any discussion of taxation and related matters contained within this Prospectus does not purport to be a comprehensive description of all the tax considerations that may be relevant to a Canadian investor when deciding to purchase the Offer DRs, and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax

consequences to a resident, or deemed resident, of Canada of an investment in the Offer DRs. Canadian investors should consult their own legal, financial and tax advisers with respect to the tax consequences of an investment in the Offer DRs in their particular circumstances and with respect to the eligibility of the Offer DRs for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

Rights of action for damages or rescission

Securities legislation in certain of the Canadian provinces provides certain purchasers of securities pursuant to an offering memorandum with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where this Prospectus and any amendment thereto contains a "misrepresentation", as defined in the applicable securities legislation. A "misrepresentation" is generally defined under applicable provincial securities laws to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation and are subject to limitations and defences under applicable securities legislation.

The rights of action described above are in addition to and without derogation from any other right or remedy available at law to the investor. Canadian investors should refer to the applicable provisions of the securities legislation of their province of residence for the particulars of these rights and are advised to consult with their own legal advisers prior to investing in the Offer DRs.

Enforcement of legal rights

All or substantially all of the directors, officers, members and partners, as the case may be, of the Company, its authorised dealer agents and the experts named in this Prospectus, may be located outside of Canada and, as a result, it may not be possible for Canadian investors to effect service of process upon the Company or such persons in Canada. All or a substantial portion of the assets of the Company and such other persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such other persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such other persons outside of Canada.

Language of documents

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Offer DRs described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This Prospectus is directed at and for distribution in the United Kingdom only to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); or (ii) high net worth entities falling within Article 49(2) (a) to (d) of the Order (all such persons being together referred to in this paragraph as "**Relevant Persons**"). This Prospectus is directed only at Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Prospectus or any of their contents. Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

Furthermore, the Underwriters have warranted that they (i) have only invited or will only invite participation in investment activities in connection with the Offering or the sale of the Offer DRs within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**"), and have only initiated or will only initiate such investment activities to the extent that Section 21(1) of the FSMA does not apply to the Company; and (ii) have complied and will comply with all

applicable provisions of FSMA with respect to all activities already undertaken by each of them or will undertake in the future in relation to the Offer DRs in, from, or otherwise involving the United Kingdom.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each state other than the Netherlands which is a party to the agreement relating to the EEA and which has implemented the Prospectus Directive (in this paragraph, each a "**Relevant Member State**"), no Offer DRs have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State, except that an offer to the public in that Relevant Member State of Offer DRs may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State, subject to obtaining the prior consent of the Joint Global Coordinators; or
- in any other circumstances falling under the scope of Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer DRs shall result in a requirement for the Company or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purpose of this provision, the expression an 'offer to the public' in relation to any Offer DRs in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Offer DRs to be offered, so as to enable an investor to decide to acquire any Offer DRs, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State.

Enforceability of Judgments

At the date of this Prospectus, the Company is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands. All members of the Company's Statutory Board, Executive Board and Supervisory Board, and most of the Company's employees are citizens or residents of countries other than the United States. Most of the assets of such persons and most of the Company's assets are located outside the United States. The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. In addition, neither the countries of residence of the members of the Statutory Board, Executive Board and Supervisory Board and the Company's employees may have a treaty providing for the reciprocal recognition and enforcement of judgments. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or upon the Company, or to enforce judgments obtained in US courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States against the aforementioned parties. Furthermore, there is substantial doubt as to the enforceability in the Netherlands of original actions or actions for enforcement based on the federal securities laws of the United States or judgments of US courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States.

Information Regarding Forward-Looking Statements

Certain statements in this Prospectus other than statements of historical fact are forward-looking statements. In particular, this Prospectus contains forward-looking statements under the following headings: "*Risk Factors*", "*Dividends and Dividend Policy*", "*Operating and Financial Overview*", "*Industry*" and "*Business*", which are based on the Company's current beliefs and projections and on information currently available to the Company. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Forward-looking statements are typically identified by the use of forward-looking terminology such as

"believe", "expect", "may", "will", "could", "should", "intend", "estimate", "plan", "assume", "predict", "anticipate", "annualised", "goal", "target", "potential" or "aim" or the negative thereof or other variations thereof or comparable terminology, or by discussions of the Company's strategy and future plans that involve risks and uncertainties.

Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. Except as required by applicable law, the Company does not undertake and expressly disclaims any duty to update or revise publicly any forward-looking statement in this Prospectus, whether as a result of new information, future events or otherwise. Such forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the Company's management of present and future business strategies and the environment in which the Company will operate in the future. By their nature, they are subject to known and unknown risks and uncertainties, which could cause the Company's actual results and future events to differ materially from those implied or expressed by forward-looking statements. Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in this Prospectus are included under "*Risk Factors*".

Forward-looking statements appear in a number of places in this Prospectus, including, without limitation, "*Risk Factors*", "*Dividends and Dividend Policy*", "*Operating and Financial Review*", "*Industry*" and "*Business*" and include, among other things, statements relating to:

- Van Lanschot's strategy, outlook and growth prospects;
- Van Lanschot's liquidity, capital resources and capital expenditures;
- expectation as to future growth in demand for Van Lanschot's products;
- general economic trends, in particular economic conditions in Van Lanschot's key countries/regions; and
- the competitive environment in which Van Lanschot operates.

Should one or more of these risks or uncertainties materialise, or should any of the assumptions underlying the above or other factors prove to be incorrect, the Company's actual future financial condition or results of operations could differ materially from those described herein as currently anticipated, believed, estimated or expected. In light of the risks, uncertainties and assumptions, underlying the above factors, the forward-looking events described in this Prospectus may not occur or be realised. Additional risks not known to the Company or that the Company not currently considers material could also cause the forward-looking events discussed in this Prospectus not to occur. Prospective investors are advised to read "*Risk Factors*", "*Dividends and Dividend Policy*", "*Selected Consolidated Financial Information*", "*Operating and Financial Review*", "*Industry*" and "*Business*" for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Company operates.

Definitions

In this Prospectus, the "**Company**" refers to Van Lanschot N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands and, where appropriate, its subsidiaries. "**Van Lanschot**" refers to the Company and its subsidiaries. "**Statutory Board**", "**Supervisory Board**" and "**General Meeting**" refer to, respectively, the management board (*bestuur*), the supervisory board (*raad van commissarissen*) and the general meeting of shareholders (*algemene vergadering van aandeelhouders*) of the Company.

Certain other terms used in the Prospectus are defined in "*Defined Terms*".

Documents Incorporated by Reference

The following documents are incorporated in this Prospectus by reference and, as such, form part of this Prospectus:

- the audited consolidated annual financial statements of the Company as at and for the year ended 31 December 2013 and the independent auditor's report dated 10 March 2014, included in the Company's English language version of the 2013 annual report on pages 71 to 208 and 213;

- the Articles of Association (the official Dutch version and an English translation thereof);
- the Foundation Articles (the official Dutch version and an English translation thereof); and
- the DR Terms (the official Dutch version and an English translation thereof).

These documents may be obtained in electronic form free of charge from Van Lanschot's website (corporate.vanlanschot.nl). Non-incorporated parts of the documents are either not relevant for the investor or covered elsewhere in this Prospectus. No other documents or information, including the content of the Company's website or of websites accessible from hyperlinks on the Company's website, form part of, or are incorporated by reference into, this Prospectus.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

Background and Reasons for the Offering

The Offering is part of the Selling DR Holders' management plans and capital measures to ensure their solvency position is strengthened as they transition into the new Solvency II regime, effective from 1 January 2016.

Use of Proceeds

The Selling DR Holders will receive the net proceeds from the Offering and, if the Over-Allotment Option is exercised, the net proceeds from the sale of the Additional DRs. The proceeds received by the Selling DR Holders will be entirely at their disposal. The Company will not receive any proceeds from the Offering.

DIVIDENDS AND DIVIDEND POLICY

General

Under Dutch corporate law, the Company may only make distributions to its Shareholders if its shareholders' equity exceeds the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by Dutch law or by the Articles of Association. Under the Articles of Association, the dividend pay-out is a multi-stage pay-out which is summarised below.

Under the Articles of Association, any profits must first be applied to pay a dividend on the Preference Shares, if any are outstanding, before distribution of any remaining distributable profits to the other Shareholders. The dividend on the Preference Shares is equal to the percentage of the refinancing interest rate of the ECB increased by a margin to be set by the Statutory Board and approved by the Supervisory Board between 1% and 4% depending on the prevailing market conditions, averaged over the number of days over which the payment is made. No Preference Shares are outstanding at the date of this Prospectus.

The Statutory Board is authorised, subject to the approval of the Supervisory Board, to determine each year which part of any profits remaining after such dividend payment on the Preference Shares will be reserved. Any profits remaining after such reservation and dividend payment on the Preference Shares will be at the disposal of the General Meeting. Distributions from the Company's distributable reserves are made pursuant to a resolution of the General Meeting upon the proposal of the Statutory Board, which has been approved by the Supervisory Board.

Subject to Dutch law and the Articles of Association, the Statutory Board may, with the approval of the Supervisory Board, resolve to distribute an interim dividend. For this purpose, the Statutory Board must prepare an interim statement of assets and liabilities, which relates to the Company's equity on a date not earlier than the first day of the third month prior to the month of publication of the decision to pay an interim dividend.

The Statutory Board may, with the approval of the Supervisory Board, resolve that a distribution on Ordinary Shares will not be made in cash but in the form of Ordinary Shares or DRs.

When calculating the amount of profit that will be distributed on each Share, only the amount of the obligatory payments on the nominal amount of the Shares will be taken into account. Dividends and other distributions will be made payable pursuant to a resolution of the Statutory Board within four weeks after adoption of the annual accounts, unless the Statutory Board sets another date for payment. Different payment release dates may be set for the Ordinary Shares and the Preference Shares.

The payment of dividends may be limited, restricted or prohibited, including by the competent supervisory authority, if this measure is required or deemed required to strengthen Van Lanschot's capital in view of prudential requirements such as among other things the combined buffer requirements, additional capital requirements as a result of the SREP, the leverage ratio, the MREL and TLAC requirements. In addition, any payment of dividends can only be paid out of distributable items as defined in Capital Requirements Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("**CRR**").

Dividend Policy

The Company intends to pay an annual dividend that creates sustainable long-term value for its DR Holders. The reservation and dividend policy will be determined by the Statutory Board, subject to the approval of the Supervisory Board.

The Company's dividend policy and the intended payment of dividends are without prejudice to the absolute discretion of the Statutory Board to elect not to make dividend payments or to make higher or lower dividend payments than previously indicated, and may be limited, restricted or prohibited, including by the competent supervisory authority, if this measure is required or deemed required to strengthen Van Lanschot's capital position. Any dividend proposal will take into account considerations including capital and liquidity requirements and other regulatory requirements or constraints, future income, profits, resources available for distribution, financial conditions, growth opportunities, the outlook of the Company's business, its short-term and long-term viability, general

economic conditions and any circumstance the Statutory Board may deem relevant or appropriate. Considering the foregoing, and without prejudice to the fact that the Company is under no circumstances obliged to make distributions, the envisaged annual dividend pay-out ratio as of 2016 is targeted between 50 and 70% of the annual reported net results, subject to adjustment for selected one-off items. The Company checks whether the proposed dividend satisfies the ECB's recommendation on dividend payment.

Dividend History

For the year ending 31 December 2013, the Company declared and paid a dividend of €0.20 per Ordinary Share, amounting to a dividend payment of €8.2 million in total. For the year ending 31 December 2014, the Company declared a dividend of €0.40 per Ordinary Share, amounting to a dividend payment of €16.3 million in total. For the year ending 31 December 2015, the Company declared a dividend of €0.45 per Ordinary Share, amounting to a dividend payment of €18.4 million in total. The foregoing indicates a stable progression of dividend payments and implies a pay-out ratio for the financial years 2013, 2014 and 2015 of 28.2%, 36.7% and 35.8%, respectively, of the reported net profit (in 2014 adjusted for a one-off pension scheme gain and in 2015 adjusted for a one-off charge arising from the sale of non-performing commercial real estate loans).

Manner and Time of Dividend Payments

Payment of any dividend in cash will be made in euro. Any dividends that are paid to the Foundation as holder of the Ordinary Shares will be paid by the Foundation to the DR Holders through Euroclear Nederland free of charge. DR holders may be charged costs by their financial intermediary. The DR Holders will be automatically credited to the relevant DR Holder's account without the need for the DR Holder to present documentation proving his ownership of the DRs.

If the Company makes a distribution in kind on the Ordinary Shares in the form of Ordinary Shares, the Foundation will make, to the greatest extent possible, a corresponding distribution to the DR Holders in the form of DRs. Where possible, these DRs will be made available through the offices of the affiliated institutions within the meaning of the Dutch Securities Giro Act (*Wet giraal effectenverkeer*).

If the Company declares a distribution which is in cash or in kind, at the option of the Shareholder, the Foundation will enable each DR Holder to the greatest possible extent to make the same choice up to the day preceding the day on which the choice must be stated by the Foundation. The DR Holder will be notified of the possibility of submitting a choice. The Foundation itself will make the choice it deems to be in the interest of the DR Holders whose wishes have not been received the day before the date that the Foundation must make the choice.

Uncollected Dividends

A claim for any declared dividend lapses five years and one day after the date those dividends were released for payment. Any dividend that is not collected within this period reverts to the Company.

Taxation of Dividends

Dividends paid to Shareholders and DR Holders by the Company are generally subject to Dutch dividend withholding tax at a rate of 15%. See "*Taxation—Taxation in the Netherlands—Withholding Tax*" for a discussion on what, among other things, constitutes a dividend for Dutch dividend withholding tax purposes.

Macroeconomic Environment

European Macroeconomic Environment

In the broader EU area, the macro-financial conditions have strengthened gradually, amid a more pronounced shift in global growth dynamics from emerging to advanced economies. The economic recovery in the Eurozone gained further momentum in 2015, with domestic demand benefiting, in particular, from strengthened private consumption, in line with higher labour income and lower energy prices. At the same time, Eurozone exports remained buoyant, reflecting gains in Eurozone export market shares on the back of depreciation of the euro. The recovery is being supported by the accommodative monetary policies adopted by ECB and EU regulators and governments. Against this backdrop of recovery, overall economic uncertainty in the Eurozone has reduced, although political and financial market uncertainty have increased somewhat in the context of renewed political and sovereign tensions in some Eurozone countries and heightened financial market volatility stemming from developments in major emerging economies (source: ECB, Financial Stability Review, November 2015).

Notwithstanding this, the ECB considers that Eurozone growth prospects remain muted, given the main macro-financial risks to Eurozone financial stability relate to external factors, such as the ongoing adjustment in emerging economies towards a more moderate growth path, continued heightened geopolitical tensions and diverging monetary policies in major advanced economies. In addition to raising uncertainties regarding the pace and sustainability of the economic recovery at both the Eurozone and global levels, these factors also have the potential to trigger renewed tensions in global financial markets and prompt a potential reversal of global search-for-yield flows. Against the background of a low nominal growth environment, macro-financial risks also continue to originate from within the Eurozone. In particular, the ongoing balance sheet repair in both the private and public sectors in several countries, as well as the sluggish pace of structural reforms, continue to weigh on the underlying Eurozone growth momentum (source: ECB, November 2015).

The economic recovery in the Eurozone is expected to continue, albeit with less momentum than previously projected by European regulators. The slower pace reflects weakening global growth and a strengthening of the effective exchange rate of the euro. In terms of annual averages, real GDP in the Eurozone is projected to grow by 1.4% in 2016, 1.7% in 2017 and 1.8% in 2018. Following a further sharp drop in oil prices, the projection for the harmonised index of consumer prices inflation has been revised downwards, to 0.1%, for 2016 and more moderately downwards, to 1.3%, for 2017. Inflation is expected to rise further to 1.6% in 2018 (source: ECB, March 2016).

A major challenge remains to ensure structural changes to EU regulations are effective in anticipating and correcting major economic imbalances, for example by promoting job creation in Eurozone areas that have been significantly impacted by the 2008 crisis. Greece and Spain in particular have unemployment rates of over 20% (source: ECB, November 2015). The European Commission and EU countries have launched a wide range of measures to get the unemployed back into education, training and employment and to promote strong and durable economic growth.

Impact of an Ongoing Low Interest Rate Environment

In this macroeconomic context, Eurozone financial institutions have continued to make steady progress in strengthening their balance sheets and building up their resilience to adverse shocks. Nevertheless, they still face challenges relating to weak economic growth prospects, legacy issues from the financial crisis, and a strengthened regulatory and prudential environment. Finding sustainable sources of profitability remains a challenge for Eurozone banks in an environment of low nominal macroeconomic growth combined with low interest rates across the maturity spectrum.

In recent years interest rates have fallen to historical lows across the maturity spectrum, which has been accompanied by a substantial flattening of the yield curve. The ECB, based on its regular economic and monetary analyses, has elected to lower the interest rate on the main refinancing operations of the Eurosystem by 5 basis points to 0.00% and the rate on the marginal lending facility by 5 basis points to 0.25%. The rate on the deposit facility was lowered by 10 basis points to -0.40% (source: ECB, Economic Bulletin, Issue 2 / 2016).

Should this low interest rate environment persist over a longer period, banks could see a decline in their net interest margins, particularly smaller institutions that are less capable of hedging their interest rate risk than larger banks or as a result of lingering legacy asset quality issues. Analyst forecasts for 2016 and 2017 earnings suggest only a moderate improvement in the next two years, with the low nominal growth and low interest rate environment still weighing on the outlook for bank profitability (source: ECB, November 2015).

Eurozone Growth and Credit Risks

The recovery in the Eurozone has been dampened by subdued growth prospects in emerging markets, volatile financial markets, the necessary balance sheet adjustments in a number of sectors and the sluggish pace of implementation of structural reforms. The ECB considers that the risks to the Eurozone growth outlook therefore remain on the downside and relate in particular to the heightened uncertainties regarding developments in the global economy as well as to broader geopolitical risks (source: ECB, February 2016).

The level of credit risk in the loan book of the Eurozone banking sector remains elevated against the background of a tenuous economic recovery and legacy balance sheet issues that still represent a challenge in several countries. In addition, Eurozone banks face the prospect of rising credit risks emanating from foreign exposures, and in particular exposures to vulnerable emerging market economies. Banks' market risk increased in 2015 on the back of heightened volatility across all segments of financial markets. Banks' interest rate risk remains the most significant source of market risk, with the share of debt securities in banks' total assets remaining broadly stable in the first half of 2015, at approximately15%. Interest rate volatility has also increased significantly, with implications for the valuation of banks' debt instruments. Risks relating to information technology continue to be among the main operational risks for banks and, accordingly, IT security remains one of the focal points for European banking supervisors (source: ECB, November 2015).

The Netherlands

The Netherlands is the fifth-largest economy in the Eurozone with a gross domestic product of over €624.1 billion. The Dutch economy recovered steadily from the global economic downturn and the euro crisis: GDP increased by 1.9% in 2015 and by 1.0% in 2014, following a decline of 0.5% in 2013 and a decline of 1.1% in 2012 (source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*) ("**CBS**"), Central Economic Plan 2016, March 2016). The recovery of the Dutch economy is expected to continue with a GDP growth of 1.8% in 2016, and 2.0% in 2017, which is above the expected GDP growth of the Eurozone (source: CPB Netherlands Bureau for Economic Policy Analysis ("**CPB**"), Policy Brief 2016, March 2016), after lagging economic growth between 2011 and 2013. In 2014, the Netherlands was one of the most prosperous nations worldwide in terms of GDP per capita (source: World Bank data 2016).

The Dutch economy is growing in many areas and, despite disappointing world trade levels, increase in exports remains robust. The Dutch economy is an open and highly competitive economy, with a large current account surplus, approximately 10% of GDP during the second quarter of 2015 (source: DNB Statistical News Release, September 2015), solid public finances (e.g., government balance deficit is forecast to improve to 2.1% of GDP in 2016 and to 1.4% in 2017, government debt peaked at 67.9% of GDP in 2015 (source: CPB, Macro Economic Outlook 2016, September 2015)), the largest pension savings in the world as percentage of GDP (source: OECD, Pension Markets in Focus, 2014) and one of the best pension systems in the world (source: Mercer, Melbourne Mercer Global Pension Index, 2014). Recovery is supported by growth in investments and an improving housing market and rising consumption levels, as a result of an increase in disposable incomes. The economy of the Netherlands is expected to benefit in 2016 from the low exchange rate and a strong increase in housing and business investments. For 2017, the economy is projected to further grow, due to an expected acceleration of world trade and an increase in domestic spending, supported by an improving housing market and tax reductions (the €5 billion package of measures to cut taxes on labour) (source: CPB, September 2015). The Netherlands holds the highest credit rating (outlook stable) with Standard & Poor's returning the Netherlands to a triple-A credit rating, citing the country's economic recovery.

In the wake of the improving economy, employment is expected to increase both in 2016 and 2017, with the main improvement in employment rates in the private sector. An unemployment rate

of 6.5% is expected for 2016 (source: CPB, March 2016). In the market sector, employment is expected to grow by 1.4% in 2016 (source: CPB, March 2016).

The outlook for 2016, however, is subject to a number of uncertainties which are primarily related to foreign developments such as: expected lower growth of the world economy caused by lower oil and other raw material prices, a further cooling of the Chinese economy, Europe's migrant crisis and geo-political problems in the Middle East and North Africa. In addition, a potential Brexit in June 2016 could have an adverse effect on growth. Price adjustments on the world market are expected to stimulate demand again, causing an accelerated growth in world trade, although there remain large uncertainties around the growth in world trade (source: CPB, September 2015).

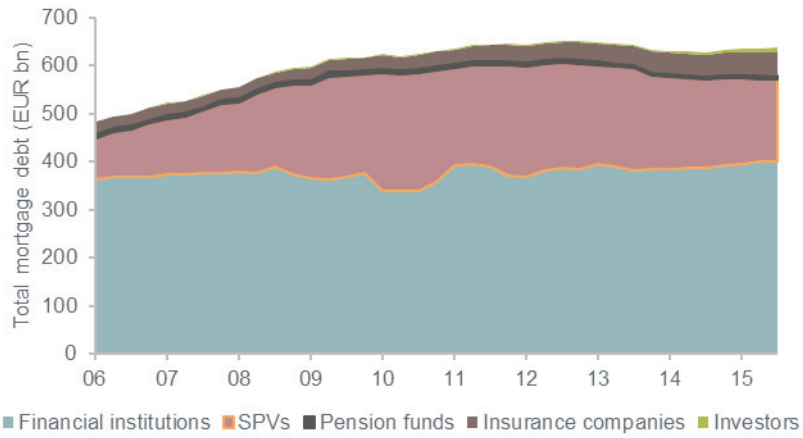
Furthermore, the Dutch national elections in 2017 will bring increased focus on budgetary policy, although budgetary policy is anticipated to continue applying discipline on the spending side more than in relation to tax expenditures or tax measures and to stimulate growth and employment (source: CPB, September 2015).

Characteristics and Trends in the European Financial Services Market

Characteristics and Trends in the Dutch Banking Sector

The Dutch banking sector is relatively large in size, highly concentrated, and even though the total size has decreased since the start of the financial crisis in 2008, it is dominated by a small number of large banks undertaking a wide range of banking activities. As a proportion of the banking sector's combined balance sheet, total mortgages form the largest asset category of approximately 36% in 2015 (source: DNB, Perspective on the structure of the Dutch banking sector, June 2015). The dominance of the large banks in the Dutch banking sector is reflected by their large shares in the markets for domestic banking services. In terms of amounts outstanding Rabobank, ING Bank and ABN AMRO control approximately 60% to 80% of the banking markets for mortgages, business loans and savings (source: DNB, June 2015). Foreign banks such as Deutsche Bank and RBS entered the Dutch market several years ago, but have reduced their focus or withdrawn altogether. The trend towards concentration in the mortgage market has recently reversed as result of increased competition from the insurance sector and pension funds, although their share in outstanding household mortgage debt remains comparatively small.

Mortgage debt outstanding

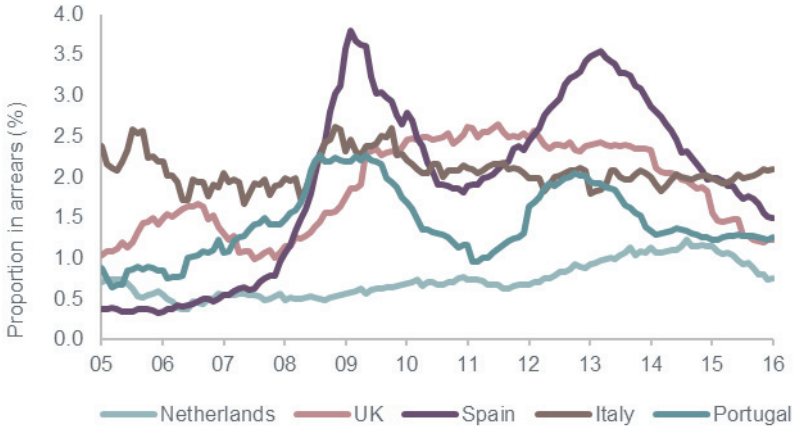


Source: DNB, Rabobank

For Van Lanschot's Private Banking segment, mortgages are an integral part of its offering, with Van Lanschot retaining a high quality portfolio of mortgage loans to wealthy private clients in the Netherlands. In the Netherlands, mortgage debt is expected to remain stable and potentially increase modestly in 2016 as a result of the expected increase in house sales, however partly offset by extra repayments on mortgages. Mortgages in the Netherlands are often originated with a loan-to-value ratio of greater than 100% as the mortgage loan typically covers additional costs, with corresponding liens taken out over homeowners' personal savings and other assets to provide lenders

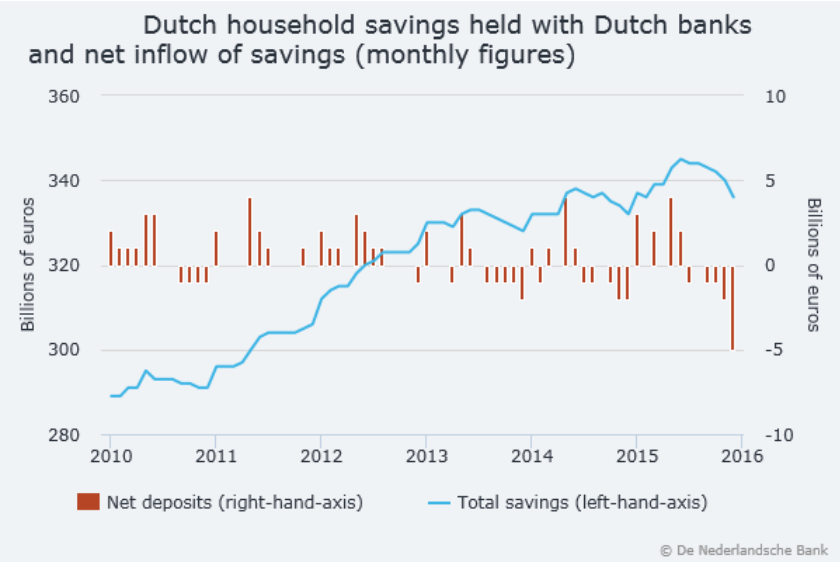
with additional assurances against default (source: DNB, Dutch mortgages in the DNB loan level data, 2015; NVB, The Dutch Mortgage Market, 2014). Housing sales experienced their highest price increase in almost eight years in January 2016, up over 4.1% in comparison to January 2015 (source: CBS, February 2016). With house sales picking up, mortgage issuance has also risen with €13 billion worth of new home mortgage loans in the fourth quarter of 2015, a 6.1% increase compared to the fourth quarter of 2014. Recent regulatory changes have from 1 January 2016 onwards reduced the maximum amount that can be borrowed based on maximum loan-to-value (reduced from 103% to 102%). In addition, after several years of an increasing number of mortgages that have fallen into arrears, the Netherlands has experienced a decrease of arrears in 2015 (with 60 days+ arrears below 0.8%). The graph below presenting historic levels of payment arrears in the Netherlands, the UK, Spain, Italy and Portugal shows that the Netherlands continues to perform well in terms of the level of payment arrears and forced sales as compared to other European countries.

Payment arrears (60+ days, all prime transactions)



Source: Fitch, Rabobank, CBS/Land Registry

Dutch households held approximately €336 billion in Dutch bank accounts as at 31 December 2015, following an all-time high of €345 billion halfway through the year. The corresponding amount as at 31 December 2014 was €332 billion. Just under 85% of Dutch savings have been put into instant access savings accounts, e.g. online savings accounts, with the remaining 15% (€52 billion) held in fixed-term deposits (source: DNB, Dutch household savings increase further, net deposits decline, February 2016).



Source: DNB

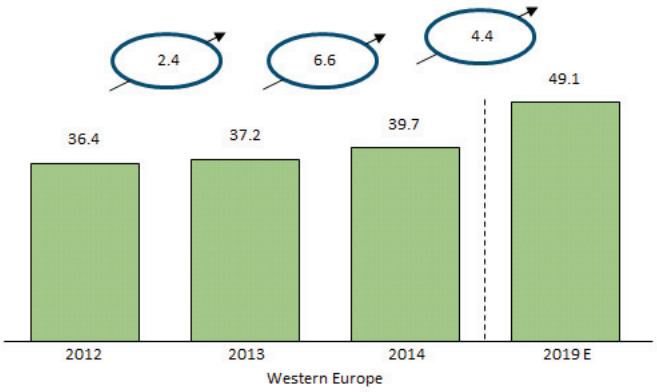
Dutch banks have managed to improve their capital ratios during the period 2012 to 2014. Driven by a low demand for credit and the disposal of non-core activities, banks have been de-risking and de-leveraging their balance sheets. During the same period, however, Dutch banks have struggled to restore profitability to pre-crisis levels and income has decreased as a result of the decreasing balance sheets, while costs have increased due to restructuring, increased regulation and loan impairments. In the period 2011 to 2014, the aggregate CET1 ratio of the largest Dutch banks (ABN AMRO, ING, NIBC, Rabobank, SNS Bank and Van Lanschot) increased to 13.1% due to an increase in CET1 capital, as a result of retained earnings (dividend cuts), and because of a decrease in risk weighted assets due to declining credit risk exposures, which was achieved by disposing of or transferring high risk assets (source: KPMG, The state of Dutch banks, July 2014). The leverage ratio increased to 4.3% as a result of balance sheet reductions, while the nominal amount of equity remained fairly stable (source: KPMG, July 2014).

Characteristics and Trends in the Dutch Private Banking Sector

Wealth is expected to continue to grow worldwide. Industry surveys indicate that global private financial wealth has grown approximately 8% in 2014, reaching a total of US$156 trillion in 2015. Western Europe's 7% growth rate brought private wealth to US$39.7 trillion in 2014. Some countries posted double-digit growth in 2014, among them Sweden (13%), the UK (11%), the Netherlands (11%) and Denmark (10%). With a projected compound annual growth rate of 4%, Western European private wealth is expected to reach an estimated US$49.1 trillion in 2019 (source: BCG, Global Wealth 2015, June 2015).

Europe's high net worth individuals population grew by 4.0% to 4.0 million and their wealth by 4.6% to US$13.0 trillion in 2014, lower than the global average growth rates of 6.7% and 7.2%, respectively, due to Europe's on-going fragile economic recovery at the time and challenging equity market performance (source: World Wealth Report 2015, from Capgemini and RBC, June 2015). There were approximately 190,000 high net worth individuals in the Netherlands in 2014, which held US$752.3 billion in wealth and the total number of Dutch high net worth individuals is forecast to grow by 13.0%, to reach 215,000 in 2019 (source: Research and Markets, 2015).

Growth of Private Financial Wealth in Western Europe (US$ trillions)



Source: BCG, Global Wealth 2015, Winning the Wealth Game, June 2015

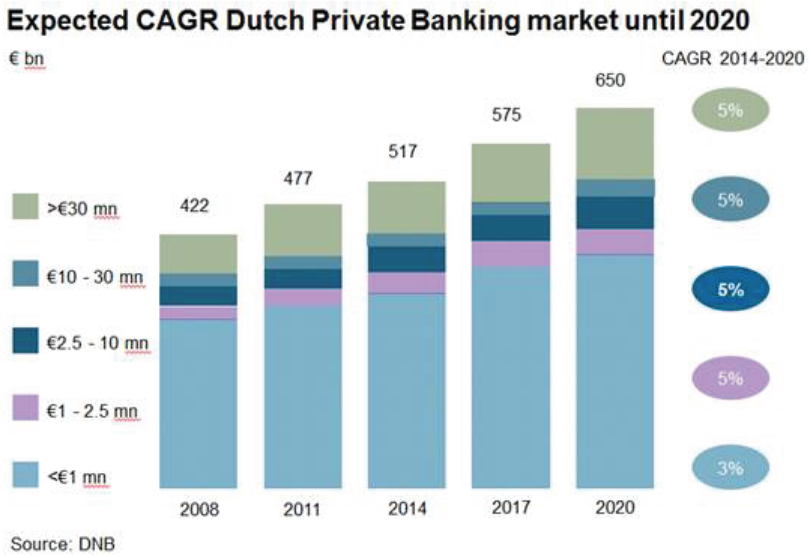
Looking ahead, changes are expected in the European wealth management client base in the coming years, with intergenerational wealth being transferred to a younger generation and new wealth being created by entrepreneurs (source: J.P. Morgan and Oliver Wyman, November 2014). Further, new developments in the Dutch banking sector and wealth management are anticipated to be related to technological innovation and focus on payment services (such as mobile wallets), asset management (such as automatic investments) and lending (such as peer-to-peer lending).

According to CBS there are approximately 450,000 households in the Netherlands with a total capital in excess of €0.5 million (however, this includes an owned house and mortgage, other real estate, capital from businesses, and other tied up capital). Capital that is kept in savings, bonds and

equities reduces the number of households to approximately 190,000 that have a disposable capital in excess of €0.5 million, or approximately 2.7% of the Dutch population (source: ABN AMRO, 2015). All players in the Dutch private banking market compete for this relatively small group of clients.

Wealth management in the Netherlands remains attractive especially for established players, with personal relationships underpinning client retention and high fixed costs acting as barriers to entry for new entrants (source: J.P. Morgan and Oliver Wyman, November 2014). Western Europe accounts for US$39.7 trillion in private wealth in 2014, with the Netherlands experiencing an 11% growth of private wealth in 2014 (source: BCG, Global Wealth 2015, Winning the Wealth Game, June 2015). The expansion in Western European private wealth in 2014 was supported mainly be modest gains in bonds, driven in part by the European Central Bank's revised monetary policy (source: BCG, June 2015). With a projected growth rate of private wealth of 4%, Western Europe private wealth is estimated to reach approximately US$49.1 trillion in 2019 (source: BCG, June 2015).

DNB considers that the annual growth rate of the Dutch Private Banking market until 2020 is expected to steadily increase. The graph below shows the expected growth in onshore Personal Financial Assets (excluding life insurance and pension).



Source: DNB

Characteristics and Trends in the European Asset Management Sector

The European asset management industry can be split into two product categories. The first category consists of investment funds, which are pools of assets with specified investment objectives, and policies in which investors may purchase units. By pooling savings from various customers, investment funds offer investors a number of advantages, particularly in terms of risk diversification and reduced costs from economies of scale. In the second category, fiduciary services, asset managers have the authority to advise and/or manage assets on behalf of investors on a segregated basis from other customer assets, in accordance with a pre-defined set of rules and principles and based on an agreement between the investment manager and the investor. Fiduciary services assets at the end of 2014 accounted for approximately €9.9 trillion or 52% of European AuM, whereas investment funds accounted for the remaining €9.1 trillion or 48% of European AuM (source: EFAMA, Asset Management Report, April 2015).

The asset management industry has emerged from the financial crisis to face a changing and complex regulatory and tax environment and a rapidly changing client base that is older and more risk-averse, as well as more sophisticated and demanding. European wealth managers are facing numerous challenges, with regulatory scrutiny increasing requirements for liquidity and capital reserves and client protection regulations becoming increasingly complex, in both cases leading to pressure on margins (source: BCG, June 2015). The low interest rate environment and the weakness of the euro have had negative effects on profitability for a number of asset managers, and cost pressures are forcing wealth managers to rethink operating models. As large populations across the

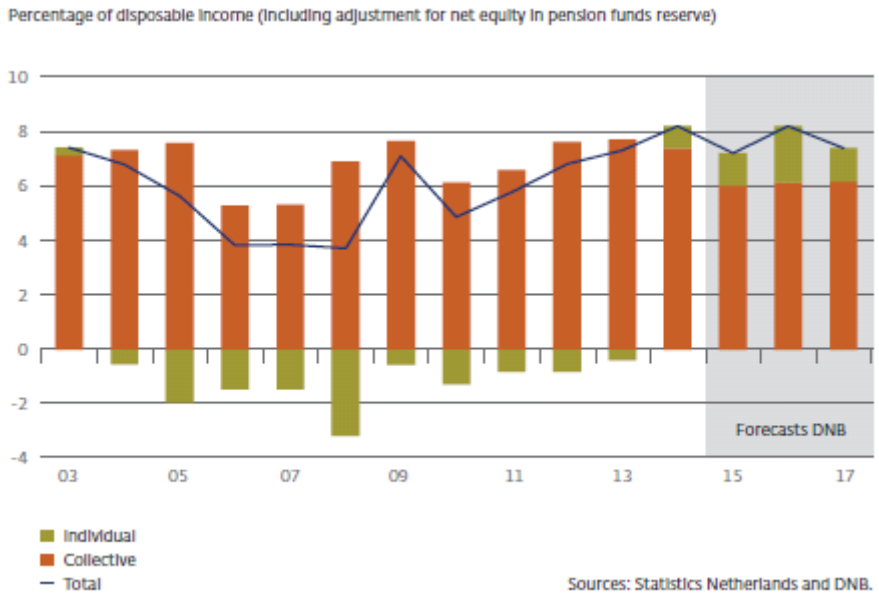
globe transition into retirement, the inevitable drawdown of assets is increasing demand for capital preservation strategies. Increased global life expectancies and the growth in unfunded public sector pension liabilities are reinforcing the need for retirement income and greater personal savings. Product propositions are changing to offer customers capital preservation and a greater certainty of outcomes based on a better understanding of their risk appetites. Firms are focusing on also providing greater transparency about the availability and details of products they offer, as well as for institutions and government agencies managing their pensions (source: EY, Global Wealth and Asset Management Industry Outlook 2014).

As at 31 December 2013, the European asset management industry managed €16.5 trillion in assets, representing 33% of the assets managed in the global asset management industry. In 2013, the ratio of AuM to European GDP was 114%. EFAMA estimated that by the end of 2014, the size of the European investment management industry total assets under management had increased to €19 trillion (source: EFAMA, April 2015). As at 31 December 2013, the Dutch asset management industry managed €469 billion in assets representing 3% of the total assets managed by the European asset management industry. In 2013, the ratio of AuM to Dutch GDP was 73% (source: EFAMA, April 2015).

Changes in Savings and Investment Trends in the Netherlands

In the Netherlands, disposable income has been increasing, leading Dutch households to increase income savings. In 2016, the increase in disposable income is projected to accelerate further, owing to the lower tax burden. In addition, a substantial part of income is expected to be allocated for obligatory collective savings. The collective savings ratio, the balance of pension contributions paid and received as a percentage of disposable income, will fall from 2015 onwards, due to the reduction of pension contributions and other factors (source: DNB, Economic Developments and Outlook, December 2015).

Individual and collective savings in the Netherlands



Source: DNB, December 2015

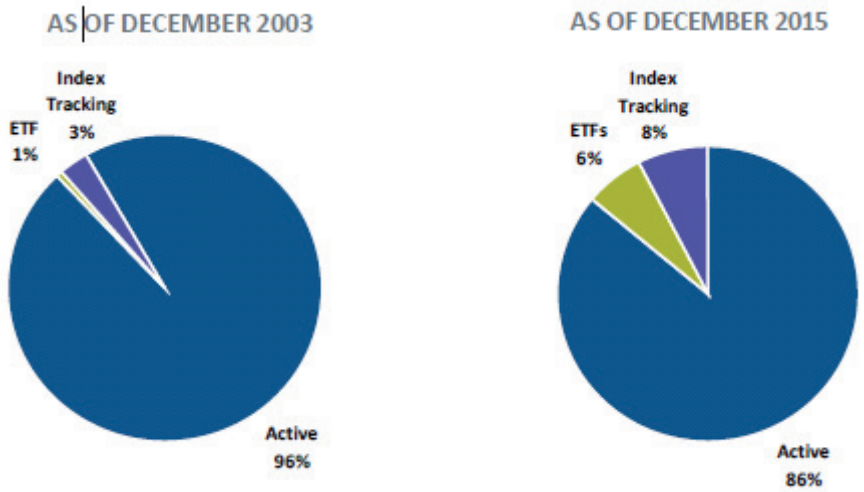
Growth of Passive as Opposed to Active Management

The global asset management industry has experienced a product shift in recent years from traditional actively managed products to passives, solutions, and specialties (source: BCG, Global Asset Management 2015). Standardised, packaged solutions are becoming increasingly prevalent at the lower end of high net worth levels, and exchange-traded funds have seen increasing growth as a passive investment approach, particularly in respect of the younger investor generation and as a result of demographic shifts in developed markets (source: EY, 2014). By 2020, both alternatives and

passive products are forecasted to represent 35% of total assets managed by the global asset management industry, which will represent US$22.7 trillion (source: PwC: Asset Management 2020 A Brave New World, 2014).

In addition to this trend, in 2015 the promotion of internally run funds by banks to their captive clients was one of the biggest drivers of sales flows in all European markets except the UK (source: Lipper Fund Market Information, European Fund Market Data Digest 2016).

Notwithstanding the growth of passive fund management, active fund strategies continue to be the dominant strategy (source: Lipper Fund Market Information, European Fund Market Data Digest 2016):



The Role of Third Party Ratings in the European Asset Management Sector

Independent research agencies and investment consultants have a significant influence over which asset managers clients use. Due to the large number of investment managers in the asset management sector, such research agencies and consultants are a necessary intermediary, providing an essential matching function. An independent research agency or investment consultant provides advice to public and private companies, foundations and associations looking for help with managing their available funds, or the money in their employees' retirement funds.

Third party ratings and opinions prepared by independent research agencies and consultants help reduce the asymmetry of information among investors (both retail and institutional), borrowers, lenders and other market participants. Research agencies and consultants track not only a manager's performance numbers, but also other relevant data points such as AuM, portfolio manager tenure and style (growth, value, etc.) and offer an independent way of judging which funds and fund managers offer the best value and most consistent performance in the asset management sector.

Characteristics and Trends in the European Merchant Banking Sector

European mergers and acquisitions had a generally positive year in 2015. Deal value in Europe increased by 37% to €1,160 billion even as deal volumes decreased by 0.6% to 6,766 deals (source: KPMG, Dutch M&A Update, December 2015). In fact, deal value in the region was at its greatest since 2007 – before the financial crisis (source: Mergermarket, Deal Drivers EMEA 2015, February 2016). This disjunction between volume and value trends points to a concentration of deals at the upper end of the market. Indeed, the contraction in volume is most visible among deals valued under €250 million: while there were 2,211 such deals in 2014, there were only 1,895 deals in 2015. A similar trend can be seen in private equity: buyout volume contracted 6% to 1,093 in 2015, while value rose 13% over the same period to €122.4 billion (source: Mergermarket, February 2016).

The Dutch mergers and acquisitions market has shown a decline in transaction volume of c. 1% compared to 2014, which is slightly below the global and European markets (source: KPMG, Dutch M&A Update, December 2015). However, the Dutch economy is gaining strength, which could potentially result in more deal activity. In contrast to deal volume, the total value of Dutch deals has

significantly increased to €179 billion, which can be explained by three transactions with a value of more than €10 billion each (source: KPMG, December 2015). The majority of the transactions are undertaken by corporates (381 of the 556 transactions, or 69%), whereas 31% (175 transactions) in the Netherlands involved a financial investor (source: KPMG, December 2015).

The capital markets also experienced a positive year in 2015. The Europe, Middle East and Africa ("**EMEA**") equity and equity-related volumes totalled US$276.3 billion for 2015. The 1,129 deals issued in 2015 by EMEA issuers represented the highest recorded deal count for the region since 2007. EMEA IPO volumes for 2015 reached US$72.8 billion, the second highest annual proceeds raised post crisis, after 2014's US$78.9 billion. EMEA equity-linked issuance saw the lowest annual volume since 2012, at US$24.2 billion from 53 deals (source: Thomson Reuters, Global Equity Capital Markets Review 2015).

Other Trends across the European Financial Services Sector

Van Lanschot believes that the following trends may significantly affect Van Lanschot's core segments (Private Banking, Asset Management and Merchant Banking) in the future.

Changing Client Behaviour and Expectations

Clients increasingly expect greater transparency in pricing and risk and adequate management of integrity risks and are increasingly seeking a simplified range of products and services that fit their unique situation.

Online and mobile banking now play an increasing role in how clients interact with banks. Clients continue to demonstrate a growing preference for online and mobile banking services. The high level of acceptance of online services in the Netherlands offers opportunities for banks for development of omnichannel strategies and, given that there has been much innovation in the area of financial services in recent years (such as new forms of credit (for example, peer-to-peer lending, crowd funding and micro credit) and developments in the area of data management and use (for example, cloud computing and the application of big data) banks are competing increasingly with new financing platforms. These technological developments in areas such as mobile banking, social media, data analytics ('big data') and cloud computing create opportunities and challenges for banks to respond to changing client behaviour and needs.

The Speed of Technological Change

Technological innovation can be an important force for change in the structure of the banking sector. The influence of technologically innovative companies is growing and this raises the question what impact such developments will have on banking services. Financial institutions will increasingly depend on technology to handle the increasing complexities of doing business, to satisfy customers' need for convenience and to abide by increasingly complex regulatory rules.

Technological innovations impact financial sector business models and strategies, and may lead to new risks emerging. The speed of these developments is accelerating and financial institutions are uncertain about how to respond to them. The growing dependency on IT systems means that it is increasingly important that the financial sector takes measures to control the risks associated with information technology (for example, the increasing levels of cybercrime across the sector).

Technology firms and other new entrants, which are not subject to the same regulatory controls imposed on banks, have already entered parts of the traditional banking value chain, for instance in block-chain technologies, payment services, peer-to-peer lending, new mobile payment systems, mobile wallets and crowd funding. Digital start-ups or fintechs, as well as big technology companies and the shadow banking sector, have substantial potential to exploit changes in technology and consequent shifts in customer behaviour which could affect the wealth management segment across all client segments.

Increasing Regulation and Supervision

As a result of the financial crisis in 2008, the financial services industry is under significant regulatory scrutiny. The banking landscape will continue to be dominated by higher and stricter capital and liquidity requirements, ongoing changes to accounting and regulatory rules, as well as uncertainty about a financial transaction tax. Some measures in the Netherlands are more stringent than similar EU rules. The evolving regulatory and supervisory landscape in the EU is challenging for

banks and will have an impact on profitability and/or total assets (as the key driver of the size of the loan portfolio) and banks' ability to meet their strategic objectives. See "*Supervision and Regulation*".

Moreover, the financial sector, and the banking sector in particular, continues to be the focus of political and public debate. This has led to a more intensive approach to supervision and oversight, increased expectations, a sharp increase in the volume of new regulations and the pace at which they are issued, and an increasing frequency and amount of data requests and visits from competent supervisory authorities and enhanced enforcement. These regulatory developments may continue to impact profitability and the business models of many banks. In addition, the sheer number and intensity of regulatory and supervisory requirements place an increasing burden on bank operations, the IT landscape, and management time and focus. Regulators such as DNB will devote considerable attention in 2016 to the transition to, and implementation of, new rules and regulations, ensuring that financial institutions meet the new requirements adequately and within the specified time.

Analytics and big data

Big data and advanced analytics are transforming the financial services sector including the wealth management industry with new ways to engage with new clients, manage client relationships and manage risks. With the increase in volumes of consumer data, new technologies have emerged to help process and analyse data. For private banking and wealth management, firms are looking to use new technologies to develop more descriptive and predictive analytics that combine internal and external, structured and unstructured data to create more complete and insightful client profiles. Nearly all core management processes, from prospecting and sales to advice and portfolio construction, from risk management to supervision, could be deeply affected and made significantly more efficient and effective (source: Deloitte, Disruptive trends in wealth management, 2015).

A number of electronic platforms or 'robo-advisor' type offerings, featuring online tools, automated advisory platforms and virtual advice fuelled by algorithms, have achieved noticeable AuM growth over the past few years and are expected to continue to develop (source: EY, Nine key drivers of change for the global wealth and asset management industry, 2015).

Increased scrutiny on active vs passive investing

The expanding role of indices in financial markets has led regulators to re-examine the rules governing financial benchmarks and their application in the European asset management sector. Both the European Commission and ESMA have produced regulation and published guidelines intended to strengthen investor protection through improved standards of transparency and disclosures.

In 2015, ESMA conducted research on potential closet index tracking, where asset managers claim to manage funds in an active manner while the funds are, in fact, staying very close to a benchmark and is more akin to a passive strategy. ESMA noted that many national regulators have launched or are in the process of launching specific investigations to consider the potential extent of closet indexing in their jurisdictions, with a focus on EU equity funds (source: ESMA, Statement on supervisory work on potential closet index tracking, February 2016). ESMA and national regulators have committed to additional work on investigating potential closet indexing and the broader issues relating to the potential shortcomings in the UCITS framework in relation to the effectiveness of investor disclosure and the legitimate expectations of investors in respect of the risk/return profile and services provided by asset managers (source: ESMA, 2016).

Competitive Dynamics

Private Banking

Introduction

The Dutch private banking sector is characterised by a mix of pure-play private banks and universal banks, which have a private banking unit in addition to corporate and investment banking units.

Competitive Landscape

Besides Van Lanschot, Dutch private banking clients are served by departments of the larger Dutch banks (ABN AMRO, ING, Rabobank), local departments of Swiss wealth managers (Credit

Suisse, Lombard Odier, UBS), and some local and/or partly foreign-owned, players (Theodoor Gilissen, Insinger de Beaufort and Hof Hoorneman Bankiers). Within this spectrum, Van Lanschot won the Incompany Award for the Best Private Bank in 2015 and was ranked third in 2014 and 2013 based on overall private banking services, after ABN AMRO and UBS (source: Euromoney).

Given that Van Lanschot's strategic goal is to be a player for (ultra) high net worth individuals, the expected increase in wealth offers the opportunity to increase its client base and AuM.

The private banking industry is characterised by strong competition and consolidation, as scale offers certain benefits to effectively address mounting regulatory requirements and increasing operating cost. The operating landscape has changed in recent years due to factors such as: (i) clients are becoming more knowledgeable and demanding, (ii) there is an increasing demand for transparency and simplicity, (iii) there is increasing competition for finding and retaining talented staff, (iv) regulation is becoming stricter and more complex and (v) clients have access to a wide range of virtual communities and tools providing financial information.

Asset Management

Introduction

According to PwC's 2014 asset management report, global AuM could exceed US$102 trillion by 2020, compared to US$74 trillion (€61 trillion equivalent) as at 31 December 2014 (source: PwC, 2014). The European outlook is also strong, with the PwC study predicting a compound annual growth rate of 4.4% as European economies begin to recover.

The European asset management sector is a combination of global players offering a full spectrum of products as well as niche players focusing on specific products and product categories as well as regions and countries. The Dutch asset management market is primarily an institutional market accounting for over 90% of all assets (source: DNB, The Dutch Financial System – An Investigation of Current and Future Trends, 2009).

Competitive Landscape – Asset Management

The asset management market in Europe and the Netherlands is highly competitive and is composed of a large number of firms, including BNP Paribas, Vanguard, NN Investment Partners, Ashmore, Schroders, Henderson, GAM, Jupiter, Aberdeen, Lombard Odier, Robeco, Fidelity and Blackrock.

Competitive Landscape – Fiduciary Services

The market for fiduciary services in the Netherlands is also highly competitive and is composed of a large number of Dutch asset managers, including SEI, MN, BMO, APG, PGGM, Syntrus Achmea, Robeco, TKP, NN Investment Partners and Blue Sky Group, as well as international players with a presence in the Netherlands, including BlackRock, Lombard Odier, BNP Paribas, Russell Investments and Allianz.

Merchant Banking

Introduction

Despite the continuing uncertainty in the market driven by among others the recent stock market volatility, the US Federal Reserve decision on interest rates and Europe's migrant crisis, the appetite for merger and acquisitions is expected to stay healthy across the globe (source: KPMG, Dutch M&A Update, September 2015). In the Dutch capital markets and investment banking markets, various types of players are active: global players, regional players, national players and boutiques.

Competitive Landscape

Van Lanschot's Merchant Banking offering faces competition from Benelux-based banks such as ABN AMRO, Rabo Securities and ING and with respect to niches from international commercial and investment banks such as BAML, Goldman Sachs International, JP Morgan, KBC, Merrill Lynch, Morgan Stanley, UBS and Deutsche Bank. For its European niches of life sciences and

healthcare and real estate, Van Lanschot faces competition from firms specialising in the same industries as well as international players with global investment banking activities.

Overview

Van Lanschot is a specialist, independent wealth manager dedicated to the preservation and creation of wealth for its private and institutional clients. Van Lanschot's primary operating segments consist of: Private Banking, Asset Management and Merchant Banking. Van Lanschot's wealth management strategy is strongly focused on its primary operating segments and product offering in selected niches and achieving a capital light business model. Implementation of Van Lanschot's strategic focus has allowed Van Lanschot to concentrate on helping private and institutional clients to preserve and create wealth.

The table below presents an overview of Van Lanschot's primary operating segments:

Private Banking

- Private Bank for entrepreneurs, family businesses and (ultra) high net worth individuals
- Specialised services for business professionals and executives, healthcare professionals, and foundations and charities
- A clearly defined local presence through a strong network with 37 branches of which 27 are in the Netherlands, 8 in Belgium and 2 in Switzerland (onshore only)
- AuM value of €16.9 billion*
- Loan book of €8.2 billion*
- Evi van Lanschot, the online savings and investment service, targets the younger generation, mass affluent

Asset Management

- Specialised European investment management boutique with a sharp focus and a clear investment philosophy
- Focus on a limited number of high quality investment strategies: small caps, property, high-dividend equities, fixed-income securities and funds of hedge funds
- Targeting open architecture-based banks and asset managers, pension funds, insurance companies and foundations and associations
- Offering clients a fiduciary service that provides them with fully comprehensive asset management solutions
- Offices in Amsterdam, London and Edinburgh
- AuM value of €44.4 billion*

Merchant Banking

- Consists of Kempen Corporate Finance and Kempen Securities
- Specialist services including equities research and trading, mergers and acquisitions, capital market transactions as well as debt advisory services to institutional clients, corporates, financial institutions and semi-public and public entities
- Niche strategy focusing on the European real estate, European life sciences and healthcare, and Benelux market
- Offices in Amsterdam and New York

* As at 31 March 2016. AuM of Asset Management is comprised of €35.8 billion of third party AuM and €8.6 billion of AuM managed for Van Lanschot Private Banking. Eliminating this intra-Company AuM results in total Van Lanschot AuM as at 31 March 2016 of €52.7 billion.

Van Lanschot's focus on preserving and creating wealth for its clients has led to its decision to gradually phase out any services that do not have a direct bearing on its core activities. This includes the continued wind down of the commercial loan portfolio, including commercial real estate and SME loans to clients that do not have a link to Private Banking. These activities have been subsumed into its Corporate Banking segment and are being wound down. However, Van Lanschot plans to continue to offer lending services relating to SMEs and real estate to the extent that these are consistent with the relationship model adopted by Private Banking, in particular in the areas of mortgages and financing for entrepreneurs, family businesses, business professionals and executives and healthcare professionals.

As part of its strategic update on 26 April 2016, the Company announced its intention to combine the Evi activities in the Netherlands and Belgium and separate Evi from the Private Banking segment to develop its full potential, turning Evi into the fourth pillar of its wealth management strategy. See "*—Strategy—Evi van Lanschot: to become a separate segment for self-directed clients*".

History

The Company's history dates back to 1737. In that year, Cornelis van Lanschot formed a merchant house and started trading in colonial merchandise in 's-Hertogenbosch, the Netherlands. In the second half of the 18th century the merchant house began to grant loans to clients and to collect and pay bills, these activities led the merchant house to become a banking house. Around 1830, under Franciscus van Lanschot, the collecting activity gained a more significant position and, independent from the goods trade, the banking firm came into existence.

Until 1954, the banking activities were carried out from the offices in 's-Hertogenbosch. After that year, Van Lanschot's activities gradually expanded. More offices were opened, initially, predominantly, in the southern part of the Netherlands. In the early 1970s, Van Lanschot took over a number of local banks. With the subsequent increase in the number of clients, the activities in domestic and international money and capital markets grew strongly. During the 1980s, a number of offices were opened in the central part of the Netherlands. From 1991 onward, Van Lanschot followed a strategy of strong expansion. In addition, offices were opened in Belgium.

Since 1973, in addition to family shareholders, non-family shareholders have been invited to help finance Van Lanschot's growth. In 1973, Delta Lloyd Verzekeringsgroep N.V. and the British National Westminster Bank Plc. became new shareholders. Rabobank Nederland followed in 1978 as a shareholder. The Company was reformed into a public limited liability company in 1978. Also in 1978, Van Lanschot's Beleggings-Compagnie B.V. became the holding company of the Van Lanschot group. In the early 1990s, National Westminster Bank Plc. acquired the shares from Rabobank Nederland, as a result of which it then owned approximately 80% of Van Lanschot's Beleggings-Compagnie B.V.'s share capital. The remaining shares were held by the Van Lanschot family, Delta Lloyd Verzekeringsgroep N.V. and the staff.

At the end of 1994, the majority interest of National Westminster Bank Plc. was placed with a number of large Dutch financial institutions. This change in shareholding allowed the Company to more strongly position itself as an independent bank in the market.

Van Lanschot's Beleggings-Compagnie B.V. (renamed Van Lanschot N.V.) was listed on Euronext Amsterdam in June 1999.

In 2004, Van Lanschot acquired CenE Bankiers from ING Bank N.V. The acquisition helped Van Lanschot to strengthen its position as a prime Dutch bank for high net worth individuals and enhanced its position with healthcare clients.

In 2007, Van Lanschot acquired Kempen & Co to bolster its position with ultra high net worth individuals, institutional investors, businesses and entrepreneurs.

In 2013, Van Lanschot performed a strategic review. Van Lanschot decided to move away from a universal banking model and to instead become a specialist independent wealth manager. The Company decided to simplify the organisation, focus the product offering in selected niches and to wind down the corporate loan book. Implementation of these strategic choices allowed Van Lanschot to begin the change to focusing on helping private and institutional clients to preserve and create wealth.

Also in 2013, Van Lanschot launched Evi, an online savings and investment platform to extend the offering of the Company to mass affluent individuals and first-time investors via a digital platform.

In 2015, Kempen Capital Management acquired the UK fiduciary management activities of Dutch pensions and investments manager MN. This acquisition is in line with Kempen Capital Management's strategy of expanding its international activities and activities in the area of fiduciary management.

Competitive Strengths

Van Lanschot believes that its key strengths include the following:

Clear choice for wealth management targeting institutional and private clients

As a result of its strategic review in 2013 and as re-affirmed in the strategic update on 26 April 2016, the Company has moved away from a universal banking model and is making progress in

becoming a specialist independent wealth manager. This is expected to lead to a more capital light business model and to increase the importance of commission income while reducing dependence on interest income as well as permitting lower levels of loan loss provisioning. In 2015, commission income accounted for almost half of the Company's income due to growth in AuM for the Private Banking and Asset Management segments, a strong year for Merchant Banking and the continued wind down of the Corporate Banking segment.

Strong brand names, reliable reputation, rich history

Van Lanschot's mission is to be the trusted partner of its clients in creating and preserving wealth and its long history, the strength of its brands and its reputation are a key driver in this respect. The Company builds on almost 280 years of experience and two strong and well-known brands: Van Lanschot and Kempen & Co, aimed at private individuals and institutional and corporate parties respectively. In 2013, the Company launched Evi as its online platform as part of its Private Banking segment. In October 2015, Van Lanschot won the Incompany Award for the Best Private Bank. The Company's most recent client satisfaction survey in 2015 also showed that satisfaction levels among Private Banking clients are on the rise. The client satisfaction survey commissioned in 2015 on Asset Management calculated an NPS of 32 and an average client satisfaction rating of 7.8, both up from 22 and 7.7, respectively, two years ago.

Core activities with their own distinct culture and positioning as niche players

The Company's core activities, Private Banking, Asset Management and Merchant Banking benefit from strong market positions and clear positioning.

In the Dutch private banking market, Van Lanschot has a special position as an independent specialist wealth manager compared to other banks that have their roots in universal banking. Van Lanschot's aim is to help its clients at every stage of their life, starting with identifying their personal, professional and social wishes and needs identified through the Company's specialised 'scan for tomorrow' tool. This forms the basis for the development of a personalised financial plan to manage and develop client's investments for the future. Van Lanschot Private Banking is proud of its personal service and constantly focuses on enhancing the client experience. Its advisers are qualified professionals and are trained to be alert, clear and offer a personalised service. The Company is the only Dutch private bank operating two Swiss branches that can offer its Dutch and Belgian clients an international wealth planning service.

Asset Management, trading as Kempen Capital Management, is a specialist player offering in-house investment expertise and a wide range of solutions for institutional clients with a clear focus on a number of niches and activities. Kempen Capital Management and its employees invest in the funds that are offered by Kempen Capital Management, which results in an alignment of interests with those of the clients. In September 2015, for the third year in succession, Kempen Capital Management was named one of the winners of the Focus Elite Culture Awards, presented to asset managers with a 'superior corporate culture'.

The Company's Merchant Banking segment has a solid reputation and a strong position in its selected niches: European real estate, European life sciences and healthcare and the Benelux market. Merchant Banking is made up of two units: Kempen Corporate Finance and Kempen Securities. The Company's capital markets activities are serviced by both units. Kempen Corporate Finance builds on its reputation in its niche markets of a reliable partner and an independent adviser. Its clients benefit from its access to the capital markets and its network of specialist investors, shareholders, businesses and other leading market players. Kempen Securities is an equity specialist that offers industry-specific expertise in its selected niches and in doing so is capable of adding value in a competitive market.

Mutually reinforcing core activities

Van Lanschot's core activities cooperate in many areas and draw on the group's strong foundations. Private Banking and Asset Management, for example, provide a special offering in the Dutch private banking market by sharing the same in-house investment philosophy and process, thus enabling its private clients to benefit from the same specialist expertise as some of the biggest investors in the world. In addition, Merchant Banking provides solutions to Private Banking clients in the shape of structured products, such as notes or certificates based on an index, an equity or a fixed-

rate security as their underlying asset. Van Lanschot strives to retain talented professionals by enabling career steps from one core activity to another, for instance from Merchant Banking to Asset Management building, on largely the same sector focus.

Straight forward governance model with highly experienced Executive Board

The Executive Board is responsible for implementing its strategy and managing its three core activities. It is made up of the members of the Statutory Board and the members of the management board of Kempen & Co, with the Statutory Board bearing ultimate responsibility in keeping with the Articles of Association. In order to simplify the governance structure, since 20 February 2015 the Supervisory Board is also serving as Kempen & Co's supervisory board.

The members of the Executive Board have extensive experience at the Company and in the financial sector in the Netherlands and abroad. They have in-depth knowledge and experience in the core activities of private banking, asset management and merchant banking, and supporting functions such as risk management, assets & liabilities management and operations and IT. This management team has successfully led the Company's transformation following the strategic review in 2013 and is supported by key long-term shareholders and other stakeholders. The Company also focuses on hiring and retaining experienced and skilled employees to help ensure continued success.

Capital increasingly freed up by winding down corporate loan portfolio

The wind down of the corporate loan book, which was commenced following the strategic review in 2013, is progressing ahead of plan: the original target to reduce the portfolio to below €2.2 billion in RWA by the end of 2017 had already been realised at the end of 2015, when it reached €1.9 billion and has continued to decrease through the first quarter of 2016, declining to €1.7 billion as at 31 March 2016. Based on current plans and expectations regarding the ongoing reduction of the Corporate Banking activities and outlook for future regulations, the Company expects a further release of capital. Management is committed to return any further excess capital to shareholders, subject to regulatory approval.

Strong balance sheet, capital ratios, cash reserves and diversified funding mix

The Company believes it has a solid balance sheet, strong capitalisation, ample liquidity and diversified funding mix and maintains high capital ratios including a CET1 ratio at 16.3% at the end of 2015 (phase in, calculated with respect to the full year results, including retained earnings) and at 16.9% as at 31 March 2016 (phase in, calculated with respect to the quarterly results, excluding retained earnings). The CET1 ratio stood at 15.4% (fully loaded, calculated with respect to the full year results, including retained earnings) at the end of 2015 and at 16.4% as at 31 March 2016 (fully loaded, calculated with respect to the quarterly results, excluding retained earnings). The leverage ratio improved further to 6.1% at the end of 2015 (6.3% as at 31 March 2016). The total equity of the Company as at 31 March 2016 was €1.3 billion, of which €1.3 billion is share capital and reserves.

Van Lanschot's funding profile is largely made up of customer savings and deposits driven by its private banking franchise, and complemented by wholesale funding (issued debt securities as presented on the balance sheet). The Company's funding and liquidity position remain strong, with an aim to retain access to both retail and capital markets through diversified funding. As at 31 December 2015, the Company's funding ratio was 94.1% (91.9% as at 31 March 2016).

Strategy

Some of the information contained in this section, including information with respect to the Company's plans and strategies for its business and expected sources of funding, contain forward-looking statements that involve risks and uncertainties. See "*Important Information—Information Regarding Forward-Looking Statements*".

At the start of 2013 the Company carried out a strategic review, which resulted in a number of clear choices. As an independent, specialist wealth manager, the aim of the Company was to preserve and create wealth for its clients. The core businesses at the heart of the Company's strategy comprised the following three activities: Private Banking, Asset Management and Merchant Banking.

A process was commenced to scale back or terminate all other activities (including a decision to scale-down the Corporate Banking unit).

Using the themes 'focus, simplify, grow', the implementation of the strategy resulted in simplification of processes and products and a more focussed servicing model and organisation. The balance sheet was strengthened, capital ratios and profitability improved and the funding profile has been diversified. In Private Banking, three service concepts were introduced, each geared to specific asset management and service requirements appropriate for the relevant client group. Evi van Lanschot was introduced as online investment and savings coach, attracting new clients and assets. Asset Management and Merchant Banking continued to grow their revenues and client base. At the end of 2015, considerable progress had been made in implementing the Company's strategy, providing it a solid foundation.

In April 2016, the Company announced the outcome of a strategic update for the period until and including 2020. The purpose of this update was to incorporate in its strategy the Company's response to changes in client needs, the industry and society. This includes for instance technological changes and digitization, the low yield environment, increasing regulation and increasing individual responsibility for pensions. The strategic update forms the start of the next phase of the wealth management strategy of the Company and the core of the strategy remains unchanged: to be the trusted partner of clients in creating and preserving wealth. Going forward there will be four core activities, with Evi becoming a separate segment next to Private Banking, Asset Management and Merchant Banking.

Each of the four core activities has its own themes for the coming years:

Private Banking: enhance the client experience through omnichannel service model and focus on increased front-line effectiveness.

The Company aims to be a specialist independent wealth manager with a clear focus on the segments in which it has leading positions: entrepreneurs, business professionals and executives, healthcare professionals, foundations and associations, and (ultra) high-net worth individuals.

To implement this strategic objective, the Company aims to increase its front-line effectiveness and expand its market share with existing and prospective clients and is in the process of further innovating its offering to stay in tune with the needs and preferences of its clients. The Company's digital and mobile offering will be expanded and improved to provide clients with an omnichannel service offering, combining the traditional personalised private banking approach based on client proximity with integrated digital platforms.

As part of the evolution to an omnichannel servicing model, the Company's branch network is currently being adjusted to adapt to changing client behaviour and expectations. The digital transformation will be supplemented through a modernisation of the Company's branch network into 4 regional branches with consolidated workplaces for relationship managers complemented by 23 client reception locations maintaining proximity to clients and local visibility. The Company will also introduce a front-line effectiveness programme for Private Banking personnel to focus on growth of client base, share of wallet and client retention. The Company is seeking to create a more dynamic, cost-effective model and more efficient operations for its Private Banking employees that will enhance the client experience.

The Company will continue to simplify and innovate its product offering, with a strong focus on pure-play wealth management products (investments and savings). The Company will focus on increasing differentiation and tailoring for its core wealth management products and services, focusing on its current high value added wealth management products and services (such as integrated financial advice and estate planning, financial planning, discretionary management) and ongoing product development, as well as a leveraging of its in-house expertise from Kempen & Co (such as in relation to products such as structured products and asset management). Given the increasing standardisation of products and servicing in the area of payments and mortgages and the investments required by the Company to meet regulatory requirements, alternative ways for the administration and servicing of payments and mortgages are being considered. This may include for instance partnerships, SaaS (Software-as-a-Service) solutions or outsourcing.

Evi van Lanschot: to become a separate segment for self-directed clients.

The Company aims to continue building up Evi van Lanschot, the online service for wealth creation and preservation for first-time investors in the wealth management market and self-directed clients. Evi plays into the trend of increased individual responsibility for pensions, healthcare and other needs at all levels of society. Evi will use the investment expertise from the Private Bank segment to provide the younger generation and mass affluent clients a trusted space to build and preserve wealth through a digital offering of investments, savings and pensions products.

The current Evi product offering will be expanded to include a number of new features such as investment solutions tailored to meet specific targets within a pre-defined time horizon, pension solutions (both on an individual basis via employers and directly for private individuals), and a discretionary investment proposition for minors (Evi4kids). In addition, the Company will implement data-driven marketing and sales efforts and tailor its marketing and acquisition strategy to the next generation.

Evi Belgium and Evi Netherlands will be combined and managed as a separate segment with a dedicated team to develop its full potential.

Asset Management: realise growth from strong position by launching new strategies, intensifying distribution and developing UK as second home market.

The Company aims to be a niche player in asset management and will continue to focus on a limited number of niche investment strategies, currently comprising small caps, real estate, high-dividend equity, fixed-income securities (government bonds and corporate bonds) and funds of hedge funds. The Company will continue to provide actively managed investment strategies with a clear focus and vision in its chosen niches. At the same time, for the Company's fiduciary clients and private banking assets managed by Van Lanschot, the Company aims to select the best investment managers (including passive managers) as part of its overall advisory, asset allocation and manager selection process.

The Company's strategy is to expand its existing capabilities and distribution to specific countries and client segments, with a focus on the UK, France and Germany. This will result in a broader, more diversified revenue pool. The Company aims to have dedicated specialists with an international background covering specific segments from locations in Amsterdam and London, to grow the Company's existing strategies in a cost-efficient manner. The Company aims to develop the UK into a second home market and grow the distribution of its niche strategies, primarily using wholesale distribution and consultants.

The Company will also build on its track record in developing new investment strategies by introducing selected additional capabilities, such as a high-yield fund, diversified growth funds and a strategy aimed at 'focusing capital on the long term'.

In fiduciary management, the Company aims to secure scale in the Netherlands by winning new mandates, and to leverage its local presence and broad experience in the Netherlands and the fiduciary activities acquired in the UK in 2015 to further grow its fiduciary activities and client base in the UK.

Merchant Banking: building on a solid, sustainable position in selected niches with a capital-light operating model.

In the Company's Merchant Banking businesses, Kempen Corporate Finance and Kempen Securities, the Company will continue to build on its solid, sustainable position in selected niches with a capital-light, focused operating model.

Kempen Corporate Finance is a leading player in its niche markets for mergers and acquisitions, capital market transactions and debt advisory services. The strength of Kempen Securities lies in its specialist research reports on listed companies in a number of niche markets, together with its ability to find sources of liquidity for international institutional investors.

The Company aims to focus on its selected niches in European real estate, European life sciences and healthcare and the Benelux market where its services and expertise are relevant to the Company's merchant banking clients and the Company has solid, sustainable operations. The Company will selectively expand into adjacent niches and strengthen its position in Benelux market,

particularly in the Kempen Corporate Finance offering. Kempen Securities will also continue to provide structured products to Private Banking clients and other third parties.

Financial Impact

The launch of the next steps of the Company's wealth management strategy includes a one-off investment programme of approximately €60 million for the mid-2016 to 2019 period to implement an omnichannel private banking service model, further develop Evi and finalise the transformation of the Company's IT landscape. The costs of the programme will be recognised in the statement of income and will be in addition to the normalised annual level of change costs related to Van Lanschot's IT platform of approximately €20 million.

In the 2012 to 2015 period, the Company has achieved structural cost reductions within Van Lanschot which were partially offset by investments in profitable growth at Kempen. Adjusting for non-recurring and non-strategic results (see *"Operating and Financial Review—Key Metrics and Adjustments for Non-Recurring and Non-Strategic Results"*) the total operating expenses of the Company declined by approximately 5.6% during this period, from a total expense of €410.4 million, including a €13.1 million one-off charge in 2012 (excluding the one-off, total operating expenses were €397.3 million) to a total expense of €387.4 million in 2015.

The investment programme is also expected to improve efficiency in the Company's mid- and back-office and contribute to further operating efficiencies. Whilst cost increases are expected in the near term as a result of – among other factors – higher regulatory expenses, the growth of Evi and the strengthening of the Company's distribution capacities in Asset Management, on balance, recurring costs are expected to decrease during the strategic planning period.

Loan loss provisioning has reduced in recent years and the Company expects this downward trend towards normalised levels to continue, in part driven by the continued wind down of the Corporate Banking activities. This is also expected to result in an increasingly asset-light balance sheet. The detailed requirements and impact of the proposals of the Basel Committee on risk weights and IRB-models are unknown as of yet, but the Company expects, based on its current assessment of new Basel rules, that any resulting increase in risk-weighted assets will be offset by the decrease in risk-weighted assets from the wind down of the Corporate Banking loan portfolio.

Financial Targets

With respect to the Company's financial targets for 2017 as issued in 2013, the Company is already exceeding the 2017 target CET1 ratio of >15%. With a further shift away from credit risk (Pillar I), the regulatory framework is expected to require a higher CET1 ratio in the coming years, including to cover Pillar II risk (such as interest rate risk and concentration risk). Based on the current regulatory framework, economic outlook and business mix, the Company aims to realise a CET1 ratio (fully loaded) in the range of 15% to 17% by 2020 and return on average CET1 in the range of 10% to 12% by 2020.

The Company aims to achieve an efficiency ratio of between 60% to 65% by 2020.

Capital and Dividend Policy

Based on current plans and expectations and the outlook of future regulations, Van Lanschot aims to build up excess capital of at least €250 million by 2020. Part of this excess capital may be distributed in the form of ordinary dividends; for this purpose Van Lanschot is envisaging an annual dividend pay-out ratio target as of 2016 between 50% and 70% of the annual reported net results, subject to adjustment for selected one-off items. The Company checks whether the proposed dividend satisfies the ECB's recommendation on dividend payment policies. Management is committed to return any further excess capital to shareholders, subject to regulatory approval.

Performance on Strategic Targets

In recent years, Van Lanschot has made significant progress on realising its strategic targets, as set out in the table below.

	Target	Three months ended 31 March	Year ended 31 December		
	2020	2016	2015	2014	2013
CET1 ratio (fully loaded)[1]	*15-17%*	16.4%	15.4%	13.4%	10.5%
Return on average CET1 equity[2]	*10-12%*	5.1%	4.9%	4.0%	2.5%
Efficiency ratio, excluding one-off gains and losses [3]	*60-65%*	82.2%	74.4%	69.8%	70.8%

(1) CET1 ratio is defined as the Company's Common Equity Tier I ratio based on full compliance with the Basel III Framework from 2014, with the ratio designated "(phase in)" based on the gradual application of more stringent standards as to what capital qualifies as CET1, and the ratio designated "(fully loaded)" in full compliance with these more stringent guidelines, and including retained earnings in respect of full year results only. Figures for 2013 are based on compliance with Basel II and the ratio itself is calculated as the Company's Core Tier I capital divided by its total risk weighted assets.

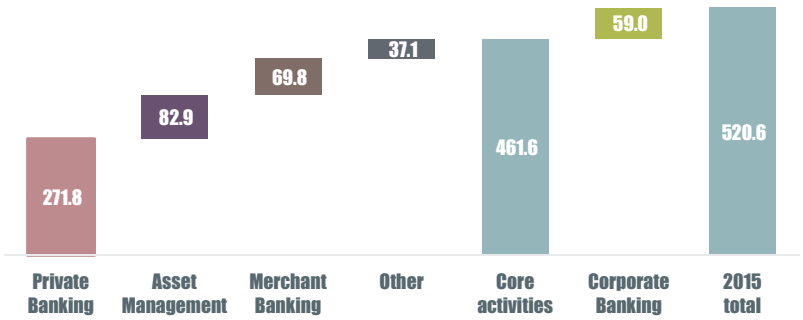
(2) Return on average CET1 equity is defined as net result divided by the Company's core equity capital (i.e. excluding Tier II capital, such as preference shares or non-controlling interests) and as from 2014 is in compliance with the Basel III Framework, based on phase in and including retained earnings. Figures for 2013 are based on compliance with Basel II. For the three months ended 31 March 2015 and for the three months ended 31 March 2016, the ratio is annualized.

(3) Efficiency ratio is defined as operating expenses as a percentage of income from operating activities, excluding one-off gains and losses reflecting a one-off pension gain, and the one-off charge on the sale of non performing commercial real estate loans, as well as related tax effects. The data underlying the efficiency ratio metric are thus adjusted figures which the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures.

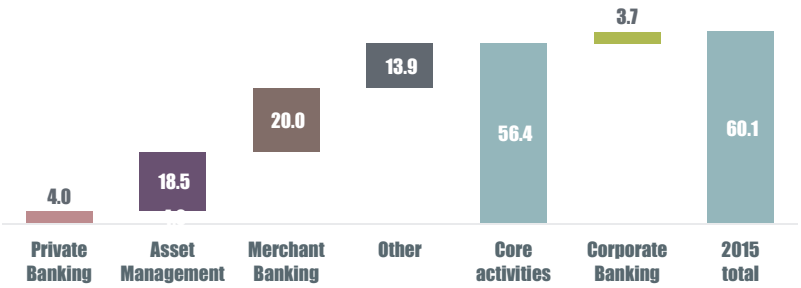
Operational Segments

Van Lanschot uses the following segmentation: Private Banking, Asset Management, Merchant Banking, Other Activities and Corporate Banking. Evi will become a separate segment in the future but is now included in the Private Banking segment. The three core segments – Private Banking, Asset Management and Merchant Banking – represent the significant majority of Van Lanschot's financial results and financial position for the periods presented. The tables below present operating income by segment and underlying result by segment for the year ended 31 December 2015 -excluding one-off effects related to the sales of a loan portfolio and excluding non-strategic investments.

Operating income by segment
€ million



Underlying results (excluding one-off related to sale of non-performing loan portfolio)
€ million



Van Lanschot's core activities generated 82% of the Company's operating income for the year ended 31 December 2015, as compared to 75% for the year ended 31 December 2014. Underlying result was €14.0 million for the three months ended 31 March 2016, a decrease of €14.9 million or 51.6% compared to €28.9 million for the same period ended 31 March 2015, and was €60.1 million for the year ended 31 December 2015, an increase of €5.9 million or 10.9% compared to €54.2 million for the year ended 2014, an increase of €20.7 million or 61.8% compared to €33.5 million for the year ended 31 December 2013. Key drivers of this growth through the end of 2015 were an overall growth in net commission income driven by strong performances through 2015 in Merchant Banking and Private Banking (which balances decreases in interest income due to reductions in the overall loan book and lower income on the investment portfolio as a result of the low interest rate environment) combined with a significant decrease in loan loss provisioning due to the wind down of the loan portfolio of the Corporate Banking segment. In the first quarter of 2016, commission income fell due to lower market activity but lower amortisation costs on discontinued interest hedges and active balance sheet management contributed to positive movement in net interest income (growing 11.0% to €55.5 million, as compared to €50.0 million for the three months ended 31 March 2015), staff costs and loan loss provisioning both continued to decline (for the three months ended 31 March 2016 the latter was €3.4 million, as compared to €15.3 million for the three months ended 31 March 2015). The comparison to the first quarter of 2015 is also affected by lower comparative profit on financial transactions. See "*Operating and Financial Review—Key Metrics and Adjustments for Non-Strategic and Non-Recurring Results*" and "*Risk Management—Credit Risk*".

The Company's AuM as at 31 March 2016 increased by 5.0% to €52.7 billion compared to €50.2 billion for the year ended 2015. Overall, client assets of both private individuals and institutional clients increased from €62.6 billion for the year ended 2015 to €64.3 billion as at 31 March 2016.

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	€ billion			
Company Client Assets				
Assets under management	52.7	50.2	44.1	41.6
Assets under administration[1]	2.3	2.8	3.9	1.6
Savings and deposits[2]	9.3	9.6	10.5	10.2
Total	**64.3**	**62.6**	**58.5**	**53.4**

(1) Starting in 2015, Van Lanschot began to recognise assets under administration as distinct from assets under management. Assets under administration are portfolios only administered by Van Lanschot over which it has little or no control, and on which earnings are relatively limited. Comparative figures for 2014 and 2013 have been adjusted accordingly.

(2) Savings and deposits represents public and private sector liabilities on the Company's consolidated balance sheet. Savings have no maturity date, deposits have a maturity date. Savings and deposits are classified in multiple segments.

Private Banking

Overview

Van Lanschot's Private Banking offering has an established market position in the Netherlands as a leading independent Dutch private wealth manager with dedicated employees who have an in-depth knowledge of their clients and offer personal attention for those clients' wealth, with the aim of supporting clients on all wealth related matters in all stages of life.

As at 31 December 2015, Private Banking held €27.7 billion in client assets, compared with €28.3 billion as at 31 December 2014 and €28.2 billion as at 31 December 2013. The Private Banking segment's client assets amounted to €26.4 billion as at 31 March 2016. The table below shows the Private Banking segment's client assets as at the dates indicated.

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	€ billion			
Private Banking Client Assets				
Assets under management	16.9	17.4	16.5	17.1
Comprised of				
• *Discretionary assets under management*[1]	8.9	9.0	8.2	7.4
• *Non-discretionary assets under management*[2]	8.0	8.4	8.3	9.7
Savings and deposits[3]	8.6	8.9	9.7	9.5
Assets under administration[4]	0.9	1.4	2.1	1.6
Total client assets	**26.4**	**27.7**	**28.3**	**28.2**
Net inflow / outflow[5]	-0.1	0.3	-0.7	-1.3

(1) Discretionary assets under management is defined as client assets entrusted to Van Lanschot under a discretionary management agreement, irrespective of whether these assets are held in investment funds, deposits, structured products or cash.

(2) Non-discretionary assets under management is defined as client assets held for clients, irrespective of whether these assets are held in investment funds, deposits, structured products 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.

(3) Savings and deposits represents public and private sector liabilities on the Company's consolidated balance sheet. Savings have no maturity date, deposits have a maturity date. Clients in other segments, for example, Corporate Banking, also hold savings and deposit accounts.

(4) Starting in 2015, Van Lanschot began to recognise assets under administration as distinct from assets under management. Assets under administration are portfolios only administered by Van Lanschot over which it has little or no control, and on which earnings are relatively limited. Comparative figures for 2014 and 2013 have been adjusted accordingly.

(5) Represents net increases or decreases in AuM during the period due to clients investing in new funds or executing withdrawals Net inflow / outflow does not reflect changes in AuM in a period due to market performance. Comparative figures have been restated following the introduction of assets under administration; this restatement for inflow of AuM over the period 2013-2014 is indicative only.

Private Banking also offers mortgages and other loans to its clients. The table below shows the profile of the Private Banking segment's loan portfolio as at the dates indicated.

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	€ billion, except percentages			
Private Banking Loan Portfolio				
Mortgages	5.9	6.0	6.0	6.4
Other loans[1]	2.3	2.2	2.2	2.8
Total loans	**8.2**	**8.2**	**8.3**	**9.2**
Loan-to-value ratio[2]	68%	71%	84%	84%

(1) Other loans comprised loans to wealthy private individuals to pay for second homes, for instance, or to provide current account overdraft facilities. This category also includes private and SME lending that fit into the Private Banking relationship model, such as financing for business professionals looking to join a partnership. Figure as at 31 December 2015 includes the reclassification of certain loans in the aggregate amount of €0.2 billion from Corporate Banking to Private Banking in conjunction with the wind down of the Corporate Banking loan portfolio.

(2) The loan-to-value of the mortgage loans, based on 100% of the foreclosure value.

Operations

The Private Banking segment generates operating income by providing wealth management solutions, mortgage loans and other financial services. Income from operating activities for the Private Banking segment was €66.0 million for the three months ended 31 March 2016, a decrease of €0.4 million or 0.6% compared to €66.4 million for the three months ended 31 March 2015, and was €271.8 million for the year ended 31 December 2015, €263.3 million for the year ended 2014 and €258.7 million for the year ended 31 December 2013.

The Private Banking segment receives commission income through charging of securities commissions (consisting of management fees and/or transaction fees) on discretionary management, investment advisory and execution only services. Net commission income for the Private Banking segment was €26.3 million for the three months ended 31 March 2016, a decrease of €1.5 million, or 5.4% compared to €27.8 million for the three months ended 31 March 2015, and was €111.9 million in the year ended 31 December 2015, €100.1 million for the year ended 31 December 2014 and €104.9 million for the year ended 31 December 2013. The growth in commission income within the Private Banking segment is a result of a further rise in AuM, a larger share of discretionary AuM and higher levels of client activity. In addition, the Private Banking segment generates net interest income on the basis of its loan book (principally residential mortgages) and savings and deposits. As a proportion of the Company's total income from operating activities, Private Banking's net interest income has declined by €3.5 million or 2.2%, from €161.6 million for the year ended 31 December 2014 to €158.1 million for the year ended 31 December 2015 largely as a result of Van Lanschot's objective over the period to increase the level and proportion of net commission income and due to interest rate developments.

Customers

Within Private Banking, Van Lanschot focuses on (ultra) high net worth individuals, entrepreneurs and family businesses, while also targeting business professionals (accountants, lawyers, public notaries and attorneys) and executives of listed companies, healthcare professionals, and foundations and associations as well as mass affluent clients and individuals starting out on the wealth management market.

In Belgium, the initial target group, Dutch nationals residing in Belgium, now accounts for less than 20% of the client base. The majority of clients today consists of Belgian (ultra) high net worth individuals. Van Lanschot has increased its share of the market in recent years, with 80% of its new Private Banking clients switching to Van Lanschot from the main high street banks. In March 2016, Van Lanschot opened a new office in Liège, the first office in the French speaking part of Belgium.

In Switzerland, Van Lanschot focuses on (ultra) high net worth private individuals from the Netherlands and Belgium and their international asset structures. Van Lanschot is the only Dutch bank with a Swiss banking license. As a Dutch bank in Switzerland with branches in Zurich and Geneva, Van Lanschot has carved out a specific niche to provide wealth management structuring to

Dutch and Belgian citizens who reside in Switzerland as well as to Dutch and Belgian citizens who own or are considering purchasing holiday homes in Switzerland, and clients with international asset management needs, including with respect to asset protection and privacy.

Services

Van Lanschot provides a full range of financial services to its clients, which includes financial planning, wealth planning, asset management and investment advice. Van Lanschot's three Private Banking service models – Evi/Personal Banking, Private Banking and Private Office – are each geared to specific client groups and offer services tailored to the needs of these clients in wealth planning and advice, asset management, savings, mortgages and lending.

Personal Banking

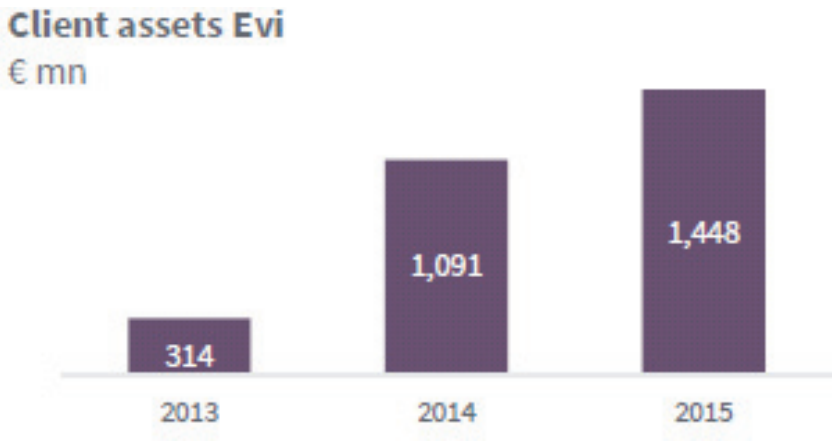
Personal Banking consists of Van Lanschot's mass affluent clients who are offered a more limited service offering (e.g. payments, savings, mortgages and investments) and serviced by a central team via email or telephone, increasing the efficiency and agility of service delivery.

Evi

In 2013, Van Lanschot responded to a growing demand from clients for online wealth management services with the introduction of Evi, an online savings and investment platform for clients looking to preserve and create wealth. Evi is part of Van Lanschot's strategic aim to be an inclusive wealth manager, servicing the full wealth spectrum and plays into the trend of increased individual responsibility for pensions, healthcare and other needs at all levels of society. The platform is intended to allow Van Lanschot to capture clients at an early stage of their wealth generation, and act as a feeder channel for future Private Banking clients.

Evi clients can opt for online asset management (*Evi Beheer*), online investment advice (*Evi Advies*), online pension product (*Evi Pensioen*) and/or savings (*Evi Sparen*). Evi provides a comprehensive online account opening process, including customer due diligence and a determination of the client's risk profile. Based on their risk profile, a client is presented an investment proposal online and is able to control the type and amount of advice and support they wish to receive. Evi uses the same investment philosophy and process of Kempen Capital Management and Van Lanschot Private Banking to construct the client's investment portfolio.

Evi's entry threshold is much lower than for traditional Private Banking service (usually €10,000, but lower for special marketing campaigns). At the end of 2015, just under €1.5 billion was entrusted to Evi in savings and investments, with the average funds in discretionary management substantially exceeding the €10,000 entry level. In February 2016, the Evi online investment platform was introduced in Belgium, supporting the Evi savings platform which has been active in Belgium since 2013.



Private Banking

Private Banking is aimed at clients who require the services of a dedicated private banker supplemented by product specialists, including a personal wealth plan in order to preserve and create wealth. Van Lanschot has dedicated teams for specialties – entrepreneurs, business professionals and

executives, and healthcare professionals. Van Lanschot is a traditional, independent private bank, with a local footprint through its branch network, and preferential access to an asset manager with expertise in discretionary management. Van Lanschot's private bankers remain in personal contact with these clients and help to manage the clients' portfolios.

Private Office

Under the name "Van Lanschot Private Office", Van Lanschot is focused on the top segment of (ultra) high net worth individuals. Investing and wealth management for those clients often requires advice on complex situations, and a more extensive and personal customer service model. The level of complexity is usually related to the amount of assets and requires fully customised services in the area of estate planning, investments, responding to complex financial problems, national and international structuring, and banking services. Private Office works closely with the institutional business and corporate finance experts at Kempen & Co and the foreign branches of Van Lanschot.

Products and Services

The following table provides a description of the main products and services provided by Van Lanschot's Private Banking segment.

Product/Service	Product/Service description
Integrated financial advice and estate planning	Services focused on wealth structuring, wealth protection and wealth transfer for clients with specific needs in this area. Services include international wealth planning and structuring, estate planning wealth transfer to the next generation, charity advisory and private equity solutions. Primarily offered to ultra-high net worth clients.
Financial planning	Van Lanschot's wealth planning service is designed to meet client's need for advice and solutions at different stages of their lives, enabling them to attain their personal, financial, business and social goals.
Discretionary management	A broad range of mandates in discretionary management of client's portfolios closely aligned with its clients' objectives and risk tolerance. Van Lanschot also has special services (*Compliant beheer*) for business professionals and executives and socially responsible/sustainable investment management solutions for foundations and charities. In Belgium, Van Lanschot has developed 'profile funds', which are designed to enable clients to manage their tax position as a result of the tax measures on investments implemented by the Belgian government during the past five years.
Investment advisory	Investment advice tailored to the needs of a client that prefers to receive advice in making his own investment decisions. The service includes portfolio advice and trading advice, access to investment news and opinions, monitoring alignment with agreed risk profiles and portfolio and performance monitoring tools.
Execution only	For self-directed clients preferring to make their own investment decisions.
Savings and deposits	Savings accounts provide variable interest rates and the ability to retrieve money at any point in time. Deposits offer a fixed interest percentage during the lifetime of the deposit.
Mortgages	Clients are offered residential mortgage products. Van Lanschot's mortgage units also provides home loans targeted at private banking clients with a non-standard income or financial position, e.g. entrepreneurs, business professionals, healthcare professionals.
Lending	Lending products and services for the purpose of leveraging investments, entrepreneurial investments or financing real estate as part of the full service offering to Private Banking clients. This also includes financing partner arrangements for business professionals and financing for healthcare practitioners.
Payments	Payment services and products provided to clients include current accounts, online payments, credit cards and debit cards.
Insurance	Van Lanschot offers the insurance services of Van Lanschot Chabot (49% owned by Van Lanschot). This includes insurance for properties, art, life insurance and damage insurance solutions.

Asset Management

Overview

Under the Kempen Capital Management brand, the Company is a specialist player offering in-house investment expertise and a wide range of solutions for institutional clients with a clear focus on a number of niches and activities. Kempen Capital Management offers institutional and fiduciary asset management, management of investment funds and development of investment products and solutions aimed at the preservation and creation of wealth. Kempen Capital Management has offices in Amsterdam, London and Edinburgh. The Asset Management AuM managed by Kempen Capital Management amounted to €35.8 billion as at 31 March 2016, and were valued at €32.8 billion as at 31 December 2015, an increase of 19.3% compared to €27.5 billion as at 31 December 2014, which was in turn an increase of 12.7% compared to €24.4 billion as at 31 December 2013. International based clients accounted for over 20% of Kempen Capital Management's client base in 2015.

On 1 October 2015, Kempen Capital Management acquired the UK fiduciary management activities of Dutch pensions and investment manager MN, thereby increasing its assets under management by €4.6 billion. The acquisition is expected to lay the groundwork for further international growth in fiduciary management. UK institutional investors such as pension funds display a growing interest in fiduciary management, and its existing expertise coupled with a local presence in London is expected to give Kempen Capital Management a good springboard to leverage opportunities in this market.

During the three months ended 31 March 2016, Kempen Capital Management was awarded a mandate to actively manage corporate bonds of approximately €1 billion by Fonds de Réserve pour les Retraites and a fiduciary mandate of Univé of over €1 billion.

The table below shows Asset Management AuM as at the dates indicated.

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	€ billion			
Asset Management AuM				
Third party assets under management[1]	35.8	32.8	27.5	24.4
Van Lanschot Private Banking assets under management[2]	8.6	9.0	7.8	7.0
Assets under management	**44.4**	**41.8**	**35.3**	**31.4**
Net inflow / outflow[3]	2.3	-0.2	-0.3	1.6

(1) Comprised of AuM managed by Kempen Capital Management, through its fiduciary management offering, and AuM managed by Kempen Capital Management for high-quality investment strategies with a specialty in small caps, real estate, high-dividend equities, fixed-income securities (government bonds and corporate bonds) and funds of hedge funds. Excluding AuM managed for Van Lanschot Private Banking.

(2) Asset Management manages the discretionary mandates of Van Lanschot Private Banking for which a maximum 30% can be invested in mutual funds of Kempen Capital Management.

(3) Represents net increases or decreases in AuM during the period due to clients investing new money or executing withdrawals. Net inflow / outflow does not include changes in AuM in a period due to market performance.

Operations

The Asset Management segment generates operating income through management fees, which are calculated as a percentage of AuM, which varies based on product type, geographic market and other factors. Income from operating activities for the Asset Management segment was €21.4 million as at 31 March 2016, an increase of €1.3 million or 6.5% compared to €20.1 million as at 31 March 2015, and was €82.9 million for the year ended 31 December 2015, €84.0 million for the year ended 2014 and €75.8 million for the year ended 31 December 2013. Within the Asset Management segment, the level of commission income earned is influenced by the split between AuM managed for clients directly pursuant to asset management mandates (which tend to be higher fee) and the AuM in the fiduciary management business (which tends to involve larger mandates but on a lower fee basis). The nature of the investment mandate also has an impact on fee levels – the Company charges higher fees for management of its equity funds, for example, as compared to its credit funds.

Customers

The Asset Management segment's target customers are both Dutch domestic and international institutional investors, particularly in the United Kingdom, Germany and France. Certain of these customers are obtained via wholesale distribution arrangements with financial institutions in the Netherlands, including ABN AMRO Bank, ING Bank, Rabobank and Binckbank, under which the clients of those institutions may invest in Kempen-managed funds. Kempen Capital Management also provides fiduciary services for national and international pension funds and insurance companies, representing a broad asset management solution based on the client's specific needs. Asset Management also provides investment management solutions for Private Banking clients of Van Lanschot, including asset allocation, portfolio composition and other advisory services.

Services

Kempen Capital Management's activities focus on a limited number of high-quality investment strategies with specialty in small caps, real estate, high-dividend equities, fixed-income securities (government bonds and corporate bonds) and funds of hedge funds. Kempen Capital Management is focused on markets that are culturally, in terms of investment ideas, close to the current asset management approach, with a focus on Western Europe.

Kempen Capital Management also provides fiduciary services to clients, with a focus on the Dutch pension and insurance market as well as the UK. Fiduciary management offers clients a hands-on solution that relieves them of their day-to-day asset management activities. It involves a comprehensive solution created around client specific objectives.

Investment Strategies

The following table provides a description of the main products and services for investment strategies provided by Kempen Capital Management under the Asset Management segment. All amounts are approximate as at 31 December 2015.

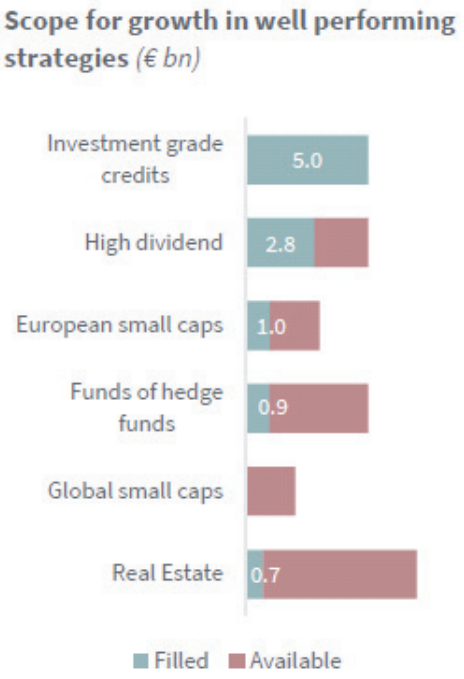
Product/Service	Product/Service description
Fixed income securities (Government Bonds) Total AuM: €2.3 billion	Kempen Capital Management operates a number of investment funds focused on fixed income securities (government bonds), including the following: • Kempen (Lux) Euro High Grade Government Fund – The fund primarily invests in bonds denominated in euro issued or guaranteed by (local) governments in the Netherlands, Germany, Austria, France and Finland. • Kempen (Lux) Global Sovereign Fundamental Index Fund – The fund primarily invests in government bonds issued by countries with an investment grade domestic sovereign rating according to the Citigroup rating determination method.
Fixed income securities (Credits) Total AuM: €3.8 billion	Kempen Capital Management operates a number of investment funds focused on fixed income securities (credits), including the following: • Kempen (Lux) Euro Credit Fund – The fund primarily invests in corporate bonds denominated in euro that have an investment grade rating. • Kempen (Lux) Euro Credit Fund Plus – The fund primarily invests in corporate bonds denominated in euro that are included in the benchmark or have a rating of BB- or higher at the time of purchase. • Kempen (Lux) Euro Non-Financial Credit Fund – The fund primarily invests in corporate bonds denominated in euro that have an investment grade rating. • Kempen (Lux) Euro Sustainable Credit Fund – The fund primarily invests in corporate bonds denominated in euro that have an investment grade rating and provided the companies must comply with strict sustainability criteria.

Product/Service	Product/Service description
Real estate Total AuM: €1.2 billion	Real estate has traditionally been one of Kempen Capital Management's niche strategies. • Kempen (Lux) Global Property Fund – The fund primarily invests in a portfolio of worldwide listed property companies. • Kempen European Property Fund N.V. – The fund invests primarily in listed European property companies. Investments may be made in all possible real estate sectors. • Kempen (Lux) Global Property Fundamental Index® Fund – The fund invests primarily in worldwide listed equities of property companies. The fund is listed on the Luxembourg stock exchange. • Kempen European Property Fundamental Index® Fund – The fund has the objective to achieve attractive long-term investment results. • Kempen Global Property Fundamental® Index Fund – The fund invests in a diversified portfolio of listed property companies.
Funds of hedge funds Total AuM: €1.0 billion	Kempen Capital Management operates a number of investment funds focused on funds of hedge funds, including the following: • Kempen Non-Directional Partnership – This is a fund-of-hedge-funds with a diversified exposure to hedge fund strategies. The hedge funds operate worldwide with a wide array of strategies aimed at earning (absolute) returns. • Kempen Orange Investment Partnership – This is a fund-of-hedge-fund with a diversified exposure to hedge fund strategies. The hedge funds operate worldwide with a wide array of strategies from traditional ('long only') to alternative strategies.
Small caps Total AuM: €1.7 billion	Kempen Capital Management operates a number of investment funds focused on small caps, including the following: • Kempen (Lux) European Small-cap Fund – The fund primarily invests in smaller listed European companies. The market value of the companies is up to €3 billion or the highest value of any company in the index at the time of initial purchase. • Kempen (Lux) Global Small-cap Fund – The fund primarily invests globally in smaller listed companies, with a maximum market value at the time of initial purchase of either €4 billion or the highest value of any company in the MSCI World Small Cap Index, whichever is the greater. • Kempen (Lux) Sustainable European Small-cap – The fund primarily invests in equities of listed smaller European companies. The market value of the companies is up to €5 billion or the highest value of any company in the index at the time of initial purchase. Investments are selected by strict ethical, social and environmental criteria. • Kempen Orange Fund N.V. – The fund invests primarily in shares of Dutch companies that are included in the GPR Dutch Small Cap Index at the beginning of the year and also in shares of Dutch and Belgian companies which are not included in the GPR Dutch Small Cap Index provided that the market capitalisation is less than €5 billion at the time of purchase. • Kempen Oranje Participaties N.V. – The fund invests primarily in shares of small listed companies that have their statutory seat in Europe. The fund primarily aims to use participation exemption (*deelnemingsvrijstelling*) and therefore the investments are usually at least 5% of the nominal paid-up capital of the company. • Kempen Oranje Participaties Primo ("**KOP I**"), Maas Participatiefonds and Schelde Participatiefonds aim to use a participation exemption by investing their assets completely in Kempen Oranje Participaties N.V. • IJssel Participatiefonds and Vecht Participatiefonds aim to use a participation exemption (*deelnemingsvrijstelling*) in Kempen Oranje Participaties N.V., through an investment in KOP I.

Product/Service	Product/Service description
Dividend-focused equities Total AuM: €3.0 billion	Kempen Capital Management operates a number of investment funds focused on dividend-paying equities, including the following: • Kempen (Lux) European High Dividend Fund – The fund invests primarily in European listed companies with an expected dividend yield of minimum 2.5% at time of purchase. • Kempen (Lux) Global High Dividend Fund – The fund invests primarily in listed companies worldwide with an expected dividend yield of 3.3% at the time of purchase. • Kempen European High Dividend Fund N.V. – The fund invests primarily in European listed companies worldwide with an expected attractive dividend yield (of 2.5% at the time of purchase). • Kempen Global High Dividend Fund N.V. – The fund invests primarily in listed companies worldwide with an expected attractive dividend yield (with an expected dividend yield of 3.3% at the time of purchase).

The majority of Kempen Capital Management's funds have outperformed as measured against their respective benchmark funds, generally broad market and market segment indices, both in the past three years and since inception. Over the last three years 11 of 15 funds (73%) outperformed their respective benchmark as at 31 December 2015. Including funds younger than three years, since inception 14 of 18 funds (78%) outperformed their respective benchmark as at 31 December 2015.

Kempen Capital Management assesses the optimum limits for its funds and on inception limits their size in order to manage them most effectively. Based on these internal assessments, Kempen Capital Management calculates that additional capacity is available for further growth of AuM in certain existing strategies. These estimates as at 31 March 2016 are displayed in the table below, with respect to selected strategies deemed to have momentum in the market due to market growth potential, performance or product life cycle.



Fiduciary Management

Kempen Capital Management, through its fiduciary management offering, offers day-to-day asset management activities for client investments. Kempen Capital Management has an experienced fiduciary management team, a solid and transparent investment process and experience in managing downside risk as an integral part of its fiduciary offering. As part of its fiduciary offering, Kempen

Capital Management also offers global access to effective index managers and/or specialised asset managers. For passive managers, the focus is on efficiency and effectiveness; where active managers are concerned, Kempen Capital Management focuses on selecting experienced, independent and disciplined managers with clear strategies. On 1 October 2015, Kempen Capital Management acquired the UK fiduciary management activities of Dutch pensions and investment manager MN, thereby increasing its assets under management by €4.6 billion.

Kempen Capital Management's fiduciary management offering represented €21.8 billion of AuM as at 31 March 2016 (compared to the total AuM held by the Asset Management segment of €44.4 billion as at 31 March 2016). The AuM held by the fiduciary management offering of Kempen Capital Management was €19.8 billion as at 31 December 2015 (compared to the total AuM held by the Asset Management segment of €32.8 billion), €15.2 billion as at 31 December 2014 (total AuM held by Asset Management of €27.5 billion), and €13.0 billion as at 31 December 2013 (total AuM held by Asset Management of €24.4 billion).

Merchant Banking

Overview

Under the Kempen & Co brand, Van Lanschot offers specialist services in mergers and acquisitions, capital markets transactions and debt advisory, as well as equity brokerage and research, and structured products for institutional investors, companies, financial institutions, clients of Private Banking and semi-public and public entities. The Merchant Banking segment is pursuing a niche strategy aimed at European real estate, European life sciences and healthcare and the Benelux market.

Kempen & Co has offices in Amsterdam and New York. In 2015, Kempen & Co implemented 40 transactions and more than fifty private placements and various public issues and over the last five years, the Kempen & Co team of professionals advised on transactions in more than 15 countries with a combined value in excess of €50 billion. Kempen & Co is experiencing commission growth and growth in market share in transactions in its selected niches in Europe.

Operations

The Merchant Banking business segment generates operating income through commission income in the form of corporate finance commissions (in relation to mergers and acquisitions, capital market deals and debt advisory services) and securities commissions (management fees and transaction fees) and brokerage commissions for which Kempen & Co offers specialist services. Income from operating activities for the Merchant Banking segment was €10.0 million for the three months ended 31 March 2016, a decrease of €9.4 million or 48.4% compared to €19.4 million for the same period ended 31 March 2015, and was €69.8 million for the year ended 31 December 2015, €61.2 million for the year ended 2014 and €50.1 million for the year ended 31 December 2013. Commission income from for the Merchant Banking segment was €9.6 million for the three months ended 31 March 2016, a decrease of €9.4 million or 49.5% compared to €19.0 million for the same period ended 31 March 2015, and was €66.6 million for the year ended 31 December 2015, an increase of €14.5 million or 27.8% compared to €52.1 million for the year ended 2014, an increase of €7.2 million or 16.0% compared to €44.9 million for the year ended 31 December 2013. Income comes from diversified sources, with 65% of corporate finance income from advisory work and 57% of securities income is based on brokerage.

Customers

The Merchant Banking segment focuses its operations on institutional investors, companies, financial institutions, clients of Private Banking and semi-public and public entities. It focuses on a selected number of niches: European real estate, European life sciences and healthcare, and the Benelux market.

Services

The services provided by Van Lanschot's Merchant Banking segment in Kempen Corporate Finance are generally separate assignments from which one-off fees and commissions are received. The Kempen Securities segment is an equity specialist that offers securities research, brokerage and structured products. The Company's capital markets offering its activities are serviced by both units.

Kempen Corporate Finance

Kempen Corporate Finance offers corporate finance services in three core segments: Mergers & Acquisitions, Equity Capital Markets and Debt Solutions.

- Mergers & Acquisitions – Kempen Corporate Finance has a long history advising on successful M&A transactions. Over the last three decades, Kempen Corporate Finance has been involved in a broad range of transactions in its chosen niches.
- Equity Capital Markets – Kempen Corporate Finance acts as an adviser and is involved in the execution of a variety of equity capital market transactions within the European capital markets in all of Kempen & Co's niche areas of focus, including initial public offerings, rights issues and other secondary capital market offerings and block trades.
- Debt Solutions – Kempen Corporate Finance also provides strategic advice on financing and refinancing secured, senior or unsecured bank and public market debt across a variety of instruments ranging from syndicated facilities to bond issues, private placements and equity linked instruments and also acquisition-driven debt structuring and related financial advice as well as advice on capital structure.

Kempen Securities

Kempen Securities provides general trading, broker-dealer (US), market-making and securities facilitation services for clients in all of Kempen & Co's niche areas of focus. Kempen Securities also employs a research team of equity analysts which focuses its equity analysis on nearly 50 Dutch and Belgian companies – large, mid- and small caps – within a diverse group of sectors. In addition, real estate analysts within Kempen Securities cover approximately 60 European real estate companies and, within the life sciences market, the analysts cover approximately 30 companies.

Structured Products

Kempen & Co develops and offers a structured products offering focused around tailor-made products to meet client specific needs. There are several types of structured products offered by Kempen & Co that can generally be placed in one of the four following categories:

- Protection – allowing clients to enjoy complete, partial or conditional capital protection at the maturity date;
- Cash flow – offering an annual cash flow, through a set coupon;
- Growth – funds are paid out at maturity of the product rather than during the life of the product; and
- Leverage – providing a higher payment at the end of the life of the product than a direct investment in the underlying value, with potentially a partial protection for client's initial investment.

Other Activities

This segment comprises the activities in the field of interest rate, market and liquidity risk management. This segment also includes the equity investments of Van Lanschot Participaties, Van Lanschot Chabot, the Company's non-strategic investments and one-off charges under the investment and cost reduction programme in 2013 and 2014.

Van Lanschot Participaties

Van Lanschot Participaties follows an investment strategy of taking minority equity stakes in unlisted companies for the Company's own account, with a typical investment range between €5 million and €15 million. Van Lanschot Participaties, in principle, only participates through substantial non-controlling interests of 20% to 49%. As a result of taking minority stakes, Van Lanschot Participaties typically has no predominant role in corporate decision-making in respect of the entities it invests in. Instead, Van Lanschot Participaties provides support as a committed shareholder and offers advice based on its wide sector experience and expertise. Van Lanschot Participaties maintains a long-term investment horizon to create value for its investments and has no restriction in duration, and it favours long-term investing over a short-term sales strategy. As at 31 March 2016, the Van Lanschot Participaties portfolio consists of 13 companies and a number of

interests in selected private equity funds. Over the period under review, the Company continued to wind down its interest in private equity funds, preferring to invest directly in businesses. The indicative market value of all of the investments was over €110 million as at 31 December 2015.

