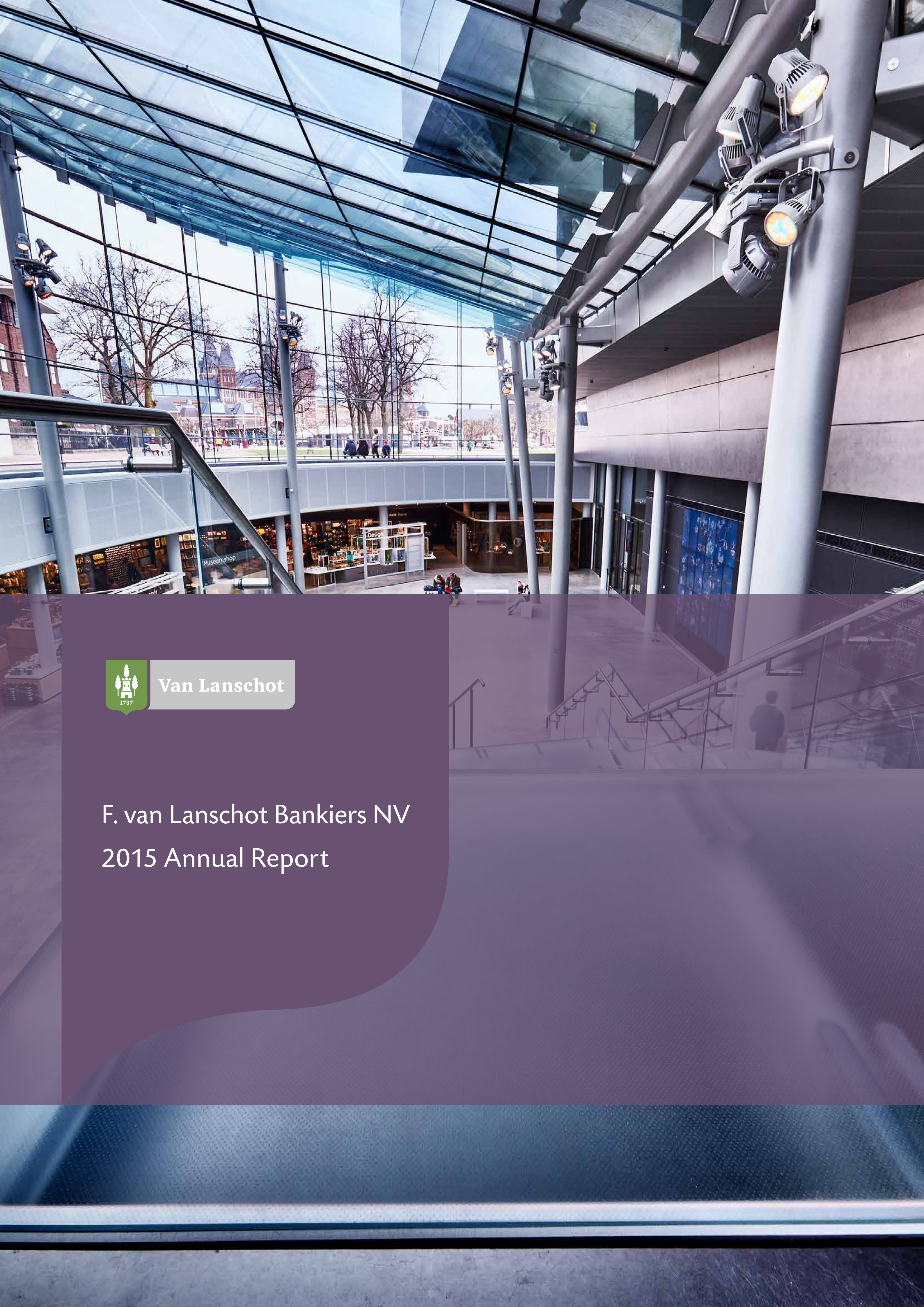


F. van Lanschot Bankiers NV
2015 Annual Report

The real value of wealth

Contents

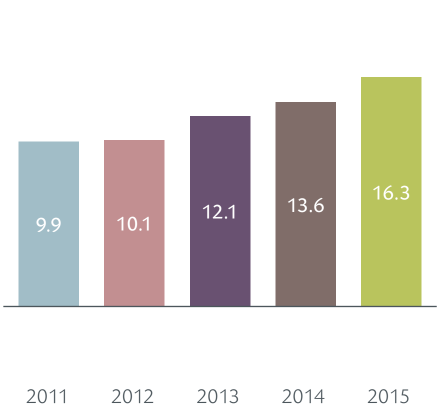
This 2015 annual financial report of F. van Lanschot Bankiers NV has been prepared to comply with Dutch law. F. van Lanschot Bankiers NV (hereafter 'Van Lanschot') is a 100% subsidiary of Van Lanschot NV.

The Van Lanschot 2015 Annual Report is published in both Dutch and English. It is available online at corporate.vanlanschot.nl. In the event of any discrepancies between the two, the Dutch version will prevail.

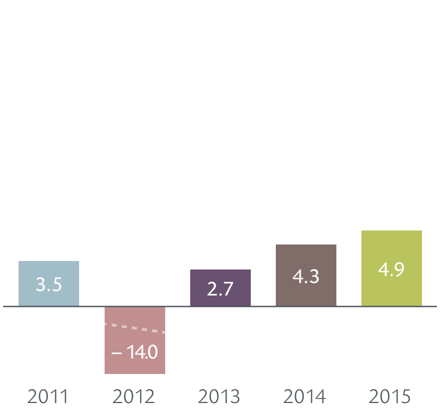
Key data[1]

1. Results

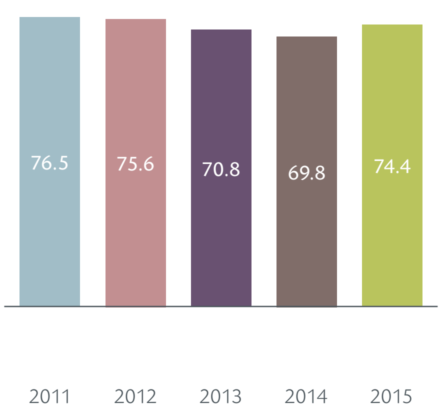
Common Equity Tier I-ratio, inclusief nsd[2] (%)



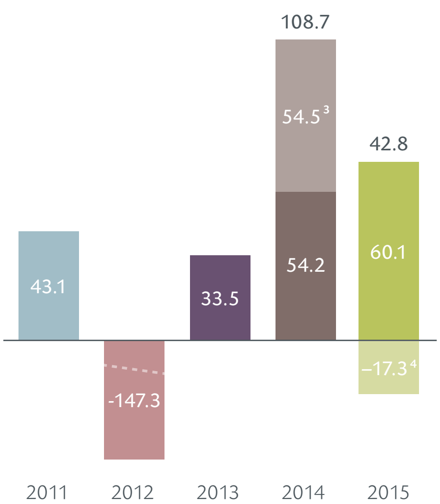
Return on average Common Equity Tier I equity, including NSIs[2] (%)



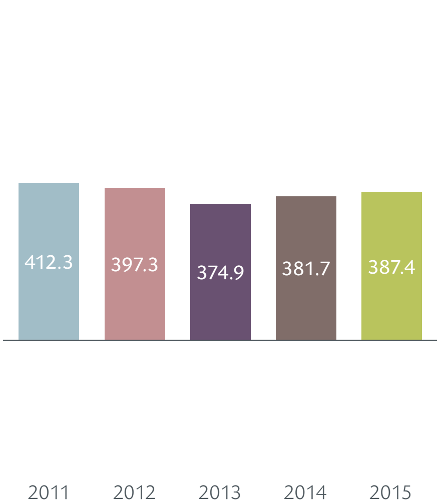
Efficiency ratio, excluding one-off gains and losses (%)



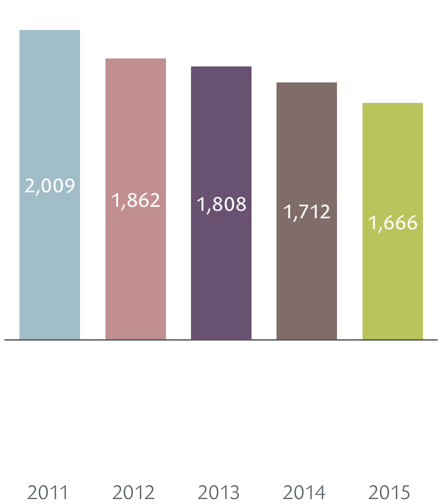
Net result, including NSIs (x € million)



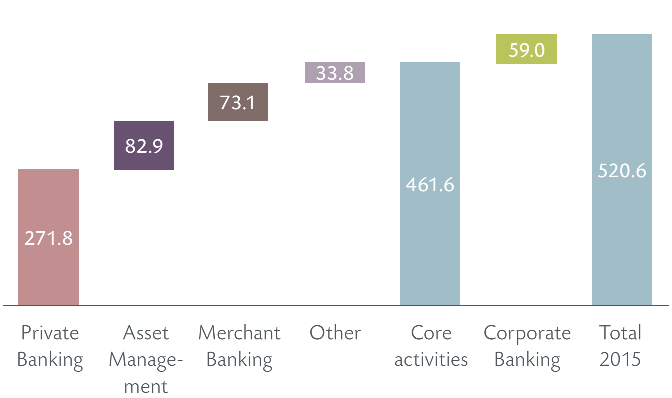
Operating expenses (x € million)



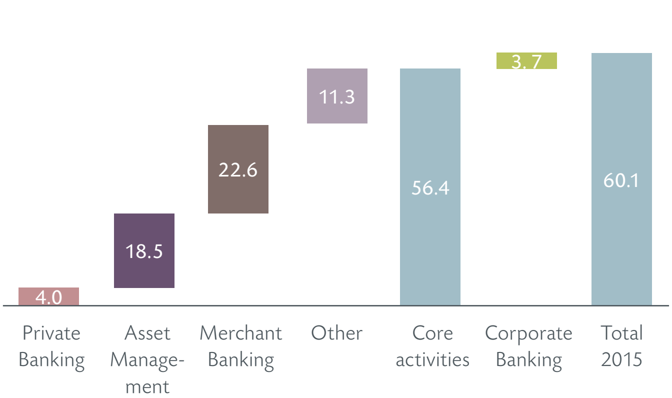
Number of staff (FTEs, at year-end)



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



Net result, excluding one-off charge[4] (x € million)



1 Excluding non-strategic investments (NSIs), unless otherwise indicated.

2 From 2014 in compliance with the Basel III regulatory framework, based on phase-in and including retained earnings. Figures for previous years are based on compliance with Basel II.

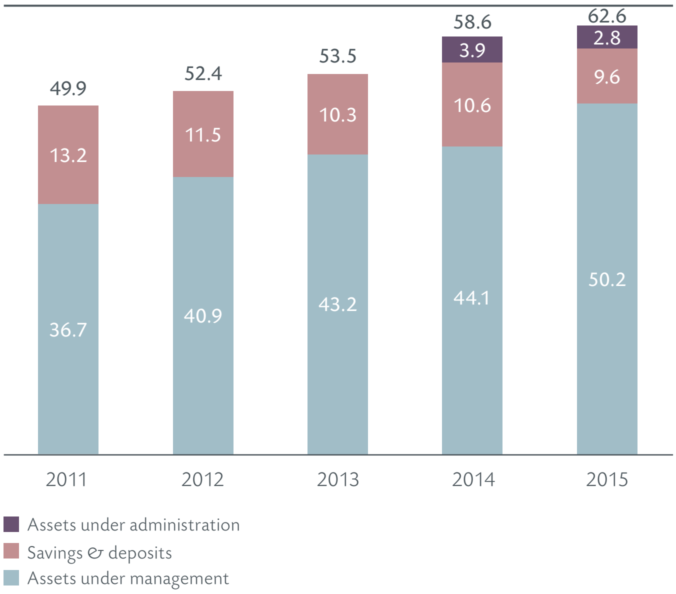
3 One-off net gain resulting from changes to pension scheme.