In the three months ending 31 March 2016, Van Lanschot Participaties made one new investment, a minority interest in Trophy Assets Holdings, which designs, manufactures and assembles sports prizes and related products. In 2015, Van Lanschot Participaties acquired no new shareholdings, and two investments were sold. The existing holdings of Van Lanschot Participaties generally performed well in 2015, in line with the recovery of the Dutch economy. The reduction of Van Lanschot's investments in private equity funds continued according to plan.

Whilst Van Lanschot Participaties is not included as one of the Company's primary operating segments, it is a successful business for the Company, which aims to continue the current investment strategy as part of the Company's other activities. Van Lanschot considers that future investments and/or divestments for Van Lanschot Participaties will be determined on an opportunistic basis, taking into account market conditions as well as the considerations of the majority shareholders.

Besides the minority equity stakes, Van Lanschot Participaties also manages non-strategic investments on behalf of the Company. Van Lanschot has acquired control of these investments, for instance after conversion of debt to equity upon default by the borrower. Although Van Lanschot will typically aim to sell any shares in non-strategic investments in due course, net income (after cost of sales) from these controlled non-strategic investments are consolidated in the Company's statement of income as other income during the periods held. As at 31 March 2016, the Company's non-strategic investments were Holonite (Holowell Holding BV), in which it owns a 90.2% stake, and Medsen (AIO II BV), in which it holds a 36.9% stake. This latter holding is derived from a mezzanine convertible loan granted by Van Lanschot, which included the option to convert the loan into equity. This option has only been partially exercised to date. The remaining option rights give Van Lanschot Participaties the opportunity to expand its equity stake up to 72%. Based on IFRS rules, Medsen (AIO II BV) is required to be consolidated into the Company's financial statements as the remaining option rights are in the money and could be exercised at any time and therefore Van Lanschot Participaties is considered to be effectively in control of Medsen (AIO II BV). See "*Operating and Financial Review – Key Factors Affecting Business and Results of Operations—Results of Participations and Non—Strategic Investments*".

In May 2016, Van Lanschot entered into a letter of intent in connection with the proposed acquisition of the shares of a company that provides IT back office solutions to Van Lanschot for a purchase price of €1 plus an earn-out payment by Van Lanschot to the seller upon a future sale of the shares by Van Lanschot. Under the terms of this letter of intent, Van Lanschot will provide capital of €2 million in two tranches (initially provided as a loan, of which €1 million was already provided). Subject to the satisfactory outcome of due diligence and other customary conditions, the transaction is expected to close in the first half of 2016. Upon completion of the transaction, the loan will be converted into equity. It is the intention of Van Lanschot that this shareholding will be managed as part of Van Lanschot Participaties.

Van Lanschot Participaties held the following 13 principal investments as at 31 March 2016.

Name	Activities	Interest
Gerco Brandpreventie BV	Gerco is the Dutch market leader in the field of fire compartmentation of buildings.	42.5% (stake acquired in 2010)
Holonite (Holowell Holding BV)	Holonite provides composite stone for cladding and construction in the Netherlands, Belgium and Germany.	90.2% (stake obtained in 2013; classified as a controlled non-strategic investment)
Marfo Food Group Holding BV	Marfo creates and prepares fresh frozen meals for airlines, hospitals, care homes, detention centres and remote locations.	49.6% (stake acquired in 2011)
Medsen (AIO II BV)	Medsen operates in the wholesale and retail pharmacy industry.	36.9% (stake obtained in 2009; classified as a controlled non-strategic investment as of 2015)
Movares Group BV	Movares provides engineering and consultancy services in the fields of mobility, infrastructure, spatial planning and transport systems.	29.6% (stake acquired in 2006)
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.	30.4% (stake acquired in 2012)
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.	30.5% (stake acquired in 2012)
Ploeger Oxbo Group BV	Ploeger Oxbo develops, manufactures and sells a wide range of specialist harvesting equipment to customers across the world.	21.0% (stake acquired in 2011)
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.	20.8% (stake acquired in 2013)
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 real estate sectors.	49.0% (stake acquired in 2008)
TechAccess (Techxs Value Added IT Distribution BV)	TechAccess is a value-added IT distributor of hardware and software in networking, wireless, security and storage/ servers.	38.5% (stake acquired in 2014)
Tecnotion Holding BV	Tecnotion designs, produces and sells linear motors across the world, to the semiconductor, electronics, LCD, automotive and robotics industries among others.	38.0% (stake acquired in 1999)
Trophy Assets Holding BV	Trophy Assets Holding leads the European market for design, manufacture and assembly of sports prizes and related products, and owns a range of production plants and warehouses in Asia and Europe.	42.5% (stake acquired in 2016)

Van Lanschot Chabot

Van Lanschot also maintains a 49% stake in Van Lanschot Chabot Holding B.V. ("**Van Lanschot Chabot**"), an independent insurance adviser and intermediary. Formerly a fully owned subsidiary, Van Lanschot Bankiers sold a 51% stake in Van Lanschot Chabot in 2007 to De Goudse N.V. and retained the remaining 49% stake. Under the terms of the shareholders' agreement between Van Lanschot and De Goudse N.V., in the event of a direct or indirect change of control of Van Lanschot, De Goudse N.V. has the right, under certain circumstances, to acquire Van Lanschot Bankier's interest in Van Lanschot Chabot pursuant to a call option, or to transfer its shares to the

Company pursuant to a put option, each option at a price to be determined pursuant to a mechanism provided for in the shareholders' agreement.

Van Lanschot Chabot, acting as a partner of Van Lanschot, provides insurance advice and intermediary insurance services specifically tailored to clients of Van Lanschot under the terms of a cooperation agreement and a memorandum of delineation.

Corporate Banking

This segment comprises a team of bankers managing the wind down of the commercial loan portfolio, including commercial real estate and SME loans.

In May 2013, as part of its wider strategic review and its decision to migrate its business model to that of a specialised, independent wealth manager, Van Lanschot announced its intention to reduce its real estate and SME loans unrelated to Private Banking.

Within Corporate Banking a team of specialists is engaged in gradually winding down the real estate financing and SME loan portfolios not specifically linked to Private Banking clients. The wind down is implemented gradually by informing clients about Van Lanschot's intention to cease these activities, and directing them to other sources of financing. In addition, in 2015, Van Lanschot sold a portfolio of non-performing commercial real estate loans with a face value of around €400 million in 2015 to a company affiliated to Cerberus Capital Management LP. This transaction significantly improved the risk profile of Corporate Banking's remaining real estate finance portfolio, which now holds 31% of loans secured against office buildings, these being located primarily in the Randstad conurbation comprising the cities of Amsterdam, Rotterdam, Utrecht and The Hague. The average loan-to-value ratio has improved to 74% for the year ended 31 December 2015, compared to 89% as at 31 December 2014, mainly because of the sale of non-performing real estate loans. In addition, client loans valued at the nominal amount of €0.2 billion were transferred to Private Banking in 2015, as these clients fit the Private Banking target client base. The table below shows the profile of the Corporate Banking segment's loan portfolio as at the dates indicated:

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	€ billion			
Corporate Banking Loan Portfolio				
Loans to SMEs	0.7	0.8	1.3	1.6
Real estate financing	1.0	1.1	1.8	2.0
Total Loans	**1.7**	**1.8**	**3.1**	**3.6**

As at 31 December 2015, real estate and SME loans in the Corporate Banking segment amounted to €1.8 billion, compared to €3.1 billion as at 31 December 2014 and €3.6 billion as at 31 December 2013. Risk-weighted assets relating to the Corporate Banking loan portfolio were reduced by €0.9 billion, to €1.9 billion as at 31 December 2015, compared to €2.8 billion as at 31 December 2014 and €4.1 billion as at 31 December 2013. Van Lanschot is already exceeding its target of a wind down to €2.2 billion in risk-weighted assets by the end of 2017.

As at 31 December 2015, Corporate Banking's SME loans have a nominal value of €0.8 billion, and accounted for 7% of Van Lanschot's total loan portfolio and are well-diversified across sectors. Its €1.1 billion real estate portfolio – accounting for 10% of Van Lanschot's total loan portfolio as at 31 December 2015 – has contracted through a combination of autonomous wind down and the sale of non-performing commercial real estate loans.

Corporate Social Responsibility

Van Lanschot has endorsed various international sustainability standards (including the UN Global Compact, Principles for Responsible Investments and Global Reporting Initiative) and created a corporate social responsibility framework with four focus areas: core banking activities, good employment practices, environmental management and procurement, and social engagement and external assessment. A number of key performance indicators are defined for each of these focus areas.

As part of core banking activities, Van Lanschot has adopted a wide-ranging customer due diligence policy, which is designed to ensure that information about clients, for example on the source of their assets, is examined and properly recorded. Van Lanschot's customer due diligence policy is also intended to prevent Van Lanschot from providing services to clients who are involved in financial crimes such as money laundering or the funding of terrorist activities. In addition, Van Lanschot has maintained a responsible investment policy for its AuM since 2009. In 2011, Van Lanschot also developed and implemented a responsible lending policy to assess the environmental and social risks of corporate loans. This policy was subsequently also extended to the investment and trading portfolio and Van Lanschot Participaties.

Van Lanschot has various policies in respect of employee training, remuneration, engagement and diversity. It has also developed an environmental policy that aims for sustainable procurement and a further reduction in direct carbon emissions. The policy contains a long-term quantitative carbon reduction goal. Van Lanschot is also measuring the carbon intensity of its investment portfolios as part of its efforts to meet its annual carbon reduction targets. Furthermore, Van Lanschot has an extensive corporate citizenship programme in place that provides both pro bono services and donations to various Dutch not-for-profit organisations. Until 2014, the Company published a stand-alone corporate social responsibility report in line with GRI Standards. As of 2015, this report has been integrated in the Company's Annual Report. Various external research companies assess the sustainability policies of Van Lanschot on a regular basis. It is also included in a number of local sustainability benchmarks.

Principal Properties and Equipment

The following table sets out the fair value of the properties that are owned or leased by the Company and the net carrying value of Van Lanschot's equipment for the years ended 31 December 2015, 2014 and 2013.

	As at 31 December		
	2015	**2014**	**2013**
		€ million	
Property and equipment			
Property in use (owned or leased)	54.0	58.2	64.7
Equipment (IT, operating software and communications equipment)	7.1	7.3	7.8
Other assets	17.9	10.6	11.6
Work in progress	0.2	0.3	0.6
Total	**79.2**	**76.4**	**84.6**

Real Estate

Van Lanschot owns and leases properties for managing and operating its business activities in the jurisdictions where it operates (the Netherlands, Belgium and Switzerland as well as the US and the UK). The duration of the lease contracts for leased properties varies from one month to 13 years. For the year ended 31 December 2015, the aggregate financial commitments of the existing lease contracts added up to €81.4 million.

Van Lanschot owns several office buildings. These owned office buildings are not encumbered. The decrease in the net carrying value is explained by impairments and/or write downs on buildings and several disposals of office buildings that Van Lanschot has undertaken since 2013, either via direct property sales or sale and leaseback arrangements.

Equipment

Van Lanschot owns and leases various equipment required to operate its business, which primarily relates to car leases, IT, operating software and communications equipment, and fixtures and fittings. Van Lanschot's data processing and IT equipment is partly owned (i.e. laptops), leased (i.e. printers) or falls under service contracts (i.e. telephony, LAN and servers). Equipment relating to its facilities (such as fixtures and settings) is predominantly owned.

Insurance

In order to protect Van Lanschot's business against major financial losses arising from the operational risks in performing Van Lanschot's activities and services, the Company has instituted a number of bank-wide processes to identify threats with associated risks that have the potential to cause detrimental incidents. Van Lanschot has taken out insurance policies to cover claims and losses resulting from its services. Broadly, these policies are a combination of fraud and professional liability insurance, directors' liability insurance and various other liability and accident insurance policies.

Information Technology

Van Lanschot's IT systems are designed to support its business with a focus on delivering customer value and to serve the business in an effective and efficient manner. In particular, Van Lanschot is focused on simplifying its IT structure and continuing with the digitalisation and automation of operating processes.

Van Lanschot's current IT strategy includes the following elements:

- simplifying the overall IT structure and governance, including the combination of the IT teams of Van Lanschot and Kempen;
- ongoing optimization of application and infrastructure landscape (including phase out of mainframe);
- outsourcing of mortgages and payments infrastructure; and
- restructuring of supplier contracts.

Van Lanschot in its strategic update on 26 April 2016 announced a one-off investment programme of approximately €60 million for the mid-2016 to 2019 period to implement an omnichannel private banking service model, further develop *Evi* and finalise the transformation of the Company's IT landscape (including implementation of outsourcing or partnership solutions for payments and mortgages servicing and administration). This will be in addition to the normalised annual level of change costs related to Van Lanschot's IT structure of approximately €20 million. Due to ongoing IT investments, since 2012 running costs have reduced by approximately 31% and Van Lanschot is targeting to reduce this recurring cost by a further 20% compared to 2015, excluding increased staff costs due to back-sourcing of certain IT activities in-house and depreciations.

Intellectual Property

Trademarks for the words and the word-and-picture combinations used by the companies within Van Lanschot have been registered in the countries in which they are located. Van Lanschot believes that its core intellectual property rights are adequately protected.

Van Lanschot Bankiers is the owner of several registered word and word/device trademarks in the Benelux, including trademarks for VAN LANSCHOT NV (word), VAN LANSCHOT (word/device), F. VAN LANSCHOT BANKIERS N.V. (word), EVI (word/device), and two trademarks for SCAN OVER MORGEN (word/device).

Kempen & Co owns the community word mark KEMPEN and the Benelux word mark KEMPEN & CO. The community word/device mark KEMPEN&CO and the device mark containing the Kempen sun, is also owned by Kempen & Co. There are several trademarks relating to activities or products of Kempen that are registered for the Benelux or the EC in the name of Kempen Capital Management.

Moreover, Van Lanschot Bankiers is the owner of the main domain names containing "vanlanschot" for the .nl and .com domains. Kempen & Co owns several domain names containing "kempen" in combination with the top level domains ".com" and ".nl", as well as evivanlanschot.nl and .com.

Material Agreements

The following are agreements (other than the Underwriting Agreement described under "*Plan of Distribution*" or agreements entered into in the ordinary course of business), that have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date

of this Prospectus which are material or which have been entered into by the Company or any of its subsidiaries at any other time and which contain provisions under which the Company or any of its subsidiaries has an obligation or entitlement that is material to Van Lanschot as of the date of this Prospectus.

Pension Fund Agreement

In 2014, Van Lanschot reached agreement with the Works Council and the F. van Lanschot Pension Fund on the new pension plan for its employees in the Netherlands. In order to enable the F. van Lanschot Pension Fund to realise a comparable ambition regarding the future level of pension rights and indexation thereof, Van Lanschot settled future obligations with a €50 million lump sum payment to the pension fund, which amount was paid in December 2014. See "*Management, Employees and Corporate Governance—Pension Schemes—Van Lanschot Bankiers—Settlement of the Dutch Defined Benefit Plan*".

Acquisition of MN UK

On 2 July 2015, Kempen Capital Management entered into a sale and purchase agreement with Mn Services Vermogensbeheer B.V., providing for the sale and purchase of the assets and liabilities related to Mn Services Vermogensbeheer B.V.'s UK-based activities as fiduciary manager. Under the terms agreed, Kempen Capital Management acquired Mn Services Vermogensbeheer B.V.'s business of fiduciary management activities (including the employees responsible for such business) relating to an asset portfolio of €10.9 billion, of which €3.5 billion represents full-service fiduciary management mandates. The parties agreed to customary representations and warranties. The transaction completed on 1 October 2015 and as a consequence, the economic risk in, and benefit of, the relevant assets have transferred to Kempen Capital Management and Kempen Capital Management has assumed liability related to such assets. The transaction further advances Kempen Capital Management's international fiduciary management services and strengthens its position in the UK.

Sale of Real Estate Loans

On 5 August 2015, Van Lanschot entered into a sale and purchase agreement with Promontoria Holding 107 B.V., a company affiliated to Cerberus Capital Management LP, providing for the sale and purchase of a substantial part of Van Lanschot's portfolio of non-performing and sub-performing commercial real estate loans with a face value of around €400 million. Under the terms agreed, Van Lanschot Bankiers transferred to Promontoria Holding 107 B.V. specific assets, including commercial real estate loans and rights related thereto. The transaction completed on 30 September 2015 and as a consequence, the economic risk in, and benefit of, the relevant assets has transferred to Promontoria Holding 107 B.V The transaction is part of the Company's strategy to wind down the real estate financing and SME loan portfolios not specifically linked to Private Banking clients.

Legal and Arbitration Proceedings

Save as disclosed in this chapter, Van Lanschot is not, or during the 12 months preceding the date of this Prospectus has not been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which will have or have had in the recent past significant effects on Van Lanschot's financial position or profitability.

Van Lanschot is involved in a number of proceedings and settlement negotiations, all of which are in the ordinary course of business and which may individually not have a significant effect, but may be relevant for a large number of similar cases or potential future cases. Proceedings generally relate to alleged violations of Van Lanschot's duty of care vis-à-vis its (former) customers and as such concern, among others, alleged violations of the obligation to provide adequate information on products and services, the provision of allegedly inadequate investment advice or the provision of excessive loan amounts based on customer profiles.

While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, Van Lanschot believes that the proceedings disclosed in this chapter, may have a significant effect on the financial condition, profitability or reputation of Van Lanschot. See *"Risk Factors—Claims, investigations, litigation or other proceedings or actions may adversely affect the business, financial condition and results of operations of Van Lanschot."*

Sale of interest rate derivative instruments to SME clients

Van Lanschot has, in the period up to 2013, sold interest rate derivative instruments to SMEs in the Netherlands. In general, derivative instruments sold by Dutch financial institutions have, as a result of the sharp fall in interest rates during the past few years, not worked out as expected and – in some cases – caused losses to the business owners that purchased them. Recently these business owners, both individually and collectively, have taken the position that the banks failed to provide adequate information about the risks related to these instruments and demanded financial compensation. Different special purpose organisations, such as the '*Stichting Renteswapschadeclaim*' and the '*Stichting Swapschade*', are offering to represent the business owners collectively. Several individual business owners initiated legal proceedings against competitors of Van Lanschot and obtained enforceable rulings contemplating financial compensation. The interest rate derivative instrument portfolio of banks in general thus became a topic of societal debate. In comparison to other banks, Van Lanschot has limited financial exposure on the relevant portfolio as its sales were to approximately one hundred and fifty SME clients. Van Lanschot has received a limited number of complaints from interest rate derivative clients. Van Lanschot has, nevertheless, along with most other Dutch banks decided to participate in the initiative of the Dutch Minister of Finance to create a uniform recovery framework. A panel of three independent experts has been instructed to reach an agreement with Dutch banks. The framework is envisaged to allow for an efficient review of the relevant portfolio of each bank and a scheme for prompt settlement of damages. The panel has announced that they aim to send their proposed approach to the banks for their review and comments by the end of May 2016, and that they hope to reach an agreement with the banks and publish the agreed framework by mid 2016. Van Lanschot will carefully review the panel's proposal. As per 31 December 2015, Van Lanschot has taken a provision for anticipated compensation amounts in relation to the interest rate derivative instruments that it sold to clients. As the discussions with the panel and the proposed framework progresses, Van Lanschot will assess whether the provision needs adjustment.

Sale of commercial real estate loans

In relation to the sale of commercial real estate loans to a company affiliated to Cerberus Capital Management LP (see *"—Material Agreements—Sale of Real Estate Loans"*), various customers have filed complaints with Van Lanschot Bankiers. A number of individual customers have initiated legal proceedings against Van Lanschot Bankiers, stating the transfer of such customer's loan and the rights related thereto is invalid. In March 2016, Van Lanschot was informed that an individual customer intends to start an initiative to collect claims against Van Lanschot Bankiers in connection with the transfer of the commercial real estate loans. Van Lanschot has, in response, stated that it has no reason to doubt the validity of each of the respective transfers.

Stichting Gedupeerden Overwaardeconstructie W&P

Van Lanschot is involved in legal proceedings with Stichting Gedupeerden Overwaardeconstructie W&P. This foundation represents the interests of a number of (former) clients of the Company. It claims that the provision of loans by Van Lanschot to these (former) clients – which were taken out by the clients on the basis of advice rendered by an intermediary, Wagner & Partners – constitute a violation of the duty of care as a result of granting of a credit facility that is larger than a customer can bear in view of his personal circumstances (over-extension of credit). Similar proceedings have been initiated by this foundation against various other Dutch banks. In May 2016, the Court of Appeal in Den Bosch has issued an interlocutory judgment in the proceedings between Van Lanschot and the foundation, which is now under review by Van Lanschot. No specific amount of damages has been alleged at this time.

Claim relating to improper service

In 2015, Van Lanschot received notice of a potentially sizeable claim from a client relating to an alleged forced sale of shares. The client has an advance financing facility with Van Lanschot and due to a drop in share price the agreed credit limit was exceeded. The client alleges that Van Lanschot exercised the right of pledge in relation to the financing facility and sold the shares. Van Lanschot claims the client had given the instructions for the sale of shares. The client has not yet started any legal proceedings against Van Lanschot.

RISK MANAGEMENT

Overview

Van Lanschot's primary risk management objective is to maintain a low risk profile featuring robust liquidity and strong capital positions. Every year, Van Lanschot evaluates its risk appetite, which is then formalised in a revised risk appetite statement. This statement, which contains both qualitative and quantitative elements, is determined by the Statutory Board and subject to the Supervisory Board's approval. In 2014, the Company refined its risk appetite further, now taking into more specific account Van Lanschot's own risk-bearing capacity (i.e. the extent to which the impact of the risks can be absorbed). The risk appetite of Van Lanschot is based on the following key principles:

- It only takes risks that can be understood and explained.
- It only takes risks that are directly or indirectly linked to its strategic objectives.
- The sum of all risks must not exceed its level of risk-bearing capacity.
- When taking risks, it takes into account the interests of all its stakeholders.
- The risk appetite must be taken into consideration in all key decisions at every level of the organisation.
- It operates within the framework of applicable legalisation and regulations.
- It does not take any risks that could seriously harm its reputation.

Van Lanschot pursues a prudent risk policy, and risk management and control are important elements of its business operations. Van Lanschot's risk management system principally, but not exclusively covers the following risks:

- Credit risk
- Market risk
- Interest rate risk affecting Private Banking
- Concentration risk
- Liquidity risk
- Operational risk
- Strategic risk
- Compliance risk

Framework

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 commercial and/or operational departments (first line). Compliance and 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 amongst others 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.

The Supervisory Board supervises the risks and capital adequacy requirements in relation to Van Lanschot's operations and portfolio. It has set up two committees for this purpose. The Risk Committee prepares the groundwork for the monitoring and supervision of the risk profile and risk management by the Supervisory Board on all risks identified in Van Lanschot'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.

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. Each committee has both policy and steering/implementation authority. At least one member of the Statutory Board has a seat on each committee. The following committees are active in various risk areas within Van Lanschot:

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 Van Lanschot'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, other principles of the risk appetite and legislation. All members of the Statutory Board sit on this committee, along with representatives of Risk Management ("**Risk Management**"), Compliance, Private Banking, Service Centres, Corporate Banking and the Recovery Section (the "**Recovery Section**"). The committee meets every quarter.

Asset and Liability Committee: management of interest rate, market and liquidity risks and capital and funding management

This committee supervises the implementation and execution of the capital management policy and the derived capital management and funding plan as well as 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, the two most relevant risks for the asset and liability committee ("**ALCO**") being interest rate risk and liquidity risk. ALCO also has the responsibility for ensuring the appropriate functioning of the fund transfer pricing framework. 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 ALCO. The committee meets once a month.

Compliance and 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 Van Lanschot'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.

Other Committees

The most relevant 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;
- Market Risk Committee: responsible for managing market risks, particularly with respect to equity and structured products;
- Data Governance Board: responsible for data ownership, quality, protection and management matters; and
- Client Acceptance and Exit Committee: responsible for client due diligence activities.

Van Lanschot and Kempen each have their own risk management governance structure for the purposes of implementation, review and execution of risk and capital management policies and report back to the Statutory Board. As part of the overall integration of group functions, an alignment of risk management governance and policies is underway.

Client Due Diligence

A key element of Van Lanschot's risk framework is the application of thorough anti-money laundering, client due diligence and know-your-client procedures and policies. Van Lanschot places particular emphasis on client monitoring and multiple stake-holders within the organisation participate in the review process which is active on an ongoing basis. Primarily, individual bankers are responsible for execution of client due diligence onboarding according to Van Lanschot procedures. In addition, a separate KPI team performs process reviews and acts as a centre of expertise. The Compliance department, as the second line of defence, is responsible for the policies, monitoring of regulations and treatment of high risk cases. Key controls are in place, emphasising the importance of these processes.

For anti-money laundering, an automated engine has been developed, running several scripts in order to monitor cash flows and money transfers. Alerts resulting from these scripts are analysed and key controls are in place to monitor the appropriate execution.

Safeguarding the Quality of Internal Models

Risk models are developed using the Model Governance Framework, part of the overall Credit Governance Manual. Data from a dedicated data warehouse is used to develop the models. Periodically, the most relevant internal risk models are validated by an independent external validator.

Models exist for the calculation of risk weighted assets to cover various types of risk, including interest rate risk, market risk and credit risk. Van Lanschot uses segmentation models to assess the credit 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 probability of default estimates. This led to formal approval of the advanced internal rating based method ("**IRB-A**") for initial models by DNB in 2010 and the remaining models in 2012.

Van Lanschot uses 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 of the foundation internal ratings based method ("**IRB-F**") models by DNB in 2011 and the remaining models in 2012.

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 of capital management is on safeguarding financial solidity and stability. A capital and funding plan is prepared each year for capital management purposes. This plan has a two-year horizon and is reviewed and approved annually by the Statutory Board.

The rules implemented by the European Union in response to the framework of the Basel Committee on Banking Supervision require that banks hold sufficient buffer capital to cover the risks arising from banking operations.

Pillar I of the Basel Committee requirements ("**Pillar I**") provides guidelines for calculating the minimum capital buffer prescribed by regulators to cover credit risk, market risk, operational risk and credit valuation assessment ("**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 Van Lanschot's risk management structure is subject to various qualitative conditions.

Van Lanschot's loan portfolio can be broadly divided into a retail portfolio comprising mainly mortgages and small and medium enterprise loans, and a non-retail portfolio consisting principally of customised financing solutions. On 1 July 2010, Van Lanschot switched to the IRB-A approach to calculate the risk weighted assets for the retail loan portfolio.

On 1 July 2012, DNB additionally approved the IRB-F approach to calculate the risk weighted assets for all non-retail portfolios. This finalises the transition to a more risk-sensitive credit risk approach. The calculation of risk weighted assets covering the remainder of the loan portfolio is still

determined 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 mainly from client facilitation. The solvency requirement for operational risk is based on average operating result 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 derivatives transactions.

The table below provides a breakdown of Van Lanschot's current and historic capital adequacy requirements under the applicable EU regulations implementing the Basel regulatory framework. Figures are not generally calculated on a quarterly basis.

	As at 31 December		
	2015	**2014**	**2013**
	€ million, except percentages		
Capital adequacy requirements and available capital			
Minimum capital required	514.5	588.5	720.2
Credit risk	427.5	497.8	639.3
Market risk and settlement risk	5.9	7.9	8.1
Operational risk	72.4	75.2	72.9
CVA risk	8.6	7.7	—
Qualifying capital	1,095.2	1,119.6	1,254.3
Of which Tier I capital	1,045.9	1,071.8	1,176.1
Of which additional Tier I capital	1,045.9	1,071.8	1,176.1
Of which Tier II capital	49.4	47.8	78.2
Capital ratios			
Total capital ratio[1]	17.0%	15.2%	13.9%
Tier I ratio[2]	16.3%	14.6%	13.1%
CET1 ratio (fully loaded)[3]	15.4%	13.4%	10.5%
Leverage ratio (fully loaded)[4]	6.1%	5.3%	5.1%

(1) Total capital ratio is defined as a measure of the Company's capital adequacy calculated by dividing qualifying capital (the sum of total Tier I and total Tier II capital) by its total risk weighted assets.

(2) Tier I ratio is defined as the ratio between total Tier I capital and risk weighted assets. Tier I capital 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.

(3) CET1 ratio is defined as the Company's Common Equity Tier I ratio based on full compliance with the Basel III Framework from 2014, with the ratio designated "(phase in)" based the gradual application of more stringent standards as to what capital qualifies as CET1, and the ratio designated "(fully loaded)" in full compliance with these more stringent guidelines, and including retained earnings in respect of full year results only. Figures for 2013 are based on compliance with Basel II and the ratio itself is calculated as the Company's Core Tier I capital divided by its total risk weighted assets.

(4) Leverage ratio is defined as the relationship between total assets plus contingent items and the Basel III Tier I capital. The leverage ratio is calculated in accordance with the Delegated Act on the Leverage Ratio of the European Commission, adopted on 10 October 2014. Fully loaded indicates that it applies to all relevant capital.

The table below provides a breakdown of Van Lanschot's qualifying capital under the Basel III Framework for 2014 and 2015.

	As at 31 December	
	2015	2014
	€ million	
Qualifying capital		
Share capital	41.0	41.0
Treasury shares	-1.1	-3.6
Share premium reserve	479.9	479.9
General reserve	719.2	592.2
Provisional profit distribution for solvency purposes	15.7	82.7
Non-controlling interests	5.3	12.6
Actuarial results on defined benefit pension plans	-15.2	-8.4
Revaluation reserve	9.9	—
Cash flow hedge reserve	-13.7	-12.4
Other reserves	30.2	70.4
Prudential filters	28.4	27.9
Other filters	5.0	—
Deductions		
Goodwill and other intangible assets	-162.5	-145.8
Deferred tax assets	-17.2	-10.7
IRB shortfall	-79.0	-53.9
Assets arising from pension schemes	—	-0.1
Core Tier I capital	**1,045.9**	**1,071.8**
Innovative instruments with interest step-up (equity instruments issued by subsidiaries)	—	21.8
Non-controlling interests	1.8	—
Deductions		
IRB shortfall	-1.8	-21.8
Total Tier I capital	**1,045.9**	**1,071.8**
Subordinated loans	81.6	95.5
(General) provisions for SA receivables	—	2.8
Non-controlling interests	2.4	—
Deductions		
IRB shortfall	-34.7	-50.5
Total Tier II capital	**49.4**	**47.8**
Qualifying capital	**1,095.2**	**1,119.6**
Reconciliation of qualifying capital with consolidated equity		
Expected dividend payable for the current year	18.4	16.3
Result for 2014 attributable to equity instruments issued by subsidiaries	0.9	1.1
Result for 2014 attributable to non-controlling interests	7.6	8.6
Goodwill and other intangible assets	162.5	145.8
Deferred tax assets	17.2	10.7
Assets arising from pension schemes	—	0.1
Subordinated loans	-81.6	-95.5
Non-controlling interests	12.0	21.3
Cash flow hedges reserve	-13.7	-12.4
Unrealised gains and losses at fair value	-14.7	-17.7
Deduction for IRB shortfall	115.5	126.2
Revaluation reserves not forming part of qualifying capital	14.9	40.0
Innovative instruments with interest step-up (equity instruments issued by subsidiaries)	—	5.5
Other equity elements not forming part of qualifying capital	-14.6	-19.1
Total consolidated equity	**1,319.9**	**1,350.5**

With further shifts away from credit risk as part of the wind down of the Corporate Banking loan portfolio, the Company expects that Pillar II risks (interest rate risk and concentration risk) will be required to be covered by CET1 ratio as well. Based on the current regulatory framework and business mix, Van Lanschot expects a CET1 ratio range of 15-17% to be adequate through 2020. Based on current plans and expectations and the outlook of future regulations, Van Lanschot expects

to build up excess capital of at least €250 million by 2020. Part of this excess capital may be distributed in the form of ordinary dividends; for this purpose Van Lanschot is raising its target pay-out ratio from 40-50% to 50-70% starting in 2016 and management is committed to return any further excess capital to shareholders, subject to regulatory approval.

Credit Risk

Credit risk is defined as the risk that a counterparty is no longer able to fulfil its obligations. Van Lanschot's 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 risk 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 strategic objectives. Individual assessments are used to ascertain whether loans are in line with these objectives.

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.

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 for a loan, 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.

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 real estate (property loans). The remainder of the loan portfolio comprises regular consumer credits and private customised financing (other loans). The category other loans is solely intended for clients who have placed substantial deposits and/or AuM with Van Lanschot. Corporate Banking's commercial loans are secured on regular collateral such as property, receivables, inventories, and fixtures and fittings. The limits depend entirely on the collateral provided and may change on a daily basis.

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 new loans. The credit risk concentration lies with Van Lanschot Bankiers. The Corporate Banking commercial loan portfolio, including commercial real estate loans, is also being purposely run down. Kempen and the foreign subsidiaries grant few loans.

Loans and advances to the public and private sectors by sector

	As at 31 December 2015								
	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	Non-performing loans	%[1]
					€ million				
Companies and institutions									
Real estate	9	892.3	909.6	817.8	—	74.5	6.6	76.1	8.9
Healthcare	2	190.4	216.5	179.5	—	11.0	7.1	12.8	64.5
Financial holding companies	2	219.4	276.4	186.7	—	32.7	2.1	32.7	6.4
Services	4	368.6	413.8	338.7	0.2	29.8	15.9	32.5	53.4
Retail	2	198.0	242.0	180.5	—	17.5	5.2	17.5	29.5
Capital assets	1	143.6	179.0	129.9	—	13.7	1.6	13.7	11.7
Other	6	656.4	816.3	591.3	0.0	65.1	27.0	74.4	41.4
Total companies and institutions	**26**	**2,668.6**	**3,053.6**	**2,424.2**	**0.2**	**244.2**	**65.4**	**259.6**	**26.8**
Private individuals									
Mortgages	61	6,352.6	6,396.6	6,210.2	12.9	129.5	54.2	163.3	41.9
Real estate	4	408.4	413.1	368.9	—	39.5	5.5	41.2	13.9
Other	9	919.0	1,212.0	795.8	2.0	121.2	40.5	124.0	33.5
Total private individuals	**74**	**7,680.0**	**8,021.7**	**7,374.9**	**14.9**	**290.2**	**100.3**	**328.6**	**34.6**
Impairments of loans		180.3				165.7	14.6		
Total		**10,168.3**		**9,799.1**	**15.1**	**534.4**	**180.3**	**588.2**	**31.0**

Loans and advances to the public and private sectors by sector

	As at 31 December 2014								
	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	Non-performing loans	%[1]
					€ million				
Companies and institutions									
Real estate	11	1,263.5	1,241.7	1,094.9	29.8	138.8	65.1	230.2	46.9
Healthcare	2	205.1	244.0	196.7	0.1	8.3	6.0	9.6	72.1
Financial holding companies	2	250.1	320.8	217.6	27.6	4.9	2.8	34.0	57.7
Services	4	480.8	542.6	443.7	8.4	28.7	20.6	49.8	71.8
Retail	2	248.9	295.1	234.1	6.1	8.7	7.1	19.3	80.7
Capital assets	2	185.6	244.3	172.2	10.7	2.7	1.3	24.8	46.9
Other	10	1,130.1	1,277.3	1,030.5	10.4	89.2	47.6	130.5	53.4
Total companies and institutions	**33**	**3,764.1**	**4,165.8**	**3,389.7**	**93.1**	**281.3**	**150.5**	**498.3**	**53.5**
Private individuals									
Mortgages	54	6,112.0	6,203.6	5,965.2	31.3	115.5	68.5	160.0	59.3
Real estate	5	615.5	596.5	476.2	9.0	130.4	41.6	160.5	31.9
Other	8	853.5	1,101.8	699.5	41.4	112.6	53.8	148.9	47.8
Total private individuals	**67**	**7,581.0**	**7,901.8**	**7,140.8**	**81.6**	**358.5**	**163.9**	**469.4**	**45.7**
Impairments of loans		324.0				314.4	9.6		
Total		**11,021.1**			**174.8**	**639.8**	**324.0**	**967.7**	**49.1**

Loans and advances to the public and private sectors by sector

	As at 31 December 2013								
	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	Non-performing loans	%[1]
					€ million				
Companies and institutions									
Real estate	12	1,518.2	1,508.7	1,347.7	25.5	145.1	61.1	192.5	42.1
Healthcare	2	257.0	285.5	243.3	1.0	12.9	7.4	14.8	57.4
Financial holding companies	3	381.6	516.0	371.2	7.4	3.0	2.7	14.9	90.8
Services	4	556.8	662.3	475.1	47.9	33.8	29.5	80.3	87.2
Retail	2	297.1	349.1	290.0	1.1	6.1	4.4	64.0	71.6
Capital assets	2	272.0	340.9	259.0	3.1	9.9	2.0	18.1	20.6
Food and beverages	1	154.2	200.6	152.5	0.2	1.5	1.7	6.1	111.7
Other	9	1,086.5	1,278.9	987.0	16.6	82.9	54.7	138.0	65.9
Total companies and institutions	**35**	**4,523.5**	**5,141.9**	**4,125.5**	**102.6**	**295.3**	**163.6**	**528.7**	**55.4**
Private individuals									
Mortgages	51	6,482.6	6,580.4	6,304.4	71.4	106.9	66.4	172.5	62.2
Securities-backed loans	1	170.2	432.7	169.6	—	0.6	0.4	0.6	66.3
Real estate	5	660.9	661.1	568.9	20.9	71.2	32.3	127.2	45.3
Other	8	986.2	1,004.5	827.5	32.5	126.2	60.0	152.2	47.5
Total private individuals	**65**	**8,299.9**	**8,678.8**	**7,870.3**	**124.7**	**304.8**	**159.1**	**452.5**	**52.2**
Impairments of loans		332.6			10.0	322.7			
Total		**12,490.7**			**227.4**	**600.2**	**322.7**	**981.1**	**53.8**

(1) "%" indicates that this column shows provisions taken as a proportion of non-performing loans.

The total amount outstanding as set out in the tables above is reduced by impairments of loans. This gives the total amount of loans and advances to the public and private sectors. The impaired loans are divided into IBNR and specific provisions. IBNR is included in Past due and amounted to €14.6 million as at 31 December 2015. 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, 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 Van Lanschot 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.

Therefore, the concept of "non-performing loans" encompasses more than simply impaired loans or loans on which provisioning is taken. See "—*Credit Risk—Increased Credit Risk—Impairments*". The table below shows loan impairments and provisioning (available in whole units only) as at 31 December 2015 with comparative ratios as at 31 December 2014 and 2013.

	As at 31 December 2015					As at 31 December 2014		As at 31 December 2013	
	Loan portfolio	Impaired loans	Provision for impaired loans	Impaired ratio[1]	Coverage ratio[2]	Impaired ratio[1]	Coverage ratio[2]	Impaired ratio[1]	Coverage ratio[2]
	€ million, except percentages								
Mortgages	5,980	126	53	2.1%	42%	1.7%	61%	1.6%	61%
Other Private Banking loans	2,206	159	63	7.2%	40%	5.4%	51%	5.0%	62%
Private Banking	**8,187**	**284**	**117**	**3.5%**	**41%**	**2.7%**	**55%**	**2.6%**	**61%**
SME loans	765	144	38	18.8%	26%	10.9%	57%	8.6%	56%
Real estate loans	1,065	107	11	10.0%	11%	15.5%	40%	11.2%	44%
Corporate Banking	**1,830**	**250**	**49**	**13.7%**	**20%**	**13.6%**	**46%**	**10.0%**	**49%**
Mortgages distributed by third parties	**332**	—	—						
Total	**10,349**	**534**	**166**	**5.2%**	**31%**	**5.8%**	**49%**	**4.8%**	**54%**
Total Impairments	-180								
Total	**10,168**	**534**	**166**						
IBNR			15						
Provision including IBNR			**180**						

(1) Defined as impaired loans as a percentage of the total loan portfolio.
(2) Defined as the level of provisions as a proportion of the value of impaired loans.

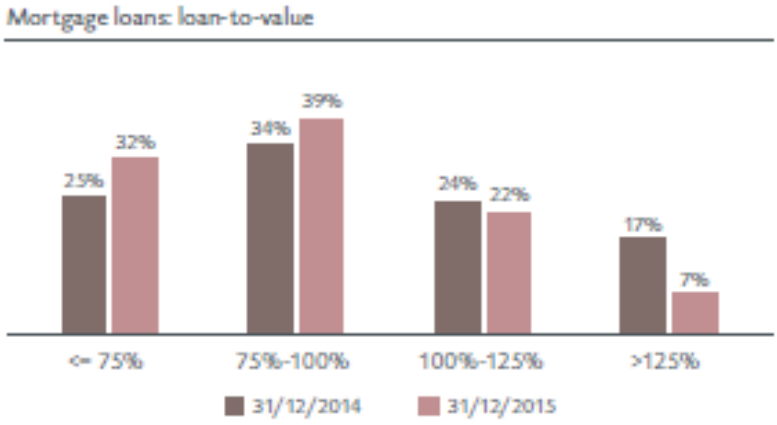
In 2015, the Recovery Section implemented stricter provisioning criteria, and it now makes provisions earlier in the process. Meanwhile, Van Lanschot has also set up teams for preventive and intensive management, creating a chain that should help pre-empt signs of reduced creditworthiness.

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 classified as past due. If a receivable is qualified as impaired, loans to the client in question are also classed as impaired. Restructuring is applied where necessary. With the recent tightening of credit risk criteria, the percentage of loans classified as non-performing has increased, but given the concomitant attempts at early intervention, actual provisioning has declined. The coverage ratio has dropped from 54% as at 31 December 2013 and 49% as at 31 December 2014 to 31% as at 31 December 2015, while the coverage ratio for the mortgage book has also declined from 62% as at 31 December 2013 and 61% as at 31 December 2014 to 42% as at 31 December 2015.

Mortgages

As at 31 December 2015, roughly 58% of Van Lanschot's loan portfolio consists of mortgages to mainly private clients in the Netherlands, as compared to 54.8% as at 31 December 2014. Van Lanschot believes that the credit risk in this portfolio is limited compared to the Corporate Banking loan portfolio. Van Lanschot aims for a diversified loan portfolio and has actively sought to reduce the concentration on individual counterparties.

Mortgages in the Netherlands are often originated with a loan-to-value ratio of greater than 100% as the mortgage loan typically covers additional costs, and thus the loan-to-value ratio is not necessarily a reliable indicator of non-performance of a mortgage. These mortgages are often accompanied by corresponding liens taken out over homeowners' personal savings and other assets to provide lenders with additional assurances against default. Van Lanschot's rigorous acceptance criteria ensure that no loan is provided, of any loan-to-value ratio, without sufficient information on an applicant's income and assets to justify providing the loan. The table below portrays the loan-to-value characteristics of the mortgage portfolio as at 31 December 2015 and 2014.



Source: 2015 Van Lanschot Annual Report

Van Lanschot's mortgage portfolio comprised €6.0 billion as at 31 December 2015, compared to €6.0 billion in 2014. As at 31 December 2015, Van Lanschot had impaired mortgage loans totalling €126 million, compared to €100 million in 2014. A provision of approximately €53 million (42.1%) was taken for these loans in 2015, compared to €61 million (61.0%) in 2014. The average loan-to-value of Van Lanschot's mortgage loans, based on 100% foreclosure value, has been decreasing and was 68% for the three months ended 31 March 2016 and 71% for the year ended 31 December 2015, compared to 84% for the same period in 2014.

Other Private Banking Loans

Van Lanschot's risk appetite for other Private Banking loans is limited (€2.2 billion as at 31 December 2015, compared to €2.2 billion in 2014), and such loans are available only for selected Private Banking clients depending on individual circumstances. Other Private Banking loans comprised €0.9 billion to private clients as at 31 December 2015, compared to €0.8 billion in 2014 and €1.3 billion to companies and institutions (i.e. healthcare and business professional clients), compared to €1.4 billion in 2014.

Corporate Banking—Being Wound Down

Van Lanschot has historically had a relatively high concentration in commercial real estate. However, in 2013 Van Lanschot took the decision to gradually run down commercial real estate finance activities, alongside its corporate SME loan book, together comprising Van Lanschot's Corporate Banking operations. Van Lanschot's Corporate Banking SME portfolio comprised €0.8 billion as at 31 December 2015, compared to €1.3 billion in 2014. In part as a result of the sale of non-performing real estate loans in 2015 with a face value of around €400 million, Van Lanschot's Corporate Banking real estate financing portfolio comprised €1.1 billion as at 31 December 2015, compared to €1.8 billion in 2014.

As at 31 December 2015, Van Lanschot's Corporate Banking loan portfolio had impaired real estate loans totalling €107 million, compared to €279 million in 2014. A provision of approximately €11 million (10.3%) was taken for these loans, compared to €112 million (40.1%) in 2014. The average loan-to-value of the commercial real estate loan portfolio was 74% as at 31 December 2015, compared to 89% in 2014 and 87% as at 31 December 2013. As at 31 December 2015, Van Lanschot's Corporate Banking loan portfolio had impaired SME loans totalling €144 million, compared to €141 million in 2014. A provision of approximately €38 million (26.4%) was taken for these loans, compared to €80 million (56.7%) in 2014.

The winding down of the corporate SME loan book will not entirely eliminate Van Lanschot's exposure to SMEs, as it has and will continue to grant SME loans on a selected basis in connection with its client services in the Private Banking segment.

Quality of Loan Portfolio

Van Lanschot's 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. The quality of

the retail portfolio is determined using statistical segmentation models. These models place retail loans in the correct risk category based on specific characteristics and statistical models.

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 spread of the loan portfolio across the ratings is shown as at 31 December in the table below.

Customised loans: breakdown of internal ratings of outstanding liability

		As at 31 December		
Internal rating	**Description**	**2015**	**2014**	**2013**
			percentages	
T	Top class	—	—	—
A1 – A3	Strong	1	—	—
B1 – B3	Good	15	15	17
C1 – C3	Adequate	31	37	45
D1 – D3	Weak	38	35	27
E	Very weak	2	2	3
F1 – F3	Default	13	11	8
	Total	**100**	**100**	**100**

Virtually the entire customised portfolio was assigned a rating. The customised portfolio amounts to €2.7 billion in 2015, compared to €3.5 billion in 2014. The spread across the ratings was in line with economic trends. The economic crisis had a substantial impact on the probability of default of customised loans. The tables below provide an insight into the underlying collateral of this loan portfolio.

Loans and advances to the public and private sectors by collateral

	As at 31 December 2015						
	Balance outstanding	**Mortgage collateral**	**Commercial real estate (based on investment value)**	**Financial collateral**	**Guarantees**	**Total primary collateral**	**Secondary collateral and unsecured loans**
				€ million			
Mortgage loans	6,389.2	5,610.8	—	—	—	5,610.8	778.4
Current accounts	1,013.9	—	—	323.9	—	323.9	690.0
Loans	2,506.8	—	1,233.4	—	165.9	1,399.3	1,107.5
Securities-backed loans and settlement claims	243.8	—	—	141.9	—	141.9	101.8
Subordinated loans	14.7	—	—	—	—	—	14.7
Total	**10,168.4**	**5,610.8**	**1,233.4**	**465.8**	**165.9**	**7,475.9**	**2,692.4**

Loans and advances to the public and private sectors by collateral

	As at 31 December 2014						
	Balance outstanding	Mortgage collateral	Commercial real estate (based on investment value)	Financial collateral	Guarantees	Total primary collateral	Secondary collateral and unsecured loans
				€ million			
Mortgage loans	6,208.1	5,231.5	—	—	—	5,231.5	976.6
Current accounts	1,330.5	—	—	454.1	—	454.1	876.4
Loans	3,178.9	—	1,747.6	—	95.3	1,842.9	1,336.0
Securities-backed loans and settlement claims	266.2	—	—	176.5	—	176.5	89.7
Subordinated loans	37.5	—	—	—	—	—	37.5
Total	**11,021.1**	**5,231.5**	**1,747.6**	**630.6**	**95.3**	**7,705.0**	**3,316.1**

Loans and advances to the public and private sectors by collateral

	As at 31 December 2013						
	Balance outstanding	Mortgage collateral	Commercial real estate (based on investment value)	Financial collateral	Guarantees	Total primary collateral	Secondary collateral and unsecured loans
				€ million			
Mortgage loans	6,593.5	5,551.3	—	—	—	5,551.3	1,042.2
Current accounts	1,653.4	—	—	498.2	—	498.2	1,155.2
Loans	3,867.1	—	1,999.3	—	15.2	2,014.4	1,852.7
Securities-backed loans and settlement claims	329.6	—	—	214.1	—	214.1	115.5
Subordinated loans	47.0	—	—	—	—	—	47.0
Total	**12,490.7**	**5,551.3**	**1,999.3**	**712.4**	**15.2**	**8,278.2**	**4,212.6**

Van Lanschot adopts a cautious stance on granting unsecured loans and the total amount of unsecured loans is small. In general, collateral can be used for all current and future amounts owed by a debtor.

Increased Credit Risk

Increased credit risk occurs if a client fails to meet its payment obligations for a period of at least 30 days which triggers a period of intensified monitoring, and a client will enter default after a 90-day past-due period for amounts greater than €5,000. 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 restructuring and recovery department 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.

Past Due Accounts

Van Lanschot has in the past defined 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.

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 real estate, receivables, inventories, fixtures and fittings may serve as collateral. The majority of collateral is not directly linked to a specific financing arrangement.

Impairments

If a client is potentially or actually no longer able to meet its obligations to the Company, the loan is then designated as impaired. If a loan is designated as impaired, the restructuring and recovery department 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 2015 was 74 basis points of the average risk-weighted assets during 2015, compared to 93 basis points in 2014. 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 €534 million as at 31 December 2015, and €640 million as at 31 December 2014. 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. See also *"—Credit Risk—Breakdown of Loan Portfolio"*.

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 discounted cash flow 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 provisions cover value reductions which have occurred at the reporting date but of which Van Lanschot is not yet aware due to an information time lag. This impairment is calculated based on the expected loss. This is calculated at client level (non-retail) and product level (retail) using the known probability of default, exposure at default and loss given default. The confirmation period is also estimated. This is the number of months during which there is an information time lag (minimum 0, maximum 12). The ultimate calculation of the impairment is the product of expected loss and the confirmation period. This method is consistent with the IFRS accounting standards and uses historical information.

	As at 31 December					
	2015		2014		2013	
Age analysis of past due accounts (excluding impaired loans)	**Balance outstanding**	**Overdrawn amount**	**Balance outstanding**	**Overdrawn amount**	**Balance outstanding**	**Overdrawn amount**
	€ million					
30-60 days	8.6	4.3	17.8	1.7	42.1	1.0
61-90 days	1.6	0.1	4.3	0.2	52.9	2.0
>90 days	4.9	2.3	152.7	67.9	132.3	39.8
Total	**15.1**	**6.7**	**174.8**	**69.7**	**227.4**	**42.8**

Movements in impairments	Year ended 31 December 2015		
	Specific	IBNR	Total
	€ million, except percentages		
Position as at 1 January	314.4	9.6	324.0
Loans written off	-66.7	—	-66.7
Additions to or release of provision	46.0	5.0	51.0
Interest charged	5.5	—	5.5
Sale of real estate loans portfolio	-133.5	—	-133.5
Position as at 31 December	**165.7**	**14.6**	**180.3**
As a percentage of RWA			2.80%

Movements in impairments	Year ended 31 December 2014		
	Specific	IBNR	Total
	€ million, except percentages		
Position as at 1 January	322.7	10.0	332.6
Loans written off	-89.0	—	-89.0
Additions to or release of provision	76.4	-0.4	76.0
Interest charged	4.4	—	4.4
Position as at 31 December	**314.4**	**9.6**	**324**
As a percentage of RWA			4.40%

Movements in impairments	Year ended 31 December 2013		
	Specific	IBNR	Total
	€ million, except percentages		
Position as at 1 January	298.9	11.5	310.4
Loans written off	-84.3	—	-84.3
Additions to or release of provision	103.9	-1.5	102.4
Interest charged	4.1	—	4.1
Position as at 31 December	**322.7**	**10.0**	**332.6**
As a percentage of RWA			3.69%

Forbearance/Restructuring

A loan is regarded as restructured (in forbearance) if the borrower is unable to meet its contractual obligations vis-à-vis Van Lanschot as a result of economic circumstances and Van Lanschot 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 Van Lanschot 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.

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.

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 regulatory 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, namely, interest rate risk and currency risk, 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 and stress testing.

Other Market Risks

Other market risks Van Lanschot faces include risk related to trading activities in securities and exchange rate risk.

The trading activities in 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.

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 euro. The Company ensures that the exchange rate risk is managed effectively within the limits set. The foreign exchange positions include all cash, forward and option positions of the entities belonging to the consolidated base. Translated into euro, the foreign exchange position for the year ended 31 December 2015 was €-2.1 million, €-0.9 million for the year ended 31 December 2014 and €-14.8 million for the year ended 31 December 2013. The capital adequacy requirement for exchange rate risk was €3.5 million for the year ended 31 December 2015 and nil both the years ended 31 December 2014 and 2013 (according to the 'de minimis rule').

Interest Rate Risk

The interest rate risk reflects the existing or future threat to Van Lanschot's results or equity due to interest rate movements. When interest rates rise or fall, interest cash flows and/or their present value also changes. Movements in interest rates can therefore have a major impact on both interest income and Van Lanschot's market value. Interest rate risk can be classified into the following categories:

- *Repricing risk*: the interest rate risk resulting from timing differences in interest rate reviews of financial instruments. If assets are priced earlier or later than liabilities, this generates interest rate risk. The repricing risk depends among other things on the degree to which interest rate movements are evenly spread across the yield curve (parallel yield curve shifts);
- *Yield curve risk*: the interest rate risk arising from non-parallel yield curve shifts;
- *Optionality risk*: this risk arises when certain options have been granted to clients (e.g. a partially penalty-free right of early redemption or a capped variable interest rate) and this risk is not or cannot be fully hedged; and
- *Basis risk*: this risk arises when movements in an instrument used as a hedge do not precisely mirror movements in the corresponding item in the statement of financial position (e.g. a mortgage based on one-month Euro Interbank Offer Rate ("**Euribor**") a swap based on three-month Euribor).

Van Lanschot uses a range of methods to manage interest rate risk, including gap analysis, duration analysis (equity perspective) and scenario analysis (earnings perspective). This enables Van Lanschot 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. Van Lanschot'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.

Van Lanschot uses 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 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 the table below:

	As at 31 December		
	2015	**2014**	**2013**
Sensitivity analysis of equity			
Duration (years)	4.4	2.9	4.0
Present value of equity (€ million)	1,856	1,651	1,682

The upper limit for duration of equity that Van Lanschot considers acceptable is seven years. ALCO actively manages the equity duration, in line with the risk appetite through among other things, changes in the investment portfolio and interest rate swaps. In 2015, the duration fluctuated within a range of between 2.1 and 6.3 years. As at 31 December 2015, the duration of equity was 4.4 years. The duration of 4.4 years as at 31 December 2015 indicates that the value of equity would decline by about 4.4% if interest rates were to rise by 100 basis points (parallel shift).

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 €82 million, compared to €48 million in 2014. A parallel fall in the yield curve of the same magnitude would increase the value of equity by €82 million, compared to €47 million in 2014.

An interest rate risk calculation is performed for the Pillar II capital requirement of Basel II ("**Pillar II**") 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, Van Lanschot also applies scenario analyses to the interest risk, including one key scenario in which Van Lanschot has to gradually raise interest rates on savings and deposits by 1% for competitive reasons. In this scenario, total interest income would decline by €21 million, other things being equal. Scenarios modelling a parallel yield curve shift will show virtually no impact on the result on financial transactions, because all investments designated at fair value through profit or loss are hedged using derivatives. Hedge accounting is also used for other derivatives where changes in their market value impact on the result on financial transactions.

In managing interest rate risk, Van Lanschot uses 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.

Concentration Risk

Roughly half of Van Lanschot's loan portfolio consists of loans to mainly private clients. The credit risk in this portfolio is limited. The greatest credit risk and actual historic losses occur in the corporate portfolio. Under Pillar II, Van Lanschot calculates risk capital for sector concentration risk. Van Lanschot aims for a diversified loan portfolio and has actively sought to reduce the concentration on individual counterparties. In 2015 this led to a 12% reduction in the total volume of the 10 highest limits compared with 2014. The 10 largest loans to individual counterparties other than financial institutions totalled €357 million at 31 December 2015, compared with a total loan portfolio of €10.3 billion (as at 31 December 2014, the 10 largest loans totalled €407 million compared with a total loan portfolio of €11.3 billion). In line with Van Lanschot's strategy, the majority of lending takes place in the Netherlands and Belgium.

Liquidity Risk

The policy for monitoring and controlling Van Lanschot's liquidity position and risk is set out in the 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 actual internal norm for the minimum liquidity position is determined monthly based on the volume of client assets, guided by fixed percentage limits per Van Lanschot's established risk appetite and is also influenced by external requirements, including the liquidity coverage ratio ("**LCR**"). The liquidity position is monitored on a daily basis 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 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 Framework 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 its business. Van Lanschot's 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 Van Lanschot's funding mix. The funding ratio as at 31 December 2015 was 94.1% compared to 95.3% as at 31 December 2014 and 81.3% as at 31 December 2013, implying that the greater proportion of Van Lanschot's loan portfolio is financed by client savings and assets.

List of Maturities

The tables show the assets and liabilities based on their remaining contractual terms to maturity as at 31 December 2015 and 2014.

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.

	As at 31 December 2015							
	Withdrawable on demand	< 3 months	⩾ 3 months < 1 year	⩾ 1 year < 5 years	⩾ 5 years	Subtotal	No cash flow	Total
	€ million							
Assets								
Cash and cash equivalents and balances at central banks	881.0	—	—	—	—	881.0	—	881.0
Financial assets held for trading	—	6.9	—	—	—	6.9	—	6.9
Due from banks	39.5	149.6	0.1	—	11.0	200.1	—	200.1
Financial assets designated as at fair value through profit or loss	—	291.5	73.8	109.5	204.0	678.8	33.8	712.6
Available-for-sale investments	—	82.5	289.6	968.4	721.0	2,061.4	97.7	2,159.1
Held-to-maturity investments	—	—	—	170.0	305.0	475.0	48.6	523.6
Loans and advances to the public and private sectors	1,261.9	50.2	138.6	411.5	8,207.3	10,069.5	98.9	10,168.4
Derivatives (receivables)	—	39.0	76.7	124.0	85.7	325.4	8.0	333.4
Investments in associates using the equity method	—	—	—	56.3	—	56.3	—	56.3
Other assets	—	104.1	31.5	49.8	—	185.4	269.0	454.3
Total assets	**2,182.4**	**723.6**	**610.3**	**1,889.5**	**9,534.0**	**14,939.7**	**556.0**	**15,495.7**
Total assets excluding derivatives	**2,182.4**	**684.7**	**533.5**	**1,765.5**	**9,448.3**	**14,614.3**	**548.0**	**15,162.3**
Liabilities								
Financial liabilities from trading activities	—	0.4	—	—	—	0.4	—	0.4
Due to banks	51.8	296.3	350.0	—	—	698.1	—	698.1
Public and private sector liabilities	8,509.2	333.9	222.1	272.6	229.6	9,567.4	5.0	9,572.3
Financial liabilities designated as at fair value through profit or loss	—	3.8	22.9	645.4	132.4	804.6	—	804.6
Derivatives (liabilities)	—	29.1	46.3	112.5	128.5	316.5	8.3	324.8
Issued debt securities	—	3.6	730.4	1,207.6	541.3	2,483.0	-2.9	2,480.0
Other liabilities	—	74.3	76.1	3.3	—	153.7	23.7	177.4
Subordinated loans	—	—	—	—	116.9	116.9	1.2	118.2
Total liabilities	**8,561.0**	**741.5**	**1,447.9**	**2,241.4**	**1,148.8**	**14,140.6**	**35.2**	**14,175.8**
Total liabilities excluding derivatives	**8,561.0**	**712.3**	**1,401.6**	**2,128.9**	**1,020.2**	**13,824.1**	**26.9**	**13,851.0**
On balance gap	**-6,378.7**	**-17.8**	**-837.6**	**-352.0**	**8,385.2**	**799.2**	**520.8**	**1,319.9**
Receivables arising from future interest flows	—	50.0	109.7	439.9	5,182.6	5,782.1	—	5,782.1
Liabilities arising from future interest flows	—	19.3	97.9	274.2	144.9	536.3	—	536.3
On balance gap including future interest flows	**-6,378.7**	**12.8**	**-825.9**	**-186.3**	**13,422.9**	**6,045.0**	**520.8**	**6,565.8**

	As at 31 December 2014							
	Withdrawable on demand	< 3 months	⩾ 3 months < 1 year	⩾ 1 year < 5 years	⩾ 5 years	Subtotal	No cash flow	Total
	€ million							
Assets								
Cash and cash equivalents and balances at central banks	1,157.0	—	—	—	—	1,157.0	—	1,157.0
Financial assets held for trading	—	43.2	—	—	—	43.2	—	43.2
Due from banks	40.4	142.2	—	257.5	9.1	449.1	—	449.1
Financial assets designated as at fair value through profit or loss	—	65.0	30.0	215.2	856.6	1,166.9	142.7	1,309.5
Available-for-sale investments	—	114.5	102.8	1,096.1	521.4	1,834.8	118.0	1,952.7
Held-to-maturity investments	—	—	—	120.0	355.0	475.0	58.7	533.7
Loans and advances to the public and private sectors	1,595.8	130.9	121.5	558.6	8,451.3	10,858.0	163.1	11,021.1
Derivatives (receivables)	—	49.4	20.2	113.4	84.8	267.8	7.3	275.1
Investments in associates using the equity method	—	—	—	50.7	—	50.7	—	50.7
Other assets	—	79.7	66.2	59.8	—	205.7	261.6	467.3
Total assets	**2,793.1**	**624.9**	**340.6**	**2,471.3**	**10,278.1**	**16,508.1**	**751.3**	**17,259.4**
Total assets excluding derivatives	**2,793.1**	**575.5**	**320.5**	**2,357.9**	**10,193.3**	**16,240.3**	**744.1**	**16,984.3**
Liabilities								
Financial liabilities from trading activities	—	0.1	—	—	—	0.1	—	0.1
Due to banks	75.5	331.4	80.0	392.4	—	879.2	0.7	880.0
Public and private sector liabilities	8,407.3	672.0	812.0	294.5	306.6	10,492.5	6.7	10,499.2
Financial liabilities designated as at fair value through profit or loss	—	3.7	17.6	511.8	173.0	706.0	-0.1	705.9
Derivatives (liabilities)	—	51.9	11.7	102.4	207.4	373.4	8.0	381.3
Issued debt securities	—	38.0	957.8	2,023.8	51.1	3,070.6	2.8	3,073.4
Other liabilities	—	143.0	72.9	10.1	—	226.0	21.7	247.7
Subordinated loans	—	1.0	2.0	—	117.0	120.0	1.4	121.4
Total liabilities	**8,482.8**	**1,240.9**	**1,954.1**	**3,335.0**	**855.1**	**15,867.8**	**41.1**	**15,908.9**
Total liabilities excluding derivatives	**8,482.8**	**1,189.0**	**1,942.3**	**3,232.6**	**647.7**	**15,494.5**	**33.2**	**15,527.6**
On balance gap	**-5,689.6**	**-616.0**	**-1,613.4**	**-863.7**	**9,423.0**	**640.3**	**710.2**	**1,350.5**
Receivables arising from future interest flows	—	122.5	336.9	1,619.0	4,105.7	6,184.1	—	6,184.1
Liabilities arising from future interest flows	—	28.3	101.5	380.1	174.9	684.7	—	684.7
On balance gap including future interest flows	**-5,689.6**	**-521.7**	**-1,378.0**	**375.3**	**13,353.8**	**6,139.8**	**710.2**	**6,850.0**

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.

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.

Van Lanschot has 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 Van Lanschot'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 against major financial losses, Van Lanschot has taken out insurance policies to cover claims and losses resulting from its 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 Company'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 organisation, 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 Van Lanschot. 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 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 Van Lanschot sufficient resilience against the negative impact of an incident or disaster. Business continuity therefore has universal scope within Van Lanschot; it comprises policy, standards and procedures aimed at safeguarding the critical processes or enabling a restart within a specified time frame 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 300 incidents entailing a loss of more than €1,000 were logged in the database in 2015, compared to 281 incidents in 2014.

Strategic Risk

Strategic risk, is the risk of lower income due to a change in Van Lanschot's environment and its activities. It defines strategic risk as the existing or future threat to Van Lanschot'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.

The Pillar II capital 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 regular business practices and effective management.

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, Van Lanschot puts the interests of the client first in all activities. The Compliance department, which reports directly to the Chairman of the Statutory Board, is responsible for ensuring that the Company's Board, senior management and employees comply with regulations and legislation.

SUPERVISION AND REGULATION

This section describes in summary a selection of laws and regulations which the Company and certain of its Dutch subsidiaries are subject to. This section is intended as general information only and does not purport to present a comprehensive or complete description of all laws and regulations applicable to Van Lanschot which could be of relevance to Shareholders and DR Holders.

The Regulated Credit Institutions qualify as credit institutions within the meaning of the CRR. The Regulated Credit Institutions are authorised by DNB to pursue the business of a bank in the Netherlands, in accordance with the Dutch Financial Supervision Act and are under direct prudential and integrity supervision by DNB and AFM. Since the entry into force of the SSM on 4 November 2014, the Regulated Credit Institutions are subject to indirect supervision by the ECB. The SSM is comprised of the ECB and the national competent authorities of participating EU Member States. In addition, the Regulated Credit Institutions are supervised by the AFM for the purpose of conduct of business supervision.

Kempen Capital Management, a Dutch subsidiary of the Company, qualifies as manager of (i) alternative investment funds within the meaning of the Alternative Investment Fund Managers Directive ("**AIFMs**") ("**AIFM Directive**") and (ii) open-ended collective investment schemes within the meaning of the Directive on Undertakings for Collective Investment in Transferable Securities ("**UCITS Directive**"). Kempen Capital Management is authorised by the AFM to pursue the business of collective investment management and to provide certain investment services in the Netherlands in accordance with the Dutch Financial Supervision Act.

This section is mainly based on the supervisory laws and regulations of the Netherlands and the EU as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect. In addition, Van Lanschot is subject to supervisory laws and regulations of other jurisdictions in which it is active. See "*Risk Factors—Van Lanschot operates in an industry that is highly regulated and subject to significant regulatory change, which could result in Van Lanschot's failure to comply with certain requirements or with significantly increased legal and compliance costs, and non-compliance could result in monetary and reputational damages, all of which could have a material adverse effect on Van Lanschot's business, financial condition and result of operations.*" and "*Risk Factors—**Major changes in laws and regulations and in their interpretation could materially and adversely affect Van Lanschot's business, business model, financial condition, results of operations and prospects.***" This section does not provide information on supervisory laws and regulations of other jurisdictions than the Netherlands, nor on tax laws and regulations to which Van Lanschot is subject.

Banking Union

The 2007 financial crisis revealed shortcomings in bank supervision and in particular a widespread misjudgement of the actual risks posed by banks' activities and investments, and has made clear that the regulation and supervision of bank activities needed to be harmonised across the EU and especially in the euro area. One of the EU's responses to correct the perceived shortcomings was to establish a banking union with three key areas, referred to as the three pillars, the SSM, the SRM and harmonised prudential rules laid down in CRD IV and the recovery and resolution framework laid down in the BRRD ("**Single Rulebook**") (together the "**Banking Union**").

SSM

The first pillar, the SSM, was set up by two regulations: (i) Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions ("**SSM Regulation**") and (ii) Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities. The SSM Regulation came into force on 4 November 2013. The SSM Regulation provides the tasks the ECB must carry out within the SSM, composed of the ECB and national competent authorities ("**NCA**"). For "significant" banking groups that meet certain criteria of size, importance for the economy of the EU or any Member States participating in the Banking Union, and significance of cross-border activities, whereby in principle a total value of assets of more than €30 billion is considered "significant", this means that supervision of them is carried out by joint supervisory teams consisting of ECB and NCA staff

members. In the ECB's formal decision of 4 September 2014, neither Van Lanschot Bankiers nor Kempen & Co have been designated as significant. As such, the Regulated Credit Institutions are only subject to indirect supervision by the ECB.

SRM

The second pillar, the SRM, was set up by Regulation (EU) No 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 ("**SRM Regulation**") and by the agreement on the transfer and mutualisation of contributions to the Single Resolution Fund of 21 May 2014. The SRM Regulation provides for a single resolution framework ("**SRM**"), a European single resolution board ("**SRB**") and a single resolution fund ("**Single Resolution Fund**"). Under the BRRD, EU Member States are required to appoint a national resolution authority ("**NRA**"). In the Netherlands, DNB has been appointed as NRA. The SRM establishes a SRB (consisting of representatives from the ECB, the European Commission and the relevant NRAs) that will manage (through the NRAs or directly) the failing of any bank in the Eurozone and in other EU Member States participating in the European Banking Union. One of the aims of the SRM is a consistent application of the instruments and authorities granted to NRAs under the BRRD. The SRB is directly responsible for dealing with banking groups that fall under direct supervision of the ECB under the SSM, as well as any cross border banking groups. As less significant banks without subsidiaries in other Eurozone countries, DNB is primarily responsible in its capacity as Dutch NRA for both Van Lanschot Bankiers and Kempen & Co.

Single Rulebook

The third pillar is a Single Rulebook. Until 1 January 2014, EU bank regulation and supervision had been based on directives which left room for divergence in national implementing rules. This created a regulatory patchwork throughout the EU. The Single Rulebook aims to provide a single set of harmonised prudential rules which banks throughout the EU must comply with. These uniform and harmonised rules are mainly provided for by CRD IV, CRR, BRRD and DGSD.

Supervisory Authorities

DNB

The Regulated Credit Institutions are required to hold licences for their operations and are subject to regulation and supervision by authorities in the Netherlands, such as DNB. DNB is, among other things, responsible for: (i) the supervision of the Regulated Credit Institutions' compliance with the prudential requirements, including the requirements relating to: (a) own funds, securitisation, large exposures, liquidity and net stable funding, leverage, supervisory reporting and public disclosure of information on those matters, and (b) governance arrangements, including the fit and proper requirements for the managing and supervisory directors of the Regulated Credit Institutions, as well as the managing and supervisory directors of the Company as parent company of the Regulated Credit Institutions, risk management processes, internal control mechanisms, remuneration policies and practices and effective internal capital adequacy assessment processes, including internal ratings based models; (ii) the supervision of the Regulated Credit Institutions' compliance with other supervisory laws and regulations relevant for their business, such as anti-money laundering legislation; (iii) the carrying out of supervisory reviews and stress tests to determine whether the Regulated Credit Institutions' arrangements, strategies, processes and mechanisms and their own funds ensure a sound management and coverage of risks; and (iv) the carrying out of supervisory tasks in relation to recovery plans, early intervention and, where EU law grants the required authority to competent authorities, structural changes to prevent financial stress or failure.

In April 2016, Kempen & Co filed an application to be granted a licence as an investment firm. It is the intention that the banking licence of Kempen & Co will be withdrawn at its request before the end of 2016. Kempen & Co will continue its activities under an investment firm (MiFID) licence and supervision of Kempen & Co will primarily be conducted by the AFM.

ECB

As of 4 November 2014, the Regulated Credit Institutions (and Van Lanschot as a whole) are subject to indirect supervision by the ECB under the SSM. In this respect, the ECB may give instructions to DNB or even assume direct supervision of the prudential aspects of their business. The ECB is furthermore the competent authority to assess applications for authorisation and notifications of the acquisition and disposal of qualifying holdings in banks and to grant a declaration of no objection for such holdings.

AFM

The AFM is the competent authority for the supervision of Van Lanschot's compliance with a wide range of conduct of business laws and regulations that are applicable to Van Lanschot's activities, and laws and regulations regulating the securities markets, such as those with respect to securities offerings to the public and admission of securities to trading on a regulated market, transparency obligations for issuers of securities, and market abuse.

Other Relevant Authorities

European Supervisory Authorities

As part of the European System of Financial Supervision, three European Supervisory Authorities ("**ESAs**") were instituted through Regulations 2010/1093, 2010/1095 and 2010/1094 of the European Parliament and of the Council of 24 November 2010: the EBA for the banking sector, the European Securities and Markets Authority ("**ESMA**") for the financial markets sector, and the European Insurance and Occupational Pensions Authority for the insurance and occupational pensions sector.

The ESAs' main tasks are to contribute to the establishment of high-quality common regulatory and supervisory standards and practices, in particular by: providing opinions to EU institutions, developing guidelines, recommendations, and draft regulatory and implementing technical standards, and contributing to the consistent application of legally binding EU acts. The ESAs take a leading role in promoting transparency, simplicity and fairness in the market for consumer financial products or services across the internal market. In addition, the ESAs contribute to and participate actively in the development and coordination of effective and consistent recovery and resolution plans, procedures in emergency situations and preventive measures to minimise the systemic impact of any failure.

The ESAs' recommendations and guidelines are primarily directed to the national supervisory authorities, which are required to provide reasons for any deviations from the ESAs' supervisory practices under the 'comply or explain' principle. However, under specific circumstances, for example if a national supervisory authority fails to ensure that a financial firm complies with requirements directly applicable to it, the relevant ESA may adopt an individual decision addressed to such financial firm, requiring the necessary action to comply with its obligations under EU law.

By identifying and addressing what detriment clients may experience in their dealings with financial firms, the ESAs seek to foster client protection in financial services across the EU. The role and tasks of the ESAs related to consumer protection and financial activities include, among others: developing training standards for the industry, contributing to the development of common disclosure rules, monitoring existing and new financial activities, issuing warnings if a financial activity poses a serious threat and temporarily prohibiting or restraining certain financial activities, provided certain conditions are met.

ESMA has an important role in the area of collective investment management by issuing technical advice to the European Commission, developing guidelines to market participants, preparing regulatory and implementing technical standards, and issuing opinions and Q&As.

ACM

The ACM enforces both competition law and certain consumer protection laws in the Netherlands. Its activities include general competition oversight, regulation of the energy, telecommunications, postal services and transport markets, and consumer protection. See "*Risk Factors—Van Lanschot operates in an industry that is highly regulated and subject to significant*

regulatory change, which could result in Van Lanschot's failure to comply with certain requirements or with significantly increased legal and compliance costs, and non-compliance could result in monetary and reputational damages, all of which could have a material adverse effect on Van Lanschot's business, financial condition and result of operations." for an example of the ACM's scrutiny of the SME loan market.

APD

The Authority for Personal Data (*Autoriteit Persoonsgegevens*, the "**APD**") supervises the processing of personal data in order to ensure compliance with laws that regulate the use of personal data. The APD not only supervises the collection, use and transfer of personal data, but it also assesses codes of conduct applicable to certain industries for the processing of personal data, such as the financial sector. The APD maintains a public register with notifications of organisations that process certain personal data.

Sound and Controlled Business Operations

Governance and Risk Management

Robust Governance Arrangements

Banks must have robust governance arrangements, which include (i) a clear organisational structure with well-defined, transparent and consistent lines of responsibility; (ii) effective processes to identify, manage, monitor and report the risks they are or might be exposed to; (iii) adequate internal control mechanisms, including sound administration and accounting procedures; and (iv) remuneration policies and practices that are consistent with and promote sound and effective risk management. The robust governance arrangements shall be comprehensive and proportionate to the nature, scale and complexity of the risks inherent in the business models and business activities of banks.

The governance arrangements for banks are further detailed in the EBA Guidelines on Internal Governance of 27 September 2011, which contain requirements on the corporate structure and organisation, the management body, the risk management framework and the internal control framework (which form the second and third line of a bank's three lines of defence model), and requirements relating to information systems and communication and business continuity management. Further guidance on governance principles was published by the Basel Committee in July 2015. The Basel Committee's guidance on governance principles includes principles on governance of group structures, risk management including risk identification, monitoring and controlling, and risk communication, compliance and internal audit.

Requirements and Responsibilities of the Management Board and Supervisory Board

Members of a bank's management board and supervisory board must at all times be of good repute and possess sufficient knowledge, skills and experience to perform their respective duties and act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management, and oversee their decision-making. The management board and the supervisory board must possess adequate collective knowledge, skills and experience to be able to understand the bank's activities, including the main risks. All members of the management board and the supervisory board must commit sufficient time to perform their functions and must in particular devote sufficient time to consideration of risk issues. The management board and supervisory board must be actively involved and must ensure that adequate resources are allocated to the assessment of risks and shall establish reporting lines for all material risks and risk policies and changes thereof. The EBA is expected to publish guidelines on the above topics, including on the notions of (i) adequate collective knowledge, skills and experience; and (ii) sufficient time commitment.

In light hereof, the members of both the management and supervisory boards of the Regulated Credit Institutions as well as the members of the Statutory Board and Supervisory Board must have been tested and newly proposed members of these boards must be tested by DNB on integrity (*betrouwbaarheid*) and suitability (*geschiktheid*). This requirement for integrity and suitability screening also applies to persons that will be acting under the responsibility of the bank, who will fulfil a management position directly below the management board and who will be responsible for natural persons whose activities can have a significant impact on the risk profile of the bank (second echelon).

Pursuant to the Dutch Financial Supervision Act and the regulations promulgated thereunder, the management board of a bank (such as the Regulated Credit Institutions) shall retain overall responsibility for such bank's risks and is primarily responsible for defining and overseeing the implementation of the governance arrangements that ensure effective and prudent management, including the segregation of duties in the bank and the prevention of conflicts of interest. The management board must in particular (i) have the overall responsibility of the bank and approve and oversee the implementation of the bank's strategic objectives, risk strategy and internal governance; (ii) approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating the risks the bank is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle; (iii) ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards; (iv) oversee the process of disclosure and communications; (v) be responsible for effective oversight of senior management; and (vi) monitor and periodically assess the effectiveness of the bank's governance arrangements and take appropriate steps to remedy deficiencies.

The bank (such as the Regulated Credit Institutions) must have a supervisory board, which oversees the management board and provides advice to it. Pursuant to the Dutch Financial Supervision Act and policy from DNB, the supervisory board must have at least three members, acting independently. Together with the nature, size, complexity and inherent risks of the bank, DNB will assess the independent functioning of the supervisory board, taking into account the following elements:

- the members of the supervisory board should be able to act independently and balance competing interests (*independence in mind*);
- the members of the supervisory board avoid or control any semblance of conflicting interests (*independence in appearance*); and
- the supervisory board as a whole enjoys a sufficient degree of formal independence (*independence in state*), meaning that at least 50% of the members of the supervisory board should be formally independent.

See "*Management, Employees and Corporate Governance—Statutory Board*" and "*Management, Employees and Corporate Governance—Supervisory Board*" for a summary of certain information concerning the Statutory Board and the Supervisory Board.

Banker's Oath & Disciplinary Law (tuchtrecht)

All employees of the bank, having an employment agreement with the bank or performing activities which are a part/consequence of the banking business or which support the important business operations are required to take the banker's oath (the "**Banker's Oath**") and are as such subject to disciplinary law.

Integrity Risks

Banks must have an adequate policy to ensure a sound pursuit of their business operations and must set up their business operations in such a way that sound business operations are ensured. To this end, they must, among other things, have an integrity policy, manage conflicts of interest, set up procedures to report breaches of applicable regulations and to report incidents to the supervisory authority, perform customer due diligence, and perform systematic analyses of their integrity risks. The integrity policy must at least cover the following topics: (i) conflicts of interest; (ii) avoiding that the bank and or staff violate the law, or act in a way that could impair the public's trust in the bank or in the financial markets; and (iii) preventing that public's trust in the bank or in the financial markets may be affected on account of the bank's customers. The integrity policy must be set out in procedures and measures. Furthermore, banks must comply with the Act for the Prevention of Money Laundering and Financing of Terrorism (*Wet ter voorkoming van witwassen en financieren van terrorisme*). This act implements the Third EU Anti-Money Laundering Directive (Directive 2005/60/EC) and imposes requirements regarding, *inter alia*, customer due diligence and reporting of unusual transactions. Member States must have implemented the Fourth EU Anti-Money Laundering Directive (Directive 2015/849/EU) by 26 June 2017. This directive provides more clarity on the interpretation of anti-money laundering ("**AML**") and countering financing of terrorism ("**CFL**") requirements and is prescriptive in some of the customer due diligence measures to be taken.

Financial Risks

Banks must set up their business operations in such a way as to ensure prudent business operations. To this end, banks must have governance arrangements, processes and mechanisms taking into account the following financial risks: (i) credit and counterparty risk, (ii) residual risk, (iii) concentration risk, (iv) securitisation risk, (v) market risk, (vi) interest risk arising from non-trading book securities, (vii) operational risk and outsourcing risks, (viii) liquidity risk, (ix) the risk of excessive leverage, and (x) the risk related to large exposures.

Banks must have in place sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. This is referred to as the Internal Capital Adequacy Assessment Process ("**ICAAP**"). The ICAAP is subject to regular internal review to ensure that it remains comprehensive and proportionate to the nature, scale and complexity of the activities of the bank.

Banks must have in place an ICAAP through which they are required to evaluate their liquidity risk management (processes) and improve them if necessary.

Remuneration

Banks are required to have a remuneration policy that is consistent with and promotes sound and effective risk management, does not encourage risk-taking that exceeds the level of tolerated risk and is in line with the business strategy, objectives, values and long-term interests of the bank.

On 7 February 2015, the Act on Remuneration Policies in Financial Enterprises (*Wet beloningsbeleid financiële ondernemingen*) ("**ARPFE**") entered into force which is also applicable to Dutch-based banks. The ARPFE introduces a cap for variable remuneration of 20% of the fixed remuneration for all staff in the Netherlands. In the ARPFE, the following exceptions to the 20% cap are included: (i) for staff in the Netherlands for which their remuneration does not exclusively follow from a collective labour agreement, the 20% cap does not apply on an individual basis, but it applies to the average variable remuneration of such staff whereby the maximum variable remuneration is capped at 100% of the fixed remuneration of each individual, (ii) for staff that work predominantly outside of the Netherlands, there is an individual variable remuneration cap of 100% of fixed remuneration, (iii) for staff that work predominantly outside the EU, an individual variable remuneration cap of 200% of fixed remuneration applies, subject to shareholder approval and notification to the regulator and (iv) the 20% cap does not apply to legal entities whose regular business is managing one or more collective investment undertakings which are subject to the AIFM Directive or UCITS Directive. In addition, the ARPFE also covers a number of other topics, such as strict conditions on severance pay, prohibition on guaranteed bonuses and claw-back of variable remuneration and severance pay. See also "*Management, Employees and Corporate Governance—Remuneration—Restrictions on Remuneration*".

SREP and Pillar II Measures

DNB is responsible for carrying out supervisory reviews and stress tests in order to determine whether the arrangements, strategies, processes and mechanisms put in place by a bank and the own funds and liquid assets held by it ensure the sound management and coverage of its risks. The supervisory review of, among other things, a bank's ICAAP and ILAAP is referred to as the SREP. While undertaking the reviews and stress tests, DNB seeks to apply the European supervisory methodology to the extent possible.

As part of the annual SREP, DNB assesses the Regulated Credit Institutions' capital adequacy. This assessment covers both the Pillar I risks mentioned in CRR, as well as Pillar II risks not included in the total risk exposure amount, including for interest rate risk in the banking book. The total capital requirement for Pillar I and Pillar II, including supervisory add-ons, is expressed as a percentage of total risk weighted assets (minimum CET1 ratio). Fluctuations in total risk weighted assets may influence the minimum CET1 ratio. Currently, and until completion of the next SREP in the second half of 2016, Van Lanschot is required to maintain a minimum CET1 ratio of 13.4% on a consolidated basis. This minimum requirement is based on the balance sheet as at 31 December 2014 and does not include additional capital buffers such as the capital conservation buffer that will be gradually phased-in as of 2016. Van Lanschot is comfortably above the 13.4% minimum CET1 ratio, with a CET1 ratio (fully loaded, excluding retained earnings) of 16.4% as at 31 March 2016.

The overall capital management process of Van Lanschot meets the requirements set by DNB. DNB annually reassesses the outcome of the ICAAP and ILAAP as part of the SREP. The assessment by DNB may trigger an adjustment of the minimum SREP capital requirements and of capital management in general.

Capital and Liquidity Requirements

Basel I, II and III

The Basel Committee sets international minimum supervisory standards in relation to capital adequacy and liquidity. In July 1988, the Basel Committee adopted risk-based capital guidelines referred to as the Basel Capital Accord ("**Basel I**"). Basel I called for a minimum capital ratio of capital to risk-weighted assets of 8%. In November 1991, April 1995 and January 1996 Basel I was amended to, among other things, recognise the effects of the bilateral netting of banks' credit exposures in derivative products and to incorporate capital requirements for market risks arising from exposures to foreign exchange, traded debt securities, equities, commodities and options.

In June 1999, the Basel Committee issued a proposal for a new capital adequacy framework to replace Basel I. This led to the release of the Revised Capital Framework in June 2004 ("**Basel II**"). Basel II comprised three pillars: (i) minimum risk-based capital requirements (pillar 1), which expanded the principles set out in Basel I, (ii) requirements for banks to assess the adequacy of their capital and a supervisory review of the bank's internal assessment process (pillar 2), and (iii) disclosure requirements to strengthen market discipline and encourage sound banking practices (pillar 3). On 13 July 2009, the Basel Committee issued proposals to enhance Basel II ("**Basel II Enhancements**"). The Basel II Enhancements introduced, among other things: (i) a strengthened definition of hybrid capital, (ii) higher risk weights for re-securitisation exposures (among other collateralised debt obligations) to better reflect their inherent risks, (iii) supplementary guidance to pillar 2 by addressing the flaws in risk management practices, by raising standards for firm-wide governance and risk management, capturing the risk of off-balance sheet exposure and securitisation activities, managing risk concentrations, and providing incentives for banks to better manage risk and returns over the long term, and (iv) enhancements to pillar 3 (market discipline) by strengthening disclosure requirements for, among other things, securitisations, off-balance sheet exposures and trading activities.

In December 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its documents entitled "Strengthening the resilience of the banking sector" and "International framework for liquidity risk measurement, standards and monitoring". On 16 December 2010 (with various revisions taken place since the first publication) the Basel Committee published a framework referred to as Basel III: A global regulatory framework for more resilient banks and banking systems (the "**Basel III Framework**"). The Basel III Framework sets out requirements for higher and better quality capital, better risk coverage, the introduction of a non-risk-based leverage ratio requirement, and the introduction of a liquidity standard and a stable funding requirement. The Basel Committee's package of reforms included increasing the minimum common equity tier 1 (or equivalent) requirement to 4.5% (after the application of stricter regulatory adjustments). The Tier I capital requirement was also increased to 6%. In addition, banks were required to maintain, in the form of common equity tier 1 (or equivalent), a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total minimum common equity tier 1 (or equivalent) requirements to 7%. In the event of excess credit growth in any given country resulting in a system-wide build-up of risk, a countercyclical buffer of up to 2.5% of common equity tier 1 (or other fully loss absorbing capital) may be applied as an extension of the conservation buffer. Furthermore, banks considered to have systemic importance are required to have loss absorbing capacity beyond these standards.

The Basel Committee's reforms also introduced a non-risk sensitive leverage ratio of 3% in order to limit an excessive build-up of leverage on a bank's balance sheet. During the period of 1 January 2013 to 1 January 2017 the Basel Committee will monitor banks' leverage data on a semi-annual basis in order to assess whether the proposed design and calibration of a minimum leverage ratio of 3% is appropriate over a full credit cycle and for different types of business models. This assessment will include consideration of whether a wider definition of exposures and an offsetting adjustment in the calibration would better achieve the objectives of the leverage ratio. The Basel Committee will also closely monitor accounting standards and practices to address any differences in national accounting frameworks that are material to the definition and calculation of the leverage ratio. The

Basel Committee's reforms have also introduced two international minimum liquidity requirements (i) a liquidity coverage ratio ("**LCR**") and (ii) a net stable funding ratio ("**NSFR**"). The objective of the LCR is to strengthen the short-term resilience of the liquidity risk profile of banks. Banks are required to maintain an adequate buffer of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet banks' liquidity needs for a 30 day liquidity stress scenario. The NSFR (to be introduced on 1 January 2018), is a 'test' to promote resilience over a longer period by requiring banks to hold a minimum amount of stable sources of funding relative to the liquidity profiles of the assets and the potential contingent liquidity needs arising from off-balance sheet commitments.

On 22 December 2014, the Basel Committee published consultations (informally referred to as "**Basel IV**") for revised standardised RWA calculations and on the application of capital floors. As a result, it may be required that banks which apply advanced approaches to risk categories, apply the higher of (i) the RWA floor based on (new) standardised approaches and (ii) the RWA based on advanced approaches in the denominator of their ratios. Since then, the Basel Committee consulted additional changes to the standardised approach for credit risk in December 2015 ("Revisions to the Standardised Approach for credit risk – second consultative document") as well as on proposals to reduce the variation in credit risk weighted assets that are calculated using internal models (F-IRB and A-IRB) and to impose floors on input parameters ("Reducing variation in credit risk-weighted assets – constraints on the use of internal model approaches", issued for comments in March 2016). Although the timing for the adoption, content and impact of these proposals remains subject to considerable uncertainty, the implementation of the standardised RWA floors could have a significant impact on the calculation of Van Lanschot's risk weighted assets if differences occur in risk weighted assets calculated on the basis of advanced approaches and such calculation on the basis of new standardised rules. See "*Risk Factors—Van Lanschot is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and Van Lanschot may have insufficient capital resources or liquidity to meet these requirements*" for more information on the impact that the proposals could have on Van Lanschot's capital requirements.

CRD, CRD II, III and IV and CRR

In 1989, the capital requirements set forth in Basel I were implemented in the European Economic Community mainly by Council Directive 89/299/EEC of 17 April 1989 on the own funds of credit institutions, defining own funds, and by Council Directive 89/647/EEC of 18 December 1989 on a solvency ratio for banks setting forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items ("**Capital Directives**"). In 1993, Council Directive 1993/6/EEC of 15 March 1993 on the capital adequacy of investment firms and credit institutions was adopted ("**Directive 1993/6/EEC"**). In 2000, Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions ("**Directive 2000/12/EC**") was adopted. Directive 2000/12/EC repealed various previous directives, including the Capital Directives.

In 2006, the capital requirements set forth in Basel II were implemented in the EEA by Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (together "**CRD**"). CRD repealed Directive 1993/6/EEC and Directive 2000/12/EC. The rules on capital requirements reflect the flexible and risk-based approach of Basel II. CRD was amended by, among others, Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management ("**CRD II**") and Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies ("**CRD III**") which implemented the Basel II Enhancements in the EEA and in addition introduced remuneration requirements.

In 2014, the strengthened capital, liquidity and leverage ratio requirements for banks and investment firms set forth in the Basel III Framework were implemented in the EEA by a new capital requirements directive ("**CRD IV**"). In addition to CRD IV, the CRR was adopted. CRD IV replaced the preceding capital requirements directives and was transposed into Dutch law mainly by the Implementing law CRD IV and CRR (*Implementatiewet richtlijn en verordening kapitaalvereisten*)

that came into force on 1 August 2014. The application in full of all measures under CRD IV (including any national implementation thereof in the Netherlands) will have to be completed before 1 January 2019. CRR has been applicable to banks since 1 January 2014. CRR, as EU Regulation, is directly applicable in the EEA and does not require transposition into national law. Differences between the Basel III Framework on the one hand and CRD IV and CRR on the other do exist. Only CRD IV as transposed into Dutch law and CRR, as well as the regulations pursuant to that legislation, are binding on Van Lanschot. CRR has been amended by Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council ("**CDR**") with regard to the leverage ratio.

DNB has issued the Regulation on specific provisions CRD IV and CRR (*Regeling specifieke bepalingen CRD IV en CRR*), a regulation in which DNB has set out how it uses certain options and discretions which CRR grants to NCAs and implements a number of (transitional) provisions set out in CRR including regarding the required CET1 capital ratio of 4.5% and Tier I capital ratio of 6%, confirming that these ratios apply as of 1 January 2014, and the method for calculating the maximum distributable amount.

CRR establishes a single set of harmonised prudential rules which applies directly to all banks in the EEA as of 1 January 2014 with particular requirements being phased-in over a period of time, to be fully applicable by 2023. The harmonised prudential rules include minimum own funds requirements (4.5% CET1 capital ratio, 6% Tier I capital ratio and 8% total capital ratio, obtained by dividing the relevant capital measure by a risk exposure amount calculated on the basis of a standardised method or a more tailor-made method using internal models and calculations in order to quantify the risks run by the bank which include credit risks, market risks and operational risks), an obligation to maintain a liquidity buffer (in such an amount to adhere to an LCR of 60% for 1 October 2015, 70% for 1 January 2016, 80% for 1 January 2017 and 100% for 1 January 2018) and reporting requirements relating to the liquidity buffer, and a requirement to report on the bank's NSFR, allowing the competent supervisory authority to assess the availability of stable funding. CRR also includes the obligation to report on the bank's leverage ratio (this requirement is similar to the leverage ratio requirement set out in the Basel III Framework, however, CRR does not provide for a requirement to meet a minimum ratio but merely for a reporting requirement). The leverage ratio is a non-risk-based measure, defined as the Tier I capital (numerator) divided by an exposure measure (denominator). The exposure measure is calculated as the sum of the exposure values of all assets and off-balance sheet items in accordance with the principles set out in CRR. On 18 January 2015, the CDR entered into force. CDR amends the calculation of the leverage ratio calculated in accordance with CRR. Among other amendments, CDR specifies that when a clearing member guarantees the exchange traded derivative transactions of clients towards CCPs, it must include the guarantee in the exposure measure. See "*Risk Factors—Van Lanschot is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and Van Lanschot may have insufficient capital resources or liquidity to meet these requirements.*"

Capital Buffers

Further to CRD IV, a minimum combined buffer requirement will be imposed on top of the minimum CET1 capital requirement of 4.5% of a bank's total risk exposure amount (TREA). The Dutch legislator has implemented the combined buffer requirement in the Dutch Financial Supervision Act and the implementing Decree on prudential rules FMSA (*Besluit Prudentiële regels Wft*). The implementing rules entered into force on 1 August 2014. The combined buffer requirement consists of the following elements:

- capital conservation buffer (*kapitaalconserveringsbuffer*): set at 2.5% of RWA (TREA);
- bank-specific countercyclical capital buffer (*contracyclische kapitaalbuffer*): the bank-specific countercyclical capital buffer rate shall consist of the weighted average of the countercyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located; this rate will be between 0% and 2.5% of RWA (TREA) (but may be set higher than 2.5%);
- systemic relevance buffer (*systeemrelevantiebuffer*): the systemic relevance buffer shall consist of a buffer for G-SIIs and for O-SIIs to be determined by DNB. The buffer rate for O-SIIs can be up to 2% of RWA (REA). The buffer rate for G-SIIs can be between 1% and 3.5% of RWA (TREA); and

- systemic risk buffer (*systeemrisicobuffer*): set as an additional loss absorbency buffer to prevent and mitigate long term non-cyclical systemic or macro-prudential risks not covered by CRR, of a percentage between 1% and 3% of RWA (TREA) (but may be set higher than 3%). The buffer rate will be reviewed annually by DNB.

When a bank is subject to a systemic relevance buffer and a systemic risk buffer, either (i) the higher of these buffers applies or (ii) these buffers are cumulative, depending on the location of the exposures which the systemic risk buffer addresses.

The combined buffer requirement must be met with CET1 capital and will be gradually phased-in in quartiles from 1 January 2016 to fully apply by 1 January 2019.

If a bank fails, or as a result of a distribution of dividend and variable remuneration would fail, to meet the combined capital buffer requirement, it is prohibited from making distributions in connection with its CET1 capital. In addition, banks may be prohibited from distributing more than the maximum distributable amount calculated in accordance with the Dutch CRD IV and CRR. See "*Risk Factors—Van Lanschot is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and Van Lanschot may have insufficient capital resources or liquidity to meet these requirements.*"

National Liquidity Requirements

Until the full phase-in of the LCR liquidity requirement of CRR, DNB applies an NLCR with a required ratio of 100% as of 1 October 2015. The NLCR corresponds to the CRR LCR with the exception that the netting of inflows and outflows for cash pooling products is under certain conditions allowed. Furthermore, banks must continue to report on the basis of the previous Dutch national liquidity requirements until the end of 2016. Under these requirements, the liquidity of a bank is sufficient if the existing liquidity at least equals the required liquidity. The required liquidity of a bank is the total of the weighted outgoing cash flows based on the scheduled items, plus the weighted entrusted funds and other items not included in the maturity schedule that can be called up or could lead to a payment obligation during the weekly period (first seven calendar days following the reporting date (date of the day directly preceding the reporting period)) or the monthly period (first calendar month following the reporting day) respectively. The required liquidity consists of the aggregate of the estimated contingent calls on potential liquidity needs as derived from amounts maturing on expiry of a contractual term, withdrawals of deposited funds without a contractual term, and the possible utilisation of committed or conditionally committed funds.

Structural Supervision

Declaration of No-Objection for Transactions performed by a Bank

The Dutch Financial Supervision Act provides that banks with a seat in the Netherlands must obtain a declaration of no objection from the DNB before, among other things: (i) acquiring or increasing a qualifying holding (a 'qualifying holding' is a direct or indirect holding of 10% or more of the issued share capital of an enterprise, or the ability to exercise directly or indirectly 10% or more of the voting rights in an enterprise, or the ability to exercise directly or indirectly a comparable degree of control in an enterprise) in a bank, investment firm or insurer with its corporate seat in a state which is not part of the EEA, or in a financial institution that has not obtained a supervisory status certificate, if the balance sheet total of that bank, investment firm, insurer, or financial institution at the time of the acquisition or increase amounts to more than 1% of the bank's consolidated balance sheet total, (ii) acquiring or increasing a qualifying holding in an enterprise, that is not a bank, investment firm, financial institution or insurer with its corporate seat in or outside the Netherlands, if the amount paid for the acquisition or increase, together with the amounts paid for a previous acquisition or increase of a holding in such enterprise, amounts to more than 1% of the consolidated available equity capital of the bank, (iii) taking over, directly or indirectly, all or a substantial part of the assets and liabilities of another enterprise or institution, if the total amount of the assets or the liabilities to be taken over amounts to more than 1% of the bank's consolidated balance sheet total, (iv) merging with another enterprise or institution, if the balance sheet total of the enterprise or institution involved in the merger exceeds 1% of the consolidated balance sheet total of the bank or (v) proceeding with a financial or corporate reorganisation.

Declaration of No-Objection for a Qualifying Holding in a Bank

In addition, each person is required to obtain a declaration of no-objection from the ECB (if it concerns a bank) or DNB (in other cases) before it can hold, acquire or increase a qualifying holding in, among others, a bank or investment firm, or exercise any voting power in connection with such holding. The Dutch Financial Supervision Act further provides that the DNB must be notified in advance of any change in a qualifying holding in, among others, a bank or investment firm (i) as a result of which the size of this holding increases beyond the following thresholds: 20%, 33% or 50%, or as a result of which the bank or investment firm concerned becomes a subsidiary or (ii) as a result of which the size of this holding falls below 10%, 20%, 33% or 50% or as a result of which the bank or investment firm ceases to be a subsidiary. The above requirement to obtain a declaration of no objection for a qualifying holding in a bank implements the requirements relating to qualifying holdings in banks as set out in CRD IV.

Supervision of Banking Services and Activities

General

The Dutch Financial Supervision Act provides for a comprehensive framework for the conduct of business requirements that must be met by banks providing financial products and services, including investment services, in or from the Netherlands. The competent authority responsible for carrying out conduct of business supervision in the Netherlands is the AFM.

Also in the interest of the stability of the financial system, conduct of business supervision focuses on ensuring orderly and transparent financial market processes, proper relationships between market participants and the exercise of due care by financial firms in dealing with clients.

Information Obligations

The Dutch Financial Supervision Act, the Decree on Conduct of Business Supervision of Financial Firms FMSA (*Besluit Gedragstoezicht financiële ondernemingen Wft*) and other regulations, including rules issued by the AFM, provide for detailed requirements in respect of the information that must be made available to clients, such as in relation to the contents and presentation thereof. A substantial part of the regulations implements European legislation, such as MiFID, PSD and the directives on consumer credit and mortgage lending. Banks are required to comply with these information obligations when providing financial services including investment services.

Duty of Care

Due to their position in Dutch society (*maatschappelijke functie*) and their specific expertise, under Dutch law, financial institutions in the Netherlands owe a duty of care (*zorgplicht*) to society. A financial institution, such as a bank, in dealing with its clients, must therefore comply with specific rules relating to duty of care provided by the Dutch Financial Supervision Act and the Decree on Conduct of Business Supervision of Financial Firms FMSA, which include provisions on client classification, disclosure requirements and know-your-customer obligations. Pursuant to the General Banking Conditions (*Algemene Bankvoorwaarden*) used by Dutch financial institutions, a financial institution must always act in accordance with its duty of care, irrespective of whether the service or product is sold to a professional client or a non-professional client. Moreover, the duty of care does not end when the client has purchased a given product or service, but the financial institution may have to take action upon (known) changes in circumstances affecting the client, in particular if the product or service has a long lifecycle. The duty of care applies to the entire relationship between client and financial institution, including to the steps taken by the latter when the client does not meet its obligations such as foreclosing on collateral or demanding additional security. In addition, financial institutions must, among other things, inform clients about costs that will be charged upon termination of agreements. Financial institutions are subject to a certain level of duty of care which applies to all customer facing activities (for example distribution services) even when the underlying product does not originate from the financial institution. The scope of the duty of care standards referred to above differs depending on the type of service rendered or product sold, and the nature of (the activities of) the clients and third parties affected. If a duty of care is violated, claims may be based on general principles of contract, tort, securities or other law, including for violation of standards of reasonableness and fairness, error, wrongful treatment or faulty due diligence. Actions may be brought individually by persons that suffered losses or damages, or on behalf of a large

number of – sometimes initially unnamed persons – in class-action style proceedings. Proceedings may be brought in court or before the Dutch financial institute for out of court settlements of financial disputes, Kifid (*Klachteninstituut Financiële Dienstverlening*).

In recent years, a number of proceedings have been initiated by customers, counterparties, current or former employees or others in the ordinary course of its business against Van Lanschot for violation of the Company's duty of care related standards. See also "*Risk Factors—Van Lanschot is exposed to regulatory scrutiny and potential significant claims for violation of the duty of care owed by it to clients and third parties, including in relation to the sale of interest rate derivatives. A negative outcome of proceedings, settlements, action taken by supervisory and other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could substantially adversely affect Van Lanschot's business, reputation, results of operations, financial condition and prospects*"

In addition, European and national regulations increasingly require financial institutions to provide elaborate disclosure to clients on services and products, such as through key investor information documents, to permit clients to more reliably assess the service or product and to enable them to compare it with similar services or products offered by other providers. Increased price transparency rules have entered into force or are envisaged by proposed European regulations for various services and products, such as those based on Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast) ("**MiFID II**") and Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products ("**PRIIPS**") (the "**PRIIPS Regulation**"). More in particular in the Dutch market, the Dutch Banking Association (the *Nederlandse Vereniging van Banken*, "**Dutch Banking Association**") and certain Dutch financial institutions (including among others, Van Lanschot) have, in close consultation with the AFM, agreed upon providing (non-professional) clients increased price transparency for their investment services as of 1 January 2015 in anticipation of similar rules set forth in MiFID II. These rules impose obligations on such financial institutions to provide (potential) clients insight into the total costs of the relevant investment service and the total costs of the investment products on an aggregated level.

On 1 January 2014, a general obligation to take into account clients' and other beneficiaries' interests came into force. Under this new obligation provided for in the Dutch Financial Supervision Act, banks advising on certain financial products such as consumer credit must act in the interest of the client. The AFM has the possibility to enforce this obligation only in case of evident abuse (*evidente misstanden*) that may harm clients' confidence in the bank or in the financial markets generally. See also "*Risk Factors—Van Lanschot is exposed to regulatory scrutiny and potential significant claims for violation of the duty of care owed by it to clients and third parties, including in relation to the sale of interest rate derivatives. A negative outcome of proceedings, settlements, action taken by supervisory and other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could substantially adversely affect Van Lanschot's business, reputation, results of operations, financial condition and prospects*"

Knowledge and Competence Requirements for Staff

Banks must ensure that their staff possess and keep up-to-date an appropriate level of knowledge and competence required for the provision of financial services and investment services.

Ban on Inducements

In the Netherlands an inducement ban applies, to the extent inducement fees are not paid directly by a client, to (i) advising and providing intermediary services relating to specific complex financial products or other products such as mortgage loans; and (ii) the provision of certain investment services provided to non-professional investors in particular impacting: (a) individual portfolio management, (b) investment advice, and (c) execution-only services, all in relation to financial instruments.

Private Banking, Merchant Banking and Asset Management

Savings and Deposit Taking

Dutch law does not provide for specific regulation relating to savings or deposit taking by banks. However, banks are subject to the general information and duty of care obligations when advising or offering savings or deposit taking products.

Consumer Lending

Banks offering consumer credit are subject to specific regulations applicable to the offering of consumer credit in addition to the general obligations relating to duty of care and, among others, the provision of information.

Prior to the conclusion of an agreement that entails consumer credit, banks offering such credit must provide the client with information which the client needs for an adequate assessment of the offer.

Prior to the conclusion of a credit agreement, a bank offering consumer credit must obtain information on the client's financial situation and assess, in order to prevent over-indebtedness, whether concluding the credit agreement is sensible from the client's point of view. If a client is provided with credit advice, the bank providing such advice must collect information about the client's financial position, knowledge, experience, objectives and risk tolerance, insofar as this is reasonably relevant for the advice. The provided advice, insofar as reasonably possible, must be based on the collected information and it must explain the considerations underlying the advice insofar as this is necessary for a proper understanding of the advice.

During the term of the credit agreement, the bank offering consumer credit must in a timely fashion supply to the client information on, among other things, essential changes in the information initially supplied, insofar as those changes are reasonably relevant to the client.

The compensation banks may receive for offering consumer credit (costs of credit) is restricted by law.

If the consumer credit is less than €40,000 additional rules apply to the offering of such credit. These rules are set out in the Consumer Credit Act (*Wet op het consumentenkrediet*) and include requirements applicable to the credit agreement.

Mortgage Lending

In the Netherlands, increasing restrictions apply to the principal residential mortgage loan market for consumers. These restrictions have been introduced to improve customer protection against the risks of over indebtedness and to mitigate the macro economic risks of mortgage lending. Banks offering mortgage loans to consumers are therefore subject to specific regulations applicable to the offering of mortgage loans to consumers, in addition to the general obligations relating to the provision of information and duty of care applicable to consumer credit.

Banks offering mortgage loans to consumers must among other things (i) offer mortgage loans that are based on actual fixed and long-term income information from the client (ii) take into account loan-to-income requirements set by the Temporary Regulation on Mortgage Loans (*Tijdelijke regeling hypothecair krediet*) and (iii) take into account loan-to-value requirements. As of 1 January 2016, the maximum loan-to-value is 102%. This will gradually decrease to 100% as at 1 January 2018.

The maximum loan amount granted under the National Mortgage Guarantee (*Nationale Hypotheek Garantie,* "**NHG**") has been reduced from €265,000 to €245,000 as from 1 July 2015. As of 1 January 2017, the cap is proposed to be related to the average value of houses in the Netherlands. Separately, the transfer tax on house purchases has been lowered from 6% to 2% to stimulate the housing market. To promote competition in the mortgage market, new transparency rules have been introduced. These rules require creditors to publish their interest rates on their websites and to provide specific information on offers and renewal of offers to new and existing clients. The regulation on tax deductibles has been amended.

Traditionally, interest due on principal residence mortgage loans can be set off against the home owner's taxable income from employment (*belastbaar inkomen uit werk en woning*). The taxable income from employment is classified into brackets and is taxed at statutory progressive rates, up to

52% (rate for 2016). New legislation on tax deductibility of new mortgage loans entered into force on 1 January 2013. For mortgage loan interest payments to be fully deductible from the taxable income from employment of the borrower, new mortgage loans must be redeemed fully (100%) during the term of the loan based on an annuity or linear scheme. The maximum term of the loan should be 360 months. Mortgage loans existing at 31 December 2012 have been grandfathered and are not impacted. However, since 2014, the maximum rate against which interest on housing loans can be deducted for all mortgage loans, new and existing, has been gradually reduced by 0.5% each year. Thus, the current maximum mortgage interest relief rate is 50.5% in 2016 for tax payers in the highest income tax rate bracket. Over the next 26 years, this will be reduced to a maximum mortgage interest relief rate of 38%. Increasing numbers of tax payers will be impacted once the maximum deductibility rate reaches the lower income tax brackets.

In addition, with a view to reducing the mortgage debt and loan-to-value rate of home owners, the Dutch government has announced its intention to introduce an elevated gift tax exemption of €100,000 as of 2017. This fiscal incentive may also impact Van Lanschot Bankiers' mortgage book as clients could use these amounts for pre-payment on existing loans or use when buying a new house. Directive 2014/17/EU of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 ("**Mortgage Credit Directive**") aims to afford high level consumer protection throughout the EEA. The directive applies to credit agreements which are secured either by a mortgage or by another comparable security or the purpose of which is to acquire or retain property rights in land or in an existing or projected building. As of implementation of the Mortgage Credit Directive, when granting, intermediating or advising on consumer mortgage credit, banks must (i) act honestly, fairly, transparently and professionally, taking into account the rights and interests of their prospective and existing clients, (ii) in the pre-contractual phase, include certain standardised information in any advertising for credit agreements with consumers detailing information on the interest rate or indicating figures relating to costs (ii) provide their services based on information about the prospective client's or clients' circumstances, any disclosed information and on reasonable assumptions about risks to the client's situation over the term of the mortgage credit agreement, (iii) provide the consumer with the personalised information (presented in the European Standardised Information Sheet) needed to compare the credits available on the market, assess their implications and make an informed decision on whether to conclude a credit agreement, and (iv) ensure that, before concluding a credit agreement, a thorough assessment of the consumer's creditworthiness is made. The directive also imposes requirements on early repayment. Consumers must have the right to discharge fully or partially their obligations under a credit agreement prior to its expiry. In such cases, the consumer shall be entitled to a reduction in the total cost of the credit, such reduction consisting of the interest and the costs for the remaining duration of the contract. The Mortgage Credit Directive requires Member States to implement it into their national laws by latest 21 March 2016. The Netherlands has missed this deadline by a few weeks. The bill implementing the Mortgage Credit Directive into Dutch law was adopted by the Dutch Lower House on 8 March 2016 and was approved by the Dutch Senate on 22 March 2016. The bill is expected to enter into force over the next months. See "*Risk Factors—Changed legislation applicable to mortgages in the Netherlands may have a significant impact on Van Lanschot's Private Banking mortgage business. This could materially and adversely affect Van Lanschot's business, financial condition, results of operations and prospects.*".