4 One-off net charge from sale of non-performing real estate loans.

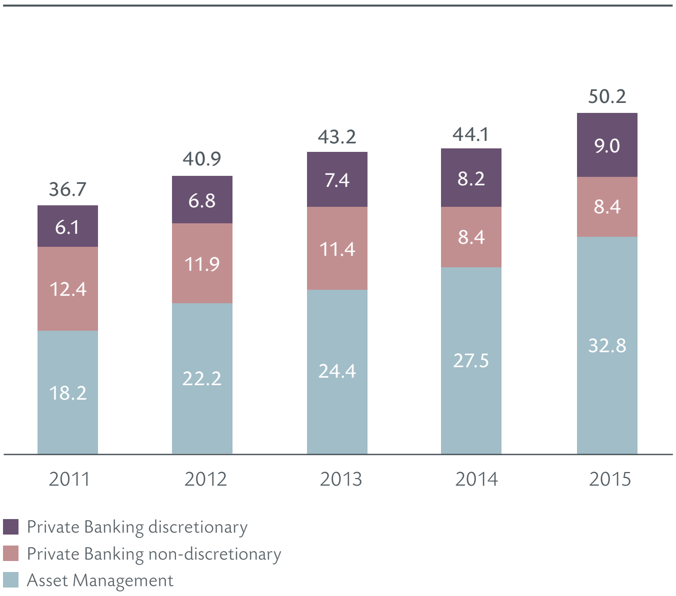
The directors' report uses unrounded figures and total amounts may deviate from the sum of the parts. Percentage changes are based on these unrounded figures.

2. Client assets[5]

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

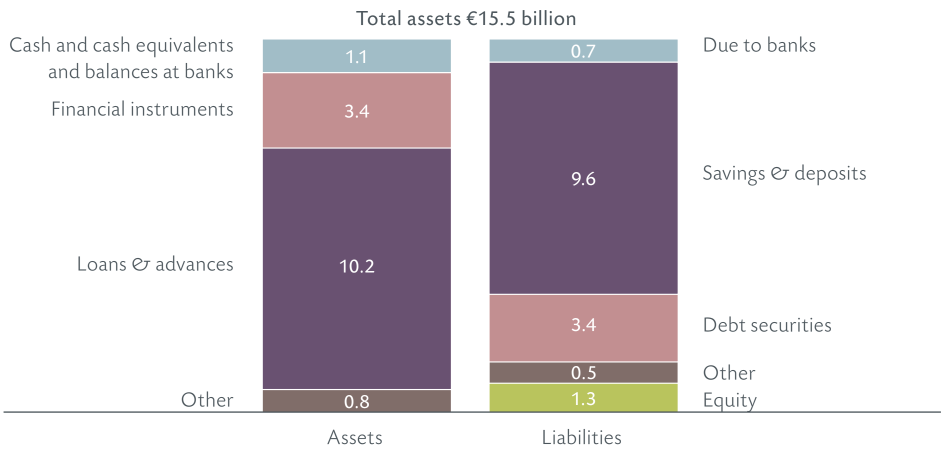


Assets under management[5] (x € billion, at year-end)

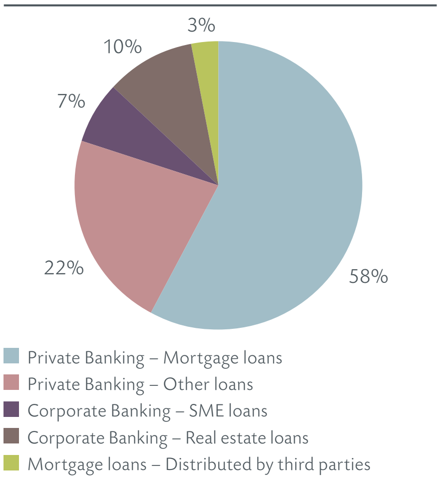


3. Statement of financial position

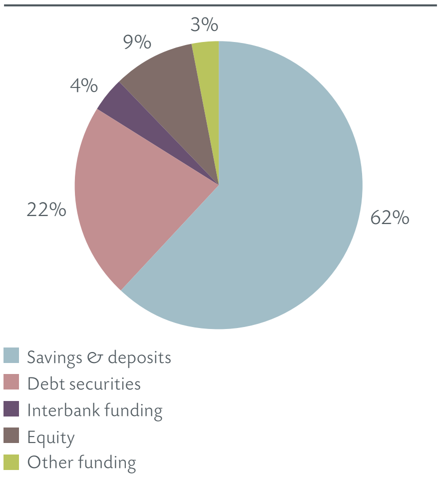
Statement of financial position at 31 December 2015 (x € billion)



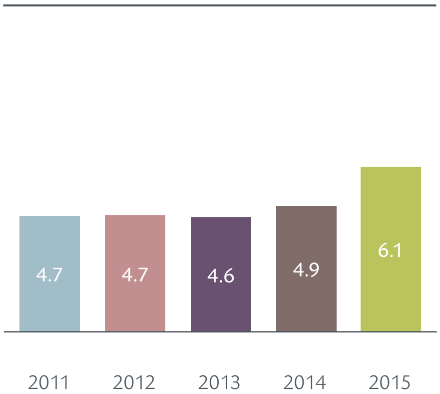
Loan portfolio in 2015 (100% = €10.2 billion)



Funding mix in 2015 (100% = €15.5 billion)



Leverage ratio (fully loaded) (%)



5 Assets under administration, a new item under client assets, was introduced in 2015. This item reflects portfolios merely administered by Van Lanschot, over which we have little or no control, and on which earnings are relatively limited. As a result, some portfolios were moved from assets under management (AuM) to assets under administration (AuA). Comparative figures at 31/12/2014 have been adjusted accordingly, but not those for previous years.

Key data (x € million, unless otherwise indicated)	2015	2014	Notes
Including non-strategic investments (NSIs), unless otherwise indicated			
Results			
Income from operating activities (excluding NSIs)	520.6	547.0	Private Banking, Asset Management and Merchant Banking generated 82% of income
Operating expenses (excluding NSIs)	387.4	381.7	
Loan impairments	51.0	76.0	Down 33%; reduced loan loss provision due to sale of non-performing real estate loans and improved quality of loans already provided for
Net result	42.8	108.7	Including one-off net €17.3 million charge related to sale of non-performing real estate loans
Underlying result[6]	60.1	54.2	All activities recorded positive underlying results
Statement of financial position			
Loans	10,168	11,021	Down due to sale of c. €400 million of non-performing real estate loans and continued Corporate Banking portfolio run-off
Savings & deposits	9,572	10,586	Reduction reflects funding strategy
Total assets	15,496	17,259	
Equity	1,320	1,264	
Risk-weighted assets (RWA)[7]	6,431	7,356	Reduction reflects run-off of Corporate Banking portfolio
Common Equity Tier I ratio (%)[2]	16.3	13.6	Increase resulting from run-off of Corporate Banking portfolio
Tier I ratio (%)[2]	16.3	13.6	
Total capital ratio (%)[2]	17.0	14.3	
Basel III			
Common Equity Tier I ratio (fully loaded) (%)[8]	15.5	12.4	Van Lanschot complies with Basel III capital requirements
Liquidity coverage ratio (%)	139.5	120.3	Comfortable liquidity position
Net stable funding ratio (%)	118.1	113.7	Well-diversified funding profile
Leverage ratio (fully loaded) (%)[8]	6.1	4.9	
Client assets (x € billion)	62.6	58.6	Growth on the back of discretionary management inflows and acquisition of MN UK
– Assets under management (AuM)	50.2	44.1	
– Assets under administration (AuA)[5]	2.8	3.9	New item for portfolios merely administered by Van Lanschot
– Savings & deposits	9.6	10.6	Reduction reflects funding strategy
Assets under management	50.2	44.1	Further increase in relative share of discretionary management
– Discretionary	41.9	35.7	Growth on the back of inflows, acquisition of MN UK and favourable stock market climate
– Non-discretionary	8.4	8.4	
Other financial data			
Interest margin (%)	1.21	1.19	
Addition to loan loss provision as a % of average RWA	0.74	0.93	Down due to sale of non-performing real estate loans and improved quality of loans already provided for
Efficiency ratio excluding one-off gains/ losses (%)	74.4	69.8	
Underlying earnings per share (€)	128.75	111.25	2014 earnings adjusted for one-off pension scheme gain; 2015 earnings adjusted for one-off charge arising from the sale of non-performing real estate loans
Return on average Common Equity Tier I equity (%)	4.9	4.3	
Funding ratio (%)	94.1	96.1	Fall in savings & deposits in line with funding strategy exceeds loan portfolio reduction
Staff			
Number of FTEs (at year-end, excluding NSIs)	1,666	1,712	Further reduction of 46 FTEs in line with strategy

6 The underlying result in 2014 was the net result adjusted for the one-off pension gain. In 2015 it reflected the net result adjusted for the one-off charge arising from the sale of non performing real estate loans.

7 Based on phase-in and including retained earnings.

8 Including retained earnings.

Chairman's message

Protecting what's valuable

The year 2015 saw us continue to invest in our services to clients. We're in good shape: clients show a greater appreciation of our services, commission income growth is improving the quality of our results and we're solidly capitalised. These are the foundations from which we will strengthen our position as a wealth manager for institutional and private clients.

Make no mistake: we really have to be robust, as today's world is rife with uncertainties. Think of the crises in North Africa and the Middle East, and the refugee predicament. Meanwhile growth is slowing in China, commodity prices have plumbed new depths and interest rates remain persistently low. Prospects for 2016 – including a UK referendum on Europe, presidential elections in the United States and major conflagrations in vulnerable regions – look equally uncertain. These developments have a major impact on our society and communities, on the economy and on every single player in the markets: pension funds, institutional investors and banks, and equally so on individuals trying to preserve and create wealth.

Wealth planning more important than ever

More than ever before, our clients need support when dealing with wealth issues, as the pensionable age shifts, individual responsibility for healthcare costs grows and the chances increase that wealth will be taxed more heavily going forward. Add in the changes in residential mortgage finance and tax rules in the Netherlands, and it's clear that robust wealth planning is crucial, not just something that will somehow sort itself.

As a specialist, independent wealth manager with Private Banking, Asset Management and Merchant Banking as our core activities, we are eminently well-placed to address precisely these issues and to meet our clients' requirements, drawing on our many years of in-depth knowledge and experience.

2015 brought significantly increased volatility in the financial markets. Although sentiment was generally sanguine, minor changes and uncertainties caused major price swings. Persistently low interest rates made cash saving less attractive and encouraged greater interest in investing, but a clear long-term strategy is required. Our clients remained firmly focused on the longer term, continuing to chart their chosen investment course even in the poorer months. To support them in their endeavours, we have stepped up our communications about market trends and about our own choices in this environment.

Private Banking inflows

In 2015 Private Banking reaped the rewards of its transformation of the past few years, and our positioning as an independent specialist wealth manager offering services focused on specific target groups of clients – including entrepreneurs, business professionals and executives, and healthcare professionals – was rewarded by an inflow of new clients and assets.

Private Banking saw its assets under management grow to €17.4 billion on a positive stock market climate and net inflows of over €300 million that got underway in the second quarter. Total assets in *Evi van Lanschot* now amount to €1.5 billion and prove that our new online investment service is meeting a need.

Asset Management prepares ground for further growth

By taking over MN's activities in the United Kingdom, Kempen Capital Management (KCM) set the stage for further growth in fiduciary management. By the end of 2015 its total assets under management, including those arising from the acquisition, stood at €32.8 billion and international parties accounted for over 20% of its client base. At the start of 2016 KCM landed a €1 billion FRR mandate (FRR = Fonds de Réserve pour les Retraites) to actively manage corporate bonds, as well as a Univé fiduciary mandate in excess of €1 billion.

The development of *Evi Pensioen*, a pension solution for businesses, cooperatives, self-employed people and individuals with annual earnings in excess of €100,000, really captures the strength of our private bank-cum-asset manager franchise. By leveraging our ever-stronger *Evi* brand we offer a technologically innovative and flexible investment solution for achieving long-term objectives.

Strong year for Merchant Banking

Having enjoyed an excellent first six months of the year, Merchant Banking – i.e. Kempen Securities and Kempen Corporate Finance – was a player in a good many transactions in its selected niche markets in the second half as well. Total commission income rose by 28% to €66.6 million. In 2015, Kempen Corporate Finance derived 65% of its commission income from advisory services in areas such as takeovers and debt financing, while brokerage was the key source of income for Kempen Securities, at 57%.

Building on our strong positions in European real estate and life sciences, we expanded our research product to include infrastructure and the food, feed & pharma sector. Kempen Securities also had a good year and placed €260 million of structured notes through over 50 private placements and a number of public offerings, seeing the share of Van Lanschot clients in these increase.

Solid results, higher proposed dividend

Our strategy brought robust results in 2015. Having added 11%, commission income has become our main source of revenues, making us less dependent on interest income and improving the quality of our results. Individual and institutional client assets rose to a total €62.6 billion, while we've made important headway with the run-off of our corporate loan portfolio. In fact, we have exceeded our original run-off target for 2017, enabling us to add 33% less to loan loss provisions (€51 million). In view of these results we are proposing an increased dividend payment of €0.45 per share, 12.5% up on last year.

The relevance of our activities

Wealth, to us, means a great deal more than just money. Wealth is everything we'd like to protect, nurture, grow and pass on to the next generation: financial wealth, yes, but also our intellectual and cultural assets, our values, the way we interact with each other and build a sustainable world. And so 2015 is the first year for which we present an integrated annual report. This directors' report picks out the most relevant issues and helps us present financial and non-financial aspects holistically.

A new element in this integrated annual report is our value creation model (see page 15): an infographic highlighting the social relevance of our businesses and activities. This goes beyond preserving and creating wealth for our clients and the financial value we generate for our shareholders. It also includes the social value we create as a responsible investor, employer, competitor and sponsor.

Enhancing our strategy

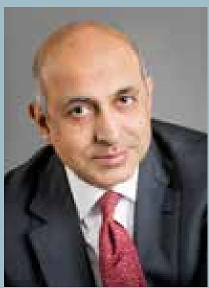
We are currently working on ways to take our wealth management strategy forward, outlining steps we intend to take in the next few years to build on and expand our position as a leading wealth manager. Our challenge is to accelerate our growth and enhance our returns against the backdrop of the uncertainties and volatility we have noted, and in a sector that is facing huge shifts and changes – from collective to individual wealth creation, for instance, as well as the rise of fintech.

We are seeing new technology and digitisation rapidly changing client requirements, and we need to make additional investment in improvement and innovation if we're to leverage these trends. And so we've made a very considered decision not merely to reduce costs in the short term, but also to invest in longer-term growth and cost-savings. This does mean that we'll achieve our efficiency target by a later date than 2017 as originally envisaged; we will explain this in further detail in the spring of 2016.

Thanks to clients and staff

Our licence to operate is based on supporting our clients as best we can, to help them preserve and create value. I'm grateful to our clients for their loyalty, and for picking Van Lanschot as their private bank and Kempen & Co as their asset manager or merchant bank. Let's remember that clients base that choice on the quality and dedication of our employees. A wealth manager invariably stands out for the ability of its people to put themselves in their clients' position, to see what they see and to meet their expectations. And so I'd like to end with a big thank you to the employees of Van Lanschot and Kempen, whose dedication and hard work drive our strong performance as a unique wealth manager.

's-Hertogenbosch, the Netherlands, 30 March 2016



Karl Guha
Chairman of the Executive Board

Strategy

To make our contribution to society we have chosen to position ourselves as a specialist, independent wealth manager, building on our knowledge and experience that enable us to stand out from the competition in our selected market segments – while also offering attractive growth opportunities. Our aim is to achieve our objectives in harmony with all our various stakeholders.

Distinctive through focus

We are building on two strong brands – Van Lanschot and Kempen & Co – and our knowledge and experience in our core activities Private Banking, Asset Management and Merchant Banking.

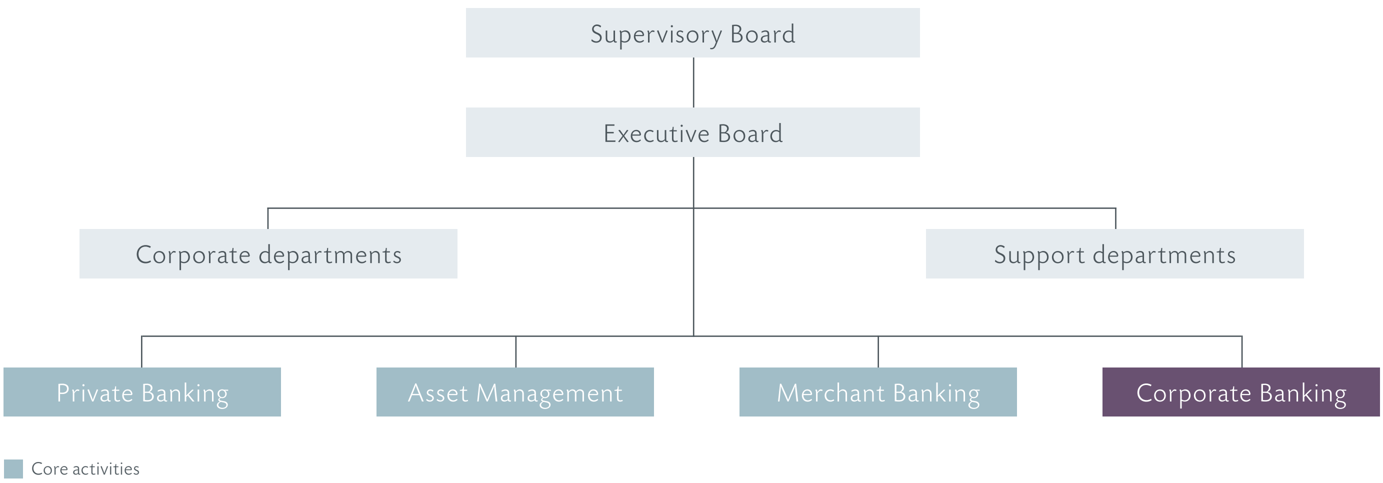
Supported by demographics and economics

Population ageing, a high level of prosperity, a capital surplus, low economic growth and interest rates have created huge demand for wealth management.

Our mission

Preserving and creating wealth for our clients.

Operational group structure in 2015



Our Executive Board is responsible for implementing our strategy and managing our three core activities. It is made up of Van Lanschot NV's Statutory Board and the Managing Board of Kempen & Co (Kempen), with Van Lanschot NV's Statutory Board bearing ultimate responsibility in keeping with our Articles of Association.

Since February 2015 Van Lanschot NV's Supervisory Board has also served as Kempen's Supervisory Board. Corporate departments include Legal, Human Resource Management and Group Risk Management. Support departments provide operational support to our core activities and include our Service Centres and Group IT.

Profile

Private Banking	Asset Management	Merchant Banking
– Private Bank for entrepreneurs, family businesses and high net-worth individuals – Specialist services to business professionals and executives, healthcare professionals, and foundations and associations – Three service models: Personal Banking/*Evi*, Private Banking and Private Office – Strong network and local presence in 37 offices, of which 28 in the Netherlands, seven in Belgium and two in Switzerland	– Specialist asset manager with a sharp focus and a clear investment philosophy – Focusing on a number of investment strategies: small caps, real estate, high-dividend equities, fixed-income securities and funds of hedge funds – Targeting open architecture-based banks and asset managers, pension funds, insurers, and foundations and associations – Offering institutional clients a fiduciary service that provides them with fully comprehensive asset management solutions – Offices in Amsterdam, London and Edinburgh	– Offers specialist services including equities research and trading, acquisitions & mergers services, capital market transactions and debt advisory services to institutional investors, corporates, financial institutions and public and semi-public entities – Has adopted a niche strategy and, in addition to acquiring a substantial share of the Benelux market, has evolved into one of the international market leaders in European real estate and life sciences – Offices in Amsterdam and New York

Strategic principles

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

Objectives

Including non-strategic investments (NSIs), unless otherwise indicated

Financial	Targets for 2017	Achieved in 2015	Achieved in 2014
Common Equity Tier I ratio	> 15%	16.3%	13.6%
Return on average Common Equity Tier I equity	10-12%	4.9%	4.3%
Efficiency ratio [1]	60-65%	74.4%	69.8%
Non-financial	**Target**	**Achieved in 2015**	**Achieved in 2014**
Private Banking client loyalty	Further increase	64	61
Assets under screening (%)	Further increase	78	71
Employee engagement (%) (excluding NSIs)	Further increase	71	–
Transparency benchmark [2]	Retain Top 20 position	16th	11th
Sustainalytics [2]	Retain high position	1st in peer group	1st in peer group

1 2014 excluding pension scheme gain and 2015 excluding one-off charge from sale of non-performing real estate loans.

2 For more details, see CSR supplement.

SWOT analysis

To identify our strengths and weaknesses, and the threats and opportunities presented by our operating environment, we have performed a SWOT analysis. Its main findings are set out in the table below.

Strengths

- Strong brand names, reliable reputation, rich history
- Clear choice for wealth management targeting institutional and private clients
- Three core activities with their own distinct culture, positioning and strong client base
- Capital increasingly freed up by winding down corporate loan portfolio
- Strong balance sheet, outstanding capital ratios, plentiful cash reserves and diversified funding mix
- Size and independence make for swift and nimble action
- Proven track record in corporate responsibility and responsible investing

Weaknesses

- Relatively high fixed-costs base
- Limited international geographical coverage
- Legacy computer systems for payment administration
- Limited free float, preventing us from taking full advantage of our stock market listing

Opportunities

- Economic conditions (ageing population, high level of prosperity, capital surplus, low rate of growth and low interest rates) generate demand for wealth management solutions
- Social developments and regulatory changes combine to create greater personal responsibility in areas such as pensions and healthcare, demanding appropriate solutions
- *Evi* platform offers opportunities for further growth in client base and developing the private bank of the future
- Growing demand for responsible/sustainable investment products
- Growing interest in social entrepreneurship creates opportunities for new services (such as impact investing)

Threats

- Persistently low interest rates on money and capital markets keep investment returns low
- Increasing complexity resulting from new legislation drives costs up
- New market entrants with lower fixed-costs base offering (online) asset management services
- Market trends may prevent projected growth in client assets from being attained
- Rapid developments in IT and payments are creating increased competition and require capital spending

Progress made in 2015

Focus

Run-off of portfolio of corporate loans with no bearing on core activities

- Faster organic reduction in Corporate Banking loan portfolio
- Sale of portfolio of non-performing real estate loans

Simplification

Rationalisation of product range

- Reduction in number and complexity of types of loans offered: fewer types of mortgages and other loans

More efficient organisation

- Integration of and cooperation between most corporate and support departments at Van Lanschot and Kempen now underway
- Restructuring of branch network underway, in line with client needs and service provision
- Further progress in automation of operating processes
- Paper statements (for savings and investments) replaced by online statements
- Further reduction in our environmental footprint

Simplification of IT infrastructure

- Fewer IT applications
- Customer relationship management (CRM) front-office system replaced; further roll-out planned for 2016, with more online features for clients and better work-flows
- Data warehouse improved and expanded

Growth

Private Banking

- Net inflow of over €300 million in assets under management
- Further rise in assets under screening
- Expansion of online and mobile services with launch of mobile website and *Evi* app
- Launch of new-style *Evi Pensioen* and wealth planning scan launched, with over 1,000 wealth planning reports produced for clients
- Initial roll-out of healthcare planning service
- Preparations for launch of *Evi Beleggen* (our online investment service) in Belgium
- Launch of major campaign targeting entrepreneurs and aimed at boosting market position
- Update of the *Evi* campaign geared specifically towards current and new clients

Asset Management

- Focus on international pipeline, proportion of income generated by international clients has risen to 22%
- Acquisition of MN's fiduciary activities in the UK
- Launch of *Evi* pension product for businesses and representative organisations
- Further rise in assets under screening and further integration of responsible investment into the overall investment process

Merchant Banking

- Sharper focus on selected niches (i.e. Benelux, European real estate and European life sciences)
- Number of transactions in 2015: 38. Strong growth in fee income and market shares thanks to major deals in Europe
- Expansion of research coverage in life sciences; research coverage extended to infrastructure
- Structured Products: over 50 private placements and various public issues in 2015

KPI fully achieved | KPI largely achieved | KPI stable, partially achieved | KPI achieved to a small extent | KPI not achieved

Priorities for 2016

Private Banking

- Client satisfaction: continue to improve client satisfaction (higher Net Promoter Score)
- Optimisation of product and service offering: discontinue any activities that do not offer sufficient value for clients; launch new products and services that meet client needs
- Expansion of digital distribution channels: launch apps for discretionary management and investment advice; further roll-out of online and mobile services
- Client acquisition: devote more time, resources and training to attracting new clients and expanding and improving services for existing clients
- Transition to regional operating model, with all knowledge and skills concentrated in regional offices
- Refinement of *Evi* formula to assure further growth
- Launch of *Evi* investment product in Belgium

Asset Management

- Further improve investment propositions for open-architecture banks and asset managers, including Van Lanschot
- Continue development of the UK as a second home market
- Achieve growth in existing product strategies
- Launch two or three new strategies, such as focus on active, long-term shareholdership
- Expand market share among large Dutch pension funds
- Further integrate responsible investment into the overall investment process

Merchant Banking

- Gradually expand market shares in selected niches (i.e. European real estate, infrastructure, life sciences and Benelux region) based on proven track record
- Develop and speed up international distribution, particularly in Europe and the US
- Further invest in unique research in our niche markets, with the aim of generating added value for our clients

Group

- Complete integration of or continue with closer cooperation between Van Lanschot's and Kempen's corporate and support departments
- Further simplify corporate governance
- Investigate opportunities for further, selective acquisitions
- Implement findings of the health and engagement scan (staff survey)
- Train, develop and retain top professionals; recruit top-flight graduates and undertake selective recruitment of talented individuals for senior posts
- Make active contribution to social entrepreneurship and help to preserve cultural and social heritage

How we create value

This year we are publishing Van Lanschot's first integrated annual report, reflecting the fact that corporate social responsibility has become an integral part of our wealth management strategy. We can now show in one and the same place how we create value and impact, in line with international annual reporting guidelines such as those drawn up by the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI). The diagram on page 15 gives an overview of our value creation process. The model we have chosen centres around four elements: input, business model, outcomes and relevance.