In addition, specific requirements will apply in respect of remuneration of staff involved in the mortgage lending business. The remuneration policy for (i) staff responsible for the assessment of creditworthiness of prospective clients must include measures to avoid conflicts of interest, in particular by providing that remuneration is not contingent on the number or proportion of mortgage loan applications accepted, and (ii) staff providing advisory services must not prejudice their ability to act in the consumer's best interest and in particular must not be contingent on sales targets.

Payment Services and Payment Accounts

In 2009, European legislation on payment services mainly set out in the PSD was implemented in the Netherlands and aimed at opening up payment services to competition from newly licensed payment institutions and increasing consumer protection by introduction of information requirements and uniform operational rules for payment service providers. The new PSD laid the foundation for the creation of a single market in payments and constitutes the legal framework for a single euro payments area.

A revised European payment services directive was formally adopted on 25 November 2015. PSD II introduces additional requirements with respect to payment services in the EEA and supports the emergence of new players in the payment services area and the development of innovative mobile and internet payments in Europe. Banks will be obliged to allow access to the accounts of their customers for the so-called third party payment service providers offering payment initiation services or account information services. The Regulation on interchange fees, accompanying PSD II, introduces, among other things, maximum levels of interchange fees for transactions based on consumer debit and credit cards. Implementation of PSD II is due on 13 January 2018.

Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features provides for the right of European citizens to open a basic payment account anywhere in the EU, and improves the transparency of bank account fees as well as the process of switching accounts. Under the directive, banks may only refuse consumers a basic payment account in specific, limited cases. To improve the transparency of bank account fees, banks will need to make standardised information on fees available. Furthermore, a detailed procedure for consumers who want to switch their account from one bank to another is provided for. Implementation of the directive is due on 18 September 2016.

MiFID, MiFID II, MiFIR, PRIIPS

On 21 April 2004, MiFID was adopted. MiFID regulates the provision of investment services and investment activities and replaced the Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field, which established the single European passport for investment firms. MiFID provides a harmonised regime for investment services and investment activities and aims to increase competition and reinforce investor protection. It streamlines supervision on the basis of home country control and enhances the transparency of markets. Furthermore, MiFID has harmonised conduct of business rules, including best execution, conflicts of interest, client order handling rules, rules on inducements and introduced a suitability test and an appropriateness test. When advising a client or performing portfolio management activities a bank must: (i) in the interest of the client, obtain information about the latter's financial position, knowledge, experience, objectives and risk tolerance, insofar as this is reasonably relevant to the advice or the portfolio management, and (ii) ensure that its advice or manner of managing the portfolio, insofar as reasonably possible, is based on the information referred to under (i) (suitability test). When providing investment services other than advice or portfolio management, the bank must perform an appropriateness test relating to the client's knowledge and experience in the investment field relevant to the specific investment service. However, when transmitting and executing client orders at their initiative, and the orders relate to specific (non-complex) financial instruments such as (i) shares admitted to trading on a regulated market, and (ii) instruments normally traded on the money market (this is the execution-only regime), the appropriateness test does not have to be performed. MiFID was implemented into the Dutch Financial Supervision Act on 1 November 2007.

On 15 May 2014, MiFID II and MiFIR were adopted by the European Parliament and the Council. MiFID II and MiFIR introduce new rules that among other things:

- regulate high frequency trading by requiring among other things (i) firms engaged in high frequency trading to be authorised to perform their activities, and (ii) trading venues to set limits on the order to trade ratio and set minimum tick sizes in shares and similar financial instruments;
- enhance the levels of client protection by (i) prohibiting investment firms from receiving payments (inducements) from third parties when providing independent advice and portfolio management, (ii) limiting the list of (non-complex) financial instruments in respect of which the execution-only regime without appropriateness test is available: execution only services can, for example, no longer be performed in respect of structured undertakings for collective investment in transferable securities ("**UCITS**") and (iii) extending the information requirements in relation to the best execution obligations;
- extend the organisational requirements and conduct rules by introducing product governance arrangements such as a product approval process and by prohibiting title transfer collateral arrangements in relation to retail clients' dealings in financial instruments;

- extend the application of certain organisational requirements and conduct rules to selling of and advising on structured deposits;
- extend and amend the current market structures by introducing (i) a new trading platform, the organised trading facility ("**OTF**"), (ii) a trading obligation for derivatives subject to the EMIR clearing obligation, and transactions in these derivatives will be required to take place on a regulated market, a multilateral trading facility ("**MTF**") or an OTF, if the derivative is sufficiently liquid and (iii) a trading obligation for shares that have been admitted for trading on a regulated market, an MTF or OTF unless exceptions apply, for instance where the transaction does not involve a retail counterparty and the transaction does not contribute to the price formation process;
- increase market transparency by extending the pre- and post-trade transparency regime to non-equities;
- enhance the availability and quality of trading data; and
- extend the scope of the reporting obligation to financial instruments traded on an MTF or OTF and financial instruments having an instrument traded on a regulated market as an underlying asset, and require additional information to be included in the transaction reports.

In addition to the provisions in MiFID II set out above, the following MiFID II provisions are in particular relevant to Van Lanschot's merchant banking business:

- MiFID II introduces requirements for providing direct electronic access (i.e. where a member, participant or client of a trading venue permits a person to use its trading code so that the person can electronically transmit orders directly to the trading venue, and that includes either arrangements which involve the use by a person of the infrastructure of the member, participant or client, or any connecting system provided by the member, participant or client, to transmit the orders (direct market access) or arrangements where such an infrastructure is not used (sponsored access)). Providing direct electronic access is subject to assessment, control and monitoring obligations such as the obligation to have in place effective systems and controls which ensure a proper assessment and review of the suitability of clients using the service. Direct electronic access not compliant with these obligations is prohibited.
- MiFID II furthermore provides that an investment firm that acts as a general clearing member for other persons must have in place effective systems and controls to ensure clearing services are only applied to persons who are suitable and meet clear criteria and that appropriate requirements are imposed on those persons to reduce risks to the investment firm and to the market. The investment firm must ensure that there is a binding written agreement between the investment firm and the person regarding the essential rights and obligations arising from the provision of that service.
- MiFID II narrows the exemptions applicable to proprietary traders and firms trading in commodity derivatives, extends the definition of financial instruments to emission allowances and physically settled commodity derivative contracts traded on an OTF excluding commercial commodity derivative contracts having gas or electricity as an underlying asset. MiFID II furthermore introduces requirements applicable to the trading of commodity derivatives. Trading venues for commodity derivatives are required to monitor and control position limits set by the authorities. Trading venues as well as investment firms/banks trading in OTC commodity derivatives, are required to report their own and their members' or clients' respective positions in commodity derivatives.

The exact scope and substance of most of MiFID II's rules will be clarified in delegated acts, i.e. secondary legislation. On 10 February 2016, the EU proposed a one year extension of the entry into force of MiFID II/MiFIR, i.e. until 3 January 2018. It has recently also been proposed to extend the deadline by which Member States are required to have adopted and published the laws, regulations and administrative provisions necessary to comply with MiFID II/MiFIR to 3 July 2017. On 18 May 2016, the permanent representatives committee, on behalf of the Council of the European Union, confirms the agreement with the European Parliament on the one year delay of both the application date of MiFID II/MiFIR (i.e. until 3 January 2018) and the transposition deadline

(i.e. until 3 July 2017). It is expected that in this respect a directive amending MiFID II and a regulation amending MiFIR will be adopted soon.

On 26 November 2014, the PRIIPS Regulation was adopted. PRIIPS include an investment, where, regardless of the legal form of the investment, the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor, or an insurance-based investment product (an insurance product which offers a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations). Before PRIIPS are made available to retail investors, the PRIIPS manufacturer must draw up for that product a key information document and publish it on its website. The key information document must comply with specific requirements set out in the PRIIPS Regulation. Also persons advising on or selling PRIIPS must provide retail investors with the key information document before a retail investor is bound by any contract or offer. Competent authorities have among other powers the power to prohibit or suspend the marketing of PRIIPS, or impose substantial administrative fines. The PRIIPS Regulation applies from 31 December 2016.

The proposed Money Market Funds Regulation ("**MMFR**") introduces new rules aimed at making money market funds ("**MMFs**") more resilient to crises and at the same time securing their financing role for the economy. MMFs are either UCITS or alternative investment funds ("**AIFs**") that invest in short-term financial instruments and have specific objectives. The MMFR aims to make MMFs safer and provide for more transparency, investor information and investor protection by requiring MMFs to diversify their asset portfolios, invest in higher-quality assets, follow strict liquidity and concentration requirements and have sound stress testing processes in place. The MMFR is currently in the European legislative process.

Asset Separation Securities and Derivatives Positions

As of 1 April 2016 new rules regarding asset separation for, *inter alia*, banks that act as intermediaries in derivative transactions were implemented in the Dutch Securities Giro Act (*Wet giraal effectenverkeer*). The new rules include asset protection rules introduced by MiFID which have not yet been fully implemented into Dutch law and also include certain aspects of EMIR requirements. Previously, only holders of certain categories of securities were protected, i.e. securities that were included in a so-called collective deposit (*verzameldepot*). The new rules require that all derivative positions entered into by an intermediary with a third party (a central counterparty ("**CCP**") or another intermediary) in connection with a derivative position of a client, and all related rights and obligations arising from the exchange of collateral, are separated from the other assets and liabilities of the intermediary. If the intermediary becomes bankrupt, these separated assets will fall outside the bankruptcy estate. The trustee in bankruptcy is required to cooperate with a CCP in the transfer of the derivative positions and the related collateral of the bankrupt intermediary to another intermediary. In order to facilitate the transfers, intermediaries are required to have adequate administration in place to be able to easily identify, at any given moment, the corresponding transactions with a third party (and the related collateral) for each client derivative position. The protection for the holders of derivative positions only applies in relation to intermediary risk. If a bank is acting as a principal in the derivative transaction with the client, there is no protection under the new rules. Intermediaries are therefore required to inform their derivative clients whether they are acting as an intermediary or whether they are acting for their own account in relation to a derivative position and hence whether the protection applies to the client or not.

Corporate Banking

Corporate Lending, Lease and Commercial Finance

Dutch regulation does not provide for specific regulations relating to corporate lending, leasing and commercial finance services. However, when providing corporate lending, leasing and commercial finance services an entity may be deemed to provide other services that are regulated services such as insurance mediation services.

EMIR

EMIR aims to reduce counterparty risks related to OTC derivative trading and increases the transparency within the OTC derivatives market by requiring OTC derivatives which are declared

subject to a clearing obligation to be cleared through central counterparties (CCPs), and by requiring counterparties to implement certain risk mitigation requirements with respect to non-centrally cleared OTC derivative transactions. EMIR also requires all derivative transactions (OTC or traded on a regulated market) to be reported to registered trade repositories. EMIR applies directly to any entity (financial or non-financial) established in the EU that has entered into a derivative transaction, and applies indirectly to non-EU counterparties trading with EU counterparties. For non-centrally cleared OTC derivatives, Van Lanschot will need to comply with certain operational risk management requirements, including timely confirmation, portfolio reconciliation, record keeping and (in future) the increased exchange of collateral. The implementation of EMIR increases reporting requirements on outstanding and new derivative contracts. As from 12 February 2014, an obligation to report both exchange traded and OTC derivative transactions to a registered trade repository or (where no trade repository is available to record the details of a derivative contract) to ESMA has been in place.

Via two delegated regulations, the European Commission introduced mandatory clearing obligations for two types of OTC derivative contracts:

- On 6 August 2015, the European Commission adopted a delegated regulation, making it mandatory for certain OTC interest rate derivatives in euro, pounds sterling, Japanese yen or US dollars to be cleared through CCPs. This delegated regulation has entered into force on 21 December 2015 and the clearing obligation will be phased in over three years to allow additional time for smaller market participants to begin complying.
- On 1 March 2016, the European Commission adopted a new set of rules that requires certain OTC credit default swaps that are denominated in Euro to be cleared through CCPs as well. It is not yet clear when this second delegated regulation will enter into force, but the clearing obligation itself will be phased in over three years as well.

It is furthermore expected that additional clearing obligations for other types of OTC derivative contracts will be proposed in the near future.

Securities Financing Transactions

On 17 June 2015, the European Commission, the European Parliament and the Council reached agreement on a regulation on reporting and transparency of securities financing transactions, to improve the transparency of securities lending and repurchase transactions. The proposed regulation aims to enhance financial stability by ensuring that information on securities financing transactions is reported to central trade repositories and to investors in collective investment undertakings. On 29 October 2015, the European Parliament adopted the agreed text of the regulation. On 16 November 2015, the Council formally adopted Regulation (EU) 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2015 ("**SFT Regulation**"). The SFT Regulation entered into force on 12 January 2016.

Recovery and Resolution

The BRRD was adopted by the European Parliament and the Council on 15 May 2014. Member States should have implemented the BRRD by 1 January 2015 (except for the bail-in tool which had to be implemented by 1 January 2016). The Netherlands implemented the BRRD in November 2015 in legislation which substantially replaces the previous provisions of the Dutch Financial Supervision Act in relation to bank and investment firm resolutions. The BRRD provides a set of tools available to competent authorities to intervene sufficiently early and quickly in an unsound or failing bank or investment firm so as to ensure the continuity of the bank's or investment firm's critical financial and economic functions, while minimising the impact of the bank's failure on the economy and financial system. See "*Risk Factors—Van Lanschot may be subject to the intervention and resolution powers under the Dutch Financial Supervision Act, the BRRD and the SRM Regulation, which could have an adverse effect on Van Lanschot's business.*"

Recovery and Resolution Plans

Banks and investment firms are required to draw up and maintain a recovery plan. This plan must provide for a wide range of measures that could be taken to restore a bank's or investment firm's financial condition in case it significantly deteriorates. Banks and investment firms must submit the plan to the competent supervisory authority for review and update the plan annually or after changes in their legal or organisational structure, business or financial situation that could have a

material effect on the recovery plan. Recovery measures could include the strengthening of the bank's or investment firm's capital or divesting part of its business.

DNB, as responsible NRA of the Regulated Credit Institutions, will draw up a resolution plan for Van Lanschot providing for resolution actions it may take if the Company or the Regulated Credit Institutions fail or are likely to fail. In drawing up the resolution plan, DNB will identify any material impediments to the resolvability. Where necessary, DNB may require the removal of such impediments. DNB may also require a bank to issue additional capital instruments or liabilities. The BRRD requires furthermore that banks and investment firms at all times meet a robust MREL. The required level of MREL is set on a case by case basis by DNB as NRA and is based on criteria set forth in the BRRD and further detailed in the EBA FINAL Draft Regulatory Technical Standards on criteria for determining the minimum requirement for own funds and eligible liabilities under Directive 2014/59/EU (submitted to the European Commission on 3 July 2015) ("**RTS on MREL**") and depends on the assessment of the level of MREL that is required to successfully implement the resolution plan. On 17 December 2015, the European Commission proposed a number of amendments to the RTS on MREL. The EBA however dissents from these amendments and issued an opinion on 9 February 2016 to the European Commission encouraging the prompt adoption of the RTS on MREL.

In addition to the adoption of the laws, regulations and other measures described herein, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. The FSB has developed proposals to enhance the total loss-absorbing capacity ("**TLAC**") of global systemically important banks in resolution. On 9 November 2015, the FSB issued the final TLAC standard (the "**TLAC Standard**") for global systemically important banks ("**G-SIBs**"). None of the Regulated Credit Institutions are G-SIBs. Like the MREL for EU banks and investment firms, the TLAC Standard has been designed so that failing credit institutions (G-SIBs in this case) will have sufficient loss-absorbing and recapitalisation capacity available in resolution for authorities to implement an orderly resolution that minimises impacts on financial stability, maintains the continuity of critical functions, and avoids exposing public funds to loss. The TLAC Standard defines a minimum requirement for the instruments and liabilities that should be readily available for bail-in within resolution at G-SIBs, but does not limit authorities' powers under the applicable resolution law to expose other liabilities to loss through bail-in or the application of other resolution tools. Although the TLAC Standard will not be applicable to the Regulated Credit Institutions, there is a possibility that future capital and buffer requirements applicable to the Company will increase in order to be more in line with the TLAC Standard for G-SIBs and that as a result the Company will be required to strengthen its capital position. This may result in higher capital and funding costs for the Company, and as a result may materially and adversely affect the Company's profits and its possible ability to pay dividends.

Early Intervention

If a bank infringed or, due to a rapidly deteriorating financial condition, were likely to infringe capital or liquidity requirements in the near future, DNB would have the power to impose early intervention measures on such bank. A rapidly deteriorating financial condition could, for example, occur in the case of a deterioration in the liquidity situation, an increasing level of leverage and non-performing loans. Intervention measures include the power to require changes to the legal or operational structure of a bank, or the business strategy, and the power to require the management board to convene a general meeting, failing which DNB can directly convene a general meeting, in both cases with the power of DNB to set the agenda and require certain decisions to be considered for adoption by the general meeting.

Pre-Resolution Measures and Resolution Measures

If a bank reaches a point of non-viability DNB could take pre-resolution measures. These measures include the write-down and cancellation of shares or depositary receipts for shares, and the conversion of capital instruments such as a bank's Tier II instruments into shares or depositary receipts for shares.

If a bank meets the conditions for resolution, DNB in its capacity as NRA may take one or more resolution measures. Conditions for resolution are: (i) the bank fails or is likely to fail (point of non-viability), (ii) having regard to the circumstances, there is no reasonable prospect that any alternative private sector or supervisory action would, within a reasonable timeframe, prevent the bank from failing, and (iii) the resolution measure is in the public interest. A bank is considered to fail or likely to fail if there are objective elements to support a determination that in the near future the bank will infringe capital requirements, the bank's liabilities will exceed its assets, the bank will infringe regulatory liquidity requirements or the bank will be unable to pay debts and liabilities as they fall due.

DNB, in its capacity as NRA, has four resolution tools and powers which may be used alone or in combination: (i) sale of business – which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind down (this can be used together with another resolution tool only); and (iv) a bail-in tool that would enable the write-down and conversion of debt into equity to strengthen the financial condition of the failing bank and allow it to continue as a going concern subject to appropriate restructuring. If DNB considered that the application of the instruments would not be in the public interest, it could apply for bankruptcy or emergencies regulations under Dutch law instead.

Resolution Fund

The Single Resolution Fund will be financed by ex-ante individual contributions from banking entities included in the SRM. The individual contribution of each bank will be based on a flat contribution (that is pro-rata based on the amount of liabilities excluding own funds and covered deposits, in comparison to the total liabilities, excluding own funds and covered deposits, of all participating banks) and a risk based contribution. In addition, where the funds of the Single Resolution Fund are not sufficient to cover the losses, costs or other expenses incurred by the use of the Single Resolution Fund in resolution actions, extraordinary ex-post contributions from the participating banks may be raised to a maximum of three times the annual amount of the individual contribution. The funding obligation entered into force on 1 January 2016, and in principle after eight years from that date, the available financial means of the Single Resolution Fund must in principle be at least 1% of the amount of covered deposits of all participating banks. Even though the funding obligation for the Single Resolution Fund entered into force on 1 January 2016, Van Lanschot had already made contributions to the relevant national resolution funds, provided for by the BRRD (the "**National Resolution Funds**"), in 2015. As of 1 January 2016, Van Lanschot has no longer been held to contribute to the National Resolution Funds and the contributions received by the National Resolution Funds on this date are to be transferred to the Single Resolution Fund and deducted from the contributions payable thereto.

A bank is only eligible for contribution by the Single Resolution Fund after a resolution action is taken, if the holders of instruments of ownership such as the Shareholders or DR Holders, the holders of relevant capital instruments and other eligible liabilities have made a contribution (by means of a write-down, conversion or otherwise) to loss absorption and recapitalisation equal to an amount not less than 8% of the total liabilities (including own funds and measured at the time of the resolution action). Any such contribution by the Single Resolution Fund may furthermore not exceed 5% of its available funds.

Intervention Act

Through the coming into force of the Act on Special Measure for Financial Enterprises (the "**Dutch Intervention Act**"), DNB and the Dutch Minister of Finance have been granted the power to take various measures in respect of banks and insurance companies that show signs of a dangerous development regarding the entity's own funds, solvency or liquidity and it can reasonably be foreseen that this development cannot be sufficiently or timely reversed.

The Dutch Intervention Act was amended on 26 November 2015 as a result of the entry into force of BRRD. The scope of the intervention measure to transfer shares, assets or liabilities on the

basis of a transfer plan will be limited to insurance companies (and thus no longer applies to banks). However, the scope of the powers granted to the Dutch Minister of Finance under the Dutch Intervention Act has remained the same. The Dutch Minister of Finance may, with immediate effect, take measures or expropriate assets of or securities issued by or with the cooperation of a financial firm (*financiële onderneming*) or its parent, in each case if it has its corporate seat in the Netherlands, if in the Minister's opinion the stability of the financial system is in serious and immediate danger as a result of the situation in which the firm finds itself. Provisions of Dutch law and the firm's articles of association may be set aside. Examples of immediate measures include the suspension of voting rights or the suspension of board members. The measures may only be used if other measures do not or no longer work, or are insufficient. In addition, to ensure such measures are utilised appropriately, the Dutch Minister of Finance must consult with DNB in advance. A decision by the Dutch Minister of Finance to intervene must be taken in agreement with the Dutch Prime Minister. The Dutch Minister of Finance must further inform the AFM of his intentions, whereupon the AFM must give an instruction to Euronext Amsterdam to suspend trading in any securities that are expropriated. In the case of expropriation, the beneficiary of the relevant asset will be compensated for any damage that directly and necessarily results from the expropriation. It is unlikely that such compensation will cover all losses of the relevant beneficiary. The legislative history of the act in implementing the BRRD in the Netherlands makes clear that this power would only be a measure of last resort if the SRM does not work.

Emergency Regime

The Dutch Financial Supervision Act provides for an emergency regime (*noodregeling*) which the court can declare in respect of a bank at the request of DNB if the latter perceives signs of a dangerous development regarding the bank's own funds, solvency or liquidity and it can reasonably be foreseen that this development cannot be sufficiently or timeously reversed. As of the date of the emergency, only court-appointed administrators have the authority to exercise the powers of the representatives of the bank. In addition, the emergency regime provides for special measures for the protection of the interests of the creditors of the bank. A bank can also be declared bankrupt by the court.

Deposit Guarantee Scheme

In the Netherlands, the provisions of Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast) ("**DGSD**") have been implemented as of 26 November 2015. Under the new rules, the funding of the old DGS has been changed from an ex-post funded system to a partially ex-ante funded system. This means that participating banks will have to contribute to the scheme on a periodic basis rather than face charges when an actual insolvency event occurs requiring them to compensate the clients of the affected banks. The available funds in the DGS system will in principle need to be 0.8% of the amount of covered deposits held with the participating banks in 2024. Contributions will be based on the covered deposits of the bank and risk based contributions, but Member States may also impose minimum contributions. Under the new rules the scope of clients for whom the deposit guarantee will be available has been broadened (in addition to consumer deposits, deposits of businesses of customers have also been included, whereas in the old DGS only companies that were allowed to publish abridged annual accounts fell within its scope), the transparency and information requirements to customers have been amended and the period for making payments under the DGS has been shortened from 20 business days to seven business days. See "*Risk Factors—The Dutch Deposit Guarantee Scheme requires the payments of levies that may rise in the future*."

Investor Compensation Scheme

The Dutch Financial Supervision Act provides for an investor compensation scheme which aims to compensate persons that have entrusted money or financial instruments to, among others, banks or investment firms, in the event that the financial firms concerned are unable to fulfil their obligations ensuing from claims relating to investment services or ancillary services.

The Decree on Special Prudential Measures, Investor Compensation and Deposit Guarantee FMSA (*Besluit bijzondere prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft*) provides for rules requiring, among others, banks and investment firms to bear the costs of the

investor compensation scheme. The amount due is mainly calculated on the basis of the amount of moneys and number of financial instruments held.

The investor compensation scheme can be invoked by private individuals and small undertakings (i.e. undertakings which may publish an abridged balance sheet). However, the investor compensation scheme cannot be involved by, among others, the following entities (i) private individuals who are management board members of the defaulting bank or investment firm or shareholders who have an interest of 5% or more in the defaulting bank or investment firm (or a group company of the defaulting bank or investment firm), or their immediate family members, (ii) professional investors (such as, among others, banks, investment funds, insurance companies, pension funds and large undertakings), and (iii) professional market parties.

Claims with respect to money or securities (i) that cannot be returned to the investor because the bank or the investment firm concerned is unable to perform its obligations, and (ii) related to the performance of certain investment services, are eligible for compensation. The investor compensation scheme guarantees an amount not exceeding €20,000 per person, but does not reimburse investment losses.

Fund Management

Kempen Capital Management is active in the area of collective investment management, commonly known as fund management. The two main pieces of EU legislation in this area are the UCITS Directive and the AIFM Directive. The UCITS Directive and the AIFM Directive provide for a comprehensive set of rules for fund management activities in the EU.

The UCITS Directive is a detailed, harmonised framework for investment funds that can be sold to retail investors through the EU. This means that funds authorised in one EU Member State can be marketed in another EU Member State using a passporting mechanism. Originally introduced in 1985, the UCITS framework has been further developed over the years. Directive 2014/91/EU ("**UCITS V**") introduces an obligation for management companies to establish and maintain for those categories of staff whose professional activities have a material impact on the risk profiles of the UCITS that they manage, remuneration policies and practices that are consistent with sound and effective management, and further harmonises the tasks and duties of depositaries. As of 18 March 2016, UCITS V was implemented into Dutch law.

The AIFM Directive, together with the underlying AIFM Regulation 231/2013 of 19 December 2012, establishes a framework for the regulation and supervision of the AIF industry, particularly hedge funds, real estate and private equity funds, but essentially covers all non-UCITS investment funds. The AIFM Directive was implemented in the Dutch Financial Supervision Act on 22 July 2013.

AIFs can be sold to professional investors throughout the EU in a similar way to using a passport. The AIFM Directive is notable for the detailed regulatory reporting regime that it introduced, which requires managers to submit an extensive set of information to their national authorities on aspects such as their investment portfolios, leverage and collateral. Licensed AIFMs will be subject to detailed rules on delegation, transparency, conduct of business, remuneration, leverage and reporting. Additionally, licensed AIFMs are required to appoint an independent custodian for each AIF that they manage and to have independent risk management and valuation functions.

Dutch Data Protection Act

This section is applicable to all Van Lanschot businesses that process personal data in the Netherlands.

The Dutch Data Protection Act (*Wet bescherming persoonsgegevens*) (the "**WBP**") entered into force on 1 September 2001. The legislation implemented EU Directive 95/46/EC of 4 October 1995 on the protection of individuals with regard to the processing of personal data and the free movement of such data and imposed restrictions on the collection, use and other forms of processing of personal data. Under the WBP, personal data may only be processed if the criteria for making data processing legitimate are met. If the data processing is indeed legitimate (i.e. if the statutory criteria apply), then such processing must at all times comply with the rules set out in the WBP.

In the Netherlands, the Dutch Banking Association and the Dutch Association of Insurers prepared a code of conduct for the processing of personal data by financial institutions. This code was approved by the APD on 13 April 2010 for a period of five years. While this approval has lapsed, no announcements have been made regarding compliance with this code of conduct until approval of a new code.

In January 2012, a formal draft of the new General Data Protection Regulation was issued by the European Commission. The General Data Protection Regulation will be directly binding for EU Member States and is expected to come into force in 2018. The new regulation aims to (a) better protect personal data of EU citizens, (b) replace the current (national) legislation and (c) adjust it to twenty-first century requirements and technology.

The Act on Data Breach Notifications (*Wet Meldplicht datalekken*) entered into force on 1 January 2016. This act introduces a mandatory notification for security breaches of personal data that adversely affect the privacy or personal data of data subjects for all data controllers in the Netherlands and increases sanctions for violations of the Dutch Data Protection Act. Data controllers will also have to maintain an internal register recording all security breaches they experience. The act introduces the power of the APD to impose higher fines for violations of the Dutch Data Protection Act, up to a maximum of either €820,000 or 10% of the Company's annual net turnover per violation.

Latest Developments

On 30 September 2015 the European Commission published an action plan on building a Capital Markets Union ("**CMU**"). The key objectives of the CMU are to improve the free movement of capital by removing the barriers to cross-border investments and to diversify the sources of funding. The CMU aims to complement Europe's tradition of bank financing by (i) unlocking more investments from the EU and the rest of the world, (ii) connecting financing more effectively to investment projects across the EU, (iii) making the financial system more stable, (iv) reinforcing financial integration and (v) increasing competition.

In addition, on 30 September 2015, the European Commission published proposals for establishing a framework for simple, transparent and standardised securitisations and new regulatory capital requirements for securitisations for banks in CRR. This consultation has been closed on 6 January 2016.

Also, the European Commission has started a public consultation on covered bonds. On 25 November 2015, the European Council and the European Parliament reached preliminary political agreement on the Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmark Regulation**"). The Benchmark Regulation will contribute to the accuracy and integrity of benchmarks used in financial instruments and financial contracts by, among others, ensuring that benchmark administrators are subject to prior authorisation and supervision depending on the type of benchmark, requiring greater transparency on how a benchmark is produced, and ensuring the appropriate supervision of critical benchmarks, such as EURIBOR/LIBOR, the failure of which might create risks for market participants and for the functioning and integrity of markets. The Benchmark Regulation is expected to enter into force in mid-2016. ESMA started on 15 February 2016 a consultation on the technical implementation of the Benchmark Regulation. On 28 April 2016 the European Parliament approved the adoption of the Benchmark Regulation. Although no formal adoption has been published yet, it is expected that the Benchmark Regulation will enter into force in the next coming months.

On 30 November 2015, the European Commission published its proposal for a regulation to amend the Prospectus Directive to reduce barriers to the listing of smaller firms. The European Commission furthermore published on 10 December 2015 a Green Paper on retail financial services "Better products, more choice, and greater opportunities for consumers and businesses" to boost consumer choice and competition in cross border retail financial services and insurance. The consultation period for this Green Paper ended on 18 March 2016. From 2016 and in subsequent years, the European Commission intends to support access to finance, increase investments and remove barriers to cross border investments.

International Regulation

FATCA

On 18 December 2013, the US and the Netherlands entered into the U.S.-Netherlands IGA to facilitate the implementation of the provisions of US tax law commonly known as FATCA. All jurisdictions in which Van Lanschot operates have substantially concluded IGAs with the US. Van Lanschot intends to be fully compliant with FATCA and any applicable IGA, and expects FATCA and IGAs to have a continuous impact on client on-boarding processes, client administration and reporting systems. See "*Risk Factors—Major changes in laws and regulations and in their interpretation could materially and adversely affect Van Lanschot's business, business model, financial condition, results of operations and prospects.'*"

Information exchange and reporting

There are various international and EU initiatives on automatic exchange of information such as the OECD Common Reporting Standard and the EU Directive on Administrative Cooperation in the field of Taxation (Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU), which were implemented on 1 January 2016. See "*Risk Factors—Major changes in laws and regulations and in their interpretation could materially and adversely affect Van Lanschot's business, business model, financial condition, results of operations and prospects*."

Sanction Regulation

Sanctions are political instruments in the foreign and security policy of countries and international organisations (such as the United Nations and EU). Sanctions regimes imposed by governments, including those imposed by the European Union, US, including the Office of Foreign Assets Control, or other countries or international bodies prohibit Van Lanschot and its clients from engaging in trade or financial transactions with certain countries, businesses, organisations and individuals. These legislative, regulatory and other measures include anti-terrorism measures, international sanctions, blockades, embargoes, blacklists and boycotts imposed by, among others, the EU, the United States and the United Kingdom, but also by individual countries. Violation of sanctions regimes may have material implications such as criminal penalties, administrative fines and the prohibition to do business in the country that proclaimed the sanctions.

CAPITALISATION AND INDEBTEDNESS

The information below should be read together with the Financial Statements, including the notes thereto, as included in this Prospectus beginning on page F-1, or incorporated by reference, as well as the information contained in *"Important Information—Presentation of Financial and Other Information"* and "*Operating and Financial Review*". The tables below are prepared for illustrative purposes only and, because of their nature, may not give a true picture of the Company's financial condition following the Offering.

The following unaudited table sets out the Company's capitalisation as at 31 March 2016.

Capitalisation	**As at 31 March 2016**
	(unaudited) € million
Total current debt (maturity of up to one year)	736.6
of which: secured and unsecured[1]	736.6
of which: subordinated debt	0.0
Total non-current debt (excluding the current portion of non-current debt)	2,335.5
of which: secured and unsecured[1]	2,217.5
of which: subordinated debt	118.0
Equity:	
Issued share capital	41.1
Treasury shares	-2.1
Share premium reserves	481.3
Other reserves	742.4
Undistributed profit attributable to shareholders of Van Lanschot N.V.	13.2
Undistributed profit of previous year attributable to shareholders of Van Lanschot N.V.	34.2
Equity attributable to shareholders of Van Lanschot N.V.	**1,310.0**
Equity instruments issued by subsidiaries	—
Undistributed profit attributable to equity instruments issued by subsidiaries	0.9
Equity attributable to equity instruments issued by subsidiaries	**0.9**
Other non-controlling interests	10.1
Undistributed profit attributable to other non-controlling interests	0.8
Undistributed profit of previous year attributable to other non-controlling interests	1.7
Equity attributable to other non-controlling interests	**12.6**
Total equity	**1,323.5**

(1) Total of senior unsecured notes, commercial paper/certificates of deposit, savings certificates, senior secured notes and securitisations with a remaining maturity of up to one year.

Save for the repayment of CHF250,000,000 senior unsecured notes issued by F. van Lanschot Bankiers N.V. on 4 April 2016, there has been no material change in the Company's capitalisation since 31 March 2016.

The following table sets out the Company's indebtedness as at 31 March 2016.

Indebtedness	As at 31 March 2016
	(unaudited) € million
Liquidity:	
Cash	0.2
Cash equivalents[1]	1,294.5
Trading securities	11.7
Total liquidity[2]	**1,306.4**
Current financial receivables[3]	**2,172.7**
Current financial debt (maturity of up to one year):	
Current debt[4]	-9,335.6
Current portion of non-current debt[5]	-736.6
Other current financial debt[6]	-149.0
Total current financial debt	**-10,221.2**
Net current financial indebtedness	**-6,742.1**
Non-current financial indebtedness:	
Non-current bank loans[7]	—
Bonds issued[8]	-2,335.5
Other non-current loans[9]	-1,689.5
Non-current financial indebtedness	**-4,025.0**
Net financial indebtedness	**-10,767.1**

(1) Balances at central banks, statutory reserve deposits at central banks, amounts due from banks with a remaining maturity of three months or less.
(2) Liquidity is not equal to the liquidity buffer held for liquidity contingency purposes.
(3) Total of assets with a remaining maturity of up to one year excluding cash and balances at central banks with a remaining maturity of up to one year, financial assets held for trading with a remaining maturity of up to one year and loans and receivables – banks with a remaining maturity of three months or less.
(4) Total of liabilities held for trading, derivatives, securities financing, due to banks, due to customers and commercial paper/ certificates of depot, all with a remaining maturity of up to one year.
(5) Total of senior secured debt, senior unsecured debt, securitisations, subordinated liabilities and saving certificates, all with a remaining maturity of up to one year.
(6) Total of provisions, tax liabilities and other liabilities, all with a remaining maturity of up to one year.
(7) Total of due to banks with remaining maturity of more than one year.
(8) Total of issued debt and subordinated debt with a remaining maturity of more than one year.
(9) Total of derivatives, securities financing, due to customers, provisions, tax liabilities and other liabilities, all with a remaining maturity of more than one year.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

This section contains selected unaudited consolidated financial information of the Company as at and for the three months ended 31 March 2016, including comparative figures as at and for the three months ended 31 March 2015, which have been derived from the Interim Consolidated Financial Statements and selected audited consolidated financial information of the Company as at and for the years ended 31 December 2015, 2014 and 2013, which have been derived from the Annual Consolidated Financial Statements.

This section should be read in conjunction with the information contained in "*Important Information—Presentation of Financial and Other Information*", "*Capitalisation and Indebtedness*", "*Operating and Financial Review*" and the Financial Statements, including the notes thereto, included in this Prospectus and other financial data appearing elsewhere in this Prospectus.

Selected Consolidated Statement of Income Data

	Three months ended 31 March		Year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)		€ million		
Income from operating activities					
Interest income	107.7	153.4	513.8	735.4	780.7
Interest expense	52.2	103.5	313.2	522.9	568.5
Net interest income	**55.5**	**50.0**	**200.6**	**212.5**	**212.2**
Income from associates using the equity method	2.0	1.7	11.8	36.6	10.6
Other income from securities and associates	-0.7	6.3	17.1	18.7	6.5
Income from securities and associates	**1.3**	**8.0**	**28.9**	**55.3**	**17.1**
Commission income	59.8	70.1	272.7	248.3	240.3
Commission expense	1.4	2.0	7.2	8.0	7.0
Net commission income	**58.4**	**68.1**	**265.6**	**240.3**	**233.3**
Result on financial transactions	**-2.2**	**22.1**	**23.3**	**42.0**	**66.3**
Other income	**10.4**	**10.2**	**42.8**	**16.2**	**22.3**
Total income from operating activities	**123.5**	**158.4**	**561.1**	**566.2**	**551.2**
Expenses					
Staff costs	57.8	60.9	233.7	151.7	239.7
Other administrative expenses	39.9	40.2	171.5	163.0	153.1
Staff costs and other administrative expenses	97.7	101.0	**405.1**	**314.6**	**392.7**
Depreciation and amortisation	4.0	4.6	17.4	22.5	15.9
Operating expenses	101.7	105.6	**422.5**	**337.1**	**408.6**
Addition to loan loss provision	3.4	15.3	51.0	76.0	102.4
Other impairments	0.4	0.4	10.9	19.5	2.7
Impairments	**3.8**	**15.7**	**61.9**	**95.5**	**105.1**
Result on sale loans and advances to the public and private sectors[1]	—	—	22.4	—	—
Total expenses	**105.5**	**121.3**	**506.9**	**432.7**	**513.8**
Operating result before tax	17.9	37.0	**54.3**	**133.5**	**37.4**
Income tax	3.9	8.1	11.5	24.8	3.9
Net result	**14.0**	**28.9**	**42.8**	**108.7**	**33.5**
Of which attributable to shareholders of Van Lanschot N.V.	13.2	26.9	34.2	99.0	29.2
Of which attributable to equity instruments issued by subsidiaries	—	0.2	0.9	1.1	1.1
Of which attributable to other non-controlling interests	0.8	1.8	7.6	8.6	3.2
Earnings per ordinary share (€)	0.32	0.66	0.83	2.42	0.71
Diluted earnings per ordinary share (€)	0.32	0.65	0.83	2.40	0.71
Dividend per share (€)	—	—	0.45	0.40	0.20

(1) Van Lanschot sold a portfolio of non-performing real estate loans to a company affiliated to Cerberus Capital Management LP in 2015. The result of this sale was recognised as a loss of €22.4 million. An amount of negative €0.8 million relating to interest rate swaps associated with the portfolio was taken to the Result on financial transactions, thus the total impact of the transaction amounted to negative €23.2 million.

Selected Consolidated Balance Sheet Data

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)			
		€ million		
Assets				
Cash and cash equivalents and balances at central banks	1,072.9	881.0	1,157.0	2,000.0
Financial assets held for trading	11.7	6.9	43.2	47.1
Due from banks	232.7	200.1	449.1	429.2
Financial assets designated as at fair value through profit or loss	504.2	712.6	1,309.5	725.9
Available-for-sale investments	2,216.5	2,159.1	1,952.7	1,197.7
Held-to-maturity investments	521.1	523.6	533.7	—
Loans and advances to the public and private sectors	10,123.0	10,168.4	11,021.1	12,490.7
Derivatives (receivables)	377.3	333.4	275.1	208.1
Investments in associates using the equity method	67.2	56.3	50.7	50.4
Property, plant and equipment	78.2	79.2	76.4	84.6
Goodwill and other intangible assets	174.5	175.1	153.5	172.4
Current tax assets	1.4	1.9	1.3	13.6
Deferred tax assets	45.9	49.8	59.8	59.8
Other assets	142.9	148.3	176.4	190.7
Total assets	**15,569.6**	**15,495.7**	**17,259.4**	**17,670.4**
Equity and liabilities				
Financial liabilities from trading activities	5.1	0.4	0.1	0.8
Due to banks	459.7	698.1	880.0	1,175.4
Public and private sector liabilities	9,300.1	9,572.3	10,499.2	10,161.4
Financial liabilities designated as at fair value through profit or loss	803.5	804.6	705.9	357.6
Derivatives (liabilities)	434.1	324.8	381.3	299.7
Issued debt securities	2,954.1	2,480.0	3,073.4	3,849.1
Provisions	20.8	23.7	21.3	35.9
Current tax liabilities	1.4	1.6	0.5	22.9
Deferred tax liabilities	1.8	3.3	10.1	8.4
Other liabilities	147.6	148.8	215.8	292.0
Subordinated loans	118.0	118.2	121.4	128.2
Total liabilities	**14,246.2**	**14,175.8**	**15,908.9**	**16,331.4**
Issued share capital	41.1	41.0	41.0	41.0
Treasury shares	-2.1	-1.1	-3.6	-2.1
Share premium reserves	481.3	479.9	479.9	479.9
Other reserves	742.4	745.3	676.0	735.5
Undistributed profit attributable to shareholders of Van Lanschot N.V.	13.2	34.2	99.0	29.2
Undistributed profit of previous year attributable to shareholders of Van Lanschot N.V.	34.2	—	—	—
Equity attributable to shareholders of Van Lanschot N.V.	**1,310.0**	**1,299.4**	**1,292.3**	**1,283.5**
Equity instruments issued by subsidiaries	—	—	27.3	36.1
Undistributed profit attributable to equity instruments issued by subsidiaries	0.9	0.9	1.1	1.1
Equity attributable to equity instruments issued by subsidiaries	**0.9**	**0.9**	**28.4**	**37.2**
Other non-controlling interests	10.1	12.0	21.3	15.1
Undistributed profit attributable to other non-controlling interests	0.8	7.6	8.6	3.2
Undistributed profit of previous year attributable to other non-controlling interests	1.7	—	—	—
Equity attributable to other non-controlling interests	**12.6**	**19.6**	**29.9**	**18.3**
Total equity	**1,323.5**	**1,319.9**	**1,350.5**	**1,339.0**
Total equity and liabilities	**15,569.6**	**15,495.7**	**17,259.4**	**17,670.4**
Contingent liabilities	79.6	82.5	115.6	117.9
Irrevocable commitments	253.6	492.4	601.4	447.3
Total contingent liabilities and irrevocable commitments	**333.2**	**574.9**	**716.9**	**625.3**

Selected Consolidated Statements of Cash Flow Data

	Three months ended 31 March		Year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)				
			€ million		
Cash flow from operating activities					
Operating result before tax	17.9	37.0	54.3	133.5	37.4
Adjustments for					
• Depreciation and amortisation	4.1	4.6	18.5	22.5	24.1
• Costs of share plans	0.7	0.6	2.8	2.0	1.3
• Valuation results on associates using the equity method	-2.0	-1.7	-9.8	-9.8	-10.1
• Valuation results on financial assets designated as at fair value through profit or loss	-3.2	79.9	96.2	-103.7	13.2
• Valuation results on financial liabilities designated as at fair value through profit or loss	-12.1	32.5	-2.6	28.8	-6.9
• Valuation results on derivatives (receivables and liabilities)	22.1	-50.6	-24.8	-21.0	5.2
• Impairments	3.8	15.7	61.9	95.5	105.1
• Result on termination of defined benefit pension scheme	—	—	—	-122.7	—
• Changes in provisions	-0.4	-1.0	1.2	-7.4	—
Cash flow from operating activities	**31.0**	**117.0**	**197.7**	**17.9**	**169.5**
Net increase/(decrease) in operating assets and liabilities					
• Financial assets/liabilities held for trading	-0.2	-13.0	-4.3	3.2	5.1
• Financial assets designated as at fair value through profit or loss	—	—	—	—	-105.9
• Due from/due to banks	-273.6	-136.7	90.6	-336.5	-382.9
• Loans and advances to the public and private sectors/ public and private sector liabilities	-206.3	152.6	-229.1	1,714.1	-337.0
• Derivatives (receivables and liabilities)	-0.6	-93.2	-27.9	57.7	-69.5
• Withdrawals from restructuring provision and other provisions	-2.5	-0.6	-1.2	-11.3	-19.3
• Other assets and liabilities	4.0	-6.7	-39.9	-66.9	-76.8
• Income taxes paid/received	-0.2	-1.6	-3.0	-6.9	0.5
• Dividends received	0.3	—	10.5	3.4	3.0
Total movement in assets and liabilities	**-479.2**	**-99.2**	**-204.2**	**1,356.7**	**-982.8**
Net cash flow from operating activities	**-448.2**	**17.8**	**-6.5**	**1,374.5**	**-813.3**
Cash flow from investing activities					
Investments and acquisitions					
• Investments in debt instruments	-440.9	-2,022.7	-4,361.6	-4,476.7	-1,120.1
• Investments in equity instruments	-10.3	-9.7	-10.9	-26.4	-1.7
• Acquisitions (excluding acquired cash and cash equivalents)	—	—	2.0	—	—
• Investments in associates using the equity method	-9.5	—	-0.1	-7.8	-1.1
• Property, plant and equipment	-2.4	-1.7	-11.5	-11.7	-14.4
• Goodwill and other intangible assets	-0.1	-0.6	-1.5	-1.6	-16.1
Divestments, redemptions and sales					
• Investments in debt instruments	628.2	2,058.1	4,631.1	2,751.0	802.7
• Investments in equity instruments	5.1	20.8	49.4	7.9	1.2
• Investments in associates using the equity method	-0.4	0.9	0.7	9.8	2.9
• Property, plant and equipment	—	0.4	4.4	5.4	23.8
• Goodwill and other intangible assets	—	—	—	3.0	0.0
• Dividends received	0.2	—	3.5	5.1	1.9
Net cash flow from investing activities	**169.9**	**45.4**	**301.7**	**-1,741.9**	**-320.9**
Cash flow from financing activities					
Options issued / Share plans	0.3	—	0.8	0.5	0.0
Repurchased equity instruments	-0.7	—	—	-2.7	—
Equity instruments issued by subsidiaries	—	—	-27.3	-8.8	—
Other non-controlling interests	-1.9	-9.2	-8.7	6.5	1.1
Redemptions on subordinated loans	-0.1	-1.1	-3.1	-6.7	-4.1

	Three months ended 31 March		Year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)				
			€ million		
Receipts on debt securities	498.0	31.3	522.8	204.3	1,930.6
Redemptions on debt securities	-33.0	-175.2	-1,110.5	-996.5	-625.3
Receipts on financial liabilities designated as at fair value through profit or loss	42.8	88.9	254.9	402.8	175.3
Redemptions on financial liabilities designated as at fair value through profit or loss	-31.8	-73.9	-153.6	-83.3	-25.2
Dividends paid	-5.8	-6.2	-23.8	-12.9	-2.8
Net cash flow from financing activities	**467.7**	**-145.6**	**-548.4**	**-496.7**	**1,449.6**
Net change in cash and cash equivalents and balances at central banks	**189.4**	**-82.4**	**-253.3**	**-864.1**	**315.4**
Cash and cash equivalents and balances at central banks at 1 January	868.7	1,121.9	1,121.9	1,986.0	1,670.6
Cash and cash equivalents and balances at central banks at 31 December	1,058.1	1,039.5	868.7	1,121.9	1,986.0
Additional disclosure					
Cash flows from interest received	126.1	170.2	523.5	725.6	792.3
Cash flows from interest paid	51.7	154.5	370.1	569.3	633.2

Selected Segmental Information

Van Lanschot uses the following segmentation: Private Banking, Asset Management, Merchant Banking, Other Activities and Corporate Banking. The Company's three primary operating segments – Private Banking, Asset Management and Merchant Banking – represent a significant majority of its financial results and financial position for the periods presented. In addition to the Corporate Banking activities, the "Other" segment presented in "*Operating and Financial Review*" is comprised of activities in the field of interest rate, market and liquidity risk management, as well as the equity investments of Van Lanschot Participaties, Van Lanschot Chabot, the Company's non-strategic investments and one-off charges under the investment and cost reduction programme in 2013 and 2014.

Private Banking

	Three months ended 31 March		Year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)				
			€ million		
Net interest income	39.4	38.0	158.1	161.6	152.5
Income from securities and associates	—	—	—	—	—
Net commission income	26.3	27.8	111.9	100.1	104.9
Result on financial transactions	0.3	0.6	1.8	1.6	1.3
Other income	—	—	—	—	—
Total income from operating activities	**66.0**	**66.4**	**271.8**	**263.3**	**258.7**
Staff costs	21.6	17.8	85.4	74.4	84.8
Other administrative expenses	14.2	7.1	39.6	41.7	35.2
Internal allocated overhead expenses[1]	18.2	34.1	113.4	107.7	109.5
Depreciation and amortisation	0.6	1.2	5.7	6.4	5.6
Impairments	-0.4	7.8	22.2	13.0	34.7
Total expenses	**54.2**	**68.0**	**266.2**	**243.2**	**269.9**
Operating result before tax	**11.8**	**-1.6**	**5.6**	**19.9**	**-11.2**
Income tax	2.9	-0.5	1.6	3.5	-2.9
Net result	**8.9**	**-1.1**	**4.0**	**16.4**	**-8.3**

Asset Management

	Three months ended 31 March		Year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)				
			€ million		
Net interest income	—	—	—	—	—
Income from securities and associates	-0.2	0.1	0.3	2.6	—
Net commission income	21.6	20.0	82.7	81.4	75.9
Result on financial transactions	—	—	-0.1	—	-0.1
Other income	—	—	—	—	—
Total income from operating activities	**21.4**	**20.1**	**82.9**	**84.0**	**75.8**
Staff costs	8.6	8.3	30.2	31.1	31.3
Other administrative expenses	3.8	2.8	13.7	9.2	10.6
Internal allocated overhead expenses[1]	3.9	3.8	14.0	10.6	10.7
Depreciation and amortisation	0.1	—	0.1	0.0	0.1
Impairments	—	—	—	—	—
Total expenses	**16.4**	**14.9**	**58.1**	**51.0**	**52.7**
Operating result before tax	**5.0**	**5.2**	**24.8**	**33.0**	**23.1**
Income tax	1.3	1.2	6.2	9.3	8.2
Net result	**3.7**	**4.0**	**18.6**	**23.7**	**14.9**

Merchant Banking[2]

	Three months ended 31 March		Year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited)				
			€ million		
Net interest income	—	—	-0.3	2.8	2.4
Income from securities and associates	—	—	—	—	—
Net commission income	9.6	19.0	66.6	52.1	44.9
Result on financial transactions	0.4	0.4	3.4	6.3	2.8
Other income	—	—	—	—	—
Total income from operating activities	**10.0**	**19.4**	**69.8**	**61.2**	**50.1**
Staff costs	4.6	7.4	24.5	22.1	21.7
Other administrative expenses	1.9	2.0	8.0	6.7	2.6
Internal allocated overhead expenses[1]	2.2	2.4	8.8	6.8	11.7
Depreciation and amortisation	—	—	0.1	0.1	0.1
Impairments	—	—	0.1	2.0	1.4
Total expenses	**8.7**	**11.8**	**41.4**	**37.7**	**37.6**
Operating result before tax	**1.3**	**7.6**	**28.4**	**23.5**	**12.5**
Income tax	0.4	1.9	8.3	6.3	1.7
Net result	**0.9**	**5.7**	**20.1**	**17.2**	**10.8**

(1) As at 1 January 2016, the Company decided to amend the composition of certain operating segments in its accounts, to bring its IFRS reporting in line with its internal management reporting structure. The intent was to more accurately align each segment's reported costs with the actual costs incurred by that segment. See "*Operating and Financial Review—Results of Operations—Comparison of Results of Operations for the Three Months ended 31 March 2016 and the Three Months ended 31 March 2015—Other Administrative Expenses—Internal Allocated Overhead Expenses*". For reporting reasons, comparative figures have been restated for the years ended 31 December 2015, 2014 and 2013.

(2) As of 1 January 2016, the Kempen Dutch Inflation Fund product has been reclassified from the Merchant Banking segment to the Other segment in the Company's accounts, as it is managed by a team distinct from the Merchant Banking operations. For reporting reasons, comparative figures have been restated for the year ended 31 December 2015, thus the years ended 31 December 2014 and 2013 reflect the inclusion of the Kempen Dutch Inflation Fund within Merchant Banking. See also "*Risk Factors—Van Lanschot is subject to risks relating to its Kempen Dutch Inflation Fund product*".

Selected Key Metrics

	As at or for the three months ended 31 March		As at or for the year ended 31 December		
	2016	2015	2015	2014	2013
	€ million, unless indicated				
Underlying result	**14.0**	**28.9**	**60.1**	**54.2**	**33.5**
Calculated on the basis of the following adjustments to net result					
• One-off pension gain[1]	—	—	—	72.7	—
• One-off charge on the sale of non-performing commercial real estate loans[2]	—	—	-23.2	—	—
• Tax effects[3]	—	—	5.9	-18.2	—
Net result	**14.0**	**28.9**	**42.8**	**108.7**	**33.5**
Underlying result per share (€)	—	—	1.26	1.09	0.71
Dividend payout ratio (of underlying result)[4]	—	—	35.8%	36.7%	28.0%
Efficiency ratio, excluding one-off gains and losses[5]	82.2%	66.0%	74.4%	69.8%	70.8%
Funding ratio[6]	91.9%	96.7%	94.1%	95.3%	81.3%
Risk weighted assets (€ billion)[7]	6.2	7.6	6.4	7.4	9.0
CET1 ratio (phase in)[8]	16.9%	14.2%	16.3%	14.6%	13.1%
Tier I ratio[9]	16.9%	14.2%	16.3%	14.6%	13.1%
Total capital ratio[10]	17.7%	14.9%	17.0%	15.2%	13.9%
Basel III					
CET1 ratio (fully loaded)[8]	16.4%	13.3%	15.4%	13.4%	10.5%
Liquidity coverage ratio[11]	146.7%	128.5%	139.5%	125.1%	151.3%
Net stable funding ratio[12]	118.6%	112.3%	118.1%	114.3%	102.9%
Leverage ratio (fully loaded)[13]	6.3%	5.7%	6.1%	5.3%	5.1%
Client assets (€ billion)	**64.3**	**62.5**	**62.6**	**58.5**	**53.4**
Comprised of					
• Savings and deposits (€ billion)[14]	9.3	10.5	9.6	10.5	10.2
• Assets under administration (€ billion)[15]	2.3	3.8	2.8	3.9	1.6
• Assets under management (€ billion)	52.7	48.2	50.2	44.1	41.6
Comprised of					
• Discretionary assets under management (€ billion)[16]	44.7	39.3	41.9	35.7	31.8
• Non-discretionary assets under management (€ billion)[17]	8.1	8.9	8.4	8.4	11.4
Return on average CET1 equity[18]	5.1%	9.4%	4.9%	4.0%	2.5%
Interest margin[19]	1.28%	1.20%	1.21%	1.19%	1.23%
Clean interest margin[20]	1.20%	1.16%	1.15%	1.15%	1.19%
Number of staff (FTEs)[21]	1,649	1,715	1,666	1,712	1,808

(3) In 2014, a new pension scheme was agreed 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, resulting in a one-off non-cash gain of €72.7 million which was reflected in the Company's consolidated statement of income as a non-recurring gain.

(4) One-off charge consists of losses recognised upon the sale of non-performing commercial real estate loans with a face value of around €400 million to a company affiliated to Cerberus Capital Management LP in 2015.

(5) Tax effects represents the statutory tax impact of 25% on the gross one-off amounts listed above.

(6) Dividend payout ratio is defined as dividend per share divided by the underlying result per share

(7) Efficiency ratio is defined as operating expenses as a percentage of income from operating activities, excluding one-off gains and losses reflecting the one-off pension gain, and the one-off charge on the sale of non-performing commercial real estate loans, as described above. The data underlying the efficiency ratio metric are thus adjusted figures which the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures.

(8) Funding ratio is defined as the Company's public and private sector liabilities as a percentage of its loans and advances to the public and private sectors (i.e. excluding the Company's liabilities due to banks and its assets to banks).

(9) Risk weighted assets are defined as the Company's assets after being adjusted by a weighting factor set by its regulators that reflects the relative risk attached to the relevant classes of asset. Risk weighted assets are used to calculate the minimum amount of capital the Company is required to hold.

(10) CET1 ratio is defined as the Company's Common Equity Tier I ratio based on full compliance with the Basel III Framework from 2014, with the ratio designated "(phase in)" based the gradual application of more stringent standards as to what capital qualifies as CET1, and the ratio designated "(fully loaded)" in full compliance with these more stringent guidelines, and including retained

earnings in respect of full year results only. Figures for 2013 are based on compliance with Basel II and the ratio itself is calculated as the Company's Core Tier I capital divided by its total risk weighted assets.

(11) Tier I ratio is defined as the ratio between total Tier I capital and risk weighted assets. Tier I capital 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.

(12) Total capital ratio is defined as a measure of the Company's capital adequacy calculated by dividing qualifying capital (the sum of total Tier I and total Tier II capital) by its total risk weighted assets.

(13) Liquidity coverage ratio is defined as the ratio between high quality liquid assets and the balance of anticipated cash outflows and cash inflows over a period of 30 days. As from 31 December 2015 the liquidity coverage ratio is calculated according to the Delegated Act with regard to the Liquidity Coverage Requirement for Credit Institutions of the European Commission, adopted on 10 October 2014. Before 31 December 2015, it was calculated according to the Bank for International Settlements standards.

(14) Net stable funding ratio is defined as the relationship between available stable funding and the required amount of stable funding. Available stable funding is defined as the portion of capital and liabilities expected to be available and not withdrawn over the coming year.

(15) Leverage ratio is defined as the relationship between total assets plus contingent items and the Basel III Tier I capital. The leverage ratio is calculated in accordance with the Delegated Act on the Leverage Ratio of the European Commission, adopted on 10 October 2014. Fully loaded indicates that it applies to all relevant capital.

(16) Savings and deposits represents public and private sector liabilities on the Company's consolidated balance sheet. Savings have no maturity date, deposits have a maturity date.

(17) Starting in 2015, Van Lanschot began to recognise assets under administration as distinct from assets under management. Assets under administration are assets entrusted by clients to Van Lanschot purely for custody or for which solely administrative services are performed. Clients for which Van Lanschot administers such assets make their own investment decisions, over which Van Lanschot has no influence. Comparative figures for 2014 and 2013 have been adjusted accordingly.

(18) Discretionary assets under management is defined as client assets entrusted to Van Lanschot under a discretionary management agreement, irrespective of whether these assets are held in investment funds, deposits, structured products or cash.

(19) Non-discretionary assets under management is defined as client assets held for clients, irrespective of whether these assets are held in investment funds, deposits, structured products 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.

(20) Return on average CET1 equity is defined as net result divided by the Company's core equity capital (i.e. excluding Tier II capital, such as preference shares or non-controlling interests) and as from 2014 is in compliance with the Basel III Framework, based on phase-in and including retained earnings. Figures for 2013 are based on compliance with Basel II. For the three months ended 31 March 2015 and for the three months ended 31 March 2016, the ratio is annualised.

(21) Interest margin is defined as interest income as a percentage of the twelve-month average total assets excluding non-strategic investments of generally greater than 50% ownership and which are therefore consolidated in the Company's statement of income, but are not held for strategic reasons and are therefore excluded from the Group's results to allow an assessment of the Company's core business. These investments are generally equity interests which are held as a result of loan for equity swaps in past periods. The data underlying the interest margin metric are adjusted figures the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures.

(22) Clean interest margin is defined as interest margin adjusted for interest equalisation and interest-related derivatives amortisation. Interest equalisation reflects, for bonds are acquired above par, the percentage above par that is capitalised and written off during the expected life time of the bond, which is recognised as interest income. The data underlying the clean interest margin metric are adjusted figures the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures.

(23) FTEs at period end, excluding non-strategic investments.

OPERATING AND FINANCIAL REVIEW

This section relates to the unaudited condensed consolidated financial information of the Company as at and for the three months ended 31 March 2016, including comparative figures as at and for the three months ended 31 March 2015, and the audited consolidated financial information of the Company as at and for the years ended 31 December 2015, 2014 and 2013 and should be read in conjunction with the information contained in "*Risk Factors*", "*Important Information—Presentation of Financial and Other Information*", "*Capitalisation and Indebtedness*", "*Selected Consolidated Financial Information*" and the Financial Statements, including the notes thereto, included in this Prospectus or incorporated by reference, and other financial data appearing elsewhere in this Prospectus. Certain figures in this section may not add up exactly due to rounding. In addition, certain percentages in this section have been calculated using rounded figures.

Van Lanschot uses the following segmentation: Private Banking, Asset Management, Merchant Banking, Other Activities and Corporate Banking. The Company's three core segments – Private Banking, Asset Management and Merchant Banking – represent the significant majority of its financial results and financial position for the periods presented.

Overview

Van Lanschot is a specialist, independent wealth manager dedicated to the preservation and creation of wealth for its private and institutional clients. Van Lanschot's primary operating segments consist of: Private Banking, Asset Management and Merchant Banking. Van Lanschot's wealth management strategy is strongly focused on its primary operating segments and product offering in selected niches and achieving a capital light business model. Implementation of Van Lanschot's strategic focus has allowed Van Lanschot to concentrate on helping private and institutional clients to preserve and create wealth.

The table below presents an overview of Van Lanschot's primary operating segments:

Private Banking

- Private Bank for entrepreneurs, family businesses and (ultra) high net worth individuals
- Specialised services for business professionals and executives, healthcare professionals, and foundations and charities
- A clearly defined local presence through a strong network with 37 branches of which 27 are in the Netherlands, 8 in Belgium and 2 in Switzerland (onshore only)
- AuM value of €16.9 billion*
- Loan book of €8.2 billion*
- Evi van Lanschot, the online savings and investment service, targets the younger generation, mass affluent

Asset Management

- Specialised European investment management boutique with a sharp focus and a clear investment philosophy
- Focus on a limited number of high quality investment strategies: small caps, property, high-dividend equities, fixed-income securities and funds of hedge funds
- Targeting open architecture-based banks and asset managers, pension funds, insurance companies and foundations and associations
- Offering clients a fiduciary service that provides them with fully comprehensive asset management solutions
- Offices in Amsterdam, London and Edinburgh
- AuM value of €44.4 billion*

Merchant Banking

- Consists of Kempen Corporate Finance and Kempen Securities
- Specialist services including equities research and trading, mergers and acquisitions, capital market transactions as well as debt advisory services to institutional clients, corporates, financial institutions and semi-public and public entities
- Niche strategy focusing on the European real estate, European life sciences and healthcare, and Benelux market
- Offices in Amsterdam and New York

* As at 31 March 2016. AuM of Asset Management is comprised of €35.8 billion of third party AuM and €8.6 billion of AuM managed for Van Lanschot Private Banking, eliminating this intra-Company AuM. Results in total Van Lanschot AuM as at 31 March 2016 was €52.7 billion.

Van Lanschot's focus on preserving and creating wealth for its clients has led to its decision to gradually phase out any services that do not have a direct bearing on its core activities. This includes the continued wind down of the commercial loan portfolio, including commercial real estate and SME loans to clients that do not have a link to Private Banking. These activities have been subsumed into its Corporate Banking segment and are being wound down. However, Van Lanschot plans to continue to offer lending services relating to SMEs and real estate to the extent that these are consistent with the relationship model adopted by Private Banking, in particular in the areas of mortgages and financing for entrepreneurs, family businesses, business professionals and executives and healthcare professionals.

As part of its strategic update on 26 April 2016, the Company announced its intention to combine the Evi activities in the Netherlands and Belgium and separate Evi from the Private Banking segment to develop its full potential, turning Evi into the fourth pillar of its wealth management strategy. See "*Business-Strategy—Evi van Lanschot: to become a separate segment for self-directed clients*".

Recent Developments

The Company has continued to trade in line with expectations since 31 March 2016, continuing to grow in AuM.

Save for the repayment of CHF250 million senior unsecured notes issued by F. van Lanschot Bankiers N.V. on 4 April 2016, there has been no material change in the Company's capitalisation since 31 March 2016.

In April 2016, Van Lanschot announced the outcome of a strategic update for the period until and including 2020. The strategic update forms the start of the next phase of the wealth management strategy of the Company and includes updated targets for the period up to and including 2020. For more information see *"Business – Strategy"*.

In addition, in May 2016 the Company entered into a letter of intent in connection with the proposed acquisition of a company that provides IT back office solutions to Van Lanschot, for a purchase price of €1 plus an earn-out payment by Van Lanschot to the seller upon a future sale of the shares by Van Lanschot. Subject to satisfactory outcome of due diligence and other customary conditions, the transaction is expected to close in the first half of 2016. For more information see "*Business—Operational Segments—Other Activities—Van Lanschot Participaties*".

Key Factors Affecting Business and Results of Operations

Van Lanschot's income from operating activities consists mainly of net commission income received by all three of its core operating segments (Private Banking, Asset Management and Merchant Banking) and net interest income received by its Private Banking segment and the remainder of its Corporate Banking segment. The Company's income from operating activities is significantly influenced by certain key external and internal factors which have historically, directly and indirectly, affected its results of operations, as set out in detail below.

Macroeconomic and Financial Market Conditions in Europe, and particularly in the Netherlands

The macroeconomic environment in Europe, and particularly in the Netherlands, affects Van Lanschot's financial performance and results of operations, in particular with respect to the performance of investment assets, the housing market, the savings and deposit markets, interest rates and specific regulatory actions related to the economy. The overall performance of the Dutch and, to a lesser extent, the European economy drives economic activity, levels of personal wealth, real estate prices and aggregate savings balances, which affect Van Lanschot's performance. The wider European economy has experienced a significant degree of turbulence and a period of recession that commenced in 2008 with the start of the global financial crisis. Should significant periods of market disruption recur, Van Lanschot may experience limited access to external funding sources, or the failure of significant market counterparties, or other negative consequences. See "*Risk Factors—The default or perceived weakness of a major market participant could disrupt the markets in which Van Lanschot participates*" and "*Risk Factors—Because Van Lanschot does business with many counterparties, the inability of these counterparties to meet their financial obligations could have a material adverse effect on its results of operations.*"

However, economic indicators in the Netherlands have recently exhibited signs of improvement including a gradual improvement in employment rate, increased consumer consumption levels, continued low interest rates and an improved housing market, and Van Lanschot believes that these signs of economic recovery, combined with a general trend towards greater individual responsibility for managing personal wealth in pension and other plans will provide a favourable environment for the development of Van Lanschot's strategy and results of operations in the future. Specifically, house prices in the Netherlands, which affect the Van Lanschot mortgage business through its Private Banking segment, are broadly correlated with economic growth and have grown significantly since mid-2013, in line with the Dutch economy's recovery, resulting in positive developments in Van Lanschot's residential mortgage lending portfolio. The average levels of loan-to-value ratios, have developed from 81% (market value) as at 31 December 2013 and 94% (foreclosure value; 80% market value) as at 31 December 2014 to 71% (foreclosure value) as at 31 December 2015. Prior to 2015, loan to value was calculated based on a number of loan categories; in 2015 the methodology was improved, resulting in a calculation of weighted loan to value on the basis of individual loans. The average loan to value has improved as a result. On the other hand, the maturity and relative saturation of the residential mortgage origination market in the Netherlands has also meant that origination volumes and credit spreads have more recently been under pressure. Van Lanschot believes competition in the residential mortgage market has been increasing as existing players attempt to maintain origination volumes and new entrants, which include foreign entities, pension funds and insurance companies, enter the market. Aggregate savings balances represent the supply of savings held by consumers and available for banks as a source of funding, and have also grown in recent years. These developments reflect the upturn in Dutch GDP growth in recent quarters, which has further supported the recent performance of Van Lanschot.

Interest rate levels also have a significant impact on Van Lanschot's performance. The continuing low interest rate environment experienced after the global financial crisis has led to changes in the pricing of Van Lanschot's customer assets and liabilities, with mortgage and savings rates both having declined materially. The low interest rate environment and consequent lower mortgage and loan rates have made it easier for borrowers to service their debt, and in addition, made fixed rate mortgages relatively more attractive compared to floating rate mortgages. Low rates have also affected savers and depositors significantly; in recent years savers and depositors have been receiving ever lower rates on all savings and deposit products. Van Lanschot expects savings and deposit rates to fall even further if the present low interest rate environment persists (subject to an expected natural "floor" on savings and deposit rates of approximately 0%). See also "*—Key Factors Affecting Business and Results of Operations—Interest Rates, Interest Income and Interest Margin*".

In addition, Van Lanschot's Merchant Banking segment faces demand for its transaction advisory services that is generally highest during conditions of either rapid economic growth, characterised by high levels of M&A and equity capital markets activity, or in the context of a poor business environment featuring higher levels of loan non-performance and corporate distress, when there is demand for Van Lanschot's restructuring and specialised finance expertise. As a result, the underlying result from the Company's Merchant Banking segment has varied significantly during the period under review, amounting to €10.8 million for the year ended 31 December 2013 compared to €17.2 million for the year ended 31 December 2014, €20.0 million for the year ended 31 December 2015, and €0.9 million for the three months ended 31 March 2016 (compared to €5.7 million for the three months ended 31 March 2015).

Interest Rates, Interest Income and Interest Margin

The level of interest rates, which is dependent to a large extent on general economic conditions, affects Van Lanschot's results, particularly in its Private Banking segment and the remainder of its Corporate Banking segment. In particular, fluctuations in interest rates have a direct effect on net interest income, which constitutes a significant element of the Company's revenue in the period under review, and has in absolute terms remained relatively stable between 2013 and 2014, and then declining in 2015. As a proportion of the Company's total income from operating activities, net interest income has declined, largely as a result of Van Lanschot's objective over the period of increasing the level and proportion of net commission income as well as its decision in May 2013 to gradually wind down the real estate and SME loan portfolios not specifically linked to Private Banking clients.

Several factors have had an impact on the absolute levels of net interest income in the periods under review, including the volume of assets held which generate interest income (specifically residential mortgages, other loans and securities held in the investment portfolio), and the interest margin the Company earns on those assets, after funding costs are taken into account; the general interest rate environment, which impacts levels of borrower demand; and general conditions in the capital markets, including available investment yields on fixed-income securities and Van Lanschot's cost of funding. Van Lanschot seeks to limit the impact of changing interest rates on its net interest income by hedging its exposures. For more details on Van Lanschot's interest rate hedging policies, see "*Risk Management—Market Risk—Interest Rate Risk*".

Generally, the Company's net interest income declines with falling interest rates and increases with rising interest rates due to the generally corresponding reduction or increase in its interest margin, see "*Risk Factors—The low interest rate environment has affected in the past and may materially and adversely affect Van Lanschot's business, financial condition, results of operations and cash flows.*" Interest rates in the EMU have declined steadily during the period under review to their current historical low. The result has been the current low interest rate environment in the Netherlands, in Europe and globally which has maintained prevailing interest rates at or near zero for a substantial period of time. The European Central Bank and certain other monetary authorities have recently instituted negative interest rates on reserves maintained by commercial banks with central banks. As a result of the current environment of low interest rates, the Company's interest-earning assets (in particular residential mortgage loans) generate ever-lower yields upon origination or refinancing, and other loans and securities held in the investment portfolio also generating lower levels of interest income. The Company's interest income has also declined during the period under review as a result of the decision in 2013 to wind down its Corporate Banking loan portfolio of commercial real estate and SME loans, which tend to be higher risk and therefore higher yielding than residential real estate loans. Given the present low interest rate environment, as borrowers pay off those higher interest rate SME and real estate loans, the residential mortgages and other loans that have been originated by Van Lanschot have not had correspondingly high investment yields, resulting in an overall decrease in interest income. At the same time, the Company's interest expenses have also decreased as the interest rate paid by the Company on savings and deposits as well as on wholesale funding (issued debt securities as presented on the balance sheet) has decreased.

In addition, Van Lanschot is subject to costs resulting from its liquidity buffer, as a result of negative interest rates charged by the DNB, which cannot be fully passed on to customers in the form of zero or below zero interest rates on customer savings and deposits. Van Lanschot is already offering savings and deposit rates to customers, at an average rate of approximately 0.4% as at 31 March 2016, that are significantly below the level of the Dutch "wealth tax" (*inkomen uit sparen en beleggen, box 3*). The Company believes there is a limit as to how much further the Company's savings and deposit rates can be reduced (including relative to competitors) if significant savings and deposit outflows, on which the Company is reliant for its funding, are to be avoided. The Company's interest margin is driven by the rates it charges on its residential mortgages and other loans relative to its cost of funds. The Company's interest margin has remained relatively stable over the periods under review, from 1.23% in 2013, to 1.19% in 2014, 1.21% in 2015 and 1.28% in the three months ending 31 March 2016. If interest rates decline further, or duration increases significantly, the Company's interest margin may also decline as a result of the expected natural lower boundary on client savings and deposit rates, as a result of which Van Lanschot may be unable to benefit from lower funding costs commensurate with further reduced rates of interest income. However, if interest rates start rising again, in a sustained fashion the Company may be able to increase its interest margin.

In addition, fluctuations in interest rates have an indirect effect on the Company's asset management businesses, by influencing the macroeconomic environment as well as the value of the Company's AuM and demand for the investment services offered to clients.

Proportion of Revenue from Fee and Commission Income

Since 2013, as a result of its strategic review and decision to operate as a specialist, independent wealth manager, Van Lanschot has undertaken a strategy of increasing the proportion of its income from operating activities generated by net commission and fee income. In line with this strategy, Van Lanschot has sought to de-emphasise the importance of growing the assets on its balance sheet in favour of a more capital-light business model.

The Company's net commission income primarily reflects the levels of commission income generated by each of Van Lanschot primary operating segments, and the key drivers of that income, as follows:

- Private Banking – securities commissions (being management fees and transaction fees) on discretionary management, investment advisory and execution only services. Management fees are generally calculated as a percentage of AuM, which varies based on product type, geographic market and other factors.
- Asset Management – Management fees, which like those in the Private Banking segment, are generally calculated as a percentage of AuM, which varies based on product type, geographic market and other factors.
- Merchant Banking – Corporate finance and equity capital markets commissions and brokerage commissions which are related to the transactions for which the Company offers specialist services.

In line with Van Lanschot's strategy of increasing its proportion of net commission income, the commission income of Van Lanschot's primary operating segments has increased in the periods under review both in absolute terms and as a proportion of total income from operating activities. The Company's net commission income has increased from €233.3 million in 2013 (representing 42.3% of total income from operating activities), to €240.3 million in 2014 (representing 42.4% of total income from operating activities), €265.6 million in 2015 (representing 47.3% of total income from operating activities) and €58.4 million (representing 47.3% of total income from operating activities) in the three months ended 31 March 2016.

Net commission income from the asset management activities of both the Private Banking and Asset Management segments, in the form of management fees, is driven by the volume of the Company's AuM, and can therefore be forecast to some degree. In general, any decline in the value of the underlying assets lowers AuM and reduces the Company's commission income, and any increased value raises AuM and increases the commission income generated. Client redemptions which reduce AuM, and new client inflows which grow AuM, will also have an impact on the Company's commission income. The Company's total AuM during the periods under review has increased from €41.6 billion as at 31 December 2013 to €44.1 billion as at 31 December 2014, €50.2 billion as at 31 December 2015 and €52.7 billion as at 31 March 2016. The growth in AuM across the period has been largely due to market performance of the investments in the Company's AuM and the acquisition of the UK fiduciary management activities of Dutch pensions and investments manager MN, which accounted for €4.6 billion of Van Lanschot's growth in AuM when it was acquired on 1 October 2015. In the first quarter of 2016, the Company experienced net AuM inflows of €2.2 billion primarily resulting from Kempen Capital Management being awarded a mandate to actively manage corporate bonds of approximately €1 billion by Fonds de Réserve pour les Retraites and a fiduciary mandate of Univé of over €1 billion. In 2015, the Company also experienced net AuM inflows of €0.1 billion, compared to net outflows of €1.0 billion in 2014 and net inflows of €0.3 billion in 2013.

Within the Private Banking segment, the level of commission income earned on the Company's asset management services is further driven by the share of discretionary mandates (which have higher fees) compared to investment advisory (which have lower fees) or execution-only (which represent the lowest fee model within Private Banking). Fee levels within the Private Banking segment are also determined in part by the service model offered to clients, ranging from generally higher fee levels for private banking clients to lower fee levels for the more limited services provided by Evi. Within the Asset Management segment, the level of commission income earned is similarly influenced by the split between AuM managed for clients directly pursuant to asset management mandates (which tend to be higher fee) and the AuM in the fiduciary management business (which tends to involve larger mandates but on a lower fee basis). The nature of the investment mandate also has an impact on fee levels – the Company charges higher fees for management of its equity funds, for example, compared to its debt funds.

In contrast to AuM-based commission income in the Private Banking and Asset Management segments, net commission income from the Merchant Banking segment is driven by the level of market activity and is therefore relatively volatile, based on the number and size of transactions. A decline in the number or size of corporate transactions on which Kempen is appointed as an adviser could contribute to a decrease in net commission income. As a result, the underlying result from the Company's Merchant Banking segment has varied significantly during the period under review,

amounting to €10.8 million for the year ended 31 December 2013 compared to €17.2 million for the year ended 31 December 2014, €22.6 million for the year ended 31 December 2015, and €0.9 million for the three months ended 31 March 2016 (compared to €5.7 million for the three months ended 31 March 2015).

Expense Management and Efficiency Ratio

The Company's level of operating expenses, and its ability to leverage its cost base and infrastructure to generate higher levels of income from operating activities, is a key driver of its results, as measured by its efficiency ratio. One of the Company's primary financial targets has been to achieve an efficiency ratio of 60 to 65% by 2020, in line with its strategy to generate significant operating leverage while growing AuM and increasing net commission income without significant balance sheet growth. Van Lanschot's ability to accomplish these objectives while growing profitably depends on its ability to expand its business while reducing in total operating expenses. Van Lanschot has sought to leverage its scalable, fixed cost platforms by efficiently managing its costs by reducing headcount, achieving efficiencies via the closer integration of the Van Lanschot and Kempen-branded businesses, training customer-facing staff to increase productivity and providing an ability to adjust to peaks and troughs in demand for various products.

Despite Van Lanschot's cost reduction efforts, the ongoing changes in the business and strategy since the 2013 strategic review have also resulted in significant additional or non-recurring expenses which have increased Van Lanschot's cost base relative to its income, resulting in higher costs in the recent past, particularly in the Kempen business. As described above, on a management reporting basis, operating expenses for the Company overall dropped by €23.0 million or 5.6% between 2012 and 2015 (from a total expense of €410.4 million, including a €13.1 million one-off charge in 2012, to a total expense of €387.4 million in 2015).Costs within Kempen increased by 37.7% over the same period, in part offset by a 15.3% drop in operating expenses within the Van Lanschot-branded businesses (excluding Kempen). This reflected the acquisition of MN UK, as well as increased variable remuneration in the Merchant Banking and Asset Management segments. At the same time, Corporate Banking reduced FTEs in connection with the loan portfolio wind down, and the Company realised synergies in the integration of Kempen and Van Lanschot support staff and IT improvements, all of which contributed to an offsetting decrease in overall expenses.

In addition, in 2015, the Company recognised costs in respect of the November 2015 implementation of the BRRD in the Netherlands, resulting in two months of resolution fund costs in 2015, partly offset by the release of provisions on DSB. In addition, non-recurring costs have included additional marketing expenses and other costs incurred in connection with the launch of the Evi platform, in Belgium and the Netherlands, as well as certain IT upgrade costs which are incurred as expenses rather than capitalised, including improvements to the client interfaces and implementation of a new CRM system. As a result of these non-recurring costs, the Company's efficiency ratio, while stable at 70.8% in 2013 and 69.8% in 2014, increased to 74.4% in 2015 and 82.2% in the three months ended 31 March 2016. In the future, Van Lanschot expects that its strategy to focus on AuM growth while reducing its costs will contribute to an improving efficiency ratio.

Going forward, based on currently available information, the Company expects to incur €7 to €10 million in regulatory expenses, including mandatory contributions to the DGS and Single Resolution Fund, in 2016. The specific amounts of any such expense will be determined by further guidance from DNB, and such amounts could be significantly higher than projected. See "Risk Factors—*The Dutch Deposit Guarantee Scheme requires the payments of levies that may rise in the future*".

Levels of Non-Performing Loans, Impaired Loans and Loss Provisions

Van Lanschot endeavours to manage its credit risk so as to maintain a high quality balance sheet and minimise its level of non-performing loans, impaired loans, impairment charges, and loan loss provisions. See "*Risk Management—Credit Risk-Increased Credit Risk*" and "*Risk Management—Credit Risk—Breakdown to Loan Portfolio*". Non-performing loans on the Company's balance sheet have declined significantly over the periods under review, amounting to €981.1 million as at 31 December 2013, €967.7 million as at 31 December 2014 and to €588.2 million as at 31 December 2015. Impaired loans on the Company's balance sheet have also declined significantly over the periods under review, amounting to €600.2 million as at 31 December 2013, €639.8 million as at 31 December

2014 and to €534.4 million as at 31 December 2015. Furthermore, additions to loan loss provisions have also declined significantly over the periods under review, from €102.4 million for the year ended 31 December 2013, the number dropped to €76.0 million for the year ended 31 December 2014 and €51.0 million for the year ended 31 December 2015. The decline in additions to loan loss provisions is due in large part to the Company's decision in 2013 to wind down its Corporate Banking loan portfolio of commercial real estate and SME loans, which tend to be higher risk and therefore require higher levels of provisions and impairments than residential real estate loans. In particular, the sale of around €400 million face value of non-performing commercial real estate loans in 2015 significantly reduced the Company's level of provisions in that period. Over the periods under review, the Dutch macroeconomic environment was also generally improving and relatively stable, reducing the stress on borrowers which might have undermined their ability to service their loans, resulting in improved asset quality. Partly offsetting this general trend, after an internal policy review, Van Lanschot implemented stricter provisioning criteria in the first half of 2015, as a result of which loans are classified as non-performing sooner than previously, though typically with relatively small provision amounts (and in some cases zero provisions) when also categorised as impaired. As a result of this and the impact of the sale of a portfolio of non-performing real estate loans, Van Lanschot's total coverage ratio (defined as the level of provisions as a proportion of the value of impaired loans) has decreased across the period under review, from 54% as at 31 December 2013, to 49% as at 31 December 2014, and 31% as at 31 December 2015. In the Company's view, this decrease is a result of the change in provisioning and does not signify a decline in credit quality. These additions to loan loss provisioning criteria are reflected in changes in loan impairment in the Company's statement of income.

As a result, total impairments charged to profit or loss as a proportion of the Company's risk weighted assets has declined from 1.05% as at 31 December 2013, to 0.93% as at 31 December 2014, 0.74% as at 31 December 2015 and 0.22% as at 31 March 2016 (compared to 0.82% as at 31 March 2015). The Company's total impaired ratio was 4.8% as at 31 December 2013, 5.8% as at 31 December 2014, 5.2% as at 31 December 2015 and 5.1% as at 31 March 2016.

In the future, Van Lanschot expects its levels of impaired loans, impairment charges and provisions to decline further as it seeks to execute its strategy of increasing a proportion of its income from operating activities generated by net commission and fee income while continuing to wind down the real estate and SME loan portfolios in the Corporate Banking segment, in each case as a means of achieving a more capital-light business model focused on AuM growth.

Regulatory Developments

Van Lanschot conducts its business in an environment that is highly regulated by financial services laws and regulations, corporate governance and administrative requirements and policies, in most or all of the locations in which it operates or enters into transactions with clients or other parties. Principal regulators include the DNB and AFM in the Netherlands and the ECB as the regulator European Union-wide. Regulations are subject to constant change and this environment has affected, and will continue to affect, the Company's results of operations in a number of ways. The Basel III Framework implemented through CRD IV and the CRR have resulted in Van Lanschot being subject to stricter and higher capital and liquidity requirements. Future changes may also affect the scope, coverage, or calculation of capital and risk weighted assets, all of which could require Van Lanschot to reduce business levels or to raise capital. Furthermore, additional regulation often imposes additional regulatory expenses, including, in the Netherlands, mandatory contributions to the DGS and the National Resolution Funds.

Evolution of Regulatory Capital and Risk Weighted Assets

As part of Van Lanschot's strategic wind down of the Corporate Banking loan portfolio, it has already exceeded targeted reductions in risk weighted assets for 2017, and loan loss provisioning as a proportion of risk weighted assets has declined from 105 basis points for the year ended 31 December 2013 to 74 basis points for the same period in 2015. This trend is expected to continue as Van Lanschot transitions to an asset-light balance sheet and diversifies its other private loans. Van Lanschot expects Basel III requirements to be tightened in the near term, which may have the effect of lowering regulatory capital, for example, the CET1 ratio (phase-in), which was 16.3% for the year ended 31 December 2015, although Van Lanschot anticipates this may be outweighed by the continued loan book reductions. Regulatory reform proposals could result in the imposition of

additional restrictions on Van Lanschot's activities if it were to no longer meet certain capital requirements at the level of the Company, or at the level of certain subsidiaries. Van Lanschot believes that it will become subject to stricter capital and liquidity requirements and may also affect the scope, coverage or calculation of capital, liquidity and risk weighted assets, all of which could significantly reduce the Company's income and require the Company to reduce business levels, to reduce or cease dividend payments, or to raise additional share capital. The quantitative impact of additional regulatory capital requirements is currently uncertain and will depend also on whether multiple or even all of the changes have negative consequences for the Company, or only a few. See "*Risk Factors—Van Lanschot is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and Van Lanschot may have insufficient capital resources or liquidity to meet these requirements*".

Refocus on Wealth Management and Transformation of Product Offering

Van Lanschot continues to progress towards a specialist, independent wealth manager, which involves the ongoing evolution of its product offering, including the introduction and development of the digital Evi platform. Evi currently offers younger, self-directed and mass affluent clients low cost, flexible discretionary asset management, investment advice, savings accounts and pension solutions within the Private Banking operating segment. See "*Business—Private Banking—Evi*". Van Lanschot intends to further develop Evi into a stand-alone fourth operating segment, expanding it with more targeted investment products, further growth in pension products and the addition of products for minors and term deposits. Evi has been a successful proposition to date, growing its client assets from €300 million upon introduction in 2013 to nearly €1.5 billion as at 31 December 2015; continued growth will involve continued investment in the platform, including upscaling to accommodate new functionalities and additional marketing costs.

Results of Participations and Non-Strategic Investments

Van Lanschot's subsidiary, Van Lanschot Participaties, acquires minority equity stakes in unlisted companies for the Company's own account, with a typical investment range between €5 million and €15 million. There are no restrictions on the duration of the Van Lanschot Participaties' investment, and it favours a long-term investing strategy over a short-term sales strategy. Save in unusual circumstances, Van Lanschot Participaties aims to be a minority shareholder, with non-controlling interests of 20% to 49%.

As at 31 March 2016, the Van Lanschot Participaties portfolio consisted of 13 companies and a number of interests in selected private equity funds. The indicative market value of all of the investments was over €110 million as at 31 December 2015. Over the period under review it continued to wind down its interests in private equity funds, preferring to invest directly in businesses. Results from these participations over which the Company has significant influence but not control are shown as income from securities and associates.

As at 31 December 2015, the indicative market value of Van Lanschot's investments in associates using the equity method amounted to €75.4 million (see page F-119 of the Annual Consolidated Financial Statements as at and for the year ended 31 December 2015, as included in this Prospectus). The difference in valuation of Van Lanschot's investments in associates using the equity method as compared to the indicative market value of all of the investments of Van Lanschot Participaties is explained by the fact that the valuation of associates using the equity method comprises the equity interests of Van Lanschot Participaties (excluding the controlled non-strategic investments Holonite (Holowell Holding BV) and Medsen (AIO II BV)), and the interest of Van Lanschot in Van Lanschot Chabot. It excludes the market value of a number of stakes in selected private equity funds held by Van Lanschot Participaties.

In addition, in certain cases, Van Lanschot has acquired control of its investments, for instance after conversion of debt to equity upon default by the borrower. These investments are regarded as non-strategic investments. Although Van Lanschot will typically aim to sell any interests in its non-strategic investments in due course, net income (after cost of sales) from these controlled non-strategic investments are consolidated in the Company's statement of income as other income during the periods held.

The results of these non-strategic investments are reported under the segment Other and consolidated in the several profit and loss line items under IFRS, whereas the main revenues are

reported under other income. In order to present its core business, without the impact of these non-strategic investments, the Company presents certain adjustments to its consolidated statement of income. See "*—Key Metrics and Adjustments for Non-Strategic and Non-Recurring Results*".

Key Metrics and Adjustments for Non-Strategic and Non-Recurring Results

Van Lanschot uses several key operating measures, as indicated in the table below to measure the performance of its business. These terms are not a measure of financial performance under IFRS, nor have these measures been reviewed by an auditor, outside consultant or expert. These measures are derived from the Company's IFRS Financial Statements. As these terms are defined by Van Lanschot's management, they may not be comparable to similar terms used by other companies.

	As at or for the three months ended 31 March		As at or for the year ended 31 December		
	2016	2015	2015	2014	2013
	€ million, unless indicated				
Underlying result	**14.0**	**28.9**	**60.1**	**54.2**	**33.5**
Calculated on the basis of the following adjustments to net result					
• One-off pension gain[1]	—	—	—	72.7	—
• One-off charge on the sale of non-performing commercial real estate loans[2]	—	—	-23.2	—	—
• Tax effects[3]	—	—	5.9	-18.2	—
Net result	**14.0**	**28.9**	**42.8**	**108.7**	**33.5**
Underlying result per share (€)	—	—	1.26	1.09	0.71
Dividend payout ratio (of underlying result)[4]	—	—	35.8%	36.7%	28.0%
Efficiency ratio, excluding one-off gains and losses[5]	82.2%	66.0%	74.4%	69.8%	70.8%
Funding ratio[6]	91.9%	96.7%	94.1%	95.3%	81.3%
Risk weighted assets (€ billion)[7]	6.2	7.6	6.4	7.4	9.0
CET1 ratio (phase in)[8]	16.9%	14.2%	16.3%	14.6%	13.1%
Tier I ratio[9]	16.9%	14.2%	16.3%	14.6%	13.1%
Total capital ratio[10]	17.7%	14.9%	17.0%	15.2%	13.9%
Basel III					
CET1 ratio (fully loaded)[8]	16.4%	13.3%	15.4%	13.4%	10.5%
Liquidity coverage ratio[11]	146.7%	128.5%	139.5%	125.1%	151.3%
Net stable funding ratio[12]	118.6%	112.3%	118.1%	114.3%	102.9%
Leverage ratio (fully loaded)[13]	6.3%	5.7%	6.1%	5.3%	5.1%
Client assets (€ billion)	**64.3**	**62.5**	**62.6**	**58.5**	**53.4**
Comprised of					
• Savings and deposits (€ billion)[14]	9.3	10.5	9.6	10.5	10.2
• Assets under administration (€ billion)[15]	2.3	3.8	2.8	3.9	1.6
• Assets under management (€ billion)	52.7	48.2	50.2	44.1	41.6
Comprised of					
• Discretionary assets under management (€ billion)[16]	44.7	39.3	41.9	35.7	31.8
• Non-discretionary assets under management (€ billion)[17]	8.1	8.9	8.4	8.4	11.4
Return on average CET1 equity [18]	5.1%	9.4%	4.9%	4.0%	2.5%
Interest margin[19]	1.28%	1.20%	1.21%	1.19%	1.23%
Clean interest margin[20]	1.20%	1.16%	1.15%	1.15%	1.19%
Number of staff (FTEs)[21]	1,649	1,715	1,666	1,712	1,808

(1) In 2014, a new pension scheme was agreed 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, resulting in a one-off non-cash gain of €72.7 million which was reflected in the Company's consolidated statement of income as a non-recurring gain.

(2) One-off charge consists of losses recognised upon the sale of non-performing commercial real estate loans with a face value of around €400 million to a company affiliated to Cerberus Capital Management LP in 2015.

(3) Tax effects represents the statutory tax impact of 25% on the gross one-off amounts listed above.

(4) Dividend payout ratio is defined as dividend per share divided by the underlying result per share

(5) Efficiency ratio is defined as operating expenses as a percentage of income from operating activities, excluding one-off gains and losses reflecting the one-off pension gain, and the one-off charge on the sale of non-performing commercial real estate loans, as described above. The data underlying the efficiency ratio metric are thus adjusted figures which the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures.

(6) Funding ratio is defined as the Company's public and private sector liabilities as a percentage of its loans and advances to the public and private sectors (i.e. excluding the Company's liabilities due to banks and its assets to banks).

(7) Risk weighted assets are defined as the Company's assets after being adjusted by a weighting factor set by its regulators that reflects the relative risk attached to the relevant classes of asset. Risk weighted assets are used to calculate the minimum amount of capital the Company is required to hold.

(8) CET1 ratio is defined as the Company's Common Equity Tier I ratio based on full compliance with the Basel III Framework from 2014, with the ratio designated "(phase in)" based the gradual application of more stringent standards as to what capital qualifies as CET1, and the ratio designated "(fully loaded)" in full compliance with these more stringent guidelines, and including retained earnings in respect of full year results only. Figures for 2013 are based on compliance with Basel II and the ratio itself is calculated as the Company's Core Tier I capital divided by its total risk weighted assets.

(9) Tier I ratio is defined as the ratio between total Tier I capital and risk weighted assets. Tier I capital 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.

(10) Total capital ratio is defined as a measure of the Company's capital adequacy calculated by dividing qualifying capital (the sum of total Tier I and total Tier II capital) by its total risk weighted assets.

(11) Liquidity coverage ratio is defined as the ratio between high quality liquid assets and the balance of anticipated cash outflows and cash inflows over a period of 30 days. As from 31 December 2015 the liquidity coverage ratio is calculated according to the Delegated Act with regard to the Liquidity Coverage Requirement for Credit Institutions of the European Commission, adopted on 10 October 2014. Before 31 December 2015, it was calculated according to the Bank for International Settlements standards.

(12) Net stable funding ratio is defined as the relationship between available stable funding and the required amount of stable funding. Available stable funding is defined as the portion of capital and liabilities expected to be available and not withdrawn over the coming year.

(13) Leverage ratio is defined as the relationship between total assets plus contingent items and the Basel III Tier I capital. The leverage ratio is calculated in accordance with the Delegated Act on the Leverage Ratio of the European Commission, adopted on 10 October 2014. Fully loaded indicates that it applies to all relevant capital.

(14) Savings and deposits represents public and private sector liabilities on the Company's consolidated balance sheet. Savings have no maturity date, deposits have a maturity date.

(15) Starting in 2015, Van Lanschot began to recognise assets under administration as distinct from assets under management. Assets under administration are assets entrusted by clients to Van Lanschot purely for custody or for which solely administrative services are performed. Clients for which Van Lanschot administers such assets make their own investment decisions, over which Van Lanschot has no influence. Comparative figures for 2014 and 2013 have been adjusted accordingly.

(16) Discretionary assets under management is defined as client assets entrusted to Van Lanschot under a discretionary management agreement, irrespective of whether these assets are held in investment funds, deposits, structured products or cash.

(17) Non-discretionary assets under management is defined as client assets held for clients, irrespective of whether these assets are held in investment funds, deposits, structured products 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.

(18) Return on average CET1 equity is defined as net result divided by the Company's core equity capital (i.e. excluding Tier II capital, such as preference shares or non-controlling interests) and as from 2014 is in compliance with the Basel III Framework, based on phase-in and including retained earnings. Figures for 2013 are based on compliance with Basel II. For the three months ended 31 March 2015 and for the three months ended 31 March 2016, the ratio is annualised.

(19) Interest margin is defined as interest income as a percentage of the twelve-month average total assets excluding non-strategic investments of generally greater than 50% ownership and which are therefore consolidated in the Company's statement of income, but are not held for strategic reasons and are therefore excluded from the Group's results to allow an assessment of the Company's core business. These investments are generally equity interests which are held as a result of loan for equity swaps in past periods. The data underlying the interest margin metric are adjusted figures the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures.

(20) Clean interest margin is defined as interest margin adjusted for interest equalisation and interest-related derivatives amortisation. Interest equalisation reflects, for bonds are acquired above par, the percentage above par that is capitalised and written off during the expected life time of the bond, which is recognised as interest income. The data underlying the clean interest margin metric are adjusted figures the Company's management considers to be representative of the Company's underlying business, rather than IFRS figures.

(21) FTEs at period end, excluding non-strategic investments.

Furthermore, the Company's management publicly presents its financial information as adjusted to eliminate the impact of non-strategic investments and non-recurring gains and losses, in order to present its core businesses. The tables below provide a reconciliation between the IFRS values presented herein and values used by management for the three months ended 31 March 2016 and for the years ended 31 December 2015, 2014 and 2013.

	Three months ended 31 March				Year ended 31 December			
	2016				2015			
	MR[1]	NSI[2]	NRC[3]	IFRS[4]	MR[1]	NSI[2]	NRC[3]	IFRS[4]
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	€ million							
Net interest income	56.0	-0.5	-0.0	55.5	202.8	-2.0	-0.1	200.6
Income from securities and associates	1.3	—	—	1.3	28.1	0.7	—	28.9
Net commission income	58.4	—	—	58.4	265.6	—	—	265.6
Result on financial transactions	-2.2	0.0	—	-2.2	24.1	0.0	-0.8	23.3
Other income	—	10.4	—	10.4	—	42.8	—	42.8
Income from operating activities	**113.5**	**10.0**	**-0.0**	**123.5**	**520.6**	**41.5**	**-0.9**	**561.1**
Staff costs	52.3	4.9	0.6	57.8	212.0	19.3	2.4	233.7
Other administrative expenses	37.8	2.1	-0.0	39.9	160.0	9.1	2.4	171.5
Depreciation	3.3	0.8	-0.0	4.0	15.5	2.5	-0.6	17.4
Operating expenses	**93.3**	**7.8**	**0.6**	**101.7**	**387.4**	**30.9**	**4.2**	**422.5**
Non-recurring expenses	0.6	—	-0.6	—	30.4	—	-30.4	—
Result from public and private sector loans and advances	—	—	—	—	—	—	22.4	22.4
Gross profit before tax of non-strategic investments	2.2	2.2	—	—	10.6	10.6	—	—
Impairments	3.8	—	—	3.8	59.0	—	2.9	61.9
Total expenses	97.8	7.8	-0.0	105.5	476.8	30.9	-0.9	506.9
Operating profit before tax	**17.9**	**—**	**—**	**17.9**	**54.3**	**—**	**—**	**54.3**
Income tax	3.9	—	—	3.9	11.5	—	—	11.5
Net result	**14.0**	**—**	**—**	**14.0**	**42.8**	**—**	**—**	**42.8**

	Year ended 31 December							
	2014				2013			
	MR[1]	NSI[2]	NRC[3]	IFRS[4]	MR[1]	NSI[2]	NRC[3]	IFRS[4]
	(unaudited)	(unaudited)	(unaudited)		(unaudited)	(unaudited)	(unaudited)	
	€ million							
Net interest income	213.7	-1.1	-0.1	212.5	213.9	-1.7	—	212.2
Income from securities and associates	51.1	4.2	—	55.3	14.8	—	2.3	17.1
Commission income	240.3	—	—	240.3	234.8	—	-1.6	233.3
Result on financial transactions	41.9	0.0	—	42.0	66.3	0.0	—	66.3
Other income	0	16.2	—	16.2	0	22.3	—	22.3
Income from operating activities	**547.1**	**19.3**	**-0.1**	**566.2**	**529.8**	**20.6**	**0.8**	**551.2**
Staff costs	210.2	9.9	-68.5	151.7	217.4	12.1	10.2	239.7
Other administrative expenses	150.7	4.2	8.1	163.0	135.0	6.1	12.0	153.1
Depreciation	20.8	1.8	-0.1	22.5	22.6	2.2	-8.9	15.9
Operating expenses	**381.7**	**15.9**	**-60.5**	**337.1**	**374.9**	**20.4**	**13.3**	**408.6**
Non-recurring expenses	-60.3	—	60.3	—	8.0	—	-8.0	—
Result from public and private sector loans and advances	—	—	—	—	—	—	—	—
Gross profit before tax of non-strategic investments	3.4	3.4	—	—	0.2	0.2	—	—
Impairments	95.5	—	—	95.5	109.7	—	-4.6	105.1
Costs	416.9	—	—	432.7	492.6	20.4	0.8	513.8
Operating profit before tax	**133.5**	**—**	**—**	**133.5**	**37.4**	**—**	**—**	**37.4**
Income tax	24.8	—	—	24.8	3.9	—	—	3.9
Net result	**108.7**	**—**	**—**	**108.7**	**33.5**	**—**	**—**	**33.5**

(1) MR represents management reporting, calculated as the Company's results under IFRS, as adjusted to reflect the adjustments indicated in footnotes (2) and (3), to comprise the adjusted figures the Company's management considers to be representative of the Company's underlying business.

(2) Indicates results derived from investments the Company considers to be non-strategic, defined as participations held via Van Lanschot Participaties, of greater than 50% ownership and which are therefore controlled and consolidated in the Company's statement of income, but are not held for strategic reasons and are therefore excluded from the Group's results to allow an assessment of the Company's core business. These investments are generally equity interests which are held as a result of conversion of debt to equity upon default by the borrower in past periods.

(3) Indicates results the Company considers to be non-recurring, defined as one-off gains and losses, including a one-off non-cash pension gain of €72.7 million in 2014 (and associated charges) and losses recognised upon the sale of non-performing commercial real estate loans with a face value of around €400 million to a company affiliated to Cerberus Capital Management LP in 2015, as well as the statutory tax impact of 25% on these gross one-off amounts.

(4) IFRS values extracted from the audited consolidated financial information of the Company.

Financial Position

Assets

The following table sets out the Company's assets as at 31 March 2016 and as at 31 December 2015, 2014 and 2013.

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)			
		€ million		
Cash and cash equivalents and balances at central banks	1,072.9	881.0	1,157.0	2,000.0
Financial assets held for trading	11.7	6.9	43.2	47.1
Due from banks	232.7	200.1	449.1	429.2
Financial assets designated as at fair value through profit or loss	504.2	712.6	1,309.5	725.9
Available-for-sale investments	2,216.5	2,159.1	1,952.7	1,197.7
Held-to-maturity investments	521.1	523.6	533.7	—
Loans and advances to the public and private sectors[1]	10,123.0	10,168.4	11,021.1	12,490.7
Derivatives (receivables)	377.3	333.4	275.1	208.1
Investments in associates using the equity method	67.2	56.3	50.7	50.4
Property, plant and equipment	78.2	79.2	76.4	84.6
Goodwill and other intangible assets	174.5	175.1	153.5	172.4
Current tax assets	1.4	1.9	1.3	13.6
Deferred tax assets	45.9	49.8	59.8	59.8
Other assets	142.9	148.3	176.4	190.7
Total assets	**15,569.6**	**15,495.7**	**17,259.4**	**17,670.4**

(1) IFRIC discussions regarding IAS32 are ongoing with respect to pooling of client cash accounts. Stricter regulation is expected to come into force in the near future, most probably in the second half of 2016. The Company therefore has decided to stop applying pooling of client cash accounts in the consolidated statement of financial position as of April 2016. The impact of this change on the consolidated statement of financial position is expected to be approximately negative €360 million. Existing client arrangements with respect to interest pooling will not be impacted.

Total assets as at 31 March 2016 were €15.6 billion, an increase of €73.9 million or 0.5% compared to €15.5 billion as at 31 December 2015. The increase in total assets over the period was primarily due to the increase in cash equivalents at central banks, partially offset by a decrease of financial assets designated at fair value through profit or loss, both resulting from the Company's €500 million Covered Bond issuance. Loans and advances to the public and private sectors, representing the Company's portfolio of loans to private individuals as well as to companies and institutions, remained relatively stable.

Total assets as at 31 December 2015 were €15.5 billion, a decrease of €1.8 billion or 10.2%, compared with €17.3 billion as at 31 December 2014. The decrease in total assets over the period was primarily due to a 7.7% decline in the loan portfolio to €10.2 billion, primarily driven by the continued wind down of the Corporate Banking loan portfolio. Within the loan portfolio, the level of impairments decreased significantly, from €324.0 million as at 31 December 2014 to €180.3 million as at 31 December 2015, mostly as a result of the sale of non-performing commercial real estate loans to a company affiliated to Cerberus Capital Management LP in 2015. Also contributing to this decrease in total assets was the decline in the investment portfolio, primarily in the financial assets designated as at fair value through profit or loss, reflecting adjustments in the size and composition of the investment portfolio in accordance with the Company's funding mix policy.

Total assets as at 31 December 2014 were €17.3 billion, a decrease of €411.0 million or 2.3%, compared with €17.7 billion as at 31 December 2013. The decrease in total assets over the period was primarily due to a 11.8% decline in the loan portfolio to €11.0 billion, primarily driven by the continued wind down of the Corporate Banking loan portfolio. The decrease was offset by a significant increase in the debt securities in the investment portfolio, reflecting the investment of excess cash in better yielding instruments.

Loans and Advances to the Public and Private Sectors

The following table sets out the Company's loan portfolio, reflecting its loans and advances to the public and private sectors as at 31 March 2016 and as at 31 December 2015, 2014 and 2013.

	As at 31 March	As at 31 December		
	2016	**2015**	**2014**	**2013**
	(unaudited)			
		€ million		
Mortgage loans	6,361.2	6,352.6	6,112.0	6,482.7
Loans	2,473.4	2,623.4	3,358.2	4,055.3
Current accounts	1,022.5	1,013.9	1,405.5	1,730.3
Securities-backed loans and settlement claims	306.8	243.8	266.1	329.6
Subordinated loans	13.6	14.7	37.5	47.0
Value adjustments, fair value hedge accounting	126.9	100.2	165.8	178.5
Mortgage impairments	-63.4	-63.7	-69.7	-67.6
Loan impairments	-118.0	-116.6	-254.3	-265.0
Total impairments	**-181.3**	**-180.3**	**-324.0**	**-332.6**
Total loans and advances to the public and private sectors	**10,123.0**	**10,168.4**	**11,021.1**	**12,490.7**

The Company's loan portfolio comprises mortgages distributed through the Private Banking segment, other loans granted to Private Banking clients – primarily to finance large discretionary purchases like holiday homes and to entrepreneurs, business professionals and executives and healthcare professionals, for instance to fund new business ventures or partnership buy-ins – as well as the Corporate Banking loan portfolio of commercial real estate and SME loans, and a portfolio of mortgages distributed by third parties in connection with the Company's liquidity management efforts (beginning in April 2015). The table below presents the Company's loans and advances to the public and private sectors, disclosed on a category and segment basis as at 31 March 2016 and as at 31 December 2015, 2014 and 2013.

	As at 31 March	As at 31 December		
	2016	**2015**	**2014**	**2013**
	(unaudited)			
		€ million (whole units only)		
Mortgages	5,949	5,980	6,041	6,446
Other loans	2,259	2,206	2,212	2,762
Total Private Banking Loans	**8,207**	**8,187**	**8,253**	**9,208**
Loans to SMEs	731	765	1,289	1,643
Property financing	993	1,065	1,803	1,973
Total Corporate Banking Loans	**1,724**	**1,830**	**3,092**	**3,616**
Mortgages distributed by third parties[1]	**373**	**332**	—	—
Impairments	-181	-180	-324	-333
Total Loan Portfolio	**10,123**	**10,168**	**11,021**	**12,491**

(1) In April 2015, Van Lanschot started providing mortgages using its available liquidity under the Hypotrust brand through a network of mortgage brokers, as part of Van Lanschot's liquidity management efforts. The aim is to build a portfolio of standard Dutch mortgages to supplement Van Lanschot's existing investment portfolio, enabling attractive returns to be generated on available liquidity. Van Lanschot is targeting €500 million in this specific mortgage portfolio.

Total loans and advances to the public and private sectors as at 31 March 2016 were €10.1 billion, a decrease of €45.4 million or 0.4%, compared to €10.2 billion as at 31 December 2015.

The decrease in total loans and advances to the public and private sectors over the period was primarily due to the continued wind down of the Corporate Banking loan portfolio, which decreased by 5.8%, partially offset by a small increase of the mortgage portfolio.

Total loans and advances to the public and private sectors as at 31 December 2015 were €10.2 billion, a decrease of €852.7 million or 7.7%, compared to the amount of €11.0 billion as at 31 December 2014. The decrease in total loans and advances to the public and private sectors over the period was primarily due to the continued wind down of the Corporate Banking loan portfolio, which decreased by 40.8%.

Total loans and advances to the public and private sectors as at 31 December 2014 were €11.0 billion, a decrease of €1.5 billion or 11.8%, compared with €12.5 billion as at 31 December 2013. The decrease in total loans and advances to the public and private sectors over the period was primarily due to a targeted reduction in commercial real estate and SME loans in the Corporate Banking loan portfolio that was initiated in 2013, resulting in a 14.5% decrease. Also contributing to the overall decrease, Private Banking clients made a significant number of scheduled and additional mortgage repayments.

Investment Portfolio

The Company's investment portfolio is maintained for liquidity purposes within the framework of its asset and liability management programme, and so consists chiefly of liquid, relatively low-risk instruments. The investment portfolio comprises the financial assets designated as at fair value through profit or loss (consisting of both debt and equity instruments), available-for-sale investments (also consisting of both debt and equity instruments) and held-to-maturity investments (all of which are debt instruments) on the Company's balance sheet. The following table sets out the Company's total investment portfolio as at 31 March 2016 and as at 31 December 2015, 2014 and 2013.

	As at 31 March	As at 31 December		
	2016	**2015**	**2014**	**2013**
	(unaudited)			
		€ million		
Financial assets designated as at fair value through profit or loss	504.2	712.6	1,309.5	725.9
Available-for-sale investments	2,216.5	2,159.1	1,952.7	1,197.7
Held-to-maturity investments	521.1	523.6	533.7	—
Total Investment Portfolio	**3,241.8**	**3,395.3**	**3,795.9**	**1,923.6**

The Company's total investment portfolio as at 31 March 2016 was €3.2 billion, a decrease of €153.5 million or 4.5%, compared to €3.4 billion as at 31 December 2015. The decrease in the total investment portfolio over the period was primarily due to a reduction in Spanish and other European government paper within financial assets designated as at fair value through profit or loss.