The input consists of 'people and knowledge', 'brand, reputation and relationships', 'financial assets' and 'materials and resources'. Taken together, these represent the capital we employ in our business model, which consists of three related activities: Private Banking, Asset Management and Merchant Banking, each delivering an individual service to specific client groups.

Our business model results in direct outcomes. We enable our clients to preserve and create wealth, and we fund them or help them obtain funding.

In addition to financial remuneration, we offer our employees personal development, while shareholders of Van Lanschot NV receive dividends and capital gains. We also provide sustainability feedback to the companies and the managers of the funds in which we invest, so they can improve their performance. Likewise, we nurture long-term, stable relationships with other stakeholders – civil society organisations, regulators and other financial institutions.

Our results are socially relevant: wealth gives people the opportunity to achieve their business, personal and social objectives. We contribute to a positive business climate by enabling entrepreneurs to invest and to take risks. Through our engagement with companies and fund managers we contribute to a more sustainable business sector and financial sector. The way we deploy our financial resources, employees and network means we can help address a range of social challenges, particularly in the arts, the preservation of cultural heritage and the nurturing of social entrepreneurship. And lastly, for almost 280 years we have been offering our people high-quality employment and opportunities for development.

How we create value

Van Lanschot · evi · Kempen & Co

Input

People and knowledge

Knowledge of
- Economies and capital markets
- Sectors
- Clients

Own and partners' knowledge

1,758 employees (at year-end)

39% · 61%

Brand, reputation and relationships

- Rich history
- Showing integrity, relevant, alert, clear and personal
- Stable stakeholder relationships focused on mutual interest
- Leading sustainability benchmarks

Financial assets

Client assets
- AuM €50.2bn
- AuA €2.8bn
- Savings & deposits €9.6bn

Capital base and funding
- Share capital €1.3bn
- Debt €3.4bn

Materials and resources

Investment in and maintenance of IT, materials and office accommodation

Averaging €178m a year

Business Model

Specialist, independent wealth manager

Partner in life to help achieve personal, financial and social goals
- Wealth planning
- *Evi van Lanschot*

Long-term partner by virtue of clear choices, product leadership, client-centric solutions and close involvement
- Niche strategies
- Fiduciary management

Private Banking
For entrepreneurs, business professionals and executives, healthcare, foundations and associations, and wealthy private individuals

Asset Management
For banks, asset managers, pension funds, insurers, and foundations and associations

Merchant Banking
For institutional investors, companies, financial and public institutions

In-depth knowledge of selected niches underpins transactions for clients and liquidity in illiquid markets
- Corporate finance
- Securities

Approach

- Client-centricity
- Handling client assets responsibly and transparently
- Continuous improvement and innovation
- Distinctive activities carried out by Van Lanschot and Kempen, non-core processes outsourced

Earnings model

+ Commission income
+ Interest

– Costs
– Provisions
– Taxation

Outcomes

Engagement
Employees 71% p. 48
Client satisfaction (NPS)
Private Banking: –10 p. 30
Asset Management: 32 p. 38

Investing in development
- On-the-job training
- €4.3m training budget p. 48

Stakeholder relationships focused on the longer term p. 16

Preserving and creating wealth for clients
28% return on client assets (neutral profile, 5 years) p. 28

78% of AuM screened
Engagement dialogues with 203 companies and 17 fund managers p. 36

ESG

Lending
€10.2bn of which €6.3bn in mortgages p. 24

Capital raised
- Life sciences and healthcare €0.2bn
- European real estate €8.7bn
- Benelux €1.4bn p. 41

Net result €42.8m
Dividend €18.4m p. 20

Carbon emissions 5,351 tonnes CO_2 p. 17

Relevance

Contribution to achievement of clients' business, personal and social goals

Positive business environment

More responsible companies and financial sector

Social engagement

High-quality employment and development opportunities

2015 figures.

What our stakeholders expect

For us, corporate social responsibility means doing business honestly with respect for the world around us and with an eye to future generations. Active dialogue with our stakeholders is central to this.

Van Lanschot identifies several different groups of stakeholders: clients, shareholders, bondholders, employees, civil society organisations, government/regulators, and other financial institutions.

We sat down with our stakeholders in 2015 to map out which topics are important to them and which topics they see as important to Van Lanschot's success. The materiality matrix set out below (based in part on ISO 26000) shows the outcome: the topics 'organisational governance' and 'fair operating practices' are the ones considered most material by Van Lanschot's stakeholders. These are the topics, therefore, that we address in detail in this annual report.

Van Lanschot materiality matrix

Survey of 571 stakeholders (November 2015)

Organisational governance
1. Financial management
2. Decision-making/stakeholders
3. Strategy and CSR
4. Management of clients' money
5. External communication

Social
6. Human rights
7. Discrimination
8. Child labour
9. Employment conditions
10. Bonuses
11. Collective negotiation
12. Health/working environment
13. Employee development

Environment
14. Pollution
15. Use of materials
16. Climate impact
17. Biodiversity

Fair operating practices
18. Financial and economic crime
19. Lobbying
20. Fair competition
21. Cooperation/partnerships
22. Fair marketing
23. Responsible products
24. Consumer service and complaints
25. Customer privacy

Community
26. Financial education
27. Social and community investment
28. Social engagement
29. Job creation
30. Local well-being and income

Material topics

The table below looks in more detail at the most material topics from the matrix. It shows for each topic what our stakeholders expect of us, and how we met those expectations in 2015. Further information about the materiality matrix can be found in the CSR supplement accompanying this annual report.

	Stakeholder expectations (numbers refer to the legend in the matrix)	How did we meet them?	More information
Organisational governance	Our stakeholders expect us to be and to remain a financially healthy company (1) and that we do business responsibly in keeping with our strategy (3). This entails stable stakeholder relationships (2) and the responsible management of our clients' money (4), as well as transparent communication on the results achieved (5).	– Consistent strategy implementation enabled us to further improve our financial ratios and increase our assets under management.	p. 6
		– We again raised our assets under screening in 2015 and further integrated corporate social responsibility in our investment processes. We also informed our clients even more comprehensively about responsible investment (engagement) and the results achieved in this way.	p. 36
		– We retained our top 20 position in the Transparency Benchmark.	CSR supplement
Social	It is important to our stakeholders that the bank's directors and employees possess all the relevant knowledge (13) and are appropriately remunerated (9 and 10).	– We continued to invest in employee training last year and also organised a health and engagement survey.	p. 48
		– Our remuneration policy was further adjusted. Variable pay for the Statutory Board was scrapped, for instance, and there is now a single variable remuneration policy for all staff.	p. 71
Fair operating practices	In addition to guaranteeing client privacy (25) and preventing involvement in financial and economic crime (18), our stakeholders need responsible products which take account of the world around them and of future generations (23). They also want our offering to be aligned with client needs and our services to be clear, cost-effective and safe under all market conditions (22). If clients are still dissatisfied, they expect their complaints to be handled properly (24).	– Our wealth planning tool gives us a clearer insight into our clients' wishes and goals, and enables us to translate them into a personal plan (Wealth Planning Service). We have also used it as the basis to develop other services including a healthcare planning tool, which analyses clients' future wishes in terms of care, together with the necessary funds.	p. 31
		– We continued to develop *Evi*, our online savings and investment proposition. Processes and website have been further improved, charges reduced, and iOS and Android apps made available. We have also launched our pension product *Evi Pensioen* in response to the ongoing individualisation of pensions.	p. 31
		– We paid considerable attention once again to client due diligence (CDD), judicious service provision, and protecting privacy. The CDD working instructions for employees were further refined, for instance, and there was a strong focus on clear and non-misleading client communication.	p. 56
Community	Our stakeholders expect us to engage in social and community investments (27) and to contribute actively to society, for instance through donations and by providing volunteers (28).	– We actively contributed to the further development of social entrepreneurship through our partnership with Ashoka.	p. 33
		– We helped clients donate to good causes through our Charity Service, and our sponsorship supported the arts, artists, the Van Gogh Museum and sport.	p. 31
		– We provided employees and financial support for initiatives including financial education (The Next Generation).	CSR supplement

Environment

The materiality matrix and table show that our stakeholders do not place 'environment' among the most material topics. Van Lanschot has nonetheless taken a responsible approach in this field for many years. We have an environmental policy geared in the first instance to our own organisation, and our long-term objective is to reduce our average carbon emissions per FTE by 2% a year in the 2011–20 period.

Alongside the policy for our own organisation, we have a comprehensive indirect environmental policy covering our investments and loans. You will find more information on these in a number of sections of this report, under 'Asset Management', for instance, and in our CSR supplement.

Global Reporting Initiative
Communicating transparently on our policy and results is an important element of corporate social responsibility. Only then can external stakeholders assess our performance effectively. Our report therefore follows the guidelines set out by the Global Reporting Initiative (GRI) – the international standard for CSR reporting. See the GRI table on our website (corporate.vanlanschot.nl/responsible/external-assessment).

Dilemmas
Our ambition to be a responsible bank regularly confronts us with dilemmas in everyday practice, most of which boil down to conflicting stakeholder interests. Several of the dilemmas addressed in 2015 are summarised in our CSR supplement.

External assessment
Van Lanschot's CSR performance is assessed by a variety of external organisations. The scores we have achieved are set out in our CSR supplement.

You can make a difference if you want to

Before joining Van Lanschot, I spent ten years as a self-employed project manager working for clients including one of the big Dutch travel agents and the Dutch Ministry of Foreign Affairs. My jobs have always involved bridging the gap between business and IT, and it's exactly the same here at Van Lanschot.

The great thing about working here is that you can really make a difference if you want to. Lots of organisations tend to be very bureaucratic and slow-moving. Any idea you suggest has got to be carefully weighed, measured and tested at all sorts of different levels. Not here. There's just one person between me and the Executive Board and he's always ready to discuss anything I may come up with. Van Lanschot welcomes initiative – it's my type of business!

The Service Centre I manage has a staff of 18: we're responsible for all of Van Lanschot's online services, including mobile services and CRM. We act as a knowledge base for the Private Banking staff and are driven more by new opportunities than by incoming queries, as used to be the case. We talk to the bankers, play an active part in the development of new products and services, and get to see the end result – which means we know why we do what we do.

Whether we're phasing out a legacy system or implementing a new application, there's only one thing we're really interested in: what's best for our clients?

Bas Rapati – Service Centre Manager, Front Office & Online Services, at Van Lanschot

Financial performance

Commission income growth has improved the quality of our results in line with our wealth management strategy. Our underlying result[1] rose to €60.1 million (2014: €54.2 million). Commission now accounts for over half of our income. Operating expenses increased modestly by 2%, and we have made a strategic choice to keep investing in our service offering and future growth rather than focusing exclusively on cost reductions in the short term. We added 33% less to our loan loss provisions.

Client assets of both private individuals and institutional clients advanced by 7% to €62.6 billion, with our assets under management kicking ahead by 14% to €50.2 billion. Corporate Banking ran off its corporate loan portfolio by €1.2 billion in 2015, taking risk-weighted assets for this portfolio down by €0.9 billion to €1.9 billion. This means that we have already achieved our original run-off target for 2017. In view of these results we are proposing an increased dividend payment of €0.45 per share.

Statement of income (x € million)	2015	2014	%
Commission	265.6	240.3	11%
Net interest income	202.8	213.7	– 5%
Income from securities and associates	28.1	51.1	– 45%
Profit on financial transactions	24.1	41.9	– 43%
Income from operating activities	**520.6**	**547.0**	**– 5%**
Staff costs	212.0	210.2	1%
Other administrative expenses	160.0	150.7	6%
Depreciation	15.5	20.8	– 26%
Operating expenses	**387.4**	**381.7**	**2%**
Gross result before one-off gains/charges	**133.1**	**165.3**	**– 19%**
One-off gains/charges (-)	– 30.4	60.3	
Gross result after one-off gains/charges	**102.7**	**225.6**	**– 54%**
Gross result before tax of non-strategic investments[2]	10.6	3.4	
Impairments of loans	51.0	76.0	– 33%
Other impairments	8.0	19.5	– 59%
Total impairments	**59.0**	**95.5**	**– 38%**
Operating profit before tax	**54.3**	**133.5**	**– 59%**
Income tax	11.5	24.8	– 54%
Net profit	**42.8**	**108.7**	**– 61%**
Underlying result[1]	**60.1**	**54.2**	**11%**

1 The underlying result in 2014 was the net result adjusted for the one-off pension gain. In 2015 it reflected the net result adjusted for the one-off charge arising from the sale of non-performing real estate loans.

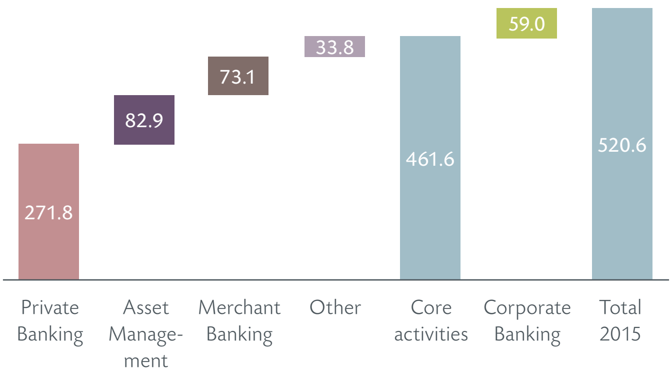
2 A number of non-strategic investments have been included in the consolidated figures of Van Lanschot since 2009. Van Lanschot has stated that it intends to sell these investments in due course as their activities are not in line with the bank's wealth management strategy. Gross results from our non-strategic investments are recognised before tax.

Net result (x € million)	2015	2014	%
Underlying result	60.1	54.2	11%
One-off pension gain	0.0	72.7	
One-off charge on the sale of non-performing real estate loans	– 23.2	0.0	
Tax effects	5.9	– 18.2	
Net result	**42.8**	**108.7**	**– 61%**

Income from operating activities

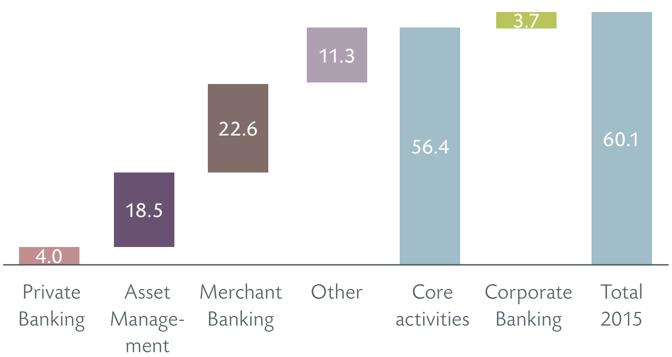
Van Lanschot's three core activities – Private Banking, Asset Management and Merchant Banking – generated 82% of total income (2014: 75%), with Private Banking accounting for 52% and Asset Management and Merchant Banking generating 16% and 14% respectively. Together, these three core activities accounted for 98% of commission income (2014: 97%) and 80% of interest income (2014: 77%). Income from operating activities further improved in terms of quality as an increasingly large proportion is derived from interest and commission income: 90% of total income in 2015, compared with 83% in 2014.

Income from operating activities by segment (x € million)



All core activities recorded positive net results in 2015. In the second half of 2015 we sold non-performing real estate loans to an affiliate of Cerberus Capital Management LP and took a one-off gross charge of €23.2 million. When adjusted for this charge, Corporate Banking also turned in a positive result.

Underlying result (x € million)

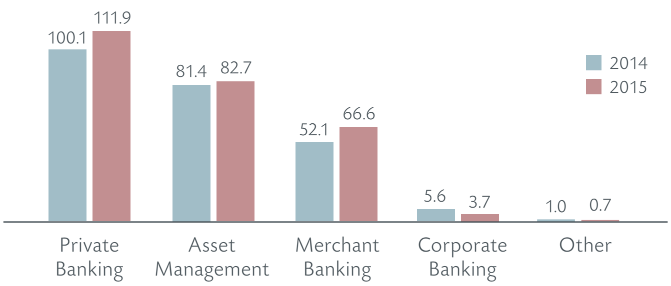


Commission

Commission (x € million)	2015	2014	%
Securities commissions	207.8	191.1	9%
– Transaction fees	35.3	30.5	16%
– Management fees[3]	172.5	158.8	9%
– Performance fees	0.0	1.8	– 100%
Other commissions	57.8	49.2	17%
Commission	**265.6**	**240.3**	**11%**

Commissions and fees, our main source of income, were up 11% on 2014 to €265.6 million. Both transaction and management fees enjoyed growth, with the main increases achieved by Merchant Banking (+28% on 2014) and Private Banking (+12%).

Commission income by segment (x € million)



Securities commission notched up a significant increase on 2014 (+9%), with both transaction fees (+16%) and management fees (+9%) contributing. The overall upturn was mainly due to a further rise in assets under management (AuM) and increased trading activity at Merchant Banking. At 83% in 2015, recurring securities commission as a proportion of total securities commission remained virtually unchanged on 2014 (84%).

Other commissions came in at €57.8 million in 2015 (2014: €49.2 million), nearly 75% of these being Merchant Banking commissions. Merchant Banking had a very good year and bolstered its position in its selected niche markets by playing a significant role in 38 transactions. Advisory services – in areas such as takeovers and debt financing – accounted for 65% of other commissions.

Other commissions also include cash and payment fees. These were down by €2.3 million to €10.6 million in the wake of the run-off of Corporate Banking's loan portfolio, as this caused a drop in the number of corporate clients and transactions.

3 Management fees include advisory and services fees.

Interest

Interest (x € million)	2015	2014	%
Gross interest margin	279.0	257.0	9%
Interest equalisation	– 33.6	– 18.2	85%
Miscellaneous interest income and charges	– 48.3	– 33.7	43%
Loan commission	5.7	8.6	– 33%
Interest	**202.8**	**213.7**	**– 5%**

At €202.8 million, interest income in 2015 showed a fall on 2014 (€213.7 million), which mainly reflected a smaller loan portfolio. The interest margin rose 2 basis points on 2014 and worked out at 121 basis points in 2015. The ´clean´ interest margin[4] was unchanged on 2014 at 115 basis points.

Lower interest income was partly attributable to the ongoing run-off of Corporate Banking's loan portfolio, while lower interest rates in 2015 pushed down interest income on loans and advances to clients when compared with 2014. A contracting investment portfolio likewise detracted from interest income. Positive contributors included margin improvements at Corporate Banking, further cuts in savings rates and the fall in savings and deposits. In addition, redemption of the RMBS Citadel 2010 I notes and the RMBS Citadel 2010 II notes helped to reduce interest charges.

Steeper 2015 equalisation charges reflect the fact that investment portfolio securities were purchased above par in both 2014 and 2015. Miscellaneous interest income and charges primarily comprise amortisation charges resulting from the wind-down of swaps hedging the mortgage portfolio – exerting a positive overall effect on gross interest margins.

Income from securities and associates

Income from securities and associates (x € million)	2015	2014	%
Dividend	10.5	5.7	83%
Capital gains	2.9	29.9	– 90%
Valuation gains and losses	14.8	15.5	– 5%
Income from securities and associates	**28.1**	**51.1**	**– 45%**

Income from securities and associates relates to investments of our equity investment company Van Lanschot Participaties and stakes in our own investment funds, for instance by financing their start-ups. Dividends refer to those received from investments. Only limited capital gains of €2.9 million were recorded in 2015 compared with the sizeable gains of 2014.

Valuation gains and losses relate to revaluations of our participating interests as well as gains and losses on our other minority shareholdings.

Result on financial transactions

Result on financial transactions (x € million)	2015	2014	%
Gains and losses on securities trading	0.8	2.6	– 70%
Gains and losses on currency trading	12.3	9.4	31%
Gains and losses on investment portfolio	15.6	47.2	– 67%
Gains and losses on interest rate hedges	1.2	– 1.9	
Other income	– 5.7	– 15.4	– 63%
Profit on financial transactions	**24.1**	**41.9**	**– 43%**

Our €15.6 million profit on the investment portfolio breaks down into two separate parts: we recorded profits of €15.5 million on the sale of bonds (2014: €31.6 million) and made a minor €0.1 million on the mark-to-market portfolio (2014: €15.6 million).

Other income (€5.7 million negative) mainly comprises charges on debt securities (medium-term notes) issued by Van Lanschot (2014: €12.1 million negative). This item also reflects the €2.9 million positive result generated by our Structured Products Desk as well as €3.3 million in income from our derivative financial instruments.

Operating expenses

Operating expenses (x € million)	2015	2014	%
Staff costs	212.0	210.2	1%
Other administrative expenses	160.0	150.7	6%
Depreciation	15.5	20.8	– 26%
Operating expenses	**387.4**	**381.7**	**2%**

Our costs added 2% to €387.4 million (2014: €381.7 million) and show diverging patterns depending on the business. Cost increases at Private Banking due to additional spending on services tailored to our clients – such as the launch of our *Evi Pensioen* pension product and the development of *Evi Beleggen* (*Evi* for investing) in Belgium – were more or less offset by lower expenses at Corporate Banking. Asset Management and Merchant Banking recorded a 16% increase in total costs as more was spent on data suppliers, redundancies and add-on charges stemming from the UK operations we acquired from 1 October.

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

Staff costs
At €212.0 million, staff costs inched up 1% on 2014 (€210.2 million). A large part of this increase was attributable to higher staff costs at Merchant Banking on the back of buoyant results, although these were partly offset by lower wage bills due to reduced staffing at Private Banking and Corporate Banking. At the end of 2015 we employed 1,666 full-time equivalent staff (FTEs), not including non-strategic investments. This is 46 FTEs fewer than at the end of 2014 (1,712).

Other administrative expenses
Other administrative expenses amounted to €160.0 million in 2015, up 6% on 2014 (€150.7 million) primarily due to higher IT project costs. Last year, a proportion of these IT project costs (€7.2 million on our client service offering in 2014) was taken as a one-off charge. Our contribution to the Dutch resolution fund is also included under Other administrative expenses.

In a separate development, we spent more on marketing in 2015 to support enhanced promotional campaigns such as our *Evi* drive. Reduced office accommodation costs served as an offset.

Depreciation and amortisation
At €15.5 million, depreciation and amortisation recorded a 26% fall on 2014 (€20.8 million), mainly due to reduced amortisation of intangible assets, a proportion of which is now fully amortised.

One-off gains and charges
In 2015 we recognised one-off charges totalling €30.4 million compared with a one-off gain of €60.3 million in 2014. Signing an agreement with an affiliate of Cerberus Capital Management LP on the sale of non-performing commercial real estate loans (around €400 million face value) entailed a one-off gross charge of €23.2 million in 2015. Other one-off charges in 2015 amounted to €7.2 million.

One-off gains and charges (x € million)	2015	2014
One-off gain pension scheme change	0.0	72.7
Accelerated investment in client services	0.0	– 7.2
One-off charge on sale of non-performing real estate loans	– 23.2	0.0
One-off charge related to FTE reductions	– 2.3	– 2.8
Gains and impairments on office buildings	– 2.5	– 0.5
Termination of contracts with IT suppliers	– 2.4	0.0
Other expenses and income	0.0	– 1.9
One-off gains and charges	**– 30.4**	**60.3**

Efficiency ratio
The efficiency ratio, i.e. operating expenses excluding one-off gains and charges in relation to income from operating activities, rose to 74.4%, from 69.8% in 2014. Positive factors in 2014 included relatively high income from securities and associates and result on financial transactions.

We have made a strategic choice to keep investing in our service offering and future growth, and not to focus exclusively on cost reductions in the short term. This conscious decision on our part does mean that we expect to achieve our 60-65% efficiency target by a later date than 2017 as originally envisaged.