The Company's total investment portfolio as at 31 December 2015 was €3.4 billion, a decrease of €400.6 million or 10.6%, compared with €3.8 billion as at 31 December 2014. The decrease in the total investment portfolio over the period was primarily due to a reduction in government paper within financial assets designated as at fair value through profit or loss. In addition, in 2015 certain other securities held in the form of government paper were re-designated as available-for-sale rather than as financial assets designated as at fair value through profit or loss in order to avoid an impact on the statement of income from volatility in credit spreads.

The Company's total investment portfolio as at 31 December 2014 was €3.8 billion, an increase of €1.9 billion or 97.3%, compared with €1.9 billion as at 31 December 2013. The increase in the total investment portfolio over the period was primarily due a targeted reduction in commercial real estate and SME loans in the Corporate Banking loan portfolio that was initiated in 2013, which generated significant liquidity to the Company, as well as from the deployment of funds from inflow of savings accounts during the period. The additional funds in the investment portfolio were placed into Belgian and Dutch government bonds, certain bonds issued by the European Investment Bank and certain bonds of Western European financial institutions (within financial assets designated as at fair value through profit or loss and the newly-created held-to maturity portfolio), as well as certain asset-backed securities (within available-for-sale investments).

Liabilities

The following table sets out the Company's liabilities as at 31 March 2016 and as at 31 December 2015, 2014 and 2013.

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)			
		€ million		
Financial liabilities from trading activities	5.1	0.4	0.1	0.8
Due to banks	459.7	698.1	880.0	1,175.4
Public and private sector liabilities	9,300.1	9,572.3	10,499.2	10,161.4
Financial liabilities designated as at fair value through profit or loss	803.5	804.6	705.9	357.6
Derivatives (liabilities)	434.1	324.8	381.3	299.7
Issued debt securities	2,954.1	2,480.0	3,073.4	3,849.1
Provisions	20.8	23.7	21.3	35.9
Current tax liabilities	1.4	1.6	0.5	22.9
Deferred tax liabilities	1.8	3.3	10.1	8.4
Other liabilities	147.6	148.8	215.8	292.0
Subordinated loans	118.0	118.2	121.4	128.2
Total liabilities	**14,246.2**	**14,175.8**	**15,908.9**	**16,331.4**

Total liabilities as at 31 March 2016 were €14.2 billion, an increase of €70.4 million or 0.5%, compared to €14.2 billion as at 31 December 2015. The increase in total liabilities over the period was primarily due to the Company's €500 million Covered Bond issuance (within issued debt securities), partially offset by the decrease of public and private sector liabilities due to lower savings and deposits.

Total liabilities as at 31 December 2015 were €14.2 billion, a decrease of €1.7 billion or 10.9%, compared with €15.9 billion as at 31 December 2014. The decrease in total liabilities over the period was primarily due to lower savings and deposits and the redemption of certain RMBS notes within issued debt securities.

Total liabilities as at 31 December 2014 were €15.9 billion, a decrease of €422.5 million or 2.6%, compared with €16.3 billion as at 31 December 2013. The decrease in total liabilities over the period was primarily due to a decline of net issued debt securities due to the redemption of senior unsecured notes and certain RMBS notes, partly offset by the issuance of senior unsecured notes and structured notes.

Public and Private Sector Liabilities

The Company's retail funding portfolio comprises savings accounts, deposit accounts and other client accounts designated as public and private sector liabilities. The following table sets out the Company's public and private sector liabilities as at 31 March 2016 and as at 31 December 2015, 2014 and 2013.

	As at 31 March	As at 31 December		
	2016	2015	2014	2013
	(unaudited)			
		€ million		
Savings[1]	4,242.8	4,356.5	4,680.5	3,481.1
Deposits[2]	538.1	753.9	1,705.7	2,523.5
Other client assets[3]	4,511.6	4,457.0	4,106.4	4,154.9
Value adjustments fair value hedge accounting	7.7	4.9	6.6	1.9
Total public and private sector liabilities	**9,300.1**	**9,572.3**	**10,499.2**	**10,161.4**

(1) Savings accounts are amounts due to customers on demand, without a maturity date.
(2) Deposits accounts are amounts due to customers with a maturity date.
(3) Other client assets are principally current accounts, which are amounts due to customers on demand.

Total public and private sector liabilities as at 31 March 2016 were €9.3 billion, a decrease of €272.2 million or 2.8% compared to €9.6 billion as at 31 December 2015. The decrease in total public and private sector liabilities over the period, in line with the Company's funding strategy, was primarily due to the outflow of deposits, partially offset by an increase of current accounts.

Total public and private sector liabilities as at 31 December 2015 were €9.6 billion, a decrease of €926.9 million or 8.8%, compared with €10.5 billion as at 31 December 2014. The decrease in total public and private sector liabilities over the period, in line with the Company's funding strategy, was primarily due to deposit outflows resulting from cuts in saving rates.

Total public and private sector liabilities as at 31 December 2014 were €10.5 billion, an increase of €337.8 million or 3.3%, compared with €10.1 billion as at 31 December 2013. The increase in total public and private sector liabilities over the period was primarily due to increases in savings, particularly through the Evi platform in the Netherlands and Belgium, partially offset by a decrease in deposits.

Issued Debt Securities

The following table sets out the Company's issued debt securities, comprising debt instruments and other negotiable debt securities issued with rates of interest that are either fixed or variable, as at 31 March 2016 and as at 31 December 2015, 2014 and 2013. See also "*—Material Indebtedness and Other Material Liabilities*".

	As at 31 March	As at 31 December		
	2016	**2015**	**2014**	**2013**
	(unaudited)			
		€ million		
Bond loans and notes[1]	1,266.9	1,274.1	1,255.6	1,528.7
Notes as part of securitisation transactions[2]	620.2	643.3	1,697.1	2,058.2
Covered Bonds[3]	1,000.4	491.6	—	—
Floating-rate notes[4]	54.1	58.6	108.3	249.7
Medium-term notes[5]	12.5	12.5	12.5	12.5
Total issued debt securities[6]	**2,954.1**	**2,480.0**	**3,073.4**	**3,849.1**

(1) Bond loans and notes consist of issuances under both Van Lanschot's debt issuance programme (maximum aggregate nominal amount outstanding not exceeding €5.0 billion) and its structured note issuance programme (maximum aggregate nominal amount outstanding not exceeding €2.0 billion).

(2) Van Lanschot has securitised a part of its residential mortgages loan book through residential mortgage-backed securities transactions. A characteristic of these transactions is that the beneficial title to the securitised mortgage loan receivables is transferred to a separate entity for securitisation purposes, and that securitisation entity then issues various classes of notes. The notes issued create a payment obligation on the securitisation entity rather than on Van Lanschot.

(3) Covered Bonds consist of securities issued through Van Lanschot's conditional pass-through covered bond programme, which is based on Dutch covered-bond legislation and is covered by a portfolio of Dutch home mortgages. The programme has been registered with the DNB.

(4) Floating rate notes consist of issuances under both Van Lanschot's debt issuance programme (maximum aggregate nominal amount outstanding not exceeding €5.0 billion) and its structured note issuance programme (maximum aggregate nominal amount outstanding not exceeding €2.0 billion).

(5) Medium term notes consist of issuances under both Van Lanschot's debt issuance programme (maximum aggregate nominal amount outstanding not exceeding €5.0 billion) and its structured note issuance programme (maximum aggregate nominal amount outstanding not exceeding €2.0 billion).

(6) For comparative purposes, the line item Value adjustment fair value hedge accounting has been removed. The amount of €18.1 million is distributed between the line item Bond loans and notes and Covered Bonds.

The Company's issued debt securities as at 31 March 2016 were valued at €3.0 billion, an increase of €474.1 million or 19.1% compared to €2.5 billion as at 31 December 2015. The increase in total debt securities over the period was primarily due to the Company's €500 million Covered Bond issuance.

The Company's issued debt securities as at 31 December 2015 were valued at €2.5 billion, a decrease of €593.4 million or 19.3%, compared with €3.1 billion as at 31 December 2014. The decrease in total debt securities over the period was primarily due to the redemption of the RMBS Citadel 2010-I notes and the RMBS Citadel 2010-II notes. This decrease was partially offset by a €500 million Covered Bond issuance and the issuances of and redemptions of several structured notes.

The Company's issued debt securities as at 31 December 2014 were valued at €3.1 billion, a decrease of €775.7 million or 20.2%, compared with €3.9 billion as at 31 December 2013. The decrease in total debt securities over the period was primarily due to the redemption of senior unsecured notes and the redemption of certain RMBS notes, partially offset by the issuance of senior unsecured notes and structured notes.

Description of Key Statement of Income Line Items

Net Interest Income

Net interest income consists of income earned on lending, interest from debt securities and other investments, and income received from interest rate derivatives net of costs of borrowing, interest rate derivative costs and costs of associated transactions, related commission, and other income/expense similar to interest. The amortisation charges resulting from the wind down of interest rate swaps hedging the mortgage portfolio are 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

Income from securities and associates consists of income from associates using the equity method and other income from securities and associates. Income from associates using the equity method is comprised of interests in participations, which are investments for which Van Lanschot has significant influence but no control (control being defined as over 50% of existing and potential voting rights or other forms of control by contractual arrangements), specifically those investments within Van Lanschot Participaties as well as the Company's interest in Van Lanschot Chabot. Other income from securities and associates represents, in respect of these non-controlled investments, receipt of dividends from available-for-sale investments, fair value adjustments to the value of equity investments designated at fair value through profit or loss and any realised gains and losses on sale of equity investments (whereas any realised gains on sale of debt investments are recognised in result on financial transactions). Significant or prolonged declines in the fair value of available-for-sale investments and associates using the equity method are recognised as impairments.

Net sales and cost of sales from non-strategic investments which Van Lanschot controls are recognised in other income. See "*—Key Factors Affecting Business and Results of Operations—Results of Participations and Non-Strategic Investments*".

Net Commission Income

Net commission income consists of 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.

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 (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 financial transactions comprises:

- Result on securities trading, which consists of unrealised value differences on gains and losses on financial instruments relating to the Company's securities trading portfolio, as well as any realised gains on sale of debt investments (whereas any realised gains on sale of equity investments are recognised in income from securities and associates);
- Result on foreign currency trading, which consists of exchange and price gains and losses on trading in other financial instruments;
- Unrealised gains/losses on derivatives under hedge accounting, which consists of gains and losses due to ineffectiveness in hedge accounting;
- Result on trading derivatives and equities;
- Result on available-for-sale debt instruments, which consists of realised gains and losses;
- Result on economic hedges, which consists of realised and unrealised gains and losses on derivatives that are not included in a hedge accounting model; and
- Result on financial instruments designated as at fair value through profit and loss, which consists of unrealised value differences and interest expenses on financial liabilities designated as at fair value through profit and loss.

A substantial portion of the Company's investment portfolio classified as financial assets designated as at fair value through profit or loss on the balance sheet is hedged. This means that market value movements of the hedge instrument (for example, for interest rate hedges) are recognised as gains/losses on economic hedges, whereas the market value movements from the hedged items (the so designated investment portfolio) is recognised as gains/losses on financial instruments designated at fair value through profit and loss.

Other Income

Other income consists of net income (after cost of sales) from controlled non-strategic investments (control being defined as over 50% of existing and potential voting rights or other forms or control via contractual arrangements), all of which are managed by Van Lanschot Participaties, arising from conversion of debt to equity upon loan defaults (generally where a company has not been able to repay a corporate loan from Van Lanschot and the loan has been converted into a shareholding, thus giving the company concerned time to recover). Van Lanschot will typically aim to sell any shares in any controlled non-strategic investments in due course to recover the value of initial loans. Other income is recognised in accordance with the requirements of IFRS (in particular IAS 18). See *"—Key Factors Affecting Business and Results of Operations—Results of Participations and Non-Strategic Investments*".

Staff Costs

Staff costs consists of 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. Within parts of the Merchant Banking and Asset Management segments, staff costs are to a certain extent variable for certain employees, by being linked to the segment's net result.

Other Administrative Expenses

Other administrative expenses consists, amongst others, of 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 additions to loan loss provisions as well as the balance of any required other impairments and reversals of such impairments (including any negative movements in fair value of non-controlled strategic investments, whereas any positive movements in fair value are recognised in income from securities and associates).

Result from Sale of Private and Public Sector Loans and Advances

Van Lanschot sold a portfolio of non-performing real estate loans to a company affiliated to Cerberus Capital Management LP in 2015. The result of this sale was recognised as a loss of €22.4 million. An amount of negative €0.8 million relating to interest rate swaps associated with the portfolio was taken to the Result on financial transactions, thus the total impact of the transaction amounted to negative €23.2 million.

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.

Results of Operations

Comparison of Results of Operations for the Three Months ended 31 March 2016 and the Three Months ended 31 March 2015

The following table sets out the components of the Company's net result for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Income from operating activities		
Interest income	107.7	153.4
Interest expense	52.2	103.4
Net interest income	**55.5**	**50.0**
Income from associates using the equity method	2.0	1.7
Other income from securities and associates	-0.7	6.3
Income from securities and associates	**1.3**	**8.0**
Commission income	59.8	70.1
Commission expense	1.4	2.0
Net commission income	**58.4**	**68.1**
Result on financial transactions	**-2.2**	**22.1**
Other income	**10.4**	**10.2**
Total income from operating activities	**123.5**	**158.4**
Expenses		
Staff costs	57.8	60.9
Other administrative expenses	39.9	40.2
Staff costs and other administrative expenses	**97.7**	**101.0**
Depreciation and amortisation	4.0	4.6
Operating expenses	**101.7**	**105.6**
Addition to loss provision	3.4	15.3
Other impairments	0.4	0.4
Impairments	**3.8**	**15.7**
Total expenses	**105.5**	**121.3**
Operating result before tax	**17.9**	**37.0**
Income tax	3.9	8.1
Net result	**14.0**	**28.9**

Income from Operating Activities

The following table sets out the Company's income from operating activities by segment for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Private Banking	66.0	66.4
Asset Management	21.4	20.1
Merchant Banking	10.0	19.4
Other	13.3	36.1
Core activities	**110.7**	**142.1**
Corporate Banking	12.8	16.3
Income from operating activities	**123.5**	**158.4**

The movement within segments in the Company's income from operating activities during the period under review resulted primarily from unfavourable market conditions at the start of the year and lower returns on the investment portfolio, resulting in a lower result from financial transactions and lower corporate finance commissions from Merchant Banking, due to lower transaction activity in the first quarter of 2016. In addition, in the Other segment, certain non-recurring gains in the first quarter of 2015 which were not repeated in the first quarter of 2016 also contributed to lower income from operating activities in the first quarter of 2016. Specifically, in January 2015, all Italian and Spanish government bonds were sold, resulting in a gain of €13.6 million for the three months ended 31 March 2015, which did not recur in the first quarter of 2016. Concurrently, a result of €9.2 million was realised on the investment portfolio in the first quarter of 2015, reflecting higher asset values on a mark-to-market basis, due to lower spreads as a result of the ECB bond buyback program.

Interest Income and Interest Expense

The following table sets out the principal components of the Company's interest income and expense for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Interest income	**107.7**	**153.4**
Comprised of		
• Interest income on cash equivalents	—	—
• Interest income on banks and private sector	78.8	85.7
• Interest income on held-to-maturity investments	1.8	1.7
• Other interest income	0.6	0.0
Interest income on items not recognised at fair value	**81.2**	**87.4**
Comprised of		
• Interest income on available-for-sale investments	3.8	4.1
• Interest income on assets at fair value	2.6	6.8
• Interest income on derivatives	20.2	55.1
Interest expense	**52.2**	**103.5**
Comprised of		
• Interest expense on banks and private sector	14.8	26.2
• Interest expense on issued debt securities	11.7	15.3
• Interest expense on subordinated loans	1.5	1.6
• Other interest expense	0.1	0.1
Interest expense on items not recognised at fair value	**28.1**	**43.3**
Interest expense on derivatives	23.8	60.0
Interest expense on balances at central banks	0.3	0.2
Net interest income	**55.5**	**50.0**

The movements in the Company's interest income and expense during the period under review resulted primarily from the continued wind down of the Corporate Banking loan portfolio, from €2.8 billion as at 31 March 2015 to €1.7 billion as at 31 March 2016, as well as lower interest income on the investment book due to lower rates in the capital markets and the redemption of certain RMBS notes for which a swap was previously in place.

Net Interest Income

The Company's net interest income for the three months ended 31 March 2016 was €55.5 million, an increase of €5.5 million, or 11.1%, compared to €50.0 million for the three months ended 31 March 2015. The movements in the Company's net interest income during the period under review resulted primarily from lower interest expenses paid on client savings accounts and deposits as a result of lower levels of client deposits and savings as well as lower interest rates and lower amortisation charges on discontinued interest hedges, which was partly offset by lower interest income on the Corporate Banking loan portfolio and the investment portfolio.

Income from Securities and Associates

The following table sets out the principal components of the Company's income from securities and associates for the periods indicated.

	Three months ended 31 March	
	2016	2015
	(unaudited) € million	
Dividends and fees	0.3	0.3
Movements in value of investments at fair value through profit or loss	-1.1	5.9
Realised gains on available-for-sale investments in equity instruments	—	—
Other gains on sale	—	—
Income from associates using the equity method	2.0	1.7
Total income from securities and associates	**1.3**	**8.0**

The decrease in the Company's income from securities and associates during the period under review resulted primarily from negative fair value adjustments on the value of the Company's non-controlled investments in the three months ended 31 March 2016, of negative €1.1 million, compared to positive valuation adjustments of €5.9 million in the three months ended 31 March 2015, reflecting adverse market conditions in the first quarter of 2016.

Commission Income

The Company's commission income for the three months ended 31 March 2016 was €59.8 million, a decrease of €10.3 million, or 14.6 %, compared to €70.1 million for the three months ended 31 March 2015. The movements in the Company's commission income during the period under review resulted primarily from lower corporate finance commissions as well as lower securities commissions within the Merchant Banking segment as a result of a challenging capital markets environment in the first few months of 2016.

Commission Expense

The Company's commission expense for the three months ended 31 March 2016 was €1.4 million, a decrease of €0.6 million, or 29.1%, compared to €2.0 million for the three months ended 31 March 2015. The movements in the Company's commission expense during the period under review resulted primarily from lower brokerage fees paid to third parties by Kempen, due to lower activity in line with the lower levels of commission income.

Net Commission Income

The following table sets forth the principal components of the Company's net commission income for the periods indicated.

	Three months ended 31 March	
	2016	2015
	(unaudited) € million	
Securities commissions	7.5	12.5
Management commissions	42.6	40.9
Cash transactions and funds transfer commissions	2.5	2.7
Corporate Finance and Equity Capital Markets commissions	3.5	10.4
Other commissions	2.4	1.7
Total net commission income	**58.4**	**68.1**

The following table sets out the Company's net commission income by segment for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Private Banking	26.3	27.8
Asset Management	21.6	20.0
Merchant Banking	9.6	19.0
Other	—	0.3
Core activities	**57.5**	**67.1**
Corporate Banking	0.9	1.0
Net commission income	**58.4**	**68.1**

The decrease in the Company's net commission income during the period under review resulted primarily from lower corporate finance commissions as well as lower securities commissions and other commissions, both within the Merchant Banking segment as a result of a challenging capital markets environment in the first few months of 2016, partly offset by higher management fees as a result of a 5% increase in AuM.

Result on Financial Transactions

The following table sets out the principal components of the Company's result on financial transactions for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Profit/loss on securities trading	-1.0	0.0
Profit/loss on currency trading	1.8	2.9
Unrealised gains/losses on derivatives under hedge accounting	-3.9	-1.2
Realised and unrealised gains/losses on trading derivatives	1.7	2.1
Realised gains/losses on available-for-sale debt instruments	3.6	10.8
Gains/losses on economic hedges	-19.1	20.7
Gains/losses on financial assets at fair value through profit or loss	14.8	-13.2
Total result on financial transactions	**-2.2**	**22.1**

The decrease in the Company's result on financial transactions during the period under review resulted primarily from lower gains and losses on the investment portfolio. The movement in gains/losses on economic hedges and gains/losses on financial assets at fair value through profit or loss shows the impact of changing capital market rates on the mark-to-market portfolio as well as some derivative positions.

Other Income

The following table sets out the principal components of the Company's other income for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Net sales	23.9	22.3
Cost of sales	-13.5	-12.1
Total other income	**10.4**	**10.2**

The slight increase in the Company's other income during the period under review resulted primarily from slightly higher income from controlled non-strategic investments in the first quarter of 2016.

Staff Costs

The following table sets out the principal components of the Company's staff costs for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Salaries and wages	43.6	47.3
Pension costs for defined contribution schemes	4.6	4.7
Pension costs for defined benefit schemes	1.2	0.9
Other social security costs	5.0	5.1
Share-based payments for variable remuneration	0.5	0.6
Other staff costs	2.8	2.4
Total staff costs	**57.8**	**60.9**

Salaries and wages represented the largest proportion of staff costs during the period under review, and reflected a decrease resulting primarily from lower FTE numbers in the Private Banking segment partially offset by redundancy costs and the addition of FTEs related to the acquisition of MN UK in the Asset Management segment in the third quarter of 2015.

The following table sets out the Company's staff costs by segment for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Private Banking	21.6	17.8
Asset Management	8.6	8.3
Merchant Banking	4.6	7.4
Other	21.8	25.6
Core activities	**56.6**	**59.1**
Corporate Banking	1.2	1.8
Total staff costs	**57.8**	**60.9**

The shifts in the Company's staff costs as allocated by segment during the period under review resulted primarily from a change in internal allocated overhead expenses, specifically from the allocation of a shared service centre department (covering loans, savings and payments), which was classified as a staff cost within the Other segment in 2015, but as of 2016 has been reclassified as staff costs within the Private Banking segment. Although this re-allocation has increased staff costs at Private Banking and lowered staff costs classified within Other, staff costs within Private Banking experienced an offsetting decrease due to lower total number of FTEs in the segment. In addition, Merchant Banking had a lower net result in the three months ended 31 March 2016, causing lower salary and wage expenses (i.e. with respect to variable remuneration) within Merchant Banking. Asset Management costs increased slightly in connection with the MN UK acquisition in the third quarter of 2015.

Other Administrative Expenses

The following table sets out the principal components of the Company's other administrative expenses for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Accommodation expenses	6.2	5.8
Marketing and communication	2.4	2.8
Office expenses	2.2	2.4
IT expenses	13.6	15.6
External auditor fees	0.8	0.6
Consultancy fees	3.8	2.9
Travel and hotel fees	3.1	3.3
Information providers fees	2.6	2.2
Payments charges	1.0	0.9
Other administrative expenses	4.3	3.7
Total other administrative expenses	**39.9**	**40.2**

The Company's other administrative expenses were broadly stable over the period under review, with lower IT expenses resulting from the completion in 2015 of investments in Evi in Belgium, offset by an increase in consultancy fees, relating to the Company's 2016 strategic review. Accommodation and other expenses, reflecting primarily rent and expenses related to the maintenance of office buildings which the Company is planning to dispose of during the course of 2016, also increased slightly in the first quarter of 2016.

The following table sets out the Company's other administrative expenses by segment for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Private Banking	14.2	7.1
Asset Management	3.8	2.8
Merchant Banking	1.9	2.0
Other	19.7	28.1
Core activities	**39.6**	**40.0**
Corporate Banking	0.3	0.2
Total other administrative expenses	**39.9**	**40.2**

The slight decrease in the Company's other administrative expenses during the period under review resulted primarily from a change in internal allocated overhead expenses, specifically from the allocation of a shared service centre department (covering loans, savings and payments), which was classified as an administrative expense within the Other segment in 2015, but as of 2016 has been reclassified as administrative expenses within the Private Banking segment. As a result, other administrative expenses increased within Private Banking but decreased within Other. Other administrative expenses also increased within the Asset Management segment in the first quarter of 2016, as a result of the MN UK acquisition in the third quarter of 2015.

Internal Allocated Overhead Expenses

As at 1 January 2016, the Company decided to amend the composition of certain operating segments in its accounts, to bring its IFRS reporting in line with its internal management reporting structure, in order to more accurately reflect the actual direct expenses of each operating segment. This accounting decision impacts the segmental breakdowns of Staff costs, Other administrative expenses and Depreciation and amortisation, when compared to such breakdowns as previously

reported in the Financial Statements in respect of periods before 1 January 2016. Total operating result before tax for each period remains the same, whereas the allocation of the affected line items between each operating segment and central functions has changed. In conjunction with this change, the Company has introduced a new line item within each operating segment's income statement from 1 January 2016: internal allocated overhead expenses. For the purposes of accurately reflecting this change in this Prospectus, the following table, and corresponding tables below for each comparative period, set out the Company's internal reallocated overhead expenses by segment for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Private Banking	18.2	34.1
Asset Management	3.9	3.8
Merchant Banking	2.2	2.4
Other	-28.6	-46.2
Core activities	**-4.3**	**-5.9**
Corporate Banking	4.3	5.9
Total internal allocated overhead expenses	—	—

The movements in the Company's internal allocated overhead expenses during the period under review can be explained by the movements described with respect to staff costs and other administrative expenses as presented above.

Depreciation and Amortisation

The following table sets out the principal components of the Company's depreciation and amortisation for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Buildings	0.8	0.9
IT, software and communication equipment	0.8	0.9
Application software	0.6	1.3
Intangible assets arising from acquisitions	0.7	0.6
Results on disposals of property, plant and equipment	0.0	0.0
Other depreciation and amortisation	1.1	0.9
Total depreciation and amortisation	**4.0**	**4.6**

The decrease in the Company's depreciation and amortisation during the period under review resulted primarily from lower depreciation on software applications, given that for some software, the end of the depreciation period was reached in 2015.

Impairments

The following table sets out the principal components of the Company's impairments for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Loans and advances to the public and private sectors	3.4	15.3
Available-for-sale investments	—	0.1
Investments in associates using the equity method	0.4	—
Property, plant and equipment	—	0.1
Reversal on impairment on property, plant and equipment	—	—
Goodwill and intangible assets	—	—
Assets acquired through foreclosures	0.1	0.2
Total impairments	**3.8**	**15.7**

The decrease in the Company's impairments during the period under review resulted primarily from the significant decline in impairment charges on loans within the Private Banking segment in the first quarter of 2016. This decline was due in particular to the fact that in the first three months of 2015 the Company recognised an extraordinary high impairment charge predominantly from a single substantial provision, whereas during the same period in 2016 there was a small relief in provisions within the Private Banking segment.

Operating Result before Tax

The following table sets out the Company's operating result before tax by segment for the periods indicated, caused by the movements described above.

	Three months ended 31 March	
	2016	**2015**
	(unaudited) € million	
Private Banking	11.8	-1.6
Asset Management	5.0	5.2
Merchant Banking	1.3	7.6
Other	-1.7	23.8
Core activities	**16.4**	**35.0**
Corporate Banking	1.5	2.0
Total operating result before tax	**17.9**	**37.0**

Income Tax

The following table sets out the principal components of the Company's income tax for the periods indicated.

	Three months ended 31 March	
	2016	**2015**
	(unaudited)	
	€ million, except percentages	
Operating profit before tax	17.9	37.0
Profit before tax from discontinued operations	—	—
Total gross result	**17.9**	**37.0**
Prevailing tax rate in the Netherlands	25%	25%
Expected tax	4.5	9.3
Increase/decrease in tax payable due to:		
Tax-free interest	—	—
Tax-free income from securities and associates	-0.6	-1.6
Taxed release of tax reserves	—	0.6
Non-deductible impairments	—	—
Non-deductible costs	0.3	0.2
Non-deductible losses	0.1	0.1
Adjustments to taxes for prior financial years	—	—
Impact of foreign rate tax differences	-0.2	-0.1
Other changes	-0.2	-0.4
Total increase/decrease in tax payable	**-0.6**	**-1.1**
Income tax as reported in the statement of income	**3.9**	**8.1**

The movements in the Company's income tax during the period under review resulted primarily from the lower level of operating profit before tax for the three months ended 31 March 2016.

Net Result

The Company generated a net result of €14.0 million during the three months ended 31 March 2016, a decrease of €14.9 million, or 51.6%, compared to €28.9 million for the three months ended 31 March 2015. The decrease during the period under review was due primarily to lower gains and losses on the investment portfolio reported under result on financial transactions, partly offset by the lower addition to loan loss provisioning.

Comparison of Results of Operations for the Years ended 31 December 2015 and 2014

The following table sets out the components of the Company's net result for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Income from operating activities		
Interest income	513.8	735.4
Interest expense	313.2	522.9
Net interest income	**200.6**	**212.5**
Income from associates using the equity method	11.8	36.6
Other income from securities and associates	17.1	18.7
Income from securities and associates	**28.9**	**55.3**
Commission income	272.7	248.3
Commission expense	7.2	8.0
Net commission income	**265.6**	**240.3**
Result on financial transactions	**23.3**	**42.0**
Other income	**42.8**	**16.2**
Total income from operating activities	**561.1**	**566.2**
Expenses		
Staff costs	233.7	151.7
Other administrative expenses	171.5	163.0
Staff costs and other administrative expenses	**405.1**	**314.6**
Depreciation and amortisation	17.4	22.5
Operating expenses	**422.5**	**337.1**
Addition to loss provision	51.0	76.0
Other impairments	10.9	19.5
Impairments	**61.9**	**95.5**
Result from sale of private and public sector loans and advances	22.4	—
Total expenses	**506.9**	**432.7**
Operating result before tax	**54.3**	**133.5**
Income tax	11.5	24.8
Net result	**42.8**	**108.7**

Income from Operating Activities

The following table sets out the Company's income from operating activities by segment for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Private Banking	271.8	263.3
Asset Management	82.9	84.0
Merchant Banking	69.8	61.2
Other	78.4	85.3
Core activities	**502.9**	**493.8**
Corporate Banking	58.2	72.4
Income from operating activities	**561.1**	**566.2**

The movement within segments in the Company's income from operating activities during the period under review resulted primarily from a net inflow in discretionary AuM (€0.3 billion compared to a €0.7 billion net outflow in 2014, resulting in an increase in total AuM) and a corresponding increase of commission income in the Private Banking segment, driven both by growth in traditional Private Banking products as well as Evi. In the Asset Management segment, there was a 19% increase

in AuM, driven by the acquisition of MN UK in the third quarter of 2015, which also contributed to a small increase in commission income for the segment. Merchant Banking increased its commission income due to strong performance in its selected niche markets. Interest income from Corporate Banking declined significantly, in line with the overall strategy to wind down the Corporate Banking loan portfolio.

Interest Income and Interest Expense

The following table sets out the principal components of the Company's interest income and expense for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Interest income	**513.8**	**735.4**
Comprised of		
• Interest income on cash equivalents	0.0	0.0
• Interest income on banks and private sector	319.5	411.0
• Interest income on held-to-maturity investments	7.2	5.4
• Other interest income	2.7	0.8
Interest income on items not recognised at fair value	**329.4**	**417.3**
Comprised of		
• Interest income on available-for-sale investments	14.8	21.9
• Interest income on assets at fair value	17.3	27.0
• Interest income on derivatives	152.1	269.1
Interest expense	**313.2**	**522.9**
Comprised of		
• Interest expense on banks and private sector	85.7	137.5
• Interest expense on issued debt securities	57.1	72.4
• Interest expense on subordinated loans	6.5	6.3
• Other interest expense	0.2	1.1
Interest expense on items not recognised at fair value	**149.6**	**217.3**
Interest expense on balances at central banks	1.2	—
Interest expense on derivatives	162.4	305.6
Net interest income	**200.6**	**212.5**

The decrease in the Company's interest income and expenses during the period under review resulted primarily from a reduction in the loan book, resulting in large part from the continued wind down of the Corporate Banking loan portfolio as well as lower interest expense, reflecting a lower level of client deposits. Furthermore, amortisation charges resulting from the wind down of swaps used to hedge the mortgage portfolio are recognised as a reduction of interest income under the line item Interest income on banks and private sector. These amortisation charges for the year ended 31 December 2015 reduced the Company's recognised interest income by €53.7 million, representing an increase in amortisation charges of €21.4 million from the year ended 31 December 2014, when the reduction was negative €32.3 million.

Net Interest Income

The Company's net interest income for the year ended 31 December 2015 was €200.6 million, a decrease of €11.9 million, or 5.6%, compared to €212.5 million for the year ended 31 December 2014. The movements in the Company's net interest income during the period under review resulted primarily from the reduction in the loan book (resulting from the continued wind down of the Corporate Banking loan portfolio) combined with lower interest income on the investment portfolio as a result of a low interest rate environment. Furthermore, part of the available-for-sale portfolio was sold in 2015 (with a gain realised under Result from financial transactions) and replaced with bonds at lower rates. Finally, the redemption of the RMBS Citadel 2010-I notes and the RMBS Citadel 2010-II notes on 26 August 2015 also had a material impact, lowering interest expenses. Within net interest income, gains and losses on economic hedges, which are hedge arrangements for which IFRS hedge accounting treatment has not been applied, reflect movements in interest rates such that they offset one another during the periods under review.

Income from Securities and Associates

The following table sets out the principal components of the Company's income from securities and associates for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Dividends and fees	10.5	5.7
Movements in value of investments at fair value through profit or loss	4.9	5.7
Realised gains on available-for-sale investments in equity instruments	0.9	1.7
Other gains on sale	0.7	5.6
Income from associates using the equity method	11.8	36.6
Total income from securities and associates	**28.9**	**55.3**

The decrease in the Company's income from securities and associates during the period under review resulted primarily from the sale of a participation of Van Lanschot Participaties in DORC Holding BV in 2014 resulting in lower income from associates using the equity method from the disposed-of business in 2015 as well as lower realised capital gains, offset in part by increased dividends in 2015 from other investments.

Commission Income

The Company's commission income for the year ended 31 December 2015 was €272.7 million, an increase of €24.4 million, or 9.8%, compared to €248.3 million for the year ended 31 December 2014. The movements in the Company's commission income during the period under review resulted primarily from the growth of assets under management, due to net AuM inflow of €0.1 billion in 2015, compared to a net outflow of €-1.0 billion in 2014 as well as positive market performance (€1.4 billion in 2015, compared to €4.5 billion in 2014). Also contributing to the increase in commission income were higher corporate finance commissions generated by the Merchant Banking segment, which had a successful year.

Commission Expense

The Company's commission expense for the year ended 31 December 2015 was €7.2 million, a decrease of €0.8 million, or 10.0%, compared to €8.0 million for the year ended 31 December 2014. The movements in the Company's commission expense during the period under review resulted primarily from lower transaction expenses within Merchant Banking as a result of better pricing.

Net Commission Income

The following table sets out the principal components of the Company's net commission income for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Securities commissions	37.5	33.3
Management commissions	170.3	157.8
Cash transactions and funds transfer commissions	10.6	12.9
Corporate Finance and Equity Capital Markets commissions	40.3	28.5
Other commissions	6.9	7.8
Total net commission income	**265.6**	**240.3**

The following table sets out the Company's net commission income by segment for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Private Banking	111.9	100.1
Asset Management	82.7	81.4
Merchant Banking	66.7	52.2
Other	0.6	1.0
Core activities	**261.8**	**234.6**
Corporate Banking	3.7	5.6
Net commission income	**265.6**	**240.3**

The increase in the Company's net commission income during the period under review was driven by Private Banking, where management fees increased as a result of growth in Private Banking AuM by 5% to €17.4 billion in 2015 and growth in the Merchant Banking segment which generated increased corporate finance and equity capital markets activities and securities commissions. This increase in net commission income was partly offset by a decline in commission income from Corporate Banking as a result of the continued wind down of its loan portfolio.

Result on Financial Transactions

The following table sets out the principal components of the Company's result on financial transactions for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Profit/loss on securities trading	0.8	2.6
Profit/loss on currency trading	12.3	9.4
Unrealised gains/losses on derivatives under hedge accounting	1.7	2.1
Realised and unrealised gains/losses on trading derivatives	6.3	7.0
Realised gains/losses on available-for-sale debt instruments	15.5	31.6
Gains/losses on economic hedges	-10.9	-76.6
Gains/losses on financial assets at fair value through profit or loss	-2.4	65.9
Total result on financial transactions	**23.3**	**42.0**

The decrease in the Company's result on financial transactions during the period under review resulted primarily from lower gains and losses on the investment portfolio, partially offset by higher profit on currency trading. The movement in gains/losses on economic hedges and the gains/losses on financial assets at fair value through profit or loss are related to each other. A substantial part of the investment portfolio designated as fair value through profit or loss is hedged economically (no formal hedge accounting applied), meaning that market value movements of the hedge instrument (for instance interest rate swaps) are recognised under gains/losses on economic hedges, whereas the market value movements from the hedged items (the fair value through profit or loss investment portfolio) is recognised under the line item gains/losses on financial assets at fair value through profit or loss.

The up and downward movements of the two line items reflect the underlying capital market interest rate movements over the year.

Other Income

The following table sets out the principal components of the Company's other income for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Net sales	95.2	102.2
Cost of sales	-52.5	-86.1
Total other income	**42.8**	**16.2**

The increase in the Company's other income during the period under review resulted primarily from improved performance by the Company's controlled non-strategic investments.

Staff Costs

The following table sets out the principal components of the Company's staff costs for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Salaries and wages	180.4	171.6
Pension costs for defined contribution schemes	18.8	2.7
Pension costs for defined benefit schemes	3.3	-55.3
Other social security costs	20.3	20.3
Share-based payments for variable remuneration	2.1	2.1
Other staff costs	8.7	10.3
Total staff costs	**233.7**	**151.7**

The increase in the Company's staff costs during the period under review resulted primarily from the one-off pension gain of €72.7 million in 2014 (which lowered staff costs) when Van Lanschot agreed a new pension scheme, resulting in the resolution of the previous defined pension scheme for the Dutch staff of Van Lanschot Bankiers on 1 January 2015 (representing the release of a €122.7 million gross pension liability, less a one-off payment of €50.0 million into the Van Lanschot pension fund). This one-off release was recognised in 2014 as part of the pension costs for defined benefit schemes, which also included the regular annual pension cost of €17.4 million. Also contributing to the increase in 2015 were higher salaries and wage expenses, resulting from the consolidation of a non-strategic investment as of 1 January 2015, which resulted in €9.4 million in additional staffing expenses. Excluding these one-off movements, total staff costs for the year ended 31 December 2015 of €224.3 million represented a decrease of €0.1 million or 0.0% from €224.4 million for the year ended 31 December 2014.

The following table sets out the Company's staff costs by segment for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Private Banking	85.4	74.4
Asset Management	30.2	31.1
Merchant Banking	24.5	22.1
Other	86.9	15.2
Core activities	**227.0**	**142.8**
Corporate Banking	6.6	8.9
Total staff costs	**233.7**	**151.7**

The variation in staff costs by segment was attributable to higher staff costs at Merchant Banking on the back of buoyant results (resulting in higher variable remuneration), offset by reduced staffing at Private Banking and Corporate Banking. The visible increase at Private Banking is partly

the result of the move during the year of a shared service centre department (covering loans, savings and payments) to the segment Other. The vast majority of the shift in staff costs is attributable to the consolidation of a non-strategic investment and one-off movement in pension costs, as discussed above and classified in Other on a segment basis.

Other Administrative Expenses

The following table sets out the principal components of the Company's other administrative expenses for the periods indicated.

	Year ended 31 December	
	2015	**2014**
	€ million	
Accommodation expenses	23.4	23.4
Marketing and communication	13.2	11.8
Office expenses	9.8	11.1
IT expenses	71.1	64.8
External auditor fees	2.7	2.7
Consultancy fees	12.8	12.0
Travel and hotel fees	13.4	12.4
Information providers' fees	10.2	7.7
Payments charges	3.7	4.8
Other administrative expenses	11.1	12.4
Total other administrative expenses	**171.5**	**163.0**

The increase in the Company's other administrative expenses during the period under review was a result of ongoing investments to upgrade IT and information systems to improve client services, expand and market Evi offerings, integrate certain aspects of Van Lanschot and Kempen IT systems and to absorb the MN UK acquisition in the third quarter of 2015. Partly offsetting the increase, the Company's other administrative expenses in 2015 did not include the one-off charge reflected in 2014 from the resolution levy imposed on all Dutch financial institutions for the nationalisation of SNS Reaal.

The following table sets out the Company's other administrative expenses by segment for the periods indicated.

	Year ended 31 December	
	2015	**2014**
	€ million	
Private Banking	39.6	41.8
Asset Management	13.7	9.2
Merchant Banking	8.0	6.7
Other	109.4	103.8
Core activities	**170.8**	**161.4**
Corporate Banking	0.7	1.5
Total other administrative expenses	**171.4**	**163.0**

The movements in the Company's other administrative expenses by segment during the period under review was primarily the result of higher costs due to the allocation of the MN UK operations into Asset Management and investments in support services for Asset Management analysts as well as lower expenses due to the wind down of Corporate Banking. Increases within the segments were partly offset by costs classified under Other with respect to, among others, IT costs at Van Lanschot and Kempen.

Internal Allocated Overhead Expenses

The following table sets out the Company's internal reallocated overhead expenses by segment for the periods indicated.

	Year ended 31 December	
	2015	2014
	(unaudited) € million	
Private Banking	113.4	107.7
Asset Management	14.0	10.6
Merchant Banking	8.8	6.8
Other	-159.0	-154.3
Core activities	**-22.8**	**-29.2**
Corporate Banking	22.8	29.2
Total internal allocated overhead expenses	—	—

The movements in the Company's internal allocated overhead expenses during the period under review resulted primarily from a change in the allocation of accelerated IT expenses, which were classified as one-off expenses in 2014 and reported under Other, whereas accelerated IT expenses in 2015 were allocated to the Private Banking segment.

Depreciation and Amortisation

The following table sets out the principal components of the Company's depreciation and amortisation for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Buildings	3.5	3.6
IT, software and communication equipment	3.4	4.2
Application software	4.8	5.9
Intangible assets arising from acquisitions	2.7	5.9
Results on disposals of property, plant and equipment	-1.1	0.0
Other depreciation and amortisation	4.1	2.9
Total depreciation and amortisation	**17.4**	**22.5**

The decrease in the Company's depreciation and amortisation during the period under review resulted primarily from lower depreciation on intangible assets because the end of the final depreciation period was reached in 2014.

Impairments

The following table sets out the principal components of the Company's impairments for the periods indicated.

	Year ended 31 December	
	2015	2014
	€ million	
Loans and advances to the public and private sectors	51.0	76.0
Available-for-sale investments	0.5	2.2
Investments in associates using the equity method	3.4	2.6
Property, plant and equipment	2.9	3.7
Goodwill and intangible assets	—	5.7
Assets acquired through foreclosures	4.1	5.3
Total impairments	**61.9**	**95.5**

The decrease in the Company's impairments during the period under review resulted primarily from the continuing wind down of the Corporate Banking loan portfolio which decreased by 40.8%

in 2015, as well as the sale of non-performing real estate loans with a face value of around €400 million to a company affiliated to Cerberus Capital Management LP in 2015, which significantly improved the risk profile of the remaining loan portfolio.

Operating Result before Tax

The following table sets out the Company's operating result before tax by segment for the periods indicated, caused by the movements described above.

	Year ended 31 December	
	2015	**2014**
	€ million	
Private Banking	5.6	19.9
Asset Management	24.8	33.0
Merchant Banking	28.4	23.5
Other	13.9	93.6
Core activities	**72.6**	**170.0**
Corporate Banking	-18.3	-36.5
Total operating result before tax	**54.3**	**133.5**

Income Tax

The following table sets out the principal components of the Company's income tax for the periods indicated.

	Year ended 31 December	
	2015	**2014**
	€ million, except percentages	
Operating profit before tax	54.3	133.5
Profit before tax from discontinued operations	—	—
Total gross profit	**54.3**	**133.5**
Prevailing tax rate in the Netherlands	25%	25%
Expected tax	13.6	33.4
Increase/decrease in tax payable due to:		
Tax-free interest	—	-1.1
Tax-free income from securities and associates	-6.4	-11.2
Taxed release of tax reserves	1.2	0.5
Non-deductible impairments	—	0.3
Non-deductible costs	1.8	3.8
Non-deductible losses	1.8	1.2
Adjustments to taxes for prior financial years	0.3	-0.9
Impact of foreign rate tax differences	-0.5	-0.5
Movements in deferred taxes	-0.1	—
Other changes	-0.3	-0.9
Income tax as reported in the statement of income	**-2.0**	**-8.6**
Total tax	**11.5**	**24.8**

The decrease in the Company's income tax during the period under review resulted primarily from the lower operating profit before tax and the decline in the proportion of tax-free income from securities and associates, reflecting the equity holding tax exemption applicable to income from securities and associates held by Van Lanschot Participaties.

Net Result

The Company's net result for the year ended 31 December 2015 was €42.8 million, a decrease of €65.9 million, or 60.6%, compared to €108.7 million for the year ended 31 December 2014. The decrease in the Company's net result during the period under review resulted primarily from the one-off pension gain in 2014 compared to a one-off charge arising from the sale of non-performing real estate loans with a face value of around €400 million to a company affiliated to Cerberus Capital Management LP in 2015.

Comparison of Results of Operations for the Years ended 31 December 2014 and 2013

The following table sets out the components of the Company's net result for the periods indicated.

	Year ended 31 December	
	2014	2013
	€ million	
Income from operating activities		
Interest income	735.4	780.7
Interest expense	522.9	568.5
Net interest income	**212.5**	**212.2**
Income from associates using the equity method	36.6	10.6
Other income from securities and associates	18.7	6.5
Income from securities and associates	**55.3**	**17.1**
Commission income	248.3	240.3
Commission expense	8.0	7.0
Net commission income	**240.3**	**233.3**
Result on financial transactions	**42.0**	**66.3**
Other income	**16.2**	**22.3**
Total income from operating activities	**566.2**	**551.2**
Expenses		
Staff costs	151.7	239.7
Other administrative expenses	163.0	153.1
Staff costs and other administrative expenses	**314.6**	**392.7**
Depreciation and amortisation	22.5	15.9
Operating expenses	**337.1**	**408.6**
Addition to loss provision	76.0	102.4
Other impairments	19.5	2.7
Impairments	**95.5**	**105.1**
Total expenses	**432.7**	**513.8**
Operating result before tax	**133.5**	**37.4**
Income tax	24.8	3.9
Net result	**108.7**	**33.5**

Income from Operating Activities

The following table sets out the Company's income from operating activities by segment for the periods indicated.

	Year ended 31 December	
	2014	2013
	€ million	
Private Banking	263.3	258.7
Asset Management	84.0	75.8
Merchant Banking	61.2	50.1
Other	85.3	104.0
Core activities	**493.8**	**488.6**
Corporate Banking	72.4	62.6
Income from operating activities	**566.2**	**551.2**

Income from operating activities increased for all segments except Other. The Private Banking segment benefitted from higher interest margins whereas Asset Management generated higher commission income as a result of the increase in AuM due to strong market performance. As result of solid capital market activity in 2014, Merchant Banking was able to advise and support its clients and investors on a substantial number of transactions, leading to higher commission income. The Corporate Banking segment was able to increase the interest margins while the wind down of the

loan book continued, on balance leading to higher interest income in 2014. The result of the segment Other declined due to an adjustment in own risk on medium term notes issued by the Company.

Interest Income and Interest Expense

The following table sets out the principal components of the Company's interest income and expense for the periods indicated.

	Year ended 31 December	
	2014	2013
	€ million	
Interest income	**735.4**	**780.7**
Comprised of		
• Interest income on cash equivalents	0.0	0.5
• Interest income on banks and private sector	411.0	492.0
• Interest income on held-to-maturity investments	5.4	—
• Other interest income	0.8	0.9
Interest income on items not recognised at fair value	**417.3**	**493.5**
Comprised of		
• Interest income on available-for-sale investments	21.9	16.3
• Interest income on assets at fair value	27.0	17.4
• Interest income on derivatives	269.1	253.6
Interest expense	**522.9**	**568.5**
Comprised of		
• Interest expense on banks and private sector	137.5	170.5
• Interest expense on issued debt securities	72.4	81.3
• Interest expense on subordinated loans	6.3	9.1
• Other interest expense	1.1	0.7
Interest expense on items not recognised at fair value	**217.3**	**261.6**
Interest expense on derivatives	305.6	307.0
Net interest income	**212.5**	**212.2**

The decrease in the Company's interest income and expense during the period under review resulted primarily from higher margins in both the Private Banking and Corporate Banking loan portfolios balanced by lower volumes related to the Corporate Banking loan portfolio wind down, which decreased by 14.5%, and the ongoing repayment trend in mortgages as well as lower yields in the capital markets. This was balanced by a reduction in savings rates offered.

Net Interest Income

The Company's net interest income was €212.5 million for the year ended 31 December 2014, an increase of €0.3 million, or 0.1%, compared to €212.2 million for the year ended 31 December 2013. The Company's net interest income during the period under review was virtually unchanged, largely attributable to the relatively steady state of the interest margin at 119 basis points for the year ended 31 December 2014, compared with 123 basis points for the year ended 31 December 2013, and due to the fact that both average interest earning assets and average interest bearing liabilities increased slightly over the period.

Income from Securities and Associates

The following table sets out the principal components of the Company's income from securities and associates for the periods indicated.

	Year ended 31 December	
	2014	2013
	€ million	
Dividends and fees	5.7	3.0
Movements in value of investments at fair value through profit or loss	5.7	0.0
Realised gains on available-for-sale investments in equity instruments	1.7	1.0
Other gains on sale	5.6	2.4
Income from associates using the equity method	36.6	10.6
Total income from securities and associates	**55.3**	**17.1**

The increase in the Company's income from securities and associates during the period under review resulted primarily from the gains from the sale of a 21% interest in DORC Holding BV by Van Lanschot Participaties in 2014, positive fair value movements in respect of other Van Lanschot Participaties interests and higher levels of dividends received.

Commission Income

The Company's commission income was €248.3 million for the year ended 31 December 2014, an increase of €8.0 million, or 3.3%, compared to €240.3 million for the year ended 31 December 2013. The increase in the Company's commission income during the period under review resulted primarily from a rise in management fees as assets under discretionary management grew, from €31.8 billion as at 31 December 2013 to €35.7 billion as at 31 December 2014, benefitting from a favourable stock market climate, new mandate inflows and strong performance in securities-related commissions in Merchant Banking.

Commission Expense

The Company's commission expense was €8.0 million for the year ended 31 December 2014, an increase of €1.0 million, or 14.3%, compared to €7.0 million for the year ended 31 December 2013. The increase in the Company's commission expense during the period under review resulted primarily from higher transaction-related brokerage expenses in Merchant Banking.

Net Commission Income

The following table sets out the principal components of the Company's net commission income for the periods indicated.

	Year ended 31 December	
	2014	**2013**
	€ million	
Securities commissions	33.3	47.3
Management commissions	157.8	140.7
Cash transactions and funds transfer commissions	12.9	16.0
Corporate Finance and Equity Capital Markets commissions	28.5	21.9
Other commissions	7.8	7.5
Total net commission income	**240.3**	**233.3**

The following table sets out the Company's net commission income by segment for the periods indicated.

	Year ended 31 December	
	2014	**2013**
	€ million	
Private Banking	100.1	104.9
Asset Management	81.4	75.9
Merchant Banking	52.2	44.9
Other	1.0	0.1
Core activities	**234.6**	**225.8**
Corporate Banking	5.6	7.5
Net commission income	**240.3**	**233.3**

The increase in the Company's net commission income during the period under review resulted primarily from higher assets under management within Asset Management, which grew from €31.4 billion as at 31 December 2013 to €35.3 billion as at 31 December 2014, as well as higher corporate finance commission within the Merchant Banking segment from increased corporate finance and equity capital markets activities and securities commissions. This increase in net commission income was partly offset by a decline in commission income from Corporate Banking as a result of the continued wind down of its loan portfolio.

Result on Financial Transactions

The following table sets out the principal components of the Company's result on financial transactions for the periods indicated.

	Year ended 31 December	
	2014	**2013**
	€ million	
Profit/loss on securities trading	2.6	3.4
Profit/loss on currency trading	9.4	13.1
Unrealised gains/losses on derivatives under hedge accounting	2.1	1.2
Realised and unrealised gains/losses on trading derivatives	7.0	4.6
Realised gains/losses on available-for-sale debt instruments	31.6	26.4
Gains/losses on economic hedges	- 76.6	32.0
Gains/losses on financial assets at fair value through profit or loss	65.9	- 14.4
Total result on financial transactions	**42.0**	**66.3**

The decrease in the Company's result on financial transactions during the period under review resulted primarily from losses on economic hedges, representing fair value hedges being wound down in order to reduce risks, thus lowering variability of results. These losses on economic hedges had been reflected as gains on economic hedges in 2013, representing the ineffectiveness of these hedges. The decrease in the Company's result on financial transactions was partly offset by higher realised gains in 2014 from the sale of bonds within Realised gains/losses on available-for-sale debt instruments, reflecting the benefit of falling interest rates and volatile credit spreads.

Other Income

The following table sets out the principal components of the Company's other income for the periods indicated.

	Year ended 31 December	
	2014	**2013**
	€ million	
Net sales	102.2	132.6
Cost of sales	- 86.1	- 110.3
Total other income	**16.2**	**22.3**

The decrease in the Company's other income during the period under review resulted primarily from lower performance by the Company's non-strategic investments.

Staff Costs

The following table sets out the principal components of the Company's staff costs for the periods indicated.

	Year ended 31 December	
	2014	**2013**
	€ million	
Salaries and wages	171.6	185.7
Pension costs for defined contribution schemes	2.7	2.7
Pension costs for defined benefit schemes	-55.3	20.0
Other social security costs	20.3	21.8
Share-based payments for variable remuneration	2.1	1.3
Other staff costs	10.3	8.1
Total staff costs	**151.7**	**239.7**

The decrease in the Company's staff costs during the period under review resulted primarily from the one-off pension gain in 2014 (which lowered staff costs), when Van Lanschot agreed a new pension scheme, prompting the release of a €122.7 million gross pension liability, less a one-off payment of €50.0 million into the Van Lanschot pension fund, and other associated one-off charges

of €17.4 million together recognised as a one-off gain of €55.3 million. Excluding this one-off movement, total staff costs for the year ended 31 December 2014 of €224.4 million represented a decrease of €15.3 million or 6.4% from €239.7 million for the year ended 31 December 2013. This decrease was attributable to reduced staffing at Private Banking and Corporate Banking.

The following table sets out the Company's staff costs by segment for the periods indicated.

	Year ended 31 December	
	2014	**2013**
	€ million	
Private Banking	74.4	84.9
Asset Management	31.2	31.3
Merchant Banking	22.1	21.7
Other	15.1	92.0
Core activities	**142.8**	**229.9**
Corporate Banking	8.9	9.8
Total staff costs	**151.7**	**239.7**

On a segmental basis, the pension gain in 2014 was recognised in the Other segment, accounting for the majority of the variation in staff costs by segment between the years ended 31 December 2013 and 2014. Reduced FTE levels at Private Banking (in connection with its reorganisation) and Corporate Banking (in connection with the wind down of its loan portfolio) also contributed to the decrease in staff costs by segment over the period.

Other Administrative Expenses

The following table sets out the principal components of the Company's other administrative expenses for the periods indicated.

	Year ended 31 December	
	2014	**2013**
	€ million	
Accommodation expenses	23.4	19.2
Marketing and communication	11.8	10.7
Office expenses	11.1	15.3
IT expenses	64.8	61.6
External auditor fees	2.7	2.7
Consultancy fees	12.0	12.0
Travel and hotel fees	12.4	10.9
Information providers' fees	7.7	6.9
Payments charges	4.8	4.8
Other administrative expenses	12.4	9.0
Total other administrative expenses	**163.0**	**153.1**

The increase in the Company's other administrative expenses during the period under review resulted primarily from the resolution levy imposed on all Dutch financial institutions for the nationalisation of SNS Reaal (amounting to €8.4 million in 2014, classified in the line item other administrative expenses) and investments in and optimisation of IT systems. Promotional costs related to consumer awareness of the Evi platform and higher office expenses related to the physical movement of certain departments also contributed to increased costs.

The following table sets out the Company's other administrative expenses by segment for the periods indicated.

	Year ended 31 December	
	2014	2013
	€ million	
Private Banking	41.8	35.2
Asset Management	9.2	10.6
Merchant Banking	6.7	2.6
Other	103.8	102.6
Core activities	**161.4**	**151.0**
Corporate Banking	1.5	2.1
Total other administrative expenses	**163.0**	**153.1**

On a segmental basis, other administrative expenses increased in the Private Banking segment as a result of investments in the Evi platform, IT and client services investments and optimisation. Expenses in the segment Other remained broadly stable.

Internal Allocated Overhead Expenses

The following table sets out the Company's internal reallocated overhead expenses by segment for the periods indicated.

	Year ended 31 December	
	2014	2013
	(unaudited) € million	
Private Banking	107.7	109.5
Asset Management	10.6	10.7
Merchant Banking	6.8	11.8
Other	-154.3	-156.3
Core activities	-29.2	-24.3
Corporate Banking	29.2	24.3
Total internal allocated overhead expenses	—	—

The movements in the Company's internal allocated overhead expenses during the period under review resulted primarily from organisational changes at the end of 2013 with respect to the Corporate Banking segment combined with internal movement in the composition of clients between Private Banking and Corporate Banking.

Depreciation and Amortisation

The following table sets forth the principal components of the Company's depreciation and amortisation for the periods indicated.

	Year ended 31 December	
	2014	2013
	€ million	
Buildings	3.6	4.5
IT, software and communication equipment	4.2	3.8
Application software	5.9	5.6
Intangible assets arising from acquisitions	5.9	6.8
Results on disposals of property, plant and equipment	0.0	- 8.2
Other depreciation and amortisation	2.9	3.4
Total depreciation and amortisation	**22.5**	**15.9**

The increase in the Company's depreciation and amortisation during the period under review resulted primarily from the decision in 2013 to enter into sale and leaseback transactions for a number of office buildings. The realised gain was disclosed under Results on disposals of property, plant and equipment.

Impairments

The following table sets out the principal components of the Company's impairments for the periods indicated.

	Year ended 31 December	
	2014	**2013**
	€ million	
Loans and advances to the public and private sectors	76.0	102.4
Available-for-sale investments	2.2	1.1
Investments in associates using the equity method	2.6	0.0
Property, plant and equipment	3.7	0.2
Reversal on impairment on property, plant and equipment	—	- 5.6
Goodwill and intangible assets	5.7	5.1
Assets acquired through foreclosures	5.3	1.9
Total impairments	**95.5**	**105.1**

The decrease in the Company's impairments during the period under review resulted primarily from the reduction in loans to SMEs as part of the wind down of the Corporate Banking loan portfolio, which decreased by 21.5%, as well as a substantial fall in impairments on loans granted by Private Banking. In addition, the year ended 31 December 2013, included a reversal on an impairment on property, which had been recognised in 2012, when the estimated recoverable value of a number of office buildings was calculated below the carrying amount. This has the effect of lowering the Company's impairment charge in 2013.

Operating Result before Tax

The following table sets out the Company's operating result before tax by segment for the periods indicated, resulting from the movements described above.

	Year ended 31 December	
	2014	**2013**
	€ million	
Private Banking	19.9	- 11.2
Asset Management	33.0	23.1
Merchant Banking	23.5	12.5
Other	93.6	61.3
Core activities	**170.0**	**85.7**
Corporate Banking	- 36.5	- 48.3
Total operating result before tax	**133.5**	**37.4**

Income Tax

The following table sets out the principal components of the Company's income tax for the periods indicated.

	Year ended 31 December	
	2014	**2013**
	€ million, except percentages	
Operating profit before tax	133.5	37.4
Profit before tax from discontinued operations	—	—
Total gross result	**133.5**	**37.4**
Prevailing tax rate in the Netherlands	25%	25%
Expected tax	33.4	9.4
Increase/decrease in tax payable due to:		
Tax-free interest	- 1.1	- 2.1
Tax-free income from securities and associates	- 11.2	- 4.6
Taxed release of tax reserves	0.5	—
Non-deductible impairments	0.4	1.2
Non-deductible costs	3.8	1.0
Non-deductible losses	1.2	—
Adjustments to taxes for prior financial years	- 0.9	- 1.1
Impact of foreign rate tax differences	- 0.5	0.0
Other changes	- 0.9	0.2
Income tax as reported in the statement of income	**- 8.6**	**- 5.4**
Total tax	**24.8**	**3.9**

The increase in the Company's income tax during the period under review resulted primarily from the decline in the proportion of income governed by the equity holding tax exemption which is applicable to income (including any capital gains) from securities and associates held by Van Lanschot Participaties, which effectively increased the Company's tax rate for the year ended 31 December 2014, compared to the year ended 31 December 2013.

Net Result

The Company's net result was €108.7 million for the year ended 31 December 2014, an increase of €75.2 million, or 224.5%, compared to €33.5 million for the year ended 31 December 2013. The increase in the Company's net result during the period under review resulted primarily from the €54.5 million one-off net pension gain in 2014.

Liquidity and Capital Resources

Liquidity

Van Lanschot's liquidity position is influenced on a daily basis by customer withdrawals and payments on savings and current accounts, and by client 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. The liquidity position is monitored on a daily basis by the Group Risk Management Department and reported to senior management. For more on liquidity, see *"Risk Management—Liquidity Risk"*.

During the periods under review, Van Lanschot's principal sources of liquidity have consisted of cash generated from income from operating activities as well as from customer savings and deposits and borrowings. The Company had liquid assets in the form of cash and cash equivalents of €1.1 billion, amounts due from banks of €232.7 million and financial assets held for trading of €11.7 million as at 31 March 2016. The Company had financial liabilities from trading activities of €5.1 million, amounts due to banks of €459.7 million and total public and private sector liabilities (representing customer savings and deposits) of €9.3 billion as at 31 March 2016.

In April 2015, Van Lanschot started providing mortgages using its available liquidity under the Hypotrust brand through a network of mortgage brokers, as part of Van Lanschot's liquidity

management efforts. The aim is to build a portfolio of standard Dutch mortgages to supplement Van Lanschot's existing investment portfolio, enabling attractive returns to be generated on available liquidity. Van Lanschot is targeting €500 million in this specific mortgage portfolio and as at 31 March 2016, it stood at €373 million.

Van Lanschot's ability to generate cash from operations depends on its future operating performance, which is, in turn, dependent to some extent on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond Van Lanschot's control. For more information, see *"Risk Factors"*.

Cash Flows

The following table sets out the Company's cash flows for the periods indicated.

	Three months ended 31 March		Year ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	(unaudited)				
				€ million	
Cash and cash equivalents at period beginning	**868.7**	**1,121.9**	**1,121.9**	**1,986.0**	**1,670.6**
Net cash flow from operating activities	-448.2	17.8	- 6.5	1,374.5	- 813.3
Net cash flow from investing activities	169.9	45.4	301.7	- 1,741.9	- 320.9
Net cash flow from financing activities	467.7	-145.6	- 548.4	- 496.7	1,449.6
Cash and cash equivalents at period end[(1)]	**1,058.1**	**1,039.5**	**868.7**	**1,121.9**	**1,986.0**
Net change in cash and cash equivalents and balances at central banks	**189.4**	**-82.4**	**-253.3**	**-864.1**	**315.4**

(1) Total shown differs from the total cash and cash equivalents on the balance sheet due to adjustments netting out amounts due from/to banks available on demand.

Three Months ended 31 March 2016

Net cash flows from operating activities were €-448.2 million for the three months ended 31 March 2016. This was largely as a result of the redemption of a repurchase agreement and decrease in customer savings and deposits, in line with the Company's funding strategy, partially offset by an increase of current accounts.

Net cash flows used in investing activities were €169.9 million for the three months ended 31 March 2016. This was largely driven by redemptions of Spanish and other European government paper, partially offset by investments in government paper and covered bonds.

Net cash flows from financing activities were €467.7 million for the three months ended 31 March 2016. This resulted from the Company's €500 million Covered Bond issuance.

The above resulted in net cash and cash equivalents increasing by €189.4 million, or 21.8%, compared to €868.7 million for the year ended 31 December 2015 to €1.1 billion for the three months ended 31 March 2016.

Financial Year ended 31 December 2015

Net cash flows from operating activities were €-6.5 million for the year ended 31 December 2015. This was largely as a result of the sale of non-performing commercial real estate loans with a face value of around €400 million to a company affiliated to Cerberus Capital Management LP in 2015, and the continued wind down of the Corporate Banking loan portfolio, as well as a decrease in savings and deposits (in line with the Company's funding strategy, and primarily due to savings and deposits outflows resulting from cuts in saving rates) and the origination of mortgage loans under the Hypotrust brand.

Net cash flows used in investing activities were €301.7 million for the year ended 31 December 2015. This was largely driven by a reduction of government paper in both the available-for-sale portfolio and the fair value through profit and loss portfolio.

Net cash flows from financing activities were €-548.4 million for the year ended 31 December 2015. This resulted from the redemption of the RMBS Citadel 2010-I notes and RMBS Citadel 2010-II notes. This was partially offset by a €500 million Covered Bond issuance and the issuances of and redemptions of several structured notes.

The above resulted in net cash and cash equivalents decreasing by €253.3 million, or 22.6%, compared to €1.1 billion for the year ended 31 December 2014 to €868.7 million for the year ended 31 December 2015.

Financial Year ended 31 December 2014

Net cash flows from operating activities were €1.4 billion for the year ended 31 December 2014. This was largely as a result of a decrease in the Corporate Banking loan portfolio alongside an increase in savings, particularly through the Evi platform in the Netherlands and Belgium, partially offset by a decrease in deposits. The increase was partially offset by the redemption of the Long Term Refinancing Operation of the ECB in the amount of €750 million, partially offset by the participation in the Target Long Term Refinancing Operation, another ECB programme, in the amount of €350 million.

Net cash flows used in investing activities were €-1.7 billion for the year ended 31 December 2014. This was largely driven by an increase in the held-to-maturity portfolio, which comprises Belgian government bonds and bonds issued by listed Western European financial institutions, and the purchase of Belgian and Dutch government bonds, bonds issued by the European Investment Bank, bonds issued by Western European financial institutions and certain asset-backed securities. A decrease in the investment portfolio was due to redemptions of government paper.

Net cash flows from financing activities were €-496.7 million for the year ended 31 December 2014. This resulted from the redemption of €500 million in senior unsecured notes and the partial redemption of certain RMBS notes, partially offset by the issuance of senior unsecured notes and structured notes.

The above resulted in net cash and cash equivalents decreasing by €864.1 million, or 43.5%, compared to €2.0 billion for the year ended 31 December 2013 to €1.1 billion for the year ended 31 December 2014.

Financial Year ended 31 December 2013

Net cash flows from operating activities were €-813.3 million for the year ended 31 December 2013. This was largely as a result of a decrease in both the Corporate Banking loan portfolio and the mortgage portfolio, a decrease of the savings and deposits and the redemption of a repurchase agreement.

Net cash flows used in investing activities were €-320.9 million for the year ended 31 December 2013. This was largely driven by adding Dutch and other European government bonds to the investment portfolio.

Net cash flows from financing activities were €1.5 billion for the year ended 31 December 2013. This resulted from the issuance of €300 million in senior unsecured notes, the €884 million Lunet RMBS 2013-I notes and the issuance of €750 million retained RMBS Citadel 2010-II notes, partially offset by the redemption of MTN notes.

The above resulted in net cash and cash equivalents increasing by €315.4 million, or 18.9%, compared to €1.7 billion for the year ended 31 December 2012 to €2.0 billion for the year ended 31 December 2013.

Capital

The Company believes that its working capital is sufficient for its present requirements, that is for at least 12 months following the date of this Prospectus. For information on Van Lanschot's capital management policies and capital position, see *"Risk Management—Capital Management"*. The Company currently complies with the applicable own funds requirements as set out in EC Directive 2006/48 and EC Directive 2006/49. The Company's current own funds are sufficient to comply with the own funds requirements, as set out in the CRR. The Company currently complies with the applicable liquidity requirements as set out in the Dutch Financial Supervision Act. The Company's

current liquidity position is sufficient to comply with the liquidity requirements, as set out in the CRR.

The Company's capital expenditure largely relates to the acquisition and maintenance of real property, IT and communications equipment and operating software. Capital expenditure was €11.5 million, €11.7 million and €14.4 million for the years ended 31 December 2015, 2014 and 2013, respectively. During the periods under review the Company incurred capital expenditure primarily on IT systems, including ongoing enhancements, particularly to support expansion of Evi offerings in the Netherlands and Belgium.

Material Indebtedness and Other Material Liabilities

Structured Note Issuance Programme

Under its structured note issuance programme, entered into on 15 February 2016 with Kempen & Co. acting in capacity as sole dealer, the Company's subsidiary Van Lanschot Bankiers may from time to time issue notes ("**Structured Notes**") with the maximum aggregate nominal amount outstanding not exceeding €2.0 billion.

Debt Issuance Programme

Under its debt issuance programme, as most recently updated by a base prospectus dated 8 January 2016, with a consortium of international banks acting as dealers, the Company's subsidiary Van Lanschot Bankiers may from time to time issue notes, including senior unsecured notes ("**Senior Notes**") and subordinated notes ("**Subordinated Notes**"), with the maximum aggregate nominal amount outstanding not exceeding €5.0 billion.

Senior Notes

On 17 October 2012, Van Lanschot Bankiers issued €500.0 million of Senior Notes, repayable on 17 October 2016. The interest rate on these Senior Notes is fixed at 2.875%.

On 16 March 2005, Van Lanschot Bankiers issued €40.0 million of Senior Notes, repayable on 16 March 2017. Interest on these Senior Notes is determined by reference to the 10-year constant maturity swap rate, which is a fixed-for-floating interest rate swap rate where the rate on one side of the swap is either fixed or reset periodically at or relative to a market interest rate and the constant maturity side of the swap is reset each period according to a regularly available fixed maturity market rate.

On 5 June 2013, Van Lanschot Bankiers issued €500.0 million of Senior Notes, repayable on 5 June 2018. The interest rate on these Senior Notes is fixed at 3.125%.

On 24 October 2011, Van Lanschot Bankiers issued up to €95.0 million of Senior Notes, repayable on 24 October 2018. The interest rate on these Senior Notes is fixed at 2.25%.

On 24 October 2005, Van Lanschot Bankiers issued €10.0 million of Senior Notes, repayable on 24 October 2025. Interest on these Senior Notes is determined by reference to the 20-year constant maturity swap rate which is a fixed-for-floating interest rate swap rate where the rate on one side of the swap is either fixed or reset periodically at or relative to a market interest rate and the constant maturity side of the swap is reset each period according to a regularly available fixed maturity market rate.

Subordinated Notes

On 29 August 2008, Van Lanschot Bankiers issued €25.0 million of Subordinated Notes, repayable on 29 August 2033 with an issuer call on 29 August 2028 and on each subsequent specified interest payment date. The minimum interest rate on these Subordinated Notes is 4.463%.

On 29 August 2008, Van Lanschot Bankiers issued €25.0 million of Subordinated Notes, repayable on 29 August 2038 with an issuer call on 29 August 2033 and on each subsequent specified interest payment date. The minimum interest rate on these Subordinated Notes is 4.412%.

On 29 August 2008, Van Lanschot Bankiers issued €50.0 million of Subordinated Notes, repayable on 29 August 2043 with an issuer call on 29 August 2038 and on each subsequent specified interest payment date. The minimum interest rate on these Subordinated Notes is 4.361%.

Covered Bond Programme

Under its Covered Bond Programme, as most recently updated by a base prospectus dated 15 March 2016, with Van Lanschot Bankiers and Rabobank acting as dealers, the Company's subsidiary Van Lanschot Bankiers may from time to time issue conditional pass-through covered bonds ("**Covered Bonds**") with the maximum aggregate nominal amount outstanding not exceeding €5.0 billion.

On 28 April 2015, Van Lanschot Bankiers issued €500.0 million of Covered Bonds repayable on 28 April 2022. The interest rate on the Covered Bonds is fixed at 0.275%.

On 31 March 2016, Van Lanschot Bankiers issued €500.0 million of Covered Bonds repayable on 31 March 2023. The interest rate on the Covered Bonds is fixed at 0.375%.

Securitisation Programme

Van Lanschot Bankiers uses mortgage loan receivables owned by it for the purpose of its Covered Bond Programme transactions (referred to above) and its Securitisation Programme transactions. Van Lanschot Bankiers has securitised a part of its residential mortgages loan book through residential mortgage-backed securities ("**RMBS**") transactions. A characteristic of these RMBS transactions is that the beneficial title to the securitised mortgage loan receivables is transferred to a separate entity for securitisation purposes, and that securitisation entity then issues various classes of notes. The notes issued create a payment obligation of the securitisation entity rather than on Van Lanschot Bankiers.

On 26 December 2013, the securitisation entity issued €244.0 million class A1 mortgage-backed notes, €639.6 class A2 mortgage-backed notes, €49.4 million class B mortgage-backed notes, €71.0 million class C mortgage-backed notes, €71.0 million class D mortgage-backed notes, and €10.8 million class E notes, all repayable in 2045. The class A1 and class A2 mortgage-backed notes are placed with investors. The other classes of notes are retained by Van Lanschot Bankiers. The first call option date will take place on 26 December 2018.

On 1 August 2013, the securitisation entity issued €175.0 million class A1 mortgage-backed notes, €370.0 million class A2 mortgage-backed notes, €81.5 million class B mortgage-backed notes, €112.0 million class C mortgage-backed notes, €115.5 million class D mortgage-backed notes and €8.6 million class E notes, all repayable in 2050. These notes are fully retained by Van Lanschot Bankiers. The first call option date will take place on 26 September 2018.

Contractual Obligations

The following table summarises the Company's undiscounted material non-derivative contractual obligations as at 31 December 2015. The following table includes both principal and future interest payments that the Company will be required to make on its liabilities. Liability items that do not generate an obligation to pay an outflow of cash, such as discounting, cost amortisation, changes in the value of derivatives, own risk margins, and similar items, are presented in a separate column labelled 'no cash flow' in the table below in order to make clear the reconciliation with the statement of financial position.

	As at 31 December 2015						
	On demand	< 3 months	⩾ 3 months < 1 year	⩾ 1 year < 5 years	⩾ 5 years	No cash flow	Total
	€ million						
Financial liabilities from trading activities	—	0.4	—	—	—	—	0.4
Due to banks	51.8	296.3	350.0	—	—	—	698.1
Public and private sector liabilities	8,509.2	333.9	222.1	272.6	229.6	5.0	9,572.3
Financial liabilities designated as at fair value through profit or loss	—	3.8	22.9	645.4	132.4	—	804.6
Derivatives	—	29.1	46.3	112.5	128.5	8.3	324.8
Issued debt securities	—	3.6	730.4	1,207.6	541.3	-3.0	2,480.0
Subordinated loans	—	—	—	—	116.9	1.2	118.2
Other liabilities	—	74.3	76.1	3.3	—	23.7	177.4
Total	**8,561.0**	**741.5**	**1,447.9**	**2,241.4**	**1,148.8**	**35.2**	**14,175.8**

Financial Commitments

The Company expects to include the following minimum payments concerning contractually agreed lease and rental agreements over the next few years:

	As at 31 December		
	2015	**2014**	**2013**
		€ million	
Less than one year	15.7	16.9	18.4
Between one and five years	35.9	40.7	42.6
More than five years	38.5	49.2	22.7
Total	**90.0**	**106.9**	**83.7**

Off Balance Sheet Activities

The table below details the Company's contingent liabilities as at the dates indicated.

	As at 31 December		
	2015	**2014**	**2013**
		€ million	
Guarantees, etc.	82.3	115.2	151.1
Irrevocable documentary letters of credit	—	—	14.2
Other	0.3	0.3	12.5
Total	**82.5**	**115.6**	**177.9**

For several of the Company's subsidiaries, certain inter-company guarantees have been issued of €192.2 million as at 31 December 2015, as compared to €268.2 million for the year ended 31 December 2014 and €271.9 million for the year ended 31 December 2013. These guarantees are eliminated on consolidation and therefore are not reflected in the table above. The Company cannot predict whether, when and how much of the above contingent liabilities will be claimed and have to be paid. These items are not represented as liabilities on the Company's balance sheet.

The table below details the Company's irrevocable commitments as at the dates indicated.

	As at 31 December		
	2015	**2014**	**2013**
		€ million	
Unused credit facilities	253.9	154.6	105.8
Sale and repurchase commitments	221.3	436.3	330.3
Other	17.1	10.5	11.3
Total	**492.4**	**601.4**	**447.3**

The Company cannot predict whether, when and how much of the above commitments will be claimed and will have to be paid out. These items are not represented as liabilities on the Company's balance sheet.

Critical Accounting Policies and Judgments

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. The most significant policies and judgements are detailed below.

Property, Plant and Equipment

Property, plant and equipment comprise property, information technology, furniture and 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. The estimated useful life of property, plant and equipment is detailed in the table below.

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

Operating software development costs are capitalised if they are identifiable, if there is a likelihood that future economic benefits will flow to Van Lanschot and if 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 to which the goodwill relates. A cash-generating unit'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 cash-generating units, Van Lanschot is unable to calculate a reliable fair value less costs to sell for each cash-generating unit. 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 cash-generating unit to their net present value. If the recoverable amount of a cash-generating unit 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.

Goodwill is tested for impairment annually. Goodwill recognised on the balance sheet for the year ended 31 December 2015 was €155.1 million, an increase of €26.6 million, or 20.7% compared to €128.6 million for the year ended 31 December 2014. The movements in the Company's goodwill during the period under review resulted primarily from the enlargement of the basis of the consolidation of the non-strategic investment AIO II B.V., which led to an increase of €25.1 million. The allocation of goodwill to segments is detailed in the table below as at 31 December 2015 and 2014.

	As at 31 December	
	2015	**2014**
	€ million	
Asset Management	49.3	49.3
Merchant Banking	76.3	76.3
Non-strategic investments	29.5	3.0
Total	**155.1**	**128.6**

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. The movement in the Company's Other intangible assets for the year ended 31 December 2015 is detailed in the table below.

	Client base	Third-party distribution channels	Brand names	Application software	Total
			€ million		
At period beginning	5.6	1.6	9.2	8.5	**24.9**
Additions	2.5	—	—	34	**2.5**
Amortisation	-1.5	-0.4	-0.8	-4.8	**-7.5**
At period end	6.6	1.2	8.4	3.7	**20.0**

The movements in other intangible assets during the period under review resulted primarily from the recognition of €2.5 million of a client base, related to the acquisition of MN UK in the third quarter of 2015. Furthermore, all other intangible assets were amortised over their respective useful lives, which amounted €7.4 million over 2015. The estimated useful life of such intangible assets is detailed in the table below.

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

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 *"Risk Management"*.

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'. 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 months during which the information time lag exists (minimum 0, maximum 12).

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 affected 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.

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. Deferred tax assets are tested for impairment annually. The deferred tax assets as at 31 December 2015 were €49.8 million, a decrease of €10.0 million, or 16.7% compared to €59.8 million as at 31 December 2014. The movements in the Company's deferred tax assets during the period under review resulted primarily from the opportunity to compensate for tax losses from previous years with taxable profits over the year ended 31 December 2015.

Year of Tax losses to be offset	Amount	Final year for offsetting
	€ million	
2009	94.3	2018
2010	0.3	2019
2011	—	2020
2012	64.8	2021
2013	0.7	2022
2014	9.2	2023
2015	3.0	Indefinite[1]

(1) The losses recorded in 2015 resulted from the permanent establishment in Belgium. As Belgium does not apply a time limit for offsetting losses, they can be carried forward indefinitely.

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.

Future Accounting Developments

The IASB has recently issued a new rule as a replacement for IAS 39: "*Financial Instruments: Recognition and Measurement*", being IFRS 9: "*Financial Instruments*". IFRS 9 introduces new requirements for the classification and measurement of financial assets, hedge accounting and the impairment of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model under which they are held and the characteristic of their contractual cash flows. In addition, IFRS 9 is replacing the incurred loss approach to impairment of IAS 39 with one based on expected losses, and is replacing the rules based hedging requirements of IAS 39 with new requirements that align hedge accounting more closely with risk management activities. IFRS 9, including the final version of the requirements in respect of impairment, was issued on 24 July 2014. The IASB has decided to apply IFRS 9 for annual periods beginning on or after 1 January 2018. IFRS 9 is required to be applied retrospectively, but prior periods need not be restated. The Company is currently assessing the impact of the adoption of IFRS 9 upon its financial position. The Company may be subject to significant adjustments in the measurement of financial instruments which could have an impact on the Company's balance sheet, its loan loss provisions and its consolidated statement of income.

MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

General

Set out below is a summary of relevant information concerning the Company's Statutory Board, the Supervisory Board, the Executive Board and Van Lanschot's employees. This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the Articles of Association, the Statutory Board Rules, the Executive Board Rules, the Supervisory Board Rules (each as defined below) and the relevant provisions under Dutch corporate law. The Articles of Association, the Statutory Board Rules, the Executive Board Rules, the Supervisory Board Rules and an unofficial English translation of the Articles of Association are available on Van Lanschot's website (corporate.vanlanschot.nl). This section also describes the compliance of Van Lanschot with the Dutch Corporate Governance Code and the Dutch Banking Code (the "**Dutch Banking Code**").

Management Structure

The Company maintains a two-tier board structure consisting of a Statutory Board (*bestuur*) and a Supervisory Board (*raad van commissarissen*). The Statutory Board is responsible for the day-to-day management, which includes, among other things, formulating the Company's strategy and policies and setting and achieving the Company's objectives. The Supervisory Board supervises and advises the Statutory Board.

The Dutch Civil Code's (the "**Dutch Civil Code**") full large company regime (*volledig structuurregime*) applies to the Company. Under Dutch law, a 'structure company' (*structuurvennootschap*) is a company that meets the following criteria: (i) according to the balance sheet with explanatory notes the sum of the issued share capital of the company and its reserves amounts to at least €16,000,000; (ii) the company or a dependent company (*afhankelijke maatschappij*) has, pursuant to a legal obligation, established a works council; and (iii) the company and its dependent companies together normally employ at least 100 employees in the Netherlands. Companies to which the full large company regime applies are obliged by law to have a supervisory board. The members of the Supervisory Board are appointed according to a procedure (see "—*Supervisory Board*") in which not only the Supervisory Board and the General Meeting, but also the Works Council plays an important role. The Supervisory Board has extensive powers under the full large company regime. Major strategic and organisational decisions taken within a company require the approval of the Supervisory Board. Pursuant to the full large company regime, the members of the Statutory Board are appointed by the Supervisory Board. For a more detailed description of the appointment of the Statutory Board, see "—*Statutory Board*".

Statutory Board

Powers and function

The Statutory Board is tasked with managing the Company. Its duties therefore include devising and achieving the Company'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.

The mission, strategy and objectives of the Company are focused on the long term and are expressed in part in the Company's risk policy and the policy for sustainability and corporate social responsibility. The Company chooses its position such that its commercial interests and social role are extensions of each other. This is also expressed in the Company's governance structure and guides the implementation of its policy based on its mission, strategy and objectives.

The Statutory Board is responsible for complying with all relevant primary and secondary legislation, for managing the risks associated with the Company's activities and for financing the Company. The Statutory Board will report related developments to, and will discuss the internal risk management and control systems with, the Supervisory Board and the Audit and Compliance Committee.

In discharging its role, the Statutory Board shall be guided by the interests of the Company and its affiliated enterprise, taking into consideration the interests of the Company's stakeholders, including but not limited to Shareholders, DR Holders, creditors, employees and clients. The

Statutory Board shall provide the Supervisory Board in good time with all information necessary for the exercise of the duties of the Supervisory Board. The Statutory Board is also the management board of its wholly-owned subsidiary Van Lanschot Bankiers.

Statutory Board Rules

In accordance with the Articles of Association, the Statutory Board has adopted rules governing the Statutory Board's principles and best practices (the "**Statutory Board Rules**"). The Statutory Board Rules describe the duties, tasks, composition, procedures and decision-making of the Statutory Board.

Composition, appointment and removal

The Articles of Association provide that the Statutory Board must consist of two or more members, with the total number of members of the Statutory Board determined by the Supervisory Board. The Supervisory Board appoints the members of the Statutory Board and 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 appoints a chairman from among the members of the Statutory Board and may also appoint a vice-chairman.

The Articles of Association provide that the Supervisory Board shall not remove a member of the Statutory Board before the General Meeting has been consulted on the intended removal. The Supervisory Board has the authority to suspend a member of the Statutory Board and any suspension may be extended one or more times, but not for more than three months in the aggregate. If no decision has been made to remove the suspension or to dismiss the member of the Statutory Board by the end of that period, the suspension shall end.

Members of the Statutory Board

As at the date of this Prospectus, the Statutory Board is composed of the following members:

Name	Age	Position	Member since	Term
Karl Guha	52	Chief Executive Officer / Chairman	2 January 2013	2017
Constant Korthout	53	Chief Financial Officer / Chief Risk Officer	27 October 2010 reappointed in 2014	2018
Arjan Huisman	45	Chief Operating Officer	6 May 2010 reappointed in 2014	2018
Richard Bruens	48	Managing Director of Private Banking	15 May 2014	2018

Karl Guha is Chief Executive Officer (CEO) and has been chairman of the Statutory Board and the chairman of the management board of Van Lanschot Bankiers since 2013. He studied economics and finance at Boston University. Mr Guha began his banking career in 1989 when he joined ABN AMRO Bank. During 18 years at ABN AMRO Bank, he held positions in structured finance, treasury, capital management, investor relations, risk management and asset and liability management. From 2009 to 2012, Mr Guha was group risk officer and member of the executive management board of UniCredit Banking Group. In the past he has also been a member of the supervisory boards of Bank Austria (until 2012), HVB in Germany (until 2011) and Zao Bank in Russia (until 2012). From 2013 to February 2015, Mr Guha was a member of the supervisory board of Kempen & Co. Mr Guha furthermore has held a position on the board of the Dutch Banking Association (*Nederlandse Vereniging van Banken*) since 2013. Mr Guha is Dutch.

Constant Korthout is Chief Financial Officer (CFO)/Chief Risk Officer (CRO) of the Company and has been a member of the Statutory Board and a member of the management board of Van Lanschot Bankiers since 2010, as well as chief financial officer and a member of the management board of Kempen & Co since 2015. Mr Korthout studied business economics at the Erasmus University in Rotterdam. He started his career in 1985 as a management trainee at ABN AMRO Bank, followed by a number of years as senior account manager for corporate clients at the bank. In 1990, he became financial management consultant at KPMG Management Consultants. He joined Robeco in 1992, starting as group controller and subsequently holding the positions of chief financial officer and member of the executive board of Weiss, Peck & Greer in New York, and corporate development director. From 2002 to 2010, he was chief financial officer of Robeco Group. In this position his responsibilities included risk management, treasury and corporate development. From 2010 to February 2015, Mr Korthout was member of the supervisory board of Kempen & Co.

Mr Korthout currently holds the vice chairmanship of the supervisory board of Sint Franciscus-Vlietland Groep (since 2009), and he is member of the board of Stichting Bijzondere Gezondheidszorg since 2012 and at Stichting Teenstra Foundation since 2011. Mr Korthout is Dutch.

Arjan Huisman is Chief Operating Officer (COO) and has been a member of the Statutory Board and a member of the management board of Van Lanschot Bankiers since 2010 and a member of the supervisory board of F. Van Lanschot Bankiers (Schweiz) AG since 2010. Mr Huisman studied business economics at Erasmus University Rotterdam. He started his career in 1995 as a consultant with the Boston Consulting Group, leaving as a partner and managing director in 2010. From 2010 to February 2015, Mr Huisman was member of the supervisory board at Kempen & Co. Mr Huisman currently is member of the supervisory board of Van Lanschot Chabot (since 2010). Mr Huisman is Dutch.

Richard Bruens is managing director of Private Banking and has been a member of the Statutory Board and a member of the management board of Van Lanschot Bankiers since 2014 and a member of the supervisory board of F. Van Lanschot Bankiers (Schweiz) AG since 2013. Mr Bruens studied business administration at the University of Groningen and has an MBA in Finance from Manchester Business School. He started his career at ABN AMRO in 1991 as management trainee in the international division, holding various managerial positions in the Global Markets division until 2007, the last four years in the role of managing director of investor relations. He left ABN AMRO in July 2007 to join Renaissance Capital in Moscow, where he was a member of the group's management board and global head of strategy, investor relations and communications until 2008. In January 2010 he returned to ABN AMRO, becoming a member of the ABN AMRO Private Banking International management team, with global responsibility for products and for private wealth management, among other appointments within the ABN AMRO group. Mr Bruens joined Van Lanschot in August 2013 and was a member of the supervisory board of Kempen & Co from October 2014 to February 2015. Mr Bruens currently is a member of the supervisory board of Van Lanschot Chabot (since 2014), a member of the advisory board of Avans Expertisecentrum Sustainable Business (since 2015) and chairman of the board of the foundation of Springpaardenfonds (since 2015). Mr Bruens is Dutch.

The business address of the members of the Statutory Board is the Company's registered address, Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands.

Decision-making

The Statutory Board holds in principle one meeting every week, or more (or less) often as deemed necessary or desirable for the proper functioning of the Statutory Board by one or more members. The meetings of the Statutory Board are in principle combined with the meetings of the Executive Board. If no larger majority is stipulated by Dutch law or pursuant to the Articles of Association or the Statutory Board Rules, the Statutory Board may adopt resolutions with an absolute majority of the votes cast at the meeting. The Statutory Board may also adopt resolutions without having a meeting, provided such resolutions are adopted in writing and that the proposed resolution has been submitted to all members of the Statutory Board entitled to vote and none of them opposes this manner of adopting a resolution. Adoption of resolutions in writing will be effected by written statements from all members of the Statutory Board in office.

Resolutions of the Statutory Board entailing a significant change in the identity or character of the Company or its business are subject to the approval of the General Meeting, including in any case: (i) the transfer of (nearly) the entire business of the Company to a third party; (ii) entering into or breaking off long-term co-operation of the Company or a subsidiary with another legal entity or company or as fully liable partner in a limited partnership (*commanditaire vennootschap*) or general partnership (*vennootschap onder firma*), if this co-operation or termination is of major significance for the Company; and (iii) acquiring or disposing of participating interests in the capital of a company representing at least one third of the sum of the assets of the Company as shown on its balance sheet plus explanatory notes or, if the Company prepares a consolidated balance sheet, its consolidated balance sheet plus explanatory notes according to the last adopted annual accounts of the Company, by the Company or a subsidiary.

For certain other important resolutions of the Statutory Board identified in the Articles of Association, the Statutory Board Rules and the Supervisory Board rules require the approval of the Supervisory Board. These include: (i) the issue and acquisition of shares in and of debentures issued

by the Company or of debentures issued by a limited partnership (*commanditaire vennootschap*) or a general partnership (*vennootschap onder firma*) of which the Company is the active and fully liable partner; (ii) cooperation with the issue of depositary receipts for shares; (iii) application for listing or withdrawal of listing of the securities referred to under (i) and (ii) on any regulated market or multilateral trading facility as referred to in Section 1:1 Dutch Financial Supervision Act or another system comparable to these in a non-Member State; (iv) the entering into or the termination of lasting cooperation of the Company or a dependent company with another legal entity or company or as active and fully liable partner in a limited partnership (*commanditaire vennootschap*) or general partnership (*vennootschap onder firma*), if such cooperation or termination is of fundamental importance to the Company; (v) the acquisition of a participation worth at least a quarter of the amount, or a lower threshold to be determined by the Supervisory Board, of the issued capital plus reserves according to the Company's balance sheet plus explanatory notes, by it or a dependent company in the capital of another company, and any drastic increase or decrease of such a participation; (vi) investments requiring an amount equal to at least a quarter of the Company's issued capital plus reserves according to its balance sheet plus explanatory notes, or a lower threshold to be determined by the Supervisory Board; (vii) a proposal to amend the Articles of Association; (viii) a proposal to dissolve the Company; (ix) a petition for bankruptcy or a request for suspension of payments (*surseance van betaling*); (x) the termination of the employment of a considerable number of the Company's employees or of a dependent Company's employees simultaneously or within a short period of time; (xi) a significant change in the employment conditions of a substantial number of the Company's or of a dependent company's employees; (xii) a proposal to reduce the issued share capital of the Company; and (xiii) a proposal to merge or to demerge within the meaning of Part 7, Book 2 of the Dutch Civil Code.

The Statutory Board is also required to submit for the Supervisory Board's approval: (a) the operational and financial objectives of the Company; (b) the strategy designed to achieve the objectives; (c) the parameters to be applied in relation to the strategy, for example in respect of financial ratios; and (d) corporate social responsibility issues that are relevant to the enterprise. The Supervisory Board shall be notified in writing of such resolutions, which shall be clearly specified. The lack of approval by the General Meeting of a resolution, or by the Supervisory Board, with the exception of resolution (xiii), shall not affect the authority of the Statutory Board or members of the Statutory Board to represent the Company. The Supervisory Board may require other resolutions of the Statutory Board than those specified above, to be subject to its approval.

Conflict of interest

Dutch law provides that a member of the Statutory Board of a Dutch public limited liability company or Dutch private limited liability company may not participate in the adoption of resolutions (including deliberations in respect of these) if he has a direct or indirect personal conflict of interest. This rule applies to the Company. If no resolution can be taken as a consequence of all members of the Statutory Board having a conflict of interest, the resolution concerned must be presented to the Supervisory Board. In addition, if a member of the Statutory Board does not comply with the provisions on conflicts of interest, the resolution concerned is subject to nullification (*vernietigbaar*) and this member may be held liable towards the Company. Every member of the Statutory Board shall notify the chairman of the Supervisory Board and all other members of the Statutory Board of any (potential) conflict of interest and shall provide all relevant information. The Supervisory Board will decide whether there is a conflict of interest without the presence of the member of the Statutory Board involved.

Potential conflict of interest and other information

The Company is not aware of any potential conflicts of interest between the private interests or other duties of each of the members of the Statutory Board on the one hand and the interests of the Company on the other hand. According to best practice provision II.3.4 of the Dutch Corporate Governance Code, the Company will report on any conflict of interest in its annual report. There is no family relationship between any member of the Statutory Board and any member of the Supervisory Board.

During the last five years, none of the members of the Statutory Board: (i) has been convicted of fraudulent offenses; (ii) has served as a director or officer of any entity subject to bankruptcy proceedings, receivership or liquidation; or (iii) has been subject to any official public incrimination

and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer.

The Company is not aware of any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any member of the Statutory Board was selected as a member of such management body of the Company.

Employment agreements of the Statutory Board

The members of the Statutory Board are employed by Van Lanschot Bankiers on the basis of an employment agreement for an indefinite term. The employment agreements can be terminated by observing a notice period of three months by the member of the Statutory Board and six months by Van Lanschot Bankiers. If the employment agreement is terminated by Van Lanschot Bankiers in the context of a change in control of the Company or otherwise, the member of the Statutory Board is entitled to a severance payment equal to his fixed annual salary at that time. However, such member of the Statutory Board will not be entitled to such severance payment if, among other reasons, the employment agreement is terminated due to serious culpable acts or omissions of the member of the Statutory Board or if statutory obligations, including but not limited to Section 1:125 of the Dutch Financial Supervision Act and/or the DNB Regulation on Sound Remuneration Policies 2014, preclude such payment.

Executive Board

Powers and function

The Executive Board's duties 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.

Executive Board Rules

In accordance with the Statutory Board rules and after prior approval by the Supervisory Board, the Executive Board has adopted rules governing the Executive Board's principles and best practices (the "**Executive Board Rules**"). The Executive Board Rules describe the duties, tasks, composition, procedures and decision-making of the Executive Board.

Composition, appointment and removal

The Executive Board consists of the members of the Statutory Board and the members of the management board of Kempen & Co. The chairman of the Statutory Board is the chairman of the Executive Board. The Statutory Board has the authority to appoint, suspend and dismiss the members of the Executive Board that are not also member of the Statutory Board, after prior approval by the Supervisory Board. In recruiting and selecting these members of the Executive Board, the Supervisory Board is involved in the same way it is involved in recruiting and selecting members of the Statutory Board.

Members of the Executive Board

As at the date of this Prospectus, the Executive Board is composed of the following members:

Name	Age	Position	Member since
Karl Guha	52	Chief Executive Officer / Chairman	16 March 2015
Constant Korthout	53	Chief Financial Officer / Chief Risk Officer	16 March 2015
Arjan Huisman	45	Chief Operating Officer	16 March 2015
Richard Bruens	48	Managing Director of Private Banking	16 March 2015
Paul Gerla	50	Asset Management / CEO Kempen & Co	16 March 2015
Joof Verhees	55	Merchant Banking / Management board Kempen & Co	16 March 2015

For information in respect of the members of the Executive Board who are also members of the Statutory Board, see *"—Statutory Board-Members of the Statutory Board"*.

Paul Gerla has been a member of the Executive Board since 2015, a member of the management board of Kempen & Co since 2009 and chairman of the management board of Kempen & Co since 2015. Since 2009, Mr Gerla has been CEO of Kempen Capital Management. Mr Gerla studied at the Erasmus University in Rotterdam and holds a degree in Econometrics. Prior to joining Kempen & Co, he worked for 17 years with the Royal Dutch Shell Group, holding different positions including, among others, CFO for Shell companies in Malaysia and Colombia. From 2008 to 2013, Mr Gerla was chairman and vice-chairman of DUFAS (Dutch Fund and Asset Management Association in the Netherlands). From 2008 to 2011, Mr Gerla was chairman of the representative advisory board at Paschalisschool. Mr Gerla currently is a member of the board of DUFAS (since 2013), member of the supervisory board of the Spaarne Gasthuis in Hoofddorp and Haarlem (since 2013), member of the advisory committee of European Institute (since 2009) and member of the board of governance of Holland Festival (since 2015). Mr Gerla is Dutch.

Joof Verhees has been a member of the Executive Board since 2015 and a member of the management board of Kempen & Co since 2009. In 2004, Mr Verhees was appointed managing director securities at Kempen & Co. Mr Verhees began his career at ING Bank, where he held various positions. From 1990 to 1993 he was based in BNP Paribas Capital Markets' London office as a senior trader. In 1993, he joined ABN AMRO, where he held positions including senior vice president and head of European trading in London. In 1996, Mr Verhees moved to Rabo Securities, leaving as managing director in 2004. Mr Verhees is Dutch.

The business address of the members of the Executive Board is the Company's registered address, Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands.

Decision-making

The Executive Board holds in principle one meeting every week, or more (or less) often as deemed necessary or desirable for the proper functioning of the Executive Board by the chairman of the Executive Board. The meetings of the Executive Board are in principle combined with the meetings of the Statutory Board. Because of the responsibility of the Statutory Board for the actions and decisions of the Executive Board, decisions have to be made with a positive vote of at least the absolute majority of the members of the Statutory Board that are present and represented at the meeting. The Executive Board may also adopt resolutions without having a meeting, provided such resolutions are adopted in writing and that the proposed resolution has been submitted to all members of the Executive Board entitled to vote and none of them opposes this manner of adopting a resolution. Adoption of resolutions in writing will be effected by written statements from all members of the Executive Board in office.

Conflicts of interest

Pursuant to the Executive Board Rules, in case of a conflict of interest between the Company and a member of the Executive Board, the conflicted member of the Executive Board will not take part in the discussion and in the decision-making process on a subject or transaction in which he has a conflict of interest. Resolutions to enter into transactions in relation to which a member of the Executive Board has a conflict of interest, require the approval of the Executive Board. All transactions in which there are conflicts of interest with members of the Executive Board shall be agreed on terms that are customary in the sector concerned and shall be disclosed in the Company's annual report.

Potential conflict of interest and other information

The Company is not aware of any potential conflicts of interest between the private interests or other duties of each of the members of the Executive Board on the one hand and the interests of the Company on the other hand. There is no family relationship between any member of the Executive Board and any member of the Supervisory Board.

During the last five years, none of the members of the Executive Board: (i) has been convicted of fraudulent offenses; (ii) has served as a director or officer of any entity subject to bankruptcy proceedings, receivership or liquidation; or (iii) has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer.

The Company is not aware of any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any member of the Executive Board was selected as a member of such management body of the Company.

Supervisory Board

Powers and function

The Supervisory Board supervises the conduct and policies of the Statutory Board and the general course of affairs of the Company and its business. The Supervisory Board also provides advice to the Statutory Board. In performing their duties, the members of the Supervisory Board are required to be guided by the interests of the Company which includes the interests of the business associated with it. The Statutory Board must provide the Supervisory Board in good time with the information it needs to carry out its duties. The Supervisory Board has drawn up a profile for its size and composition taking into account the nature of the business of Van Lanschot, its activities and the desired expertise and background of its members. The Supervisory Board is obliged to discuss the profile at its adoption and subsequently with each change in the General Meeting and with the Works Council. The Supervisory Board of the Company is also the Supervisory Board of its subsidiary Van Lanschot Bankiers and Kempen & Co.

Supervisory Board Rules

In accordance with the Articles of Association, the Supervisory Board has adopted rules governing the Supervisory Board's principles and best practices (the "**Supervisory Board Rules**"). The Supervisory Board Rules describe the duties, tasks, composition, procedures and decision-making of the Supervisory Board.

Composition, appointment and removal

The Articles of Association provide that the Supervisory Board must consist of a minimum of three members and a maximum of nine members, which number is to be determined by the Supervisory Board. Only natural persons may be appointed as members of the Supervisory Board. The General Meeting appoints the member of the Supervisory Board pursuant to and in accordance with a proposal of the Supervisory Board.

The General Meeting can overrule a binding nomination by the Supervisory Board by an absolute majority of the votes cast, representing at least one-third of the issued share capital. If the General Meeting with an absolute majority of the votes cast overrules the binding nomination, but this majority does not represent at least one-third of the Company's issued share capital, then a new meeting may be convened in which the nomination can be overruled by an absolute majority of the votes cast irrespective of the capital present or represented at the meeting.

The General Meeting and the Works Council may recommend candidates to the Supervisory Board to be nominated as members of the Supervisory Board. The Supervisory Board is required to nominate a candidate recommended by the Works Council in respect of one-third of the members of the Supervisory Board.

The Articles of Association provide that each member of the Supervisory Board shall be appointed for a maximum period of four years. A member's term of office shall lapse in accordance with the rotation schedule drawn up by the Supervisory Board. A member of the Supervisory Board may be re-appointed for additional four-year terms. Pursuant to the Supervisory Board Rules, members of the Supervisory Board will in principle be appointed for a maximum of three four-year terms. If the Supervisory Board objects to the recommendation of the Works Council, it must notify the Works Council of its objections stating its reasons. The Supervisory Board should enter into consultation with the Works Council in order to reach agreement on the recommendation. If it is apparent to the Supervisory Board that no agreement can be reached between the Supervisory Board and the Works Council, a designated representative of the Supervisory Board will request the Enterprise Chamber to declare the Supervisory Board's objections valid (*gegrond*). If the Enterprise Chamber declares the Supervisory Board's objections invalid (*ongegrond*), the Supervisory Board will nominate the candidate recommended by the Works Council for appointment. If the Enterprise Chamber declares the Supervisory Board's objections valid, the Works Council will have an opportunity to make a new recommendation.

All current members of the Supervisory Board meet the fit and proper requirements of the Dutch Financial Supervision Act. The Company intends to comply with provisions III.2.1 and III.2.2 of the Dutch Corporate Governance Code regarding independence of the Supervisory Board.

The Supervisory Board may suspend any of its members at any time. The suspension shall lapse by law if the Company, represented by the Supervisory Board, has not requested the Enterprise Chamber within one month after commencement of the suspension to dismiss the suspended members of the Supervisory Board on legal grounds. The General Meeting can dismiss the Supervisory Board in its entirety for reasons of lack of confidence, by an absolute majority of the votes cast, representing at least one-third of the issued share capital (whereby the possibility to hold a second General Meeting in which no quorum applies is excluded). The resolution to dismiss the Supervisory Board shall have immediate effect and the Statutory Board is required to request the Enterprise Chamber without delay to appoint one or more members to the Supervisory Board on a temporary basis.

Pursuant to the Shareholder Agreement, as long as LDDM Holding retains an interest of at least 7.5% in the Company, it has the right to recommend one person for appointment to the Supervisory Board of the Company. Godfried van Lanschot currently sits on the Supervisory Board on LDDM Holding's recommendation. Godfried van Lanschot also holds an indirect financial interest in LDDM Holding. More information on the Shareholder Agreement can be found in the section "*Shareholder Structure and Related Party Transactions—Related Party Transactions—Shareholder Agreement LDDM*".

Members of the Supervisory Board

As at the date of this Prospectus, the Supervisory Board is composed of the following members:

Name	Age	Position	Member since	Term
Willy Duron	71	Chairman	10 May 2007	2019
Jos Streppel	66	Vice-chairman	11 May 2005	2017
Jeanine Helthuis	53	Member	2 July 2013	2017
Bernadette Langius	55	Member	13 May 2015	2019
Godfried van Lanschot	52	Member	10 May 2006	2018

Willy Duron was appointed to the chairmanship of the Supervisory Board and chairmanship of the supervisory board of Kempen & Co in December 2015. Mr Duron has been member of the Supervisory Board since May 2007. In 1993, Mr Duron became director/adjunct director general at ABB, a position he held until 1997. From 1998 to 2006, he held various positions at KBC Group N.V., including the position of chairman, a position he held from 2003 to 2006. From 2004 to 2012, Mr Duron was an independent director of KU Leuven. From 2006 to 2015, Mr Duron was an independent director at Vanbreda Risk and Benefits N.V., an independent director at Ravago SA and member of the board at University Hospitals Leuven. Besides being member of the Supervisory Board, Mr Duron currently is an independent director at Agfa-Gevaert N.V. (since 2008), an independent director at Tigenix NV (since 2008), an independent director at Ethias N.V. (since 2015) and chairman of the board of WindVision B.V. (since 2013). Mr Duron is Belgian.

Jos Streppel was appointed as member and vice-chairman to the Supervisory Board on 11 May 2005 and as a member of the supervisory board of Kempen & Co in 2015. From 2005 to 2009, Mr Streppel was member of the Working Committee IASB and chairman of ECOFIN, European Insurers Paris. Mr Streppel was also member (from 2005 to 2009) and chairman (from 2009 to 2014) of the Corporate Governance Code Monitoring Committee (the "**Corporate Governance Code Monitoring Committee**"), member of the State Commission on Insurance from 2014 to 2015, chairman and member of the supervisory board of KPN from 2003 to 2015, member of the advisory board of FHL from 2013 to 2015 and member of the advisory board of Inseit from 2012 to 2015. Mr Streppel is also currently non-executive director on the board of directors of RSA Insurance Group Plc (since 2011), chairman of the supervisory board of Leaseplan Corporation N.V. (since 2016), chairman of the board of directors at Stichting Duisenberg School of Finance (since 2008), board member at Amsterdam Center for Corporate Finance (since 2007), chairman of the advisory council of the Royal Dutch Actuarial Association (since 2013), member of the supervisory board of Stichting Arq (since 2011), member of the board of directors of the Gieskes Strijbis Foundation (since 2013) and member of the advisory board at IRS Forensic Investigations & Integrity Services B.V. (since 2011). Additionally, Mr Streppel is deputy councillor of the Enterprise Chamber in Amsterdam (since 2014). Mr Streppel is Dutch.

Jeanine Helthuis was appointed to the Supervisory Board in 2013 and as a member of the supervisory board of Kempen & Co in 2015. From 2006 to 2009, Mrs Helthuis was a board member and CEO of retail banking at Fortis Bank Nederland. Mrs Helthuis was member of the supervisory board at Direkt Bank and chairman of the supervisory board at Alfam/Defam from 2007 to 2009, member of the supervisory board of Stichting Qredits Microfinanciering Nederland from 2008 to 2009, member of the supervisory board at International Card Services B.V. and Fortis Hypotheekbank in 2009, chairman of Pensioenfonds Monuta in 2010, chairman at Monuta Verzekeringen N.V. and chairman of Monuta Holding from 2009 to 2012 and member of the supervisory board of Ixorg from 2014 to 2015. Mrs Helthuis is currently a member of the supervisory board at Prorail (since 2011), member of the supervisory board at Railinfratrust B.V. (since 2011), managing director at PC Hooft Groep B.V. (since 2015), director at PC Hooft Verzekeringen N.V. (since 2015), board member at Stichting PC Hooft Depositofonds (since 2015) and member of the advisory council at Stichting Nintes (since 2010). Mrs Helthuis is Dutch.

Bernadette Langius was appointed to the Supervisory Board and as a member of the supervisory board of Kempen & Co in May 2015. From 1984 to 2010, Mrs Langius held various positions at ABN AMRO. Mrs Langius was chairman of the supervisory board at Vermogensgroep Amsterdam from 2006 to 2007, board member at Kunststichting ABN AMRO from 2007 to 2010, member of the supervisory board at ABN AMRO Lease previously known as Amstellease from 2009 to 2010, member of the advisory council at AIESEC Amsterdam, member of the personnel and organisation committee at VSNU from 2011 to 2015, member of the advisory council at Stichting DUWO from 2011 to 2015, board member at Stichting VU-VUMC from 2011 to 2015 and member of the council of members at Coöperatie Surf U.A. from 2012 to 2015. Mrs Langius is currently a member of the supervisory board of Stichting Plan Nederland (since 2008) and member of the supervisory board of IBM Nederland B.V. (since 2015), and a member of the supervisory board of BDO Nederland (since May 2016). Mrs Langius is Dutch.

Godfried van Lanschot was appointed to the Supervisory Board on 10 May 2006 and as a member of the supervisory board at Kempen & Co in 2015. From 1993 to 2005, Mr Van Lanschot held various positions at ABN AMRO. Furthermore, Mr Van Lanschot was secretary at Van Lanschot Stichting from 1999 to 2006, director at D Six Investments B.V. from 2004 to 2010, statutory director of HL2 B.V. from 2005 to 2015 and non-executive board member of Fetch Inc. from 2007 to 2015. Mr Van Lanschot is currently a statutory director at La Dent du Villard B.V. (since 2005), board member/secretary of Van Lanschot Stichting and statutory director of La Grand Couloir B.V. (since 2006) and founder and director at Glansch B.V. (since 2011). Mr Van Lanschot is Dutch.

The business address of the members of the Supervisory Board is the Company's registered address, Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands.

Decision-making

Pursuant to the rules of procedure of the Supervisory Board, resolutions of the Supervisory Board are validly adopted if the majority of the members are present or represented. Resolutions of the Supervisory Board can also be adopted without holding a meeting, provided that this is done in writing, the subject concerned has been brought to the attention of all members of the Supervisory Board and none of the members of the Supervisory Board has opposed this decision-making procedure. The Supervisory Board can adopt resolutions by an absolute majority. In a tie vote, the chairman of the Supervisory Board has a casting vote.

Conflict of interest

Similar to the rules that apply to the members of the Statutory Board described above, Dutch law also provides that a member of the Supervisory Board of a Dutch public limited liability company or Dutch private limited liability company may not participate in the adoption of resolutions (including deliberations in respect of these) if he has a direct or indirect personal conflict of interest. This rule also applies to the Company. If no resolution can be taken as a consequence of all members of the Supervisory Board having a conflict of interest, the resolution concerned will be adopted by the General Meeting. If a member of the Supervisory Board does not comply with the provisions on conflicts of interest, the resolution concerned is subject to nullification (*vernietigbaar*) and this member may be held liable towards the Company. Every member of the Supervisory Board shall notify the chairman of the Supervisory Board of any (potential) conflict of interest that is

material to the Company or the relevant member of the Supervisory Board and shall provide all relevant information, including relevant information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law. The Supervisory Board will decide whether there is a conflict of interest without the presence of the member of the Supervisory Board involved.