Impairments

Impairments (x € million)	2015	2014	%
Addition to loan loss provision	**51.0**	**76.0**	**– 33%**
Impairment on investments and participating interests	4.0	4.8	– 16%
Impairment on tangible fixed assets	0.0	3.7	– 100%
Impairment on goodwill and intangible assets	0.0	5.7	– 100%
Impairment on assets obtained through the seizure of collateral	4.0	5.3	– 25%
Other impairments	**8.0**	**19.5**	**– 59%**
Impairments	**59.0**	**95.5**	**– 38%**

Loan impairments
In 2015 we added €51.0 million to loan loss provisions, 33% below the level for 2014. Corporate Banking's addition to loan loss provisions, in particular, was sharply lower at €23.9 million (2014: €69.3 million) as fewer provisions were required for loans to clients, while the quality of other loans actually improved to the extent of triggering a release of a proportion of provisions. The sale of non-performing real estate loans also enabled us to reduce provisioning. Private Banking added €22.1 million compared with €8.9 million in 2014, with the second half – at €6.1 million (H2 2014: €4.8 million) – significantly better than the €16.1 million of additional provisions in the first six months (H1 2014: €4.1 million). The higher figure for the first half was chiefly due to the need to catch up with stricter provisioning criteria in addition to provisions taken on a number of individual loans. In early 2015 De Nederlandsche Bank (DNB) conducted an asset quality review of our mortgages portfolio.

The addition to loan loss provisions relative to risk-weighted assets worked out at 74 basis points (2014: 93 basis points).

Other impairments

Total other impairments amounted to €8.0 million in 2015 (2014: €19.5 million) and related to impairments on a number of participating interests and write-downs of €4.0 million of assets we acquired through seizure of collateral.

Income tax

Income tax for 2015 amounted to €11.5 million (2014: €24.8 million), which works out at an effective tax rate of 21.2% and is thus higher than in 2014 (18.6%).

Earnings per share

Consolidated earnings in 2015 broke down as follows:

Earnings per share (x € million)	2015	2014
Net profit	**42.8**	**108.7**
Net interest on perpetual loans	– 0.9	– 1.1
Share of other minority interests	– 7.7	– 8.6
Net profit for calculation of earnings per share	**34.2**	**99.0**
Earnings per share (€)	**85.41**	**247.50**
Underlying net profit for the calculation of earnings per share[5]	51.5	44.5
Underlying earnings per share	128.75	111.25
Weighted number of outstanding shares (x 1,000)	400	400

We arrive at the net profit attributable to shareholders of Van Lanschot NV by deducting net interest on perpetual loans and the share of other minority interests. These perpetual loans have now been redeemed in full, while profit attributable to other minority interests includes the management investment plan launched in 2010 for selected staff at Kempen & Co (Kempen MIP). In 2014 the share of other minority interests also comprised an investment fund that notched up significant valuation gains. As from 2015 this item also includes the share of minority interests in one of our non-strategic investments.

We will propose to pay a 2015 cash dividend to Van Lanschot's shareholder of €18.4 million.

Statement of financial position

Statement of financial position (x € million)	31/12/2015	31/12/2014	%
Statement of financial position and capital management			
Equity attributable to shareholders	1,299	1,206	8%
Equity attributable to minority interests	21	31	– 34%
Savings & deposits	9,572	10,586	– 10%
Loans and advances to clients	10,168	11,021	– 8%
Total assets	15,496	17,259	– 10%
Funding ratio (%)	94.1	96,1	–
Return on assets (%)[6]	0.39	0.31	

In 2015 our loan portfolio contracted by 8% to €10.2 billion, primarily because of the Corporate Banking run-off. The sale of non-performing real estate loans at Corporate Banking was the key reason for the reduction in impairments from €324 million (at end-2014) to €180 million (end-2015). Our loan portfolio is concentrated in the Netherlands (97%).

Loan portfolio (x € million)	31/12/2015	31/12/2014	%
Mortgage loans	5,980	6,041	– 1%
Other loans	2,206	2,212	0%
Private Banking	**8,187**	**8,253**	**– 1%**
Loans to SMEs	765	1,289	– 41%
Real estate loans	1,065	1,803	– 41%
Corporate Banking	**1,830**	**3,092**	**– 41%**
Mortgage loans distributed by third parties	**332**	**–**	
Total impairments	– 180	– 324	– 44%
Carrying amount	**10,168**	**11,021**	**– 8%**

Private Banking

Private Banking's loan portfolio breaks down into mortgages and other loans. After a period of contraction, its mortgage portfolio was virtually unchanged in 2015 (–1%), as new mortgage business clearly picked up and fourth-quarter volumes exceeded (early) repayments. As a result, the relative share of Private Banking-provided residential mortgages in the total loan portfolio advanced by 5 percentage points to 58% in 2015 (end-2014: 53%).

5 Return on assets for the year ended 31 December 2014 was adjusted for the one-off pension gain, while we have adjusted the 2015 figure for the one-off gain arising from the sale of non-performing real estate loans.

6 Return on assets for the year ended 31 December 2014 was adjusted for the one-off pension gain, while we have adjusted the 2015 figure for the one-off charge arising from the sale of non-performing real estate loans.

Marked by limited losses and a low number of foreclosures, the mortgage portfolio commanded an average loan-to-value (LTV) of 71% at end-2015 based on foreclosure values. This improvement on end-2014 (84%[7]) is largely down to improved administration of valuation data.

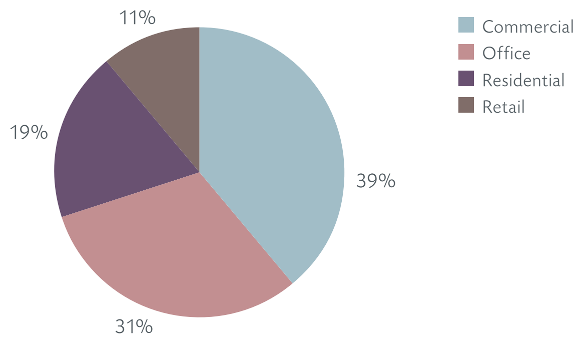
Other loans comprised loans to wealthy private individuals, to pay for second homes for instance, or to provide current account overdraft facilities. This category also includes business activities that fit into the Private Banking relationship model, such as financing for business professionals looking to join a partnership. This item was also on an even keel in 2015, partly because of the transfer of Corporate Banking clients that have come to meet the Private Banking criteria.

Corporate Banking

At the end of 2015 the corporate portfolio of real estate and SME loans amounted to €1.8 billion (end-2014: €3.1 billion). Risk-weighted assets in 2015 came down by €0.9 billion[8] to €1.9 billion (end-2014: €2.8 billion) and we comfortably met our original target of a run-off down to €2.2 billion in risk-weighted assets by the end of 2017. Corporate Banking's run-off of its loan portfolio was supported by the sale of non-performing real estate loans at a nominal value of €0.4 billion. In addition, client loan volumes to the tune of €0.2 billion were transferred to Private Banking.

Corporate Banking's SME loans have a nominal value of €0.8 billion, account for 7% of our total loan portfolio and are well-diversified across sectors. Its €1.1 billion real estate portfolio – accounting for 10% of our total loan portfolio – has contracted primarily in the wake of the sale of non-performing real estate loans. This has significantly improved the risk profile of Corporate Banking's remaining 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 LTV has improved to 74% (end-2014: 89%), mainly thanks to the sale of non-performing real estate loans.

Corporate Banking: real estate by collateral
(100% = €1,065 million)



Mortgage loans distributed by third parties

In April 2015 we started providing mortgages under the Hypotrust brand through a network of mortgage brokers, as part of our liquidity management drive. The aim is to build a portfolio of regular Dutch mortgages to supplement our investment portfolio, enabling us to generate attractive returns on available liquidity. We are aiming for €500 million in this specific mortgage portfolio; it stood at €332 million by the end of 2015.

Provisions

We provide for the impaired loans in our loan book. Impaired loans stood at €534 million at the end of 2015 (year-end 2014: €640 million) and provisions amounted to €166 million, working out at 31% (end-2014: 49%). The table below breaks down the total loan portfolio and provisions at the end of 2015.

Our total impaired ratio contracted to 5.2% in 2015 (end-2014: 5.8%), whereas the proportion of non-performing loans at Private Banking rose to 3.5% (end-2014: 2.7%). The coverage ratio for mortgages came down from 61% at the end of 2014 to 42% in 2015. Applying stricter provisioning criteria means that loans are classified as non-performing sooner, while provisions taken are typically smaller – hence the drop in the coverage ratio. At Corporate Banking the impaired ratio was virtually unchanged at 13.7% (2014: 13.6%), as the drop caused by the sale of non-performing loans was offset by other non-performing loans, though these required relatively smaller provisions. These factors combined to push down the coverage ratio to 20% (2014: 46%).

7 In 2014 we reported an average LTV based on foreclosure values of 94%. In the past we calculated LTVs on the basis of a number of buckets; in 2015 the methodology was improved, resulting in a calculation of weighted LTV on the basis of individual loans. The average LTV has improved as a result.

8 The €0.9 billion reduction in risk-weighted Corporate Banking assets includes clients transferred to Private Banking. Ignoring this transfer, risk-weighted assets declined by €0.7 billion due to the loan portfolio run-off.

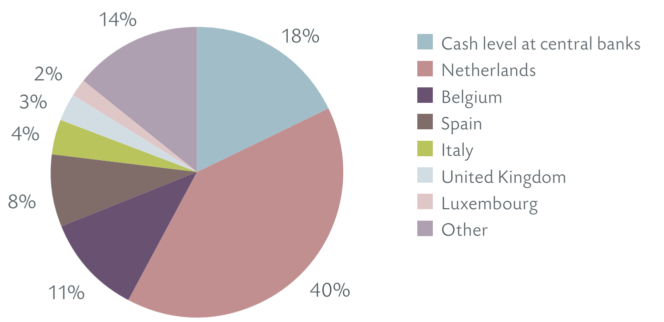
Loan provisions (x € million)	Loan portfolio	Impaired loans	Provision for impaired loans	Impaired ratio[9]	Coverage ratio	Impaired ratio 2014	Coverage ratio 2014
Mortgage loans	5,980	126	53	2,1%	42%	1,7%	61%
Other loans	2,206	159	63	7,2%	40%	5,4%	51%
Private Banking	**8,187**	**284**	**117**	**3,5%**	**41%**	**2,7%**	**55%**
Loans to SMEs	765	144	38	18,8%	26%	10,9%	57%
Real estate loans	1,065	107	11	10,0%	11%	15,5%	40%
Corporate Banking	**1,830**	**250**	**49**	**13,7%**	**20%**	**13,6%**	**46%**
Mortgage loans distributed by third parties	**332**	**–**	**–**				
Total	**10,349**	**534**	**166**	**5,2%**	**31%**	**5,8%**	**49%**
Total impairments	– 180						
Total	**10,168**	**534**	**166**				
Incurred but not reported (IBNR)			15				
Provision including IBNR			**180**				

Investment portfolio and cash

Our total investment and cash portfolio[10] amounted to €4.1 billion at the end of 2015, compared with €4.8 billion a year earlier. The investment portfolio saw a reduction in government paper by €0.6 billion compared with end-2014, while the held-to-maturity portfolio stood at €0.5 billion at the end of 2015 and hardly changed in size or composition in the year. By end-2015 we held less cash with central banks than in the previous year.

These portfolios are primarily held for asset and liability management purposes, and mainly include low-risk and highly liquid instruments.

Investment portfolio and cash by country at 31/12/2015 (100% = €4.1 billion)



Capital and liquidity management

In 2015 our capital base improved once again, while our funding mix was well diversified.

Capital and liquidity management (x € million)	2015	2014	%
Risk-weighted assets	6,431	7,356	– 13%
Common Equity Tier I ratio (%)[11]	16.3	13.6	
Tier I ratio (%)[11]	16.3	13.6	
Total capital ratio (%)[11]	17.0	14.3	

Capital management

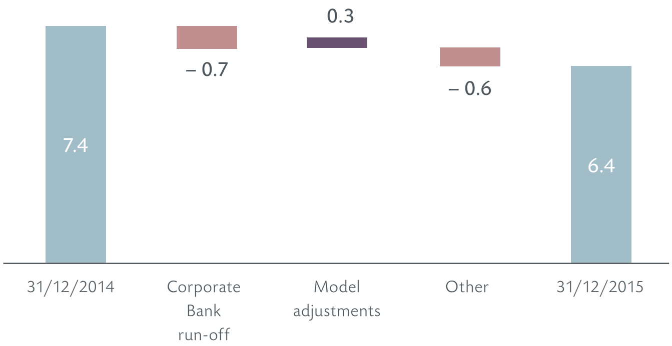
At 16.3% by the end of 2015, our phase-in Common Equity Tier I ratio improved further (2014: 13.6%), reflecting our robust capital position. Lower risk-weighted assets due to the Corporate Banking run-off benefited the ratio by 1.5 percentage points, while model refinements detracted by 0.6 percentage points and the phase-in of capital requirement regulation (CRR) by 0.2 percentage points. Other includes the impact of the premium payment to Van Lanschot by Van Lanschot NV. Risk-weighted assets declined in the year, to €6.4 billion from €7.4 billion at the end of 2014. The €0.6 billion decrease under Other reflects improved data quality and lower exposures and risks in the various balance sheet positions.

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

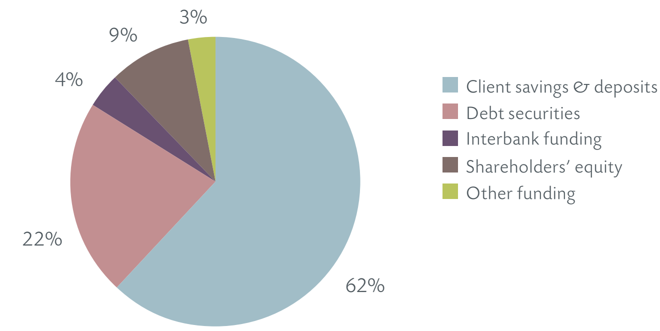
10 Investment portfolio and cash comprises the balance of available-for-sale investments, financial assets held to maturity, financial assets designated at fair value through profit or loss, and cash withdrawable on demand from central banks.

11 Based on phase-in and including retained earnings.

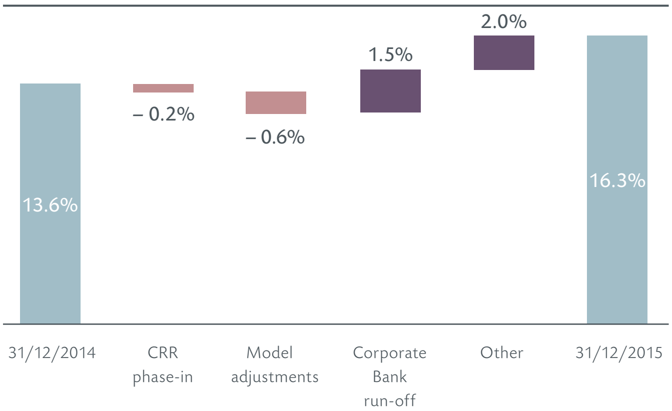
Risk-weighted assets (x € billion)



Funding mix at 31/12/2015
(100% = €15.5 billion)



Common Equity Tier I ratio (including retained earnings)



Funding

Our funding and liquidity position remains strong, and we aim to retain access to both retail and capital markets through diversified funding. By the end of 2015 our funding ratio had contracted slightly, to 94.1% from 96.1% at end-2014, in the wake of lower savings and deposits (–10%) relative to the loan portfolio (–8%).

We recorded a comfortable liquidity position at the end of 2015, but did see savings and deposits fall by €1.0 billion in the year due to cuts in saving rates made in keeping with our funding strategy. Our continued focus is to retain clients with Private Banking profiles.

In April we successfully placed a €500 million, seven-year conditional pass-through covered bond, while the second half saw us redeem the RMBS Citadel 2010 I notes and the RMBS Citadel 2010 II notes. Net issued debt securities declined by €0.5 billion in 2015.

Basel III

Basel III imposes stricter capital and liquidity requirements on banks, specifically the Common Equity Tier I ratio, the liquidity coverage ratio (LCR), the net stable funding ratio (NSFR) and a stricter definition of the leverage ratio. The new standards will be phased in between 2014 and 2018. At the end of 2015 our ratios based on Basel III rules as currently known were:

Basel III ratios	31/12/2015	Norm
Common Equity Tier I ratio (fully loaded) (%)[12]	15.5	> 9.5
Leverage ratio (fully loaded) (%)	6.1	> 3
Liquidity coverage ratio (%)[13]	139.5	> 100
Net stable funding ratio (%)[14]	118.1	> 100

Client assets

Client assets (x € billion)	2015	2014	%
Client assets	**62.6**	**58.6**	**7%**
Assets under management	50.2	44.1	14%
Assets under administration	2.8	3.9	– 27%
Savings & deposits	9.6	10.6	– 9%
Client assets	**62.6**	**58.6**	**7%**
Private Banking	27.7	28.3	-2%
Asset Management	32.9	27.6	19%
Corporate Banking	0.7	0.9	– 22%
Other	1.4	1.8	– 22%
Assets under management	**50.2**	**44.1**	**14%**
Assets under discretionary management	41.9	35.7	17%
Assets under non-discretionary management	8.4	8.4	0%
Savings & deposits	**9.6**	**10.6**	**– 9%**
Savings	8.8	8.9	– 1%
Deposits	0.8	1.7	– 56%

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

13 Based on the LCR Delegated Act.

14 Based on Basel III at 31/12/2015: net stable funding ratio (BCBS 295).

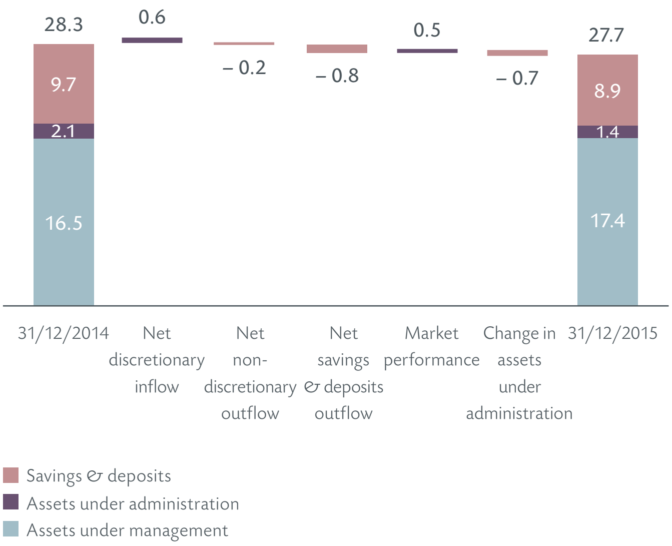
Private Banking

In 2015, assets under management by Private Banking grew by 5% (€0.8 billion) to €17.4 billion on the back of a net inflow of €0.3 billion coupled with €0.5 billion in price effects. Assets under discretionary management notched up net inflows of €0.6 billion, while our investment advice offering also generated a slight net inflow. Total assets under non-discretionary management recorded net outflows of €0.2 billion (execution only). By the end of 2015 assets under discretionary management accounted for 52% of total assets under management (end-2014: 50%).

Meanwhile, total assets managed by *Evi van Lanschot* worked out at €1.5 billion.

The reduction in savings rates under our funding strategy led to a drop in client deposits of €0.8 billion in the year, and Private Banking's total client assets were down by €0.6 billion to €27.7 billion in 2015.

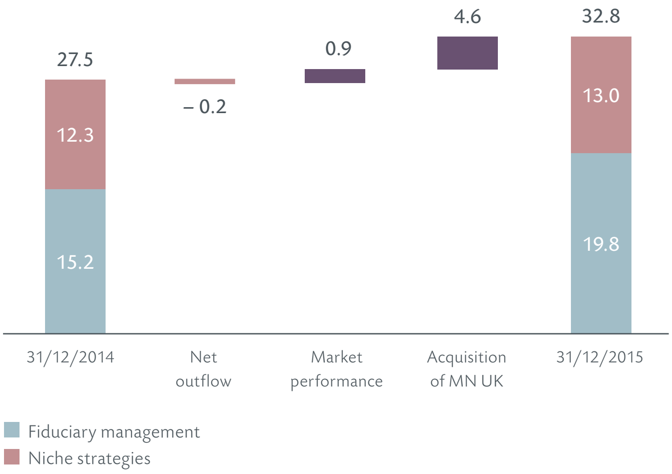
Private Banking: client assets (x € billion)



Asset Management

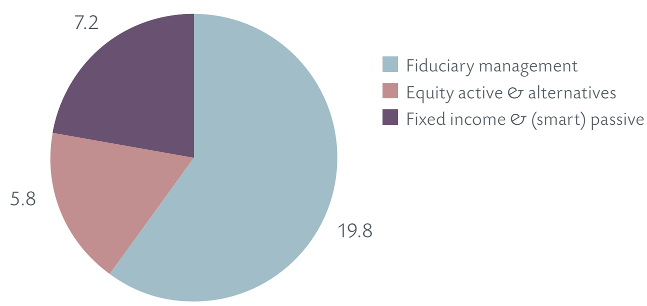
Assets under management at Asset Management were up by 19% to €32.8 billion, from €27.5 billion in 2014. On 1 October 2015 Asset Management acquired the UK fiduciary management activities of Dutch pensions and investment manager MN, boosting its assets under management by €4.6 billion. Ignoring favourable stock market conditions, fiduciary mandates were unchanged in terms of size, while our investment strategies saw net outflows in the first nine months as clients rebalanced their portfolios to reflect market developments and expectations.

Asset Management: AuM (x € billion)



In mid-January 2016, Univé Groep announced that it had selected Kempen as fiduciary manager for its mandate of over €1 billion. In addition, France's Fonds de Réserve pour les Retraites (FRR) picked Kempen to actively manage an investment-grade credit mandate of around €1 billion.

AuM by type of service (x € billion)



Our investment strategy focusing on corporate bonds generated such substantial inflows that we decided to put in place a soft close at the beginning of 2016. The strategy will remain open to current clients but closed to new clients, at least for the time being, in order to protect the interests of current clients.

Van Lanschot is both small enough and big enough

I'm a member of the Private Banking management team for The Hague and Wassenaar, and also have my own portfolio of around 70 clients. Which makes me a kind of 'player-manager'. It's a pretty hectic job, but our bankers and account managers are all very independent. They don't need someone looking over their shoulder all day.

I've had two separate careers with Van Lanschot. I first joined the bank in 1996 after spending a number of years with ING; I held various posts during this period, including branch manager in Gouda. I then decided to take some time off work to travel, and spent over a year exploring Asia and Africa. I came back to Holland early in 2007 and again set my sights on Van Lanschot, mainly because of its size. It's small enough for there to be proper personal contact and big enough to be a professional party in the market.

The year I spent travelling changed my perspective on wealth: there are plenty of people in the world who never know where the next penny is coming from. My experience taught me that life is not about the job you do or the title on your business card – it's about the kind of person you are.

During my time as a branch manager in Gouda, I had a huge network of contacts and sat on all sorts of boards and committees. But a flashy job title counts for nothing if you're waiting for a bus in the middle of Africa! Then it's just me, Emilie van de Belt. The way I see it, wealth is all about being happy with what you've got.

Emilie van de Belt – Private Banking Manager for The Hague-Wassenaar region

Private Banking

Adding value to wealth

Financial performance

Private Banking (x € million)	2015	2014	%
Interest	158.1	161.6	– 2%
Income from securities and associates	–	–	–
Commission	111.9	100.1	12%
Result on financial transactions	1.8	1.6	13%
Income from operating activities	**271.8**	**263.3**	**3%**
Staff costs	115.6	118.9	– 3%
Other administrative expenses	120.4	104.6	15%
Depreciation and amortisation	8.0	6.9	16%
Operating expenses	**244.0**	**230.4**	**6%**
Impairments	22.2	13.0	70%
Total expenses	**266.2**	**243.2**	**9%**
Operating profit before tax	**5.6**	**19.9**	**– 72%**

The overriding interest of our Private Banking division is in the well-being of our clients. Our aim is to be there to help them at every stage of their lives. We wish to place our knowledge, experience and expertise at their disposal, so that we can act as a sparring partner, helping them first to identify their personal, professional and social needs and then to fulfil them. Against this background, our work centres on enabling our clients to preserve and create their wealth.

Van Lanschot has built up a considerable reputation in the Netherlands as a private bank and, with €17.4 billion in assets under management, claims a substantial share of the market. With our solutions geared specifically towards business professionals and executives, and healthcare professionals as our target groups, we lead the market in a number of segments. We also cater for high net-worth individuals, entrepreneurs and family businesses, as well as foundations and associations. Our market in Belgium was traditionally made up of Dutch nationals who had moved across the border, but today the bulk of our client base consists of wealthy Belgians. We are the only Dutch private bank operating two Swiss branches that can offer our Dutch and Belgian clients an international wealth planning service.

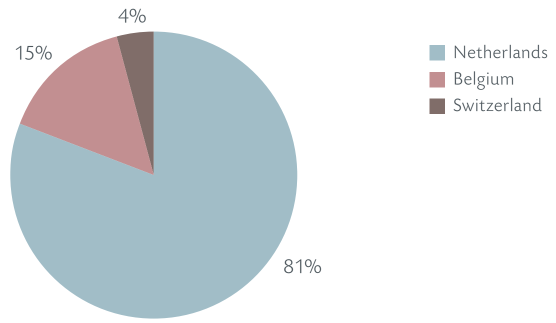
The mood on equity markets was upbeat during the first half of 2015. However, conditions took a turn for the worse in July and August, only for the positive trend to return in October.