Pursuant to the Supervisory Board Rules, in case of a conflict of interest, as defined in the Supervisory Board Rules, between the Company and a member of the Supervisory Board, the conflicted member of the Supervisory Board will not take part in the discussion and in the decision-making process on a subject or transaction in which he or she has a conflict of interest. Resolutions to enter into transactions, in relation to which a member of the Supervisory Board has a conflict of interest, require the approval of the Supervisory Board. All transactions in which there are conflicts of interest with members of the Supervisory Board shall be agreed on terms that are customary in the sector concerned and shall be disclosed in the Company's annual report.

Potential conflict of interest and other information

The Company is not aware of any potential conflicts of interest between the private interests or other duties of each of the members of the Supervisory Board on the one hand and the interests of the Company on the other hand. According to best practice provision III.6.3 of the Dutch Corporate Governance Code, the Company will report on conflicts of interest in its annual report. There is no family relationship between any member of the Supervisory Board and any member of the Statutory Board.

During the last five years, none of the members of the Supervisory Board: (i) has been convicted of fraudulent offenses; (ii) has served as a director or officer of any entity subject to bankruptcy proceedings, receivership or liquidation; or (iii) has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer.

The Company is not aware of any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any member of the Supervisory Board was selected as a member of such management body of the Company, except for the right of LDDM Holding to recommend one person for appointment to the Supervisory Board in accordance with the Shareholder Agreement (see "*Shareholder Structure and Related Party Transactions—Related Party Transactions—Shareholder Agreement LDDM*"). Mr Duron and Mrs Helthuis were appointed to the Supervisory Board pursuant to the enhanced recommendation right (*versterkt aanbevelingsrecht*) of the Works Council.

Supervisory Board Committees

The Supervisory Board has appointed four committees from among its members to assist the decision-making of the Supervisory Board: the audit and compliance committee (the "**Audit and Compliance Committee**"), the risk committee (the "**Risk Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"). These committees advise the Supervisory Board on matters relating to their respective areas of interest. The Supervisory Board has the power to appoint other fixed and/or ad hoc committees from among its members.

Audit and Compliance Committee

The Audit and Compliance Committee advises the Supervisory Board with respect to the internal control and financial reporting functions, the internal and external audit and the compliance with applicable laws and regulations of the Company and its subsidiaries.

The Audit and Compliance Committee shall in any event focus on supervising the activities of the Statutory Board with respect to: (i) the operation of the internal risk management and control systems, including supervision of the enforcement of relevant primary and secondary legislation, and supervising the operation of codes of conduct; (ii) the provision of financial information by the Company (choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the financial statements, forecasts, work of internal and external auditors, etc.); (iii) the budget and investment plan for the coming year; (iv) the

financing of the Company; (v) the policy of the Company on tax planning; (vi) the solvability and liquidity risk; (vii) the reputation risk and duty of care; (viii) relations with the external auditor, including, in particular, his independence, remuneration and any non-audit services for the Company; (ix) compliance with recommendations and observations of internal and external auditors; and (x) the role and functioning of the internal audit function and all other aspects which the committee finds important.

The Audit and Compliance Committee will meet as often as the chairperson of the Audit and Compliance Committee or any other member of the Audit and Compliance Committee deems necessary but in any event at least three times a year. The Audit and Compliance Committee shall meet at least once a year with the external auditor and without the presence of the Statutory Board. The Audit and Compliance Committee shall have at least three members. The roles and responsibilities of the Audit and Compliance Committee as well as the composition and the manner in which it discharges its duties are set out in the terms of reference of the Audit and Compliance Committee available on the Company's website.

The current members of the Audit and Compliance Committee are: Jos Streppel (chairman), Willy Duron and Jeanine Helthuis.

Risk Committee

The Risk Committee advises the Supervisory Board regarding credit risk (including bank limits and country limits) and the other risks associated with the business activities, such as operational risk, (including information technology risks), market risk and interest risk.

The role and responsibilities of the Risk Committee are set out in the terms of reference of the Risk Committee and include approving the risk framework of the Company, including the organisational structure of the risk management function and the most important procedures, and assisting the Supervisory Board on the risk appetite and the actual risk profile of the Company. In accordance with the Dutch Banking Code, the Risk Committee shall assess periodically at the strategic level whether the business operations in a general sense are appropriate in the context of the risk appetite of the Company and present its assessment to the Supervisory Board for its final judgement.

The Risk Committee shall meet as often as is deemed necessary by the chairman of the Risk Committee or any other member of the Risk Committee but in any event at least three times a year. The meetings shall as much as possible be set annually in advance, and are as much as possible held shortly before the meetings of the Supervisory Board.

The Risk Committee shall have at least three members. The current members of the Risk Committee are: Willy Duron (chairman), Jos Streppel and Bernadette Langius.

Remuneration Committee

The role and responsibilities of the Remuneration Committee are set out in the terms of reference of the Remuneration Committee available on the Company's website.

Within the scope of the remuneration policy adopted by the General Meeting, the Remuneration Committee advises the Supervisory Board on the remuneration of the individual members of the Statutory Board and monitors the remuneration policy. The Remuneration Committee will review and recommend policies relating to the compensation of the members of the Statutory Board.

The duties of the Remuneration Committee with respect to remuneration include: (i) the preparation of the analysis of the Supervisory Board of the possible outcomes of the variable remuneration components and how they may affect the remuneration of the Statutory Board members that happens before drawing up the remuneration policy and determining the remuneration of individual Statutory Board members; (ii) drafting a proposal to the Supervisory Board for the remuneration policy for the Statutory Board members to be adopted by the General Meeting pursuant to a proposal thereto by the Supervisory Board; (iii) drafting a proposal for the remuneration of the individual members of the Statutory Board, for adoption by the Supervisory Board, which proposal shall deal with the remuneration structure and the amount of the fixed remuneration, the DRs or options to be granted or other variable remuneration components, pension rights, redundancy pay and other forms of compensation to be awarded, as well as the performance criteria and their application; (iv) preparing the remuneration paragraph of the annual report; (v)

evaluating the remuneration policy adopted with regard to the members of the Statutory Board; (vi) preparing the decision-making process of the Supervisory Board concerning the remuneration policy for identified staff, employees whose work may have a material impact on the risk profiles of Van Lanschot and its subsidiaries, ("**Identified Staff**") and the oversight of its implementation by the Statutory Board; (vii) preparing the decision-making process of the Supervisory Board concerning the approval of the variable remuneration of Identified Staff; (viii) preparing the decision-making process of the Supervisory Board concerning the remuneration policy for other bank employees; (ix) the annual discussion on the highest variable incomes at the Company and supervising that the Statutory Board assesses whether variable incomes are consistent with the remuneration policy adopted by the bank; (x) the discussion of material retention, exit and welcome packages, the assessment whether they are consistent with the remuneration policy adopted by the bank and ensuring that these packages are not excessive; and (xi) drafting a proposal to the Supervisory Board for the remuneration policy of the individual members of the Supervisory Board to be adopted by the General Meeting pursuant to a proposal thereto by the Supervisory Board.

The Remuneration Committee shall meet as often as is deemed necessary by any member of the Remuneration Committee but in any event at least once a year.

The Remuneration Committee shall have at least two members. The current members of the Remuneration Committee are: Godfried van Lanschot (chairman), Bernadette Langius and Willy Duron.

Nomination Committee

The role and responsibility of the Nomination Committee as well as the composition of and the manner in which they discharge their respective duties are set out in the terms of reference of the Nomination Committee available on the Company's website.

The Nomination Committee advises the Supervisory Board on the selection criteria and appointment procedures for members of the Statutory Board and the Supervisory Board as well as the proposals for appointments and reappointments and the assessment of the functioning of individual members of the Statutory Board and Supervisory Board.

The Nomination Committee focuses on: (i) drawing up selection criteria and appointment procedures for members of the Statutory Board and Supervisory Board; (ii) periodically assessing the size and composition of the Statutory Board and the Supervisory Board, and making a proposal for a composition profile of the Supervisory Board; (iii) periodically assessing the functioning of individual members of the Statutory Board and the Supervisory Board, and reporting on this to the Supervisory Board; (iv) making proposals for appointments and reappointments of members of the Statutory Board and the Supervisory Board; (v) supervising the policy of the Statutory Board on the selection criteria and appointment procedures for senior management; (vi) preparing the decision-making process of the Supervisory Board on the acceptance by a member of the Statutory Board of a supervisory board membership of another publicly listed company; and (vii) preparing the decision-making process of the Supervisory Board concerning any conflicts of interest that may arise in the acceptance by members of the Supervisory Board of other positions.

The Nomination Committee shall meet as often as deemed necessary for the proper functioning of the Nomination Committee, but in any case at least once a year.

The Nomination Committee shall be comprised of two or more members. The current members of the Nomination Committee are: Willy Duron (chairman), Godfried van Lanschot, Jos Streppel and Jeanine Helthuis.

Remuneration

Statutory Board

The Supervisory Board establishes the remuneration of the individual members of the Statutory Board, in accordance with the Statutory Board remuneration policy as proposed by the Supervisory Board and adopted by the General Meeting. In accordance with the Articles of Association, the Supervisory Board shall submit to the General Meeting, for its approval, a proposal regarding arrangements for remuneration in the form of shares or rights to subscribe for shares.

A new remuneration policy governing the Statutory Board was adopted by the General Meeting on 13 May 2015. Its aim is a balanced and sustainable remuneration package that is in line with the market, puts the interests of clients centre stage and aligns the interests of Van Lanschot, its stakeholders and the members of its Statutory Board. Van Lanschot abolished the award of variable remuneration to the Statutory Board with effect from 2015. See *"—Remuneration for the Statutory Board in 2015*" for more details on the changes to the remuneration policy.

Members of the Statutory Board may not accept personal loans or guarantees from the Company, other than in the normal course of business and subject to the prior approval of the Supervisory Board, as permitted by the Dutch Corporate Governance Code. See "*Shareholder Structure and Related Party Transactions—Related Party Transactions—Statutory Board*" for more information on the loans granted by the Company to members of the Statutory Board as at the date of this Prospectus.

Remuneration for the Statutory Board in 2015

The total remuneration received by the Statutory Board in 2015 in the form of salary amounted to €2,850,000. The table below provides an overview of the remuneration of each member of the Statutory Board for the financial year 2015.

	Total salary	Salary paid in cash	Salary paid in DRs	Pension contributions	Disability insurance contribution	Net expenses compensation
			€			
Karl Guha	975,000	750,000	225,000	195,000	23,888	5,160
Constant Korthout	625,000	425,000	200,000	131,250	16,188	5,160
Richard Bruens	625,000	425,000	200,000	131,250	16,188	5,160
Arjan Huisman	625,000	425,000	200,000	131,250	16,188	5,160

Annual base salary

Members of the Statutory Board receive a total fixed gross salary including holiday allowance, with a portion of the total fixed gross salary paid in cash, in 12 equal monthly payments. The remaining portion of the fixed gross salary is paid once a year in DRs under a 'sell to cover' arrangement pursuant to which the members of the Statutory Board receive the net equivalent in DRs and Van Lanschot pays taxes to the Dutch tax authorities. DRs awarded as part of gross fixed pay are subject to a three-year lock-up period after transfer, or longer if needed for an individual Statutory Board member to comply with the Company's share ownership guidelines. The number of DRs awarded as part of the total fixed gross salary is set annually based on the average weighted price of the DRs during the first four days of trading in January of the applicable year to which the salary relates.

Van Lanschot has terminated variable remuneration for the Statutory Board altogether, offering instead part-compensation in the form of fixed salary pay in DRs with a three-year lock-up period. When awarded, this remuneration element is worth €225,000 for the chair and €200,000 for the other Statutory Board members. Share ownership guidelines require members of the Statutory Board to keep the equivalent of the cash proportion of two years' gross salary in DRs while serving on the Statutory Board – a commitment they will be building up gradually, among others by way of the equity award in their fixed remuneration.

In principle, Van Lanschot's remuneration policies are reviewed once every four years on the basis of the development and performance of the business and the individual members of the Statutory Board, pay trends in the relevant environment for Van Lanschot, and changes in the Dutch consumer price index. The current remuneration policies will be reviewed early in 2017 in the light of circumstances at that time.

Pensions and disability insurance

Van Lanschot does not have any early retirement schemes in place for members of the Statutory Board. Members of the Statutory Board do receive pension and disability insurance contribution as a percentage of their fixed salary. These percentages are displayed in the table below.

	Pension	Disability insurance
Karl Guha	20%	2.45%
Constant Korthout	21%	2.59%
Richard Bruens	21%	2.59%
Arjan Huisman	21%	2.59%

Other emoluments

Members of the Statutory Board were entitled to a net expense compensation of €5,160. Members of the Statutory Board were eligible for some other emoluments such as the use of company cars.

Severance payments

Severance pay is set at one year's fixed gross salary, which is in keeping with current legal and regulatory requirements.

DR participation

The table below provides an overview of the granted and vested DRs of the members of the Statutory Board as at 31 December 2015.

	Granted conditionally (maximum)			Awarded unconditionally			
	Year	Number	Value (x €1,000)	Year	Number	Value (x €1,000)	Lock-up period until
Karl Guha	2015	5,386	101	2016	1,795	34	2021
				2017	1,795	34	2022
				2018	1,795	34	2023
Constant Korthout	2015	5,426	102	2016	1,808	34	2021
				2017	1,808	34	2022
				2018	1,808	34	2023
Richard Bruens	2015	5,426	102	2016	1,808	34	2021
				2017	1,808	34	2022
				2018	1,808	34	2023
Arjan Huisman	2015	5,426	102	2016	1,808	34	2021
				2017	1,808	34	2022
				2018	1,808	34	2023

The table below provides an overview of the DRs held by members of the Statutory Board in 2015.

	Balance at 1 January 2015	Bought/ awarded in 2015[1]	Transferred in 2015	Balance at 31 December 2015
Total	**28,118**	**29,549**	**—**	**57,667**
Karl Guha	6,307	7,874	—	14,181
Constant Korthout	10,412	7,225	—	17,637
Richard Bruens	6,374	7,225	—	13,599
Arjan Huisman	5,025	7,225	—	12,250

(1) This includes both the DRs awarded as part of the fixed gross salary and the DRs awarded in accordance with the remuneration policy for the Statutory Board that applied in 2014 and earlier years pursuant to which 40% of the variable remuneration was awarded upfront and unconditional and 60% was awarded deferred and conditional. This deferred and conditional part of variable remuneration was awarded for 50% in DRs that vest in three equal portions, i.e. one-third per annum.

Remuneration for the Executive Board in 2015

The table below sets out the aggregate remuneration of the members of the Executive Board (other than the members of the Statutory Board) for the financial year 2015.

	Total salary	Salary paid in cash	Salary paid in DRs	Pension contributions	Disability insurance contribution	Net expenses compensation
			€			
Executive Board	1,250,000	850,000	400,000	262,500	32,376	10,320

Supervisory Board

The remuneration of members of the Supervisory Board is set by the General Meeting based on a proposal of the Supervisory Board. The remuneration of Supervisory Board members is proportional to the time and effort required to perform their duties linked to the membership of the Supervisory Board and the relevant Supervisory Board committees and is independent of the Company's financial results. The Company does not grant any variable remuneration, Shares, DRs or options for Shares or DRs to Supervisory Board members in lieu of remuneration. Members of the Supervisory Board may not accept personal loans or guarantees from the Company, other than in the normal course of business and subject to the prior approval of the Supervisory Board. As of the date of this Prospectus, there were no outstanding loans to members of the Supervisory Board.

Remuneration for the Supervisory Board in 2015 and 2016

The table below provides an overview of the remuneration of each member of the Supervisory Board for the financial year 2015. The total remuneration received by the Supervisory Board in 2015 amounted to €371,542. In addition to the remuneration, the members of the Supervisory Board received an annual gross expense allowance of €2,500 per Supervisory Board member.

	General remuneration	Committee remuneration	Total remuneration
		€	
Willy Duron (chairman)[1]	45,000	17,500	62,500
Jos Streppel (vice chairman)	50,000	20,500	70,500
Jeanine Helthuis	45,000	10,500	55,500
Bernadette Langius[2]	30,000	6,667	36,667
Godfried van Lanschot	45,000	13,500	58,500
Heleen Kersten[3]	18,750	3,125	21,875
Tom de Swaan[4]	60,000	6,000	66,000

(1) Willy Duron has been appointed as chairman as at 21 December 2015
(2) Since 13 May 2015
(3) Until 13 May 2015
(4) Until 25 February 2016

A summary of the remuneration scheme and net expenses contribution for the members of the Supervisory Board for 2016 is provided below.

	Chairman	Vice-chairman	Member
		€	
Base remuneration Supervisory Board	75,000	60,000	50,000
Audit and Compliance Committee	15,000	—	10,000
Risk Committee	12,000	—	8,000
Remuneration Committee	6,000	—	4,000
Nomination Committee	6,000	—	4,000
Net expenses contribution	2,500	2,500	2,500

Restrictions on Remuneration

Variable Pay Constraints

As from 1 January 2011, Van Lanschot must comply with variable remuneration constraints that follow from the third amended European Capital Requirements Directive ("**CRD III**") as implemented in the Decree on Sound Remuneration Policies (*Besluit beheerst beloningsbeleid Wft*) and the DNB Regulation on Sound Remuneration Policies 2011 (*Regeling beheerst beloningsbeleid Wft 2011*). As from 1 January 2014, CRD III has been amended and replaced by CRD IV, introducing, among other things, a bonus maximum of 100% of the annual fixed salary. As a consequence, the DNB Regulation on Sound Remuneration Policies 2011 was updated (*Regeling beheerst beloningsbeleid Wft 2014*) and became effective as from 1 August 2014, which together with the Decree on Sound Remuneration Policies is referred to as "**DNB Regulations**". The abovementioned rules and regulations should be considered in conjunction with the Guidelines on Remuneration Policies and Practices as formally adopted on 10 December 2010 by the Committee of European Banking Supervisors (and continued by the EBA, the "**EBA Guidelines**"). These variable pay constraints are applicable to all operations of credit institutions and investment firms based in Member States (including their operations outside the EU). The EBA has published a final version of its new Draft Guidelines on Sound Remuneration Policy on 21 December 2015, which will enter into force as of 1 January 2017.

In addition, Van Lanschot complies with the relevant governance rules and guidelines on remuneration found in the Dutch Banking Code (see "*—Dutch Banking Code*") and the Dutch Corporate Governance Code (see "*—Dutch Corporate Governance Code*"), and uses best efforts to comply with all relevant future legal restrictions for remuneration, as applicable from time to time.

The Dutch government has implemented further restrictions on remuneration in the financial industry, most recently through the Wbfo. New restrictions in the Dutch Financial Supervision Act, as introduced by the Wbfo, include the introduction of a 20% maximum for variable remuneration for the financial sector. The Wbfo has a broader scope than the remuneration rules under CRD IV. For example, the bonus cap of 20% as introduced by the Wbfo does not only apply to Identified Staff, but in principle to all persons working under the responsibility of the entities within Van Lanschot. All applicable remuneration restrictions have been embedded in Van Lanschot's remuneration policy, as revised and applicable from time to time. In accordance with the applicable remuneration restrictions, the variable remuneration of individual employees within Van Lanschot is capped to a maximum of 100% of the fixed remuneration, provided that: (i) the average variable remuneration for all employees of Van Lanschot who work at least 50% of hours worked in the Netherlands and to whom no collective labour agreement applies is a maximum of 20% of the fixed remuneration; and (ii) the bonus cap of 100% also applies to employees of Van Lanschot who work at least 50% of hours worked outside the Netherlands, unless a lower bonus ceiling applies in those countries on the basis of local legislation and regulations. Furthermore, Van Lanschot Variable remuneration policy reflects remuneration restrictions that apply to, among others, Identified Staff within Van Lanschot (see also "*—DR Plans—Variable Pay Policy*"). As the application of such rules and principles may include an assessment and interpretation of the remuneration restrictions, it cannot be excluded that a competent supervisory authority takes a different view on the correct application thereof in specific cases (although there is no indication that the competent supervisory authority takes such position).

Adjustment and Claw-Back of Bonuses

On 1 January 2014, the Dutch Act on the revision and claw-back of bonuses and profit-sharing arrangements of directors and day-to-day management entered into force. The act applies to management board members of Dutch public companies and financial firms as defined in the Dutch Financial Supervision Act, which includes banks. Pursuant to the Dutch Financial Supervision Act, and as introduced by the Wbfo, the scope of the provisions regarding the claw-back of bonuses of the Dutch Financial Supervision Act has been extended to all persons working under the responsibility of financial firms. The rules provide, among others, for the possibility to: (i) revise a bonus prior to payment, if unaltered payment of the bonus would be unacceptable pursuant to the criteria of "reasonableness and fairness"; and (ii) claw-back (part of) a paid bonus, if payment took place on the basis of incorrect information on fulfilment of the bonus targets or conditions for payment of the bonus. In accordance herewith a company's supervisory board has discretionary

power to adjust any variable remuneration to a suitable amount if, in its opinion, payment of the compensation would be unacceptable under the principle of "reasonableness and fairness". A supervisory board is also authorised to reclaim any variable remuneration over any performance period if the award, calculation or payment has been based on incorrect data or if the performance conditions were not achieved in hindsight. The recipient will then be obliged to repay said amount to such company. Pursuant to the Dutch Financial Supervision Act, and as introduced by the Wbfo, a company's supervisory board must in any case adjust variable remuneration downwards if a person (a) has not met appropriate standards of capability and correct behaviour or (b) was responsible for conduct which has led to a substantial deterioration of the company's position including its financial position, and must in any case reclaim variable remuneration paid to any such person.

In addition, Dutch law prescribes that, in case the value of shares, depositary receipts or rights to receive or subscribe for shares or depositary receipts granted as remuneration by a company to the respective members of the management board increases during a period in which a public offer is made on the shares or depositary receipts in the capital of the company, the remuneration of that respective member of the management board will be reduced by the amount by which the value of the shares, depositary receipts or rights to receive or subscribe for shares or depositary receipts granted by the company to such member has increased. Similar provisions apply in the situation of an intended legal merger or demerger, or if a company intends to enter into certain transactions that are of such significance to the company that the management board requires the approval of the general meeting pursuant to Dutch law (transactions that fall within the scope of Section 2:107a of the Dutch Civil Code). See "*—Remuneration-Remuneration for the Statutory Board in 2015*" for an overview of the DRs held by members of the Statutory Board in 2015.

Directors' Indemnification and Insurance

Under Dutch law, members of the Statutory Board, the Executive Board and the Supervisory Board may be liable to the Company and to third parties for damages in the event of improper or negligent performance of their duties. In certain circumstances they may be liable for damages to the Company and to third parties for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code. Also, in certain circumstances, they may incur additional specific civil and criminal liabilities.

According to the Articles of Association, and unless Dutch law provides otherwise, the Company will indemnify and hold harmless each member of the Statutory Board and each member of the Supervisory Board against any and all liabilities, incurred by such member in connection with any threatened, pending or completed action, investigation or other proceeding, whether civil, criminal or administrative, brought by any party other than the company itself or its group companies, as a consequence of acts or omissions in or related to his capacity as member of the Statutory or Supervisory Board. These liabilities include claims, judgments, fines and penalties and derivative actions brought on behalf of the Company or its group companies against a member of the Statutory, Executive or Supervisory Board and claims by the Company (or one of its group companies) itself for reimbursement of claims by third parties on the ground that the member of the Statutory, Executive or Supervisory Board was jointly liable toward that third party in addition to the company.

The member of the Statutory or Supervisory Board will not be indemnified against claims in so far as they relate to the gaining in fact of personal profits, advantages or remuneration to which he was not legally entitled, or if such member will have been judged in law to be liable for wilful misconduct (*opzet*) or intentional recklessness (*bewuste roekeloosheid*).

Limitation of Supervisory Positions

Dutch legislation came into force on 1 January 2013 limiting the number of supervisory positions to be occupied by members of the management boards or supervisory boards (including one-tier boards) of "large Dutch companies". The term "large Dutch company" applies to any Dutch company or Dutch foundation which at two consecutive balance sheet dates meets at least two of the following criteria: (i) the value of its assets, as given in its balance sheet (together with explanatory notes) on the basis of their acquisition price and production costs, is more than €17.5 million; (ii) its net turnover in the applicable year is more than €35 million; and (iii) the average number of employees in the applicable financial year is at least 250.

The rules provide that (i) a person cannot be appointed as a managing or executive director of a large Dutch company if he or she already holds more than two supervisory positions at other large Dutch companies or if he or she is the chairman of the supervisory board or one-tier board of another large Dutch company and (ii) a person cannot be appointed as a supervisory director or non-executive director of a large Dutch company if he or she already holds five or more supervisory positions at other large Dutch companies, whereby the position of chairman of the supervisory board or one-tier board of another large Dutch company is counted twice. An appointment in violation of these restrictions will result in that last appointment being void. Earlier appointments at other entities are not affected. The fact that an appointment is thus void does not affect the validity of decision-making. The Company qualifies as a large Dutch company. The members of the Statutory Board and the Supervisory Board comply with these rules because, among other things, they do not hold more than the allowed number of positions at other large Dutch companies.

Article 91 of CRD IV contains a specific regulation for the limitation of the number of executive and non-executive directorships that members of the management body of significant banks may hold. Members of such management body may not hold more than one of the following combinations of directorships at the same time: (i) one executive directorship with two non-executive directorships and (ii) four non-executive directorships. The term non-executive director also refers to the position of a supervisory board member. Directorships within the same group will count as a single directorship. Directorships held within undertakings (including non-financial entities) in which the institution holds a qualifying holding, also count as a single directorship. Directorships in organisations which do not pursue predominantly commercial objectives do not count as a directorship for the purpose of the limitation regulation. Although Van Lanschot Bankiers does not qualify as a significant bank, the members of the Supervisory Board must comply with this regulation if they are also a member of the management body of a significant bank.

Diversity Policy

Until 1 January 2016, Dutch law stated that large companies should pursue a policy of having at least 30% of the seats on the management board and the supervisory board held by men and at least 30% of the seats on the management board and the supervisory board held by women. The term "large company" within the meaning of this obligation of effort had the same meaning as set out under "– *Limitation of Supervisory Positions*" above except that the criteria are tested on one balance sheet date. This target figure for the allocation of seats was to be taken into account in connection with: (i) the appointment, or nomination for the appointment, of members of the management board; (ii) drafting the criteria for the size and composition of the supervisory board, as well as the designation, appointment, recommendation and nomination for appointment of members of the supervisory board; and (iii) drafting the criteria for the non-executive members of the (one-tier) board, as well as the nomination, appointment and recommendation of non-executive members of the (one-tier) board. If a large company did not meet the gender diversity target figures, it was required to explain in its annual report: (a) why the seats were not allocated in a well-balanced manner; (b) how it had attempted to achieve a well-balanced allocation; and (c) how it aimed to achieve a well-balanced allocation in the future.

This rule was a temporary measure and automatically ceased to have effect on 1 January 2016. Notwithstanding that, on 23 March 2016 the responsible Dutch minister submitted a legislative proposal to the Dutch Parliament in which it is proposed to reinstate this rule and extend its application until 1 January 2020.

The Company qualifies as a large company within the meaning of the diversity policy rules described above and has complied with these rules.

Employees

In the tables below, the division of full-time equivalents ("**FTEs**") employed at Van Lanschot is set out in respectively geographical and operating segments.

Average FTEs per Geographical Segment[1]

	2015	2014	2013
Average FTEs			
Total	**2,034**	**1,805**	**2,041**
Netherlands	1,849	1,630	1,855
Belgium	138	134	129
Switzerland	23	23	22
United Kingdom	17	11	11
United States	7	7	6
Curacao	—	—	18

Average FTEs by Operational Segment

	2015	2014	2013
Total	**2,034**	**1,805**	**2,041**
Private Banking	779	640	773
Corporate Banking	60	74	78
Asset Management	177	174	166
Merchant Banking	104	108	112
Other Activities	914	808	913

Employee Representation

Van Lanschot Bankiers opted out of the collective agreement for the Dutch banking industry as from 1 January 2014, but employees are represented by a Works Council with whom Van Lanschot Bankiers has a close working relationship. A Works Council is a representative body of the employees of a Dutch enterprise and is elected by the employees. The management of any company that runs an enterprise with a Works Council must seek the non-binding advice of the Works Council before implementing certain decisions with respect to the enterprise, such as those related to a major restructuring or a change in control. If the decision to be implemented is not in line with the advice of the Works Council, the implementation of the relevant decision must be suspended for one month, during which the Works Council may file an appeal against the decision with the Enterprise Chamber. Certain other decisions by management directly involving employment conditions that apply to either all employees or certain groups of employed may only be taken with the Works Council's consent. In the absence of such prior consent, the decision may nonetheless be taken with the prior consent of the relevant court. The employees of Kempen & Co and its subsidiaries are represented by another works council.

DR Plans

Variable Pay Policy

Van Lanschot's variable pay policy includes arrangements on remuneration for all staff, including Identified Staff. Identified Staff are employees whose work may have a material impact on the risk profiles of Van Lanschot and its subsidiaries. For Identified Staff strict rules on remuneration apply on the basis of the DNB Regulations. Identified Staff include, among others, Van Lanschot's Statutory Board, its senior management, staff working in control functions, other individuals who may have a material impact on Van Lanschot's risk profile and certain other employees who qualify as Identified Staff on the basis of the additional and quantitative criteria as laid down in the EBA Guidelines. The rules in the variable remuneration policy for Identified Staff apply to all Van Lanschot Identified Staff, with the exception of members of the Statutory Board, who are not eligible for variable remuneration.

Pursuant to the variable remuneration policy, a total of 60% of variable remuneration of Identified Staff is awarded immediately and unconditionally, while the remaining 40% is deferred and conditional. Both immediate and deferred awards are 50% in cash and 50% in DRs. All DRs have a

1 Enlargement of the consolidation base in 2015 led to an increase of 423 in the average number of staff and of 282 in the average number of FTEs.

lock-up period of one year after vesting. Kempen Capital Management N.V. employees will instead receive a mix of DRs and holdings in Kempen Capital Management-managed funds, with the exact mix to be determined at the discretion of Kempen's management and to be approved by the Supervisory Board.

Long-term DR Plan

In addition, Van Lanschot has the option to grant variable remuneration in the form of DRs to selected key staff within Van Lanschot, including Identified Staff, not being the members of the Statutory Board or Executive Board, in accordance with the rules of Van Lanschot's 2015 long-term DR plan ("**LTP**"), which is subject to the same general principles as described in Van Lanschot's variable remuneration policies to the extent not provided otherwise in the LTP.

To be eligible for the scheme, employees have to be classified as 'key staff', meaning that they demonstrably add value to Van Lanschot (total impact). Derogating from the general variable remuneration provisions, all participants in the scheme – regardless of whether they are Identified Staff – will receive 60% of the DRs immediately and unconditionally while 40% will vest in a period of three years of their conditional granting (the vesting period). The deferred and conditional portion will vest in three equal portions, i.e. one-third per annum. The Company holds DRs in order to cover its commitment in respect of these option rights. The Company meets its obligations under the DR and option plans primarily by drawing on its DRs and by issuing new DRs.

Kempen & Co Management Investment Plan

A management investment plan ("**MIP**") was introduced for a group of employees of Kempen & Co in 2010, with a view to helping recruit and retain professionals on a long-term basis. The MIP enables the relevant group of employees to invest indirectly through depositary receipts in shares in Kempen & Co's share capital and Kempen & Co profit-sharing certificates. Kempen & Co issued these to Kempen Management Investeringsplan Cooperatief U.A. ("**Cooperatie MIP**"), a cooperative with two members: Stichting Administratiekantoor Kempen Management Investeringsplan ("**Foundation MIP**") and the Company, with Foundation MIP holding virtually all membership rights. Foundation MIP issues depositary receipts to selected staff, who pay their issue price and receive the indirect right of beneficial ownership of the underlying Kempen & Co shares and profit-sharing certificates. Any dividends Kempen & Co pays on the ordinary shares owned by Cooperatie MIP and the right to profit on the profit-sharing certificates are distributed to Cooperatie MIP, which in turn pays dividends to its members: Foundation MIP and the Company. Individual staff pay the issue price from their own means and are not financially supported in doing so by Van Lanschot or Kempen & Co in any way. Van Lanschot retains full control over Kempen & Co.

At 31 December 2015, there were 15,000 depositary receipts in issue being 100% of total available underlying depositary receipts under the MIP. Coöperatie MIP has granted Van Lanschot a call option to acquire the outstanding shares and profit-sharing certificates in the MIP held by Cooperatie 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 started 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 of the Cooperatie MIP and of Kempen & Co or Van Lanschot. In the past years the MIP has successfully contributed to the engagement of employees with Kempen and the alignment with clients. It has therefore been decided not to exercise the call option in the three-month period starting on 1 January 2016 but to continue the MIP with a few adjustments in, amongst others, the return profile and the governance. The adjustment to the MIP has taken place on 6 April 2016.

Former DR Plan and DR Option Plan

Van Lanschot operated a DR plan from 2008 to 2012 inclusive, under which employees were given the opportunity to buy DRs once a year, subject to an upper limit, at a 20% discount to the prevailing DR price. DRs purchased with this discount were subject to a four-year restriction on transfer, following which they could be traded freely, allowing them to be sold at the DR price prevailing at that time. Participants in the plan also received an additional payment after four years linked to the DR price at the time of payment and the number of DRs purchased under the plan, provided they were still employed by Van Lanschot. The four-year restriction period terminated in

March 2016 and at the date of this Prospectus no obligations are outstanding under the former DR plan.

Van Lanschot operated a DR option plan from 1989 to 2006 inclusive. A term of seven years has applied since 2003, which has been extended by five years in Belgium for several option series. The number of outstanding option rights amounted to 13,070 as at 31 December 2015. The Company holds DRs in order to cover its commitment in respect of these option rights. The Company meets its obligations under the DR and option plans primarily by drawing on its DRs and by issuing new DRs.

Pension Schemes

General

Van Lanschot operates two hybrid pension plans for the employees of Van Lanschot Bankiers (including for 56 employees of Van Lanschot Chabot employed prior to 30 November 2007) and Kempen & Co.

Van Lanschot Bankiers

Settlement of the Dutch Defined Benefit Plan

In 2014, Van Lanschot Bankiers reached agreement with the Works Council and the F. Van Lanschot Pension Fund (the "**Pension Fund**") on the new pension plan for its employees in the Netherlands. Van Lanschot Bankiers settled future obligations with a €50 million lump sum payment to the Pension Fund, which amount was paid in December 2014.

Following the settlement Van Lanschot Bankiers no longer has a legal or contractual obligation to pay for contributions if the Pension Fund does not hold sufficient assets to pay all the benefits relating to the employee service in the current and prior periods (IAS 19.7) and contribution is limited to the amount of the degrees to contribute to the fund (IAS 19.8).

Dutch Defined Contribution Plan

Since October 2014, the pension scheme for the Van Lanschot Bankiers employees consists of a combined collective defined contribution ("**CDC**") pension scheme and an individual defined contribution ("**IDC**") pension scheme.

The CDC pension scheme is a post-employment benefit plan under which Van Lanschot Bankiers contributes annual contributions determined by a fixed method. Van Lanschot Bankiers has no legal or contractual obligation to pay any further contributions. Contributions are recognised directly in the statement of income in the year to which they relate. Actuarial losses and investment risks are for the account of the participants in the plan.

The CDC pension scheme is based on an average salary plan with an annual accrual ambition of 1.875% (2016) of the pension basis: the pensionable salary with a maximum of €50,250 (2016) gross per annum decreased with an offset (€13,568 (2016)). The normal retirement age is set at 67 years. Under the pension scheme the annual pension contributions are calculated according to a fixed contribution calculation mechanism. For the period until 31 December 2019 the total annual pension contribution is set at 20.5% of the aggregate pensionable salaries. The employee's contribution is set at 5% of the pension calculation basis. The accrued pension rights and benefits in payment are conditionally indexed by the Pension Fund.

Employees with a salary higher than the maximum salary in the CDC pension scheme also participate to the excess pension scheme implemented with the Pension Fund. This is an IDC scheme regarding the gross annual salary exceeding €50,251 (2016) up to a maximum of gross €101,519 (2016). The contribution depends on the age of the employee.

For 2015, the pension expense for the CDC and IDC pension schemes was €14.0 million.

Employees with an employment start date at Van Lanschot before 1 January 2015 with salary higher than the maximum annual salary in the excess pension scheme of gross €100,000 are entitled to a monthly gross compensation of 15.5% of the salary exceeding €100,000 up to a maximum of

gross €128,230 per annum. The compensation arrangement has a term of five years and after this period it will be decided whether this arrangement will be extended.

Kempen & Co

The pension scheme of Kempen & Co is an insured defined benefit scheme to a maximum pensionable salary of €40,401 (2016) and an IDC excess pension scheme (to a maximum pensionable salary of €101,519 (2016)) implemented with a premium pension institution (PPI). The accrued rights of the active employees under the defined benefit scheme are annually unconditionally indexed by Kempen with the price index (maximum of 2% per annum). The execution agreement between Kempen and the insurance company (ASR Levensverzekering N.V.) will end on 31 December 2017 and will be extended for a period of three years unless notice is given by either party. For 2015, the pension expense for the insured defined benefit scheme and for the IDC pension scheme was €2.4 million.

Employees with salaries higher than the maximum annual salary in the excess pension scheme of gross €101,519 (2016) are entitled to a monthly gross compensation of 15.5% of the salary exceeding €101,519 (2016) up to a maximum of gross €160,000 per annum. The compensation arrangement has a term of five years and after this period it will be decided whether this arrangement will be extended.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code issued on 9 December 2003 and as amended as of 1 January 2009 applies to all Dutch companies listed on a government-recognised stock exchange, whether in the Netherlands or elsewhere.

The Dutch Corporate Governance Code contains a number of principles and best practice provisions in respect of management boards, supervisory boards, shareholders and the general meeting, financial reporting, auditors, disclosure, compliance and enforcement standards. The Dutch Corporate Governance Code requires a company to disclose in its annual report whether or not it applies the provisions of the Dutch Corporate Governance Code and, if it does not apply those provisions, to explain the reasons why it does not.

The Dutch Corporate Governance Code defines a company as a long-term alliance between the various parties involved in the company. The various stakeholders are the different groups and individuals who, directly or indirectly influence, or are influenced by, the attainment of the company's objects: i.e. employees, shareholders and other lenders, suppliers, customers, the public sector and civil society. The Statutory Board and the Supervisory Board should take account of the interests of the various stakeholders. According to the Dutch Corporate Governance Code, good corporate governance results in balanced decision-making in a manner which enhances shareholder value and enables a company to maintain a culture of integrity, transparency and trust. The Company acknowledges the importance of good corporate governance.

On 11 February 2016, the Van Manen Committee (*Commissie Van Manen*) presented a proposal to revise the Dutch Corporate Governance Code for market participants to comment on. The Van Manen Committee aims to submit a revised Dutch Corporate Governance Code to the Dutch legislator in the course of this year with a view to the revised Dutch Corporate Governance Code becoming effective as at 1 January 2017.

Compliance with the Dutch Corporate Governance Code

The Company complies with all principles and best practices of the Dutch Corporate Governance Code, except for the deviations and nuances which are described below.

Provision II.2.5 of the Dutch Corporate Governance Code states, among other things, that shares granted to board members without financial consideration shall be retained for a period of at least five years or until at least the end of the member's employment, if this period is shorter. The number of shares to be granted shall be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand. The remuneration policy for members of the Statutory Board, which was adopted at the General Meeting on 13 May 2015 and applies with retroactive force from 1 January 2015, no longer includes a variable remuneration component. Instead, their fixed salary is paid partly in cash and partly in DRs. In principle, a lock-up period of three years after

delivery applies for these DRs, but this period is extended by a sufficient period to enable the Statutory Board member in question to comply with the share ownership guidelines that form part of the remuneration policy. These guidelines stipulate that all members of the Statutory Board must build up and hold a shareholding during their term of office that is equivalent to twice the cash portion of their fixed gross annual salary. The Supervisory Board believes that the share ownership guidelines more than comply with the condition that shares acquired for no financial consideration must be held for a period of at least five years. The members of the Statutory Board have not yet built up the requisite shareholding. Based on the average number of DRs available each year, and assuming the price of the DRs remains constant, it will be more than 12 years before the chairman of the Statutory Board, and almost eight years before the other members, are able to sell these DRs. The portion of the (gross) annual salary paid in the form of DRs is the net equivalent in DRs, because Van Lanschot will pay the associated income tax on behalf of the members of the Statutory Board (sell to cover). The Corporate Governance Code Monitoring Committee has stated that it considers this sell to cover arrangement acceptable.

Provision II.2.3 of the Dutch Corporate Governance Code states that in determining the level and structure of the remuneration of management board members, the supervisory board shall take into account, among other things, the results, the share price performance and non-financial indicators relevant to the long-term objectives of the company, with due regard for the risks to which variable remuneration may expose the enterprise. At the proposal of the Supervisory Board, variable remuneration for the members of the Statutory Board was ended with effect from 1 January 2015. As partial compensation, a fixed remuneration component was introduced in the form of DRs with a lock-up period of three years. As stated above, pursuant to the share ownership guidelines, all members of the Statutory Board must hold the equivalent of the cash portion of two years' gross salary in the form of DRs for as long as they are in office. This requirement will be met by the Statutory Board members gradually over the coming years through the introduction of fixed remuneration in the form of DRs. When adjusting the salaries of the Statutory Board members in 2015, it was decided that Van Lanschot's remuneration policy will be reviewed after two years in the light of developments and circumstances at the time.

Lastly, provision III.5.13 states that if the Remuneration Committee uses the services of a remuneration consultant in performing its duties, it must ensure that the consultant in question is not also advising the company's directors. On the advice of the Remuneration Committee, the Supervisory Board had Hay Group perform a benchmark review of the remuneration of members of the Statutory Board, as Hay Group had previously carried out a benchmark review of the remuneration of all Van Lanschot and Kempen & Co staff as part of the overall pay policy review. The Supervisory Board decided to enlist Hay Group as its insight into other staff remuneration at Van Lanschot and Kempen & Co had given it an intimate knowledge of its organisation. Another reason why the Supervisory Board used Hay Group is that it specialises in benchmark reviews within the financial services and banking sector. In view of this expertise, Hay Group was best placed to perform an adequate, objective and solidly founded national and international data survey for this benchmark review.

Dutch Banking Code

In 2009, the Advisory Committee on the Future of Banks in the Netherlands ("**Advisory Committee**") made recommendations for improving the performance of the Dutch banking sector to help restore trust in banks. Dutch banks and the Dutch Banking Association teamed up to translate the Advisory Committee's recommendations into best practices, which are included in the Dutch Banking Code. The Dutch Banking Code came into effect on 1 January 2010 and sets out principles that all institutions with a banking licence granted under the Dutch Financial Supervision Act should adhere to in terms of corporate governance, risk management, audit and remuneration. A Banking Code Monitoring Committee ("**Dutch Banking Code Monitoring Committee**") was set up to monitor and to report on the progress made by banks in implementing the Dutch Banking Code. As of 1 January 2015, the Dutch Banking Association has renewed the Dutch Banking Code, as advised by the Dutch Banking Code Monitoring Committee in March 2013, and introduced a social charter (*Maatschappelijk Statuut*). The measures, along with the proposed Banker's Oath and disciplinary rules to be applicable to all employees of banks in the Netherlands, emphasise the social role of banks and their commitment to meeting the expectations of society at large.

Application of the Dutch Banking Code

The Company applies the Dutch Banking Code to Van Lanschot Bankiers and to Kempen & Co, the two subsidiaries that hold a banking licence in the Netherlands. Where banks that are subject to the Dutch Banking Code, form part of a group, parts of the Dutch Banking Code may be applied at the level of the entity which acts as the head of the group, rather than at the level of individual subsidiaries. Certain parts of the Dutch Banking Code are therefore applied at the level of the Company.

Van Lanschot complies with the Dutch Banking Code and states, giving reasons, why it departs partly from the principle that the total income of a member of the Statutory Board should, at the time when it is decided, be below the median level for comparable positions in the relevant markets both inside and outside the financial sector. When the new remuneration policy for the Statutory Board was adopted by the General Meeting on 13 May 2015, the total remuneration of the chairman of the Statutory Board was equal to the median level for comparable positions within the financial sector and below the median level for comparable positions outside the financial sector. The total remuneration of the other members of the Statutory Board is below the median level for comparable positions both inside and outside the financial sector. In view of its ending the variable remuneration of the members of the Statutory Board, paying a relatively high proportion of their total remuneration as fixed salary in the form of DRs, and placing greater emphasis on the long term, the Supervisory Board believes that it is reasonable not to apply this principle fully for the chairman of the Statutory Board. The other principles of the Dutch Banking Code are applied by Van Lanschot in full.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

General

Set out below is a summary of certain relevant information concerning the Company's share capital and a brief summary of certain significant provisions of Dutch law as in effect on the date of this Prospectus and the Articles of Association, the Foundation Articles, the DR Terms and the Foundation Preference Shares Articles.

This summary does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, the Articles of Association, the Foundation Articles, the DR Terms, the Foundation Preference Shares Articles and the relevant provisions of Dutch law as in force on the date of this Prospectus. The Articles of Association, the Foundation Articles and the DR Terms are available in the governing Dutch language and an unofficial English translation thereof on Van Lanschot's website (corporate.vanlanschot.nl). In the event of any discrepancy between the Dutch versions of the Articles of Association, the Foundation Articles and the DR Terms and their respective unofficial English translations, the Dutch versions prevail. See also "*Management, Employees and Corporate Governance*" for a summary of certain material provisions of the Articles of Association and Dutch law relating to the Statutory Board and the Supervisory Board.

The Company

The Company was incorporated on 21 February 1953. The Company is a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands and has its statutory seat (*statutaire zetel*) in 's-Hertogenbosch, the Netherlands, and its registered office at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce ("**Chamber of Commerce**") under number 16014051.

Corporate Purpose

Pursuant to article 3 of the Articles of Association, the Company's objects are to participate in, to manage, to administer and to finance enterprises and companies, and to render services to enterprises and companies, in particular to enterprises and companies whose objects are related to banking, stocks or insurance brokerage, and to engage in any activity which may be related or conducive thereto, including the provision of security for debts of group companies, all this in the widest sense.

Dutch Large Company Regime

The Company applies the Dutch full large company regime (*volledig structuurregime*) as set forth in the provisions of Sections 2:152 up to and including 2:164 of the Dutch Civil Code.

The Articles of Association include such articles to comply with the full large company regime. Companies to which the full large company regime applies are obliged by law to have a supervisory board. The general meeting appoints the members of the supervisory board on the nomination of the supervisory board. The general meeting may reject the nomination by an absolute majority of the votes cast by shareholders representing at least one-third of the issued share capital. The general meeting and the works council both have a right of recommendation regarding the appointment of supervisory board members. One-third of the members of the supervisory board must be nominated on the basis of the enhanced recommendation (*versterkt aanbevelingsrecht*) of the works council. For these members of the supervisory board, the supervisory board can only object to the recommendation of the works council on the grounds that the recommended candidate is not suitable to fulfil the duties of a supervisory board member or that the supervisory board will not be properly composed if the nominated candidate would be appointed. For a more detailed description of the appointment of the members of the Supervisory Board, see "*Management, Employees and Corporate Governance—Supervisory Board*". The supervisory board has extensive powers under the full large company regime. Major strategic and organisational decisions taken within a company require the approval of the supervisory board.

Pursuant to the full large company regime, the members of the Statutory Board are appointed by the Supervisory Board. The Supervisory Board must notify the General Meeting of an intended appointment of a Statutory Board member. For a more detailed description of the appointment of

the members of the Statutory Board, see "*Management, Employees and Corporate Governance—Statutory Board*".

Shares and Share Capital

Historic overview share capital

Set out below is an overview of the amount of the Company's authorised and issued share capital for the years ended 31 December 2015, 2014 and 2013.

	Year ended 31 December					
	2015		2014		2013	
	Authorised	Issued	Authorised	Issued	Authorised	Issued
			€			
Share Capital						
Ordinary Shares.....	75,000,000	41,016,668	75,000,000	41,016,668	75,000,000	41,016,668
Preference Shares.....	75,000,000	—	60,000,000	—	60,000,000	—
Total	**150,000,000**	**41,016,668**	**135,000,000**	**41,016,668**	**135,000,000**	**41,016,668**

Authorised and issued share capital

As at the date of this Prospectus, the Company's authorised share capital amounts to €150,000,000, divided into 75,000,000 Ordinary Shares and 75,000,000 Preference Shares, each with a nominal value of €1 and the Company's issued share capital amounts to €41,091,668, divided into 41,091,668 Ordinary Shares with a nominal value of €1. All outstanding Ordinary Shares are paid up. At the date of this Prospectus, no Preference Shares are outstanding. All Shares are in registered form.

At the date of this Prospectus, more than 99.99% of the Ordinary Shares are held by the Foundation. See "*—The Foundation*" for further details on the Foundation.

The DRs

Creating the DRs

DRs are issued by the Foundation in exchange for the delivery of Ordinary Shares. The DRs are subject to, and have been created under, the laws of the Netherlands. By creating DRs, the economic rights attached to the Ordinary Shares are separated from the voting rights attached thereto. One DR is issued for each Ordinary Share. DRs represent the beneficial (economic) ownership of the Ordinary Shares. DRs are in bearer form in the form of a global note.

The DR Holder is entitled towards the Foundation to all dividend payments and other distributions received by the Foundation on the Ordinary Shares. See also "*—The DRs—Economic Rights attached to the DRs*" below.

The voting rights are legally held by the Foundation. However, the Foundation each time shall at the request of DR Holders grant a power of attorney to the DR Holders to enable them to vote on, or otherwise exercise the rights attached to, the Ordinary Shares at their own discretion. See also "*—The DRs—Governance Rights attached to the DRs*" below.

The rights and obligations of the Foundation and the DR Holders are laid down in the Foundation Articles and the DR Terms. Pursuant to the Foundation Articles, the Foundation may not dispose of or encumber the Ordinary Shares held by it, with the exception of transferring the Ordinary Shares to another foundation (*administratiekantoor*) or to a DR Holder.

Economic Rights attached to the DRs

As the legal holder, the Foundation will collect dividends and other distributions on the Ordinary Shares from the Company. In such case, under the DR Terms, the Foundation has the obligation to make a corresponding distribution on the DRs, without charging any commission or costs. If the Company makes a distribution in kind on the Ordinary Shares in the form of Ordinary Shares, the Foundation will make, to the greatest extent possible, a corresponding distribution to the DR Holders in the form of DRs. If the Company declares a distribution which is in cash or in kind,

at the option of the Shareholder, the Foundation will enable each DR Holder to the greatest possible extent to make the same choice. The Rule Book of Euronext Amsterdam requires the Foundation to enable each DR Holder as much as possible to express their choice. If the Foundation, as the legal holder of the Ordinary Shares has a pre-emptive right on newly issued Ordinary Shares in the share capital of the Company, it will enable the DR Holders to exercise a corresponding pre-emptive right on DRs representing such newly issued Ordinary Shares.

Governance rights attached to the DRs

DR Holders have the right to attend the General Meeting and to speak at the meeting. The DR Holders also have the right to propose agenda items under the same conditions that apply for Shareholders (see also "—*General Meetings and Voting Rights*").

As the Foundation is the legal holder of the Ordinary Shares, the voting rights attached to the Ordinary Shares legally vest in the Foundation. However, pursuant to the Foundation Articles and the DR Terms, the Foundation each time shall at the request of DR Holders grant a power of attorney to the DR Holders to enable them to vote on, or otherwise exercise the rights attached to, the Ordinary Shares at their own discretion. The Foundation shall vote on, and exercise the other rights attached to, the Ordinary Shares for which no request to grant a power of attorney has been received. The Foundation shall exercise the rights attached to Ordinary Shares in such a way as to safeguard the interests of the DR Holders, taking into account the interests of the Company, the enterprise associated therewith and all parties concerned.

A DR Holder may use the power of attorney to vote on the Ordinary Shares himself or may decide to grant the power of attorney (with or without voting instructions) to a third party. A DR Holder may also decide to request the Foundation to vote on the Ordinary Shares on his behalf (with or without an instruction with regard to the relevant matter).

If the Foundation considers it appropriate to hear the view of the DR Holders on a certain subject, or if the approval of the Meeting of DR Holders is required pursuant to the DR Terms, the Foundation shall convene a Meeting of DR Holders. In addition, one or more DR Holders, who solely or jointly represent at least one-tenth of the nominal value of the DRs issued, may request that a Meeting of DR Holders be convened, the request setting out in detail matters to be considered. If no Meeting of DR Holders has been held within six weeks, the DR Holders requesting such Meeting of DR Holders are themselves entitled to convene a meeting. A Meeting of DR Holders cannot be held in the eight weeks before the General Meeting of the Company.

Conversion of the DRs

DR Holders are at all times entitled to convert the DRs into Ordinary Shares. At the request of the DR Holders, the Foundation shall transfer to the DR Holder Ordinary Shares with the aggregate nominal amount as the DRs to be converted. The Foundation will charge costs or fees for such transaction to the DR Holder.

The DR Terms; amendment

The DR Terms can be amended by the Foundation Board. Before an amendment of the DR Terms can enter into force, it should also be approved by Euronext Amsterdam. If an amendment reduces the rights or security of DR Holders or impose charges upon DR Holders, DR Holders shall be given the opportunity to convert their DRs into Ordinary Shares free of charge during a period of at least three months following the announcement of the amendment. If an amendment is necessary or desirable as a result of changes affecting the Ordinary Shares in administration, such amendment shall not give DR Holders the right to claim conversion free of charge.

The Foundation

Legal form and objects

The Foundation was incorporated on 28 June 1999. The Foundation is a foundation (*stichting*) incorporated under the laws of the Netherlands and has its statutory seat in 's-Hertogenbosch, the Netherlands, and its registered office at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands. The Foundation is registered with the trade register of the Chamber of Commerce under number 17115378.

A foundation is a legal form without shareholders or members. The main corporate body of the Foundation is its board (*bestuur*) (the "**Foundation Board**"). In addition, the DR Terms provide for a corporate body called the Meeting of DR Holders.

Pursuant to the Foundation Articles, the objects of the Foundation are: (i) to acquire in exchange for the issue of convertible DRs and to hold in its own name for the purposes of administration (*ten titel van administratie*) Ordinary Shares; (ii) to manage the Ordinary Shares taken into administration; (iii) to exercise all rights attached to the Ordinary Shares, including the voting rights; and (iv) to perform all acts relating to, arising out of or conducive to the foregoing.

Under the Foundation Articles, the Foundation shall exercise the rights attached to Ordinary Shares in such a way as to safeguard the interests of the DR Holders, taking into account the interests of the Company, the enterprise associated therewith and all parties concerned. The Foundation is not authorised to dispose or encumber any Ordinary Shares it holds, with the exception of transferring the Ordinary Shares to another foundation (*administratiekantoor*) or to a DR Holder.

The Foundation has statutory rights as a shareholder of the Company to, among others and within the limits of the statutory law, convene a General Meeting, to put an agenda item on the agenda of a General Meeting or to make a request for an inquiry.

The Foundation Board

The Foundation Board will be composed of between three and five natural persons. Members of the Foundation Board are appointed for a maximum term of four years. Members of the Foundation Board can be re-appointed, provided that their term of office does not exceed 12 years in total. Members cannot be: (i) members of the Statutory Board or Supervisory Board of the Company or any of its subsidiaries; (ii) spouses and relatives of the persons referred to above in blood or in law up to the fourth degree; (iii) employees of the Company or any of its subsidiaries; (iv) regular advisers of the Company, including the external auditor pursuant to Section 2:393 of the Dutch Civil Code, the civil-law notary and the attorney of the Company; (v) former managing directors, supervisory directors and employees of the Company and its subsidiaries; (vi) former regular advisers of the Company as referred to above, but only during the first three years after termination of their advisory function; and (vii) directors and employees of banking institutions with which the Company maintains a stable and substantial relationship.

The board of the Foundation currently consists of Mr H.G. Everdingen (chairman), Mr A.L.M. Nelissen and Mr J. Meijer Timmerman Thijssen. Future members of the Foundation Board will be appointed by the Foundation Board. The Meeting of DR Holders can make recommendations to the Foundation Board in respect of members to be appointed to the Foundation Board.

Amendment of the Foundation Articles

The Foundation Articles can be amended by the Foundation Board. A resolution of the Foundation Board to amend the Foundation Articles requires the prior approval of the Company.

Issue of Shares

Shares can be issued either (i) if and to the extent the Statutory Board has been designated by the General Meeting as the authorised corporate body to resolve to issue Shares, pursuant to a resolution by the Statutory Board, which resolution has been approved by the Supervisory Board or (ii) if and to the extent the Statutory Board has not been designated as the authorised corporate body to resolve to issue Shares, pursuant to a resolution by the General Meeting on a proposal to that effect by the Statutory Board, which proposal has been approved by the Supervisory Board. This also applies to the granting of rights to subscribe for Shares, such as options, but is not required for an issue of Shares pursuant to the exercise of a previously granted right to subscribe for Shares. A designation as referred to above will only be valid for a specific period of no more than five years and may from time to time be extended for a period of no more than five years.

On 19 May 2016, the General Meeting designated the Statutory Board as the body authorised, subject to the approval of the Supervisory Board, to issue Ordinary Shares, to grant rights to subscribe for Ordinary Shares and to exclude statutory pre-emptive rights in relation to such issuances of Ordinary Shares or granting of rights to subscribe for Ordinary Shares. Aforementioned

authorisation of the Statutory Board is limited to 10% of the total nominal issued capital of the Company as at 19 May 2016, increased by an additional 10% of the issued capital as at 19 May 2016 if the issue takes place within the context of a merger or acquisition, and is valid for a period of 18 months after the date of grant of the authorisation.

In the event of an issue of Preference Shares, a General Meeting shall be convened, to be held not later than twelve months after the date on which Preference Shares were issued for the first time. See "*—Anti-Takeover Measure; Preference Shares*" for a more detailed description of the issue of Preference Shares.

Pre-Emptive Rights

Upon issue of Ordinary Shares, each Shareholder shall have a pre-emptive right in proportion to the aggregate nominal amount of his Ordinary Shares. Shareholders do not have pre-emptive rights in respect of: (i) the issue of Ordinary Shares (or the granting of rights to subscribe for Ordinary Shares) (a) against a contribution in kind, (b) to employees of Van Lanschot or (c) to persons exercising a previously-granted right to subscribe for Ordinary Shares; and (ii) the issue of Preference Shares. These pre-emptive rights also apply in case of granting of rights to subscribe for Ordinary Shares.

Pre-emptive rights may be limited or excluded by a resolution of the General Meeting, upon a proposal of the Statutory Board which has been approved by the Supervisory Board. The General Meeting may delegate this authority to the Statutory Board. A designation as referred to above will only be valid for a specific period of no more than five years and may from time to time be extended for a period of no more than five years (i.e. for the same period as the delegation of authority to issue shares). A resolution by the Statutory Board (if so designated by the General Meeting) to limit or exclude pre-emptive rights requires the approval of the Supervisory Board. The Statutory Board is currently authorised by the General Meeting to restrict or exclude pre-emptive rights accruing to Shareholders in relation to the issue of Ordinary Shares, subject to the approval of the Supervisory Board, until 19 November 2018.

Please see "*—The DRs—Economic Rights attached to the DRs*" for a description of the rights of DR Holders in case of an issue of Shares in respect of which a pre-emptive right applies to the Foundation.

Acquisition by the Company of its Shares and DRs

The Company may, subject to prior approval by the competent supervisory authority, acquire fully paid-up Shares or DRs at any time for no consideration or, subject to certain provisions of Dutch law and the Articles of Association, if: (i) the distributable part of the shareholders' equity is at least equal to the total purchase price of the repurchased Shares or DRs; (ii) the nominal value of the Shares or DRs which the Company acquires, holds or which are held by a subsidiary does not exceed 20% of the issued share capital; and (iii) the Statutory Board has been authorised by the General Meeting to repurchase Shares or DRs. The General Meeting's authorisation is valid for a maximum of 18 months. As part of the authorisation, the General Meeting must specify the number of Shares that may be acquired, the manner in which the Shares or DRs may be acquired and the price range within which the Shares or DRs may be acquired. A resolution of the Statutory Board to repurchase Shares or DRs is subject to the approval of the Supervisory Board.

No authorisation from the General Meeting is required for the acquisition of fully paid-up Shares or DRs for the purpose of transferring these Shares to employees pursuant to any share (option) plan.

The Company may not cast votes on Shares and DRs held by it nor will such Shares and DRs be counted for the purpose of calculating a voting quorum.

On 19 May 2016, the General Meeting authorised the Statutory Board to acquire, subject to the approval of the Supervisory Board, Ordinary Shares or DRs for a period of 18 months until 19 November 2018. The number of Ordinary Shares or DRs to be acquired by the Company under the authorisation is limited to 10% of the issued capital as at 19 May 2016. The Ordinary Shares or DRs may be acquired on the stock exchange or elsewhere at a price per Ordinary Share or DR between the nominal value of the Ordinary Shares and a price equal to the highest price at which the DRs traded on Euronext Amsterdam on the day of purchase.

Capital Reduction

Subject to the provisions of Dutch law and the Articles of Association, the General Meeting may, upon a proposal by the Statutory Board which has been approved by the Supervisory Board, resolve to reduce the issued share capital by (i) cancelling Shares or (ii) reducing the nominal value of the Shares through an amendment of the Articles of Association. A resolution to cancel Shares may only relate to (a) Shares held by the Company itself or of which it holds the DRs or (b) all outstanding Preference Shares with repayment. Partial repayment or waiver of the payment obligation pursuant to a reduction of the nominal value may take place in respect of all Shares of a specific class.

A valid resolution of the General Meeting to reduce the share capital shall also require, in addition to the requirements listed above, a prior or simultaneous resolution or approval by each group of Shareholders of the same class whose rights are prejudiced by the capital reduction.

Dutch law contains detailed provisions regarding the reduction of capital. A resolution to reduce the issued share capital shall not take effect as long as creditors have the right to oppose the resolution by filing a petition to that effect. The reduction of CET1 instruments, such as share capital, requires prior approval of the competent supervisory authority.

Form and Transfer of Shares and DRs

The Shares are in registered form. The shareholders' registers for the Ordinary Shares and the Preference Shares are held at the Company's head office in 's-Hertogenbosch, the Netherlands. No share certificates (*aandeelbewijzen*) will be issued for Shares. The names and addresses of the holders of Shares in registered form, and usufructuaries (*vruchtgebruikers*) and pledgees in respect of such Shares are recorded in the register of shareholders of the Company and any other information prescribed by Dutch law.

The Foundation will keep a register regarding the holders of DRs, in accordance with the Foundation Articles and the DR Terms. Since the DRs have been delivered to an intermediary for inclusion in a collective deposit or to the central institute for inclusion in the giro deposit (all within the meaning of the Dutch Securities Giro Act (*Wet giraal effectenverkeer*)), the name and the address of the intermediary or the central institute will be included in the register of DR Holders.

The transfer of a Share in registered form (not included in the giro system) requires a deed to that effect and acknowledgment by the Company. The transfer of DRs which are included in the giro system within the meaning of the Dutch Securities Giro Act, is affected in accordance with the provisions of the Dutch Securities Giro Act.

General Meetings and Voting Rights

General Meetings

The annual General Meeting must be held ultimately on 30 June each year. Additional extraordinary General Meetings are held whenever the Statutory Board or the Supervisory Board deems such to be necessary. In addition, one or more Shareholders or DR Holders, who solely or jointly represent at least one-tenth of the issued share capital may request that a General Meeting be convened, the request setting out in detail matters to be considered. If no General Meeting has been held within eight weeks, the Shareholders or DR Holders requesting such General Meeting are authorised to request a District Court in summary proceedings to convene a General Meeting. Within three months of it becoming apparent to the Statutory Board that the equity of the Company has decreased to an amount equal to or lower than one-half of the paid-up part of the capital, a General Meeting will be held to discuss any requisite measures.

Typical agenda items of the annual General Meeting are: the annual report, the implementation of the remuneration policy, the adoption of the annual accounts, the proposal to distribute dividends (if applicable), release of the Statutory Board members and Supervisory Board members from liability, appointment of an external auditor, the designation of a body of the Company authorised to issue Shares and to exclude pre-emptive rights, authorisation of the Statutory Board to make the Company acquire own Shares or DRs and any other subjects presented for discussion by the Statutory Board or the Supervisory Board.

Place of Meetings, Chairman and Minutes

The Articles of Association provide that General Meetings must be held in 's-Hertogenbosch, Amsterdam, The Hague or Utrecht, the Netherlands.

The General Meeting shall be presided over by the chairman of the Supervisory Board or his replacement. The Supervisory Board may appoint someone else to chair the General Meeting. The chairman will have all powers necessary to ensure the proper and orderly functioning of the General Meeting. Without the chairman of the Supervisory Board having appointed someone else to chair in his absence, the General Meeting itself shall appoint the chairman, provided that so long as such election has not taken place, the chairmanship will be held by a Statutory Board member designated for that purpose by the members of the Statutory Board present at the General Meeting.

Minutes will be kept of the proceedings at the General Meeting by, or under supervision of, the Company secretary, which will be adopted by the chairman and the secretary and will be signed by them as evidence thereof. However, the Supervisory Board or the chairman may determine that notarial minutes will be prepared of the proceedings of the meeting. In that case the co-signature of the chairman will be sufficient.

Convocation notice and agenda

A General Meeting can be convened by the Statutory Board or the Supervisory Board by a convening notice, which must be given no later than the 42nd day before the date of the General Meeting or, at the discretion of the Statutory Board, at such shorter notice period if allowed by law. Such notice must include the location and the time of the meeting, an agenda indicating the items for discussion and any proposals for resolutions, the admission, participation and voting procedure, the record date and the address of the Company's website. All convocations, announcements, notifications and communications to Shareholders have to be made in accordance with the relevant provisions of Dutch law and the convocation and other notices may also occur by means of sending an electronically transmitted legible and reproducible message to the address of those Shareholders which consented to this method of convocation.

Proposals of Shareholders and/or other persons entitled to attend and address the General Meetings will only be included in the agenda, if the Shareholders and/or other persons entitled to attend and address the General Meetings, alone or jointly, represent shares amounting to at least 3% of the issued share capital and such proposal (together with the reasons for such request) is received in writing by the chairman of the Statutory Board or the chairman of the Supervisory Board at least 60 days before the date of the General Meeting.

If the Company, whether at its own initiative or following a request to that effect by one or more Shareholders or DR Holders holding an interest representing at least 10% of the Company's issued share capital, has performed an identification of its Shareholders and DR Holders within the meaning of the Dutch Securities Giro Act (*Wet giraal effectenverkeer*), Shareholders or DR Holders who, individually or with other Shareholders or DR Holders, hold Shares or DRs that represent at least 1% of the issued share capital or a market value of at least €250,000, may request the Company to disseminate information that is prepared by them in connection with an agenda item for a General Meeting. The Company can only refuse disseminating such information, if received less than seven business days prior to the General Meeting, if the information gives or could give an incorrect or misleading signal or if, in light of the nature of the information, the Company cannot reasonably be required to disseminate it.

Admission and registration

Each Shareholder and DR Holder is entitled to attend and address the General Meetings and, to the extent applicable, to exercise voting rights *pro rata* to his holding of Shares or DRs, either in person or by proxy. Shareholders and DR Holders may exercise these rights if they are holders of Shares or DRs on the record date which is the 28th day before the day of the General Meeting. The convocation notice shall state the record date and the manner in which persons holding such rights can register and exercise their rights.

Members of the Statutory Board and the Supervisory Board have the right to attend and address the General Meeting. In these General Meetings, they have an advisory role. Also the external auditor of the Company is authorised to attend and address the General Meeting.

Voting rights

Each Share confers the right on the holder to cast one vote at a General Meeting. Major shareholders have the same voting rights per Ordinary Share as other holders of Ordinary Shares. At the General Meeting, resolutions are passed by an absolute majority of the valid votes cast, unless Dutch law or the Articles of Association prescribe a greater majority. If there is a tie in voting, the proposal concerned will be rejected.

Please also see "*—The DRs—Governance Rights attached to the DRs*" for a summary of the rights of DR Holders in respect of a General Meeting.

Annual and Semi-Annual Financing Reporting and Interim Statements

Annually, within four months after the end of the financial year, the Company must publish an annual financial report, consisting of audited annual accounts, an auditor's statement, a management report, a Supervisory Board report and certain other information required under Dutch law. The annual accounts must be adopted by the General Meeting.

The Company must publish a semi-annual financial report as soon as possible, but at the latest three months after the end of the first six months of the financial year. If the semi-annual financial report is audited or reviewed, the independent auditor's statement must be published together with the semi-annual financial report.

Since January 2016, Dutch listed companies are no longer required to publish interim statements. Nevertheless, the Company published a trading update relating to the first quarter of 2016.

Profits and Distributions

The Company may only make distributions to its Shareholders insofar as the Company's equity exceeds the amount of the paid-in and called-up part of the issued capital, increased by the reserves which must be maintained pursuant to Dutch law or the Articles of Association.

Under the Articles of Association, any profits must first be applied to pay a dividend on the Preference Shares, if any are outstanding, before distribution of any remaining distributable profits to the other Shareholders. No Preference Shares are outstanding at the date of this Prospectus. The Statutory Board is authorised, subject to the approval of the Supervisory Board, to determine each year which part of any profits remaining after such dividend payment on the Preference Shares will be reserved. Any profits remaining after such reservation and dividend payment on the Preference Shares will be at the disposal of the General Meeting. Distributions from the Company's distributable reserves are made pursuant to a resolution of the General Meeting upon the proposal of the Statutory Board, which has been approved by the Supervisory Board.

Subject to Dutch law and the Articles of Association, the Statutory Board may, with the approval of the Supervisory Board, resolve to distribute an interim dividend.

The Statutory Board may, with the approval of the Supervisory Board, resolve that a distribution on Ordinary Shares will not be made in cash but in the form of Ordinary Shares or DRs.

Dividends and other distributions will be made payable pursuant to a resolution of the Statutory Board. Different payment release dates may be set for the Ordinary Shares and the Preference Shares.

Any entitlement to any dividend distribution by a Shareholder expires five years after the date on which those dividends were released for payment. Any dividend that is not collected within this period reverts to the Company. See also "*Dividends and Dividend Policy*".

The payment of dividends may be limited, restricted or prohibited, including by the competent supervisory authority, if this measure is required or deemed required to strengthen Van Lanschot's capital in view of prudential requirements such as, among other things, the combined buffer requirements, additional capital requirements as a result of the SREP, the leverage ratio, MREL and TLAC requirements. See "*Risk Factors—Van Lanschot is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and Van Lanschot may have insufficient capital*

resources or liquidity to meet these requirements." and "*Risk Factors-The Financial Stability Board and additional governmental measures may negatively affect Van Lanschot's results.*" In addition, any payment of dividends can only be paid out of distributable items as defined in CRR.

Amendment of the Articles of Association

The General Meeting may resolve to amend the Articles of Association upon a proposal of the Statutory Board, which has been approved by the Supervisory Board. A resolution by the General Meeting to amend the Articles of Association requires an absolute majority of the votes cast.

Dissolution and Liquidation

The Company may only be dissolved by a resolution of the General Meeting upon proposal of the Statutory Board, which has been approved by the Supervisory Board. A resolution by the General Meeting to dissolve the Company requires an absolute majority of the votes cast.

In the event of the dissolution of the Company, the Company will be liquidated in accordance with Dutch law and the Articles of Association. The members of the Statutory Board shall be charged with effecting the liquidation of the Company's affairs and the Supervisory Board members will be charged with the supervision thereof. During liquidation, the provisions of the Articles of Association will remain in force to the extent possible.

The balance of the Company's assets remaining after all liabilities have been paid shall, if possible, first be applied for the payment of all the holders of the Preference Shares of the nominal amount paid-up on their Preference Shares. Any balance remaining shall be distributed between the holders of the Ordinary Shares in proportion to the nominal amount of Ordinary Shares that each holder possesses.

Anti-Takeover Measure; Preference Shares

Legal form and objects

The Foundation Preference Shares was incorporated on 28 December 1999. The Foundation Preference Shares is a foundation (*stichting*) incorporated under the laws of the Netherlands and has its statutory seat in 's-Hertogenbosch, the Netherlands, and its registered office at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands. The Foundation Preference Shares is registered with the trade register of the Chamber of Commerce under number 17120391.

The Foundation Preference Shares' objects are to protect the interests of the Company, the business maintained by the Company and all persons involved therein, by making every effort to prevent anything which may affect the continuity, the independence or the identity of the Company and of those businesses in violation of the interests referred to above. The Foundation Preference Shares shall pursue its objects by acquiring and holding Preference Shares and by enforcing the rights, in particular the voting rights, attached to those Preference Shares, as well as by exercising (whether or not in legal proceedings) rights attributed to it pursuant to Dutch law, the articles of association or any agreement. The Foundation Preference Shares is not authorised to sell, pledge or otherwise encumber any Preference Shares it holds, other than (i) to sell to the Company or a group company of the Company or (ii) to pledge the Preference Shares to the banking institution providing the financing for the issuance of the Preference Shares. The possibility of issuing Preference Shares is an anti-takeover measure.

To this end, the Foundation Preference Shares has been granted a call option by the Company. On exercise of the call option, the Foundation Preference Shares is entitled to acquire from the Company up to a maximum corresponding with 100% of the issued share capital of the Company excluding the Preference Shares as outstanding immediately prior to the exercise of the call option, less one Share, from which maximum any Preference Shares already placed with the Foundation Preference Shares at the time of the exercise of the call option shall be deducted. Circumstances that can lead to an exercise of the call option by the Foundation Preference Shares are: (i) a concentration of DRs or Shares, disregarding any interest held for investment purposes only; (ii) merger talks not resulting in an agreement, whether or not in combination with the abovementioned circumstances or the announcement of a takeover bid; and (iii) a proposal by a Shareholder or DR Holder to put an

item on the agenda of the General Meeting that may affect the continuity, the independence or the identity of the Company and the businesses maintained by the Company.

If the Foundation Preference Shares exercises the call option, the Company shall issue such number of Preference Shares as for which the Foundation Preference Shares exercised its call option. Upon issuance of Preference Shares, at least one fourth of the nominal value thereof must be paid-up. The Foundation Preference Shares shall be required to pay up any additional amounts only if and when the Company will have claimed such additional payments. The Foundation Preference Shares has a bank loan in place to fund the payment of one fourth of the nominal value of the Preference Shares.

If Preference Shares are issued to the Foundation Preference Shares, the Statutory Board is obliged to convene a General Meeting within 12 months after the date Preference Shares have been issued for the first time. The agenda for that meeting must include a resolution relating to the repurchase or cancellation of these Preference Shares. If at that meeting it is not resolved to repurchase or cancel the relevant Preference Shares, the Statutory Board is obliged to each time within twelve months of the previous meeting in which such proposal has been placed on the agenda, convene a General Meeting at which such proposal is again submitted, until such time as no more Preference Shares remain outstanding.

If Preference Shares are repurchased or cancelled, this will take place against repayment of the amounts paid-up on these Preference Shares and payment of any distribution still lacking, if any.

The Foundation Preference Shares will perform its role, and take all actions required, at its sole discretion. The Foundation Preference Shares shall exercise the voting rights attached to the Preference Shares issued to the Foundation Preference Shares, independently, in accordance with its objects according to its articles of association.

The Foundation Preference Shares Board

The Foundation Preference Shares is managed by a board. The board consists of three to five members. The members are appointed by the board of the Foundation Preference Shares itself. Members cannot be: (i) members of the Statutory Board or Supervisory Board of the Company or any of its subsidiaries; (ii) spouses and relatives of the persons referred to above in blood or in law up to the fourth degree; (iii) employees of the Company or any of its subsidiaries; (iv) regular advisers of the Company, including the external auditor pursuant to Section 2:393 of the Dutch Civil Code, the civil-law notary and the attorney of the Company; (v) former managing directors, supervisory directors and employees of the Company and its subsidiaries; (vi) former regular advisers of the Company as referred to above, but only during the first three years after termination of their advisory function; and (vii) directors and employees of banking institutions with which the Company maintains a stable and substantial relationship.

The board of the Foundation Preference Shares currently consists of: Mr A.A.M. Deterink (chairman), Mr P.J.J.M. Swinkels and Mr H.P.M. Kivits.

Public Offer Rules

Pursuant to the Dutch Financial Supervision Act, and in accordance with Directive 2004/25/EC, also known as the takeover directive, any shareholder or depositary receipt holder – whether acting alone or in concert with others – who, directly or indirectly, obtains control of a Dutch listed company is required to make a public offer for all outstanding shares or depositary receipts in that company's share capital. Such control is deemed present if a (legal) person is able to exercise, alone or acting in concert, 30% of the voting rights in the general meeting of shares or depositary receipts of such listed company (subject to certain applicable grandfathering exemptions, such as shareholders or depositary receipt holders having control at the initial public offering of the shares). Pursuant to the Dutch Financial Supervision Act, the Foundation and the Foundation Preference Shares are exempt from making a public offer, provided that the Foundation Preference Shares will hold the Preference Shares for a maximum period of two years after the announcement of a public takeover bid in order to protect the Company.

A public offer for shares or depositary receipts of a listed company, such as the (DRs representing) Shares, may only be launched by way of publication of an offer document approved by the AFM. The public offer rules are, among other things, intended to ensure that, in the event of a

public offer, sufficient information will be made available to the holders of the shares or depositary receipts, the holders of the shares or depositary receipts will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely offering period.

Squeeze-Out Proceedings

A shareholder or depositary receipt holder who for his own account holds at least 95% of the issued share capital of a company, being the controlling company, may institute proceedings against the holders of the remaining shares or depositary receipts jointly for the transfer of their shares or depositary receipts to him. The proceedings are held before the Dutch enterprise Chamber of the Amsterdam Court of Appeal (the "**Enterprise Chamber**") and can be instituted by means of a writ of summons served upon each of the minority shareholders or depositary receipt holders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for the squeeze-out in relation to all minority shareholders or depositary receipt holders and will determine the price to be paid for the shares or depositary receipts, if necessary, after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares or depositary receipts of the minority shareholders or depositary receipt holders. Once the order to transfer becomes final, the person acquiring the shares or depositary receipts must give written notice of the date and place of payment and the price to the holders of the shares or depositary receipts to be acquired whose addresses are known to it. Unless the addresses of all of them are known to it, it must also publish the same in a Dutch daily newspaper with a national circulation.

The offeror under a public offer is also entitled to start a squeeze-out procedure if, following the public offer, the offeror holds at least 95% of the outstanding share capital and represents at least 95% of the total voting rights. The claim of a takeover squeeze-out must be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. The Enterprise Chamber may grant the claim for a takeover squeeze-out in relation to all minority shareholders or depositary receipt holders and will determine the price to be paid for the shares or depositary receipts, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares or depositary receipts of the minority shareholders or depositary receipt holders. In principle, the offer price is considered reasonable if the offer was a mandatory offer or if at least 90% of the shares or depositary receipts to which the offer related were received by way of a voluntary offer.

The Dutch Civil Code also entitles those minority shareholders or depositary receipt holders that have not previously tendered their shares or depositary receipts under an offer to transfer their shares or depositary receipts to the offeror, provided that the offeror has acquired at least 95% of the outstanding share capital and represents at least 95% of the total voting rights. In regard to price, the same procedure as for takeover squeeze-out proceedings initiated by an offeror applies. This claim must also be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer.

Obligations to Disclose Holdings and Transactions

Shareholders or DR Holders may be subject to notification obligations under the Dutch Financial Supervision Act. Shareholders or DR Holders are advised to seek professional advice on these obligations.

Shareholders or DR Holders

Pursuant to the Dutch Financial Supervision Act, any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest or voting rights of the Company must immediately notify the AFM, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person reaches, exceeds or falls below any of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

For the purpose of this notification requirement, the following instruments qualify as "shares": (i) shares; (ii) depositary receipts for shares (or negotiable instruments similar to such receipts); (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds); and (iv) options for acquiring the instruments under (i) or (ii).

A notification requirement also applies if a person's capital interest or voting rights reaches, exceeds or falls below the abovementioned thresholds as a result of a change in the Company's total outstanding share capital or voting rights. Such notification has to be made no later than the fourth trading day after the AFM has published the Company's notification of the change in its outstanding share capital.

In addition, every holder of 3% or more of the Company's share capital or voting rights whose interest changes in respect of the previous notification to the AFM by reaching or crossing one of the abovementioned thresholds as a consequence of the interest being differently composed due to shares or voting rights having been acquired through the exercise of a right to acquire the same or due to an exchange of shares for depositary receipts, must notify the AFM of the changes within four trading days after the date on which the holder knows or should have known that his interest reaches, exceeds or falls below a threshold.

The Company is required to notify the AFM immediately of the changes to its total share capital or voting rights if its issued share capital or voting rights changes by 1% or more since the Company's previous notification. The Company must furthermore, on a quarterly basis, notify the AFM within eight days after the relevant quarter, in the event its share capital or voting rights changed by less than 1% in that relevant quarter since the Company's previous notification.

Controlled entities, within the meaning of the Dutch Financial Supervision Act, do not have notification obligations under the Dutch Financial Supervision Act, as their direct and indirect interests are attributed to their (ultimate) parent. Any person may qualify as a parent for purposes of the Dutch Financial Supervision Act, including an individual. A person who has a 3% or larger interest in the Company's share capital or voting rights and who ceases to be a controlled entity for these purposes must immediately notify the AFM. As of that moment, all notification obligations under the Dutch Financial Supervision Act will become applicable to the former controlled entity.

Apart from the attribution of interests of controlled entities to their (ultimate) parent, the following other interests must, among other things, be taken into account for the purpose of calculating the percentage of capital interest or voting rights: (i) a (potential) right of pledge or right of usufruct in respect of shares, if the holder has, or can acquire, the right to vote on the shares; (ii) shares and voting rights held by (or acquired or disposed of) a third party for such person's account or voting rights held by a third party with whom such person has concluded an oral or written voting agreement; (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment; (iv) certain cash settled financial instruments, such as contracts for difference or total return swaps, whose value is (co-) determined by the value of shares and associated capital gain (for both the calculation of the capital interest and the voting rights); (v) shares that must be acquired upon exercise of a put option by a counterparty and the voting rights attached to such shares; and (vi) shares which are the subject of another contract creating an economic position similar to a direct or indirect holding in those shares and the voting rights attached to such shares. Special attribution rules apply to shares and voting rights which are part of the property of a partnership or other community of property.

Gross short positions in shares should also be notified to the AFM. For these gross short positions the same thresholds apply as for notifying an actual or potential interest in the shares of the Company, as referred to above.

In addition, pursuant to Regulation (EU) No 236/2012, each person holding a net short position attaining 0.2% of the issued share capital of the Company is required to notify such position to the AFM. Each subsequent increase of this position by 0.1% above 0.2% must also be notified. Each net short position attaining 0.5% of the issued share capital of the Company and any subsequent increase of that position by 0.1% will be made public by the AFM. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share may only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located.

Management

The Dutch Financial Supervision Act also provides for notification requirements in relation to capital interests or voting rights of the Company held by members of the Statutory Board and the Supervisory Board. For the purpose of this notification requirement, the following instruments qualify

as "shares": (i) shares; (ii) depositary receipts for shares (or negotiable instruments similar to such receipts); (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds); and (iv) options for acquiring the instruments under (i) or (ii).

These notification requirements relate to, among other things: (i) shares or voting rights held in the Company and in certain listed group companies or participations within two weeks after the appointment as member of the Statutory Board or the Supervisory Board; (ii) each change in (the number and type of interest in) shares or voting rights in the Company and in certain listed group companies or participations which change must be notified immediately; and (iii) a resignation of a member of the Statutory Board or the Supervisory Board.

In addition, pursuant to the Dutch Financial Supervision Act, the following persons must notify the AFM of any transactions conducted for his own account relating to the shares or in financial instruments the value of which is co-determined by the value of the shares: any member of the Statutory Board, any member of the Supervisory Board, and any other person with management responsibility and the power to make decisions for the Company affecting future developments and business prospects, which person may have regularly access to inside information relating, directly or indirectly, to the Company.

In addition, in accordance with the Dutch Financial Supervision Act and the regulations promulgated thereunder, certain persons who are closely associated with any of the persons as described above are required to notify the AFM of any transactions conducted for their own account relating to the Shares or in financial instruments the value of which is co-determined by the value of the shares. The Dutch Financial Supervision Act and the regulations promulgated thereunder cover, among other things, the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership whose, among other things, managerial responsibilities are discharged by a person referred to under (i) to (iii) above or by the relevant member of the Statutory Board, the Supervisory Board or other person with any power in respect of the Company as described above.

The AFM must be notified no later than the fifth business day following the relevant transaction date. Under certain circumstances, notification may be postponed until the date the value of the transactions performed for that person's own account, together with transactions carried out by the persons closely associated with that person, amounts to €5,000 or more in the calendar year in question.

Non-compliance

Non-compliance with the notification obligations under the Dutch Financial Supervision Act could lead to the imposition of criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with some of the notification obligations under the Dutch Financial Supervision Act may lead to civil sanctions, including suspension of the voting rights relating to the shares held by the offender for a period of not more than three years, voiding of a resolution adopted by the General Meeting in certain circumstances and ordering the person violating the disclosure obligations to refrain, during a period of up to five years, from acquiring shares and/or voting rights in shares.

Public registry

The AFM does not issue separate public announcements of the notifications. It does, however, keep a public register of all notifications under the Dutch Financial Supervision Act on its website www.afm.nl. Third parties can request to be notified automatically by email of changes to the public register in relation to a particular company's shares or a particular notifying party.

Identity of Shareholders

The Company may request Euroclear Nederland, admitted institutions, intermediaries, institutions abroad, and managers of an investment institution, to provide certain information on the identity of its Shareholders or DR Holders. Such request may only be made during a period of 60 days up to the day on which the General Meeting will be held. No information will be given on Shareholders or DR Holders with an interest of less than 0.5% of the issued share capital. A Shareholder or DR Holder who, individually or together with other Shareholders or DR Holders,

holds an interest of at least 10% of the issued share capital may request the Company to establish the identity of its Shareholders or DR Holders. This request may only be made during a period of 60 days until (and not including) the 42nd day before the day on which the General Meeting will be held.

Declaration of No Objection for a Qualifying Holding in a Bank

Each person who holds, acquires or increases a qualifying holding in, among others, a bank or investment firm with a corporate seat in the Netherlands, as a result of which certain thresholds are reached or passed, or exercises voting power (or similar control) related to such qualifying holding, requires a declaration of no objection from the ECB (in case of a bank) or DNB (if certain other financial firms, such as an investment firm or insurance company, are concerned). A "qualifying holding" is a direct or indirect holding of 10% or more of the issued share capital of an enterprise, or the ability to exercise directly or indirectly 10% or more of the voting rights in an enterprise, or the ability to exercise directly or indirectly a comparable degree of control in an enterprise. See "*Supervision and Regulation—Sound and Controlled Business Operations—Structural Supervision*".

Market-Abuse Rules

The Dutch Financial Supervision Act provides for specific rules intended to prevent market abuse, such as insider trading, tipping and market manipulation. Pursuant to these rules, the Company has adopted rules governing the holding and carrying out of transactions in the DRs or in financial instruments the value of which is determined by the value of the DRs by members of the Statutory Board and the Supervisory Board as well as rules on compliance and suspected abuse for its employees.

SHAREHOLDER STRUCTURE AND RELATED PARTY TRANSACTIONS

Shareholder Structure

Shareholder

At the date of this Prospectus, more than 99.99% of the Ordinary Shares are held by the Foundation. See "*Description of Share Capital and Corporate Structure—The Foundation*" for further details on the Foundation.

Major DR Holders

The public register of the AFM identifies the following investors holding a substantial interest of 3% or more in the Company as per the date of this Prospectus.

	Percentage of share capital[1]	Voting rights
Delta Lloyd N.V.	30.35%	12,449,099
Delta Lloyd N.V.	*10.48%*	*4,300,000*
Delta Lloyd Levensverzekering N.V.	*19.87%*	*8,149,099*
Stichting Pensioenfonds ABP (via APG Asset Management N.V.)	13.29%	5,451,639
Rabobank Nederland	12.09%	4,956,873
Wellington Management Group LLP	9.90%	4,060,649
LDDM Holding B.V.	9.76%	4,003,640

(1) Holdings set out in the above table may differ from the actual holdings at the date of this Prospectus if notification thresholds are not triggered by changes to holdings. Delta Lloyd Schadeverzekering N.V. holds 300,000 DRs which is the equivalent to 0.73% of the share capital of the Company.

The Foundation Preference Shares has notified a potential interest of 100% to the AFM, pursuant to the call option agreement (see "*—The Foundation Preference Shares*" below).

Except as disclosed above, the Company is not aware of any person who, on the date of this Prospectus, directly or indirectly, has a beneficial interest of 3% or more in the Company's capital.

The Company's major DR Holders, as set out above, do not have any voting rights other than those of the other DR Holders. The Company is not directly or indirectly owned or controlled by another person and the Company is not aware of any arrangement that may at a subsequent date result in a change of control.

After Settlement, based on the assumption that 11,272,729 Offer DRs are sold in the Offering and the Over-Allotment Option is not exercised, the Selling DR Holders will hold 1,127,271 DRs.

Selling DR Holders

The Delta Lloyd group provides life insurance, pensions, general insurance, asset management and banking products and services to 4.2 million customers in the Netherlands and Belgium. Delta Lloyd uses multiple channels to distribute its products and services under the following brands: Delta Lloyd, BeFrank, OHRA and ABN AMRO Insurance.

Delta Lloyd N.V. is a public limited liability company (*naamloze vennootschap*) incorporated in the Netherlands with its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands and its registered office at Amstelplein 6, 1096 BC Amsterdam, the Netherlands. The company is registered with the trade register of the Chamber of Commerce under number 33121461. Delta Lloyd N.V.'s ordinary shares are listed on Euronext Amsterdam and Brussels.

Delta Lloyd Levensverzekering N.V. is a public limited liability company incorporated in the Netherlands with its statutory seat in Amsterdam, the Netherlands and its registered office at Spaklerweg 4, 1096 BA Amsterdam, the Netherlands. The company is registered with the trade register of the Chamber of Commerce under number 33001488. All shares in the capital of Delta Lloyd Levensverzekering N.V. are, indirectly, owned by Delta Lloyd N.V.

Delta Lloyd Schadeverzekering N.V. is a public limited liability company incorporated in the Netherlands with its statutory seat in Amsterdam, the Netherlands and its registered office at

Spaklerweg 4, 1096 BA Amsterdam, the Netherlands. The company is registered with the trade register of the Chamber of Commerce under number 33052073. All shares in the capital of Delta Lloyd Schadeverzekering N.V. are, indirectly, owned by Delta Lloyd N.V.

The Foundation Preference Shares

The Foundation Preference Shares has been granted a call option by the Company. On exercise of the call option, the Foundation Preference Shares is entitled to acquire from the Company up to a maximum corresponding with 100% of the issued share capital of the Company, excluding the Preference Shares outstanding immediately prior to the exercise of the call option, less one Share, from which maximum any Preference Shares already placed with the Foundation Preference Shares at the time of the exercise of the call option shall be deducted. See "*Description of Share Capital and Corporate Structure—Anti-Takeover Measure; Preference Shares*" for a description of events which could trigger the exercise of the call option.

Related Party Transactions

The Company is not aware of any transaction with any related party in the financial years having ended on 31 December 2015, 2014 and 2013 and in 2016 to date, other than the transactions as set out below.

Shareholder Agreement LDDM Holding

The Company concluded a shareholder agreement with LDDM Holding in June 1999, which was renewed on 11 May 2011 (the "**Shareholder Agreement**"). In the renewed Shareholder Agreement, LDDM Holding reaffirmed that it will continue to respect Van Lanschot's independence. LDDM Holding will not, therefore, increase its interest in the Company to more than 17.5% of the issued capital of the Company, except with the approval of the Statutory Board and the Supervisory Board. As long as LDDM Holding retains an interest of at least 7.5% of the issued capital of the Company but not more than 17.5%, it has the right to recommend one person for appointment to the Supervisory Board. Godfried van Lanschot currently sits on the Supervisory Board on LDDM Holding's recommendation. The Shareholder Agreement is entered into for an indefinite period of time. The Shareholder Agreement (a) terminates automatically if the interest of LDDM Holding in the issued capital of the Company falls below 7.5% for a period of three months and (b) can be terminated (i) by each party with a notice period of six months and (ii) by LDDM Holding with a notice period of ten business days or less if agreed between the parties in the event that the Company reaches conditional agreement with a third party on a public offer for Ordinary Shares or DRs.

Statutory Board

As at 31 December 2015, the total outstanding loans and advances to members of the Statutory Board amounted to €3,197,000. These consist of residential mortgages and personal loans granted under standard personnel conditions.

The following table summarises the outstanding loans to members of the Statutory Board as at 31 December 2015.

Member of the Statutory Board	Outstanding amount	Interest rate	Term
Constant Korthout	450,000	2.3%	30
	250,000	3.5%	30
Richard Bruens	1,186,000	2.5%	30
	287,000	3.1%	30
	64,000	variable	1
Arjan Huisman	340,000	3.75%	30
	620,000	variable	30

Others

Other than financial services provided pursuant to standard personnel conditions, financial services to members of the Statutory Board and Supervisory Board and their spouses and relatives in blood or in law up to the second degree may only be provided under conditions provided to other

clients. As of the date of the Prospectus, there were no outstanding credits, loans or bank guarantees other than the ones disclosed in this chapter or concluded in the ordinary course of business.

THE OFFERING

Introduction

The Selling DR Holders are offering up to 11,272,729 Offer DRs, (not including any Additional DRs). Assuming no exercise of the Over-Allotment Option, the Offer DRs represent up to approximately 27.4% of the Company's issued share capital.

The Offering consists of: (i) a public offering to certain institutional and retail investors in the Netherlands; and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer DRs are being offered and sold: (i) within the United States to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws; and (ii) outside the United States in accordance with Regulation S. The Offer DRs have not been and will not be registered under the US Securities Act. The Offering is made only in those jurisdictions in which, and only to those persons to whom, the Offering may be lawfully made.

The Selling DR Holders have granted the Joint Global Coordinators, on behalf of the Underwriters, the Over-Allotment Option, exercisable within 30 calendar days after the date of the Pricing Statement, pursuant to which the Joint Global Coordinators, on behalf of the Underwriters, may require the Selling DR Holders to sell at the Offer Price such number of additional existing DRs held by them, equalling up to 10% of the total number of Offer DRs, to cover short positions resulting from any over-allotments made in connection with the Offering or stabilisation transactions, if any.

Timetable

Subject to acceleration or extension of the timetable for, or withdrawal of, the Offering, the timetable below sets forth certain expected key dates for the Offering.

Event	Expected Date and Time	
Start of Offer Period	31 May 2016	8.00 CEST
End of Offer Period for Dutch retail investors	7 June 2016	17.30 CEST
End of Offer Period for institutional investors	8 June 2016	14.00 CEST
Expected pricing and Allocation	9 June 2016	
First day of trading after close of the Offer Period	9 June 2016	9.00 CEST
Settlement (payment and delivery)	13 June 2016	

The Company, the Selling DR Holders and the Joint Global Coordinators may collectively adjust the dates, times and periods given in the timetable and throughout this Prospectus. If any of them should decide to do so, the Company will make this public through a press release, which will also be posted on the Company's website. Any other material alterations will be published through a press release that will also be posted on the Company's website and in a supplement to this Prospectus (if required) that is subject to the approval of the AFM.

Any extension of the timetable for the Offering will be published in a press release at least three hours before the end of the original Offer Period, provided that any extension will be for a minimum of one full day. Any acceleration of the timetable for the Offering will be published in a press release at least three hours before the proposed end of the accelerated Offer Period.

Offer Period

Subject to the acceleration or extension of the timetable for the Offering, prospective institutional investors may subscribe for Offer DRs during the period commencing at 8.00 CEST on 31 May 2016 and ending at 14.00 CEST on 8 June 2016 and prospective Dutch retail investors may subscribe for Offer DRs during the period commencing at 8.00 CEST on 31 May 2016 and ending at 17.30 CEST on 7 June 2016. In the event of an acceleration or extension of the Offer Period, pricing, allocation, admission and first trading of the Offer DRs, as well as payment (in euro) for, and delivery of, the Offer DRs may be advanced or extended accordingly.

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus, which is capable of affecting the assessment of the Offer DRs, arises or is noted before the end of the Offer Period, a supplement to this Prospectus will be published, the Offer

Period will be extended, if so required by the Prospectus Directive, the Dutch Financial Supervision Act or the rules promulgated thereunder, and investors who have already agreed to purchase Offer DRs may withdraw their subscriptions within two business days following the publication of the supplement, provided that the new factor, material mistake or inaccuracy, arose or was noted before the end of the Offer Period.

Offer Price and Number of Offer DRs

At the date of this Prospectus, the Offer Price is expected to be in the range of €15.00 to €18.00 (inclusive) per Offer DR. The Offer Price Range is indicative. The Offer Price, which may be higher or lower than the initial Offer Price Range and the exact number of Offer DRs will be determined on the basis of a bookbuilding process. The Offer Price and the exact number of Offer DRs offered in the Offering will be determined by the Selling DR Holders in consultation with the Company and the Joint Global Coordinators after the Offer Period has ended, taking into account the quoted DR price, prevailing market conditions, a qualitative and quantitative assessment of demand for the Offer DRs and other factors deemed appropriate.

The Offer Price and the exact number of Offer DRs offered in the Offering will be set out in the Pricing Statement that will be deposited with the AFM and published in a press release by the Company and the Selling DR Holders, which will also be posted on the Company's website. Printed copies of the Pricing Statement will be made available at the Company's registered office address. The number of Offer DRs being offered may be increased or decreased. See "*—Change of the Number of Offer DRs*" below.

A number of factors will be considered in determining the Offer Price, the number of Offer DRs sold, the proceeds of the Offering and the basis for allocation. Unless required to do so by law or regulation, the Company does not envisage publishing any supplementary prospectus or, until announcement of the Offer Price, a pricing statement.

Change of the Number of Offer DRs or Offer Price Range

The Selling DR Holders, in consultation with the Joint Global Coordinators, reserve the right to decrease the number of Offer DRs being offered prior to Allocation, and to change the Offer Price Range. Any increase the top end of the Offer Price Range on the last day of the Offer Period will result in the Offer Period being extended by at least two business days; any increase at the top end of the Offer Price Range on the day prior to the last day of the Offer Period will result in the Offer Period being extended by at least one business day. In this case, if the Offer Period for Dutch retail investors would already have closed, this Offer Period for Dutch retail investors would be reopened. Accordingly, all investors, including Dutch retail investors, will have at least two business days to reconsider their subscriptions. Any such change in the number of Offer DRs being offered and/or the Offer Price Range will be published in a press release on the Company's website.

Subscription and Allocation

Eligible Dutch retail investors who wish to subscribe for Offer DRs should submit their subscriptions through their own financial intermediary. The financial intermediary will be responsible for collecting subscriptions from eligible retail investors and for submitting their subscriptions to Kempen & Co as the retail coordinator (the "**Retail Coordinator**"). The Retail Coordinator will consolidate all subscriptions submitted by eligible Dutch retail investors to financial intermediaries and inform the Joint Global Coordinators, the Company and the Selling DR Holders. All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the purchase of Offer DRs will be determined by the financial intermediaries in accordance with their usual procedures or as otherwise notified to the retail investors. Neither the Company, the Selling DR Holders nor the Underwriters are liable for any action or failure to act by a financial intermediary in connection with any purchase, or purported purchase, of Offer DRs.

Subscriptions by eligible Dutch retail investors for the Offer DRs can only be made on a market order (*bestens*) basis. Accordingly, eligible Dutch retail investors will be bound to purchase and pay for the Offer DRs indicated in their share application, to the extent allocated to them, at the Offer Price determined in accordance with the criteria set out under "*—Offer Price and Number of Offer DRs*" above, even if the Offer Price Range has been changed. Eligible Dutch retail investors are

entitled to cancel or amend their application with the financial intermediary where their original application was submitted at any time prior to the end of the Offer Period (if applicable, as amended or extended), for any reason, including an upward amendment of the Offer Price Range. Such cancellations or amendments may be subject to the terms of the financial intermediary involved. See "*—Offer Period*" in relation to investor's rights to withdraw their acceptances if a supplement is published.

Allocation of the Offer DRs is expected to take place on the day of the closing of the Offer Period, expected on 9 June 2016, subject to acceleration or extension of the timetable for the Offering. Allocation of the Offer DRs to investors will be determined by the Selling DR Holders and the Company following recommendations from the Joint Global Coordinators.

Allocation to investors who subscribed for Offer DRs will be made on a systematic basis using both quantitative and qualitative measures. Nevertheless, full discretion will be exercised as to how to allocate the Offer DRs subscribed for and whether or not to do so. Investors may be allocated less than the Offer DRs which they subscribed for. There is no maximum or minimum number of Offer DRs for which prospective investors may subscribe and multiple (applications for) subscriptions are permitted. In the event that the Offering is over-subscribed, investors may receive fewer Offer DRs than they applied to subscribe for. The Company and the Selling DR Holders may, in consultation with the Joint Global Coordinators, at their own discretion and without stating the grounds therefor, reject any subscriptions wholly or partly.

Notwithstanding the above, it is intended that eligible employees of Van Lanschot will benefit from preferential allocation, for up to 1% of the Offer DRs, assuming no exercise of the Over-Allotment Option. In addition, the members of the Executive Board will subscribe for the Offer DRs at the Offer Price for an aggregate amount of €1,060,000, and the allocation of such Offer DRs is guaranteed. See "*—Preferential Employee Allocation and Executive Board Participation*" below. Apart from the Preferential Employee Allocation and the allocation to members of the Executive Board, the Selling DR Holders, the Company and the Joint Global Coordinators retain full flexibility in respect of allocation.

The Joint Global Coordinators will notify investors or the relevant financial intermediary of any allocation of Offer DRs to them on the date of, or immediately following the date of, Allocation.

Investors participating in the Offering will be deemed to have checked and confirmed that they meet the selling and transfer restrictions described in "*Selling and Transfer Restrictions*". Each investor should consult his/her own advisers as to the legal, tax, business, financial and related aspects of a purchase of Offer DRs.

Preferential Employee Allocation and Executive Board Participation

Eligible employees of Van Lanschot will be entitled to subscribe for Offer DRs at the Offer Price on a preferential basis under the Preferential Employee Allocation. The preferential allocation of Offer DRs to such eligible employees as part of the Preferential Employee Allocation will not exceed 1% of the Offer DRs, assuming no exercise of the Over-Allotment Option. Offer DRs that are acquired by eligible employees of Van Lanschot as part of the Preferential Employee Allocation will not be subject to any lock-up.

If the total subscriptions by eligible employees of Van Lanschot to purchase Offer DRs exceeds 1% of the Offer DRs (excluding Additional DRs), the total number of Offer DRs available for allocation to the eligible employees will be divided by the number of employees having subscribed for Offer DRs to determine an average number of Offer DRs per purchaser in the Preferential Employee Allocation. Subscriptions less than or equal to the average will be fully served. Subscriptions exceeding the average will be reduced *pro rata*, such that the total size of the Preferential Employee Allocation does not exceed 1% of the Offer DRs (excluding Additional DRs).

If the requests submitted by eligible employees of Van Lanschot to purchase Offer DRs are less than 1% of the Offer DRs, the remaining Offer DRs will revert to the Offer and will be used in the allocation process. Please see "*—Subscription and Allocation*".

In addition to the Preferential Employee Allocation, the members of the Executive Board will subscribe for the Offer DRs at the Offer Price for an aggregate amount of €1,060,000. The subscriptions of the members of the Executive Board will be allocated in full and the shares acquired by the members of the Executive Board will be subject to a lock-up of 12 months. In addition, the

purchase by members of the Executive Board of the Offer DRs is subject to the rules that the Company has adopted governing the holding and carrying out of transactions in DRs and other financial instruments of the Company by members of the Executive Board. For those members of the Executive Board that are also members of the Statutory Board, the share ownership guidelines that require members of the Statutory Board to keep the equivalent of the cash proportion of two years' gross salary in DRs while serving on the Statutory Board will also apply. A similar obligation exists for the members of the Executive Board who are not members of the Statutory Board. The Offer DRs acquired by members of the Executive Board will be subject to the notification requirements in accordance with the Dutch Financial Supervision Act (see "*Description of Share Capital and Corporate Structure—Obligations to Disclose Holdings and Transactions—Management*").

Listing and Trading

The DRs, including the Offer DRs, are currently listed and trade on Euronext Amsterdam under the symbol "LANS". The ISIN (International Security Identification Number) is NL0000302636 and the common code is 009878335. Delivery of the Offer DRs will take place on the Settlement Date, which is expected to occur on or about 13 June 2016, through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment (in euro) in immediately available funds.

The closing of the Offering may not take place on the Settlement Date or at all, if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or occur on or prior to such date. See "*Plan of Distribution*". If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer DRs will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Offer DRs on Euronext Amsterdam may be annulled. All dealings in DRs prior to Settlement are at the sole risk of the parties concerned. The Company, the Selling DR Holders, the Underwriters and Euronext Amsterdam do not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transactions on Euronext Amsterdam.

Other

Ranking and Dividends

The Offer DRs rank *pari passu* in all respects with the other outstanding DRs and will be eligible for any dividends which the Company may declare on the Ordinary Shares after the Settlement Date. See "*Description of Share Capital and Corporate Structure*" and "*Dividends and Dividend Policy*".

Retail Coordinator

Kempen & Co is the Retail Coordinator with respect to the Offer DRs on Euronext Amsterdam.

Stabilisation Agent

Goldman Sachs International is the stabilisation agent (the "**Stabilisation Agent**") with respect to the Offer DRs on Euronext Amsterdam.

Fees and Expenses of the Offering

The total costs and expenses of, and incidental to, the Offering will be paid by the Selling DR Holders. See "*Plan of Distribution*" for a description of the fees payable to the Underwriters in connection with the Offering.

No expenses or taxes will be charged by the Company, the Selling DR Holders or the Underwriters to the purchasers in the Offering.

PLAN OF DISTRIBUTION

Underwriting Agreement

The Selling DR Holders, the Company and the Underwriters (as defined below) entered into an underwriting agreement on or about 31 May 2016 with respect to the offer and sale of the Offer DRs (the "**Underwriting Agreement**").

After the entering into of the Pricing Agreement, which is a condition for the obligations of the Underwriters under the Underwriting Agreement, and on the terms and subject to the other conditions set forth in the Underwriting Agreement, the Underwriters will severally (and not jointly or jointly and severally) agree to procure purchasers for the Offer DRs or, failing which, to purchase themselves, and the Selling DR Holders will agree to sell the Offer DRs to purchasers procured by the Underwriters or, failing which, to the Underwriters themselves.

Subject to the satisfaction of conditions precedent, the proportion of total Offer DRs which each Underwriter may severally be required to purchase is indicated below.

Managers	Percentage of Offer DRs
Goldman Sachs International	31.25%
UBS Limited	31.25%
ABN AMRO Bank N.V.	17.5%
Merrill Lynch International	15%
Kempen & Co N.V.	2.5%
Kepler Cheuvreux S.A.	2.5%
Total	100%

In the Underwriting Agreement, the Selling DR Holders and the Company have made certain representations and warranties and given certain undertakings. In addition, the Selling DR Holders and the Company have agreed to indemnify the Underwriters against certain liabilities in connection with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are subject to the fulfilment, or discretionary waiver by the Underwriters of a number of conditions for the benefit of the Underwriters, including but not limited to (i) the absence of any material adverse change in Van Lanschot's business, (ii) receipt of opinions from legal counsels to the Company, the Selling DR Holders and the Underwriters, (iii) the execution of documents relating to the Offering and such documents and the AFM's approval of this Prospectus being in full force and effect, (iv) the entering into of the Pricing Agreement, and thereby the determination of the Offer Price and the exact number of Offer Shares (i.e. underwriting of settlement risk only), and (vi) certain other customary closing conditions. The Underwriters have the right to waive the satisfaction of any such conditions or part thereof.

Upon the occurrence of certain events, such as any of the conditions precedent not being satisfied or waived, a breach of representation, warranty or undertaking or otherwise of the Underwriting Agreement or a statement in this Prospectus, the Pricing Statement or any amendment or supplement to this Prospectus being untrue, inaccurate or misleading, the Underwriters have the right to terminate the Underwriting Agreement.

If the Underwriters elect to terminate their several commitments under the Underwriting Agreement, the Offering may be cancelled and, if it is cancelled, no Offer DRs will be delivered. All dealings in the Offer DRs prior to delivery and settlement will be at the sole risk of the parties concerned.

In consideration of the agreement by the Underwriters to procure investors for or, failing which, to purchase themselves, the Offer DRs at the Offer Price and subject to the Offer DRs being sold as provided for in the Underwriting Agreement, the Selling DR Holders will agree to pay the Underwriters an aggregate commission of 2% of the gross proceeds of the Offering (including, if applicable, any gross proceeds relating to the Over-allotment Option). This does not include an incentive commission of up to 0.75% of the gross proceeds of the Offering (including, if applicable, any gross proceeds relating to the Over-allotment Option), which may be paid to the Underwriters at the discretion of the Selling DR Holders. The Selling DR Holders have also agreed to reimburse the

Underwriters and the Company for certain expenses incurred by them in connection with the Offering.

The Offering consists of: (i) a public offering to certain institutional and retail investors in the Netherlands; and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer DRs are being offered and sold: (i) within the United States to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws; and (ii) outside the United States in accordance with Regulation S. The Offer DRs have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the Offer DRs are registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. Prospective purchasers are hereby notified that the Company and the Selling DR Holders are relying on an exemption from the registration requirements of Section 5 of the US Securities Act, which may include Rule 144A or Regulation S thereunder.

Any offer or sale of Offer DRs in the United States in reliance on Rule 144A under the US Securities Act, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, will be made by broker-dealers who are registered as such under the US Exchange Act. ABN AMRO Bank N.V. is not a registered broker-dealer in the United States, and therefore, to the extent that they intend to effect any offers or sales of Offer DRs in the United States, they will do so through their affiliate ABN AMRO Securities (USA) L.L.C., a US registered broker-dealer, pursuant to applicable US securities laws.

Potential Conflicts of Interest

The Underwriters are acting exclusively for the Company and the Selling DR Holders (in their selling capacity) and for no one else and will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than to the Company and the Selling DR Holders for giving advice in relation to the Offering.

Certain of the Underwriters and/or their respective affiliates have in the past engaged, and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or the Selling DR Holders or any parties related to any of them, in respect of which they have and may in the future, receive customary fees and commissions.

Additionally, the Underwriters and/or their respective affiliates may have held and in the future may hold, in the ordinary course of their business, the Company's securities for investment purposes. As a result, these parties may have interests that may not be aligned, or could possibly conflict with the interests of investors. In respect hereof, the sharing of information is generally restricted for reasons of confidentiality, by internal procedures and by rules and regulations.

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Offer DRs in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer DRs or related investments and may offer or sell such Offer DRs or other investments otherwise than in connection with the Offering.

Accordingly, references in this Prospectus to Offer DRs being offered or placed should be read as including any offering or placement of Offer DRs to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Offer DRs. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than pursuant to any legal or regulatory obligation to do so.

As a result of acting in the capacities described above, the Underwriters may have interests that may not be aligned, or could potentially conflict, with the interests of (potential) holders of the Offer DRs, or with Van Lanschot's interests. Kempen & Co is an Underwriter and also a subsidiary of the Company.

Lock-up Arrangements

The Joint Global Coordinators (acting on behalf of the Underwriters) may, in their sole discretion and at any time, waive the restrictions, including those on sales, issues or transfers of DRs, described below. If the consent of the Joint Global Coordinators (acting on behalf of the Underwriters) in respect of lock-up arrangements is requested as described below, full discretion can be exercised by the Joint Global Coordinators as to whether or not such consent will be granted.

Company Lock-Up

In connection with the Offering, the Company has agreed that, for a period of 90 days from the Settlement Date, it will not, except as set forth below, without the prior consent of the Joint Global Coordinators (acting on behalf of the Underwriters), which prior consent shall not be unreasonably withheld, (A) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of directly or indirectly, any DRs or Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, DRs or Ordinary Shares or other shares of the Company or file any registration statement under the US Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any DR, Ordinary Shares or other shares of the Company, whether any such transaction is to be settled by delivery of DRs, Ordinary Shares, in cash or otherwise; (C) publicly announce such an intention to effect any such transaction; or (D) submit to its shareholders, holders of DRs or any other body of the Company a proposal to effect any of the foregoing.

The foregoing shall not apply to: (i) the granting of awards in options or DRs by the Company or the issuance of Ordinary Shares or DRs pursuant to employee incentive schemes disclosed in this Prospectus; (ii) in respect of executions of collateral made in the ordinary course of business in respect of client positions should such positions include DRs; or (iii) if the Company is required by the DNB or another regulatory authority to recapitalise on the basis of Directive 2013/36/EU, Regulation (EU) No 575/2013, Directive 2014/59/EU, or Regulation (EU) 806/2014, if applicable as implemented in Dutch law, or is required to take necessary measures to address breaches of requirements of Directive 2013/36/EU or Regulation (EU) No 575/2013 or to address evidence that the Company is likely to breach any requirements of Directive 2013/36/EU or Regulation (EU) No 575/2013.

Selling DR Holders lock-up

In connection with the Offering, each of the Selling DR Holders have agreed that, for a period of 90 days from the Settlement Date, it will not, except as set forth below, without the prior consent of the Joint Global Coordinators (acting on behalf of the Underwriters), which prior consent shall not be unreasonably withheld, (A) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any DRs, Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for DRs, Shares or other shares of the Company or request or demand that the Company file any registration statement under the US Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any DRs, Shares or other shares of the Company, whether any such transaction is to be settled by delivery of DRs, Shares or such other securities, in cash or otherwise; (C) publicly announce such an intention to effect any such transaction; or (D) submit to the Company's shareholders, holders of DRs or any other body of the Company a proposal to effect any of the foregoing.

The foregoing shall not apply to: (i) the sale of the Offer DRs as set out in the Pricing Statement and the Additional DRs in the Offering; (ii) the lending of DRs to the Joint Global Coordinators (acting on behalf of the Underwriters) pursuant to the Share Lending Agreement; (iii) any transfer of DRs to any legal successors following a merger, liquidation, demerger or similar

transaction, provided that such transferee shall continue to be bound by the foregoing restrictions for the remained of the lock-up period; (iv) any transfer of DRs following the acceptance of a public takeover bid in respect of the DRs; or (v) any transfer of DRs by each of the Selling DR Holders to their direct and indirect shareholders or subsidiaries, provided that each such transferee shall continue to be bound by the foregoing restrictions for the remainder of the lock-up period.

Over-Allotment and Stabilisation

In connection with the Offering, Goldman Sachs International as Stabilisation Agent, or any of its agents, on behalf of the Underwriters, may (but will be under no obligation to), to the extent permitted by applicable law, over allot Offer DRs or effect other transactions with a view to supporting the market price of the Offer DRs at a higher level than that which might otherwise prevail in the open market. The Stabilisation Agent will not be required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange (including Euronext Amsterdam) or otherwise and may be undertaken at any time during the period commencing on the Settlement Date and ending no later than 30 calendar days after the date of the Pricing Statement. The Stabilisation Agent or any of its agents will not be obligated to effect stabilising transactions, and there will be no assurance that stabilising transactions will be undertaken. Such stabilising transactions, if commenced, may be discontinued at any time without prior notice. Save as required by law or regulation, neither the Stabilisation Agent nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions under the Offering. The Underwriting Agreement provides that the Stabilisation Agent may, for purposes of the stabilising transactions, over allot Offer DRs up to a maximum of 10% of the total number of Offer DRs sold in the Offering.

In connection with the Over-Allotment Option, up to a maximum of 10% of the total number of Offer DRs will be made available by the Selling DR Holders to the Stabilisation Agent for the account of the Underwriters, through a securities loan entered into on or around the date of the Underwriting Agreement (the "**Share Lending Agreement**").

None of the Company, the Selling DR Holders or any of the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the DRs or any other securities of the Company. In addition, none of the Company, the Selling DR Holders or any of the Underwriters makes any representation that the Stabilisation Agent will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

No action has been taken or will be taken in any jurisdiction outside of the Netherlands by the Company, the Selling DR Holders or the Underwriters that would permit a public offering of the Offer DRs, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Offer DRs, in any country or jurisdiction other than the Netherlands where action for that purpose is required.

Accordingly, no Offer DRs may be offered or sold either directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offer DRs may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

If an investor receives a copy of this Prospectus, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Offer DRs, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Offer DRs could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other offering materials or advertisements, the investor should not distribute the same in or into, or send the same to any person in, any jurisdiction where to do so would or might contravene local securities laws or regulations.

If an investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this section.

Subject to the specific restrictions described below, investors (including, without limitation, any investor's nominees and trustees) wishing to accept, sell or purchase Offer DRs must satisfy themselves as to the full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Investors that are in any doubt as to whether they are eligible to purchase Offer DRs should consult their professional adviser without delay.

European Economic Area

In relation to each state other than the Netherlands which is a party to the agreement relating to the EEA which has implemented the Prospectus Directive (in this paragraph, each, a "**Relevant Member State**"), no Offer DRs have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State, except that an offer to the public in that Relevant Member State of Offer DRs may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State, subject to obtaining the prior consent of the Joint Global Coordinators; or
- in any other circumstances falling under the scope of Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer DRs shall result in a requirement for the Company or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purpose of this provision, the expression an 'offer to the public' in relation to any Offer DRs in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Offer DRs to be offered, so as to enable an investor to decide to acquire any Offer DRs, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State.

Each person in a Relevant Member State other than the Netherlands who receives any communication in respect of, or who acquires any Offer DRs under, the offers contemplated hereby

will be deemed to have represented, warranted and agreed to and with each of the Underwriters, the Selling DR Holders and the Company that:

(i) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(ii) in the case of any Offer DRs acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive: (A) the Offer DRs acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (B) where Offer DRs have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer DRs to it is not treated under the Prospectus Directive as having been made to such persons.

The Company, the Selling DR Holders, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Global Coordinators of such fact in writing may, with the prior consent of the Joint Global Coordinators, be permitted to acquire Offer DRs in the Offering.

United Kingdom

Offers of Offer DRs pursuant to the Offering are only being made to persons in the United Kingdom who are 'qualified investors' within the meaning of section 86 of the FSMA or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the FSMA.

This Prospectus is only being distributed to, and is only directed at, and any investment or investment activity to which the Prospectus relates is available only to, and will be engaged in only with (i) persons falling within the definition of 'investment professionals' in Article 19(5); or (ii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2)(a) to (d), of the Order or other persons to whom such investment or investment activity may lawfully be made available; Relevant Persons. Persons who are not Relevant Persons should not take any action on the basis of the Prospectus and should not act or rely on it.

Each of the Underwriters has (i) complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer DRs in, from or otherwise involving the United Kingdom; and (ii) agreed that it has communicated or caused to be communicated and will communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Offer DRs only in circumstances in which section 21(1) of the FSMA does not apply to the Company.

United States

The Offer DRs have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the Offer DRs are registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. The Offer DRs are being offered and sold in the United States only to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and outside the United States in reliance on Regulation S. There will be no public offer of the Offer DRs in the United States. Prospective purchasers are hereby notified that the Company and the Selling DR Holders may rely on an exemption from the registration requirements of Section 5 of the US Securities Act, which may include Rule 144A or Regulation S thereunder.

In addition, until the end of the 40th calendar day after commencement of the Offering, an offer or sale of the Offer DRs within the United States by a dealer (whether or not participating in

the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act.

The Underwriting Agreement provides that the Underwriters may directly or through their respective United States broker-dealer affiliates arrange for the offer and sale of the Offer DRs within the United States only to qualified institutional buyers pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

Each purchaser of Offer DRs within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

(i) it is (A) a QIB, (B) acquiring the Offer DRs for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth in this paragraph, (C) acquiring the Offer DRs for investment purposes, and not with a view to further distribution of such Offer DRs and (D) aware, and each beneficial owner of the Offer DRs has been advised, that the sale of the Offer DRs to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;

(ii) it understands and agrees that the Offer DRs have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state, territory or other jurisdiction of the United States and may not be offered, resold, pledged or otherwise transferred, except (A)(1) to a person whom the investor and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, (2) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (3) pursuant to an exemption from the registration requirements of the US Securities Act provided by Rule 144 thereunder (if available) or (4) pursuant to an effective registration statement under the US Securities Act and (B) in accordance with all applicable securities laws of any state, territory or other jurisdiction of the United States;

(iii) it acknowledges that the Offer DRs (whether in physical, certificated or un-certificated form held in CREST) are 'restricted securities' within the meaning of Rule 144(a)(3) under the US Securities Act, that the Offer DRs are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the US Securities Act, and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Offer DRs;

(iv) it understands that in the event Offer DRs are held in certificated form, such certificated Offer DRs will bear a legend substantially to the following effect:

"THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER; (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE); OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE

EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THIS SECURITY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THIS SECURITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH INVESTOR IN THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY RELY ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER AND EACH INVESTOR WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY INVESTOR IN THIS SECURITY OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. EACH HOLDER, BY ITS ACCEPTANCE OF THIS SECURITY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS";

(v) notwithstanding anything to the contrary in the foregoing, it understands that Offer DRs may not be deposited into an unrestricted depository receipt facility in respect of Offer DRs established or maintained by a depository bank unless and until such time as such Offer DRs are no longer 'restricted securities' within the meaning of Rule 144(a)(3) under the US Securities Act;

(vi) it acknowledges that any offer, resale, pledge or other transfer of the Offer DRs made other than in compliance with the above stated restrictions shall not be recognised by the Company;

(vii) it agrees that it will give to each person to whom it offers, resells, pledges or otherwise transfers Offer DRs notice of any restrictions on transfer of such Offer DRs; and

(viii) it acknowledges that the Company, the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of Offer DRs are no longer accurate, it will promptly notify the Company, and if it acquires any Offer DRs as a fiduciary or agent for one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such QIBs as well).

Each purchaser of Offer DRs outside the United States will, by accepting delivery of this Prospectus, be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

(i) it is authorised to consummate the purchase of the Offer DRs in compliance with all applicable laws and regulations;

(ii) it acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Offer DRs have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;

(iii) it and the person, if any, for whose account or benefit the purchaser is acquiring the Offer DRs is purchasing the Offer DRs in an offshore transaction meeting the requirements of Regulation S; and

(iv) the Company, the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and the purchaser agrees that, if any such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of Offer DRs are no longer accurate, it will promptly notify the Company, and if it acquires any Offer DRs as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements,

representations and agreements on behalf of each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such accounts as well).

Canada

The Offer DRs may not, directly or indirectly, be offered, sold or distributed within Canada, or to, or for the benefit or account of, any resident of Canada, except in compliance with all applicable securities laws, regulations or rules of the provinces and territories of Canada and with the prior approval of the Joint Global Coordinators. This Prospectus, or any other material relating to the Offer DRs, may not be distributed or delivered in Canada, except in compliance with all applicable securities laws, regulations or rules of the provinces and territories of Canada.

Any offer and sale of the Offer DRs in Canada will only be made in the Provinces of Alberta, British Columbia, Ontario and Québec or to residents thereof and not in, or to the residents of, any other Province or Territory of Canada. Such offers and sales will be made only pursuant to this Prospectus.

Japan

The Offer DRs offered by this Prospectus have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "**Financial Instruments and Exchange Law**"). Accordingly, the Offer DRs may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (including Japanese corporations), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (including Japanese corporations) except with the prior approval of the banks and pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and relevant regulations of Japan.

Australia

This Prospectus (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia ("**Corporations Act**"); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 6.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission ("**ASIC**"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors ("**Exempt Investors**") who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act; and (ii) are 'wholesale clients' for the purpose of section 761G of the Corporations Act.

The Offer DRs may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Offer DRs may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offer DRs may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer DRs, each purchaser or subscriber of Offer DRs represents and warrants to the Company, the Underwriters and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Offer DRs under this document, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Offer DRs for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Offer DRs each purchaser or subscriber of Offer DRs undertakes to the Company, the Selling DR Holders, the Underwriters and their affiliates that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Offer DRs, offer, transfer, assign or otherwise alienate those Offer DRs to

investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Switzerland

The Offer DRs may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (the "**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for the issuance of prospectuses under Article 652a or Article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under Article 27ff of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offer DRs or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, the Company or the Offer DRs has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Offer DRs will not be supervised by, the Swiss Financial Market Supervisory Authority ("**FINMA**"), and the offer of Offer DRs has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes (the "**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Offer DRs.

Singapore

This Prospectus or any other material relating to the Offer DRs has not been and will not be registered as a prospectus with the monetary authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Offer DRs may not be circulated or distributed, nor may any Offer DRs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

(a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289, of Singapore (the "**Securities and Futures Act**");

(b) to a relevant person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act; or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where Offer DRs are subscribed for or purchased under Section 275 by a relevant person that is:

(a) a corporation (which is not an accredited investor) (as defined in Section 4A of the Securities and Futures Act) whose sole business is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor.

Offer DRs (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer DRs pursuant to an offer made under Section 275 except to an institutional investor or to a relevant person as defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act:

(a) where no consideration is or will be given for the transfer;

(b) where the transfer is by operation of law; or

(c) as specified in Section 276(7) of the Securities and Futures Act.

Hong Kong

No Offer DRs have been offered or sold or will be offered or sold in Hong Kong, by means of any document, other than (a) to 'professional investors' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**Securities and Futures Ordinance**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a 'prospectus' as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No advertisement, invitation or document relating to the Offer DRs has been issued or has been in the possession of any person for the purposes of issue, nor will any such advertisement, invitation or document be issued or be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer DRs which are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' as defined in the Securities and Futures Ordinance and any rules made under the Securities and Futures Ordinance.

TAXATION

Taxation in the Netherlands

This section is intended as general information only and it does not present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a (prospective) DR Holder. For Dutch tax purposes, a DR Holder may include an individual who, or an entity, that does not have the legal title of the DRs, but to whom the DRs are nevertheless attributed, based either on such individual or entity owning a beneficial interest in the DRs or based on specific statutory provisions. These include statutory provisions pursuant to which DRs are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the DRs.

Prospective holders of DRs should consult their own tax adviser regarding the tax consequences of any acquisition, holding or disposal of DRs.

This paragraph is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, "**Dutch Taxes**" shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities. The Netherlands means the part of the Kingdom of the Netherlands located in Europe.

Any reference hereafter made to a treaty for the avoidance of double taxation concluded by the Netherlands includes the Tax Regulation for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), the Tax Regulation for the country of the Netherlands (*Belastingregeling voor het land Nederland*) and the agreement between the Taipei Representative Office in the Netherlands and the Netherlands Trade and Investment Office in Taipei for the avoidance of double taxation.

This section does not describe the possible Dutch tax considerations or consequences that may be relevant to a DR Holder:

(i) who is an individual and for whom the income or capital gains derived from the DRs are attributable to employment activities, the income from which is taxable in the Netherlands;

(ii) who has, or that has a (fictitious) substantial interest in the Company within the meaning of Section 4 of the Dutch Income Tax Act 2001 (*Wet op de inkomstenbelasting 2001*) ("**DITA**"). Generally speaking, a substantial interest in the Company arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Company or of 5% or more of the issued capital of a certain class of shares of the Company, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Company;

(iii) that is an entity which is not subject to Dutch corporate income tax or is in full or in part exempt from Dutch corporate income tax (such as pension funds);

(iv) that is an investment institution (*beleggingsinstelling*) as described in article 6a and 28 of the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*, "**CITA**") respectively;

(v) that is entitled to the participation exemption (*deelnemingsvrijstelling*) or would qualify for the participation exemption had the DR Holder been resident in the Netherlands or that is entitled to participation credit (*deelnemingsverrekening*) with respect to the DRs (as defined in articles 13 CITA and 13aa CITA respectively). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption or participation credit if it represents an interest of 5% or more of the nominal paid-up share capital;

(vi) who is an individual to whom the DRs and the income from the DRs are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the DITA or the Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*); or

(vii) that is not considered the beneficial owner (*uiteindelijk gerechtigde*) of these DRs or the benefits derived from or realised in respect of these DRs.

Withholding Tax

A DR Holder is generally subject to Dutch dividend withholding tax at a rate of 15% on dividends distributed by the Company. Generally, the Company is responsible for the withholding of such dividend withholding tax at source; the dividend withholding tax is for the account of the DR Holder.

Dividends distributed by the Company include, but are not limited to:

(i) distributions of profits in cash or in kind, whatever they be named or in whatever form;

(ii) proceeds from the liquidation of the Company, or proceeds from the repurchase of Shares by the Company, in excess of the average paid-in capital recognised for Dutch dividend withholding tax purposes;

(iii) the par value of Shares issued to a Shareholder or an increase in the par value of Shares, if and to the extent that no related contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and

(iv) partial repayment of paid-in capital, that is not recognised for Dutch dividend withholding tax purposes, or recognised for Dutch dividend withholding tax purposes, to the extent that the Company has "net profits" (*zuivere winst*), unless:

   (a) the General Meeting has resolved in advance to make such repayment, and

   (b) the par value of the Shares concerned has been reduced with an equal amount by way of an amendment to the articles of association of the Company and the paid-in capital is recognised as capital for Netherlands dividend withholding tax purposes.

The term "net profits" includes anticipated profits that have yet to be realised.

Subject to certain exceptions under Dutch domestic law, the Company may not be required to transfer to the Dutch tax authorities the full amount of Dutch dividend withholding tax withheld in respect of dividends distributed by the Company, if the Company has received a profit distribution from a qualifying foreign subsidiary (as described in article 11 of the Dutch Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965* ("**DWTA**")), which distribution (i) is exempt from Dutch corporate income tax, and (ii) has been subject to a foreign withholding tax of at least 5%. The amount that does not have to be transferred to the Dutch tax authorities can generally not exceed the lesser of (a) 3% of the dividends distributed by the Company on which Dutch dividend withholding tax has been withheld and (b) 3% of the profit distributions the Company received from qualifying foreign subsidiaries in the calendar year in which the Company distributes the dividends (up to the moment of such dividend distribution) and in the two previous calendar years; further limitations and conditions apply. The Company will, upon request, provide DR Holders with information regarding the Dutch dividend withholding tax that was not transferred to the Dutch tax authorities by the Company.

If a DR Holder is a resident or deemed to be a resident in of Netherlands, such DR Holder is generally entitled to an exemption or a full credit for any Dutch dividend withholding tax against his Dutch (corporate) income tax liability and to a refund of any residual Dutch dividend withholding tax.

If a DR Holder is a resident of a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and such DR Holder is a resident for the purposes of such treaty, such DR Holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund in whole or in part of the Dutch dividend withholding tax.

A refund of the Dutch dividend withholding tax is available to entities resident in an EU member state, Iceland, Norway, or Liechtenstein provided that:

(i) these entities are not subject to corporate income tax there; and

(ii) these entities are not subject to Dutch corporate income tax, if these entities are tax resident in the Netherlands for corporate income tax purposes; and

(iii) these entities are not comparable to investment institutions (*fiscale beleggingsinstellingen*) or exempt investment institutions (*vrijgestelde beleggingsinstellingen*).

Furthermore, a similar refund of Dutch dividend withholding tax may be available to entities resident in other countries, under the additional condition that (i) the Shares are considered portfolio investments, and (ii) the Netherlands can exchange information with that country in line with the international standards for the exchange of information.

In addition, if a DR Holder:

(i) is an entity resident for Dutch tax purposes in an EU Member State, Iceland, Liechtenstein or Norway, or is a Qualifying Holder (as defined below) resident elsewhere;

(ii) is not subject to a profit tax levied by that state; and, where the holder is not resident in the Netherlands; and

(iii) was not subject to Dutch corporate income tax had the holder been resident in the Netherlands for Dutch tax purposes,

provided a valid request has been filed with the Dutch tax authorities, such DR Holder will generally be eligible for a full refund of Dutch dividend withholding tax on dividends distributed by the Company, unless such holder carries out duties or activities comparable to an investment institution as described in article 6a and 28 CITA respectively.

For purposes of the above, a "**Qualifying Holder**" is an entity that (i) is resident for Dutch tax purposes in a jurisdiction which has an arrangement for the exchange of tax information with the Netherlands, and (ii) holds its DRs as a portfolio investment, i.e. such DRs are not held with a view to establishing or maintaining lasting and direct economic links between the DR Holder and the Company, and the DRs do not allow the holder to participate effectively in the management or control of the Company.

A DR Holder who is considered to be resident in the United States (a "**US DR Holder**") and is entitled to the benefits of the 1992 Double Taxation Treaty between the United States and the Netherlands, as amended most recently by the Protocol signed 8 March 2004 (the "**Treaty**"), will be entitled to an exemption from or a reduction of Dutch dividend withholding tax as follows:

(i) if the US DR Holder is an exempt pension trust as described in article 35 of the Treaty or an exempt organisation as described in article 36 of the Treaty, the US DR Holder will be exempt from Dutch dividend withholding tax;

(ii) if the US DR Holder is a company that holds directly at least 80% of the voting power in the Company and certain other conditions are met, the US DR Holder will also be exempt from Dutch dividend withholding tax; and

(iii) if the US DR Holder is a company which holds directly at least 10% but less than 80% of the voting power in the Company, the US DR Holder will be subject to Dutch withholding tax at a rate not exceeding 5%.

According to Dutch domestic anti-dividend stripping rules, no credit against Dutch (corporate) income tax, exemption from, reduction of or refund of, Dutch dividend withholding tax will be granted if the recipient of the dividends paid by the Company is not considered to be the beneficial owner (*uiteindelijk gerechtigde*) of such dividends as meant in these rules.

The DWTA provides for a non-exhaustive negative description of a beneficial owner. According to the DWTA, a Shareholder will, among other things, not be considered the beneficial owner of the dividends for this purpose if:

(i) as a consequence of a combination of transactions, a person other than the Shareholder wholly or partly directly or indirectly benefits from the dividends;

(ii) whereby such other person retains or acquires, directly or indirectly, an interest similar to that in the Shares on which the dividends were paid; and

(iii) that other person is entitled to a credit, reduction or refund of dividend withholding tax that is less than that of the Shareholder.

Taxes on Income and Capital Gains

Residents in the Netherlands

The description of certain Dutch tax consequences in this paragraph is only intended for the following holders of DRs:

(i) individuals who are resident or deemed to be resident in the Netherlands for Dutch income tax purposes ("**Dutch Individuals**"); and

(ii) entities that are subject to the CITA and are resident or deemed to be resident in the Netherlands for corporate income tax purposes ("**Dutch Corporate Entities**").

Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities

Dutch Individuals are generally subject to income tax at statutory progressive rates with a maximum of 52% (2016) with respect to any benefits derived or deemed to be derived from Dutch Enterprise DRs (as defined below), including any capital gains realised on the disposal thereof.

"**Dutch Enterprise DRs**" are DRs, or rights to derive benefits from DRs:

(i) that are either attributable to an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder/holder of depositary receipts); or

(ii) the benefits of which are attributable to miscellaneous activities (*resultaat uit overige werkzaamheden*), including, without limitation, activities which are beyond the scope of active portfolio investment activities.

Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities

Generally, a Dutch Individual who owns DRs, excluding Dutch Enterprise DRs, will be subject annually to an income tax imposed on a fictitious yield on such DRs. The DRs held by such Dutch Individual will be taxed under the regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realised, the annual taxable benefit of all the assets and liabilities of a Dutch Individual that are taxed under this regime, including the DRs, is set at a fixed amount. With regard to 2016 the fixed amount equals 4% of the fair market value of the assets (including, as the case may be, the DRs) reduced by the liabilities and measured, in general, exclusively on 1 January of every calendar year. The tax rate under the regime for savings and investments is a flat rate of 30% (2016). Taxation only occurs if and to the extent that the fair market value of the assets, including the DRs, reduced by the liabilities exceeds a certain threshold (*heffingvrij vermogen*).

Dutch Corporate Entities

Dutch Corporate Entities are generally subject to corporate income tax at statutory rates up to 25% (2016) with respect to any benefits derived or deemed to be derived (including any capital gains realised on the disposal thereof) of the DRs. A reduced rate of 20% (2016) applies to the first €200,000 of taxable profits.

Non-residents in the Netherlands

A DR Holder other than a Dutch Individual or a Dutch Corporate Entity will not be subject to any Dutch Taxes on income or capital gains in respect of the purchase, ownership and disposal or transfer of the DRs, other than withholding tax as described above, except if:

(i) the DR Holder, whether an individual or not, derives profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder/holder of depositary receipts, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which the DRs are attributable;

(ii) the DR Holder is an individual and derives benefits from miscellaneous activities carried out in the Netherlands (*resultaat uit overige werkzaamheden in Nederland*) in respect of the DRs, including (without limitation) activities which are beyond the scope of active portfolio investment activities;

(iii) the DR Holder is not an individual and is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of enterprise, other than by way of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the DRs are attributable; or

(iv) the DR Holder is an individual and is entitled to a share in the profits of an enterprise, other than by way of securities, or through an employment relationship, which enterprise is effectively managed in the Netherlands and to which enterprise the DRs are attributable.

Gift Tax or Inheritance Tax

No Dutch gift tax or inheritance tax is due in respect of any gift of the DRs by, or inheritance of the DRs on the death of, a DR Holder, except if:

(i) at the time of the gift or death of the DR Holder, the holder is resident, or is deemed to be resident, in the Netherlands;

(ii) the DR Holder passes away within 180 days after the date of the gift of the DRs and is not, or not deemed to be, at the time of the gift, but is, or deemed to be, at the time of his death, resident in the Netherlands; or

(iii) the gift of the DRs is made under a condition precedent and the DR Holder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

Other Taxes and Duties

No other Dutch Taxes, including value added taxes and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a DR Holder by reason only of the purchase, ownership and disposal of the DRs.

Residency

A DR Holder will not become resident, or be deemed to be resident, in the Netherlands for tax purposes by reason only of holding the DRs.

United States Federal Income Taxation

The following is a summary of certain US federal income tax consequences of acquiring, owning and disposing of Offer DRs. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular person's decision to acquire the Offer DRs. This discussion applies only to a holder that acquires the Offer DRs in the Offering and holds the Offer DRs as capital assets for US federal income tax purposes (generally, property held for investment), and does not address state, local, non-US or other tax laws. In addition, it does not describe all of the tax consequences that may be relevant in light of a holder's particular circumstances, including alternative minimum tax considerations, net investment income tax considerations and tax consequences applicable to US Holders subject to special rules, such as:

(i) certain financial institutions;

(ii) dealers or traders in securities that use a mark-to-market method of tax accounting;

(iii) persons holding Offer DRs as part of a "straddle", hedging transaction, conversion transaction, integrated transaction or persons entering into a constructive sale with respect to the Offer DRs;

(iv) US Holders (as defined below) whose functional currency for US federal income tax purposes is not the US dollar;

(v) entities classified as partnerships for US federal income tax purposes;

(vi) tax-exempt entities, "individual retirement accounts", "Roth IRAs" or other tax-deferred accounts;

(vii) persons that own or are deemed to own 10% or more of the Company's voting stock;

(viii) insurance companies;

(ix) real estate investment trusts or regulated investment companies; or

(x) US expatriates and certain former long-term residents of the United States.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the **US Code**), administrative pronouncements, judicial decisions, final and proposed US Treasury regulations and the income tax treaty between the United States and the Netherlands (the **Treaty**), all as of the date hereof and changes to any of which subsequent to the date of this Offering may affect the tax consequences described herein, possibly with retroactive effect.

For purposes of this discussion, a "**US Holder**" is a person who, for US federal income tax purposes, is a beneficial owner of Offer DRs and is:

(i) a citizen or individual resident of the United States;

(ii) a corporation created or organised in or under the laws of the United States, any state therein or the District of Columbia;

(iii) an estate or trust the income of which is subject to US federal income taxation regardless of its source.

A "**Non-US Holder**" means a beneficial owner of the Shares that is neither a US Holder nor a partnership for US federal income tax purposes.

If an entity (or arrangement) that is classified as a partnership for US federal income tax purposes owns Offer DRs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning Offer DRs and partners in such partnerships should consult their tax advisers as to the particular US federal income tax consequences of acquiring, owning and disposing of the Offer DRs.

Except as described below, this discussion assumes that the Company is not a passive foreign investment company ("**PFIC**") for US federal income tax purposes. See "*Passive Foreign Investment Company Rules*" below.

Treatment of Offer DRs

For US federal income tax purposes, holders of depositary receipts generally should be treated as owners of the shares represented by the depositary receipts. Accordingly, no gain or loss generally will be recognised if a US Holder of Offer DRs exchanges the Offer DRs for the underlying Shares represented by the Offer DRs. However, the U.S. Treasury has expressed concern that US Holders of depositary receipts (such as the Offer DRs) may be claiming foreign tax credits in situations where an intermediary in the chain of ownership between such holders and the issuer of the security underlying the depositary receipts, or a party to whom depositary receipts or deposited shares are delivered by the depositary prior to the receipt by the depositary of the corresponding securities, has taken actions inconsistent with the ownership of the underlying security by the person claiming the credit, such as a disposition of such security. Such actions may also be inconsistent with the claiming of the reduced tax rates that may be applicable to certain dividends received by certain non-corporate holders, as described below. Accordingly, (i) the creditability of any Dutch taxes and (ii) the availability of the reduced tax rates for any dividends received by certain non-corporate US Holders could be affected by actions taken by such parties or intermediaries. The balance of this disclosure assumes that an owner of Offer DRs will be treated as an owner of Shares for US federal income tax purposes. US Holders should consult their tax advisers concerning the US federal, state, local and foreign tax consequences of acquiring, owning and disposing of the Offer DRs in their particular circumstances.

Taxation of Distribution

Subject to the passive foreign investment company ("**PFIC**") rules discussed below, a distribution paid by the Company on the Offer DRs (including the amount of any Dutch taxes withheld) generally will be treated as a dividend to the extent paid out of the Company's current or accumulated earnings and profits as determined under US federal income tax principles. The Company does not expect to maintain calculations of earnings and profits under US federal income

tax principles. Accordingly, it is expected that distributions generally will be reported to US Holders as dividends.

Dividends generally will be treated as foreign-source dividend income for foreign tax credit purposes and will not be eligible for the dividends-received deduction generally available to US corporations under the US Code. Subject to applicable limitations, dividends paid to certain non-corporate US Holders of Offer DRs may be taxable at the favourable tax rates applicable to "qualified dividend income" if (i) the Company qualifies for the benefits of the Treaty, (ii) the Company is not a PFIC in the year of distribution or the preceding year and (iii) the holder has held the Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. The Company expects to be eligible for the benefits of the Treaty, but no assurance can be given that the Company will be eligible for benefits of the Treaty. As discussed below under "*Passive Foreign Investment Company Rules*", the Company does not believe that it was a PFIC in the preceding taxable year and does not expect to be a PFIC for the current year or for any future taxable years. Non-corporate US Holders should consult their tax advisers regarding the availability of these favourable rates on dividends in their particular circumstances. Dividends will generally be included in a US Holder's income on the date of receipt by the Foundation.

Generally, the amount of any dividend paid in euro will be the US dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into US dollars. If the dividend is converted into US dollars on the date of receipt, a US Holder should not be required to recognise foreign currency gain or loss in respect of the amount received. US Holders may have foreign currency gain or loss if the dividend is converted into US dollars after the date of receipt, and any such gain or loss will be US-source ordinary income or loss.

Subject to applicable limitations, some of which vary depending upon each US Holder's circumstances, Dutch income taxes withheld from dividends paid to US Holders on Offer DRs at a rate not exceeding any applicable Treaty rate will be creditable against a US Holder's US federal income tax liability. As described in "*—Taxation in the Netherlands—Withholding Tax*", upon making a distribution to shareholders, the Company may be permitted to retain a portion of the amounts withheld as Dutch dividend withholding tax. The amount of Dutch withholding tax that the Company retains reduces the amount of dividend withholding tax that the Company is required to pay to the Dutch tax authorities, but does not reduce the amount of tax the Company is required to withhold from dividends paid to US Holders. In these circumstances, it is likely that the portion of dividend withholding tax that the Company retains with respect to dividends distributed to US Holders would not qualify as a creditable tax for US foreign tax credit purposes. The Company will provide to a U.S. Holder upon request the amount of any Dutch withholding tax that the Company retains and does not pay to the Dutch tax authorities. The rules governing foreign tax credits are complex, and US Holders should consult their tax advisers regarding the creditability of Dutch taxes in their particular circumstances. Subject to applicable limitations, in lieu of claiming a foreign tax credit, a US Holder may elect to deduct foreign taxes, including any Dutch taxes, in computing its taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the relevant taxable year.

Sale or Other Taxable Disposition of Offer DRs

For US federal income tax purposes, gain or loss realised on the sale or other taxable disposition of the Offer DRs generally will be capital gain or loss, and will be long-term capital gain or loss if the US Holder held the Offer DRs for more than one year. The amount of the gain or loss will equal the difference between the US Holder's tax basis in the Offer DRs disposed of and the amount realised on the disposition, in each case as determined in US dollars. This gain or loss will generally be US-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

A US Holder's tax basis in an Offer DR generally will be its US dollar cost. The US dollar cost of an Offer DR purchased with currency other than the US dollar (foreign currency) will generally be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Offer DRs traded on an "established securities market" within the meaning of the applicable Treasury Regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects). Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A US Holder that receives foreign currency from a sale or other taxable disposition of Offer DRs generally will realize an amount equal to the US dollar value of the foreign currency on the date of sale or disposition. On the settlement date, the US Holder generally will recognize US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. If, however, such US Holder is a cash basis or electing accrual basis taxpayer and the Offer DRs are treated as being traded on an "established securities market" for this purpose, the US Holder will realize an amount equal to the US dollar value of the foreign currency on the settlement date. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. If the Offer DRs are so treated and the foreign currency received is converted into US dollars on the settlement date, a cash basis or electing accrual basis US Holder will not recognize foreign currency gain or loss on the conversion. If the foreign currency received is not converted into US dollars on the settlement date, the US Holder will have a basis in the foreign currency equal to the US dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Passive Foreign Investment Company Rules

In general, a corporation organised outside the United States will be a PFIC for any taxable year in which either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average quarterly value of its assets is attributable to assets which produce passive income or are held for the production of passive income. If the corporation owns, directly or indirectly, at least 25% by value of the shares of another corporation, it will be treated as if it holds directly its proportionate share of the assets and receives directly its proportionate share of the income of that other corporation. "Passive income" generally includes interest, dividends, rents, royalties and gains from commodities and securities transactions.

Proposed US Treasury regulations provide that income derived in the active conduct of a banking business is not treated as passive income. The determination of whether income is derived in the active conduct of a banking business is based on the regulatory status of the bank under local law, the activities of the bank performed in the ordinary course of a banking business (including lending, accepting deposits and depositing money in other banks) and the proportion of gross income derived from activities that are "*bona fide*" banking activities for US federal income tax purposes and securities activities performed in the ordinary course of business (including selling debt instruments to clients in a dealer capacity).

Based on the proposed US Treasury regulations applicable to active foreign banks and the present nature of the Company's activities, including the planned Offering and the present composition of its assets and sources of income, the Company does not believe that it was a PFIC in the preceding taxable year and does not expect to be a PFIC for its current taxable year or in the foreseeable future. However, because PFIC status is factual in nature and determined annually at the close of the taxable year, the proposed regulations applicable to foreign banks have not yet been finalised, the manner of the application of the proposed regulations is not entirely clear, and the composition of the Company's income and assets will vary over time, there can be no assurance that the Company will not be a PFIC for any taxable year. If the Company is classified as a PFIC for any taxable year during which a US Holder holds Offer DRs, the Company generally will continue to be treated as a PFIC for that US Holder in all succeeding years, regardless of whether the Company continues to meet the income or asset test described above. If the Company were a PFIC in any taxable year, certain adverse US federal income tax consequences could apply to such US Holder, including increased tax liability on gains from dispositions of Offer DRs and certain excess distributions, and a requirement to file annual reports with the IRS. If the Company is a PFIC, a US Holder of Offer DRs generally will be subject to similar rules with respect to distributions to the Company by, and dispositions by the Company of the stock of, any direct or indirect subsidiaries of the Company that are also PFICs.

Mark-to-Market Election

To mitigate the application of the PFIC rules discussed above, a US Holder may make an election to include gain or loss on the Offer DRs as ordinary income or loss under a mark-to-market method, provided that the Offer DRs are regularly traded on a qualified exchange. The Company expects Euronext to be qualified exchanges for these purposes. No assurance can be given that the Offer DRs will be "regularly traded" for purposes of the mark-to-market election. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs the Company holds an interest in, a US Holder generally would continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by the Company that are treated as equity interests in PFICs for US federal income tax purposes. If the Company is a PFIC for any year in which the US Holder owns the Offer DRs but before a mark-to-market election is made, the interest charge rules described above will apply to any mark to market gain recognised in the year the election is made.

If a US Holder makes an effective mark-to-market election, the US Holder will include in each year as ordinary income the excess of the fair market value of its Offer DRs at the end of the year over its adjusted tax basis in the Offer DRs. The US Holder will be entitled to deduct as an ordinary loss each year the excess of its adjusted tax basis in the Offer DRs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A US Holder's adjusted tax basis in the Offer DRs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. In addition, gains from an actual sale or other disposition of Offer DRs will be treated as ordinary income, and any losses will be treated as ordinary losses to the extent of any mark-to-market gains for prior years.

If a US Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Offer DRs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election.

Qualified Electing Fund Election

To mitigate the application of the PFIC rules discussed above, a US Holder may make an election to treat the Company as a qualified electing fund ("**QEF**") for US federal income tax purposes. To make a QEF election, the Company must provide US Holders with information compiled according to US federal income tax principles. The Company currently does not intend to compile such information for US Holders, and therefore it is expected that this election will be unavailable.

Specified Foreign Financial Asset Reporting

Certain US Holders that own "specified foreign financial assets" that meet certain US dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Offer DRs generally will constitute specified foreign financial assets subject to these reporting requirements unless the Offer DRs are held in an account at certain financial institutions. US Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Offer DRs.

Non-US Holders

Subject to the discussion of backup withholding below, a Non-US Holder generally should not be subject to US federal income or withholding tax on any distributions made on the Offer DRs or gain from the sale or other disposition of the Offer DRs unless: (i) that distribution and/or gain is effectively connected with the conduct by that Non-US Holder of a trade or business in the United States; or (ii) in the case of any gain realised on the sale or exchange of Offer DRs by an individual Non-US Holder, that Non-US Holder is present in the United States for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain US-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the US Holder establishes that it is a corporation or other

exempt recipient or (ii) in the case of backup withholding, the US Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. Non-US Holders may be required to comply with applicable certification procedures to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the holder's US federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

US Holders may be required to file IRS Form 926 reporting the payment of the Offer Price for an Offer DR to the Company if the payment exceeds a certain threshold. Substantial penalties may be imposed upon a US Holder that fails to comply. Each US Holder should consult its own tax advisor as to the possible obligation to file US IRS Form 926.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the US Code commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Company is a foreign financial institution for these purposes. A number of jurisdictions (including the Netherlands) have entered into, or have agreed in substance to, IGAs with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Offer DRs, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Offer DRs, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Offer DRs, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Offer DRs.

GENERAL INFORMATION

Domicile, Legal Form and Incorporation

The Company is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands and is domiciled in the Netherlands. The Company was incorporated in the Netherlands on 21 February 1953. The Company's statutory seat (*statutaire zetel*) is in s-Hertogenbosch, the Netherlands, and its registered office is at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce under number 16014051, and its telephone number is +31 20 35 44 590.

No Significant Change

There has been no significant change in the financial or trading position of the Company since 31 March 2016.

Publication of the Results of the Offering

The results of the Offering will be disclosed through a press release published in the Netherlands, which will also be posted on the Company's website, on the Settlement Date.

Expenses of the Offering

The expenses related to the Offering will be paid by the Selling DR Holders and include, among other items, the fees due to the AFM and Euronext Amsterdam N.V., the commission for the Underwriters and legal and administrative expenses, as well as publication costs and applicable taxes, if any. See also "*Reasons for the Offering and Use of Proceeds*" and "*Plan of Distribution*".

Independent Auditors

Ernst & Young Accountants LLP has audited, and issued unqualified independent auditor's reports on, the financial statements of the Company for the years ended 31 December 2015, 2014 and 2013, respectively. Ernst & Young Accountants LLP has given and has not withdrawn its written consent to include (relating to the 31 December 2015 and 2014 consolidated financial statements) and incorporate by reference (relating to the 31 December 2013 consolidated financial statements) these reports into this Prospectus. Ernst & Young Accountants LLP is an independent registered accounting firm located at Cross Towers, Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands. The auditors of Ernst & Young Accountants LLP are members of the Royal NBA (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*), (the "**Netherlands Institute of Chartered Accountants**").

PricewaterhouseCoopers Accountants N.V. has reviewed, and issued an unqualified review report on, the consolidated interim financial statements for the three months ended 31 March 2016. PricewaterhouseCoopers Accountants N.V. reported that they have applied limited procedures in accordance with professional standards for a review and therefore their review report dated 20 May 2016 states that they did not audit and they do not express an opinion on these unaudited consolidated interim financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers Accountants N.V. has given and has not withdrawn its written consent to include these interim financial statements into this Prospectus. PricewaterhouseCoopers Accountants N.V. is an independent registered accounting firm located at Thomas R. Malthusstraat 5, 1066 JR Amsterdam, the Netherlands. The auditors of PricewaterhouseCoopers Accountants N.V. are members of the Royal NBA (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*), the Netherlands Institute of Chartered Accountants.

Available Information

Subject to any applicable selling and transfer restrictions (see "*Selling and Transfer Restrictions*"), the following documents (or copies thereof) are available and can be obtained free of charge from the Company's website (corporate.vanlanschot.nl) and during normal business hours

from the Company's offices from the date of publication of this Prospectus until at least the Settlement Date:

- this Prospectus;
- the audited consolidated annual financial statements of the Company as at and for the year ended 31 December 2013 and the independent auditor's report dated 10 March 2014, relating thereto; and
- the Articles of Association (the official Dutch version and an English translation thereof).

Provision of Information

The Company has agreed that, for so long as any of the Offer DRs are outstanding and are 'restricted securities' within the meaning of Rule 144(a)(3) under the US Securities Act, it will, during any period in which the Company is neither subject to Section 13 or 15(d) of the US Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted Offer DRs or to any prospective purchaser of such restricted Offer DRs designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the US Securities Act.

The Company is not currently subject to the periodic reporting and other informational requirements of the US Exchange Act.

No Incorporation of Website

The contents of the Company's website, including any websites accessible from hyperlinks on the Company's website, do not form part of and are not incorporated by reference into this Prospectus.

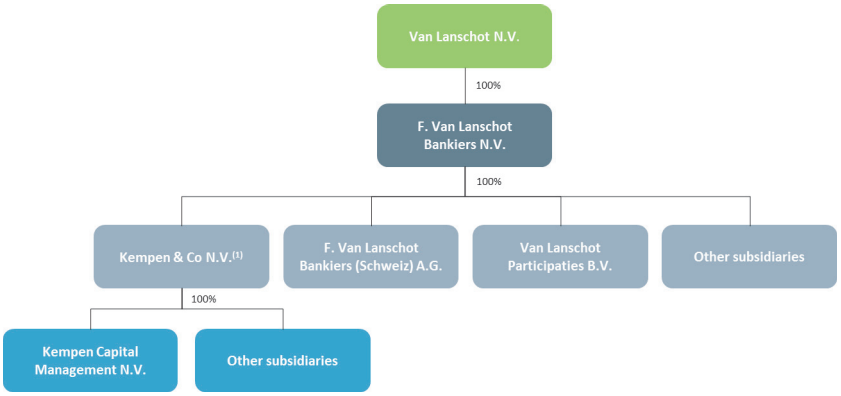
Group Structure and Material Subsidiaries

The Company is a holding company without direct business operations. The principal assets of the Company are the equity interests it directly or indirectly holds in its operating subsidiaries and participations. The following list sets out the material subsidiaries of the Company as at the date of this Prospectus. All the Company's material subsidiaries are directly or indirectly wholly owned by the Company.

	Country of incorporation	Shareholding and voting percentage held by the Company (directly or indirectly)
F. van Lanschot Bankiers N.V.	The Netherlands	100%
F. van Lanschot Bankiers (Schweiz) AG	Switzerland	100%
Van Lanschot Participaties B.V.	The Netherlands	100%
Kempen & Co N.V.	The Netherlands	100%[1]
Kempen Capital Management N.V.	The Netherlands	100%

(1) 5.5% of the shares of Kempen & Co are held by Cooperatie MIP, a cooperative with two members: Foundation MIP and the Company. Cooperatie MIP requires the prior approval of its supervisory board (comprising the management board of Van Lanschot Bankiers) to exercise its voting rights on, and to transfer or encumber, the shares in the capital of Kempen & Co.

The chart below sets out Van Lanschot's structure as at the date of this Prospectus.



(1) 5.5% of the shares of Kempen & Co are held by Cooperatie MIP, a cooperative with two members: Foundation MIP and the Company. Cooperatie MIP requires the prior approval of its supervisory board (comprising the management board of Van Lanschot Bankiers) to exercise its voting rights on, and to transfer or encumber, the shares in the capital of Kempen & Co.

DEFINED TERMS

The following list of defined terms is not intended to be an exhaustive list of definitions, but provides a list of certain of the defined terms used in this Prospectus.

ACM	Netherlands Authority for Consumers and Markets (*Autoriteit Consument & Markt*)
Additional DRs	additional existing DRs, equalling up to 10% of the total number of Offer DRs, which the Selling DR Holders may be required to sell pursuant to the Over-Allotment Option
Advisory Committee	Advisory Committee on the Future of Banks in the Netherlands
AFM	Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)
AIF	alternative investment fund
AIFMs	alternative investment fund managers
AIFM Directive	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers
ALCO	the asset and liability committee
Allocation	the allocation of the Offer DRs
AML	Anti-Money Laundering
Annual Consolidated Financial Statements	the audited annual consolidated financial statements of the Company as at and for the years ended 31 December 2015, 2014 and 2013, which have been prepared in accordance with IFRS and audited by the Company's former independent auditors Ernst & Young Accountants LLP
APD	Authority for Personal Data (*Autoriteit Persoonsgegevens*)
ARPFE	Act on Remuneration Policies in Financial Enterprises (*Wet beloningsbeleid financiële ondernemingen*)
Articles of Association	the articles of association (*statuten*) of the Company executed on 18 May 2015
Asset Management	Van Lanschot's Asset Management segment
Audit and Compliance Committee	the audit and compliance committee of the Supervisory Board
AuM	assets under management
Banker's Oath	as of 1 April 2015, all supervisory directors, managing directors and employees of a bank must take an oath of good conduct. The oath is a confirmation of the Company's existing policy, which is fully in line with the business principles and core values of the Company
Banking Union	the EU's response to correct the perceived shortcomings by establishing a banking union with three key areas, referred to in this Prospectus as the three pillars, an SSM, an SRM and harmonised prudential rules (Single Rulebook)
Basel I	Basel Capital Accord of 1988 issued by the Basel Committee on Banking Supervision
Basel II	Second Basel Capital Accord (revised capital framework) issued by the Basel Committee on Banking Supervision
Basel Committee	Basel Committee on Banking Supervision
Basel II Enhancements	proposed enhancements to the Basel II framework
Basel III Framework	Third Basel Capital Accord, a global regulatory framework for more resilient banks and banking systems issued by the Basel

	Committee on Banking Supervision which was implemented in the EEA through CRD IV and CRR
BRRD	Bank Recovery and Resolution Directive
Business Day	a day, other than a Saturday, a Sunday or a public holiday, on which the banks in Amsterdam, the Netherlands and Euronext Amsterdam are open for normal business
CBS	Statistics Netherlands (*Centraal Bureau voor de Statistiek*)
CCP	central counterparty
CEST	Central European Summer Time
CET1	Common Equity Tier I
CFL	countering financing of terrorism
Chamber of Commerce	's-Hertogenbosch Chamber of Commerce
CHF	Swiss Franc
CISA	the Swiss Federal Act on Collective Investment Schemes
CITA	Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*)
Co-lead Managers	Kempen & Co N.V. and Kepler Cheuvreux S.A.
Company	Van Lanschot N.V.
Cooperatie MIP	Kempen Management Investeringsplan Cooperatief U.A.
Corporate Banking	Van Lanschot's Corporate Banking segment
Corporate Finance	the corporate finance section of the Company's Merchant Banking segment
Corporate Governance Code Monitoring Committee	Corporate Governance Code Monitoring Committee
CPB	Netherlands Bureau for Economic Policy Analysis (*Centraal Planbureau*)
CRD or **EC Directive 2006/48** and **EC Directive 2006/49**	Capital Requirements Directives (2006/48/EC and 2006/49/EC); or EC Directive 2006/48: Directive 2006/48/EC of the European Parliament and the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast); and Directive 2006/49: Directive 2006/49/EC of the European Parliament and the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast)
CRD II	Capital Requirements Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management
CRD III	Capital Requirements Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies
CRD IV	Capital Requirements Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC

CRR	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012
DDOS	distributed denial of service
DGS	deposit guarantee scheme (*depositogarantiestelsel*)
DGSD	Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast)
Directive 1993/6/EEC	Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investments firms and credit institutions
Directive 2000/12/EC	Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions
DITA	Dutch Income Tax Act 2001 (*Wet op de inkomstenbelasting 2001*)
DNB	Dutch Central Bank (*De Nederlandsche Bank*)
DNB Regulation on Sound Remuneration Policies	The Dutch Central Bank's regulation on sound remuneration policies
DR Holder	any holder of DRs at any time
DR Terms	the terms and conditions governing the DRs as adopted by the Foundation Board and executed on 11 April 2012
DRs	depositary receipts representing Ordinary Shares
Dutch Banking Association	The Dutch Banking Association
Dutch Banking Code	the banking code for Dutch banks as adopted on 9 September 2009 (in force as of 1 January 2010) and replaced by the renewed text of the Code that came into force on 1 January 2016 by the Board of the Dutch Banking Association, in response to the recommendations for improving the performance of the Dutch banking sector to help restore trust in banks of the Advisory Committee on the Future of Banks in the Netherlands
Dutch Banking Code Monitoring Committee	The Committee set up to monitor and to report on the progress made by banks in implementing the Banking Code
Dutch Civil Code	The Dutch Civil Code (*burgerlijk wetboek*)
Dutch Corporate Governance Code	the Dutch corporate governance code issued on 9 December 2003 and amended as of 1 January 2009
Dutch Financial Supervision Act	the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder
Dutch Intervention Act	the Act on Special Measure for Financial Enterprises
Dutch Minister of Finance	The Dutch Minister of Finance
Dutch Resident Entity	an entity that is resident or deemed to be resident in the Netherlands for Dutch corporate income tax purposes
Dutch Resident Individual	an individual who is resident or deemed to be resident in the Netherlands for purposes of Dutch taxation
EBA	European Banking Authority
EC	The European Community
ECB	European Central Bank
ECOFIN	Economic and Affairs Council

EEA	European Economic Area
EMEA	Europe, Middle East and Africa
EMIR	Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories
EMU	European Economic and Monetary Union
Enterprise Chamber	the Dutch Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer van het Gerechtshof Amsterdam*)
ESAs	European System of Financial Supervision, three European Supervisory Authorities
EU	The European Union
EUR or **euro** or **€**	the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the EC, as amended from time to time
Euribor	Euro Interbank Offer Rate
Euroclear Nederland	the Netherlands Central Institute for Giro Securities Transactions (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*) trading as Euroclear Nederland
Euronext Amsterdam	the regulated market operated by Euronext Amsterdam N.V.
European Commission	The executive of the European Union
European Court of Justice	The European Court of Justice
Executive Board	the executive board of the Company
FATCA	the United States Foreign Account Tax Compliance Act
Financial Risk Management Department	Van Lanschot's Financial Risk Management Department
Financial Statements	the Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements
Foundation	Stichting Administratiekantoor van gewone aandelen A Van Lanschot
Foundation Articles	the articles of association of the Foundation executed on 11 April 2012
Foundation Board	the board of the Foundation
Foundation MIP	Stichting Administratiekantoor Kempen Management Investeringsplan
Foundation Preference Shares	Stichting Preferente aandelen C Van Lanschot
Foundation Preference Shares Articles	the articles of association of the Foundation Preference Shares executed on 28 May 2013
FSB	Financial Stability Board
FSMA	the UK Financial Services and Markets Act 2000
FTT	financial transaction tax
GDP	gross domestic product
General Meeting	the general meeting of the Company, being the corporate body or, where the context so requires, the physical meeting of that body
GPR	Global Property Research
GRI	Global Reporting Initiative

G-SIB	global systemically important banks
G-SIIs	global systemically important insurers
IBNR	incurred but not reported
ICAAP	internal capital adequacy assessment process
ICT	Information and communications technology
Identified Staff	employees whose work may have a material impact on the risk profiles of Van Lanschot and its subsidiaries
IFRS	International Financial Reporting Standards as adopted by the European Union
IGA	intergovernmental agreements
ILAAP	internal liquidity adequacy assessment process
Interim Consolidated Financial Statements	the unaudited interim condensed consolidated financial statements of the Company as at and for the three months ended 31 March 2016, including comparative figures as at and for the three months ended 31 March 2015, which have been prepared in accordance with IFRS and audited by the Company's independent auditors, PricewaterhouseCoopers Accountants N.V.
IRB-A	advanced internal ratings based method to calculate a minimum capital buffer
IRB-F	foundation internal ratings based method to calculate a minimum capital buffer
IRS	US Internal Revenue Service
IASB	the International Accounting Standards Board
IT	Information technology
Joint Bookrunners	Goldman Sachs International, UBS Limited, ABN AMRO Bank N.V. and Merrill Lynch International
Joint Global Coordinators	Goldman Sachs International and UBS Limited
Kempen Capital Management	Kempen Capital Management N.V.
Kempen & Co	Kempen & Co N.V.
Kempen Corporate Finance	the corporate finance segment of Kempen & Co
Kempen Securities	the securities segment of Kempen & Co
KOP I	Kempen Oranje Participaties Primo
KPIs	Key performance indicators
LCR	liquidity coverage ratio
LDDM Holding	LDDM Holding B.V.
LTP	Van Lanschot's 2015 long-term DR plan
M&A	Mergers and acquisitions
Meeting of DR Holders	the meeting of holders of DRs, being the corporate body or, where the context so requires, the physical meeting of that body
Merchant Banking	Van Lanschot's Merchant Banking segment
MiFID	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC

MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast)
MIP	Kempen Management Investment Plan
MMFR	Money Market Funds Regulation
MMFs	money market funds
MN UK	Mn Services Vermogensbeheer B.V.
Mortgage Credit Directive	Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010
MREL	minimum requirement for own funds and eligible liabilities
MTF	multilateral trading facility
National Resolution Funds	national resolution funds, provided for by the BRRD
NCA	national competent authorities
Netherlands Institute of Chartered Accountants	the Royal NBA (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*)
NHG	Abbreviation of Nationale Hypotheek Garantie. This scheme provides additional security to customers, as it will pay off the remaining mortgage debt to a credit institution after the forced sale of a covered property
NLCR	national LCR requirement
Nomination Committee	the nomination committee of the Supervisory Board
NPS	Net promoter score
NRAs	national resolution authorities
NSFR	net stable funding ratio
Offer DRs	the DRs offered by the Selling DR Holders and, unless the context indicates otherwise, the Additional DRs
Offer Period	the period during which the Offering will take place, commencing on 8.00 CEST on 31 May 2016 and ending on 14.00 CEST on 8 June 2016 for prospective institutional investors and from 8.00 CEST on 31 May 2016 and ending at 17.30 CEST on 7 June 2016 for prospective Dutch retail investors, subject to acceleration or extension of the timetable for the Offering
Offer Price	the price per Offer DR
Offer Price Range	the expected price range of €15.00 to €18.00 per Offer DR
Offering	the offering of Offer DRs as described in this Prospectus
Order	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
Ordinary Shares	the Class A ordinary shares in the Company's share capital, with a nominal value of €1.00 per share
O-SIIs	Other systemically important institutions
OTC	over-the-counter
OTF	the organised trading facility
Other Activities	Van Lanschot's business segment excluding Private Banking, Merchant Banking and Asset Management

Over-Allotment Option	an option, exercisable within 30 calendar days after the date of the Pricing Statement, pursuant to which the Joint Global Coordinators may require the Selling DR Holders to sell at the Offer Price such number of Additional DRs equalling up to 10% of the total number of Offer DRs to cover over-allotments, if any, in connection with the Offering or facilitate stabilisation transactions, if any
Participating Member State(s)	11 participating member states of the European Union, being Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the FTT-Zone
PEPs	politically exposed persons
Pillar I	Pillar I of the Basel Committee requirements
Pillar II	the Pillar II capital requirement of Basel II
Preference Shares	the Class C preference shares in the Company's share capital, with a nominal value of €1.00 per share
Preferential Employee Allocation	the preferential allocation of Offer DRs at the Offer Price to eligible employees of Van Lanschot
Pricing Statement	the pricing statement in which the Offer Price and the exact number of Offer DRs offered in the Offering will be set out
PRIIPs	packaged retail and insurance-based investment products
PRIIPS Regulation	Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products
Private Banking	Van Lanschot's Private Banking segment
Prospectus	this prospectus dated 31 May 2016
Prospectus Directive	Directive 2003/71/EC of the European Union, and any amendments thereto, including Directive 2010/73/EU
PSD	Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC
PSD II	Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010 and repealing PSD
QIBs	qualified institutional buyers, as defined in Rule 144A
Recovery Section	Van Lanschot's Recovery Section department
Regulated Credit Institutions	Van Lanschot Bankiers and Kempen & Co
Regulation S	Regulation S under the US Securities Act
Relevant Member State	each EEA state which has implemented the Prospectus Directive
Relevant Persons	high net worth entities falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
Remuneration Committee	the remuneration committee of the Supervisory Board
Retail Coordinator	Kempen & Co
Revenue Code	US Internal Revenue Code of 1986, as amended

Risk Committee	the risk committee of the Supervisory Board
Risk Management	Van Lanschot's Risk Management department
Rule 144A	Rule 144A under the US Securities Act
RWA (TREA) or RWA	risk weighted assets
SA	standardised approach to calculating a minimum capital buffer
Safe Harbour Framework	the European Commission's safe harbour decision
Securities	the securities section of the Company's Merchant Banking segment
Securities and Futures Act	The Securities and Futures Act of Singapore
Selected Consolidated Financial Information	the Company's selected consolidated statement of income, consolidated statement of financial position and consolidated statement of cash flow
Selling DR Holders	Delta Lloyd N.V., Delta Lloyd Levensverzekering N.V. and Delta Lloyd Schadeverzekering N.V.
Settlement	payment (in euros) for and delivery of the Offer DRs
Settlement Date	the date on which Settlement occurs which is expected to be on or about 13 June 2016, subject to acceleration or extension of the timetable for the Offering
Share Lending Agreement	the share lending agreement dated on or about the date of the Underwriting Agreement between the Selling DR Holders and the Stabilisation Agent
SFT Regulation	Regulation (EU) 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2015
Shareholder	any holder of Shares at any time
Shareholder Agreement	the shareholder agreement between the Company and LDDM Holding dated 11 May 2011
Shares	the Ordinary Shares and the Preference Shares
Single Resolution Fund	the single resolution fund, provided for by the SRM
Single Rulebook	one of the three pillars of the Banking Union that aims to provide a single set of harmonised prudential rules which banks throughout the EU must comply with
SME	small and medium business enterprises
SRB	the European single resolution board, provided for by the SRM
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism, the framework in which the European regulation established uniform rules and a uniform procedure for the resolution of banks and certain investment firms on 19 August 2014
SRM Regulation	Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010
SSM	single supervisory mechanism, introduced as per 4 November 2014

SSM Regulation	Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions
Stabilisation Agent	Goldman Sachs International
Statutory Board	the management board (*bestuur*) of the Company
Statutory Board Rules	rules adopted by the Statutory Board governing the Statutory Board's principles and best practices
Supervisory Board	the supervisory board (*raad van commissarissen*) of the Company
Supervisory Board Rules	rules adopted by the Supervisory Board governing the Supervisory Board's principles and best practices
Title VII	Title VII of the Dodd-Frank Act
TLAC	total loss-absorbing capacity
TLAC Standard	the TLAC standard issued by the FSB for global systemically important banks
TREA	Total risk exposure amount
UBO	ultimate beneficial owner
UCITS	undertakings for collective investment in transferable securities
UCITS V	Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions
UCITS Directive	Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)
Underwriters	the Joint Global Coordinators, the Joint Bookrunners and the Co-lead Managers
Underwriting Agreement	the underwriting agreement with respect to the offer and sale of the Offer DRs dated on or about 31 May 2016 among the Selling DR Holders and the Underwriters
United States or **US**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
United Kingdom or **UK**	The United Kingdom of Great Britain and Northern Ireland
US Exchange Act	the United States Securities Exchange Act of 1934, as amended
US Federal Reserve	The United States Federal Reserve
US Securities Act	the US Securities Act of 1933, as amended
US Treasury	the United States Treasury
US$** or **$	the lawful currency of the United States
Van Lanschot	the Company and its subsidiaries
Van Lanschot Bankiers	F. van Lanschot Bankiers N.V.
Van Lanschot Chabot	Van Lanschot Chabot Holding B.V.
Van Lanschot Participaties	Van Lanschot Participaties B.V.
VaR	Value at risk

Wbfo	the Dutch Act on Remuneration Policies for Financial Firms (*Wet Beloningsbeleid Financiële Ondernemingen*)
WBP	Dutch Data Protection Act (*Wet bescherming persoonsgegevens*)
Works Council	the Company's works council (*ondernemingsraad*)

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Review report

To: The statutory board of Van Lanschot N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the three-month period ended 31 March 2016 of Van Lanschot N.V., Den Bosch, which comprises the consolidated statement of financial position as at 31 March 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended and the selected explanatory notes. The statutory board is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the three-month period ended 31 March 2016 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Corresponding figures not audited or reviewed

We have not audited the financial statements of the previous year nor have we performed a review engagement. Consequently the corresponding figures included in the consolidated income statement and the consolidated statement of comprehensive income have not been audited or reviewed.

Amsterdam, 20 May 2016
PricewaterhouseCoopers Accountants N.V.

Original signed by R.E.H.M. van Adrichem RA

Consolidated statement of financial position at 31 March 2016

(x€1,000)

		31/03/2016	31/12/2015
Assets			
Cash and cash equivalents and balances at central banks	*1*	1,072,947	881,024
Financial assets held for trading		11,747	6,863
Due from banks		232,736	200,073
Financial assets designated at fair value through profit or loss	*2*	504,230	712,578
Available-for-sale investments	*3*	2,216,462	2,159,141
Held-to-maturity investments	*4*	521,101	523,639
Loans and advances to the public and private sectors	*5*	10,123,003	10,168,368
Derivatives	*6*	377,253	333,411
Investments in associates using the equity method		67,188	56,299
Property and equipment	*7*	78,232	79,239
Goodwill and other intangible assets	*8*	174,514	175,122
Current tax assets		1,431	1,916
Deferred tax assets	*24*	45,912	49,782
Other assets		142,892	148,265
Total assets		**15,569,648**	**15,495,720**
Equity and liabilities			
Financial liabilities from trading activities		5,085	418
Due to banks	*9*	459,719	698,125
Public and private sector liabilities	*10*	9,300,140	9,572,336
Financial liabilities designated at fair value through profit or loss	*11*	803,478	804,603
Derivatives	*6*	434,091	324,760
Issued debt securities	*12*	2,954,123	2,480,005
Provisions	*13*	20,782	23,668
Current tax liabilities		1,365	1,611
Deferred tax liabilities		1,792	3,300
Other liabilities		147,585	148,809
Subordinated loans	*14*	117,999	118,151
Total liabilities		**14,246,159**	**14,175,786**
Issued share capital		41,092	41,017
Treasury shares		-2,138	-1,058
Share premium reserve		481,258	479,914
Other reserves	*15*	742,413	745,322
Undistributed profit attributable to shareholders		13,194	34,163
Undistributed profit of previous year attributable to shareholders		34,163	-
Equity attributable to shareholders		**1,309,982**	**1,299,358**
Undistributed profit attributable to equity instruments issued by subsidiaries		-	943
Undistributed profit of previous year attributable to equity instruments issued by subsidiaries		943	-
Equity attributable to equity instruments issued by subsidiaries		**943**	**943**
Non-controlling interests		10,082	11,985
Undistributed profit attributable to non-controlling interests		817	7,648
Undistributed profit of previous year attributable to non-controlling interests		1,665	-
Equity attributable to non-controlling interests		**12,564**	**19,633**
Total equity		**1,323,489**	**1,319,934**
Total equity and liabilities		**15,569,648**	**15,495,720**
Contingent liabilities		79,648	82,502
Irrevocable commitments		253,595	492,392
		333,243	**574,894**

References relate to the relevant notes.

Consolidated statement of income for the three months ended 31 March 2016

(x€1,000)

		Q1 2016	Q1 2015
Income from operating activities			
Interest income		107,665	153,412
Interest expense		52,156	103,454
Net interest income	*16*	**55,509**	**49,958**
Income from associates using the equity method		2,000	1,733
Other income from securities and associates		-745	6,262
Income from securities and associates	*17*	**1,255**	**7,995**
Commission income		59,834	70,088
Commission expense		1,388	1,957
Net commission income	*18*	**58,446**	**68,131**
Result on financial transactions	*19*	**-2,178**	**22,055**
Other income	*20*	**10,422**	**10,217**
Total income from operating activities		**123,454**	**158,356**
Expenses			
Staff costs	*21*	57,795	60,863
Other administrative expenses	*22*	39,874	40,183
Staff costs and other administrative expenses		**97,669**	**101,046**
Depreciation and amortisation		4,047	4,574
Operating expenses		**101,716**	**105,620**
Addition to loan loss provision		3,371	15,347
Other impairments		443	350
Impairments	*23*	**3,814**	**15,697**
Total expenses		**105,530**	**121,317**
Operating profit before tax		**17,924**	**37,039**
Income tax	*24*	**3,913**	**8,147**
Net result		**14,011**	**28,892**
Of which attributable to shareholders of Van Lanschot NV		13,194	26,850
Of which attributable to equity instruments issued by subsidiaries		-	245
Of which attributable to non-controlling interests		817	1,797
Earnings per ordinary share (€)	*25*	0.32	0.66
Diluted earnings per ordinary share (€)	*26*	0.32	0.65

The number beside each item refers to the Notes to the consolidated statement of income.

Consolidated statement of comprehensive income for the three months ended 31 March 2016

(x€1,000)

		Q1 2016	Q1 2015
Net result (as per income statement)		**14,011**	**28,892**
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		754	1,870
Revaluation of debt instruments		3,388	12,359
Realised return on equity instruments		-	-38
Realised return on debt instruments	*19*	-3,620	-10,794
Income tax effect		58	-267
Total other comprehensive income through revaluation reserve	*15*	**580**	**3,130**
Other comprehensive income from value changes of derivatives (cash flow hedges)			
Decrease in value of derivatives (cash flow hedges)		-4,076	-2,483
Income tax effect		1,019	621
Total other comprehensive income from value changes of derivatives (cash flow hedges)	*15*	**-3,057**	**-1,862**
Other comprehensive income from currency translation differences		-377	869
Income tax effect		-	-
Total other comprehensive income from currency translation differences	*15*	**-377**	**869**
Total other comprehensive income to be reclassified in subsequent periods to profit or loss		**-2,854**	**2,137**
Other comprehensive income not to be reclassified in subsequent periods to profit or loss			
Remeasurement of defined-benefit plans			
Remeasurement of defined-benefit plans		-	-
Income tax effect		-	-
Total remeasurement of defined-benefit plans	*15*	**-**	**-**
Total other comprehensive income not to be reclassified in subsequent periods to profit or loss		**-**	**-**
Total other comprehensive income		**-2,854**	**2,137**
Total comprehensive income		**11,157**	**31,029**
Of which attributable to shareholders		10,340	28,987
Of which attributable to equity instruments issued by subsidiaries		-	245
Of which attributable to non-controlling interests		817	1,797

Consolidated statement of changes in equity for the three months ended 31 March 2016
(x€1,000)

	Share capital	Treasury shares	Share premium reserve	Other reserves	Undistri-buted profit	Total equity attribu-table to share-holders	Equity attribu-table to non-controlling interests	Total equity
At 1 January 2016	**41,017**	**-1,058**	**479,914**	**745,322**	**34,163**	**1,299,358**	**20,576**	**1,319,934**
Net profit (as per income statement)	-	-	-	-	13,194	**13,194**	817	**14,011**
Total other comprehensive income	-	-	-	-2,854	-	**-2,854**	-	**-2,854**
Total comprehensive income	-	-	-	**-2,854**	**13,194**	**10,340**	**817**	**11,157**
Shares issued	75	-	1,344	-	-	**1,419**	-	**1,419**
Share plans	-	990	-	-38	-	**952**	-	**952**
Repurchased equity instruments	-	-2,070	-	-	-	**-2,070**	-	**-2,070**
Dividends	-	-	-	-	-	-	-5,831	**-5,831**
Other changes	-	-	-	-17	-	**-17**	-	**-17**
Change in non-controlling interests	-	-	-	-	-	-	-2,055	**-2,055**
At 31 March 2016	**41,092**	**-2,138**	**481,258**	**742,413**	**47,357**	**1,309,982**	**13,507**	**1,323,489**

Consolidated statement of changes in equity for the three months ended 31 March 2015
(x€1,000)

	Share capital	Treasury shares	Share premium	Other reserves	Undistri-buted profit	Total equity attribu-table to share-holders	Equity attribu-table to non-controlling interests	Total equity
At 1 January 2015	**41,017**	**-3,639**	**479,914**	**675,988**	**98,994**	**1,292,274**	**58,244**	**1,350,518**
Net profit (as per income statement)	-	-	-	-	26,850	**26,850**	2,042	**28,892**
Total other comprehensive income	-	-	-	2,137	-	**2,137**	-	**2,137**
Total comprehensive income	-	-	-	**2,137**	**26,850**	**28,987**	**2,042**	**31,029**
Share plans	-	-	-	558	-	**558**	-	**558**
Repurchased equity instruments	-	-	-	-	-	**-**	-	**-**
Dividends	-	-	-	-	-	-	-6,280	**-6,280**
Other changes	-	-	-	263	-	**263**	-	**263**
Change in non-controlling interests	-	-	-	-	-	**-**	-12,267	**-12,267**
At 31 March 2015	**41,017**	**-3,639**	**479,914**	**678,946**	**125,844**	**1,322,082**	**41,739**	**1,363,821**

Consolidated statement of cash flows for the three months ended 31 March 2016

(x€1,000)

		Q1 2016	Q1 2015
Cash flow from operating activities			
Operating profit before tax		17,924	37,039
Adjustments for			
- Depreciation and amortisation		4,088	4,567
- Cost of share plans		731	566
- Valuation results on associates using the equity method		-2,000	-1,690
- Valuation results on financial assets designated at fair value through profit or loss		-3,202	79,898
- Valuation results on financial liabilities designated at fair value through profit or loss		-12,135	32,501
- Valuation results on derivatives		22,106	-50,628
- Impairments	*23*	3,814	15,697
- Changes in provisions		-354	-994
Cash flow from operating activities		**30,972**	**116,956**
Net movement in operating assets and liabilities			
- Financial assets/liabilities held for trading		-217	-13,024
- Due from/due to banks		-273,553	-136,690
- Loans and advances to public and private sectors/public and private sector liabilities		-206,343	152,609
- Derivatives		-596	-93,211
- Withdrawals from restructuring provision and other provisions		-2,532	-608
- Other assets and liabilities		4,003	-6,678
- Income taxes paid		-237	-1,583
- Dividends received		323	-
Total movement in assets and liabilities		**-479,152**	**-99,185**
Net cash flow from operating activities		**-448,180**	**17,771**
Cash flow from investing activities			
Investments and acquisitions			
- Investments in debt instruments		-440,883	-2,022,722
- Investments in equity instruments		-10,316	-9,727
- Investments in associates using the equity method		-9,466	-
- Property and equipment		-2,410	-1,692
- Goodwill and other intangible assets		-64	-570
Divestments, redemptions and sales			
- Investments in debt instruments		628,156	2,058,146
- Investments in equity investments		5,097	20,751
- Investments in associates using the equity method		-377	869
- Property and equipment		-	387
Dividends received		207	-
Net cash flow from investing activities		**169,944**	**45,442**

Continued on the next page.

Consolidated statement of cash flows for the three months ended 31 March 2016 (continued)

(x€1,000)

	Q1 2016	Q1 2015
Cash flow from financing activities		
Share plans	278	-
Repurchased equity instruments *	-651	-
Non-controlling interests	-1,929	-9,231
Redemption of subordinated loans	-114	-1,113
Receipts on debt securities	497,953	31,317
Redemption of debt securities	-33,042	-175,237
Receipts on financial liabilities designated at fair value through profit or loss	42,779	88,892
Redemption of financial liabilities designated at fair value through profit or loss	-31,769	-73,949
Dividends paid	-5,831	-6,280
Net cash flow from financing activities	**467,674**	**-145,601**
Net change in cash and cash equivalents and balances at central banks	**189,438**	**-82,388**
Cash and cash equivalents and balances at central banks at 1 January **	868,662	1,121,931
Cash and cash equivalents and balances at central banks at 31 March **	1,058,100	1,039,543
Additional disclosure		
Cash flows from interest received	126,114	170,163
Cash flows from interest paid	51,748	154,490

* In the first quarter 2016 Van Lanschot unconditionally and conditionally granted rights to acquire depositary receipts for Class A ordinary shares for no consideration. To meet open positions Van Lanschot holds depositary receipts for Class A ordinary shares and repurchased in the first quarter 2016 depositary receipts for Class A ordinary shares.

** In Cash and cash equivalents and balances at central banks is also included amounts due from / to banks available on demand.

Notes to the condensed interim financial statements

General
Van Lanschot NV is an independent wealth manager specialising in the preservation and creation of wealth for its clients.
Van Lanschot NV ("Van Lanschot") is the holding company of F. van Lanschot Bankiers NV. The company has its registered office at Hooge Steenweg 29, 5211 JN 's- Hertogenbosch, the Netherlands. Van Lanschot is a public limited company incorporated under Dutch law. Depositary receipts for Class A ordinary shares are publicly traded on the Official Market of the Euronext Amsterdam Stock Exchange.

Basis of preparation
The condensed interim consolidated financial statements of Van Lanschot and its subsidiaries were prepared in accordance with IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all financial information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of Van Lanschot NV as at 31 December 2015. The condensed interim consolidated financial statements have been reviewed, not audited. All amounts are denominated in thousands of euros, unless stated otherwise.

Summary of significant accounting policies

Accounting policies
The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements Van Lanschot for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

Changes in presentation
The disclosure operating segments is changed as per financial year 2016 to align it in the way the segment information is reported to the Executive Board (EB). The EB controls on interest margin, the breakdown between interest income and interest expense is no longer presented to that reason. In 2016 management of Van Lanschot decided to make a clear distinction between directly influenced own costs and indirect costs. This distinction is now made transparent in the segment information. The comparative figures have been adjusted accordingly.

Significant accounting judgements 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 condensed interim financial statements. See for more information paragraph "Significant accounting judgements and estimates" in the annual consolidated financial statements of Van Lanschot NV as at 31 December 2015. These estimates and assumptions are based on the most recent information available and the actual amounts may differ in the future.

IFRS standards
The following new or revised standards or interpretations became effective as from 1 January 2016 and have an impact on the 31 March 2016 condensed interim report. Application of these standards had no impact on equity or result of Van Lanschot.

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates
The amendments concern issues that have arisen when applying the exemption from preparing consolidated financial statements for investment entities. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. The amendments also clarify that only subsidiaries that are themselves not investment entities and that provide ancillary services to the parent's investment activities should be consolidated. Other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 mean that where an investor applies the equity method, it may continue to use the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

IFRS 10 Consolidated Financial Statements and IFRS 28 Investments in Associates
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.

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.

IAS 1 Presentation of Financial Statements
The amendments clarify the present requirements in relation to the order of presentation of aspects relating to materiality, aggregation and flexibility in the notes to the financial statements. The amendments also clarify the requirements when additional subtotals are presented in the statement of financial position (balance sheet), statement of income (profit and loss) and statement of comprehensive income.

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.

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.

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)
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. Therefore there is no interruption of the application of the requirements in IFRS 5.

IFRS 7 Financial Instruments: Disclosures (servicing contracts)
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required.

IFRS 7 Financial Instruments: Disclosures (applicability of the amendments to IFRS 7 to condensed interim financial statements)
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

IAS 19 Employee Benefits (discount rate: regional market issue)
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

IAS 34 Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'
The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial, for example in the Report of the Executive Board or the chapter Risk management.

Notes to the statement of financial position

(x€1,000)

1 Cash and cash equivalents and balances at central banks	31/03/2016	31/12/2015
Total	**1,072,947**	**881,024**
Cash	204	167
Balances at central banks	990,280	745,013
Statutory reserve deposits at central banks	19,240	19,252
Amounts due from banks	63,223	116,592

2 Financial assets designated at fair value through profit or loss	31/03/2016	31/12/2015
Total	**504,230**	**712,578**
Debt instruments		
Government paper and government-guaranteed paper	-	124,206
Covered bonds	422,867	509,470
Companies listed	1,898	4,690
Total debt instruments	**424,765**	**638,366**
Equity instruments		
Shares, listed	45,579	40,342
Shares, unlisted	33,886	33,870
Total equity instruments	**79,465**	**74,212**

Financial assets designated at fair value through profit or loss - debt instruments by external rating *	31/03/2016	%	31/12/2015	%
Total	**424,765**	**100%**	**638,366**	**100%**
AAA	422,867	100%	633,677	100%
AA	1,898	0%	1,901	0%
A	-	0%	2,788	0%

* Most recent Fitch ratings as known to Van Lanschot.

3 Available-for-sale investments	31/03/2016		31/12/2015	
	Fair value	Face value	Fair value	Face value
Total	**2,216,462**	**2,098,722**	**2,159,141**	**2,033,107**
Debt instruments				
Government paper and government-guaranteed paper	953,344	877,000	1,050,019	963,000
Banks and financial institutions, listed	124,748	123,500	71,309	71,000
Covered bonds	294,514	289,500	190,932	188,000
Asset-backed Securities	800,213	793,763	806,848	799,398
Companies listed	3,240	3,250	-	-
Company cumprefs (Shareholdings)	9,018	11,709	8,788	11,709
Total debt instruments	**2,185,077**	**2,098,722**	**2,127,896**	**2,033,107**
Equity instruments				
Shares, unlisted	18,477		17,376	
Shareholdings	12,908		13,869	
Total equity instruments	**31,385**		**31,245**	

Available-for-sale investments - debt instruments by external rating *	31/03/2016	%	31/12/2015	%
Total	**2,185,077**	**100%**	**2,127,896**	**100%**
AAA	1,699,899	78%	1,548,844	73%
AA	121,123	6%	62,332	3%
A	9,448	0%	-	0%
Other	354,607	16%	516,720	24%

* Most recent Fitch ratings as known to Van Lanschot.

4 Held-to-maturity investments	31/03/2016		31/12/2015	
	Carrying value	Face value	Carrying value	Face value
Total	**521,101**	**475,000**	**523,639**	**475,000**
Debt instruments				
Government paper and government-guaranteed paper	335,138	300,000	337,070	300,000
Banks and financial institutions, listed	185,963	175,000	186,569	175,000

Held-to-maturity investments by external rating *	31/03/2016	%	31/12/2015	%
Total	**521,101**	**100%**	**523,639**	**100%**
AA	335,138	64%	337,070	64%
A	185,963	36%	186,569	36%

* Most recent Fitch ratings as known to Van Lanschot

5 Loans and advances to the public and private sectors	31/03/2016	31/12/2015
Total	**10,123,003**	**10,168,368**
Mortgage loans	6,361,181	6,352,611
Loans	2,473,356	2,623,418
Current accounts	1,022,458	1,013,933
Securities-backed loans and settlement claims	306,829	243,751
Subordinated loans	13,609	14,727
Value adjustment, fair value hedge accounting	126,896	100,198
Impairments	-181,326	-180,270

Movements in impairments	Specific	IBNR	Total
At 1 January 2016	**165,717**	**14,553**	**180,270**
Loans written off	-2,941	-	**-2,941**
Additions to or release of provision	4,988	-1,617	**3,371**
Interest charged	626	-	**626**
At 31 March 2016	**168,390**	**12,936**	**181,326**

6 Derivatives	31/03/2016			31/12/2015		
	Asset	Liability	Contract amount	Asset	Liability	Contract amount
Total	**377,253**	**434,091**	**8,626,502**	**333,411**	**324,760**	**8,250,126**
Derivatives used for trading purposes	24,529	21,447	85,462	28,820	26,994	120,440
Derivatives used for hedge accounting purposes	87,841	150,059	3,319,035	64,954	80,411	3,435,035
Other derivatives	264,883	262,585	5,222,005	239,637	217,355	4,694,651

7 Property and equipment	31/03/2016	31/12/2015
Total	**78,232**	**79,239**
Buildings	53,909	54,026
IT, operating system software and communications equipment	6,312	7,067
Other assets	17,993	17,946
Work in progress	18	200

The carrying amount of buildings not in use amounted to €4.6 million (year-end 2015: €4.6 million).

8 Goodwill and other intangible assets	31/03/2016	31/12/2015
Total	**174,514**	**175,122**
Goodwill	155,149	155,117
Other intangible assets	19,365	20,005

9 Due to banks	31/03/2016	31/12/2015
Total	**459,719**	**698,125**
Special loans, European Central Bank	350,000	350,000
Deposits	59,160	77,134
Repo transactions	-	219,047
Securities transactions settlement claims	46,194	47,329
Loans and advances drawn	4,365	4,615

10 Public and private sector liabilities	31/03/2016	31/12/2015
Total	**9,300,140**	**9,572,336**
Savings	4,242,801	4,356,513
Deposits	538,079	753,943
Other client assets	4,511,550	4,457,009
Value adjustments fair value hedge accounting	7,710	4,871

11 Financial liabilities designated at fair value through profit or loss	31/03/2016	31/12/2015
Total	**803,478**	**804,603**
Unstructured debt instruments	244,091	247,709
Structured debt instruments	559,387	556,894

12 Issued debt securities	31/03/2016	31/12/2015
Total	**2,954,123**	**2,480,005**
Bond loans and notes	1,255,135	1,261,729
Covered bonds	994,028	497,257
Notes as part of securitisation transactions	620,189	643,257
Floating-rate notes	54,131	58,602
Medium-term notes	12,500	12,500
Value adjustments fair value hedge accounting	18,140	6,660

End of March 2016 Van Lanschot launched a €500 million 7-year Conditional Pass-Through Covered Bond with a 0.375% coupon. The deal was placed with a broad range of European institutional investors. Some non-European investors also participated.

The bonds are rated AAA by both S&P and Fitch rating agencies. The Van Lanschot Conditional Pass-Through Covered Bond Programme is Dutch law-based and backed by a pool of Dutch residential mortgage loans. It is registered with De Nederlandsche Bank (DNB).

This transaction, which forms part of Van Lanschot's general funding activities, has helped Van Lanschot to attract new external long-term funding, and brings a further strengthening and diversification of the funding profile of Van Lanschot.

13 Provisions	31/03/2016	31/12/2015
Total	**20,782**	**23,668**
Provisions for pensions	7,999	10,401
Provision for long-service benefits scheme	2,090	2,063
Provision for employee discounts	3,323	3,249
Other provisions	7,370	7,955

14 Subordinated loans	31/03/2016	31/12/2015
Total	**117,999**	**118,151**
Certificates of indebtedness	100,000	100,000
Other subordinated loans	16,790	16,904
Value adjustments fair value hedge accounting	1,209	1,247

15 Other reserves	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 investments					
At 1 January 2016	**15,467**	**9,380**	**-15,201**	**1,939**	**-13,670**	**747,407**	**745,322**
Net changes in fair value	754	2,541	-	-	-3,057	-	238
Realised gains/losses through profit or loss	-	-2,715	-	-	-	-	-2,715
Dividend	-	-	-	-	-	-	-
Share plans	-	-	-	-	-	-38	-38
Other changes	-	-	-	-377	-	-17	-394
At 31 March 2016	**16,221**	**9,206**	**-15,201**	**1,562**	**-16,727**	**747,352**	**742,413**
Tax effects	-	58	-	-	1,019	-	1,077

Notes to the consolidated statement of income

(x€1,000)

16 Net interest income	Q1 2016	Q1 2015
Interest income		
Total	**107,665**	**153,412**
Interest income on cash equivalents	-	-
Interest income on banks and private sector	78,793	85,672
Interest income on held-to-maturity investments	1,754	1,745
Other interest income	615	6
Interest income on items not recognised at fair value	**81,162**	**87,423**
Interest income on available-for-sale investments	3,762	4,117
Interest income on financial assets at fair value through profit or loss	2,588	6,794
Interest income on derivatives	20,153	55,078
Interest expense		
Total	**52,156**	**103,454**
Interest expense on banks and private sector	14,794	26,247
Interest expense on issued debt securities	11,726	15,269
Interest expense on subordinated loans	1,457	1,616
Other interest expense	101	124
Interest expense on items not recognised at fair value	**28,078**	**43,256**
Interest expense on balances at central banks	301	200
Interest expense on derivatives	23,777	59,998

Net interest income increased by €5.5 million compared with the first quarter of 2015. This increase was primarily due to lower interest income on the Corporate Banking loan portfolio and the investment portfolio, which was more than off-set by lower interest expenses paid on client savings accounts and deposits as a result of lower volumes and lower interest rates.

17 Income from securities and associates	Q1 2016	Q1 2015
Total	**1,255**	**7,995**
Income from associates using the equity method	2,000	1,733
Dividend and fees	323	303
Movements in value of investments at fair value through profit or loss	-1,068	5,939
Realised result of available-for-sale equity investments	-	20

18 Net commission income	Q1 2016	Q1 2015
Total	**58,446**	**68,131**
Securities commissions	7,463	12,460
Management commissions	42,577	40,890
Cash transactions and funds transfer commissions	2,479	2,662
Corporate Finance and Equity Capital Markets commissions	3,522	10,376
Other commissions	2,405	1,743

Net commission income fell by €9.7 million compared with the first quarter of 2015. This decrease resulted primarily from lower corporate finance commissions as well as lower securities commissions within the Merchant Banking segment as a result of a challenging capital markets environment in the first few months of 2016.

19 Result on financial transactions	Q1 2016	Q1 2015
Total	**-2,178**	**22,055**
Profit on securities trading	-987	38
Profit on currency trading	1,778	2,873
Unrealised gains/losses on derivatives under hedge accounting	-3,943	-1,212
Realised and unrealised gains/losses on trading derivatives	1,718	2,059
Realised gains on available-for-sale debt instruments	3,620	10,793
Gains/losses on economic hedges - hedge accounting not applied	-19,149	20,684
Gains/losses on financial assets designated at fair value through profit or loss	14,785	-13,180

Result on financial transactions fell by €24.2 million compared with the first quarter of 2015. This decrease resulted among other things from lower gains and losses on the available for sale investment portfolio. The movement in gains/losses on economic hedges and gains/losses on financial assets at fair value through profit or loss shows the revaluation result due to changing capital market rates on the mark-to market portfolio as well as some derivative positions.

20 Other income	Q1 2016	Q1 2015
Total	**10,422**	**10,217**
Net sales	23,894	22,306
Cost of sales	-13,472	-12,089

Other income comprises income from non-strategic investments arising from debt conversion. 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, thus giving the company concerned time to recover. We aim to sell any shares in non-strategic investments in due course.

21 Staff costs	Q1 2016	Q1 2015
Total	**57,795**	**60,863**
Salaries and wages	43,603	47,285
Pension costs for defined contribution schemes	4,627	4,667
Pension costs for defined benefit schemes	1,234	852
Other social security costs	5,008	5,056
Share-based payments for variable remuneration	521	565
Other staff costs	2,802	2,438

22 Other administrative expenses	Q1 2016	Q1 2015
Total	**39,874**	**40,183**
Accommodation expenses	6,171	5,774
Marketing and communication	2,408	2,812
Office expenses	2,154	2,432
IT expenses	13,604	15,623
External auditor fees	759	604
Consultancy fees	3,790	2,938
Travel and hotel fees	3,135	3,268
Information providers' fees	2,553	2,151
Payment charges	995	903
Other administrative expenses	4,305	3,678

The Belgium 'spaartaks' 2016 of €1.2 million is in accordance with IFRIC 21 in its entirety recognised in the first quarter of 2016 under Other administrative expenses.

23 Impairments	Q1 2016	Q1 2015
Total	**3,814**	**15,697**
Loans and advances to the public and private sectors	3,371	15,347
Available-for-sale investments	-	100
Investments in associates using the equity method	370	-
Property and equipment	-	90
Assets acquired through foreclosures	73	160

Impairments represent the balance of the required impaiments and the release of such impairments.

Impairments on Loans and advances to the public and private sectors fell by €12.0 million compared with the first quarter of 2015. Due on the one hand to a reduced need for loan provisioning and on the other to an improvement in the quality of loans for which a provision had already been formed, thus releasing part of the provision. The sale of non-performing real estate loans also reduced the need to take provisions.

24 Income tax

Deferred tax assets
The decrease in the deferred tax assets is due to the taxable profit achieved in the first quarter of 2016.

Income tax recognized in the statement of income
The following table sets out the principal components of the income tax.

	Q1 2016	Q1 2015
Operating profit before tax from continuing operations	17,924	37,039
Profit before tax from discontinued operations	-	-
Total gross result	**17,924**	**37,039**
Prevailing tax rate in the Netherlands	25%	25%
Expected tax	4,481	9,260
Increase/decrease in tax payable due to:		
Tax-free interest	-	-
Tax-free income from securities and associates	-559	-1,581
Taxed release of tax reserves	-	607
Non-deductible impairments	-	-
Non-deductible costs	292	227
Non-deductible losses	112	103
Adjustments to taxes for prior financial years	-	-
Impact of foreign rate tax differences	-233	-112
Other changes	-180	-357
	-568	**-1,113**
Total tax	**3,913**	**8,147**

Additional notes
(x€1,000)

25 Earnings per ordinary share	Q1 2016	Q1 2015
Net result	14,011	28,892
Interest on equity instruments issued by subsidiaries	-	-245
Non-controlling interests	-817	-1,797
Net result attributable to shareholders	**13,194**	**26,850**
Weighted average number of ordinary shares in issue	40,996,097	40,826,361
Earnings per ordinary share (€)	0.32	0.66

26 Diluted earnings per ordinary share	Q1 2016	Q1 2015
Net result attributable to shareholders	13,194	26,850
Weighted average number of ordinary shares in issue	40,996,097	40,826,361
Potential ordinary shares	459,193	422,109
Weighted average number of ordinary shares in issue, fully diluted	**41,455,290**	**41,248,470**
Diluted earnings per ordinary share (€)	0.32	0.65

27 Fair value

Financial instruments at fair value
A portion of the financial instruments are measured at fair value in the statement of financial position. 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.

In 2014 we 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. 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. In 2016 Van Lanschot has further refined the policy document, the non-observable input variables are assessed on significance each reporting date.

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) 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 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 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.

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 observable in the markets
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 insignificant extent, information not observable in the market.

Financial instruments at fair value				Q1 2016
	Level 1	Level 2	Level 3	**Total**
Assets				
Financial assets held for trading	10,129	1,306	312	**11,747**
Financial assets designated at fair value through profit or loss	451,967	38,601	13,662	**504,230**
Available-for-sale investments	2,176,059	-	40,403	**2,216,462**
Derivatives	23,058	339,944	14,251	**377,253**
Total assets	**2,661,213**	**379,851**	**68,628**	**3,109,692**
Liabilities				
Financial liabilities held for trading	4,773	-	312	**5,085**
Financial liabilities designated at fair value through profit or loss	-	737,304	66,174	**803,478**
Derivatives	20,846	408,878	4,367	**434,091**
Total liabilities	**25,619**	**1,146,182**	**70,853**	**1,242,654**

Financial instruments at fair value				31/12/2015
	Level 1	Level 2	Level 3	**Total**
Assets				
Financial assets held for trading	5,206	1,137	520	**6,863**
Financial assets designated at fair value through profit or loss	659,245	39,177	14,156	**712,578**
Available-for-sale investments	2,119,108	-	40,033	**2,159,141**
Derivatives	26,124	297,396	9,891	**333,411**
Total assets	**2,809,683**	**337,710**	**64,600**	**3,211,993**
Liabilities				
Financial liabilities held for trading	88	-	330	**418**
Financial liabilities designated at fair value through profit or loss	-	730,883	73,720	**804,603**
Derivatives	24,859	295,630	4,271	**324,760**
Total liabilities	**24,947**	**1,026,513**	**78,321**	**1,129,781**

During the first quarter of 2016, the valuation technique remain unchanged.

During the first quarter of 2016, Van Lanschot assessed the non-observable input variable on significancy. As a result of this assessment some financial instruments belonging to Derivatives (assets and liabilities) or Financial liabilities designated at fair value through profit or loss has been transferred from Level 2 to Level 3 and vice versa. The transfer regarding Derivatives (assets) consists of €1.7 million transfer from Level 2 to Level 3 and €1.9 million transfer from Level 3 to Level 2. The transfer regarding Financial liabilities designated at fair value through profit or loss consists of €14.4 million transfer from Level 2 to Level 3 and €20.6 million transfer from Level 3 to Level 2. The transfer regarding Derivatives (liabilities) consists of a transfer from Level 3 to Level 2.

Breakdown of movements in financial assets classified as Level 3							
	at 1 January 2016	To statement of income	To equity	Purchases	Sales	Transfers	At 31 March 2016
Assets							
Financial assets held for trading	520	-2	-	-	-206	-	**312**
Financial assets designated at fair value through profit or loss	14,156	-494	-	-	-	-	**13,662**
Available-for-sale investments	40,033	227	748	75	-680	-	**40,403**
Derivatives	9,891	1,228	-	3,291	-	-159	**14,251**
Total assets	**64,600**	**959**	**748**	**3,366**	**-886**	**-159**	**68,628**

Breakdown of movements in financial liabilities classified as Level 3	at 1 January 2016	To statement of income	To equity	Issues	Settlements	Transfers	At 31 March 2016
Liabilities							
Financial liabilities held for trading	330	-	-	-	-18	-	**312**
Financial liabilities designated at fair value through profit or loss	73,720	-1,317	-	-	-	-6,229	**66,174**
Derivatives	4,271	1,142	-	-	-	-1,046	**4,367**
Total liabilities	**78,321**	**-175**	**-**	**-**	**-18**	**-7,275**	**70,853**

Breakdown of movements in financial assets classified as Level 3	At 1 January 2015	To statement of income	To equity	Purchases	Sales	Transfers	At 31 March 2015
Assets							
Financial assets held for trading	219	1	-	-	-25	-	**195**
Financial assets designated at fair value through profit or loss	14,081	795	-	-	-2,575	-	**12,301**
Available-for-sale investments	62,325	436	1,797	116	-2,505	-	**62,169**
Derivatives	8,519	738	-	9,251	-	-	**18,508**
Total assets	**85,144**	**1,970**	**1,797**	**9,367**	**-5,105**	**-**	**93,173**

Breakdown of movements in financial liabilities classified as Level 3	At 1 January 2015	To statement of income	To equity	Issues	Settlements	Transfers	At 31 March 2015
Liabilities							
Financial liabilities designated at fair value through profit or loss	113,698	7,003	-	14,468	-1,500	-	**133,669**
Derivatives	1,092	-455	-	3,093	-	-	**3,730**
Total liabilities	**114,790**	**6,548**	**-**	**17,561**	**-1,500**	**-**	**137,399**

Fair value changes recognised in profit or loss of financial instruments classified as Level 3	Q1 2016			Q1 2015		
	Realised	Unrealised	**Total**	Realised	Unrealised	**Total**
Net interest income	231	-	**231**	436	-	**436**
Income from securities and associates	-2	-494	**-496**	1	795	**796**
Result on financial transactions	-	1,403	**1,403**	-	-5,810	**-5,810**
Impairments	-	-4	**-4**	-	-	**-**
Total	**229**	**905**	**1,134**	**437**	**-5,015**	**-4,578**

Notes on fair value determation using significant observable market inputs (Level 2)				
	Fair value		**Valuation method**	**Significance of observable market inputs**
	31/03/2016	**31/12/2015**		
Assets Financial assets held for trading	1,306	1,137	- Net Asset Value	- estimate of net asset value of the underlying investments reflecting appropriate generally accepted valuation methods received from fund managers
Financial assets designated at fair value through profit or loss	38,601	39,177	- Net Asset Value	- most recently known (closing) price of the underlying assets - most recent published net asset value - market value on measurement date equals market price - fair value reflecting appropriate generally accepted standards
Derivatives	339,944	297,396	- Discounted cash flow - Option model	- Underlying value - Interest rate - Dividend yield - Volatility - Realised consumer price index (CPI) - Seasonality - Inflation rate - Correlation - FX rates - CDS spread - Recovery rate
Total assets	**379,851**	**337,710**		
Liabilities Financial liabilities designated at fair value through profit or loss	737,304	730,883	- Discounted cash flow - Option model	- Interest rate - Asset price - Dividend yield - Volatility - Correlation - FX rates
Derivatives	408,878	295,630	- Discounted cash flow - Option model	- Underlying value - Interest rate - Dividend yield - Volatility - Realised consumer price index (CPI) - Seasonality - Inflation rate - Correlation - FX rates - CDS spread - Recovery rate
Total liabilities	**1,146,182**	**1,026,513**		

Notes on fair value determination using non-observable inputs (Level 3)				
	Fair value		**Valuation method**	**Significance of non-observable market inputs**
	31/03/2016	**31/12/2015**		
Assets Financial assets held for trading	312	520	- Net asset value	- Net asset value - Face value
Financial assets designated at fair value through profit or loss	13,662	14,156	- Discounted cashflow - Market Multiples - Trade Multiples - Net asset value	- n/a* - Cost or lower market value
Available-for-sale investments **	40,403	40,033	- Discounted cash flow - Net asset value	- Interest rates - Discount rates - Most recent published net asset values of the underlying assets - n/a * - Multiple analyses of comparable companies less a discount of 25% for illiquidity and company size - Most recently known share price - EBITA - Issue or tansfer price - Market price on final trading day - Face value less provisions
Derivatives **	14,251	9,891	- Discounted cash flow - Option model	- Volatility - Correlation
Total assets	**68,628**	**64,600**		
Liabilities Financial liabilities held for trading	312	330	- Net asset value	- Net asset value - Face value
Financial liabilities designated at fair value through profit or loss **	66,174	73,720	- Discounted cash flow - Option model	- Volatility - Correlation
Derivatives **	4,367	4,271	- Discounted cash flow - Option model	- Volatility - Correlation - n/a
Total liabilities	**70,853**	**78,321**		

* The valuation is provided by a professional party. Van Lanschot has no insight into the significant non-observable data, range and sensitivity.
** The range and sensitivity of these financial instruments are disclosed in table Notes on range and sensitivity of non-observable market inputs (Level 3). No range or sensitivity information is available for the other financial instruments.

Notes on range and sensitivity of 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	7% - 12%	change of 1% change of €0.1 million
	- Discount rates	7% - 12%	change of 1% - change of €0.1 million
Derivatives			
Structured products derivatives			
- Options	- Correlation	-20% - 25% (2%)	total impact €0.5 million
	- Volatility	10% - 20% (16%)	total impact €1.0 million
- Equity swaps	- Correlation	-21% - 28% (3%)	total impact -€0.5 million
	- Volatility		
Liabilities			
Financial liabilities designated at fair value through profit or loss			
Structured debt instruments	- Correlation	-20% - 28% (3%)	total impact -€0.4 million
	- Volatility	14% - 20% (17%)	total impact €0.3 million
Derivatives			
Structured products derivatives			
- Options	- Volatility	14% - 20% (17%)	total impact €0.4 million
- Equity Swaps	- Volatility	14% - 20% (17%)	total impact €0.3 million
	- Correlation	-17% - 22% (3%)	total impact €0.0 million

Financial instruments not recognised at 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 a commercial 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 are estimated on the basis of the present value or other estimation or valuation methods

Financial instruments not recognised at fair value	31/03/2016		31/12/2015				
	Fair value	Carrying amount	Fair value	Carrying amount	Level	Valuation method	Significant observable and non-observable market inputs
Assets							
Due from banks	232,738	232,736	200,094	200,073	2	Discounted cash flows using applicable money market rates	Interest rate and discount rate
Held-to-maturity investments	565,059	521,101	557,396	523,639	1	Quoted prices in active markets	-
Loans and advances to the public and private sectors	10,793,059	10,123,003	10,702,999	10,168,368	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
Liabilities							
Due to banks	460,296	459,719	698,209	698,125	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	9,449,480	9,300,140	9,716,862	9,572,336	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	3,020,740	2,954,123	2,522,843	2,480,005	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	134,739	117,999	146,131	118,151	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

28 Netting of financial assets and financial liabilities

Netting of financial assets					31/03/2016
	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	**2,032,764**	**633,053**	**1,399,711**	**18,411**	**1,381,300**
Derivatives	682,487	305,234	377,253	18,411	358,842
Current accounts	1,350,277	327,819	1,022,458	-	1,022,458

Netting of financial liabilities					31/03/2016
	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
Totaal	**5,132,831**	**633,053**	**4,499,778**	**18,411**	**4,481,367**
Derivatives	739,325	305,234	434,091	18,411	415,680
Current accounts*	4,393,506	327,819	4,065,687	-	4,065,687

* Current accounts are part of Other funds entrusted.

Netting of financial assets					31/12/2015
	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	**2,050,008**	**702,664**	**1,347,344**	**66,137**	**1,281,207**
Derivatives	700,020	366,609	333,411	66,137	267,274
Current accounts	1,349,988	336,055	1,013,933	-	1,013,933

Netting of financial liabilities					31/12/2015
	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
Totaal	**5,078,577**	**702,664**	**4,375,913**	**66,137**	**4,309,776**
Derivatives	691,369	366,609	324,760	66,137	258,623
Current accounts*	4,387,208	336,055	4,051,153	-	4,051,153

* Current accounts are part of Other funds entrusted.

29 Related parties

	Q1 2016			
	Income	Expenses	Amounts receivable	Amounts payable
Total	**5,379**	**5,713**	**22,735**	**21,377**
Parties with a shareholding in Van Lanschot of at least 5%	5,361	5,713	20,520	19,141
Associates	-	-	-	-
Investments in associates using the equity method	18	-	2,215	2,236

	Q1 2015			
	Income	Expenses	Amounts receivable	Amounts payable
Total	**16,400**	**16,449**	**78,578**	**52,475**
Parties with a shareholding in Van Lanschot of at least 5%	16,384	16,404	76,096	31,117
Associates	-	-	-	-
Investments in associates using the equity method	16	45	2,482	21,358

For further information regarding to related party transactions see Van Lanschot's annual report 2015 (from page 204).

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, while intrasegment transactions are conducted based 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 & executives, healthcare professionals, and associations and charitable societies.

Asset Management
A specialist asset manager, Asset Management 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.

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.

Other activities
These comprise activities in the field of interest rate, market and liquidity risk management, as well as Van Lanschot Participaties and non-strategic investments.

The operating segments presentation is changed as per financial year 2016 to align it in the way the segment information is reported to the Executive Board (EB). The breakdown between interest income and interest expense is no longer presented, and the same for the split between commission income and commission expense. In 2016 management of Van Lanschot decided to make a clear distinction between directly influenced own costs and indirect costs, this distinction is now visible in the tables below. The figures of the first quarter 2015 have been adjusted accordingly.

Operating segments						**Q1 2016**
€ million	**Private Banking**	**Asset Management**	**Merchant Banking**	**Corporate Banking**	**Other activities**	**Total**
Statement of income						
Net interest income	39.4	-	-	11.9	4.2	**55.5**
Income from securities and associates	-	-0.2	-	-	1.5	**1.3**
Net commission income	26.3	21.6	9.6	0.9	-	**58.4**
Profit on financial transactions	0.3	-	0.4	-	-2.9	**-2.2**
Other income	-	-	-	-	10.4	**10.4**
Total income from operating activities	**66.0**	**21.4**	**10.0**	**12.8**	**13.2**	**123.4**
Staff costs	21.6	8.6	4.6	1.2	21.8	**57.8**
Other administrative expenses	14.2	3.8	1.9	0.3	19.7	**39.9**
Allocated internal expenses	18.2	3.9	2.2	4.3	-28.6	**-**
Depreciation and amortisation	0.6	0.1	-	-	3.3	**4.0**
Impairments	-0.4	-	-	5.5	-1.3	**3.8**
Total expenses	**54.2**	**16.4**	**8.7**	**11.3**	**14.9**	**105.5**
Operating result before tax	**11.8**	**5.0**	**1.3**	**1.5**	**-1.7**	**17.9**
Income tax	2.9	1.3	0.4	0.4	-1.1	**3.9**
Net result	**8.9**	**3.7**	**0.9**	**1.1**	**-0.6**	**14.0**
Efficiency ratio (%)	83%	76%	87%	45%		

Operating segments € million	Private Banking	Asset Management	Merchant Banking	Corporate Banking	Other activities	Q1 2015 Total
Statement of income						
Net interest income	38.0	-	-	15.3	-3.3	**50.0**
Income from securities and associates	-	0.1	-	-	7.9	**8.0**
Net commission income	27.8	20.0	19.0	1.0	0.3	**68.1**
Profit on financial transactions	0.6	-	0.4	-	21.0	**22.0**
Other income	-	-	-	-	10.2	**10.2**
Total income from operating activities	**66.4**	**20.1**	**19.4**	**16.3**	**36.1**	**158.3**
Staff costs	17.8	8.3	7.4	1.8	25.6	**60.9**
Other administrative expenses	7.1	2.8	2.0	0.2	28.1	**40.2**
Allocated internal expenses	34.1	3.8	2.4	5.9	-46.2	**-**
Depreciation and amortisation	1.2	-	-	-	3.3	**4.5**
Impairments	7.8	-	-	6.4	1.5	**15.7**
Total expenses	**68.0**	**14.9**	**11.8**	**14.3**	**12.3**	**121.3**
Operating result before tax	**-1.6**	**5.2**	**7.6**	**2.0**	**23.8**	**37.0**
Income tax	-0.5	1.2	1.9	0.5	5.0	**8.1**
Net result	**-1.1**	**4.0**	**5.7**	**1.5**	**18.8**	**28.9**
Efficiency ratio (%)	91%	74%	61%	48%		

Events after the reporting period

Strategy update
In April 2016, Van Lanschot announced the outcome of a strategic update for the period until and including 2020. The overall approach and mission as defined three years ago remain unchanged. Van Lanschot continues to enhance its strong position as a specialised, independent wealth management firm, with many elements of the transformation fully realised. Now, Van Lanschot starts the next phase of its strategy to incorporate its response to changes in client needs, trends in the industry and challenging economic circumstances. The core of the strategy remains the same: to be the trusted partner of clients in creating and preserving wealth.

The launch of the next steps of our wealth management strategy includes a one-off investment programme of approximately €60 million for the period of 2016 to 2019, to implement an omnichannel Private Banking service model, further develop Evi and finalise the transformation of our IT landscape.

Delta Lloyd
Delta Lloyd has indicated its intention to pursue a sale of its shareholding in Van Lanschot by way of a marketed offering in the course of 2016. Van Lanschot places a high value on having a stable shareholder base that supports its strategy and positioning as a specialised, independent wealth manager, and has therefore agreed to support the intended offering.

Van Lanschot Participaties
In May 2016, Van Lanschot entered into a letter of intent in connection with the proposed acquisition of the shares of a company that provides IT back office solutions to Van Lanschot for a purchase price of €1 plus an earn-out payment by Van Lanschot to the seller upon a future sale of the shares by Van Lanschot. Under the terms of this letter of intent, Van Lanschot will provide capital of €2 million in two tranches.

Other information

Statutory Board Responsibility Statement

The members of the Statutory Board hereby declare, to the best of their knowledge, that the 2016 interim financial statements, which have been prepared in accordance with IAS 34 (Interim Financial Reporting), give a true and fair view of the assets, liabilities, financial position and profit or loss of Van Lanschot NV and its consolidated entities, and that the 31 March 2016 interim report gives a true and fair view of the information to be provided by virtue of Article 5 (25) (d) (8) (9) of the Dutch Financial Supervision Act ("Wft").

's-Hertogenbosch, the Netherlands, 20 May 2016

Statutory Board

Karl Guha, Chairman

Constant Korthout

Richard Bruens

Arjan Huisman

Independent auditors' report

To: The shareholders and Supervisory Board of Van Lanschot NV.

Report on the audit of the financial statements 2015

Our opinion

We have audited the financial statements 2015 of Van Lanschot NV, based in 's-Hertogenbosch. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- the consolidated financial statements give a true and fair view of the financial position of Van Lanschot NV as at 31 December 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the company financial statements give a true and fair view of the financial position of Van Lanschot NV as at 31 December 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2015;
- the following statements for 2015: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows;
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
- the company balance sheet as at 31 December 2015;
- the company profit and loss account for 2015;
- 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 financial statements" section of our report.

We are independent of Van Lanschot NV 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	
Materiality	€10 million
Benchmark applied	One percent of the Common Equity Tier-1 capital
Explanation	We have applied Common Equity Tier-1 as we believe this is the most important metric for the users of the financial statements.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of €0,5 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

Van Lanschot NV is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Van Lanschot NV.

Our group audit mainly focused on significant group entities F. van Lanschot Bankiers NV (including België branche), F. van Lanschot Bankiers (Schweiz) AG, Kempen & Co NV and Van Lanschot Participaties B.V. We have performed audit procedures ourselves at group entities F. van Lanschot Bankiers NV, Kempen & Co NV en Van Lanschot Participaties BV. We have used the work of other auditors within our organization when auditing the entities F. van Lanschot Bankiers België and 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 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 financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Risk	Our audit approach
Credit risk on loans and advances	
Van Lanschot holds a loan portfolio with private and public loans which are subject to credit risk. The size of the loan portfolio and developments in the economic environment and the loan portfolio further increase the attention for credit risk and associated impairments. Periodically, Van Lanschot 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. When determining the future cash flows, the following assumptions are used: estimated collateral value, estimated future payments, time of receipt of these payments and the discount rate.	Our audit included a review of the credit approval process, credit management process and the estimation process of determining impairment losses. We have tested the relevant internal controls concerning these processes. In addition, we have selected a number of loans and advances on a risk based approach and examined these loans and advances in detail. We verified whether impairment losses exist and assumptions are adequate. In case of real estate related collateral, we used the work of our real estate valuation experts. Furthermore, we have audited the credit risk disclosures, as included in chapter 2 of the Risk Management paragraph.
Recognition of deferred tax assets	
Van Lanschot has recognized deferred tax assets in respect of tax losses from previous years and hereby assumes that these tax losses will be offset against taxable profits within the prescribed time limits. Due to the size of the deferred tax position and the possible impact on the results, this is one of our key audit matters. A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.	Our audit included a review of the estimation process of determining future taxable profits. We have assessed the reasonableness of assumptions used and estimations made by management, partly on the basis of consistency and achievements in prior years. Furthermore, we have tested whether the underlying data has been prepared using the same basis as the financial statements, applying acceptable principles for valuation and the determination of the result. We have also audited the presentation and disclosure of the deferred tax assets, as included in disclosure 13 of the financial statements.

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the 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 financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective 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.

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 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.

We have exercised professional judgment and have maintained professional skepticism 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 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 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 an the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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. Decisive were 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.

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 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 other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information), we state that:

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- The Management Board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were appointed as external auditor of Van Lanschot NV for the audit of the financial statements 2015 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, 8 March 2016

Ernst & Young Accountants LLP

Signed by W.J. Smit

Consolidated statement of financial position at 31 December 2015

(x €1,000)

		31/12/2015	31/12/2014
Assets			
Cash and cash equivalents and balances at central banks	(1)	881,024	1,156,985
Financial assets held for trading	(2)	6,863	43,153
Due from banks	(3)	200,073	449,125
Financial assets designated at fair value through profit or loss	(4)	712,578	1,309,524
Available-for-sale investments	(5)	2,159,141	1,952,731
Held-to-maturity investments	(6)	523,639	533,708
Loans and advances to the public and private sectors	(7)	10,168,368	11,021,107
Derivatives (receivables)	(8)	333,411	275,093
Investments in associates using the equity method	(9)	56,299	50,679
Property, plant and equipment	(10)	79,239	76,392
Goodwill and other intangible assets	(11)	175,122	153,471
Current tax assets	(12)	1,916	1,258
Deferred tax assets	(13)	49,782	59,831
Other assets	(14)	148,265	176,381
Total assets		**15,495,720**	**17,259,438**
Equity and liabilities			
Financial liabilities from trading activities	(15)	418	71
Due to banks	(16)	698,125	879,972
Public and private sector liabilities	(17)	9,572,336	10,499,160
Financial liabilities designated at fair value through profit or loss	(18)	804,603	705,912
Derivatives (liabilities)	(8)	324,760	381,313
Issued debt securities	(19)	2,480,005	3,073,410
Provisions	(20)	23,668	21,256
Current tax liabilities	(21)	1,611	507
Deferred tax liabilities	(22)	3,300	10,095
Other liabilities	(23)	148,809	215,809
Subordinated loans	(24)	118,151	121,415
Total liabilities		**14,175,786**	**15,908,920**
Issued share capital		41,017	41,017
Treasury shares		– 1,058	– 3,639
Share premium reserve		479,914	479,914
Other reserves		745,322	675,988
Undistributed profit attributable to shareholders of Van Lanschot NV		34,163	98,994
Equity attributable to shareholders		**1,299,358**	**1,292,274**
Equity instruments issued by subsidiaries		–	27,250
Undistributed profit attributable to equity instruments issued by subsidiaries		943	1,110
Equity attributable to equity instruments issued by subsidiaries		**943**	**28,360**
Other non-controlling interests		11,985	21,287
Undistributed profit attributable to other non-controlling interests		7,648	8,597
Equity attributable to other non-controlling interests		**19,633**	**29,884**
Total equity	(25)	**1,319,934**	**1,350,518**
Total equity and liabilities		**15,495,720**	**17,259,438**
Contingent liabilities	(26)	82,502	115,564
Irrevocable commitments	(27)	492,392	601,373
		574,894	**716,937**

References relate to the relevant notes

Consolidated statement of income for 2015

(x €1,000)

		2015	2014
Income from operating activities			
Interest income		513,762	735,397
Interest expense		313,153	522,927
Net interest income	(28)	**200,609**	**212,470**
Income from associates using the equity method		11,813	36,593
Other income from securities and associates		17,052	18,683
Income from securities and associates	(29)	**28,865**	**55,276**
Commission income		272,738	248,330
Commission expense		7,176	8,021
Net commission income	(30)	**265,562**	**240,309**
Result on financial transactions	(31)	**23,342**	**41,971**
Other income	(32)	**42,762**	**16,161**
Total income from operating activities		**561,140**	**566,187**
Expenses			
Staff costs	(33)	233,657	151,669
Other administrative expenses	(34)	171,468	162,958
Staff costs and other administrative expenses		**405,125**	**314,627**
Depreciation and amortisation	(35)	17,391	22,511
Operating expenses		**422,516**	**337,138**
Addition to loan loss provision		51,004	75,998
Other impairments		10,933	19,531
Impairments	(36)	**61,937**	**95,529**
Result from sale of private and public sector loans and advances	(37)	22,403	–
Total expenses		**506,856**	**432,667**
Operating profit before tax		**54,284**	**133,520**
Income tax	(38)	11,530	24,819
Net result		**42,754**	**108,701**
Of which attributable to shareholders		34,163	98,994
Of which attributable to equity instruments issued by subsidiaries		943	1,110
Of which attributable to other non-controlling interests		7,648	8,597
Earnings per ordinary share (€)	(39)	0.83	2.42
Diluted earnings per ordinary share (€)	(40)	0.83	2.40
Proposed dividend per ordinary share (€)		0.45	0.40

The number beside each item refers to the Notes to the consolidated statement of income.

Consolidated statement of comprehensive income for 2015

(x €1,000)

		2015	2014
Net result (as per statement of income)		**42,754**	**108,701**
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		– 903	– 2,457
Revaluation of debt instruments		– 2,417	61,520
Realised return on equity instruments		– 949	– 1,730
Realised return on debt instruments		– 15,491	– 31,589
Income tax		4,573	– 7,618
Total other comprehensive income through revaluation reserve	(25)	**– 15,187**	**18,126**
Other comprehensive income from value changes of derivatives (cash flow hedges)			
Decrease in value of derivatives directly charged against equity		– 1,681	– 7,555
Income tax		420	1,889
Total other comprehensive income from value changes of derivatives (cash flow hedges)	(25)	**– 1,261**	**– 5,666**
Other comprehensive income from currency translation differences		2,912	249
Income tax		–	–
Total other comprehensive income from currency translation differences	(25)	**2,912**	**249**
Total other comprehensive income to be reclassified to profit or loss after tax in subsequent periods		**– 13,536**	**12,709**
Other comprehensive income not to be reclassified to profit or loss after tax in subsequent periods			
Remeasurement of defined benefit pension plans			
Remeasurement of defined benefit pension plans		– 1,112	– 126,754
Income tax		162	31,945
Total remeasurement of defined benefit pension plans	(25)	**– 950**	**– 94,809**
Total other comprehensive income not to be reclassified to profit or loss after tax in subsequent periods		**– 950**	**– 94,809**
Total other comprehensive income		**– 14,486**	**– 82,100**
Total comprehensive income		**28,268**	**26,601**
Of which attributable to shareholders		19,677	16,894
Of which attributable to equity instruments issued by subsidiaries		943	1,110
Of which attributable to other non-controlling interests		7,648	8,597

The number beside each item refers to the Notes to the consolidated statement of income.

Consolidated statement of changes in equity in 2015

(x €1,000)

	Share capital	Treasury shares	Share premium reserve*	Other reserves*	Un-distributed profit	**Total equity attributable to share-holders**	Equity attributable to equity instruments issued by subsidiaries	Equity attributable to other non-controlling interests	**Total equity**
At 1 January	41,017	– 3,639	479,914	675,988	98,994	**1,292,274**	28,360	29,884	**1,350,518**
Net result (as per statement of income)	–	–	–	–	34,163	**34,163**	943	7,648	**42,754**
Total other comprehensive income	–	–	–	– 14,486	–	**– 14,486**	–	–	**– 14,486**
Total comprehensive income	**–**	**–**	**–**	**– 14,486**	**34,163**	**19,677**	**943**	**7,648**	**28,268**
Share plans	–	2,581	–	937	–	**3,518**	–	–	**3,518**
To other reserves	–	–	–	82,628	– 82,628	**–**	–	–	**–**
Repurchased equity instruments	–	–	–	–	–	**–**	–	–	**–**
Dividends	–	–	–	–	– 16,366	**– 16,366**	– 1,110	– 6,280	**– 23,756**
Other changes	–	–	–	255	–	**255**	– 27,250	–	**– 26,995**
Acquisition of/change in non-controlling interests	–	–	–	–	–	**–**	–	– 11,619	**– 11,619**
At 31 December	**41,017**	**– 1,058**	**479,914**	**745,322**	**34,163**	**1,299,358**	**943**	**19,633**	**1,319,934**

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 in 2014

(x €1,000)

	Share capital	Treasury shares	Share premium reserve*	Other reserves*	Un-distributed profit	**Total equity attributable to share-holders**	Equity attributable to equity instruments issued by subsidiaries	Equity attributable to other non-controlling interests	**Total equity**
At 1 January	41,017	– 2,135	479,914	735,461	29,230	**1,283,487**	37,188	18,291	**1,338,966**
Net result (as per statement of income)	–	–	–	–	98,994	**98,994**	1,110	8,597	**108,701**
Total other comprehensive income	–	–	–	– 82,100	–	**– 82,100**	–	–	**– 82,100**
Total comprehensive income	**–**	**–**	**–**	**– 82,100**	**98,994**	**16,894**	**1,110**	**8,597**	**26,601**
Share plans	–	1,189	–	1,165	–	**2,354**	–	–	**2,354**
To other reserves	–	–	–	21,037	– 21,037	**–**	–	–	**–**
Repurchased equity instruments	–	– 2,693	–	–	–	**– 2,693**	–	–	**– 2,693**
Dividends	–	–	–	–	– 8,193	**– 8,193**	– 1,125	– 3,539	**– 12,857**
Other changes	–	–	–	425	–	**425**	– 8,813	–	**– 8,388**
Acquisition of/change in non-controlling interests	–	–	–	–	–	**–**	–	6,535	**6,535**
At 31 December	**41,017**	**– 3,639**	**479,914**	**675,988**	**98,994**	**1,292,274**	**28,360**	**29,884**	**1,350,518**

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 cash flows for 2015

(x €1,000)

		2015	2014
Cash flow from operating activities			
Operating result before tax		54,284	133,520
Adjustments for			
– Depreciation and amortisation	(35)	18,480	22,549
– Costs of share plans		2,772	1,970
– Valuation results on associates using the equity method		– 9,813	– 9,763
– Valuation results on financial assets designated at fair value through profit or loss		96,163	– 103,748
– Valuation results on financial liabilities designated at fair value through profit or loss		– 2,581	28,844
– Valuation results on derivatives (receivables and liabilities)		– 24,771	– 20,975
– Impairments	(36)	61,937	95,529
– Result on termination of defined benefit pension scheme		–	– 122,660
– Changes in provisions		1,212	– 7,416
Cash flow from operating activities		**197,683**	**17,850**
Net increase/(decrease) in operating assets and liabilities			
– Financial assets/liabilities held for trading		– 4,293	3,203
– Due from/due to banks		90,637	– 336,488
– Loans and advances to public and private sectors/public and private sector liabilities		– 229,086	1,714,052
– Derivatives (receivables and liabilities)		– 27,885	57,718
– Withdrawals from restructuring provision and other provisions		– 1,192	– 11,332
– Other assets and liabilities		– 39,910	– 66,880
– Income taxes paid/received		– 2,959	– 6,939
– Dividends received		10,460	3,363
Total movement in assets and liabilities		**– 204,228**	**1,356,697**
Net cash flow from operating activities		**– 6,545**	**1,374,547**
Cash flow from investing activities			
Investments and acquisitions			
– Investments in debt instruments		– 4,361,571	– 4,476,736
– Investments in equity instruments		– 10,899	– 26,447
– Acquisitions (excluding acquired cash and cash equivalents)		– 2,000	–
– Investments in associates using the equity method		– 62	– 7,775
– Property, plant and equipment		– 11,480	– 11,651
– Goodwill and other intangible assets		– 1,491	– 1,590
Divestments, redemptions and sales			
– Investments in debt instruments		4,631,131	2,751,044
– Investments in equity instruments		49,410	7,862
– Investments in associates using the equity method		722	9,820
– Property, plant and equipment		4,418	5,423
– Goodwill and other intangible assets		–	3,033
Dividends received		3,485	5,094
Net cash flow from investing activities		**301,663**	**– 1,741,923**

The numbers in the statement of cash flows refer to the Notes to the Consolidated statement of financial position and the Notes to the consolidated statement of income.

Consolidated statement of cash flows for 2015 (continued)

(x €1,000)

		2015	2014
Cash flow from financing activities			
Share plans		775	543
Repurchased equity instruments		–	– 2,693
Equity instruments issued by subsidiaries		– 27,250	– 8,813
Other non-controlling interests		– 8,670	6,535
Redemptions on subordinated loans		– 3,112	– 6,652
Receipts on debt securities		522,816	204,268
Redemptions on debt securities		– 1,110,461	– 996,496
Receipts on financial liabilities designated at fair value through profit or loss		254,918	402,755
Redemption of financial liabilities designated at fair value through profit or loss		– 153,647	– 83,320
Dividends paid		– 23,756	– 12,857
Net cash flow from financing activities		**– 548,387**	**– 496,730**
Net change in cash and cash equivalents and balances at central banks	(1)	**– 253,269**	**– 864,106**
Cash and cash equivalents and balances at central banks at 1 January		1,121,931	1,986,037
Cash and cash equivalents and balances at central banks at 31 December		868,662	1,121,931
Additional disclosure			
Cash flows from interest received		523,493	725,648
Cash flows from interest paid		370,149	569,258

The numbers in the statement of cash flows refer to the Notes to the Consolidated statement of financial position and the Notes to the consolidated statement of income.

Summary of significant accounting principles

General

Van Lanschot is an independent wealth manager specialising in the preservation and creation of wealth for its clients. Van Lanschot NV is the holding company of F. van Lanschot Bankiers NV. The company has its registered office at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands. Van Lanschot is a public limited company incorporated under Dutch law. Depositary receipts for Class A ordinary shares are publicly traded on the Official Market of Euronext Amsterdam Stock Exchange.

The consolidated financial statements of Van Lanschot NV at 31 December 2015 were prepared by the Statutory Board on 8 March 2016 and will be submitted to the General Meeting of Shareholders for adoption on 19 May 2016. At the request of the General Meeting of Shareholders, the financial statements may (subject to the consent of the Supervisory Board) be amended by the Statutory Board after publication. The amended financial statements will be submitted to the General Meeting for adoption.

Basis of preparation

The consolidated financial statements of Van Lanschot and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and with Part 9, Book 2 of the Dutch Civil Code. The assets and liabilities disclosed in the consolidated financial statements are measured 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

Van Lanschot has changed the presentation of the consolidated statement of cash flows. With effect from 2015, cash flows relating to financial assets designated at fair value through profit or loss are treated as net cash flows from investment activities. In previous reporting periods, cash flows were recognised as net cash flows from operating activities. This change has been made to ensure that all investment portfolios are treated in a consistent manner in the statement of cash flows.

The comparative figures for 2014 have been adjusted accordingly. This leads to an increase in the net cash flows from operating activities of €481 million to €1,375 million, an increase in equity and debt instrument investments and purchases of €568 million to €4,503 million, and an increase in disposals, redemptions and sales of €87 million to €2,759 million. The change has no impact on equity or results.

Changes in published IFRS standards and interpretations

The IFRS standards listed below became effective from 1 January 2015 and have been applied to the Van Lanschot financial statements for 2015. 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.

IAS 19 Defined Benefit Plans: Employee Contributions

The purpose of this change is to simplify and clarify the administrative treatment of employee or third-party contributions to defined benefit pension plans. The amendments are effective for annual periods beginning on or after 1 July 2014. The change has no impact for Van Lanschot.

Annual Improvements to 2010-2012 Cycle

The amendments are effective for annual periods beginning on or after 1 February 2015, and have been applied by Van Lanschot for the first time in the 2015 financial statements. Changes to standards include:

IFRS 2 Share-based Payment

The amendment clarifies the definition of performance condition and service condition. The amendment must be applied prospectively. The definitions are in accordance with the way in which Van Lanschot calculates and accounts for share-based payments, and this amendment therefore has no impact.

IFRS 3 Business Combinations

The amendment clarifies that subsequent measurement of contingent considerations arising from a business combination must be at fair value through profit and loss, regardless of whether or not they fall within the scope of IAS 39. The amendment must be applied prospectively and Van Lanschot will apply it upon acquisition of all fiduciary services in the United Kingdom from the Dutch pensions administrator and asset manager MN.

IFRS 8 Operating Segments

The amendment requires an entity to disclose the judgements made by management in applying the aggregation criteria to two or more operating segments. This disclosure includes a brief description of the aggregated operating segments and the economic characteristics used to determine that the segments are similar. The amendment also states that reconciliation of the segmented assets to the total assets of the entity is only required if this reconciliation is reported to the chief operating decision maker. The same applies for segmented liabilities. The Executive Board fulfils the role of chief operating decision maker within Van Lanschot. The amendment must be applied retrospectively.

The impact for Van Lanschot is very limited because it does not aggregate any operating segments. The reconciliation of segmented assets and liabilities to total assets and liabilities is not reported to the Executive Board and is therefore no longer included in the notes on operating segments.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment clarifies the different methods of remeasuring assets at fair value by adjusting the carrying amount to the fair value of the assets or proportional adjustment of the cumulative depreciation or amortisation and impairments. The amendment must be applied retrospectively. Van Lanschot has not recognised any revaluations of property, plant and equipment or intangible assets at fair value.

IAS 24 Related Party Disclosures
The amendment states that if a company receives management services from a management services entity, such as a trust office, the requirement to split key management personnel compensation into the different categories referred to in IAS 24.17 need not be applied. Instead, the service fee paid to the management services entity must be disclosed. The amendment must be applied retrospectively. This is not relevant for Van Lanschot because it does not insource key management personnel from management services entities.

Annual Improvements to 2011-2013 Cycle

The amendments are effective for annual periods beginning on or after 1 January 2015 and have been applied by Van Lanschot for the first time in the 2015 financial statements. Changes to standards concern:

IFRS 3 Business Combinations
The amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment must be applied prospectively and has no impact for Van Lanschot.

IFRS 13 Fair Value
The amendment clarifies that the scope of the portfolio exception includes not only financial assets and liabilities but also all contracts accounted for within the scope of IAS 39. The amendment must be applied prospectively. Van Lanschot does not make use of the portfolio exception.

IAS 40 Investment Property
The description of ancillary services in IAS 40 distinguishes between investment property and buildings held for own use. The amendment states that IFRS 3 and not the description of ancillary services in IAS 40 should be applied in determining whether a transaction constitutes an asset purchase or a business combination. The amendment has no impact for Van Lanschot.

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 recognition of levies imposed by a government and applies to financial statements for periods beginning on or after 1 January 2014. The European Union ratified this standard in June 2014. IFRS 12 applies to EU companies' financial statements for periods beginning on or after 17 June 2014. This interpretation has no impact for Van Lanschot.

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 2015. Van Lanschot has not applied these standards in the 2015 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.

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 adoption 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. The European Union has not yet endorsed this standard. Van Lanschot intends to apply the new standard with effect from the required effective date. Van Lanschot began an IFRS 9 project in 2015 in which the Financial Risk Management department is working closely with the Finance, Reporting & Control department.

Classification and measurement of financial instruments
Van Lanschot has carried out a high-level impact assessment of the classification and measurement of the financial instruments in its portfolio. This assessment is based on currently available information and is subject to change following more detailed analyses. Based on the high-level impact assessment, Van Lanschot does not expect any significant adjustment in the measurement of the financial instruments. The classifications will be adjusted in accordance with the new classifications in IFRS 9.

Impairments
Several scenarios were investigated to model the changed method of determining impairments. A study was also carried out on obtaining the necessary data for this. The amendment entails a change from the present determination method based on recognition of losses incurred to determination based on recognition of expected losses, either on a 12-month basis or over a financial instrument's lifetime. IFRS 9 could potentially have an impact for Van Lanschot's loan loss provisions. The impact of the change for Van Lanschot will be examined in more detail in 2016 as part of the IFRS 9 project.

Hedge accounting
IFRS 9 provides the option of continuing to apply IAS 39 for hedge accounting. Van Lanschot intends to make use of this option. The new standard on hedge accounting is therefore expected to have a minor impact on Van Lanschot.

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates

The amendments concern issues that have arisen when applying the exemption from preparing consolidated financial statements for investment entities. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. The amendments also clarify that only subsidiaries that are themselves not investment entities and that provide ancillary services to the parent's investment activities should be consolidated. Other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 mean that where an investor applies the equity method, it may continue to use the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. The amendments are effective for annual periods beginning on or after 1 January 2016; early adoption is permitted and must be disclosed.

IFRS 10 Consolidated Financial Statements and IFRS 28 Investments in Associates

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. These amendments are effective for annual periods beginning on or after 1 January 2016; early adoption 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. These amendments are effective for annual periods beginning on or after 1 January 2016; early adoption 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 standards. The standard is effective for annual periods beginning on or after 1 January 2018; early adoption is permitted.

IAS 1 Presentation of Financial Statements

The amendments clarify the present requirements in relation to the order of presentation of aspects relating to materiality, aggregation and flexibility in the notes to the financial statements. The amendments also clarify the requirements when additional subtotals are presented in the statement of financial position (balance sheet), statement of income (profit and loss) and statement of comprehensive income. These amendments are 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 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 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.

Significant accounting judgements 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 and 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 market 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, under 9, Fair value.

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.

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

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 NV comprise the financial statements of F. van Lanschot Bankiers NV and its subsidiaries. The financial statements of F. van Lanschot Bankiers NV and its subsidiaries are prepared at 31 December using consistent accounting policies. The financial year of F. van Lanschot Bankiers NV 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 the effecting of 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 stemming 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 stemming 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 disclosed in the statement of financial position), liabilities and obligations not disclosed 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 disclosed in the statement of financial position 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 disclosed 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 disclosed 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 at fair value through profit or loss whose value is subject to change, or financial assets classified as available for sale 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 concerned. 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; or
- 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 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 accounting principles followed by Van Lanschot 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. Van Lanschot applies the EU carve-out on portfolio fair value hedges.

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. Movements in the value of the hedging instrument are taken to the statement of income.

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, with the remaining value adjustment of the hedged item 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.

A determination is carried out in advance as to whether an embedded derivative is closely related.

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 category 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 at fair value through profit or loss

These assets 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 evaluated 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 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 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. 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 appropriate classification for its investments on their transaction dates.

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 income statement. 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 asset does not exceed its 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 whereby the aim is to actively sell 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 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 discounted cash flow 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 discounted cash flow 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 discounted cash flow 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 discounted cash flow 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 and 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
Communication equipment	5
Safety equipment	15
Infrastructure	10
Furniture and fixtures	5 - 10

Operating software development costs are capitalised if they are identifiable, if 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 finite 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 assets and liabilities cease to be recognised when these movements in value are realised. Current tax is taken to the statement of income on realisation of the movement in value.

Other assets

Assets acquired through foreclosures are carried at the lower of cost or the recoverable amount. This recoverable amount is the estimated selling price in the ordinary course of business less the relevant variable costs to sell. The recoverable amount 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 at fair value through profit or loss
Financial liabilities designated 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 expenses 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 jubilee 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.

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.

Restructuring provision
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. Employees are also notified of the main features of the plan.

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
Direct costs of a new share issue are deducted from equity, taking account of taxes.

If Van Lanschot purchases treasury shares, the purchase price, including direct transaction costs after tax, is deducted from equity. Treasury shares purchased by Van Lanschot do not qualify for profit or dividend and are not included in the calculation of earnings per share. Equity instruments issued by subsidiaries 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.

Commission
This item comprises the income, other than income similar to interest, earned on banking 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
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 at fair value through profit and loss comprises unrealised value differences and interest expenses on financial liabilities designated at fair value through profit and loss.

Other income
Other income comprises non-banking income resulting from the consolidation of non-banking subsidiaries.

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 payment
Employees may be eligible to receive remuneration in the form of share-based payments. The cost of equity instrument-settled transactions 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 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 payment: Management Investment Plan
The Management Investment Plan entails an equity instrument-settled transaction. If, at the moment that the share-based payment is made, the fair market value per depositary receipt exceeds the issue price, the costs relating to this higher fair market value are treated as expenses 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
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 ordinary share
Earnings per ordinary share are calculated by dividing the profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per ordinary share are calculated by dividing the profit available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted for possible dilution as a result of outstanding option rights, for example.

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 tangible assets. 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

As well as providing services to clients, 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. With this in mind, we consciously aim for a conservative risk profile. Our risk policies, 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 2012 Van Lanschot has managed the credit risk for a large part of its loan portfolio using sophisticated, risk-sensitive internal ratings-based (IRB) models. These models provide us with an accurate insight into developments within the loan portfolio and thus a clear picture of the risk of default, the potential loss and the buffer capital we require for this. 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 enterprises (SMEs) 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. The IRB models for the retail portfolio were recalibrated on several occasions in 2015 as a result of internal reviews and independent external validations. Van Lanschot's IRB models have been approved by De Nederlandsche Bank (DNB), are monitored on a monthly basis, internally reviewed periodically, and will be subject to periodic independent validation.

Since the onset of the financial crisis, banks have had to meet more stringent statutory and regulatory rules. This is reflected in stricter risk weightings and higher capital requirements, among other things.

The Capital Requirements Regulation (CRR) which came into effect on 1 January 2014 and the transposition of the Capital Requirements Directive IV (CRD IV) into Dutch law brought major legislative and regulatory changes. Some parts of the new requirements, for example relating to capital, are being phased in gradually, while in other cases the newly introduced requirements are being worked up in more detail in supplementary regulations. Van Lanschot is monitoring developments closely so that it will be able to implement these additional requirements in good time. Several elements have now been embedded in our 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. In the light of the capital requirements imposed by the CRR and CRD IV, attention is also devoted to developments in relation to bail-in capital.

A number of policy documents are drafted as part of the annual risk management cycle, describing how Van Lanschot manages capital and liquidity risks. These documents, the ICAAP for capital and the ILAAP for liquidity, are reviewed annually by De Nederlandsche Bank (DNB) during the supervisory review and evaluation process. Van Lanschot also has in place a recovery plan containing early warning indicators and triggers in relation to capital and liquidity, and describing measures that the bank can take in times of stress. The recovery plan was updated in 2015.

Towards the end of 2015, Van Lanschot began integrating staff posts in the areas of finance, compliance and risk management. Once this integration is complete, the combined risk management department will form a second line of defence in the control of financial and non-financial risks within the group. The Recovery Section was also enlarged in 2015 and given a more explicit preventive role.

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
- Financial reporting risk

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.

Van Lanschot has the following tools in place to manage financial reporting risks:
- Periodic management reports and KPI dashboards, accompanied by analysis of financial and non-financial figures and trends;
- A risk & control framework describing processes and procedures, and setting out primary controls such as authorisations and segregation of duties;
- The findings from the review of the functioning of the internal control system by Group Audit, which are discussed with the Executive Board, 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;
- The Van Lanschot Accounting Manual, which sets out the principles we pursue with respect to financial accounting.

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 management teams of the relevant divisions 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.

These risk categories are discussed separately from Section 2 onwards, where aspects of Basel II and Basel III are outlined. Subsequently, in Section 9, information about fair value is provided.

1.1 Risk appetite

Van Lanschot regards solid capital and liquidity ratios as an essential prerequisite for a successful proposition, and this is reflected in our risk appetite. We seek to strike a simple and transparent balance here. The focus in the lending activities is on private banking; the corporate loan portfolio is being largely unwound.

We have in place a robust risk appetite system with appropriate 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 strategic 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 here 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.

1.2 Organisation of risk and capital management

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 standards and limits, 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 our risk framework is based on the three lines of defence principle. Day-to-day responsibility for risk control is assigned to the front office and/or operational departments (first line); Compliance, Risk Management and Financial Risk Management form the second line of defence 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 appropriate 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. The purpose of capital management is to ensure that Van Lanschot's capital buffer is maintained at a level that is commensurate with the risks to which it is exposed. Both external capital adequacy requirements and internal capital adequacy targets are taken into account, with the central focus being on safeguarding our financial solidity and stability. A capital and funding plan is prepared each year for capital management purposes.

Table 1.1 Capital ratios (%)	External requirement	31/12/2015	31/12/2014
Total capital ratio	8.0	17.0	15.2
Tier I ratio	6.0	16.3	14.6
Common Equity Tier I ratio (phase-in)	4.5	16.3	14.6
Leverage ratio (phase-in)	3.0	6.4	5.8

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 – Crisis Management Team/Business Continuity Committee – IT Security – Impairment Committee – Product Board					
Implementation and review § 1.2.3	Risk Management Van Lanschot	Financial Risk Management	Risk Management Kempen	Finance Reporting & Control	Compliance	Group Audit
Execution § 1.2.4	Private Banking	Asset Management	Merchant Banking	Treasury	Recovery Section	Corporate Banking

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.

In August 2015 the Supervisory Board decided to split the Audit, Risk & Compliance Committee at Kempen into an Audit and Compliance Committee and a separate Risk Committee. It was also decided that the meetings of these committees would henceforth be combined with the respective meetings of the Van Lanschot Audit and Compliance Committee and Risk Committee. There is one combined meeting of the Van Lanschot and Kempen Audit and Compliance Committees and one combined meeting of the Van Lanschot and Kempen Risk Committees

1.2.2 Risk and capital management

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 its risk and capital management policies and the resultant capital management plan. This plan is reviewed and approved annually by the Statutory Board.

The Statutory Board has ultimate responsibility for all activities undertaken by Van Lanschot. This remit includes ensuring the effective functioning of the processes designed to ensure that Van Lanschot holds sufficient liquid funds and is adequately capitalised to achieve its objectives within the scope of its risk appetite and the statutory frameworks. The decisions of the Statutory Board on these matters take place within the Executive Board. The following committees have been established to enable the different risk types to be properly managed:

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 serve on this committee, along with (Financial) Risk Management, Compliance, Private Banking Service Centres, Corporate Banking and Recovery. The committee meets every quarter.

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

The Asset & Liability Committee (ALCO) is responsible for the management of risks relating to the statement of financial position at group level, and as part of that responsibility the committee supervises the implementation and execution of our capital management policy and its derived capital management and funding plan and liquidity and funding policies. The committee supervises compliance with the relevant guidelines when transactions are effected, especially in relation 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, and reviews our capital management and funding plan. 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

The Compliance & Operational Risk Committee oversees the implementation and execution of the compliance and operational risk management policy, which focuses on 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.

Other committees concerned with risk management include the following:
- 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 project decision-making.

1.2.3 Implementation and review of risk and capital management policies

Van Lanschot and Kempen each have their own risk management governance structures. The risk management departments of Van Lanschot and Kempen will be integrated in 2016; the description below is based on the situation as at year-end 2015.

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

In addition, Group Audit periodically reviews policies.

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. The department 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.

Kempen Risk Management is responsible for measuring, managing and reporting on all relevant risks within Kempen. Its focus is on market and operational risks. Risk Management Kempen 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. The Kempen CFO chairs these committees, in which the relevant business units and departments are represented. 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.

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 at the first request of Van Lanschot's Financial Risk Management and Risk Management in order to provide a comprehensive picture of all relevant risks within Van Lanschot.

Finance, Reporting & Control is jointly responsible with Van Lanschot 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 businesses and coordinating supervision of risk management.

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 Executive Board. In addition, Compliance periodically reports to the Supervisory Board's Audit and Compliance Committee.

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.

1.2.4 Execution of risk and capital management policies

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 policies are implemented.

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 section and in the Pillar III remuneration disclosure for 2015. 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 Basel II 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 derivatives transactions.

Table 1.3.1.A Minimum external capital adequacy requirements (Pillar I)	31/12/2015	%	31/12/2014	%
Total	**514,458**	**100%**	**588,519**	**100%**
Credit risk	427,516	83%	497,776	85%
Market risk and settlement risk	5,942	1%	7,889	1%
Operational risk	72,438	14%	75,182	13%
CVA risk	8,562	2%	7,672	1%

Table 1.3.1.B Capital requirements for main types of credit risk exposure	31/12/2015	%	31/12/2014	%
Total	**427,516**	**100%**	**497,776**	**100%**
Receivables from corporates	233,067	55%	300,186	60%
Retail receivables	111,182	26%	94,244	19%
Other	83,267	19%	103,346	21%

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	31/12/2015	%	31/12/2014	%
Total	**811,240**	**100%**	**803,524**	**100%**
Credit risk	427,516	53%	497,776	62%
Market risk and settlement risk	5,942	1%	7,889	1%
Operational risk	72,438	9%	75,182	9%
CVA risk	8,562	1%	7,672	1%
Concentration risk	90,255	11%	66,984	8%
Interest rate risk	147,900	18%	88,180	11%
Strategic risk	58,627	7%	59,841	8%

1.4 Available risk capital

Van Lanschot discusses present and future risk policies each month in its Asset & Liability Committee (ALCO). ALCO may decide to take measures to adjust policies. 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 €26 million in 2015, from €1,072 million to €1,046 million. The new Capital Requirements Regulation (CRR) came into force in 2014. As a result, the composition of the core capital has been adjusted and changes have been made to 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 CRR introduces a number of other deductions, for example relating to deferred tax assets and defined benefit pension plans. CRR contains a number of transitional provisions, which among other things allow for the phasing in of deductions, thus giving banks time to reinforce their capital. A phasing-in rate of 40% applied in 2015 for most components covered by the phasing-in arrangement. The decline in equity is largely the result of the full redemption of the Perpetual Capital Securities in 2015, leading to an increase in the direct deduction from core capital.

Table 1.4.A Capital adequacy requirements and available capital	31/12/2015	31/12/2014
Minimum capital required	**514,458**	**588,519**
Credit risk	427,516	497,776
Market risk and settlement risk	5,942	7,889
Operational risk	72,438	75,182
CVA risk	8,562	7,672
Qualifying capital	**1,095,248**	**1,119,632**
Of which Tier I core capital	1,045,877	1,071,800
Of which Tier I capital	1,045,877	1,071,800
Of which Tier II capital	49,371	47,832
Capital ratios		
Total capital ratio	17.0%	15.2%
Tier I ratio	16.3%	14.6%
Common Equity Tier I ratio (phase-in)	16.3%	14.6%
Leverage ratio (phase-in)	6.4%	5.8%

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 6.4% (2014: 5.8%). The amount of capital in the numerator is €1,046 million (2014: €1,072 million), and the denominator is €16.3 billion (2014: €18.4 billion). Of this total, €16.0 billion (2014: €18.0 billion) comprises items recognised in the statement of financial position.

Table 1.4.B provides a breakdown of the qualifying capital based on Basel III. It also shows 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 amounting to €13.7 million (2014: €12.4 million), own credit risk in respect of debt instruments designated at fair value through profit and loss totalling €16.7 million (2014: €17.7 million) and prudent valuation €2.0 million negative (2014: €2.1 million negative).

Goodwill included in the qualifying capital excludes goodwill amounting to €9.0 million in respect of non-strategic investments (2014: €3.0 million).

Table 1.4.B Qualifying capital	31/12/2015	31/12/2014
Share capital	41,017	41,017
Treasury shares	– 1,058	– 3,639
Share premium reserve	479,914	479,914
General reserve	719,168	592,182
Provisional profit distribution for solvency purposes	15,730	82,663
Non-controlling interests	5,300	12,600
Actuarial results on defined benefit pension plan	– 15,201	– 8,377
Revaluation reserve	9,939	–
Cash flow hedge reserve	– 13,670	– 12,409
Other reserves	30,178	70,432
Prudential filters	28,387	27,931
Other filters	4,984	–
Deductions		
Goodwill and other intangible assets	– 162,547	– 145,790
Deferred tax assets	– 17,219	– 10,712
IRB shortfall	– 79,045	– 53,929
Assets arising from pension schemes	–	– 83
Core Tier I capital	**1,045,877**	**1,071,800**
Innovative instruments with interest step-up (equity instruments issued by subsidiaries)	–	21,800
Non-controlling interests	1,828	–
Deductions		
IRB shortfall	– 1,828	– 21,800
Total Tier I capital	**1,045,877**	**1,071,800**
Subordinated loans	81,594	95,529
(General) provisions for SA receivables	–	2,790
Non-controlling interests	2,437	–
Deductions		
IRB shortfall	– 34,660	– 50,487
Total Tier II capital	**49,371**	**47,832**
Qualifying capital	**1,095,248**	**1,119,632**
Reconciliation of qualifying capital with consolidated equity:		
Expected dividend payable for the current year	18,433	16,331
Result for 2014 attributable to equity instruments issued by subsidiaries	943	1,110
Result for 2014 attributable to non-controlling interests	7,648	8,597
Goodwill and other intangible assets	162,547	145,790
Deferred tax assets	17,219	10,712
Assets arising from pension schemes	–	83
Subordinated loans	– 81,594	– 95,529
Non-controlling interests	11,986	21,287
Cash flow hedges reserve	– 13,670	– 12,409
Unrealised gains and losses at fair value	– 14,717	– 17,658
Deduction for IRB shortfall	115,533	126,216
Revaluation reserves not forming part of qualifying capital	14,908	40,034
Innovative instruments with interest step-up (equity instruments issued by subsidiaries)	–	5,450
Other equity elements not forming part of equity	– 14,550	– 19,128
Total consolidated equity	**1,319,934**	**1,350,518**

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 various departments, including Acceptance & Management.

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.

In May 2015 we began offering mortgages under a white label via a third party. From the perspective of risk management, the credit risk and outsourcing risk are of particular relevance. A service level agreement (SLA) has been signed to ensure adequate control of the operational risks, including the outsourcing risk. The SLA principally relates to the various parts of the mortgage lending process and the provision of data. We carry out a monthly review to verify that the terms of the SLA are being observed. The acceptance and management of credit risks have been outsourced to a third party and are monitored using detailed data on the mortgage portfolio, provided in accordance with prevailing legal requirements. This allows for the recognition of any arrears, for example. We also review mortgage loans on a test basis.

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 the client's situation (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 there are objective indicators of impairment as referred to under Impairments on loans and advances to the private and public sectors, the Recovery Section draws up an impairment proposal, based on which 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 real estate (mortgage loans), an investment portfolio (securities-backed loans) or privately held commercial real estate (real estate loans). The remainder of the loan portfolio comprises regular consumer loans and private customised financing (other loans). 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 real estate, 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.

Table 2.2.A Breakdown of loan portfolio by entity (excluding impairments)	31/12/2015		31/12/2014	
	Limit	Utilisation	Limit	Utilisation
Total	**11,075,332**	**10,348,638**	**12,067,567**	**11,345,085**
Van Lanschot Bankiers	10,644,305	9,991,171	11,665,125	10,980,614
Kempen	194,506	194,506	182,710	144,739
Van Lanschot other	236,521	162,961	219,732	219,732

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 at 31/12/2015

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%	Non-performing loans
Total		**10,168,368**		**9,799,114**	**15,130**	**534,394**	**180,270**	**31.0***	**588,150**
Companies and institutions									
Real estate	9	892,257	909,594	817,803	–	74,454	6,627	8.9	76,071
Healthcare	2	190,430	216,499	179,472	–	10,958	7,073	64.5	12,759
Financial holding companies	2	219,378	276,359	186,700	–	32,678	2,094	6.4	32,678
Services	4	368,632	413,844	338,650	204	29,778	15,895	53.4	32,459
Retail	2	197,953	242,038	180,455	–	17,498	5,157	29.5	17,498
Capital assets	1	143,563	178,976	129,887	–	13,676	1,599	11.7	13,676
Other	6	656,431	816,299	591,260	30	65,141	26,990	41.4	74,439
Total companies and institutions	**26**	**2,668,644**	**3,053,609**	**2,424,227**	**234**	**244,183**	**65,435**	**26.8**	**259,580**
Private individuals									
Mortgages	61	6,352,611	6,396,602	6,210,211	12,889	129,511	54,242	41.9	163,339
Real estate	4	408,395	413,122	368,873	–	39,522	5,501	13.9	41,192
Other	9	918,988	1,211,999	795,803	2,007	121,178	40,539	33.5	124,039
Total private individuals	**74**	**7,679,994**	**8,021,723**	**7,374,887**	**14,896**	**290,211**	**100,282**	**34.6**	**328,570**
Impairments of loans		180,270				165,717	14,553		

The line item 'Other' under Companies and institutions (Netherlands) comprised the following sectors in 2015: construction and infrastructure 1.12% (2014: 1.25%); building materials 0.98% (2014: 1.15%); transport and logistics 0.54% (2014: 0.74%); agriculture and fishing 0.59% (2014: 0.56%); non-food consumer products 0.35% (2014: 0.48%); food, beverages and tobacco 0.39% (2014: 0.60%); automotive industry 0.24% (2014: 0.27%); technology 0.15% (2014: 0.23%); basic materials 0.03% (2014: 0.25%); tourism 0.44% (2014: 0.16%); media 0.14% (2014: 0.16%); chemicals 0.01% (2014: 0.01%); oil and gas 0.01% (2014: 0.02%); and utilities 0.03% (2014: 0.03%). Percentages are expressed as a share of the total loans and advances to the private and public sectors.

* This percentage is determined by comparing the specific provisions against the impaired loans. The IBNR provision is left out of consideration.

Table 2.2.C Private Banking loans and advances by sector at 31/12/2015

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%	Non-performing loans
Total		**8,393,794**		**8,219,363**	**15,130**	**284,176**	**124,875**	**41.0***	**319,587**
Companies and institutions									
Real estate	3	222,257	228,557	211,032	–	11,225	1,657	14.8	11,225
Healthcare	2	180,332	202,080	169,374	–	10,958	7,073	64.5	11,928
Financial holding companies	2	157,099	199,899	152,413	–	4,686	1,296	27.7	4,686
Services	3	267,140	304,159	255,305	204	11,631	5,389	46.3	12,431
Retail	2	150,616	191,341	141,776	–	8,840	3,257	36.8	8,840
Capital assets	0	29,080	49,093	26,358	–	2,722	487	17.9	2,722
Other	3	276,396	371,463	271,153	30	5,213	4,697	90.1	7,115
Total companies and institutions	**15**	**1,282,920**	**1,546,592**	**1,227,411**	**234**	**55,275**	**23,856**	**43.2**	**58,947**
Private individuals									
Mortgages	74	6,312,208	6,355,605	6,173,774	12,889	125,545	53,347	42.5	158,256
Real estate	1	53,747	54,282	53,747	–	–	–	–	–
Other	10	869,794	1,163,603	764,431	2,007	103,356	39,377	38.1	102,384
Total private individuals	**85**	**7,235,749**	**7,573,490**	**6,991,952**	**14,896**	**228,901**	**92,724**	**40.5**	**260,640**
Impairments of loans		124,875				116,580	8,295		

Table 2.2.D Corporate Banking loans and advances by sector at 31/12/2015

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%	Non-performing loans
Total		**1,774,574**		**1,579,751**	**–**	**250,218**	**55,395**	**19.6***	**268,563**
Companies and institutions									
Real estate	37	670,000	681,037	606,771	–	63,229	4,970	7.9	64,846
Healthcare	1	10,098	14,419	10,098	–	–	–	–	831
Financial holding companies	3	62,279	76,460	34,287	–	27,992	798	2.9	27,992
Services	5	101,492	109,685	83,345	–	18,147	10,506	57.9	20,028
Retail	3	47,337	50,697	38,679	–	8,658	1,900	21.9	8,658
Capital assets	6	114,483	129,883	103,529	–	10,954	1,112	10.2	10,954
Other	21	380,035	444,836	320,107	–	59,928	22,293	37.2	67,324
Total companies and institutions	**76**	**1,385,724**	**1,507,017**	**1,196,816**	**–**	**188,908**	**41,579**	**22.0**	**200,633**
Private individuals									
Mortgages	2	40,403	40,997	36,437	–	3,966	895	22.6	5,083
Real estate	19	354,648	358,840	315,126	–	39,522	5,501	13.9	41,192
Other	3	49,194	48,396	31,372	–	17,822	1,162	6.5	21,655
Total private individuals	**24**	**444,245**	**448,233**	**382,935**	**–**	**61,310**	**7,558**	**12.3**	**67,930**
Impairments of loans		55,395				49,137	6,258		

* This percentage is determined by comparing the specific provisions against the impaired loans. The IBNR provision is left out of consideration.

Table 2.2.E Loans and advances to the private and public sectors by sector at 31/12/2014

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%	Non-performing loans
Total		**11,021,107**		**10,530,483**	**174,791**	**639,811**	**323,978**	**49.1***	**967,690**
Companies and institutions									
Real estate	11	1,263,511	1,241,732	1,094,913	29,845	138,753	65,142	46.9	230,208
Healthcare	2	205,090	244,030	196,665	116	8,309	5,988	72.1	9,633
Financial holding companies	2	250,073	320,803	217,596	27,590	4,887	2,820	57.7	34,037
Services	4	480,809	542,610	443,713	8,383	28,713	20,612	71.8	49,761
Retail	2	248,931	295,050	234,088	6,106	8,737	7,054	80.7	19,300
Capital assets	2	185,620	244,250	172,235	10,686	2,699	1,265	46.9	24,793
Other	10	1,130,063	1,277,292	1,030,450	10,417	89,196	47,599	53.4	130,524
Total companies and institutions	**33**	**3,764,097**	**4,165,767**	**3,389,660**	**93,143**	**281,294**	**150,480**	**53.5**	**498,256**
Private individuals									
Mortgages	54	6,111,981	6,203,561	5,965,205	31,253	115,523	68,450	59.3	159,991
Real estate	5	615,538	596,488	476,155	8,977	130,406	41,644	31.9	160,541
Other	8	853,469	1,101,751	699,463	41,418	112,588	53,847	47.8	148,902
Total private individuals	**67**	**7,580,988**	**7,901,800**	**7,140,823**	**81,648**	**358,517**	**163,941**	**45.7**	**469,434**
Impairments of loans		323,978				314,421	9,557		

Table 2.2.F Private Banking loans and advances by sector at 31/12/2014

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%	Non-performing loans
Total		**8,127,291**		**7,955,374**	**76,931**	**220,328**	**125,342**	**55.5***	**286,743**
Companies and institutions									
Real estate	2	110,300	108,611	98,808	6,042	5,450	1,584	29.1	1,200
Healthcare	2	186,745	221,280	178,320	116	8,309	5,988	72.1	9,633
Financial holding companies	2	143,122	187,606	142,337	709	76	77	101.3	1,703
Services	4	304,156	340,809	291,271	8,383	4,502	2,557	56.8	14,740
Retail	2	192,233	235,713	188,098	–	4,135	2,858	69.1	4,618
Capital assets	0	21,471	44,470	19,916	1,507	48	49	102.1	1,555
Other	5	432,026	483,095	424,955	1,273	5,798	6,106	105.3	1,778
Total companies and institutions	**17**	**1,390,053**	**1,621,584**	**1,343,705**	**18,030**	**28,318**	**19,219**	**67.9**	**35,227**
Private individuals									
Mortgages	73	6,040,642	6,131,323	5,909,909	30,403	100,330	61,405	61.2	141,322
Real estate	0	36,254	38,620	36,254	–	–	–	–	–
Other	10	785,684	1,063,325	665,506	28,498	91,680	41,571	45.3	110,194
Total private individuals	**83**	**6,862,580**	**7,233,268**	**6,611,669**	**58,901**	**192,010**	**102,976**	**53.6**	**251,516**
Impairments of loans		125,342				122,195	3,147		

* This percentage is determined by comparing the specific provisions against the impaired loans. The IBNR provision is left out of consideration.

Table 2.2.G Corporate Banking loans and advances by sector at 31/12/2014

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%	Non-performing loans
Total		**2,893,816**		**2,575,109**	**97,860**	**419,483**	**198,636**	**45.8***	**680,947**
Companies and institutions									
Real estate	37	1,153,211	1,133,121	996,105	23,803	133,303	63,558	47.7	229,008
Healthcare	1	18,345	22,750	18,345	–	–	–	–	–
Financial holding companies	3	106,951	133,197	75,259	26,881	4,811	2,743	57.0	32,334
Services	6	176,653	201,801	152,442	–	24,211	18,055	74.6	35,021
Retail	2	56,698	59,337	45,990	6,106	4,602	4,196	91.2	14,682
Capital assets	5	164,149	199,780	152,319	9,179	2,651	1,216	45.9	23,238
Other	23	698,037	794,197	605,495	9,144	83,398	41,493	49.8	128,746
Total companies and institutions	**77**	**2,374,044**	**2,544,183**	**2,045,955**	**75,113**	**252,976**	**131,261**	**51.9**	**463,029**
Private individuals									
Mortgages	2	71,339	72,238	55,296	850	15,193	7,045	46.4	18,669
Real estate	19	579,284	557,868	439,901	8,977	130,406	41,644	31.9	160,541
Other	2	67,785	38,426	33,957	12,920	20,908	12,276	58.7	38,708
Total private individuals	**23**	**718,408**	**668,532**	**529,154**	**22,747**	**166,507**	**60,965**	**36.6**	**217,918**
Impairments of loans		198,636				192,226	6,410		

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. The specific provisions are included in the above tables under impaired loans in the Impaired column, while IBNR items are reported in the Provision column. We made a number of minor improvements in 2015 to its policy and process in relation to the calculation of the IBNR provision, principally involving a change to the segmentation and administrative processes in relation to the formation of provisions. These improvements are recognised as estimation changes. At year-end 2015, IBNR amounted to €14.5 million, while the loss identification period (LIP) stood at 7.7 months for Private Banking, 5.2 months for Corporate Banking and 5.0 months for real estate loans.

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:
- Loans with a significant limit overrun for a period of more than 90 days;
- Loans for which provisions have been taken; or
- Loans with a probability of default of 1; or
- Restructured loans for which the two-year trial period has not started.

2.3 Increased credit risk

Increased credit risk occurs if a client fails to meet their 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 continuity, the client is placed under the supervision of the Recovery Section. If there are objective indicators of impairment as referred to under Impairments on loans and advances to the private and public sector, and there is a loss-making event, the Recovery Section draws up an impairment proposal based on the outstanding liability, available collateral and expected cash flows. The Impairment Committee reviews this proposal and ultimately determines the impairment four times a year in line with 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.

* This percentage is determined by comparing the specific provisions against the impaired loans. The IBNR provision is left out of consideration.

2.3.1 Past due accounts

Van Lanschot defines a receivable as a past due account 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 real estate, 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 their 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 2015 was 74 basis points of the average risk-weighted assets (RWA) during 2015 (2014: 93 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 €234 million at year-end 2015 (2014: €404 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)

All loans for which an individual provision has not been formed are included in the IBNR provisions. 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 12-month 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 loss identification period (LIP) is also determined for each portfolio. This is the number of months (from a minimum of 0 to a maximum of 12) between the onset of the problems at the client and the moment at which the bank became aware of these and formed a provision. The ultimate calculation of the impairment is the product of EL and the confirmation period. The LIP is determined using historical information going back one year.

Table 2.3.1 Age analysis of past due accounts (excluding impaired loans)	31/12/2015		31/12/2014	
	Balance outstanding	Overdrawn amount	Balance outstanding	Overdrawn amount
Total	**15,130**	**6,660**	**174,791**	**69,740**
30-60 days	8,629	4,262	17,754	1,710
61-90 days	1,558	58	4,339	174
>90 days	4,943	2,340	152,698	67,856

Table 2.3.2.A Movements in impairments in 2015	Specific	IBNR	Total
At 1 January	314,421	9,557	323,978
Loans written off	– 66,740	–	– 66,740
Additions to or release of provision	46,008	4,996	51,004
Interest charged	5,501	–	5,501
Sale of real estate loans portfolio	– 133,473	–	– 133,473
At 31 December	**165,717**	**14,553**	**180,270**
As a percentage of RWA			2.80

Table 2.3.2.B Movements in impairments in 2014	Specific	IBNR	Total
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
At 31 December	**314,421**	**9,557**	**323,978**
As a percentage of RWA			4.40

Table 2.3.2.C Impairments charged to profit or loss	2015	2014
Impairments charged to profit or loss	51,004	75,998
As a percentage of RWA	0.74	0.93

Table 2.3.2.D Provisions by entity	31/12/2015		31/12/2014	
	Impaired	Provision	Impaired	Provision
Total	**534,394**	**165,717**	**639,811**	**314,421**
Van Lanschot Bankiers	531,676	162,999	636,855	311,465
Kempen	2,718	2,718	2,916	2,916
Van Lanschot other	–	–	40	40

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.

Action may include one or more of the following measures:

- Amendment of the original terms and conditions of the loan agreement with which the client is unable to comply due to financial difficulties (forbearance loan), with a view to restoring the client's payment capacity. Such an amendment would not be offered unless the client were in financial difficulties.
- Full or partial refinancing of a forbearance loan; this possibility would not be offered unless the client were in financial difficulties.

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 'non-performing' status must last a minimum of one year starting from the last forbearance measure. The client must moreover have made significant and regular payments of interest and/or principal during at least half this period. 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.

Table 2.3.3.A Restructured loans by sector at 31/12/2015

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%
Total		**229,663**		**42,317**	**593**	**287,172**	**100,418**	**35.0**
Companies and institutions								
Real estate	16	52,490	55,167	7,196	–	45,294	3,469	7.7
Healthcare	3	11,339	6,178	1,823	–	9,516	6,530	68.6
Financial holding companies	2	7,548	7,531	27	–	7,521	1,275	17.0
Services	8	25,889	22,334	8,859	188	16,841	10,014	59.5
Retail	5	15,473	17,696	6,487	–	8,987	3,607	40.1
Capital assets	3	10,197	6,212	–	–	10,197	1,112	10.9
Other	18	59,640	41,667	6,136	–	53,505	18,760	35.1
Total companies and institutions	**55**	**182,576**	**156,785**	**30,528**	**188**	**151,861**	**44,767**	**29.5**
Private individuals								
Mortgage loans	20	66,422	67,036	10,107	405	55,910	28,431	50.9
Real estate	7	21,527	20,105	1,682	–	19,845	2,666	13.4
Other	18	59,556	25,374	–	–	59,556	24,554	41.2
Total private individuals	**45**	**147,505**	**112,515**	**11,789**	**405**	**135,311**	**55,651**	**41.1**
Impairments of loans		100,418				100,418		

Table 2.3.3.B Restructured loans by sector at 31/12/2014

	% of total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%
Total		**354,376**		**133,409**	**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	–	–	–
Other	18	102,713	58,432	31,685	7,558	63,470	34,413	54.2
Total companies and institutions	**62**	**343,238**	**252,640**	**110,747**	**28,923**	**203,568**	**108,436**	**53.3**
Private individuals								
Mortgage loans	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.C Types of restructured loans	31/12/2015	31/12/2014
Total	**229,663**	**354,376**
Repayments/reviews temporarily reduced/suspended	123,790	210,114
Temporary increase in credit limit to fund financing expenses/cash flow shortfalls	62,743	75,293
Temporary reduction in interest rate or loan is made interest-free	25,282	62,024
Conditional and/or partial forgiveness of the loan	17,848	6,945

Table 2.3.3.D Movements in restructured loans	2015	2014
At 1 January	354,376	415,907
New restructured loans	103,034	131,002
Additions and repayments	– 93,261	– 91,680
Assets no longer designated as restructured loans	– 30,978	– 98,420
Sale of real estate loans portfolio	– 135,660	–
Total impairments	32,152	– 2,433
At 31 December	**229,663**	**354,376**

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. The value under primary collateral is the lower of the subscription value or the value of the collateral.

Table 2.3.3.E Restructured loans by collateral at 31/12/2015

	Balance outstanding	Mortgage collateral	Commercial real estate*	Financial collateral	Total primary collateral	Secondary collateral and unsecured loans
Total	**229,663**	**52,855**	**68,554**	**2,971**	**124,380**	**110,510**
Mortgage loans	47,628	52,855	–	–	52,855	–
Current accounts	69,781	–	–	2,971	2,971	66,810
Loans	109,452	–	68,554	–	68,554	40,898
Securities-backed loans and settlement claims	42	–	–	–	–	42
Subordinated loans	2,760	–	–	–	–	2,760

* Based on investment value

Table 2.3.3.F Restructured loans by collateral 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

The geographical breakdown in Table 2.3.3.G is based on client locations.

Table 2.3.3.G Restructured loans by geographical area	31/12/2015	31/12/2014
Total	**229,663**	**354,376**
Netherlands	205,869	338,042
Belgium	9,795	8,998
Other	13,999	7,336

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 enforcement of the collateral on which the loan is secured or on liquidation of an enterprise as part of an enforcement process
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 a large proportion of its loan portfolios using the internal ratings-based (IRB) method. This has given us a complete insight into the risk-sensitivity of the loan portfolio. The portfolio can be split 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 non-retail portfolio. This comprises four sub-portfolios:

- The mortgage portfolio;
- Overdrafts up to €40,000;
- Consumer loans up to €250,000;
- 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 equities 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. A risk weighting of 250% is applied for significant investments in financial institutions which cannot be deducted from equity because they fall below the regulatory threshold. 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

Our IRB models are (re)developed and (re)calibrated using the model governance framework, part of the overarching Credit Governance Manual. This framework defines the model development and approval process.

We use segmentation models to assess the risk profile of the retail portfolio. This assessment then provides a basis for estimating the PD. The functioning of the retail IRB models is tested periodically, including through monthly back-testing of the models in which the PD, LGD and EAD estimates are compared with the actual default rates, LGDs and EADs, as well as periodic internal reviews and independent external validation. Changes in client behaviour and macroeconomic developments can lead to a deterioration in the functioning of the models for some sub-portfolios. Where this happens, an internal review is carried out and if necessary models are (re)developed or (re)calibrated.

We use rating models to assess the non-retail portfolio, combining statistical and model input based on expert knowledge. Our internal ratings are translated into an estimation of the probability of default. The outcomes and functioning of the ratings models and PD estimates are reviewed through monthly back-testing, and the models are also subject to periodic internal reviews or independent external validation.

2.4.2 Future development of internal models

Van Lanschot positions itself as an independent specialist wealth manager, and has decided to gradually run down its corporate loan portfolio. In view of the contracting corporate loan portfolio, in 2015 Van Lanschot began redeveloping the non-retail models referred to in Section 2.4. This is expected to result in a change to the non-retail IRB models. In addition, in 2016 Van Lanschot will continue to make further improvements to its retail IRB models, both as part of the internal review cycle and against the background of legislative and regulatory changes.

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.

Table 2.5.A Customised loans: breakdown of internal ratings of outstanding liability (%)

Internal rating	Description	31/12/2015	31/12/2014
Total		**100**	**100**
T	Top class	–	–
A1 - A3	Strong	1	–
B1 - B3	Good	15	15
C1 - C3	Adequate	31	37
D1 - D3	Weak	38	35
E	Very weak	2	2
F1 - F3	Default	13	11

The customised portfolio amounts to €2.7 billion (2014: €3.5 billion).

The spread across the ratings was in line with economic trends. The economic crisis had a substantial impact on the default ratio of customised loans. Virtually the entire customised portfolio was assigned a rating.

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 at 31/12/2015

	Balance outstanding	Mortgage collateral	Commercial real estate*	Financial collateral	Guarantees	Total primary collateral	Secondary collateral and unsecured loans
Total	**10,168,368**	**5,610,781**	**1,233,397**	**465,840**	**165,924**	**7,475,942**	**2,692,426**
Mortgage loans	6,389,152	5,610,781	–	–	–	5,610,781	778,371
Current accounts	1,013,933	–	–	323,911	–	323,911	690,022
Loans	2,506,805	–	1,233,397	–	165,924	1,399,321	1,107,484
Securities-backed loans and settlement claims	243,751	–	–	141,929	–	141,929	101,822
Subordinated loans	14,727	–	–	–	–	–	14,727

* Based on investment value

Table 2.5.C Loans and advances to the public and private sectors by collateral 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

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 our mortgage loans, based on 100% foreclosure value, is 71% (2014: 84%). An LTV based on foreclosure value of 94% was reported in 2014. In the past, the LTV was determined based on a number of buckets. The system was further refined in 2015 to enable the weighted LTV to be calculated at individual loan level; this has led to an improvement in the LTV.

2.6 Concentration within the loan portfolio

Roughly half of Van Lanschot's loan portfolio consists of loans to mainly private clients. The credit risk in this portfolio is limited. The greatest credit risk and actual historic losses occur in the corporate portfolio.

We aim for a diversified loan portfolio and have actively sought to reduce the concentration on individual counterparties. In 2015 this led to a 12% reduction in the total volume of the 20 highest limits compared with 2014. 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. In the light of this strategy, a portfolio of non-performing real estate loans with a nominal value of around €0.4 billion was sold in the autumn of 2015.

Van Lanschot's commercial real estate portfolio comprises €0.9 billion in real estate loans to corporate clients (2014: €1.3 billion) and €0.4 billion in real estate loans to private clients (2014: €0.6 billion).

At year-end 2015, the bank had impaired real estate loans totalling €114 million (2014: €269 million). A provision of approximately €12 million (11%) was taken for these loans (2014: €107 million and 39%).

The average loan-to-value (LTV) of the real estate loan portfolio is 72% (2014: 89%).

Table 2.6.1 Commercial real estate: breakdown of ratings of outstanding liability (%)

Internal rating	Description	31/12/2015	31/12/2014
Total		**100**	**100**
A1 - A3	Strong	–	1
B1 - B3	Good	19	15
C1 - C3	Adequate	50	40
D1 - D3	Weak	22	28
E	Very weak	–	1
F1 - F3	Default	9	15

2.6.2 Concentration within individual loans

The 20 largest loans to individual counterparties other than financial institutions totalled €357 million at year-end 2015, compared with a total loan portfolio of €10.3 billion (2014: €407 million; total loan portfolio €11.3 billion).

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	31/12/2015	31/12/2014
Total	**10,168,368**	**11,021,107**
Netherlands	9,293,069	10,260,548
Belgium	403,491	398,449
Other	471,808	362,110

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.

Table 2.7.A Breakdown of credit risk by type of exposure at 31/12/2015

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**17,551,788**	**16,593,617**	**32%**	**5,343,952**	**427,516**
On-balance sheet items	15,561,908	15,350,317	31%	4,760,313	380,825
Off-balance sheet items	1,364,899	832,085	47%	389,164	31,133
Repo transactions	213,758	–	0%	–	–
Derivatives transactions	411,223	411,215	47%	194,475	15,558

Table 2.7.B Breakdown of credit risk by type of exposure at 31/12/2014

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**19,765,239**	**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	1,361,374	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

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 in this exposure class. See the glossary for more information about the Basel exposure classes.

Off-balance sheet items comprise contingent liabilities, revocable and irrevocable facilities. The Notes to the consolidated statement of financial position refer only to contingent liabilities (Note 26) and irrevocable facilities (Note 27).

Table 2.7.C Capital adequacy requirement by exposure class at 31/12/2015

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**17,551,788**	**16,593,617**	**32%**	**5,343,952**	**427,516**
SA exposure classes					
Central governments and central banks	2,092,466	2,258,390	0%	6,427	514
Regional governments and local authorities	57,865	57,865	0%	–	–
International organisations	25,091	25,091	0%	–	–
Multilateral development banks	50,463	50,463	0%	–	–
Financial companies and financial institutions	1,191,808	825,163	35%	285,567	22,845
Units in collective investment schemes	18,880	18,880	100%	18,880	1,510
Corporates	513,628	216,078	98%	211,923	16,954
Private individuals and medium-sized enterprises	484,605	183,451	75%	138,294	11,063
Secured on real estate	415,856	415,856	35%	145,484	11,639
Past due items	48,829	26,513	103%	27,226	2,178
Items associated with particular high risk	48,452	48,028	150%	72,041	5,763
Covered bonds	700,942	700,942	12%	83,128	6,650
Other risk-weighted assets	441,625	441,567	81%	355,514	28,442
Total SA	**6,090,510**	**5,268,287**	**26%**	**1,344,484**	**107,558**
F-IRB exposure classes					
Corporates	3,424,259	3,329,996	81%	2,701,407	216,113
Equities	51,478	51,478	257%	132,195	10,576
Securitisation positions	806,848	806,848	7%	59,868	4,789
Total F-IRB	**4,282,585**	**4,188,322**	**69%**	**2,893,470**	**231,478**
A-IRB exposure classes					
Retail	7,178,693	7,137,008	15%	1,105,998	88,480
Total A-IRB	**7,178,693**	**7,137,008**	**15%**	**1,105,998**	**88,480**

Table 2.7.D Capital adequacy requirement by exposure class at 31/12/2014

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**19,765,239**	**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	1,567,833	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	**6,644,600**	**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**

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	31/12/2015		31/12/2014	
	Gross exposure	Net exposure	Gross exposure	Net exposure
Total	**6,090,510**	**5,268,287**	**6,644,600**	**5,789,136**
0%	2,446,512	2,482,403	3,179,000	3,274,328
2%	–	–	22,068	22,068
10%	570,604	570,604	49,295	49,295
20%	917,847	540,141	1,469,285	848,526
35%	415,856	415,856	180,129	180,129
50%	469,088	409,088	464,003	388,654
75%	–	–	147,763	132,086
100%	343,076	186,297	1,088,286	850,143
150%	877,525	614,444	44,627	43,763
250%	50,002	49,454	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 31/12/2015

	Average LGD weighting of exposure	Average PD weighting of exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total			**3,329,996**	**2,701,407**	**216,113**
1	0.00%	0.00%	–	–	–
2	44.94%	0.09%	10,906	2,884	231
3	44.78%	0.17%	69,688	25,160	2,013
4	40.41%	0.33%	161,315	78,025	6,242
5	39.99%	0.55%	320,822	196,344	15,708
6	41.93%	0.84%	291,449	214,053	17,124
7	41.53%	1.23%	392,393	337,033	26,963
8	39.28%	1.85%	523,064	469,056	37,524
9	37.84%	2.97%	392,911	381,422	30,514
10	34.38%	5.43%	482,028	523,507	41,880
11	36.99%	11.87%	182,573	275,751	22,060
12	27.16%	32.86%	135,090	198,172	15,854
13	37.88%	100.00%	367,757	–	–

Table 2.7.I 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.J IRB equities simple risk weighting method 31/12/2015				
	Gross exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total	**51,478**	**51,478**	**132,195**	**10,576**
190% Positions in unlisted equities	19,299	19,299	36,668	2,933
290% Positions in listed equities	19,696	19,696	57,119	4,570
370% All other positions in equities	6,000	6,000	22,200	1,776
250% Equity positions >10% in financial companies	6,483	6,483	16,208	1,297

Table 2.7.K IRB equities simple risk weighting method 31/12/2014				
	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.L IRB securitisations 31/12/2015					
		Gross exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total	**Category**	**806,848**	**806,848**	**59,868**	**4,789**
7 - 10%	A (most senior)	806,848	806,848	59,868	4,789
12 - 18%	A2 (mezzanine)	–	–	–	–

Table 2.7.M IRB securitisations 31/12/2014					
		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

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 31/12/2015

	Average LGD weighting of exposure	Average PD weighting of exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total			**7,137,008**	**1,105,998**	**88,480**
1	33.50%	0.04%	59,805	2,834	227
2	13.67%	0.13%	4,395,064	180,930	14,474
3	13.04%	2.86%	1,684,646	506,386	40,512
4	33.79%	0.75%	463,423	142,606	11,408
5	36.60%	2.23%	111,936	54,065	4,325
6	31.27%	5.14%	241,208	116,611	9,329
7	22.02%	100.00%	180,926	102,566	8,205

Table 2.7.O 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

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 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 on- and off-balance sheet items, 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 at 31/12/2015

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**17,551,788**	**16,593,617**	**32%**	**5,343,952**	**427,516**
Assets					
Cash and cash equivalents and balances at central banks	881,019	849,652	6%	54,457	4,357
Financial assets held for trading	–	–	0%	–	–
Due from banks	200,073	118,821	17%	19,705	1,576
Financial assets designated at fair value through profit and loss	712,578	712,578	26%	188,129	15,050
Available-for-sale investments	2,159,141	2,159,141	8%	167,859	13,429
Held-to-maturity investments	523,639	523,639	13%	68,315	5,465
Loans and advances to the public and private sectors	10,766,888	10,669,147	38%	4,019,095	321,529
Derivatives (receivables)	411,223	411,215	47%	194,475	15,558
Investments in associates using the equity method	55,840	55,840	117%	65,563	5,245
Property, plant and equipment	63,067	63,067	100%	63,067	5,045
Goodwill and other intangible assets	–	–	0%	–	–
Current tax assets	1,616	1,616	0%	–	–
Deferred tax assets	49,782	48,384	13%	6,427	514
Other assets	148,265	148,432	73%	107,696	8,615
Total assets	**15,973,131**	**15,761,532**	**31%**	**4,954,788**	**396,383**
Off-balance sheet items	1,364,899	832,085	47%	389,164	31,133
Repo transactions	213,758	–	0%	–	–
	1,578,657	**832,085**	**47%**	**389,164**	**31,133**

Table 2.7.Q Maximum credit risk at 31/12/2014

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**19,765,239**	**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 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	1,361,374	941,839	49%	463,998	37,120
Repo transactions	382,589	222	20%	44	4
	1,743,963	**942,061**	**49%**	**464,042**	**37,124**

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	31/12/2015	31/12/2014
Gross replacement cost of derivative contracts (only items with a replacement cost greater than nil)	202,346	180,733
Settlement of derivative contracts	– 44,347	– 31,263
Add-ons for derivative contracts arising from potential future credit risk	253,216	214,867
Net credit equivalent of derivative contracts	**411,215**	**364,337**

Table 2.8.B Net credit exposure by type of derivative contract	31/12/2015	31/12/2014
Total	**411,215**	**364,337**
Interest rate contracts	192,609	173,527
Foreign exchange contracts	211,322	156,378
Equity derivative contracts	7,284	34,432

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	31/12/2015		31/12/2014	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Total	**59,868**	**4,789**	**72,022**	**5,762**
Other investor positions	59,868	4,789	72,022	5,762

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	31/12/2015			31/12/2014		
	Guarantees	Financial collateral	Other collateral	Guarantees	Financial collateral	Other collateral
Total	**165,924**	**1,210,575**	**132,380**	**95,327**	**1,571,024**	**109,294**
SA exposure classes						
Multilateral development banks	–	–	–	12,707	–	–
Financial companies and financial institutions	82,198	355,154	–	82,620	595,638	–
Corporates	–	123,240	–	–	86,274	–
Private individuals and medium-sized enterprises	83,726	6,676	–	–	–	–
Past due items	–	47	–	–	235	–
Other risk-weighted assets	–	59	–	–	56	–
Total SA	**165,924**	**485,176**	–	**95,327**	**682,203**	–
IRB exposure classes						
Retail	–	276,185	580	–	254,698	446
Corporates	–	449,214	131,800	–	634,123	108,848
Total IRB	–	**725,399**	**132,380**	**–**	**888,821**	**109,294**

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	31/12/2015			31/12/2014		
	SA	IRB	Total	SA	IRB	Total
Total	**485,176**	**725,399**	**1,210,575**	**682,203**	**888,821**	**1,571,024**
Cash	280,090	616,925	897,015	544,240	790,286	1,334,526
Securities collateral	205,086	108,474	313,560	137,963	98,535	236,498

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 2015, financial transactions to a total of €179 million (2014: €52.6 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 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 portfolio 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	31/12/2015	%	31/12/2014	%
Total	**3,395,358**	**100%**	**3,795,963**	**100%**
Debt instruments				
Government paper and government-guaranteed paper	1,511,295	44%	2,097,674	55%
Covered bonds	700,402	21%	436,368	11%
Asset-backed securities	806,848	24%	941,484	25%
Other debt instruments	271,356	8%	218,320	6%
Total debt instruments	**3,289,901**	**97%**	**3,693,846**	**97%**
Equity instruments				
Equity instruments	105,457	3%	102,117	3%
Total equity instruments	**105,457**	**3%**	**102,117**	**3%**

Van Lanschot has classified 21% of its investments as financial assets designated at fair value through profit and loss, 64% as available-for-sale investments and 15% as investments held to maturity.

Investments in government-guaranteed debt instruments are predominantly government bonds issued by the Netherlands, Belgium, the European Union, Italy and Spain.

At 31 December 2015, Van Lanschot had an exposure of €155.0 million to Italian government bonds (2014: €392.0 million) and €316.2 million to Spanish government bonds (2014: €195.5 million). The total nominal value of these bond positions amounted to €400 million. Van Lanschot has no investments in the other countries of the European periphery.

Table 2.9.B Investments in debt instruments by external rating (latest Fitch ratings as known to Van Lanschot)	31/12/2015	%	31/12/2014	%
Total	**3,289,901**	**100%**	**3,693,846**	**100%**
AAA	2,182,520	66%	2,230,705	60%
AA	401,303	12%	649,655	18%
A	189,357	6%	188,965	5%
Other	516,721	16%	624,521	17%

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 €811.8 million at 31 December 2015.

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	**9,217**	**– 3,923**	**5,294**	**806,848**
Asset-backed securities	9,217	– 3,923	5,294	806,848

Table 2.9.D 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 treated as encumbered. These tables have been drawn up on the basis of carrying value.

Encumbered assets

Pledged as collateral:

- 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;
- 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.

Other

- Statutory reserve deposits with central banks;
- 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		31/12/2015
	Pledged as collateral	Other	Eligible as collateral	Not eligible as collateral	Total
Total	**2,162,304**	**46,556**	**2,778,152**	**9,657,811**	**14,644,823**
Cash and cash equivalents and balances at central banks	–	19,252	–	861,772	**881,024**
Due from banks	101,075	27,304	–	71,694	**200,073**
Financial assets designated at fair value through profit or loss	48,211	–	291,944	372,423	**712,578**
Available-for-sale investments	249,096	–	1,870,012	40,033	**2,159,141**
Held-to-maturity investments	33,182	–	490,457	–	**523,639**
Loans and advances to the public and private sectors	1,730,740	–	125,739	8,311,889	**10,168,368**

Table 2.10.B 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 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**

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 at 31/12/2015

	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	**2,050,008**	**702,664**	**1,347,344**	**66,137**	**1,281,207**
Derivatives (receivables)	700,020	366,609	333,411	66,137	267,274
Current accounts	1,349,988	336,055	1,013,933	–	1,013,933

Table 2.11.B Netting of financial liabilities at 31/12/2015

	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	**5,078,577**	**702,664**	**4,375,913**	**66,137**	**4,309,776**
Derivatives (liabilities)	691,369	366,609	324,760	66,137	258,623
Current accounts*	4,387,208	336,055	4,051,153	–	4,051,153

* Current accounts form part of Other client assets.

Table 2.11.C Netting of financial assets 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.D Netting of financial liabilities 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	**4,929,296**	**839,724**	**4,089,572**	**30,037**	**4,059,535**
Derivatives (liabilities)	728,043	346,730	381,313	30,037	351,276
Current accounts*	4,201,253	492,994	3,708,259	–	3,708,259

* 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 and critical risk indicators (early warnings) which highlight trends and/or provide prospective information about operational risks;
- 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, critical risk indicators, scenario analyses and the 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 limit 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. Scenario analyses are used to increase the insight into Van Lanschot's (prospective) operational risk profile and thus improve existing risk controls. These analyses also demonstrate the adequate relationship between our Pillar I capital and the operational risk profile. 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.

These tools provide a comprehensive picture of the risk for each department and for Van Lanschot as a whole. This makes the relevant operational risks transparent, enabling appropriate mitigation measures to be taken.

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 here is to keep any financial, reputational and/or other material damage to a minimum, both for Van Lanschot and for its clients.

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 300 incidents entailing a loss of more than €1,000 were logged in the database in 2015 (2014: 281 incidents); see Table 3.A.

Table 3.A Basel category, number of incidents	2015	2014
Total	**300**	**281**
Internal fraud	–	–
External fraud (mainly bank card skimming)	42	29
Employment practices and workplace safety	–	–
Product liability and duty of care	25	45
Damage to physical assets	1	3
Information security and systems failures	2	9
Execution, delivery and process management (especially execution of transactions)	230	195

Table 3.B Basel segments - operational risk		31/12/2015		31/12/2014	
	Beta coefficient	Average income	Capital adequacy requirement	Average income	Capital adequacy requirement
Total		**528,098**	**72,438**	**548,457**	**75,182**
Corporate Finance	18%	57,307	10,315	46,901	8,442
Trading and Sales	18%	49,326	8,879	59,101	10,638
Retail Brokerage	12%	113,590	13,631	105,403	12,648
Commercial Banking	15%	60,500	9,075	45,067	6,760
Retail Banking	12%	152,095	18,252	180,424	21,651
Payment and Settlement	18%	13,163	2,369	15,965	2,874
Agency Services	15%	2,108	316	23,239	3,486
Asset Management	12%	80,009	9,601	72,357	8,683

Under Basel's Pillar I, a solvency requirement for operational risk is calculated for the total income from operating activities. The risk weighting for operational risk is based on the average income of the Basel segments over the past three years. Van Lanschot applies the standardised approach (SA), which applies fixed betas to each business segment. The beta coefficient ranges from 12% to 18%.

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. 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, mainly comprising structured products, 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	2015		2014	
	Derivatives-related	Share-related	Derivatives-related	Share-related
VaR at 31 December	195	84	118	4
Highest VaR	296	283	213	333
Lowest VaR	78	4	20	4
Average VaR	182	159	76	95

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, comprising the management of the investment and cash portfolios, for which it controls the overall interest rate risk position using interest rate derivatives, and through transactions with clients. This section describes only the market risk ensuing from client transactions. Interest rate risk stemming from the management of the investment and cash portfolios and the use of interest rate derivatives are ignored here and are discussed separately in Section 6, Interest rate risk.

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 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. 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)	2015	2014
BPV at 31 December	31	37
Highest BPV	33	46
Lowest BPV	11	1
Average BPV	18	11

Table 4.2.B Exchange rate risk of treasury trading activities (total gross nominal foreign exchange position translated to € x 1,000)	2015	2014
At 31 December	564	875
Highest position	13,459	9,150
Lowest position	433	385
Average position	5,352	4,826

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 €3.5 million at year-end 2015 (2014: nil). The capital adequacy requirement for foreign exchange risks amounts to 8% of the net open positions in each currency.

Table 4.3 Foreign exchange positions	31/12/2015	31/12/2014
Total	**– 2,073**	**– 921**
US dollar	302	– 2,914
Norwegian krone	97	1,002
Czech koruna	95	26
Swiss franc	– 91	– 52
Danish krone	– 1,310	53
Pound sterling	– 1,490	330
Other	324	634

4.4 Market risk: interest rate and share-related instruments

Van Lanschot uses the maturity 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: interest rate-related instruments; the market risk of share-related derivatives is included under Market risk: share-related instruments, and the market risk of currency derivatives is included under Market risk: currency-related instruments.

Table 4.4. Market risk	31/12/2015		31/12/2014	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Total	**74,271**	**5,942**	**98,610**	**7,889**
Market risk: interest-related instruments	15,849	1,268	333	27
Market risk: share-related instruments	14,387	1,151	98,277	7,862
Market risk: currency-related instruments	44,035	3,523	–	–

5. Strategic risk

Strategic risk can be defined as the threat to Van Lanschot's results or equity resulting from failure to respond or respond adequately to changes in environmental factors, or from incorrect strategic decisions. Environmental factors include (the actions of) competitors, clients, potential market entrants and public authorities. Strategic risk is difficult to quantify. We use a range of performance indicators (such as growth of assets under management, net result, efficiency ratio and FTE trend) in combination with a more qualitative assessment in order to monitor and control the strategic risk. The magnitude and development of this risk type is discussed each quarter by the Executive Board and reported in the risk appetite report.

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

Interest rate risk refers to the sensitivity of the bank's interest income and/or market value to adverse interest rate movements. When interest rates rise or fall, interest cash flows and/or their present value also change. Movements in interest rates can therefore have a major impact on both interest income and the bank's market value. Interest rate risk can be classified into the following categories:

- *Repricing risk:* the interest rate risk resulting from timing differences in interest rate reviews of financial instruments. If assets are priced earlier or later than liabilities, this generates interest rate risk. The repricing risk depends among other things on the degree to which interest rate movements are evenly spread across the yield curve (parallel yield curve shifts);
- *Yield curve risk:* the interest rate risk arising from non-parallel yield curve shifts;
- *Optionality risk:* this risk arises when certain options have been granted to clients (e.g. a partially penalty-free right of early redemption or a capped variable interest rate) and this risk is not or cannot be fully hedged;
- *Basis risk:* this risk arises when movements in an instrument used as a hedge do not precisely mirror movements in the corresponding item in the statement of financial position (e.g. a mortgage based on one-month Euribor versus a swap based on three-month Euribor).

Van Lanschot pursues a prudent interest rate risk policy which takes into account both the short-term and long-term interest rate risk. The short-term interest rate risk is addressed mainly from an income perspective (earnings-at-risk). This involves an analysis of the sensitivity of one-year interest income under a range of interest rate scenarios. The starting point is the projected interest income over the next 12 months in the baseline scenario. The worst-case scenario is a situation in which interest rates on savings rise rapidly without a correspondingly higher interest rate on client exposures (a 'savings war'). In this scenario, the savings interest rate rises by 100 basis points over one year and total interest income declines by €21 million (year-end 2015).

Scenarios modelling a parallel yield curve shift will show virtually no impact on the result on financial transactions, because all investments designated at fair value through profit or loss are hedged using derivatives. Hedge accounting is also used for other derivatives where changes in their market value impact on the result on financial transactions.

The long-term interest rate risk is mainly addressed using the economic value approach, which looks at how movements in interest rates impact on the value of the bank's assets and liabilities. The main tool used in the economic value calculation is duration analysis. The duration of the bank's equity indicates how much its value will change as a result of movements in interest rates.

The duration of equity increased in 2015 as mortgage clients opted for longer fixed interest rate periods. The Asset & Liability Committee (ALCO) used swap transactions to keep the duration within the preferred tactical and strategic bandwidth. The duration of equity was 4.4 years at 31 December 2015 (2014:2.9 years) and fluctuated over the year between 2.1 and 6.3 years. The maximum duration that we consider acceptable is seven years. The duration of 4.4 years at year-end 2015 implies that the value of equity would fall by 4.4% (€82 million) if there were a parallel rise of 100 basis points in interest rates. In the event of a parallel fall in interest rates of 100 basis points, the value of equity would rise by the same amount (€82 million). At year-end 2014, this sensitivity was €47 million.

The duration of equity also includes instruments that are measured at market value where changes in that market value are included in the result on financial transactions. These are mainly interest rate derivatives used in the context of interest rate risk management. Hedge accounting is used for these derivatives (see Note 8, Derivatives), which means that the result on financial transactions is hardly affected by interest rate movements.

Van Lanschot holds a Pillar II capital buffer for interest rate risk. This capital requirement is determined by looking at the negative impact on the market value of equity in a number of historically extreme adverse interest rate scenarios, with an extreme scenario applied for each maturity bucket. The impact on the market value of equity is determined by multiplying the extreme interest rate movements per bucket by the key rate duration. The capital requirement is equal to the sum of the movements in market value per bucket.

Table 6.A Sensitivity analysis of equity	31/12/2015	31/12/2014
Duration (in years)	4.4	2.9
Present value of equity (x €1 million)	1,856	1,651

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 at 31/12/2015

	Variable	< 3 months	3 to 1 years	1 to 5 years	More than 5 years	No interest rate maturity	Total
Assets							
Cash and cash equivalents and balances at central banks	881,024	–	–	–	–	–	**881,024**
Financial assets held for trading	–	–	–	–	–	6,863	**6,863**
Due from banks	39,484	149,564	63	–	–	10,962	**200,073**
Financial instruments designated at fair value through profit or loss	–	291,501	73,791	109,500	204,000	33,786	**712,578**
Available-for-sale investments	–	914,432	150,000	299,000	698,000	97,709	**2,159,141**
Held-to-maturity investments	–	–	–	170,000	305,000	48,639	**523,639**
Loans and advances to the public and private sectors	1,261,838	2,241,003	642,661	2,137,831	3,786,129	98,906	**10,168,368**
Derivatives (receivables)	–	1,098,395	1,943,525	1,400,237	543,580	2,697	**4,988,434**
Investments in associates using the equity method	–	–	–	–	–	56,299	**56,299**
Other assets	–	104,114	31,475	49,782	–	268,953	**454,324**
Total assets	**2,182,346**	**4,799,009**	**2,841,515**	**4,166,350**	**5,536,709**	**624,814**	**20,150,743**
Liabilities							
Financial liabilities from trading activities	–	–	–	–	–	418	**418**
Due to banks	270,991	427,134	–	–	–	–	**698,125**
Public and private sector liabilities	8,401,991	347,455	262,888	272,585	282,462	4,955	**9,572,336**
Financial liabilities designated at fair value through profit or loss	–	4,320	23,073	639,045	138,165	–	**804,603**
Derivatives (liabilities)	–	322,756	1,756,880	768,406	419,855	2,135	**3,270,032**
Issued debt securities	–	647,350	1,242,919	63,923	528,761	– 2,948	**2,480,005**
Other liabilities	–	74,306	76,114	3,300	–	23,668	**177,388**
Subordinated loans	–	16,904	–	–	100,000	1,247	**118,151**
Total liabilities	**8,672,982**	**1,840,225**	**3,361,874**	**1,747,259**	**1,469,243**	**29,475**	**17,121,058**
Gap	**– 6,490,636**	**2,958,784**	**– 520,359**	**2,419,091**	**4,067,466**	**595,339**	**3,029,685**

Table 6.C Interest rate maturity schedule at 31/12/2014

	Variable	< 3 months	3 to 1 years	1 to 5 years	More than 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 instruments designated 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	8,398,480	452,857	945,918	389,044	306,211	6,650	**10,499,160**
Financial liabilities designated 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	–	142,670	73,224	10,094	–	21,679	**247,667**
Subordinated loans	–	18,016	2,000	–	100,000	1,399	**121,415**
Total liabilities	**8,451,127**	**3,696,698**	**3,024,041**	**2,658,502**	**889,532**	**35,237**	**18,755,137**
Gap	**– 5,661,802**	**5,536,951**	**– 835,479**	**1,946,470**	**2,225,721**	**944,361**	**4,156,222**

7. Liquidity risk

The policy for monitoring and controlling Van Lanschot's liquidity position 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.

Our aim is to achieve a balanced funding mix, with sufficient diversification across sources, products and maturities. Van Lanschot's lending activities have traditionally been funded with a relatively high proportion of savings and deposits, reflecting the nature of our business.

The proportion of savings deposits covered by the deposit guarantee scheme remained virtually unchanged in 2015. The funding ratio at year-end 2015 was 94.1% (year-end 2014: 95.3%), which reflects the fact 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 charging policy, based on client type. 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

The Citadel 2010-I and Citadel 2010-II RMBS securitisation transactions finalised in 2010 were both redeemed on 26 August 2015, the first call date of the transactions.

Securitisations in 2011

The Citadel 2011-I securitisation transaction which was finalised in 2011 was cancelled on 6 March 2015. Van Lanschot was the only note-holder and settled the transaction as part of its liquidity management programme.

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 €75.8 million were received in 2015. The scope for topping up the pool with mortgages was fully utilised in 2015. 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 and our role in the structure is that of pool servicer. The way the structure is set up, Van Lanschot does not have access to all liquidities of the Courtine RMBS 2013-I entity. At year-end 2015, the liquidity to which Van Lanschot had no access amounted to €14.5 million (2014: €15.2 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.

Table 7.A Funding ratio (%)	31/12/2015	31/12/2014
Funding ratio	94.1	95.3

Table 7.B Courtine RMBS 2013-I

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal at 31/12/2015	First call option date	Contractual maturity date	Spread
Total			**862,600**		**854,000**			
Senior Class A1	AAA	AAA	175,000	1/8/2013	175,000	26/9/2018	26/9/2050	1.15%
Senior Class A2	AAA	AAA	370,000	1/8/2013	370,000	26/9/2018	26/9/2050	2.15%
Mezzanine Class B	AAA	AA	81,500	1/8/2013	81,500	26/9/2018	26/9/2050	0.00%
Mezzanine Class C			112,000	1/8/2013	112,000	26/9/2018	26/9/2050	0.00%
Junior Class D			115,500	1/8/2013	115,500	26/9/2018	26/9/2050	0.00%
Subordinated Class E			8,600	1/8/2013	–	26/9/2018	26/9/2050	0.00%

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, Van Lanschot does not have access to all liquidities of the Lunet RMBS 2013-I entity. At year-end 2015, the liquidity to which Van Lanschot had no access amounted to €11.7 million (2014: €12.5 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. The Senior Class A1 and Senior Class A2 notes of the Lunet RMBS 2013-I-transaction were placed externally. The face value of these notes was €644 million at year-end 2015 (2014: €743 million), and their fair value was €657 million (2014: €755 million). Holders of the Senior Class A1 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.C Lunet RMBS 2013-I

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal at 31/12/2015	First call option date	Contractual maturity date	Spread
Total			**1,085,800**		**861,035**			
Senior Class A1	AAA	AAA	244,000	7/11/2013	29,934	27/12/2018	27/12/2045	0.50%
Senior Class A2	AAA	AAA	639,600	7/11/2013	639,600	27/12/2018	27/12/2045	1.08%
Mezzanine Class B	AAA	AA	49,400	7/11/2013	49,400	27/12/2018	27/12/2045	0.00%
Mezzanine Class C			71,000	7/11/2013	71,000	27/12/2018	27/12/2045	0.00%
Junior Class D			71,000	7/11/2013	71,000	27/12/2018	27/12/2045	0.00%
Subordinated Class E			10,800	7/11/2013	101	27/12/2018	27/12/2045	0.00%

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.

Conditional pass-through covered bond programme (CPTCB)

Van Lanschot established a CPTCB programme in March 2015, allowing the bank to issue covered bonds as the issuing institution. Investors have a dual right of redress: initially against Van Lanschot, and in the event of the bank's failure, against a pool of cover assets.

Van Lanschot effected the first external issue under this funding programme in April 2015. The bond loan, totalling €500 million with a term to maturity of seven years and a coupon of 0.275%, was placed with institutional investors.

Tables 7.D and 7.E 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.

Table 7.D Securitised loans at 31/12/2015

	Fair value	Total	Neither past due nor impaired	Past due	Impaired	Provision
Total	**2,519,679**	**2,330,420**	**2,308,855**	**2,940**	**18,625**	**2,441**
Courtine RMBS 2013-I	907,713	839,533	824,765	2,940	11,828	2,320
Lunet RMBS 2013-I	917,887	848,942	842,145	–	6,797	121
2015 covered bond programme	694,079	641,945	641,945	–	–	–

Table 7.E Securitised loans at 31/12/2014

	Fair value	Total	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	904,763	842,948	825,501	5,805	11,642	3,856
Lunet RMBS 2013-I	1,013,670	944,415	941,215	2,764	436	–

Van Lanschot provides no financial or other support to the securitisation entities, and has no intention of providing such support.

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 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 to 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 at 31/12/2015

	With-drawable on demand	< 3 months	3 to 1 years	1 to 5 years	More than 5 years	**Subtotal**	No cash flow	**Total**
Assets								
Cash and cash equivalents and balances at central banks	881,024	–	–	–	–	**881,024**	–	**881,024**
Financial assets held for trading	–	6,863	–	–	–	**6,863**	–	**6,863**
Due from banks	39,485	149,563	63	–	10,962	**200,073**	–	**200,073**
Financial assets designated at fair value through profit or loss	–	291,501	73,791	109,500	204,000	**678,792**	33,786	**712,578**
Available-for-sale investments	–	82,472	289,604	968,356	721,000	**2,061,432**	97,709	**2,159,141**
Held-to-maturity investments	–	–	–	170,000	305,000	**475,000**	48,639	**523,639**
Loans and advances to the public and private sectors	1,261,851	50,165	138,601	411,534	8,207,311	**10,069,462**	98,906	**10,168,368**
Derivatives (receivables)	–	38,961	76,722	123,999	85,728	**325,410**	8,001	**333,411**
Investments in associates using the equity method	–	–	–	56,299	–	**56,299**	–	**56,299**
Other assets	–	104,114	31,475	49,782	–	**185,371**	268,953	**454,324**
Total assets	**2,182,360**	**723,639**	**610,256**	**1,889,470**	**9,534,001**	**14,939,726**	**555,994**	**15,495,720**
Total assets excluding derivatives	**2,182,360**	**684,678**	**533,534**	**1,765,471**	**9,448,273**	**14,614,316**	**547,993**	**15,162,309**
Liabilities								
Financial liabilities from trading activities	–	418	–	–	–	**418**	–	**418**
Due to banks	51,847	296,278	350,000	–	–	**698,125**	–	**698,125**
Public and private sector liabilities	8,509,188	333,864	222,113	272,585	229,631	**9,567,381**	4,955	**9,572,336**
Financial liabilities designated at fair value through profit or loss	–	3,836	22,945	645,389	132,433	**804,603**	–	**804,603**
Derivatives (liabilities)	–	29,121	46,287	112,529	128,528	**316,465**	8,295	**324,760**
Issued debt securities	–	3,629	730,419	1,207,644	541,261	**2,482,953**	– 2,948	**2,480,005**
Other liabilities	–	74,306	76,114	3,300	–	**153,720**	23,668	**177,388**
Subordinated loans	–	–	–	–	116,904	**116,904**	1,247	**118,151**
Total liabilities	**8,561,035**	**741,452**	**1,447,878**	**2,241,447**	**1,148,757**	**14,140,569**	**35,217**	**14,175,786**
Total liabilities excluding derivatives	**8,561,035**	**712,331**	**1,401,591**	**2,128,918**	**1,020,229**	**13,824,104**	**26,922**	**13,851,026**
On-balance sheet gap	**– 6,378,675**	**– 17,813**	**– 837,622**	**– 351,977**	**8,385,244**	**799,157**	**520,777**	**1,319,934**
Receivables arising from future interest flows	–	50,005	109,678	439,880	5,182,554	**5,782,117**	–	**5,782,117**
Liabilities arising from future interest flows	–	19,344	97,914	274,156	144,865	**536,279**	–	**536,279**
On-balance sheet gap including future interest flows	**– 6,378,675**	**12,848**	**– 825,858**	**– 186,253**	**13,422,933**	**6,044,995**	**520,777**	**6,565,772**

Table 7.1.B List of maturities at 31/12/2014

	With-drawable on demand	< 3 months	3 to 1 years	1 to 5 years	More than 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 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	8,407,311	672,022	812,022	294,526	306,629	**10,492,510**	6,650	**10,499,160**
Financial liabilities designated 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	–	142,981	72,913	10,094	–	**225,988**	21,679	**247,667**
Subordinated loans	–	1,000	2,000	–	117,016	**120,016**	1,399	**121,415**
Total liabilities	**8,482,780**	**1,240,883**	**1,954,090**	**3,334,961**	**855,097**	**15,867,811**	**41,109**	**15,908,920**
Total liabilities excluding derivatives	**8,482,780**	**1,189,027**	**1,942,348**	**3,232,556**	**647,741**	**15,494,452**	**33,155**	**15,527,607**
On-balance sheet gap	**– 5,689,632**	**– 615,962**	**– 1,613,446**	**– 863,669**	**9,423,008**	**640,299**	**710,219**	**1,350,518**
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 sheet gap including future interest flows	**– 5,689,632**	**– 521,704**	**– 1,377,986**	**375,277**	**13,353,823**	**6,139,778**	**710,219**	**6,849,997**

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 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 at 31/12/2015

	Withdrawable on demand	< 3 months	3 to 1 years	1 to 5 years	More than 5 years	Total
Total	**1,205**	**399,840**	**13,897**	**21,239**	**138,713**	**574,894**
Guarantees	926	3,287	10,089	14,247	53,703	**82,252**
Other contingent liabilities	–	–	–	250	–	**250**
Unused credit facilities	279	165,765	738	2,118	85,010	**253,910**
Sale and repurchase agreements	–	221,341	–	–	–	**221,341**
Other irrevocable commitments	–	9,447	3,070	4,624	–	**17,141**

Table 7.1.D List of maturities of contingent items at 31/12/2014

	Withdrawable on demand	< 3 months	3 to 1 years	1 to 5 years	More than 5 years	Total
Total	**3,315**	**424,404**	**113,904**	**24,429**	**150,885**	**716,937**
Guarantees	3,315	6,244	9,235	19,527	76,902	**115,223**
Other contingent liabilities	–	39	–	302	–	**341**
Unused credit facilities	–	80,585	–	13	73,983	**154,581**
Sale and repurchase agreements	–	332,572	103,678	–	–	**436,250**
Other irrevocable commitments	–	4,964	991	4,587	–	**10,542**

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 at the reporting date.

Table 7.2.A List of maturities at 31/12/2015

	≤12 months	> 12 months	**Subtotal**	No cash flow	**Total**
Assets					
Cash and cash equivalents and balances at central banks	881,024	–	**881,024**	–	**881,024**
Financial assets held for trading	6,863	–	**6,863**	–	**6,863**
Due from banks	189,111	10,962	**200,073**	–	**200,073**
Financial assets designated at fair value through profit or loss	365,292	313,500	**678,792**	33,786	**712,578**
Available-for-sale investments	372,076	1,689,356	**2,061,432**	97,709	**2,159,141**
Held-to-maturity investments	–	475,000	**475,000**	48,639	**523,639**
Loans and advances to the public and private sectors	1,450,617	8,618,845	**10,069,462**	98,906	**10,168,368**
Derivatives (receivables)	115,683	209,727	**325,410**	8,001	**333,411**
Investments in associates using the equity method	–	56,299	**56,299**	–	**56,299**
Other assets	135,589	49,782	**185,371**	268,953	**454,324**
Total assets	**3,516,255**	**11,423,471**	**14,939,726**	**555,994**	**15,495,720**
Liabilities					
Financial liabilities from trading activities	418	–	**418**	–	**418**
Due to banks	698,125	–	**698,125**	–	**698,125**
Public and private sector liabilities	9,065,165	502,216	**9,567,381**	4,955	**9,572,336**
Financial liabilities designated at fair value through profit or loss	26,781	777,822	**804,603**	–	**804,603**
Derivatives (liabilities)	75,408	241,057	**316,465**	8,295	**324,760**
Issued debt securities	734,048	1,748,905	**2,482,953**	– 2,948	**2,480,005**
Other liabilities	150,420	3,300	**153,720**	23,668	**177,388**
Subordinated loans	–	116,904	**116,904**	1,247	**118,151**
Total liabilities	**10,750,365**	**3,390,204**	**14,140,569**	**35,217**	**14,175,786**

Table 7.2.B 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 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	9,891,355	601,155	**10,492,510**	6,650	**10,499,160**
Financial liabilities designated 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	215,894	10,094	**225,988**	21,679	**247,667**
Subordinated loans	3,000	117,016	**120,016**	1,399	**121,415**
Total liabilities	**11,677,753**	**4,190,058**	**15,867,811**	**41,109**	**15,908,920**

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 forms the basis for that trust. The Compliance department provides a strong safeguard by ensuring that integrity is embedded in Van Lanschot's operations, while the statutory and regulatory rules provide the framework. Within that framework, Van Lanschot has translated the main standards into requirements for processes and procedures. To enable these requirements to be met, Compliance organises regular training and awareness-raising sessions for staff, monitors compliance with the statutory and regulatory rules, and proposes improvements where necessary. Failure to comply with the statutory and regulatory rules can lead to significant reputational or financial damage. 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 assets designated at fair value through profit or loss

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) 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 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 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.

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: Significance of 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 insignificant extent, information not observable in the market.

Table 9.1.A Financial instruments at fair value at 31/12/2015

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading				
Shares, listed	5,206	1,137	–	**6,343**
Shares, unlisted	–	–	520	**520**
	5,206	**1,137**	**520**	**6,863**
Financial assets designated at fair value through profit or loss				
Debt instruments: government paper and government-guaranteed paper	124,206	–	–	**124,206**
Debt instruments: covered bonds	509,470	–	–	**509,470**
Debt instruments: companies, listed	4,690	–	–	**4,690**
Shares, listed	20,879	19,463	–	**40,342**
Shares, unlisted	–	19,714	14,156	**33,870**
	659,245	**39,177**	**14,156**	**712,578**
Available-for-sale investments				
Debt instruments: government paper and government-guaranteed paper	1,050,019	–	–	**1,050,019**
Debt instruments: banks and financial institutions, listed	71,309	–	–	**71,309**
Debt instruments: covered bonds	190,932	–	–	**190,932**
Debt instruments: asset-backed securities	806,848	–	–	**806,848**
Debt instruments: company cumprefs (shareholdings)	–	–	8,788	**8,788**
Shares, listed	–	–	–	**–**
Shares, unlisted	–	–	17,376	**17,376**
Shareholdings	–	–	13,869	**13,869**
	2,119,108	**–**	**40,033**	**2,159,141**
Derivatives (receivables)				
Interest rate derivatives	–	700	–	**700**
Equity derivatives	–	1,996	–	**1,996**
Client option positions	26,124	–	–	**26,124**
Derivatives: fair value hedge accounting	–	61,530	512	**62,042**
Derivatives: portfolio fair value hedge accounting	–	2,832	–	**2,832**
Derivatives: cash flow hedge accounting	–	80	–	**80**
Economic hedges	–	85,230	–	**85,230**
Structured product derivatives	–	145,028	9,379	**154,407**
	26,124	**297,396**	**9,891**	**333,411**
Total assets	**2,809,683**	**337,710**	**64,600**	**3,211,993**

Table 9.1.A Financial instruments at fair value at 31/12/2015 (continued)

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities from trading activities				
Shares, listed	88	–	–	**88**
Shares, unlisted	–	–	330	**330**
	88	**–**	**330**	**418**
Financial liabilities designated at fair value through profit or loss				
Unstructured debt instruments	–	247,709	–	**247,709**
Structured debt instruments	–	483,174	73,720	**556,894**
	–	**730,883**	**73,720**	**804,603**
Derivatives (liabilities)				
Interest rate derivatives	–	2,135	–	**2,135**
Client option positions	24,859	–	–	**24,859**
Derivatives: fair value hedge accounting	–	60,246	405	**60,651**
Derivatives: portfolio fair value hedge accounting	–	586	–	**586**
Derivatives: cash flow hedge accounting	–	19,174	–	**19,174**
Economic hedges	–	96,985	–	**96,985**
Structured product derivatives	–	116,504	3,866	**120,370**
	24,859	**295,630**	**4,271**	**324,760**
Total liabilities	**24,947**	**1,026,513**	**78,321**	**1,129,781**

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.

Transfers of financial assets or liabilities between levels

In 2014 we developed a policy document for the fair value hierarchy. The policy document divides the input variables used into observable and non-observable. 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 established twice a year and the significance of non-observable input variables is tested. In 2015 this test led to transfers from Level 2 to Level 3 and vice versa for financial instruments forming part of Available-for-sale investments, Derivative receivables, Financial liabilities designated at fair value through profit or loss and Derivative payables.

The transfer of instruments under Available-for-sale investments was the result of an investment transaction in which there was no active market in 2015 for the investment acquired. The Derivative receivables and payables and Financial liabilities designated at fair value through profit or loss were transferred to Level 2 as a result of the input variables' correlation and volatility; the shorter remaining term to maturity of the financial instruments concerned meant that these input variables qualified as non-significant, justifying a transfer to Level 2. The size of the transfer from Level 2 to Level 3 was €4.0 million for Available-for-sale investments, €0.5 million for Derivative receivables and €7.7 million for Financial liabilities designated at fair value through profit or loss. The size of the transfer from Level 3 to Level 2 was €3.3 million for Derivative receivables, €83.0 million for Financial liabilities designated at fair value through profit or loss and €0.2 million for Derivative payables.

Table 9.1.B Financial instruments at fair value 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 at fair value through profit and 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)				
Interest rate derivatives	–	–	–	**–**
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.B Financial instruments at fair value at 31/12/2014 (continued)

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities from trading activities				
Shares listed	71	–	–	**71**
Shares unlisted	–	–	–	**–**
	71	**–**	**–**	**71**
Financial liabilities designated 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**

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 2015

Line item	At 1 January	To statement of income	To equity*	Purchases	Sales	Transfers	At 31 December
Financial assets held for trading							
Shares, unlisted	219	4	–	297	–	–	**520**
Financial instruments designated at fair value through profit or loss							
Shares, unlisted	14,081	310	–	61	– 296	–	**14,156**
Available-for-sale investments							
Debt instruments: asset-backed securities	29,220	1,502	444	–	– 22,378	–	**8,788**
Debt instruments: company cumprefs (shareholdings)	9,320	–	4,061	29	–	3,966	**17,376**
Shares, unlisted	23,785	– 235	– 5,246	693	– 5,128	–	**13,869**
Derivatives (receivables)							
Derivatives: fair value hedge accounting	–	–	–	–	–	512	**512**
Structured product derivatives	8,519	4,117	–	–	–	– 3,257	**9,379**
Total financial assets Level 3	**85,144**	**5,698**	**– 741**	**1,080**	**– 27,802**	**1,221**	**64,600**

Table 9.1.C.2 Breakdown of movements in financial liabilities classified as Level 3 in 2015

Line item	At 1 January	To statement of income	To equity*	Issues	Settlements	Transfers	At 31 December
Financial liabilities from trading activities							
Shares, unlisted	–	–	–	330	–	–	**330**
Financial liabilities designated at fair value through profit or loss							
Structured debt instruments	113,698	821	–	45,497	– 11,000	– 75,296	**73,720**
Derivatives (liabilities)							
Derivatives: fair value hedge accounting	–	–	–	405	–	–	**405**
Structured product derivatives	1,092	3,018	–	–	–	– 244	**3,866**
Total financial liabilities Level 3	**114,790**	**3,839**	**–**	**46,232**	**– 11,000**	**– 75,540**	**78,321**
Total	**– 29,646**	**1,859**	**– 741**	**– 45,152**	**– 16,802**	**76,761**	**– 13,721**

* 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 2014

Line item	At 1 January	To statement of income	To equity*	Purchases	Sales	Transfers	At 31 December
Financial assets held for trading							
Shares, unlisted	227	–	–	–	– 8	–	**219**
Financial assets designated 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)							
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.D.2 Breakdown of movements in financial liabilities classified as Level 3 in 2014

Line item	At 1 January	To statement of income	To equity*	Issues	Settlements	Transfers	At 31 December
Financial liabilities designated at fair value through profit or loss							
Structured debt instruments	16,285	4,113	–	55,308	– 4,221	42,213	**113,698**
Derivatives (liabilities)							
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.E Fair value changes recognised in profit or loss of financial instruments classified as Level 3	2015			2014		
	Realised	Unrealised	**Total**	Realised	Unrealised	**Total**
Net interest income	1,782	–	**1,782**	2,437	–	**2,437**
Income from securities and associates	4	310	**314**	–	– 850	**– 850**
Profit on financial transactions	–	278	**278**	–	3,256	**3,256**
Total impairments	–	– 515	**– 515**	–	– 2,203	**– 2,203**
Total	**1,786**	**73**	**1,859**	**2,437**	**203**	**2,640**

Table 9.1.F Notes on fair value determination using observable market inputs (Level 2)	Fair value		Valuation method	Significance of observable market inputs
Assets	**31/12/2015**	**31/12/2014**		
Financial assets held for trading				
Debt instruments: banks and financial institutions, listed	–	493	– Discounted cash flow model – Option model	– Underlying value – Interest rate – Dividend yield – Volatility
Shares listed	1,137	–	– Net asset value, with underlying assets measured at fair value	– Most recently known (closing) price of the underlying assets
Shares unlisted	–	20,070	– Net asset value, with underlying assets measured at fair value	– Estimates of the net asset value of the underlying investments, based on generally accepted valuation methods, received from fund managers
Financial assets designated at fair value through profit or loss				
Shares listed	19,463	–	– Net asset value, with underlying assets measured at fair value	– Most recently known (closing) price of the underlying assets
Shares unlisted	19,714	20,150	– Net asset value, with underlying assets measured at fair 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, with underlying assets measured at fair value	– Most recently known (closing) price of the underlying assets

Table 9.1.F Notes on fair value determination using observable market inputs (Level 2) (continued)

	Fair value		Valuation method	Significance of observable market inputs
	31/12/2015	**31/12/2014**		
Derivatives (receivables)				
Interest rate derivatives				
– Interest rate swaps	700	–	– Discounted cash flow model	– Interest rate
Equity derivatives				
– Interest rate swaps	–	184	– Discounted cash flow model	– Interest rate
– Inflation-linked swaps	1,996	1,239	– Discounted cash flow model – Option model	– Underlying value – Interest rate – Dividend yield – Volatility – Correlation – FX rates
Derivatives: fair value hedge accounting				
– Interest rate swaps	33,417	38,283	– Discounted cash flow model	– Interest rate
– Inflation-linked swaps	28,113	26,235	– Discounted cash flow model	– Interest rate – Inflation curve – Consumer price index – Seasonality
Derivatives portfolio: fair value hedge accounting				
– Interest rate swaps	2,832	–	– Discounted cash flow model	– Interest rate
Derivatives cash flow hedge accounting				
– Inflation-linked swaps	80	–	– Discounted cash flow model	– Interest rate
Economic hedges				
– Interest rate swaps	85,230	103,384	– Discounted cash flow model	– Interest rate
Structured product derivatives				
– Options	91,844	38,311	– Option model	– Underlying value – Interest rate – Dividend yield – Volatility – FX rates
– Interest rate swaps	20,981	18,537	– Discounted cash flow model	– Interest rate
– Credit-linked swaps	384	261	– Discounted cash flow model – Option model	– CDS spread – Interest rate – Recovery rate
– Equity swaps	31,819	25,734	– Discounted cash flow model – Option model	– Underlying value – Interest rate – Dividend yield – Volatility – Correlation – FX rates
Total assets	**337,710**	**296,847**		

Table 9.1.F Notes on fair value determination using observable market inputs (Level 2) (continued)

	Fair value		Valuation method	Significance of observable market inputs
	31/12/2015	**31/12/2014**		
Liabilities				
Financial liabilities designated at fair value through profit or loss				
Unstructured debt instruments	247,709	259,715	– Discounted cash flow model	– Interest rate
Structured debt instruments	483,174	332,499	– Discounted cash flow model – Option model	– Interest rate – Underlying value – Dividend yield – Volatility – Correlation – FX rates
Derivatives (liabilities)				
Interest rate derivatives				
– Interest rate swaps	542	769	– Discounted cash flow model	– Interest rate
– FX options	1,593	1,241	– Option model	– Interest rate – Underlying value – Dividend yield – Volatility – FX rates
Derivatives: fair value hedge accounting				
– Interest rate swaps	60,246	64,270	– Discounted cash flow model	– Interest rate
Derivatives portfolio: fair value hedge accounting				
– Interest rate swaps	586	–	– Discounted cash flow model	– Interest rate
Derivatives cash flow hedge accounting				
– Inflation-linked swaps	19,174	17,494	– Discounted cash flow model	– Interest rate – Inflation curve – Consumer price index
Economic hedges				
– Interest rate swaps	72,708	219,478	– Discounted cash flow model	– Interest rate
– Cross-currency swaps	24,277	1,092	– Discounted cash flow model	– Interest rate – FX rates
Structured product derivatives				
– Options	94,707	35,314	– Option model	– Underlying value – Interest rate – Dividend yield – Volatility – FX rates
– Interest rate swaps	8,631	6,645	– Discounted cash flow model	– Interest rate
– Credit-linked swaps	1,255	5,660	– Discounted cash flow model – Option model	– CDS spread
– Equity swaps	11,911	14,665	– Discounted cash flow model – Option model	– Underlying value – Interest rate – Dividend yield – Volatility – Correlation – FX rates
Total liabilities	**1,026,513**	**958,842**		

Table 9.1.G Notes on fair value determination using non-observable market inputs (Level 3)

	Fair value		Valuation method	Significance of non-observable market inputs
Assets	**31/12/2015**	**31/12/2014**		
Financial assets held for trading				
Shares unlisted	190 330	– 219	– Option model – Net asset value, with underlying assets measured at fair value	– n/a* – Net asset value – Face value
Financial instruments at fair value				
Shares unlisted	14,156	14,081	– Discounted cash flow model – Market multiples – Trade multiples – Net asset value, with underlying assets measured at fair value	– n/a* – Cost or lower market value
Available-for-sale investments				
Debt instruments: company cumprefs (shareholdings)**	8,788	29,220	– Discounted cash flow model	– Interest rate – Discount rate
Shares unlisted	17,376	9,320	– Net asset value, with underlying assets measured at fair value	– Most recently published net asset values of the underlying assets
Shareholdings	9,011	10,177	– Net asset value, with underlying assets measured at fair value	– n/a*
	1,592	2,393	– Net asset value, with underlying assets measured at fair value	– Multiple analyses of comparable companies less a discount of 25% for illiquidity and company size – Most recently known share price
	3,266	3,610	– Net asset value, with underlying assets measured at fair value	– EBITA – Issue or transfer price – Market price on last trading day – Face value less provisions
	–	7,605	– Net asset value, with underlying assets measured at fair value	– Sales growth – EBIT(DA) margin development – Net working capital development – Capital expenditures – Weighted average cost of capital (WACC)
Derivatives (receivables)				
Derivatives: fair value hedge accounting				
– Inflation-linked swaps**	512	–	– Discounted cash flow model	– Seasonality
Structured product derivatives				
– Options**	5,752	2,599	– Option model	– Correlation
– Equity swaps**	3,627	5,920	– Discounted cash flow model – Option model	– Volatility – Correlation
Total assets	**64,600**	**85,144**		

* The valuation is provided by a professional party. Van Lanschot has no insight into the significant non-observable data, 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) (continued)

	Fair value		Valuation method	Significance of non-observable market inputs
	31/12/2015	31/12/2014		
Liabilities				
Financial liabilities from trading activities				
Shares unlisted	330	–	– Net asset value, with underlying assets measured at fair value	– Net asset value – Face value
Financial liabilities designated at fair value through profit or loss				
Structured debt instruments**	–	6,215	– Net asset value, with underlying assets measured at fair value	– Fair value of Egeria NV and Egeria Private Equity Fund II NV – Own credit risk
	73,720	107,483	– Discounted cash flow model – Option model	– Volatility – Correlation
Derivatives (liabilities)				
Derivatives: fair value hedge accounting				
– Inflation-linked swaps**	405	–	– Discounted cash flow model	– Seasonality
Structured product derivatives				
– Credit-linked swaps	146	–	– Discounted cash flow model – Option model	– n/a
– Options**	1,437	–	– Option model	– Volatility
– Equity swaps**	2,283	1,092	– Discounted cash flow model – Option model	– Volatility – Correlation
Total liabilities	**78,321**	**114,790**		

* The valuation is provided by a professional party. Van Lanschot has no insight into the significant non-observable data, 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.H Notes on range and sensitivity of non-observable market inputs (Level 3)

	Significance of non-observable market inputs	Range	Sensitivity
Assets			
Available-for-sale investments			
Debt instruments: company cumprefs (shareholdings)	– Interest rate – Discount rate	6.5% - 12% 6.5% - 12%	Change of 1% - change of €0.1 million Change of 1% - change of €0.1 million
Derivatives (receivables)			
Derivatives cash flow hedge accounting			
– Inflation-linked swaps	– Seasonality	–7% - 6% (1%)	n/a
Structured product derivatives			
– Options	– Correlation – Volatility	–17% - 22% (3%) 13% - 24% (20%)	Total impact €0.1 million Total impact €1.2 million
– Equity swaps	– Correlation – Volatility	–20% - 26% (3%) 18% - 24% (21%)	n/a Total impact €0.2 million
Liabilities			
Financial liabilities designated at fair value through profit or loss			
Structured debt instruments	– Correlation – Volatility	–20% - 26% (3%) 13% - 24% (19%)	Total impact €0.1 million Total impact €0.6 million
Derivatives (liabilities)			
Derivatives: fair value hedge accounting			
– Inflation-linked swaps	– Seasonality	–7% - 6% (1%)	n/a
Structured product derivatives			
– Options	– Volatility	18% - 24% (21%)	Total impact €0.4 million
– Equity swaps	– Volatility – Correlation	–18% - 25% (3%) 18% - 24% (21%)	Total impact €0.1 million Total impact €0.3 million

9.2 Financial instruments not recognised at fair value

Table 9.2 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 a commercial 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 Financial instruments not recognised at fair value

	2015		2014				
	Fair value	Carrying amount	Fair value	Carrying amount	Level	Valuation method	Significance observable and non-observable market inputs
Assets							
Due from banks	200,094	200,073	449,130	449,125	Level 2	Discounted cash flows using applicable money market rates	Interest rate and discount rate
Held-to-maturity investments	557,396	523,639	569,699	533,708	Level 1	Quoted prices in active markets	–
Loans and advances to the public and private sectors	10,702,999	10,168,368	11,410,793	11,021,107	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	75,422	56,299	74,444	50,679	Level 3	Capitalisation method, discounted cash flow method and disclosed net asset value method	Discount rate and operational cash flows
Liabilities							
Due to banks	698,209	698,125	879,321	879,972	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	9,716,862	9,572,336	10,647,948	10,499,160	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	2,522,843	2,480,005	3,142,392	3,073,410	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	146,131	118,151	158,916	121,415	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	31/12/2015	31/12/2014
Total	**881,024**	**1,156,985**
Cash	167	402
Balances at central banks	745,013	986,521
Statutory reserve deposits at central banks	19,252	24,316
Amounts due from banks	116,592	145,746

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	2015	2014	Movements
Cash and cash equivalents	881,024	1,156,985	– 275,961
Due from banks, available on demand	39,485	40,415	– 930
Due to banks, available on demand	– 51,847	– 75,469	23,622
Due from/to banks available on demand, net	– 12,362	– 35,054	22,692
Total	**868,662**	**1,121,931**	**– 253,269**

2. Financial assets held for trading	31/12/2015	31/12/2014
Total	**6,863**	**43,153**
Debt instruments		
Banks and financial institutions, listed	–	493
Total debt instruments	**–**	**493**
Equity instruments		
Shares, listed	6,343	22,371
Shares unlisted	520	20,289
Total equity instruments	**6,863**	**42,660**

A reclassification totalling €40.9 million to Financial assets designated at fair value through profit or loss was carried out in 2015; see also Note 4.

3. Due from banks	31/12/2015	31/12/2014
Total	**200,073**	**449,125**
Deposits	149,626	399,654
Securities transactions settlement claims	39,485	40,415
Loans and advances	10,962	9,056

Deposits include deposits to a total of €118.2 million (2014: €257.5 million) which serve as collateral for liabilities arising from derivatives transactions.

The provision for the deposit guarantee scheme included under Loans and advances is nil (2014: €1.9 million).

4. Financial assets designated at fair value through profit or loss	31/12/2015	31/12/2014
Total	**712,578**	**1,309,524**
Debt instruments		
Government paper and government-guaranteed paper	124,206	910,082
Banks and financial institutions, listed	–	135
Covered bonds	509,470	334,261
Companies, listed	4,690	–
Total debt instruments	**638,366**	**1,244,478**
Equity instruments		
Shares, listed	40,342	30,815
Shares, unlisted	33,870	34,231
Total equity instruments	**74,212**	**65,046**

Movements in financial assets designated at fair value through profit or loss	2015	2014
At 1 January	1,309,524	725,938
Purchases	2,934,999	567,558
Sales	– 945,508	– 32,258
Redemptions	– 2,640,310	– 55,000
Value changes	12,005	103,286
Other movements	938	–
Reclassification of financial assets held for trading	40,930	–
At 31 December	**712,578**	**1,309,524**

Marked-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 stated at fair value. The investments are accordingly 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 make investments. These are investment funds in which we hold a non-controlling interest and 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 at fair value through profit or loss. The equity-linked notes are included at fair value under Financial liabilities designated at fair value through profit or loss. These notes were redeemed in 2015. The interests in Egeria and Egeria Private Equity Fund II are carried at fair value, with value changes being recognised through profit or loss. Despite the elimination of this accounting mismatch, Van Lanschot continues to apply this accounting principle.

5. Available-for-sale investments	31/12/2015		31/12/2014	
	Fair value	Face value	Fair value	Face value
Total	**2,159,141**	**2,033,107**	**1,952,731**	**1,799,440**
Debt instruments				
Government paper and government-guaranteed paper	1,050,019	963,000	842,849	739,500
Banks and financial institutions, listed	71,309	71,000	–	–
Covered bonds	190,932	188,000	102,107	99,000
Asset-backed securities	806,848	799,398	941,484	929,962
Company cumprefs (shareholdings)	8,788	11,709	29,220	30,978
Total debt instruments	**2,127,896**	**2,033,107**	**1,915,660**	**1,799,440**
Equity instruments				
Shares, listed	–		3,966	
Shares, unlisted	17,376		9,320	
Shareholdings	13,869		23,785	
Total equity instruments	**31,245**		**37,071**	

Movements in available-for-sale investments	2015	2014
At 1 January	1,952,731	1,197,731
Purchases	1,426,311	3,390,657
Sales	– 893,564	– 1,564,549
Redemptions	– 306,717	– 1,122,739
Share premium (discount), debt instruments	– 10,899	– 12,185
Value changes	– 9,988	63,690
Impairments	– 515	– 2,203
Other changes	1,782	2,329
At 31 December	**2,159,141**	**1,952,731**

6. Held-to-maturity investments	31/12/2015		31/12/2014	
	Carrying amount	Face value	Carrying amount	Face value
Total	**523,639**	**475,000**	**533,708**	**475,000**
Debt instruments				
Government paper and government-guaranteed paper	337,070	300,000	344,743	300,000
Banks and financial institutions, listed	186,569	175,000	188,965	175,000
Total debt instruments	**523,639**	**475,000**	**533,708**	**475,000**

Movements in held-to-maturity investments	2015	2014
At 1 January	533,708	–
Purchases	–	539,714
Share premium (discount), debt instruments	– 10,069	– 6,006
At 31 December	**523,639**	**533,708**

7. Loans and advances to the public and private sectors	31/12/2015	31/12/2014
Total	**10,168,368**	**11,021,107**
Mortgage loans	6,352,611	6,111,981
Loans	2,623,418	3,358,216
Current accounts	1,013,933	1,405,481
Securities-backed loans and settlement claims	243,751	266,149
Subordinated loans	14,727	37,463
Value adjustments, fair value hedge accounting	100,198	165,795
Impairments	– 180,270	– 323,978

Impairments	31/12/2015	31/12/2014
Total	**– 180,270**	**– 323,978**
Mortgage loans	– 63,657	– 69,722
Loans	– 116,613	– 254,256

Van Lanschot acquired no financial or non-financial assets during the year through the seizure of collateral held as security (2014: nil). 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

At 31 December 2015	Asset	Liability	Contract amount
Total	**333,411**	**324,760**	**8,250,126**
Derivatives used for trading purposes			
Interest rate derivatives	700	2,135	2,500
Equity derivatives	1,996	–	91,816
Client option positions	26,124	24,859	26,124
Total derivatives used for trading purposes	**28,820**	**26,994**	**120,440**
Derivatives used for hedge accounting purposes			
Derivatives: fair value hedge accounting	62,042	60,651	2,730,035
Derivatives: portfolio fair value hedge accounting	2,832	586	605,000
Derivatives: cash flow hedge accounting	80	19,174	100,000
Total derivatives used for hedge accounting purposes	**64,954**	**80,411**	**3,435,035**
Other derivatives			
Economic hedges	85,230	96,985	1,955,495
Structured product derivatives	154,407	120,370	2,739,156
Total other derivatives	**239,637**	**217,355**	**4,694,651**

At 31 December 2014	Asset	Liability	Contract amount
Total	**275,093**	**381,313**	**7,128,225**
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	1,559,882
Total other derivatives	**194,746**	**283,946**	**5,122,616**

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-linked swaps are also used.

We use interest rate swaps and inflation-linked swaps as hedging instruments in our hedge accounting.

Ineffectiveness of derivatives for hedge accounting purposes	31/12/2015		31/12/2014	
	Fair value	Ineffective	Fair value	Ineffective
Total	**– 15,457**	**2,077**	**– 17,246**	**3,212**
Fair value hedge accounting model	1,391	2,086	248	692
Portfolio fair value hedge accounting model	2,246	–	–	2,520
Cash flow hedge accounting model	– 19,094	– 9	– 17,494	–

The total ineffectiveness of fair value hedges at year-end 2015 was €2.1 million (2014: €3.2 million), comprising €10.3 million in negative value changes in hedging instruments (2014: €24.3 million negative) and positive changes in the value of the hedged items of €12.4 million (2014: €21.1 million).

Hedged items in cash flow hedge accounting by term at 31/12/2015	Within 1 year	1 to 3 years	3 to 5 years	5 years and longer
Total	**–**	**–**	**–**	**13,670**
Cash inflow	–	–	–	–
Cash outflow	–	–	–	– 13,670

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

9. Investments in associates using the equity method	31/12/2015		31/12/2014	
	Associates, equity method	Van Lanschot's share	Associates, equity method	Van Lanschot's share
Total	**162,648**	**56,299**	**109,328**	**50,679**
Current assets	216,763	66,713	204,717	60,869
Non-current assets	197,086	60,169	233,434	66,910
Current liabilities	– 118,517	– 38,136	– 134,134	– 39,926
Non-current liabilities	– 132,684	– 38,922	– 194,689	– 53,537
Goodwill		11,463		9,543
Impairments		– 7,949		– 4,654
Other		2,961		11,474

Van Lanschot's share in income from the operating activities of associates using the equity method totalled €14.6 million in 2015 (2014: €11.2 million); the share in the net result amounted to €9.8 million (2014: €9.8 million).

The cumulative revaluation was nil (2014: nil). Total comprehensive income amounted to €11.8 million (2014: €9.9 million).

Van Lanschot's share in unrecognised losses totalled €0.3 million in 2015 (2014: €1.2 million). Van Lanschot's cumulative share in unrecognised losses totalled €2.8 million (2014: €11.0 million).

All associates valued using the equity method are unlisted investments. See the section Related parties for further details.

Movements in investments in associates using the equity method	2015	2014
At 1 January	50,679	50,384
Acquisitions and contributions	62	7,777
Sales and repayments	–	– 9,380
Income from associates	9,813	9,763
Impairments	– 3,419	– 2,579
Dividend received	– 3,485	– 5,094
Other changes	2,649	– 192
At 31 December	**56,299**	**50,679**

10. Property, plant and equipment	31/12/2015	31/12/2014
Total	**79,239**	**76,392**
Buildings	54,026	58,166
IT, operating software and communications equipment	7,067	7,297
Other assets	17,946	10,642
Work in progress	200	287

The carrying amount of buildings not in use amounted to €4.6 million at year-end 2015 (year-end 2014: €9.2 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 €1.6 million and the total amount of the minimum future lease payments is €2.4 million. The present value of minimum future lease payments is €1.8 million, of which €0.1 million falls within one year, €0.8 million between one and five years and €0.9 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 2015	Buildings	IT, operating software and communications equipment	Other assets	Work in progress	Total
At 1 January	58,166	7,297	10,642	287	**76,392**
Consolidation of subsidiaries	2,945	–	6,819	–	**9,764**
Capital expenditure	3,125	3,176	5,026	2,687	**14,014**
Disposals	– 4,186	–	2	– 234	**– 4,418**
Capitalisation of investments	–	–	–	– 2,540	**– 2,540**
Depreciation	– 3,534	– 3,409	– 4,088	–	**– 11,031**
Impairments	– 2,948	–	–	–	**– 2,948**
Other	458	3	– 455	–	**6**
At 31 December	**54,026**	**7,067**	**17,946**	**200**	**79,239**
Historical cost	118,602	59,208	61,685	200	**239,695**
Accumulated depreciation and impairments	– 64,576	– 52,141	– 43,739	–	**– 160,456**
Net carrying amount at 31 December	**54,026**	**7,067**	**17,946**	**200**	**79,239**

Movements in property, plant and equipment 2014	Buildings	IT, operating software and communications equipment	Other assets	Work in progress	Total
At 1 January	64,675	7,796	11,558	609	**84,638**
Capital expenditure	4,579	2,988	4,405	7,910	**19,882**
Disposals	– 3,724	710	– 2,370	–	**– 5,384**
Capitalisation of investments	–	–	–	– 8,232	**– 8,232**
Depreciation	– 3,632	– 4,228	– 2,905	–	**– 10,765**
Total impairments	– 3,708	–	–	–	**– 3,708**
Other	– 24	31	– 46	–	**– 39**
At 31 December	**58,166**	**7,297**	**10,642**	**287**	**76,392**
Historical cost	119,682	56,010	40,863	287	**216,842**
Accumulated depreciation and impairments	– 61,516	– 48,713	– 30,221	–	**– 140,450**
Net carrying amount at 31 December	**58,166**	**7,297**	**10,642**	**287**	**76,392**

11. Goodwill and other intangible assets	31/12/2015	31/12/2014
Total	**175,122**	**153,471**
Goodwill	155,117	128,551
Other intangible assets	20,005	24,920

Movements in goodwill and other intangible assets in 2015	Goodwill	Client base	Third-party distribution channels	Brand names	Application software	Total
At 1 January	128,551	5,607	1,634	9,196	8,483	**153,471**
Additions	1,457	2,500	–	–	34	**3,991**
Amortisation	–	– 1,491	– 409	– 765	– 4,784	**– 7,449**
Other	25,109	–	–	–	–	**25,109**
At 31 December	**155,117**	**6,616**	**1,225**	**8,431**	**3,733**	**175,122**
Historical cost	155,117	57,384	4,899	15,330	66,821	**299,551**
Accumulated depreciation and impairments	–	– 50,768	– 3,674	– 6,899	– 63,088	**– 124,429**
Net carrying amount at 31 December	**155,117**	**6,616**	**1,225**	**8,431**	**3,733**	**175,122**

The movement in the line item Other is due to the enlargement of the basis of consolidation.

The accumulated impairments on goodwill amounted to €113.1 million at 31 December 2015 (2014: €113.1 million) and have been deducted from the historical cost.

Movements in goodwill and other intangible assets in 2014	Goodwill	Client base	Third-party distribution channels	Brand names	Application software	Total
At 1 January	134,289	10,337	2,042	9,963	15,800	**172,431**
Additions	–	–	–	–	1,590	**1,590**
Amortisation	–	– 4,731	– 408	– 767	– 5,878	**– 11,784**
Total impairments	– 2,705	–	–	–	– 3,029	**– 5,734**
Other	– 3,033	1	–	–	–	**– 3,032**
At 31 December	**128,551**	**5,607**	**1,634**	**9,196**	**8,483**	**153,471**
Historical cost	128,551	54,884	4,899	15,330	66,787	**270,451**
Accumulated depreciation and impairments	–	– 49,277	– 3,265	– 6,134	– 58,304	**– 116,980**
Net carrying amount at 31 December	**128,551**	**5,607**	**1,634**	**9,196**	**8,483**	**153,471**

In 2015 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 did not result 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.

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 2015 did not lead to an impairment of the capitalised goodwill in the CGU Non-strategic investments. 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 2015 provided no indication of a need for further examination, nor of impairments.

CGU (%)	Discount rate before tax		Discount rate after tax	
	2015	2014	2015	2014
Private Banking	11.4	13.8	9.0	11.1
Asset Management	13.5	13.3	10.5	10.4
Merchant Banking	11.7	14.2	9.1	11.8
Other activities	10.6	15.8	9.4	11.8
Corporate Banking	9.0	11.1	9.0	11.1
Non-strategic investments	14.6	16.0	11.0	12.5

Allocation of goodwill to CGUs (based on segments)	31/12/2015	31/12/2014
Total	**155,117**	**128,551**
Asset Management	49,292	49,292
Merchant Banking	76,293	76,293
Non-strategic investments	29,532	2,966

Expected amortisation of intangible assets	2016	2017	2018	2019	2020	2021-2026
Expected amortisation of intangible assets	4,994	3,905	3,418	1,330	1,135	5,223

12. Current tax assets	31/12/2015	31/12/2014
Total	**1,916**	**1,258**
Tax receivable	1,916	1,258

13. Deferred tax assets

Movements in deferred tax assets in 2015	Employee benefits	Property, plant and equipment	Loss available for set-off	Commission	Other	Total
At 1 January	3,409	871	54,189	176	1,186	**59,831**
Withdrawals through profit or loss	– 110	– 76	– 11,836	– 106	–	**– 12,128**
Additions through profit or loss	–	–	1,003	–	917	**1,920**
Total through profit or loss	**– 110**	**– 76**	**– 10,833**	**– 106**	**917**	**– 10,208**
Directly from/to equity	159	–	–	–	–	**159**
At 31 December	**3,458**	**795**	**43,356**	**70**	**2,103**	**49,782**

Movements in deferred tax assets in 2014	Employee benefits	Property, plant and equipment	Loss available for set-off	Commission	Other	Total
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**
At 31 December	**3,409**	**871**	**54,189**	**176**	**1,186**	**59,831**

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	94,332	2018
2010	288	2019
2011	–	2020
2012	64,807	2021
2013	740	2022
2014	9,235	2023
2015	2,950	Indefinite*

Unrecognised losses	31/12/2015	31/12/2014
Unrecognised losses	10,951	4,904

These items have an expiry date between 2019 and 2023.

* The losses recorded in 2015 arise from the permanent establishment in Belgium. As Belgium does not apply a time limit for offsetting losses, they can be carried forward indefinitely.

14. Other assets	31/12/2015	31/12/2014
Total	**148,265**	**176,381**
Interest receivable	46,633	56,365
Transitory items	45,073	53,312
Assets acquired through foreclosures	14,592	31,362
Assets arising from pension schemes	–	414
Inventories	4,005	421
Other	37,962	34,507

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	31/12/2015	31/12/2014
Total	**418**	**71**
Equity instruments		
Shares, listed	88	71
Shares, unlisted	330	–
Total equity instruments	**418**	**71**

16. Due to banks	31/12/2015	31/12/2014
Total	**698,125**	**879,972**
Special loans, European Central Bank	350,000	350,000
Deposits	77,134	55,390
Repo transactions	219,047	387,732
Securities transactions settlement claims	47,329	22,822
Loans and advances drawn	4,615	63,288
Value adjustments fair value hedge accounting	–	740

17. Public and private sector liabilities	31/12/2015	31/12/2014
Total	**9,572,336**	**10,499,160**
Savings	4,356,513	4,680,470
Deposits	753,943	1,705,745
Other client assets	4,457,009	4,106,370
Value adjustments fair value hedge accounting	4,871	6,575

18. Financial liabilities designated at fair value through profit or loss	31/12/2015	31/12/2014
Total	**804,603**	**705,912**
Unstructured debt instruments	247,709	259,715
Structured debt instruments	556,894	446,197

Van Lanschot has issued debt instruments which are managed on the basis of fair value. Management believes that valuation 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 at fair value through profit or loss include non-structured debt instruments such as floating-rate notes and fixed-rate notes, and structured debt instruments such as Egeria and index guarantee notes.

Van Lanschot's own credit risk decreased, and the liability in the reporting year therefore reduced by €1.0 million (2014: an increase of €11.0 million). The cumulative change in the fair value of Financial liabilities at fair value through profit or loss which can be allocated to the changes in own credit risk totalled €16.7 million (2014: €17.7 million).

Van Lanschot has to pay the fair value on the maturity date.

19. Issued debt securities	31/12/2015	31/12/2014
Total	**2,480,005**	**3,073,410**
Bond loans and notes	1,274,062	1,255,565
Notes as part of securitisation transactions	643,257	1,697,061
Covered bond	491,584	–
Floating-rate notes	58,602	108,284
Medium-term notes	12,500	12,500

At the end of April 2015 Van Lanschot issued a seven-year conditional pass-through covered bond to a total of €500 million with a coupon of 0.275%. The S&P and Fitch rating agencies assigned an AAA-rating to these covered bonds. The conditional pass-through covered bond programme is based on Dutch covered-bond legislation and is covered by a portfolio of Dutch home mortgages. The programme has been registered with De Nederlandsche Bank (DNB).

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. €731 million of the debt securities become payable on demand in 2016 (2015: €996 million), based on the following breakdown:

- Instruments with contractual maturity date in 2016: €731 million (2015: €41 million);
- Instruments subject to a trigger with optional maturity date in 2016: nil (2015: nil);
- Securitised transactions with call dates in 2016: nil (2015: €955 million).

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 at 31/12/2015	Face value	Value adjustments fair value hedge accounting	Premium/ discount	Carrying amount
Total	**2,482,953**	**6,660**	**– 9,608**	**2,480,005**
Bond loans and notes	1,268,542	12,333	– 6,813	1,274,062
Notes as part of securitisation transactions	643,721	–	– 464	643,257
Covered bond	500,000	– 5,673	– 2,743	491,584
Floating-rate notes	58,190	–	412	58,602
Medium-term notes	12,500	–	–	12,500

Face value versus carrying amount of debt securities 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

20. Provisions	31/12/2015	31/12/2014
Total	**23,668**	**21,256**
Provisions for pensions	10,401	8,356
Provision for long-service benefits scheme	2,063	3,556
Provision for employee discounts	3,249	3,734
Provision for restructuring	–	1,849
Other provisions	7,955	3,761

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.

From 1 January 2017 the long-service benefits scheme will change and employees will receive a bonus on reaching 25 and 40 years of service. These benefits are calculated on an actuarial basis and recognised in the statement of financial position as a provision.

A new pension scheme came into effect on 1 January 2015 for staff at branches of Van Lanschot Bankiers in the Netherlands. The new pension scheme qualifies as a defined contribution scheme under IAS 19.

The following defined benefit schemes were valued for the purpose of the 2015 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.

The pension schemes have been placed with insurers and a pension institution, which are responsible for the pension administration, risk insurance and communication of legal documents to scheme members. Decisions on and changes to pension scheme content are taken by an internal pensions committee. Where applicable, in the Netherlands the Works Council is consulted for its opinion and/or consent.

Only within the pension scheme, equity has been invested to fund the obligations (i.e. the scheme is funded). 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.

Obligations/assets included in the statement of financial position by scheme at 31/12/2015	Pension scheme	Early retirement	Employee discounts	Long-service benefits scheme
Defined benefit obligations	167,276	155	3,249	2,063
Fair value of plan assets	157,030	–	–	–
Surplus/(deficit)	– 10,246	– 155	– 3,249	– 2,063
Obligation at year-end	– 10,246	– 155	– 3,249	– 2,063
Asset at year-end	–	–	–	–

Obligations/assets included in the statement of financial position by scheme at 31/12/2014	Pension scheme	Early retirement	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	–	–	–

Movements in the defined benefit obligations for the pension scheme	**2015**	**2014**
Benefit obligations at 1 January	168,771	821,043
Annual costs	3,507	14,367
Interest costs	3,895	31,739
Members' contributions	388	4,083
Actuarial (gains)/losses	– 5,627	267,278
Gross benefits	– 1,506	– 14,040
Transfers	– 1,235	– 644
Discontinuation	–	– 951,878
Changed assumptions	– 917	– 3,177
Benefit obligations at 31 December	**167,276**	**168,771**

Movements in the defined benefit obligations for the early retirement scheme	**2015**	**2014**
Benefit obligations at 1 January	164	170
Annual costs	– 9	– 10
Changed assumptions	–	4
Benefit obligations at 31 December	**155**	**164**

Movements in the defined benefit obligations for employee discounts	2015	2014
Benefit obligations at 1 January	3,734	3,785
Annual costs	238	259
Interest costs	55	115
Actuarial (gains)/losses	– 640	– 282
Gross benefits	– 138	– 143
Benefit obligations at 31 December	**3,249**	**3,734**

Movements in the defined benefit obligations for the long-service benefits scheme	2015	2014
Benefit obligations at 1 January	3,556	2,701
Annual costs	305	267
Interest costs	68	77
Actuarial (gains)/losses	– 206	674
Gross benefits	– 180	– 163
Changed assumptions	– 1,480	–
Benefit obligations at 31 December	**2,063**	**3,556**

Movements in the fair value of pension plan assets	2015	2014
Fair value at 1 January	160,993	805,272
Expected return on plan assets	3,744	31,607
Actuarial (gains)/losses	– 8,377	140,542
Employer's contribution	3,225	75,827
Employees' contributions	–	2,847
Gross benefits	– 1,320	– 13,860
Transfers	– 1,235	– 644
Costs	–	– 1,380
Discontinuation	–	– 879,218
Market value at 31 December	**157,030**	**160,993**
Actual return on plan assets	– 4,633	172,149

Annual costs of pension scheme included in the statement of income	2015	2014
Annual costs	3,507	14,178
Net interest income	3,895	31,473
Expected return	– 3,744	– 31,341
Additional charges	–	1,380
Discontinuation, restriction of benefits	–	– 3,177
Result on discontinuation	–	– 72,660
Net costs	**3,658**	**– 60,147**

Annual costs of early retirement scheme included in the statement of income	2015	2014
Annual costs	–	–
Net interest income	–	4
Net costs	**–**	**4**

Annual costs of employee discount scheme included in the statement of income	2015	2014
Annual costs	238	259
Net interest income	55	115
Net costs	**293**	**374**

Annual costs of long-service benefits scheme included in the statement of income	2015	2014
Annual costs	305	267
Net interest income	68	77
Actuarial (gains)/losses	– 206	–
Discontinuation, restriction of benefits	– 1,480	–
Net costs	**– 1,313**	**344**

Equity invested to fund the obligations, by investment category	31/12/2015		31/12/2014	
	Fair value	%	Fair value	%
Total	**157,030**	**100%**	**160,993**	**100%**
Fixed income	109,986	70%	119,706	74%
Equities	31,323	20%	28,227	17%
Mixed funds	1,463	1%	1,558	1%
Real estate	5,299	3%	4,166	3%
Cash and cash instruments	– 704	0%	– 68	0%
Other	9,663	6%	7,404	5%

The most significant actuarial assumptions made at the reporting date are as follows:

Assumptions	2015	2014
Actuarial interest rate pension	2.8%	2.3%
Actuarial interest rate employee discounts	1.9%	1.4%
Actuarial interest rate long-service benefits	1.9%	1.3%
Expected return on investments	2.8%	2.3%
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%	1.8% - 2.0%
Retirement age	65 - 67 jaar	65 - 67 jaar

The mortality tables as published by the Dutch Association of Actuaries (Prognosetafel 2012-2062) were used for the calculations at 31 December 2015, 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 a rise of 3.6% in the annual costs in the statement of income.

History of movements in pension scheme gains and losses	2015	2014	2013	2012	2011
Defined benefit obligations	167,276	168,771	821,043	855,156	686,179
Market value of plan assets	157,030	160,993	805,272	810,450	701,726
Surplus/(deficit)	**– 10,246**	**– 7,778**	**– 15,771**	**– 44,706**	**15,547**
Actuarial gains/(losses) on obligations	– 5,627	– 267,278	72,751	– 138,316	– 12,744
Actuarial gains/(losses) on investments	– 8,377	140,542	– 5,064	52,010	21,411

Expected contributions for 2016	Pension obligations	Employee discounts	Long-service benefits scheme
Total	**3,455**	**296**	**150**
Expected employer's contributions	3,030	296	150
Expected employees' contributions	425	–	–

Provision for restructuring	2015	2014
At 1 January	1,849	9,862
Withdrawals	– 160	– 8,722
Release	–	– 733
Additions	–	1,442
Other changes	– 1,689	–
At 31 December	**–**	**1,849**

Other provisions	2015	2014
At 1 January	3,761	2,893
Withdrawals related to acquisitions/consolidation base	233	–
Withdrawals	– 894	– 2,467
Release	–	– 69
Additions	4,846	3,403
Other changes	9	1
At 31 December	**7,955**	**3,761**

21. Current tax liabilities	31/12/2015	31/12/2014
Total	**1,611**	**507**
Tax payable	1,611	507

22. Deferred tax liabilities

Movements in 2015	Property, plant and equipment	Intangible assets	Derivatives	Investment portfolio	Employee benefits	Other	Total
At 1 January	1,988	4,714	– 4,136	7,317	103	109	**10,095**
Withdrawals through profit or loss	– 803	– 1,182	–	–	– 103	287	**– 1,801**
Total through profit or loss	**– 803**	**– 1,182**	**–**	**–**	**– 103**	**287**	**– 1,801**
Directly from/to equity	–	–	– 421	– 4,573	–	–	**– 4,994**
At 31 December	**1,185**	**3,532**	**– 4,557**	**2,744**	**–**	**396**	**3,300**

Movements in 2014	Property, plant and equipment	Intangible assets	Derivatives	Investment portfolio	Employee benefits	Other	Total
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**
At 31 December	**1,988**	**4,714**	**– 4,136**	**7,317**	**103**	**109**	**10,095**

See Note 38, Income tax, for more information.

23. Other liabilities	31/12/2015	31/12/2014
Total	**148,809**	**215,809**
Interest payable	47,324	104,320
Other accruals and deferred income	45,058	47,873
Other	56,427	63,616

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	31/12/2015	31/12/2014
Total	**118,151**	**121,415**
Certificates of indebtedness	100,000	100,000
Other subordinated loans	18,151	21,415

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 at 31/12/2015	Amortised cost	Value adjustments fair value hedge accounting	Carrying amount
Total	**116,904**	**1,247**	**118,151**
5.137% subordinated bond loan 08/33	25,000	–	25,000
5.086% subordinated bond loan 08/38	25,000	–	25,000
5.035% subordinated bond loan 08/43	50,000	–	50,000
Other subordinated loans	16,904	1,247	18,151

The average coupon on the other subordinated loans in 2015 was 6.08% (2014: 6.16%).

Amortised cost versus carrying amount subordinated loans 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

25. Total equity	31/12/2015		31/12/2014	
Total		**1,319,934**		**1,350,518**
Equity attributable to shareholders				
Issued share capital		41,017		41,017
Treasury shares		– 1,058		– 3,639
Share premium reserve		479,914		479,914
Revaluation reserve	24,847		40,034	
Actuarial results on defined benefit pension scheme	– 15,201		– 14,251	
Currency translation reserve	1,939		– 973	
Cash flow hedge reserve	– 13,670		– 12,409	
Retained earnings	747,407		663,587	
Other reserves		745,322		675,988
Undistributed profit (attributable to shareholders)		34,163		98,994
Total equity attributable to shareholders		**1,299,358**		**1,292,274**
Equity attributable to equity instruments issued by subsidiaries				
Equity instruments issued by subsidiaries		–		27,250
Undistributed profit (attributable to equity instruments issued by subsidiaries)		943		1,110
Total equity attributable to equity instruments issued by subsidiaries		**943**		**28,360**
Equity attributable to other non-controlling interests				
Other non-controlling interests		11,985		21,287
Undistributed profit (attributable to other non-controlling interests)		7,648		8,597
Total equity attributable to other non-controlling interests		**19,633**		**29,884**

Share capital	31/12/2015		31/12/2014	
	Number	Value	Number	Value
Class A ordinary shares (nominal value €1)	**41,016,668**	**41,017**	**41,016,668**	**41,017**
Shares in portfolio	108,983,332	108,983	93,983,332	93,983
Authorised capital	**150,000,000**	**150,000**	**135,000,000**	**135,000**

No changes took place in the issued share capital in 2014 or 2015.

All shares were paid up in cash. The number of ordinary shares could increase by 13,070 or 0.03% of the number of ordinary shares in issue at end-2015 as a result of the option rights outstanding at 31 December 2015.

In addition, Van Lanschot conditionally granted rights to acquire 119,001 depositary receipts for Class A ordinary shares for no consideration in the financial year. It holds 55,315 depositary receipts for Class A ordinary shares to meet open positions (2014: 190,307).

Conditional and unconditional share and option plans Exercise period up to and including	2015 Number	Average exercise price in €	2014 Number	Average exercise price in €
2016	1,449	40.15	1,449	40.15
2017	4,062	51.04	4,062	51.04
2018	7,559	73.53	7,559	73.53
Unconditional options	**13,070**	**62.84**	**13,070**	**62.84**
Conditional shares	**405,082**	**n/a**	**395,664**	**n/a**

No option rights have been granted since 2008. By the end of 2015, board members held a total of 57,667 shares and depositary receipts for shares in Van Lanschot. Unconditional awards are linked to performance and employment contract. For more information about shares and options schemes for staff and the Statutory Board, see page 66.

Movements in reserves in 2015	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					
At 1 January	17,311	22,723	– 14,251	– 973	– 12,409	663,587	**675,988**
Net change in fair value	– 903	– 2,859	–	–	– 1,261	–	**– 5,023**
Realised gains/losses through profit or loss	– 941	– 10,484	–	–	–	–	**– 11,425**
Profit appropriation	–	–	–	–	–	82,628	**82,628**
Share plans	–	–	–	–	–	937	**937**
Actuarial results	–	–	– 950	–	–	–	**– 950**
Other changes	–	–	–	2,912	–	255	**3,167**
At 31 December	**15,467**	**9,380**	**– 15,201**	**1,939**	**– 13,670**	**747,407**	**745,322**
Tax effects	8	4,565	162	–	420	–	**5,155**

In 2015, the dividend for 2014 was set at €0.40 per ordinary share.

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					
At 1 January	21,498	410	– 81,616	– 1,222	– 6,743	803,134	**735,461**
Net change 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	–	–	–	–	–	21,037	**21,037**
Share plans	–	–	–	–	–	1,165	**1,165**
Actuarial results	–	–	– 94,809	–	–	–	**– 94,809**
Reclassification	–	–	162,174	–	–	– 162,174	**–**
Other changes	–	–	–	249	–	425	**674**
At 31 December	**17,311**	**22,723**	**– 14,251**	**– 973**	**– 12,409**	**663,587**	**675,988**
Tax effects	–	– 7,618	31,945	–	1,889	–	**26,216**

In 2014, the dividend for 2013 was set at €0.20 per ordinary share.

Nature and purpose of other reserves

Treasury shares: Covers the cost price of treasury shares kept by Van Lanschot to cover shares awarded to staff under current remuneration and share schemes.

Share premium reserve: Covers amounts paid to Van Lanschot by shareholders 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 hedge 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 by subsidiaries	2015			2014		
	Equity instruments issued by subsidiaries	Undistributed profit attributable to equity instruments issued by subsidiaries	**Total**	Equity instruments issued by subsidiaries	Undistributed profit attributable to equity instruments issued by subsidiaries	**Total**
At 1 January	27,250	1,110	**28,360**	36,063	1,125	**37,188**
Repayments	– 27,250	–	**– 27,250**	– 8,813	–	**– 8,813**
Dividend	–	– 1,110	**– 1,110**	–	– 1,125	**– 1,125**
Result for the reporting period	–	943	**943**	–	1,110	**1,110**
At 31 December	**–**	**943**	**943**	**27,250**	**1,110**	**28,360**

Equity instruments issued by subsidiaries

In December 2015 Van Lanschot fully redeemed the perpetual capital securities it had issued on 14 December 2005. In October 2014 Van Lanschot fully redeemed the perpetual capital securities it had issued on 29 October 2004.

Other non-controlling interests	31/12/2015	31/12/2014
Total	**19,633**	**29,884**
Kempen MIP	21.255	21,275
Consolidated investment funds	258	9,158
Consolidated shareholdings	– 1,880	– 549

Movements in other non-controlling interests	2015			2014		
	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**
At 1 January	21,287	8,597	**29,884**	15,140	3,151	**18,291**
Profit appropriation	2,317	– 2,317	**–**	– 388	388	**–**
Dividends	–	– 6,280	**– 6,280**	–	– 3,539	**– 3,539**
Result for the reporting period	–	7,648	**7,648**	–	8,597	**8,597**
Change in basis of consolidation	– 12,277	–	**– 12,277**	6,535	–	**6,535**
Other changes	658	–	**658**	–	–	**–**
At 31 December	**11,985**	**7,648**	**19,633**	**21,287**	**8,597**	**29,884**

26. Contingent liabilities	31/12/2015	31/12/2014
Total	**82,502**	**115,564**
Guarantees, etc.	82,252	115,223
Other	250	341

For several group companies, guarantees of €192.2 million (2014: €268.2 million) have been issued. It is impossible to predict whether, when and how much of these contingent liabilities will be claimed.

27. Irrevocable commitments	31/12/2015	31/12/2014
Total	**492,392**	**601,373**
Unused credit facilities	253,910	154,581
Sale and repurchase commitments	221,341	436,250
Other	17,141	10,542

Notes to the consolidated statement of income

(x €1,000)

28. Interest	2015	2014
Interest income		
Total	**513,762**	**735,397**
Interest income on cash equivalents	19	29
Interest income on banks and private sector	319,549	411,041
Interest income on held-to-maturity investments	7,168	5,400
Other interest income	2,692	839
Interest income on items not recognised at fair value	**329,428**	**417,309**
Interest income on available-for-sale investments	14,849	21,926
Interest income of financial assets designated at fair value through profit or loss	17,348	27,029
Interest income on derivatives	152,137	269,133
Interest expense		
Total	**313,153**	**522,927**
Interest expense on banks and private sector	85,771	137,485
Interest expense on issued debt securities	57,072	72,396
Interest expense on subordinated loans	6,549	6,342
Other interest expense	227	1,126
Interest expense on items not recognised at fair value	**149,619**	**217,349**
Interest expense on balances at central banks	1,160	–
Interest expense on derivatives	162,374	305,578

The interest result on loans subject to impairment was €22.0 million (2014: €29.4 million).

29. Income from securities and associates	2015	2014
Total	**28,865**	**55,276**
Income from associates using the equity method	11,813	36,593
Dividends and fees	10,460	5,660
Movements in value of investments at fair value through profit or loss	4,938	5,730
Realised gains on available-for-sale investments in equity instruments	933	1,732
Other gains/losses	721	5,561

30. Commission income	2015	2014
Total	**265,562**	**240,309**
Securities commissions	37,451	33,259
Management commissions	170,302	157,823
Cash transactions and funds transfer commissions	10,582	12,919
Corporate Finance and Equity Capital Markets commissions	40,337	28,466
Other commissions	6,890	7,842

31. Result on financial transactions	2015	2014
Total	**23,342**	**41,971**
Profit on securities trading	792	2,598
Profit on currency trading	12,300	9,351
Unrealised gains/losses on derivatives under hedge accounting	1,684	2,141
Realised and unrealised gains/losses on trading derivatives	6,326	6,997
Realised gains on available-for-sale debt instruments	15,491	31,589
Gains/losses on economic hedges	– 10,849	– 76,582
Gains/losses on financial assets at fair value through profit or loss	– 2,402	65,877

32. Other income	2015	2014
Total	**42,762**	**16,161**
Net sales	95,211	102,220
Cost of sales	– 52,449	– 86,059

Other income comprises income from non-strategic associates arising from debt conversion. 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, thus giving the company concerned time to recover. We aim to sell any shares in non-strategic associates in due course.

Of the total increase in Other income, €35.6 million is due to the enlargement of the consolidation base. A number of non-strategic associates were also sold in 2014, leading to a reduction in income of €10.8 million compared with 2014.

33. Staff costs	2015	2014
Total	**233,657**	**151,669**
Salaries and wages	180,430	171,591
Pension costs for defined contribution schemes	18,773	2,709
Pension costs for defined benefit schemes	3,339	– 55,327
Other social security costs	20,318	20,317
Share-based payments for variable remuneration	2,125	2,067
Other staff costs	8,672	10,312

Staff costs included a one-off gain of €72.7 million in 2014 due to the ending of the defined benefit pension scheme for Dutch staff of F. van Lanschot Bankiers on 1 January 2015.

Share-based payments added €2.7 million (2014: €1.8 million) to equity in 2015; of this total, €0.6 million is disclosed under Salaries and wages. See the section on remuneration of the Statutory and Supervisory Boards for further details. Pension costs for defined contribution schemes include €0.7 million (2014: €0.5 million) for the members of the Statutory Board.

The average number of staff in 2015 was 2,282 (2014: 1,885), or 2,034 in full-time equivalents (2014: 1,805), as shown below:

Average FTEs	2015	2014
Total	**2,034**	**1,805**
Netherlands	1,849	1,630
Belgium	138	134
Other	47	41

Enlargement of the consolidation base in 2015 led to an increase of 423 in the average number of staff and of 282 in the average number of FTEs.

Unconditional options granted to staff and members of the Statutory Board	2015		2014	
	Number of options	Average exercise price in €	Number of options	Average exercise price in €
At 1 January	13,070	62.84	13,070	62.84
Expired and forfeited options	–	–	–	–
At 31 December	**13,070**	**62.84**	**13,070**	**62.84**

Unconditional options can be exercised twice a year in the open period after the release of the interim and full-year figures. No option rights were exercised in 2014 and 2015.

Conditional depositary receipts for shares granted to staff (excluding Statutory Board)	2015	2014
At 1 January	395,664	238,298
Commitments	119,001	193,753
Granted	– 31,827	– 23,934
Forfeited rights	– 40,834	– 12,453
At 31 December	**442,004**	**395,664**

The fair value is determined based on the volume-weighted day price for depositary receipts for Class A ordinary shares on the second trading day after release of Van Lanschot NV's annual figures. Depositary receipts granted in 2015 had a fair value of €18.85 (2014: €19.03), ignoring dividends.

In 2015, 44,421 conditional depositary receipts for shares were granted to a number of senior managers other than members of the Statutory Board (2014: 39,281).

Share-based payments Kempen 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 profit-sharing rights on the 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	2015	2014
Total	**171,468**	**162,958**
Accommodation expenses	23,430	23,380
Marketing and communication	13,207	11,803
Office expenses	9,801	11,075
IT expenses	71,076	64,775
External auditor fees	2,686	2,672
Consultancy fees	12,757	11,954
Travel and hotel fees	13,437	12,427
Information providers' fees	10,246	7,682
Payment charges	3,732	4,782
Other administrative expenses	11,096	12,408

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	2015	2014
Total	**1,949**	**1,784**
Financial statements audit fees	1,410	1,427
Fees for other audit services	231	159
Other fees	308	198

35. Depreciation and amortisation	2015	2014
Total	**17,391**	**22,511**
Buildings	3,534	3,632
IT, software and communication equipment	3,409	4,228
Application software	4,784	5,878
Intangible assets arising from acquisitions	2,665	5,906
Results on disposals of property, plant and equipment	– 1,089	– 38
Other depreciation and amortisation	4,088	2,905

36. Impairments	2015	2014
Total	**61,937**	**95,529**
Loans and advances to the public and private sectors	51,004	75,998
Available-for-sale investments	515	2,203
Investments in associates using the equity method	3,419	2,579
Property, plant and equipment	2,948	3,708
Goodwill and intangible assets	–	5,734
Assets acquired through foreclosures	4,051	5,307

Impairments on Loans and advances to the public and private sectors fell by €25.0 million in 2015 compared with a year earlier, due on the one hand to a reduced need for loan provisioning and on the other to an improvement in the quality of loans for which a provision had already been formed, thus releasing part of the provision. The sale of non-performing real estate loans also reduced the need to take provisions.

Available-for-sale investments comprise the impairments that arise when the fair values of 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 impairments on office buildings whose estimated realisable values are below their carrying amounts.

Assets acquired through foreclosures includes required impairments on foreclosed assets whose recoverable values have fallen below their carrying amounts.

37. Result from sale of private and public sector loans and advances

Van Lanschot sold a portfolio of non-performing real estate loans to a subsidiary of Cerberus Capital Management LP in 2015. The proceeds of this sale amounted to €22.4 million negative. An amount of €0.8 million negative relating to interest rate swaps associated with the portfolio was taken to the Result on financial transactions.

38. Income tax	2015	2014
Operating profit before tax from continuing operations	54,284	133,520
Total gross profit	**54,284**	**133,520**
Prevailing tax rate in the Netherlands	25%	25%
Expected tax	13,571	33,380
Increase/decrease in tax payable due to:		
Tax-free interest	–	– 1,054
Tax-free income from securities and associates	– 6,399	– 11,159
Taxed release of tax reserves	1,222	493
Non-deductible impairments	–	360
Non-deductible costs	1,831	3,824
Non-deductible losses	1,833	1,217
Adjustments to taxes of prior financial years	312	– 873
Impact of foreign tax rate differences	– 487	– 485
Movements in deferred taxes	– 68	–
Other changes	– 285	– 884
	– 2,041	**– 8,561**
Total tax	**11,530**	**24,819**

This tax amount consists of the tax expense for the financial year on the operating result as disclosed in the statement of income, also allowing for any tax relief facilities. When determining the tax amount, we have applied currently existing tax rules. Changes in the effective tax rate may be caused particularly by the equity holding exemption, notional interest deduction, unused losses and non-deductible costs.

Key income tax components		2015	2014
Total		**11,530**	**24,819**
Standard tax		3,298	10,869
(Income)/expense from foreign tax rate difference		– 487	– 485
(Income)/expense from changes in deferred tax assets	(13)	10,208	18,644
(Income)/expense from deferred tax liabilities	(22)	– 1,801	– 3,336
(Income)/expense from prior-year adjustments		312	– 873

The breakdown of deferred assets and liabilities is as follows:

Deferred tax assets	2015	2014
Total	**10,208**	**18,644**
Employee benefits	110	19,156
Commissions	106	135
Property, plant and equipment	76	– 871
Tax-loss carry-forwards	10,833	1,078
Other	– 917	– 854

Deferred tax liabilities	2015	2014
Total	**– 1,801**	**– 3,336**
Property, plant and equipment	– 803	– 901
Intangible assets	– 1,182	– 2,169
Employee benefits	– 103	– 194
Other	287	– 72

39. Earnings per ordinary share	2015	2014
Net result	42,754	108,701
Interest equity instruments issued by subsidiaries	– 943	– 1,110
Non-controlling interests	– 7,648	– 8,597
Net result attributable to shareholders	**34,163**	**98,994**
Weighted average number of ordinary shares in issue	40,919,503	40,918,849
Earnings per ordinary share (€)	0.83	2.42
Proposed dividend per ordinary share (€)	0.45	0.40

To calculate earnings per ordinary share, the number of ordinary shares consists solely of the weighted average number of shares in issue, ignoring any treasury shares held by the company.

40. Diluted earnings per ordinary share	2015	2014
Net result attributable to shareholders of Van Lanschot NV	34,163	98,994
Weighted average number of ordinary shares in issue	40,919,503	40,918,849
Potential shares	405,082	369,823
Weighted average number of ordinary shares in issue, fully diluted	**41,324,585**	**41,288,672**
Diluted earnings per ordinary share (€)	0.83	2.40

Diluted earnings per ordinary share are calculated the same way as earnings per share, but taking into account the number of shares that could potentially cause dilution. Diluted earnings per ordinary share reflect the weighted average number of ordinary shares that would be in issue upon conversion into ordinary shares of all potential shares. Options are dilutive when sparking the issue of ordinary shares that are at a price below average ordinary share prices over the period.

Acquisitions of group companies in 2015

On 1 October 2015 Kempen Capital Management (KCM), a subsidiary of Van Lanschot, acquired all fiduciary management activities in the United Kingdom of the Dutch pension administrator and asset manager MN. The acquisition is in line with KCM's strategy of international expansion and supports Van Lanschot's wealth management strategy. The acquisition took the form of an asset/liability transaction involving the fiduciary management activities in the United Kingdom, giving KCM decisive control over these activities.

The acquisition price was made up of an initial purchase price of €2.0 million, which was paid on 1 October 2015, and an earn-out arrangement, the amount of which will depend on the development of the client portfolio in the first 24 months following the acquisition. The probability-weighted payout approach was used to determine the fair value of the earn-out arrangement on the acquisition date. Since the acquisition involved MN's fiduciary management advisory activities, this limited the size of the identified assets and liabilities. The fair value of the total acquisition price of €2.5 million can be fully attributed to the client base and is disclosed in Van Lanschot's statement of financial position under Other intangible assets.

The acquisition has no significant impact on Van Lanschot's income, costs or results.

Consolidated statement of financial position by category at 31 December 2015

(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 and balances at central banks	–	–	–	881,024	–	**881,024**
Financial assets held for trading	6,863	–	–	–	–	**6,863**
Due from banks	–	–	–	200,073	–	**200,073**
Financial assets designated at fair value through profit or loss	–	712,578	–	–	–	**712,578**
Available-for-sale investments	–	–	2,159,141	–	–	**2,159,141**
Held-to-maturity investments	–	–	–	523,639	–	**523,639**
Loans and advances to the public and private sectors	–	–	–	10,168,368	–	**10,168,368**
Derivatives (receivables)	28,820	239,637	–	–	64,954	**333,411**
Investments in associates using the equity method	–	–	56,299	–	–	**56,299**
Current tax assets	–	–	–	1,916	–	**1,916**
Deferred tax assets	–	–	–	49,782	–	**49,782**
Other assets	–	–	–	148,265	–	**148,265**
Total financial assets	**35,683**	**952,215**	**2,215,440**	**11,973,067**	**64,954**	**15,241,359**
Non-financial assets						**254,361**
Total assets						**15,495,720**
Liabilities						
Financial liabilities held for trading	418	–	–	–	–	**418**
Due to banks	–	–	–	698,125	–	**698,125**
Public and private sector liabilities	–	–	–	9,572,336	–	**9,572,336**
Financial liabilities designated at fair value through profit or loss	–	804,603	–	–	–	**804,603**
Derivatives (liabilities)	26,994	217,355	–	–	80,411	**324,760**
Issued debt securities	–	–	–	2,480,005	–	**2,480,005**
Provisions	–	–	–	23,668	–	**23,668**
Current tax liabilities	–	–	–	1,611	–	**1,611**
Deferred tax liabilities	–	–	–	3,300	–	**3,300**
Other liabilities	–	–	–	148,809	–	**148,809**
Subordinated loans	–	–	–	118,151	–	**118,151**
Total financial liabilities	**27,412**	**1,021,958**	**–**	**13,046,005**	**80,411**	**14,175,786**
Non-financial liabilities						**1,319,934**
Total liabilities						**15,495,720**

Consolidated statement of financial position by category 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 and balances 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 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						**17,259,438**
Equity and liabilities						
Financial liabilities held for trading	71	–	–	–	–	**71**
Due to banks	–	–	–	879,972	–	**879,972**
Public and private sector liabilities	–	–	–	10,499,160	–	**10,499,160**
Financial liabilities designated 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	–	–	–	215,809	–	**215,809**
Subordinated loans	–	–	–	121,415	–	**121,415**
Total financial liabilities	**15,674**	**989,858**	**–**	**14,821,624**	**81,764**	**15,908,920**
Non-financial liabilities						**1,350,518**
Total liabilities						**17,259,438**

Related parties

The Executive Board is responsible for implementing our strategy and managing our three core activities. The Board comprises the Chairman of the Van Lanschot Statutory Board, the Van Lanschot CFO/CRO, the Van Lanschot COO and the members of the management team with responsibility for the three core activities Private Banking, Asset Management and Merchant Banking. The Executive Board was formed in early 2015.

Remuneration of Executive Board	2015	2014*
Total	**5,479**	**3,782**
Fixed salary	4,100	2,450
Fixed payment for pension contribution**	955	568
Deferred variable pay for previous years, cash	144	–
Deferred variable pay for previous years, shares	280	–
Variable pay. shares	–	339
Severance pay***	–	425

* The amounts reported for 2014 refer to the remuneration of the five members of the Statutory Board. The figures for 2015 refer to the remuneration of the six members of the Executive Board.

** This payment is a contribution for pension and disability insurance and, together with the fixed salary, forms part of the total periodic remuneration.

*** Ieko Sevinga stepped down as a member of the Statutory Board on 13 November 2014. His employment contract ended in May 2015. The amounts in the table reflect the full 2014 calendar year and the agreed severance pay reflects a year's salary. Ieko Sevinga received his severance pay upon termination of his contract, with the expense being recognised in the 2014 financial statements.

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 (%)	2015	2014
F. van Lanschot Bankiers NV	100	100
F. van Lanschot Bankiers (Schweiz) AG	100	100
Kempen & Co NV	95	95
Van Lanschot Participaties BV	100	100
Quion 17 BV	100	–

Entities controlled by Van Lanschot

- Courtine RMBS 2013-I
- Lunet RMBS 2013-I
- Van Lanschot Conditional Pass-Through Covered Bond Company BV

Affiliates (x €1,000)	2015		2014	
	Income	Expenses	Income	Expenses
Stichting Pensioenfonds F. van Lanschot	1,372	–	1,174	–

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.

The table Parties with significant influence in Van Lanschot shows the year-end income and expenditure relating to these parties in the statement of income and the statement of financial position.

Parties with significant influence in Van Lanschot in 2015				
	Income	Expenses	Amounts receivable	Amounts payable
Stichting Administratiekantoor van Class A ordinary shares Van Lanschot	–	–	–	52
Delta Lloyd NV	–	–	–	–
Rabobank Netherlands	45,572	48,528	21,968	18,179
Stichting Pensioenfonds ABP (via APG Algemene Pensioen Groep NV)	–	–	–	–
Wellington Management Group LLP	–	–	–	–
LDDM Holding BV	–	–	–	33

Parties with significant influence in Van Lanschot in 2014				
	Income	Expenses	Amounts receivable	Amounts payable
Stichting Administratiekantoor van Class A ordinary shares Van Lanschot	–	–	–	52
Delta Lloyd NV	–	–	–	–
Rabobank Netherlands	63,215	77,965	84,901	52,508
Stichting Pensioenfonds ABP (via APG Algemene Pensioen Groep NV)	–	–	–	–
Wellington Management Group LLP	–	–	–	–
LDDM Holding BV	–	2	–	455
SNS Reaal Groep NV	–	–	–	–

Loans to parties with significant influence in Van Lanschot were granted at market conditions, and collateral was provided. Van Lanschot did not grant any guarantees in 2015 or 2014, and neither were impairments recognised for receivables.

List of shareholders

In compliance with Section 5.3 of the Dutch Financial Supervision Act, the following notifications have been recorded in the major interests register held by the Dutch Authority for the Financial Markets (AFM). Percentages applied on the dates listed.

Shareholder	Notification date	Interest
Stichting Administratiekantoor van Class A gewone aandelen Van Lanschot	24 May 2013	97.61%

Depositary receipt holder	Notification date	Interest
Delta Lloyd NV	6 May 2011	30.35%
Rabobank Nederland	31 December 2012	12.09%
Stichting Pensioenfonds ABP (via APG Algemene Pensioen Groep NV)	3 February 2010	12.06%
Wellington Management Group LLP	15 December 2014	9.90%
LDDM Holding BV	3 June 2014	9.76%
Invesco Limited	28 May 2015	3.06%

Disclosure is required once a shareholder's interest reaches, exceeds or falls below certain threshold values, and current stakes of listed shareholders and/or depositary receipt holders may have changed since notification date. Stichting Administratiekantoor van gewone aandelen A Van Lanschot currently holds more than 99.9% of the Class A ordinary shares.

Associates

On 31 December 2015 Kempen MIP was an associate of Van Lanschot. No amounts were receivable from or payable to associates in either 2015 or 2014. Van Lanschot did not grant any guarantees in 2015 or 2014.

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 being 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.

At 31 December 2015, 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 of Kempen or Van Lanschot. Therefore, the execution of the call option is designated as a deferred settlement alternative. As a deferred settlement alternative at 31 December 2015 is considered unlikely, the MIP is treated as a share-based payment transaction settled in equity instruments.

	31/12/2015	31/12/2014
Number of depositary receipts issued	15,000	15,000
Legally required contribution by Van Lanschot (€)	100	100

Investments in associates using the equity method

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	42.50%
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	20.80%
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 real estate 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	38.45%
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	37.98%
Van Lanschot Chabot	Independent insurance advisor and intermediary.	's-Hertogenbosch	49.00%

The table Investments in associates using the equity method shows the income and expenses reported by Van Lanschot in the statement of income and the positions included in the statement of financial position, as well as guarantees issued at year-end in respect of these entities.

Investments in associates using the equity method	31/12/2015	31/12/2014
Income	79	424
Expenses	90	49
Amounts receivable	2,124	13,621
Amounts payable	3,273	2,527
Guarantees	180	180

Loans granted to entities in which Van Lanschot exercises significant influence but does not have decisive control are granted on market terms and secured on collateral provided. No impairments were applied to the receivables in either 2015 or 2014.

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	2015	2014
Total	**16,156**	**16,222**
Minimum lease payments	4,766	5,444
Rent	11,390	10,778

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	31/12/2015	31/12/2014
Total	**90,049**	**106,879**
Within 1 year	15,649	16,947
1 to 5 years	35,928	40,707
More than 5 years	38,472	49,225

Future liabilities (x € million)	31/12/2015	31/12/2014
Rent		
Rent for buildings (including service fees and rent for any parking spaces)	81.4	96.9
Expected lease payments		
Car lease costs	7.8	7.4
Computer lease costs	0.8	2.6
Other future liabilities	–	–

The remaining terms of the lease and rental agreements range between one month and 13 years.

In 2014, we agreed a sale-and-leaseback arrangement for an office building, recognised under Property, plant and equipment.

Other non-current liabilities

IT contract

Van Lanschot ended its outsourcing contract for the management of various software activities early. These activities will now be scaled down and carried out in-house. We have committed to a preferred supplier arrangement for the insourcing of specialist IT knowledge and capacity for the period up to 2017, for an amount of €2.3 million.

Licence purchase contract

In May 2013 we entered into a €6.3 million per year purchase contract for licensing and maintenance of our securities system, to which we are committed 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, while intrasegment 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 & executives, healthcare professionals and associations and charitable societies.

Asset Management

A specialist asset manager, Asset Management 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.

Corporate Banking

A team of experts within Corporate Banking is engaged in managing and winding down the real estate and SME loan portfolios not linked to Private Banking clients.

Other activities

These comprise activities in the field of interest rate, market and liquidity risk management, as well as the activities of Van Lanschot Participaties and non-strategic associates.

Operating segments in 2015 (x € million)	Private Banking	Asset Management	Merchant Banking	Corporate Banking	Other activities	Total
Statement of income						
Interest income	529.4	–	4.2	95.4	– 115.2	**513.8**
Interest expense	371.3	–	0.7	40.1	– 98.9	**313.2**
Interest	**158.1**	**–**	**3.5**	**55.3**	**– 16.3**	**200.6**
Income from securities and associates	–	0.3	–	–	28.6	**28.9**
Commission income	114.8	82.7	69.8	3.7	1.7	**272.7**
Commission expense	2.9	–	3.2	–	1.1	**7.2**
Net commission income	**111.9**	**82.7**	**66.6**	**3.7**	**0.6**	**265.5**
Result on financial transactions	1.8	– 0.1	3.0	– 0.8	19.4	**23.3**
Other income	–	–	–	–	42.8	**42.8**
Total income from operating activities	**271.8**	**82.9**	**73.1**	**58.2**	**75.1**	**561.1**
Of which income from other segments	4.1	12.0	1.0	3.5	– 20.6	**–**
Staff costs	115.6	38.8	30.0	15.5	33.8	**233.7**
Other administrative expenses	120.4	18.5	11.4	14.0	7.1	**171.4**
Depreciation and amortisation	8.0	0.8	0.6	0.7	7.3	**17.4**
Impairments	22.2	–	0.2	23.9	15.6	**61.9**
Result from sale of private and public sector loans and advances	–	–	–	22.4	–	**22.4**
Total expenses	**266.2**	**58.1**	**42.2**	**76.5**	**63.8**	**506.8**
Operating profit before tax	**5.6**	**24.8**	**30.9**	**– 18.3**	**11.3**	**54.3**
Income tax	1.6	6.2	8.3	– 4.6	–	**11.5**
Net result	**4.0**	**18.6**	**22.6**	**– 13.7**	**11.3**	**42.8**
Efficiency ratio (%)	90%	70%	57%	52%	64%	**75%**
Number of staff (FTEs)	1,032	289	163	135	394	**2,013**
Statement of financial position						
Of which investments in associates using the equity method	–	–	–	–	56.3	**56.3**
Capital expenditure	5.7	2.6	0.4	0.1	6.7	**15.5**

Operating segments in 2014 (x € million)	Private Banking	Asset Management	Merchant Banking	Corporate Banking	Other activities	Total
Statement of income						
Interest income	735.4	–	3.6	138.1	– 141.7	**735.4**
Interest expense	573.8	–	0.8	71.3	– 123.0	**522.9**
Interest	**161.6**	**–**	**2.8**	**66.8**	**– 18.7**	**212.5**
Income from securities and associates	–	2.6	–	–	52.7	**55.3**
Commission income	103.1	81.4	56.7	5.6	1.5	**248.3**
Commission expense	3.0	–	4.6	–	0.5	**8.1**
Net commission income	**100.1**	**81.4**	**52.1**	**5.6**	**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**	**84.0**	**61.2**	**72.4**	**85.3**	**566.2**
Of which income from other segments	– 2.6	14.7	3.8	4.8	– 20.7	**–**
Staff costs	118.9	36.3	25.4	20.2	– 49.1	**151.7**
Other administrative expenses	104.6	13.9	9.7	19.3	15.5	**163.0**
Depreciation and amortisation		0.8	0.6	0.1	14.1	**22.5**
Impairments	13.0	–	2.0	69.3	11.2	**95.5**
Total expenses	**243.4**	**51.0**	**37.7**	**108.9**	**– 8.3**	**432.7**
Operating result before tax	**19.9**	**33.0**	**23.5**	**– 36.5**	**93.6**	**133.5**
Income tax	3.5	9.3	6.3	– 9.1	14.8	**24.8**
Net result	**16.4**	**23.7**	**17.2**	**– 27.4**	**78.8**	**108.7**
Efficiency ratio (%)	88%	61%	58%	55%	– 23%	**60%**
Number of staff (FTEs)	1,017	271	170	169	145	**1,772**
Statement of financial position						
Of which investments in associates using the equity method	–	–	–	–	50.7	**50.7**
Capital expenditure	10.2	–	–	1.7	1.3	**13.2**

Geographical segments in 2015 (x € million)				
	Netherlands	Belgium	Other	Total
Statement of income				
Interest income	477.8	31.9	4.1	**513.8**
Interest expense	293.7	19.5	–	**313.2**
Interest	**184.1**	**12.4**	**4.1**	**200.6**
Income from securities and associates	28.9	–	–	**28.9**
Commission income	237.2	18.9	16.6	**272.7**
Commission expense	4.2	2.4	0.6	**7.2**
Net commission income	**233.0**	**16.5**	**16.0**	**265.5**
Result on financial transactions	21.6	0.5	1.2	**23.3**
Other income	42.8	–	–	**42.8**
Total income from operating activities	**510.4**	**29.4**	**21.3**	**561.1**
Of which income from other segments	– 3.1	2.4	0.7	**–**
Staff costs	205.4	17.4	10.9	**233.7**
Other administrative expenses	147.0	15.3	9.1	**171.4**
Depreciation	14.4	2.9	0.1	**17.4**
Impairments	60.8	1.1	–	**61.9**
Result from sale of private and public sector loans and advances	22.4	–	–	**22.4**
Total expenses	**450.0**	**36.7**	**20.1**	**506.8**
Operating profit before tax	**60.4**	**– 7.3**	**1.2**	**54.3**
Income tax	12.7	– 1.8	0.6	**11.5**
Net result	**47.7**	**– 5.5**	**0.6**	**42.8**
Efficiency ratio (%)	72%	121%	94%	**75%**
Number of staff (FTEs)	1,810	143	60	**2,013**
Statement of financial position				
Of which investments in associates using the equity method	56.3	–	–	**56.3**
Capital expenditure	13.9	1.4	0.2	**15.5**

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**
Commission	**210.1**	**16.1**	**14.0**	**240.2**
Profit 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	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				
Of which investments in associates using the equity method	50.7	–	–	**50.7**
Capital expenditure	12.3	0.9	–	**13.2**

Country by country reporting on a consolidated basis at 31 December 2015							
Country	Name of main subsidiary	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 (x € million)
Total			**2,034**	**561.1**	**54.3**	**11.5**	**–**
Netherlands	F. van Lanschot Bankiers NV	Wealth management	1,849	510.4	60.4	12.7	–
Belgium	F. van Lanschot Bankiers NV branch	International private banking	138	29.4	– 7.3	– 1.8	–
Switzerland	F. van Lanschot Bankiers (Schweiz) AG	International private banking	23	10.3	0.5	–	–
United Kingdom	Kempen & Co NV branch	Asset management	7	2.5	0.1	–	–
United Kingdom (Scotland)	Kempen Capital Management (UK) Ltd.	Asset management	10	5.0	0.7	0.2	–
United States	Kempen & Co USA Inc.	Securities trading and research distribution	7	2.8	0.2	0.1	–
Luxembourg	Vakan NV	Other	–	0.7	– 0.3	0.3	–

Country by country reporting on a consolidated basis 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 (x € million)
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	–

Company statement of financial position at 31 December 2015

(x €1,000)

Assets		31/12/2015	31/12/2014
Receivables from group companies	(a)	–	87,090
Investments in associates	(b)	1,299,358	1,205,591
Total assets		**1,299,358**	**1,292,681**

Liabilities		31/12/2015	31/12/2014
Short-term debt			
Accounts payable		–	350
Tax payable		–	57
		–	**407**
Total equity	(c)	1,299,358	1,292,274
Total liabilities		**1,299,358**	**1,292,681**

Company statement of income for 2015

(x €1,000)

Statement of income		2015	2014
Income from associates	(d)	34,163	99,001
Other income	(e)	–	– 7
Net result		**34,163**	**98,994**

The letters alongside the items refer to the relevant note to the company financial statements.

Accounting policies governing company financial statements

The company financial statements of Van Lanschot NV have been prepared in accordance with the statutory provisions of Article 402, Part 9, Book 2, of the Dutch Civil Code. We have availed ourselves of the facility offered by Section 362(8), Book 2 to use the same accounting policies (including those for the presentation of financial assets as equity or debt) as used in the consolidated financial statements. This does not apply to Investments in associates, which are recognised at net asset value.

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.

Notes to the company financial statements

(x €1,000)

a Receivables from group companies

This item includes on-demand receivables from group companies.

b Investments in associates

F. van Lanschot Bankiers NV is measured at net asset value, with our share in the result of this associate recognised in the statement of income under Income from associates. Movements in this item were as follows.

	2015	2014
At 1 January	1,205,591	1,186,455
Share premium payment	71,086	–
Revaluations	– 11,482	– 79,865
Group company results	34,163	99,001
At 31 December	**1,299,358**	**1,205,591**

Further information on the revaluations can be found in Note 25, Total equity, see under Movements in reserves in the consolidated financial statements.

Van Lanschot NV has issued undertakings pursuant to Article 403, Book 2, of the Dutch Civil Code for:
- Kempen & Co NV
- NNE BV
- Efima Hypotheken BV
- Van Lanschot Participaties BV
- BV Beheer- en Beleggingsmij Orthenstraat

c Equity

	31/12/2015		31/12/2014	
Total		**1,299,358**		**1,292,274**
Issued share capital		41,017		41,017
Treasury shares		– 1,058		– 3,639
Share premium reserve		479,914		479,914
Revaluation reserve	24,847		40,034	
Actuarial results on defined benefit pension plan	– 15,201		– 12,138	
Cash flow hedge reserve	– 13,670		– 12,409	
Statutory reserves	28,260		19,326	
Reserves under the Articles of Association	1,971		1,776	
Available reserves	719,115		639,399	
Other reserves		745,322		675,988
Result for the current financial year		34,163		98,994

For movements in equity, see Note 25 to the consolidated financial statements, Total equity.

In the year under review, conditional rights to 119,001 depositary receipts of Class A ordinary shares were awarded, for no consideration. To cover its open positions, Van Lanschot retains 55,315 depositary receipts of Class A ordinary shares (2014: 190,307).

The statutory reserves comprise a reserve in the amount of the share in the positive income from associates (Article 389(6), Book 2, of the Dutch Civil Code) of €28.2 million and a reserve for currency translation differences on associates of €1.9 million.

d Income from associates

This item includes the net profit attributable to shareholders.

e Other results

This item includes general expenses and corporation tax.

Remuneration of the Statutory and Supervisory Boards

For further details of remuneration received in 2015, see the Remuneration section on page 71.

Statutory Board in 2015	Fixed salary	Fixed payment toward pension contribution*	Variable pay, cash	Deferred variable pay for previous years, shares	Severance pay	Compensation	Total remuneration
Total	**2,850**	**660**	**–**	**136**	**–**	**–**	**3,646**
Karl Guha	975	219	–	34	–	–	**1,228**
Constant Korthout	625	147	–	34	–	–	**806**
Richard Bruens	625	147	–	34	–	–	**806**
Arjan Huisman	625	147	–	34	–	–	**806**

* This payment is a contribution for pension and disability insurance and, together with the fixed salary, forms part of the total periodic remuneration.

Ieko Sevinga's employment contract ended on 13 May 2015. He received a fixed salary of €156,845 in 2015 plus a fixed payment for pension and disability insurance of €36,692, as well as an amount of €33,995 which is recognised in the statement of income as deferred variable pay for previous years in shares. Ieko Sevinga received his severance pay upon termination of his contract, with the expense being recognised in the 2014 financial statements.

Statutory Board in 2014	Fixed salary	Fixed payment toward pension contribution*	Variable pay, cash	Deferred variable pay for previous years, shares	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**

* This payment is a contribution for pension and disability insurance and, together with the fixed salary, forms part of the total periodic remuneration.

** Richard Bruens was appointed a member of the Statutory Board by Van Lanschot's Annual General Meeting 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 ended in May 2015. The amounts in the table reflect the full 2014 calendar year and the agreed severance pay reflects a year's salary. Ieko Sevinga received his severance pay upon termination of his contract, with the expense being recognised in the 2014 financial statements.

The table Remuneration of the Statutory Board in the Remuneration section on page 71 of the directors' report shows variable remuneration payable in shares awarded for the 2014 financial year amounting to €0.8 million. IFRS, as adopted within the European Union, prescribes that the costs of deferred variable share-based compensation should be spread over the period within which the relevant activities were performed. During this period of three years, the shares vest in equal portions. An amount of €0.2 million is recognised under Staff costs in the statement of income for 2015.

The unconditional award of the first portion of the conditional variable remuneration in shares awarded for the 2014 financial year will be made at the Supervisory Board meeting on 8 March 2016. The table Depositary receipts for shares granted and awarded to Statutory Board at 31 December 2015 reports the relevant depositary receipts for shares that will vest in 2016.

Depositary receipts for shares granted and awarded to Statutory Board at 31 December 2015							
	Granted conditionally (maximum)			Awarded unconditionally			
	Year	Number	Value (x €1,000)	Year	Number	Value (x €1,000)	Lock-up period until
Karl Guha	2015	5,386	101	2016	1,795	34	2021
				2017	1,795	34	2022
				2018	1,795	34	2023
Constant Korthout	2015	5,426	102	2016	1,808	34	2021
				2017	1,808	34	2022
				2018	1,808	34	2023
Richard Bruens	2015	5,426	102	2016	1,808	34	2021
				2017	1,808	34	2022
				2018	1,808	34	2023
Arjan Huisman	2015	5,426	102	2016	1,808	34	2021
				2017	1,808	34	2022
				2018	1,808	34	2023

At 31 December 2015, the members of the Statutory Board held no options for depositary receipts for shares.

Number of depositary receipts for shares held by Statutory Board in 2015				
	At 1 January	Bought/ awarded	Sold/post-employment	At 31 December
Total	**28,118**	**29,549**	**–**	**57,667**
Karl Guha	6,307	7,874	–	14,181
Constant Korthout	10,412	7,225	–	17,637
Richard Bruens	6,374	7,225	–	13,599
Arjan Huisman	5,025	7,225	–	12,250

Loans and advances to Statutory Board at 31 December 2015					
	At 31 December	Repaid	Interest	Term	Collateral
Total	**3,197**	**662**			
Constant Korthout	450	–	2.30%	30	mortgage
	250	100	3.50%	30	mortgage
Richard Bruens	1,186	15	2.50%	30	mortgage
	287	7	3.10%	30	mortgage
	64	–	floating	1	–
Arjan Huisman	340	340	3.75%	30	mortgage
	620	200	floating	30	mortgage

Loans and advances to Statutory Board at 31 December 2014	At 31 December	Repaid	Interest	Term	Collateral
Total	**4,316**	**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
	65	–	floating	1	–
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. His employment contract ended on 13 May 2015.

No advances or guarantees have been granted to the members of the Statutory Board.

Remuneration of the Supervisory Board	2015	2014
Total	**372**	**413**
Willy Duron	63	63
Jos Streppel	71	71
Jeanine Helthuis	55	56
Bernadette Langius (from 13 May 2015)	36	–
Heleen Kersten (up to 13 May 2015)	22	53
Godfried van Lanschot	59	62
Abel Slippens (up to 1 August 2014)	–	34
Tom de Swaan**	66	74

** Tom de Swaan stepped down from the Supervisory Board on 25 February 2016.

No loans or advances had been granted to members of the Supervisory Board at 31 December 2015 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.

's-Hertogenbosch, 8 March 2016

Supervisory Board

- Willy Duron, Chairman
- Jos Streppel, Deputy Chairman
- Jeanine Helthuis
- Bernadette Langius
- Godfried van Lanschot

Statutory Board

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

Independent auditor's report

To: the shareholders and Supervisory Board of Van Lanschot N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Van Lanschot N.V. (the company), based in 's Hertogenbosch. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Van Lanschot 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 and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements give a true and fair view of the financial position of Van Lanschot N.V. as at 31 December 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and company statement of financial position as at 31 December 2014.
- The following statements for 2014: consolidated and company 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 financial statements' section of our report.

We are independent of Van Lanschot 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 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 financial statements as a whole at €11.5 million. The materiality is based on one percent 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 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

Van Lanschot NV is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Van Lanschot 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 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 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 Van Lanschot. Developments in the economic environment and the loan portfolio further increase the attention for credit risk in the loan portfolio. Periodically, Van Lanschot 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. If 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 Van Lanschot 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 financial statements. We involved experts on pension legislation and accounting within our organisation.

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Management Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the 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 financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the 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 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 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 financial statements, including the disclosures.
- Evaluating whether the 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 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 other legal and regulatory requirements

Report on the Management Board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Management Board report and other information), we state that:

- We did not came across any shortcomings while examining whether the Management Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been included.
- The Management Board report, to the extent we can assess, is consistent with the financial statements.

Appointment

We were appointed as external auditor of Van Lanschot N.V. for the audit of the 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, the Netherlands, 9 March 2015

Ernst & Young Accountants LLP

Signed by W.J. Smit

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)	10,499,160	10,161,397
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)	215,809	291,978
Subordinated loans	(24)	121,415	128,218
Total liabilities		**15,908,920**	**16,331,399**
Issued share capital		41,017	41,017
Treasury shares		– 3,639	– 2,135
Share premium reserve		479,914	479,914
Other reserves		675,988	735,461
Undistributed profit attributable to shareholders of Van Lanschot NV		98,994	29,230
Equity attributable to shareholders of Van Lanschot NV		**1,292,274**	**1,283,487**
Equity instruments issued by subsidiaries		27,250	36,063
Undistributed profit attributable to equity instruments issued by subsidiaries		1,110	1,125
Equity attributable to equity instruments issued by subsidiaries		**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)	**1,350,518**	**1,338,966**
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		248,330	240,294
Commission expense		8,021	7,017
Net commission income	(30)	**240,309**	**233,277**
Result on financial transactions	(31)	**41,971**	**66,273**
Other income	(32)	**16,161**	**22,306**
Total income from operating activities		**566,187**	**551,193**
Expenses			
Staff costs	(33)	151,669	239,662
Other administrative expenses	(34)	162,958	153,081
Staff costs and other administrative expenses		**314,627**	**392,743**
Depreciation and amortisation	(35)	22,511	15,890
Operating expenses		**337,138**	**408,633**
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**	**513,750**
Operating result before tax		**133,520**	**37,443**
Income tax	(37)	24,819	3,937
Net result		**108,701**	**33,506**
Of which attributable to shareholders of Van Lanschot NV		98,994	29,230
Of which attributable to equity instruments issued by subsidiaries		1,110	1,125
Of which attributable to other non-controlling interests		8,597	3,151
Earnings per ordinary share (€)	(38)	2.42	0.71
Diluted earnings per ordinary share (€)	(39)	2.40	0.71
Proposed dividend per ordinary share (€)		0.40	0.20

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)		**108,701**	**33,506**
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	– 5,696
Realised return on equity instruments		– 1,730	– 1,049
Realised return on debt instruments		– 31,589	– 26,476
Income tax		– 7,618	8,564
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		**26,601**	**24,529**
Of which attributable to shareholders of Van Lanschot NV		16,894	20,253
Of which attributable to equity instruments issued by subsidiaries		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	Treasury shares	Share premium reserve*	Other reserves*	Undis-tributed profit	**Total equity attributable to share-holders**	Equity attributable to equity instruments issued by subsidiaries	Equity attributable to other non-controlling interests	**Total equity**
Position as at 1 January	41,017	– 2,135	479,914	735,461	29,230	**1,283,487**	37,188	18,291	**1,338,966**
Net result (as per statement of income)	–	–	–	–	98,994	**98,994**	1,110	8,597	**108,701**
Total other comprehensive income	–	–	–	– 82,100	–	**– 82,100**	–	–	**– 82,100**
Total comprehensive income	**–**	**–**	**–**	**– 82,100**	**98,994**	**16,894**	**1,110**	**8,597**	**26,601**
Options exercised	–	1,189	–	1,165	–	**2,354**	–	–	**2,354**
To other reserves	–	–	–	21,037	– 21,037	**–**	–	–	**–**
Repurchased equity instruments	–	– 2,693	–	–	–	**– 2,693**	–	–	**– 2,693**
Dividends	–	–	–	–	– 8,193	**– 8,193**	– 1,125	– 3,539	**– 12,857**
Other changes	–	–	–	425	–	**425**	– 8,813	–	**– 8,388**
Acquisition of/change in non-controlling interests	–	–	–	–	–	**–**	–	6,535	**6,535**
Position as at 31 December	**41,017**	**– 3,639**	**479,914**	**675,988**	**98,994**	**1,292,274**	**28,360**	**29,884**	**1,350,518**

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	Treasury shares	Share premium reserve*	Other reserves*	Undis-tributed profit	**Total equity attributable to share-holders**	Equity attributable to equity instruments issued by subsidiaries	Equity attributable to other non-controlling interests	**Total equity**
Position as at 1 January	41,017	– 3,638	479,914	895,138	– 150,083	**1,262,348**	37,195	15,665	**1,315,208**
Net result (as per statement of income)	–	–	–	–	29,230	**29,230**	1,125	3,151	**33,506**
Total other comprehensive income	–	–	–	– 8,977	–	**– 8,977**	–	–	**– 8,977**
Total comprehensive income	**–**	**–**	**–**	**– 8,977**	**29,230**	**20,253**	**1,125**	**3,151**	**24,529**
Options exercised	–	1,503	–	– 465	–	**1,038**	–	–	**1,038**
To other reserves		–	–	– 158,167	158,167	**–**	–	–	**–**
Dividends	–	–	–	–	–	**–**	– 1,132	– 1,670	**– 2,802**
Other changes	–	–	–	7,932	– 8,084	**– 152**	–	–	**– 152**
Acquisition of/change in non-controlling interests	–	–	–	–	–	**–**	–	1,145	**1,145**
Position as at 31 December	**41,017**	**– 2,135**	**479,914**	**735,461**	**29,230**	**1,283,487**	**37,188**	**18,291**	**1,338,966**

* 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		133,520	37,443
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		**17,850**	**169,505**
Net increase/(decrease) in operating assets and liabilities			
– Financial assets/liabilities held for trading		3,203	5,106
– Financial assets designated as at fair value through profit or loss		– 480,920	– 105,862
– Due from/due to banks		– 336,488	– 382,903
– Loans and advances to the public and private sectors/public and private sector liabilities		1,714,052	– 336,978
– Derivatives (receivables and liabilities)		57,718	– 69,542
– Withdrawals from restructuring provision and other provisions		– 11,332	– 19,348
– Other assets and liabilities		– 66,880	– 76,815
– Income taxes paid/received		– 6,939	506
– Dividends received		3,363	3,033
Total movement in assets and liabilities		**875,777**	**– 982,803**
Net cash flow from operating activities		**893,627**	**– 813,298**
Cash flow from investing activities			
Investments and acquisitions			
– Investments in debt instruments		– 3,935,383	– 1,120,065
– Investments in equity instruments		– 242	– 1,741
– 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		2,668,971	802,696
– Investments in equity instruments		3,297	1,170
– 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		**– 1,261,003**	**– 320,935**

Consolidated statement of cash flows for 2014 (continued)

(x €1,000)

		2014	2013
Cash flow from financing activities			
Options issued		543	20
Repurchased equity instruments		– 2,693	–
Equity instruments issued by subsidiaries		– 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		– 12,857	– 2,802
Net cash flow from financing activities		**– 496,730**	**1,449,645**
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

Van Lanschot is an independent wealth manager specialising in the preservation and creation of wealth for its clients. Van Lanschot NV is the holding company of F. van Lanschot Bankiers NV. The company has its registered office at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands. Van Lanschot is a public limited company incorporated under Dutch law. Depositary receipts for Class A ordinary shares are publicly traded on the Official Market of the Euronext Amsterdam Stock Exchange.

The consolidated financial statements of Van Lanschot NV as at December 2014 were prepared by the Statutory Board on 9 March 2015 and will be submitted to the General Meeting of Shareholders for adoption on 13 May 2015. Shareholders have the formal power to amend the financial statements after publication.

Basis of preparation

The consolidated financial statements of Van Lanschot and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and with Part 9, Book 2 of the Dutch Civil Code. The assets and liabilities disclosed in the consolidated financial statements are carried 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

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 2017; 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 July 2014; 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 July 2014; 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 88).

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 NV comprise the financial statements of F. van Lanschot Bankiers NV and its subsidiaries. The financial statements of F. van Lanschot Bankiers NV and its subsidiaries are prepared as at 31 December using consistent accounting policies. The financial year of F. van Lanschot Bankiers NV 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
Direct costs of a new share issue are deducted from equity, taking account of taxes. If Van Lanschot purchases treasury shares, the purchase price, including direct transaction costs after tax, is deducted from equity. Treasury shares purchased by Van Lanschot do not qualify for profit or dividend and are not included in the calculation of earnings per share. Equity instruments issued by subsidiaries 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 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 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 ordinary share

Earnings per ordinary share are calculated by dividing the profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per ordinary share are calculated by dividing the profit available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted for possible dilution as a result of outstanding option rights, for example.

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	15.2	13.9
Tier I ratio	4.0	14.6	13.1
Common Equity Tier I ratio (phase-in)	4.5	14.6	13.1
Leverage ratio (phase-in)	3.0	5.8	–

* 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 NV	100	100
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 €104 million in 2014, from €1,176 million to €1,072 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 5.8%. The amount of capital in the numerator is €1,072 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	**1,119,632**	**1,254,280**
Of which Tier I capital	1,071,800	1,176,129
Of which additional Tier I capital	1,071,800	1,176,129
Of which Tier II capital	47,832	78,151
Capital ratios		
BIS ratio	15.2%	13.9%
Tier I ratio	14.6%	13.1%
Common Equity Tier I ratio (phase-in)	14.6%	13.1%
Leverage ratio (phase-in)	5.8%	–

* The comparative figures relate to Basel II.

Table 1.4.B Qualifying capital	31/12/2014
Share capital	41,017
Treasury shares	– 3,639
Share premium reserve	479,914
General reserve	592,182
Provisional profit distribution for solvency purposes	82,663
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	**1,071,800**
Innovative instruments with interest step-up (equity instruments issued by subsidiaries)	21,800
Deductions	
IRB shortfall	– 21,800
Total Tier I capital	**1,071,800**
Subordinated loans	95,529
(General) provisions for SA receivables	2,790
Deductions	
IRB shortfall	– 50,486
Total Tier II capital	**47,832**
Qualifying capital	**1,119,632**
Reconciliation of qualifying capital with consolidated equity	
Expected dividend payable for the current year	16,331
Result for 2014 attributable to equity instruments issued by subsidiaries	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 by subsidiaries)	5,450
Other equity elements not forming part of qualifying capital	– 19,128
Total consolidated equity	**1,350,518**

Table 1.4.C Qualifying capital	31/12/2013
Tier I capital	
Share capital	41,017
Share premium reserve	479,914
General reserve	793,677
Provisional profit distribution for solvency purposes	21,045
Non-controlling interests	15,140
Deductions	
Goodwill and other intangible assets	– 142,341
IRB shortfall	– 32,323
Core Tier I capital	**1,176,129**
Innovative instruments with interest step-up (equity instruments issued by subsidiaries)	27,250
Innovative instruments without interest step-up (equity instruments issued by subsidiaries)	8,813
Original Tier I capital	**1,212,192**
Deductions	
Equity elements	– 2,790
IRB shortfall	– 33,273
Total Tier I capital	**1,176,129**
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	**1,254,280**
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	**1,338,966**

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
Totaal	**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	**4,929,296**	**839,724**	**4,089,572**	**30,037**	**4,059,535**
Derivatives (liabilities)	728,043	346,730	381,313	30,037	351,276
Current accounts*	4,201,253	492,994	3,708,259	–	3,708,259

* 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	**5,272,191**	**1,252,376**	**4,019,815**	**–**	**4,019,815**
Derivatives (liabilities)	570,332	270,670	299,662	–	299,662
Current accounts*	4,701,859	981,706	3,720,153	–	3,720,153

* 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	8,398,480	452,857	945,918	389,044	306,211	6,650	**10,499,160**
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		142,670	73,224	10,094	–	21,679	**247,667**
Subordinated loans	–	18,016	2,000	–	100,000	1,399	**121,415**
Total liabilities	**8,451,127**	**3,696,698**	**3,024,041**	**2,658,502**	**889,532**	**35,237**	**18,755,137**
Gap	**– 5,661,802**	**5,536,951**	**– 835,479**	**1,946,470**	**2,225,721**	**944,361**	**4,156,222**

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	7,236,576	1,035,908	1,342,887	284,176	259,742	2,108	**10,161,397**
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		221,806	93,397	8,358	–	35,589	**359,150**
Subordinated loans	–	4,651	2,000	3,454	116,563	1,550	**128,218**
Total liabilities	**7,294,767**	**7,187,531**	**4,109,125**	**1,904,537**	**553,814**	**168,820**	**21,218,594**
Gap	**– 3,215,190**	**– 266,426**	**– 1,288,217**	**2,621,556**	**3,178,011**	**730,676**	**1,760,410**

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 95.3% (2013: 81.4%), 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	95.3	81.4

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	8,407,311	672,022	812,022	294,526	306,629	**10,492,510**	6,650	**10,499,160**
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	–	142,981	72,913	10,094	–	**225,988**	21,679	**247,667**
Subordinated loans	–	1,000	2,000	–	117,016	**120,016**	1,399	**121,415**
Total liabilities	**8,482,780**	**1,240,883**	**1,954,090**	**3,334,961**	**855,097**	**15,867,811**	**41,109**	**15,908,920**
Total liabilities excluding derivatives	**8,482,780**	**1,189,027**	**1,942,348**	**3,232,556**	**647,741**	**15,494,452**	**33,155**	**15,527,607**
On balance gap	**– 5,689,632**	**– 615,962**	**– 1,613,446**	**– 863,669**	**9,423,008**	**640,299**	**710,219**	**1,350,518**
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	**– 5,689,632**	**– 521,704**	**– 1,377,986**	**375,277**	**13,353,823**	**6,139,778**	**710,219**	**6,849,997**

Table 7.1.B List of maturities as at 31/12/2013

	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	1,999,963	–	–	–	–	**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	7,238,106	1,036,990	1,303,663	302,911	277,619	**10,159,289**	2,108	**10,161,397**
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	–	221,806	93,397	8,358	–	**323,561**	35,589	**359,150**
Subordinated loans	–	4,538	–	5,000	117,130	**126,668**	1,550	**128,218**
Total liabilities	**7,296,297**	**1,436,486**	**2,080,979**	**2,751,963**	**2,713,901**	**16,279,626**	**51,773**	**16,331,399**
Total liabilities excluding derivatives	**7,296,297**	**1,364,288**	**2,055,135**	**2,604,031**	**2,664,605**	**15,984,356**	**47,381**	**16,031,737**
On balance gap	**– 3,240,037**	**– 829,662**	**– 1,666,325**	**– 849,535**	**7,394,443**	**808,884**	**530,082**	**1,338,966**
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	**– 3,240,037**	**– 749,051**	**– 1,465,858**	**332,428**	**11,926,934**	**6,804,416**	**530,082**	**7,334,498**

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	9,891,355	601,155	**10,492,510**	6,650	**10,499,160**
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	215,894	10,094	**225,988**	21,679	**247,667**
Subordinated loans	3,000	117,016	**120,016**	1,399	**121,415**
Total liabilities	**11,677,753**	**4,190,058**	**15,867,811**	**41,109**	**15,908,920**

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	9,578,759	580,530	**10,159,289**	2,108	**10,161,397**
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	315,203	8,358	**323,561**	35,589	**359,150**
Subordinated loans	4,538	122,130	**126,668**	1,550	**128,218**
Total liabilities	**10,813,762**	**5,465,864**	**16,279,626**	**51,773**	**16,331,399**

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	10,647,948	10,499,160	10,283,687	10,161,397	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	**10,499,160**	**10,161,397**
Savings	4,680,470	3,481,117
Deposits	1,705,745	2,523,466
Other client assets	4,106,370	4,154,918
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 at Van Lanschot Bankiers 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	**215,809**	**291,978**
Interest payable	104,320	150,651
Other accruals and deferred income	47,873	55,705
Other liabilities	63,616	85,622

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		**1,350,518**		**1,338,966**
Equity attributable to shareholders of Van Lanschot NV				
Issued share capital		41,017		41,017
Treasury shares		– 3,639		– 2,135
Share premium reserve		479,914		479,914
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	663,587		803,134	
Other reserves		675,988		735,461
Undistributed profit (attributable to shareholders of Van Lanschot NV)		98,994		29,230
Total equity attributable to shareholders of Van Lanschot NV		**1,292,274**		**1,283,487**
Equity attributable to equity instruments issued by subsidiaries				
Equity instruments issued by subsidiaries		27,250		36,063
Undistributed profit (attributable to equity instruments issued by subsidiaries)		1,110		1,125
Total equity attributable to equity instruments issued by subsidiaries		**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**

Issued share capital	31/12/2014		31/12/2013	
	Number	Value x €1,000	Number	Value x €1,000
Class A ordinary shares (nominal value €1)	41,016,668	41,017	41,016,668	41,017
Issued capital	**41,016,668**	**41,017**	**41,016,668**	**41,017**
Shares in portfolio	93,983,332	93,983	93,983,332	93,983
Authorised capital	**135,000,000**	**135,000**	**135,000,000**	**135,000**

Movements in issued share capital 2014	Class A ordinary shares		Class B ordinary shares	
	Number	Value x €1,000	Number	Value x €1,000
Issued share capital as at 1 January	41,016,668	41,017	–	–
Conversion of ordinary shares	–	–	–	–
Issued share capital as at 31 December	**41,016,668**	**41,017**	**–**	**–**

Movements in issued share capital 2013	Class A ordinary shares		Class B ordinary shares	
	Number	Value x €1,000	Number	Value x €1,000
Issued share capital as at 1 January	38,705,997	38,706	2,310,671	2,311
Conversion of Class B ordinary shares into Class A ordinary shares	2,310,671	2,311	– 2,310,671	– 2,311
Issued share capital as at 31 December	**41,016,668**	**41,017**	**–**	**–**

In 2013, a number of major shareholders converted a proportion of their Class B ordinary shareholdings into Class A ordinary shares, which resulted in a changed breakdown of issued capital. This move saw all Class B ordinary shares converted into Class A ordinary shares.

All shares were paid up in cash. The number of ordinary shares could increase by 12,447 or 0.03% of the number of ordinary shares in issue at end-2014, as a result of the option rights outstanding at 31 December 2014. In addition, Van Lanschot conditionally granted rights to acquire 193,753 depositary receipts for Class A ordinary shares for no consideration in the financial year. It holds 190,307 depositary receipts for Class A ordinary shares to meet open positions (2013: 90,416).

Conditional and unconditional share and option plans Exercise period up to and including	2014		2013	
	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. For more information about shares and options schemes for staff and the Statutory Board, see page 56.

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	803,134	**735,461**
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	–	–	–	–	–	21,037	**21,037**
Options exercised	–	–	–	–	–	1,165	**1,165**
Actuarial results	–	–	– 94,809	–	–	–	**– 94,809**
Termination of defined benefit pension scheme	–	–	162,174	–	–	– 162,174	**–**
Other changes	–	–	–	249	–	425	**674**
Balance as at 31 December	**17,311**	**22,723**	**– 14,251**	**– 973**	**– 12,409**	**663,587**	**675,988**
Tax effects	–	– 7,618	31,945	–	1,889	–	**26,216**

In 2014, the dividend for 2013 was set at €0.20 per ordinary share.

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	953,834	**895,138**
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	–	–	–	–	–	– 158,167	**– 158,167**
Options exercised	–	–	–	–	–	– 465	**– 465**
Actuarial results	–	–	16,944	–	–	–	**16,944**
Other changes	–	–	–	– 535	–	7,932	**7,397**
Balance as at 31 December	**21,498**	**410**	**– 81,616**	**– 1,222**	**– 6,743**	**803,134**	**735,461**
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

Treasury shares: Covers the cost price of treasury shares kept by Van Lanschot to cover shares awarded to staff under current remuneration and share schemes.

Share premium reserve: Covers amounts paid to Van Lanschot by shareholders 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 by subsidiaries	2014			2013		
	Equity instruments issued by subsidiaries	Undistributed profit attributable to equity instruments issued by subsidiaries	**Total**	Equity instruments issued by subsidiaries	Undistributed profit attributable to equity instruments issued by subsidiaries	**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 by subsidiaries

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	**240,309**	**233,277**
Securities commissions	33,259	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 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 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 can be exercised twice a year in the open period after the release of the interim and full-year figures. No option rights were exercised in 2014. Members of the Statutory Board held no conditional depositary receipts for shares in either 2014 or 2013.

Conditional depositary receipts for shares 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 on the second trading day after release of Van Lanschot NV's annual figures. Depositary receipts granted in 2014 had a fair value of €19.03 (2013: €13.62), ignoring dividends.

In 2014, 14,714 conditional depositary receipts for shares 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**	**153,081**
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	9,010

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	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	133,520	37,443
Profit before tax from discontinued operations	–	–
Total gross result	**133,520**	**37,443**
Prevailing tax rate in the Netherlands	25%	25%
Expected tax	33,380	9,361
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	955
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	**– 5,424**
Total tax	**24,819**	**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		**24,819**	**3,937**
Standard tax		10,869	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 ordinary share	2014	2013
Net result	108,701	33,506
Interest on equity instruments issued by subsidiaries	– 1,110	– 1,125
Non-controlling interests	– 8,597	– 3,151
Net result attributable to shareholders of Van Lanschot NV	**98,994**	**29,230**
Weighted average number of ordinary shares in issue	40,918,849	40,917,566
Earnings per ordinary share (€)	2.42	0.71
Proposed dividend per ordinary share (€)	0.40	0.20

To calculate earnings per ordinary share, the number of ordinary shares consists solely of the weighted average number of shares in issue, ignoring any treasury shares held by the company.

39. Diluted earnings per ordinary share	2014	2013
Net result attributable to shareholders of Van Lanschot NV	98,994	29,230
Weighted average number of ordinary shares in issue	40,918,849	40,917,566
Potential shares	369,823	212,161
Weighted average number of ordinary shares in issue, fully diluted	**41,288,672**	**41,129,727**
Diluted earnings per ordinary share (€)	2.40	0.71

Diluted earnings per ordinary share are calculated the same way as earnings per share, but taking into account the number of shares that could potentially cause dilution. Diluted earnings per ordinary share reflect the weighted average number of ordinary shares that would be in issue upon conversion into ordinary shares of all potential shares. Options are dilutive when sparking the issue of ordinary shares that are at a price below average ordinary share prices over the period.

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	–	–	–	10,499,160	–	**10,499,160**
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	–	–	–	215,809	–	**215,809**
Subordinated loans	–	–	–	121,415	–	**121,415**
Total financial liabilities	**15,674**	**989,858**	**–**	**14,821,624**	**81,764**	**15,908,920**
Non-financial liabilities						**1,350,518**
Total liabilities	**15,674**	**989,858**	**–**	**14,821,624**	**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	–	–	–	10,161,397	–	**10,161,397**
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	–	–	–	291,978	–	**291,978**
Subordinated loans	–	–	–	128,218	–	**128,218**
Total financial liabilities	**16,504**	**549,214**	**–**	**15,673,306**	**92,375**	**16,331,399**
Non-financial liabilities						**1,338,966**
Total liabilities	**16,504**	**549,214**	**–**	**15,673,306**	**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	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	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.

As at 31 December 2014, the members of the Statutory Board held no options for depositary receipts for shares.

Depositary receipts for shares 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 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 NV	100	100
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
Stichting Administratiekantoor van gewone aandelen A Van Lanschot	–	–	–	52
Delta Lloyd NV		–	–	–
Rabobank Nederland	63,215	77,965	84,901	52,508
Stichting Pensioenfonds ABP (via APG Algemene Pensioen Groep N.V.)	–	–	–	–
Wellington Management Group LLP	–	–	–	–
LDDM Holding BV	–	2	–	455
SNS Reaal Groep NV	–	–	–	–

Parties with a significant influence in Van Lanschot in 2013	Income	Expenditure	Amounts receivable	Amounts payable
Stichting Administratiekantoor van gewone aandelen A Van Lanschot	–	–	–	6
Delta Lloyd		129	–	–
Rabobank Nederland	52,202	69,133	120,220	56,929
Stichting Pensioenfonds ABP (via APG Algemene Pensioen Groep NV)	–	–	–	–
LDDM Holding BV	6	–	–	631
Stichting FB Oranjewoud	–	–	–	–
SNS Reaal Groep NV	–	–	–	–

List of shareholders

In compliance with Section 5.3 of the Dutch Financial Supervision Act, the following notifications have been recorded in the major interests register held by the Dutch Authority for the Financial Markets (AFM). Percentages applied on the dates listed.

Shareholder	Notification date	Interest
Stichting Administratiekantoor van gewone aandelen A Van Lanschot	24 May 2013	97.61%

Depositary receipt holder	Notification date	Interest
Delta Lloyd NV	6 May 2011	30.35%
Rabobank Nederland	31 December 2012	12.09%
Stichting Pensioenfonds ABP (via APG Algemene Pensioen Groep NV)	3 February 2010	12.06%
Wellington Management Group LLP	15 December 2014	9.90%
LDDM Holding BV	3 June 2014	9.76%
SNS Reaal Groep NV	7 June 2006	7.43%

Disclosure is required once a shareholder's interest reaches, exceeds or falls below certain threshold values, and current stakes of listed shareholders and/or depositary receipt holders may have changed since notification date. Stichting Administratiekantoor van gewone aandelen A Van Lanschot currently holds 100% of Class A ordinary shares.

Loans to parties with significant influence in Van Lanschot were granted at market conditions, and collateral was provided. Van Lanschot did not grant any guarantees in 2013 and 2014. No impairments were taken on receivables in either 2014 or 2013.

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)	984	202	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	3,250.0	**15,908.9**
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	3,753.7	**16,331.4**
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	12,893.0	2,665.9	350.0	**15,908.9**
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	13,657.0	2,359.3	315.1	**16,331.4**
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.

Company statement of financial position as at 31 December 2014

(x €1,000)

Assets		31/12/2014	31/12/2013
Receivables from group companies	(a)	87,090	97,412
Associates	(b)	1,205,591	1,186,455
Total assets		**1,292,681**	**1,283,867**

Liabilities		31/12/2014	31/12/2013
Short-term debt			
Accounts payable		350	307
Income tax		57	73
		407	**380**
Equity	(c)	1,292,274	1,283,487
Total liabilities		**1,292,681**	**1,283,867**

Company statement of income for 2014

(x €1,000)

Statement of income		2014	2013
Income from associates	(d)	99,001	29,225
Other income	(e)	– 7	5
Net result		**98,994**	**29,230**

The letters alongside the items refer to the relevant note to the company financial statements.

Accounting policies governing company financial statements

The company financial statements of Van Lanschot NV have been prepared in accordance with the statutory provisions of Article 402, Part 9, Book 2, of the Dutch Civil Code. We have availed ourselves of the facility offered by Section 362(8), Book 2 to use the same accounting policies (including those for the presentation of financial assets as equity or debt) as used in the consolidated financial statements. This does not apply to Investments in associates, which are recognised at net asset value.

Notes to the company financial statements

(x €1,000)

a Receivables from group companies

This item includes on-demand receivables from group companies.

b Investments in associates

The associate, F. van Lanschot Bankiers NV, is carried at net asset value, with our share in the result of this associate recognised in the statement of income under Income from associates.
Movements in this item were as follows:

	2014	2013
Position as at 1 January	1,186,455	1,165,580
Revaluations	– 79,865	– 8,350
Group company results	99,001	29,225
Position as at 31 December	**1,205,591**	**1,186,455**

For more information, see Changes in presentation and accounting policies.

Further information on the revaluations can be found in Note 25, Movements in reserves in the consolidated financial statements.

Van Lanschot NV has issued undertakings pursuant to Article 403, Book 2, of the Dutch Civil Code for:
- F. van Lanschot Bankiers NV
- Kempen & Co NV
- NNE BV
- Efima Hypotheken BV
- Van Lanschot Participaties BV
- BV Beheer- en Beleggingsmij Orthenstraat

c Equity

	31/12/2014		31/12/2013	
Total		**1,292,273**		**1,283,487**
Issued share capital		41,017		41,017
Treasury shares		– 3,639		– 2,135
Share premium reserve		479,914		479,914
Revaluation reserve	40,034		21,908	
Actuarial results on defined benefit pension plan	– 12,138		– 81,616	
Cash flow hedges reserve	– 12,409		– 6,743	
Statutory reserves	19,326		20,733	
Reserves under the Articles of Association	1,776		1,740	
Freely available reserves	639,399		779,439	
Other reserves		675,987		735,461
Result for the current financial year		98,994		29,230

For movements in equity, see Note 25 to the consolidated financial statements.

In the year under review, conditional rights to 193,753 depositary receipts of Class A ordinary shares were awarded, for no consideration. To cover its open positions, Van Lanschot retains 190,307 depositary receipts of Class A ordinary shares (2013: 90,416).

The statutory reserves comprise a reserve in the amount of the share in the positive income from associates (Article 389(6), Book 2, of the Dutch Civil Code) of €20.5 million, a reserve for non-distributable amounts (Section 319 of the Commercial Code) of €0.1 million and a reserve for currency translation differences on associates of €1.0 million negative.

d Income from associates

This item includes the net profit attributable to shareholders.

e Other results

This item includes general expenses and corporation tax.

Remuneration of the Statutory and Supervisory Boards

For more information on the remuneration of members of the Statutory and Supervisory Boards, see the consolidated financial statements.

's-Hertogenbosch, the Netherlands, 9 March 2015

Supervisory Board

- Tom de Swaan, *Chairman*
- Jos Streppel, *Deputy Chairman*
- Willy Duron
- Jeanine Helthuis
- Heleen Kersten
- 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)

The Company

VAN LANSCHOT N.V.
Hooge Steenweg 29
5211 JN 's-Hertogenbosch
The Netherlands

Legal Advisers to the Company

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1077 AB Amsterdam
The Netherlands

in respect of United States law
ALLEN & OVERY LLP
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London E1 6AD
United Kingdom

The Selling DR Holders

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The Netherlands

DELTA LLOYD SCHADEVERZEKERING N.V.
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United Kingdom

Joint Bookrunners

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1082 PP Amsterdam
The Netherlands

MERRILL LYNCH INTERNATIONAL
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United Kingdom

Co-lead Managers

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1077 WZ Amsterdam
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75116 Paris
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1077 XV Amsterdam
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LINKLATERS LLP
Mainzer Landstrasse 16
60325 Frankfurt am Main
Germany

Statutory Auditors to the Company

through the financial year ended 31 December 2015
ERNST & YOUNG ACCOUNTANTS LLP
Cross Towers
Antonio Vivaldistraat 150
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The Netherlands

as from the financial year beginning 1 January 2016
PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V.
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