1 The Net Promoter Score tells an organisation both how loyal its customers are and how many promotors it has. The Net Promoter Score lies within a range of -100 to 100 points, the higher the better. The formula is as follows: NPS = % of Promoter - % of detractors. Promoter give the organisation a score of 9 or 10, whereas critics award a score of between 0 and 6.

Even in the less good months, our clients retained their long-term focus and their belief in their chosen investment strategies. Persistently low interest rates fuelled market interest in equity investment, despite the increasing volatility of trading on the stock markets.

The value of assets under management at our Private Banking division rose in 2015 to €17.4 billion (2014: €16.5 billion), thanks to a favourable stock market climate and a net inflow (starting in the second quarter of the year) of over €300 million of funds to our discretionary management and investment advisory services. The relative share of discretionary management rose further to 52% (2014: 50%). The growth in both discretionary management and investment advisory services confirms that we have made the right choices, in terms of both the strategy we have adopted and the three targeted service models we have put in place, i.e. *Evi* for those starting out on the wealth management market and for Private Banking clients with a preference for online services, Private Banking, and Private Office for the top segment of the market.

Assets under management: by country (€17.4 billion)



Best Private Bank

We won the Incompany Award for the Best Private Bank in October. The main reasons for this choice were our professional skill and reliability, and our decision to set aside more time for our clients, plus our constant focus on enhancing the client experience. Our own client satisfaction survey also shows that satisfaction levels among Private Banking clients is on the rise. Our drive to give our clients more personal attention is clearly paying off: more clients now say that they would like us to manage more of their assets. The average report mark allocated to our private banking services is 7.6 (2014: 7.5) and there was a marked rise in the Net Promoter Score (NPS), which went from –19 in 2014 to –10 last year. As an independent, specialist private bank, we are in a position to stand out from our competitors by giving our clients genuine personal attention and by advising them proactively. Our advisers are fully qualified professionals: they are alert, clear and offer a personalised service. The latter means that we do our utmost to align our products and services as closely as possible with our clients' wishes and needs and that we achieve maximum relevance by giving advice with the appropriate frequency and at the right times.

'It's easy enough to find out your clients' preferences in terms of service delivery. You just ask them. So that's what we do.'
Richard Bruens, Executive Board member responsible for Private Banking

Wealth planning
Our private bankers and advisers raise crucial dilemmas during their meetings with clients and find answers to the truly important questions about the future. We use an application that quickly and clearly highlights a client's personal, professional and social priorities, both now and in the future. We use it to assess the viability of the client's wishes and objectives and to translate these into financial targets. The result is a wealth plan, i.e. a personal plan that aligns the value of the client's assets with his or her objectives and details the points in the client's life at which they expect an inflow of new assets of an outflow of existing assets. As both the client's personal circumstances and the market are liable to constant change, we regularly review the viability of the plan and make any necessary adjustments in close consultation with the client. It was clear from our meetings with clients to discuss wealth planning that healthcare was one of their prime concerns, a trend that prompted us to develop a new healthcare service. This outlines the stages and resources that are required in order to make the necessary financial preparations for the standard of care the client wishes to attain in the future.

Entrepreneurs
Our report on the state of wealth in the Netherlands (vanlanschot.nl/vermogendnederland – Dutch only) showed that, in most cases, wealth accumulation springs from some form of business ownership. It was against this background that we decided in 2015 to focus our attention even more on entrepreneurs. Many of our services relate to the point at which business and personal interests intersect. For example, one of our clients may ask us to help decide whether to transfer certain assets from a business into private ownership, or to deal with the succession of a family business. Our aim is to advise entrepreneurs right from the foundation of their business, not just in order to facilitate its growth but also to help find the best possible destination for the revenue flow at a later stage, when the business is sold or transferred to a new owner. We made even more active use of our network in 2015, by organising information meetings and bringing entrepreneurs together.

'Entrepreneurs want a private banker with whom they can talk on equal terms – an experienced professional whose opinion carries weight. Although it's the client who takes the final decision, they want to have all their assumptions and preconceptions put to the test. We often find that the best client relationships are with those staff who have challenged their requests in the past.'
Mark Buitenhuis, Regional Director at Private Banking

With our long history as a family business, we are ideally suited to helping and advising other family-owned businesses. Our course in transferring family businesses, which we are organising in conjunction with the TiasNimbas Business School, looks at how to prepare and plan for business successions, offering plenty of valuable information and also focusing on the psychological aspects of business succession, both in the workplace and in the family. Our *What's Next?* programme, which we will be launching in 2016, concentrates more on the situation after the transfer of title to or sale of the business in question, and seeks to answer questions from former entrepreneurs and their partners about their priorities after they have relinquished ownership.

Charity Service
We launched a charity service for our clients two years ago. This helps clients in donating to charities, and represents both an expansion and a deepening of our role as a wealth manager. The Charity Service is provided by the Charity Service Manager acting in conjunction with the client's private banker and a structuring specialist. Several dozen clients made use of the service in 2015. In the light of the growing interest in social entrepreneurship and impact investing among our clients, the Charity Service organised a series of meetings on these topics in 2015, a number of which were organised jointly with Ashoka (see page 33). We are planning to further expand our Charity Service in 2016 and to provide active assistance to clients who have queries about impact investing. For further information, see vanlanschot.nl/charityservice (Dutch only).

Evi
Evi is geared toward people starting out in the wealth management market and Private Banking clients who prefer an online service. The advent of *Evi* represents the coming of age of online wealth management services. Clients invest themselves online, drawing on the investment knowledge of Van Lanschot and Kempen. If they have any questions, they contact us either by email or by phone. Today, more than two years after *Evi* was first launched, the service is still brimming with the vitality of a fresh start-up. Last year saw improvements in both the website and the underlying processes, and the introduction of new online communication channels.

'Our wealth management services are gradually taking on the shape of an online core surrounded by a personal shell. The thickness of the shell – in other words, the degree of personal service provided – depends on the client's own wishes.'
Guido van Aubel, Investment Office Director

Evi's success and growth means that the service has expanded to a level that permits us to adjust both the services we provide and the fees we charge for them. The inflow of new clients and assets means that we can now recoup our investment more quickly. By lowering the price of the service, we have strengthened *Evi*'s positioning relative to our competitors.

We improved the service by launching the *Evi* app for iOS and Android. Clients can use the app to do everything they would otherwise do by computer, such as making purchases and sales, checking their balance and tracking the performance of their portfolio.

New technology is playing an ever more important role and clients expect to receive an ever higher standard of service. For this reason, we are planning to continue launching new products in all our service lines and will also be distributing an app (for both discretionary management and investment advisory services) for our Private Banking clients in 2016.

> '*Evi* is our response to the new definition of 'near': it feels personal, so it is personal. Clients want to hear from us if something changes or if we reckon that something could be of interest to them, and they want to hear at a time that suits them.'
> ***Monique Opdam**, Director of Marketing*

Customised products

As mentioned earlier, the Private Banking division has developed a number of customised solutions for specific target groups. Our pension product *Evi Pensioen* is a good example. It enables clients to use the investment expertise of Van Lanschot and Kempen to create wealth for the future in a tax-friendly manner. The product is our response to the growing interest in more individualised products rather than conventional group pension schemes. Our annuity savings account comes in both net and gross versions and is just as carefully designed to meet market needs as our new *CompliantBeheer* service, launched in 2014 especially for business professionals and executives. Our mortgage loan product is another example of customisation, given that we take account of the borrower's capital income as well as their earned income. Obviously, this makes the product particularly attractive to entrepreneurs and professional people.

Sponsorship

Art sponsorship is an integral part of our market positioning as a wealth manager. The support we give to the arts, artists and museums helps to both preserve and expand our cultural heritage. We have been an official partner of the new entrance space at the Van Gogh Museum in Amsterdam since 2015. We also launched a new award, the Van Lanschot Art Prize, in 2015. This is presented to a contemporary artist whose work best conveys the spirit of the age to future generations. The winner in 2015 was Annemarie Busschers, with an artwork titled *Ageing*. Lastly, we were again the principal sponsor of PAN Amsterdam, the leading Dutch art fair, in 2015.

Van Lanschot Belgium

Van Lanschot Belgium was founded almost 25 years ago and caters for a combination of high net-worth individuals and institutional investors. The original target group of Dutch nationals residing in Belgium now accounts for less than 20% of the client base, the bulk of which today consists of wealthy Belgians. We have managed to boost our share of the market in recent years, with 80% of our new Private Banking clients switching to us from one of the main High Street banks.

> 'Clients want a more personal, specialist service. Here at Van Lanschot, our major clients deal directly with the management committee, which means we have very strong client engagement.'
> ***Michel Buysschaert**, Chairman of the Management Committee at Van Lanschot Belgium*

Most of the products we launched last year were intended specifically to meet demand in the Belgian market. Our 'profile funds' are a good example. These funds, which we sell alongside our existing discretionary management product, are designed to offset most of the adverse effects of the tax measures taken by the Belgian government during the past five years. Coupled with the favourable investment climate, the launch of this product led to a rise in our assets under management. At the same time, there was a decline in the volume of savings after we decided to lower the interest paid on savings accounts as part of our funding strategy. We sharpened our focus by ending our relationship with institutional savers only and decided to concentrate solely on players that are interested in using both our savings and investment services.

We expanded our *Evi* proposition in Belgium in February 2016 by adding an investment product. Clients can now both save and invest online, and make use of the expertise of a private bank in doing so.

In 2015, we were one of three banks operating on the Belgian market to be presented with an Ethibel certificate, guaranteeing that we invest client assets in an ethically responsible manner.

IT

Focus and simplification are the key elements of our wealth management strategy. Accordingly, our new IT infrastructure is a combination of a new CRM system, a system for central document management and (from 2016) a portal for online client interaction.

This forms the basis for further efficiency improvements that will be of immediate benefit to our clients. For example, website navigation is now more intuitive, clients are immediately presented with an overview of all their products and things like address changes can now also be passed on through the online environment. This is our response to the growing self-sufficiency of many of our clients – although digital at Van Lanschot still goes hand in hand with personal contact. Automation allows us to pursue a more meaningful dialogue with our clients about the preservation and creation of their wealth. Partly at the request of our clients, we are steadily reducing our paper consumption. All our new initiatives are designed as part of a gradual process that will see us serving our clients in a more modern, more efficient way, and that should also enhance client experience.

Responsible investment

At the request of our clients, in 2015 we stepped up our efforts to keep them fully informed about responsible investment. This means they now have a clearer picture of the results of our attempts to engage both companies and investment funds. We take the term 'engage' to mean that, in the event of a business or fund acting contrary to our ESG (environmental, social and governance) criteria, we enter into a dialogue with the aim of improving the situation.

Our talks with Westwood, a US fund manager, are a good example of a dialogue with an external investment fund. We have held a number of meetings on responsible investment with Westwood representatives in recent years. Although Westwood has not adopted a formal ESG policy to date, our dialogue has encouraged them first to sign a contract with a research data provider (MSCI ESG Research) and then to start incorporating ESG data into their investment process. Westwood is now looking into the possibility of signing up to the UN Principles for Responsible Investment.

These developments show how, by pursuing an active dialogue, we can help to create a more sustainable financial industry. See page 36 for further information on our policy on responsible investment and engagement.

As well as providing more information on responsible investment, we extended our range of sustainable investment products (from which certain stocks are explicitly excluded) last year. As a result, clients of our investment advisory services now also have the option of investing not just in three active sustainable Kempen funds, but also in a number of passive sustainable investment funds marketed by an external supplier. The latter funds track a sustainable index, i.e. an index that excludes any companies involved in arms, alcohol, gambling, nuclear energy, tobacco production, pornography or genetic modification. See our CSR supplement for further information.

Partnership with Ashoka

We have teamed up with Ashoka, the world's oldest and largest not-for-profit networking organisation run for and by social entrepreneurs. Both Van Lanschot and Ashoka have close connections with high net-worth individuals, entrepreneurs and owners of family businesses. As one of our main target groups, they are also valuable networking partners for Ashoka who are willing to make active contributions to the success of committed social entrepreneurs. Although there are many definitions of social entrepreneurship, one aspect is common to all of them: a desire to generate a 'social profit'. By translating a social problem into a business case, a social entrepreneur is able to come up with a lasting solution that can engender a system change.

We sought to promote social entrepreneurship in many different ways last year. The contacts we established between Ashoka's network of social entrepreneurs and our own clients resulted in a number of interesting networking events, theme-based brainstorming sessions and workshops, all of which generated encouraging initial results.

For example, the first Ashoka Changemaker Day was held in November, giving an opportunity for over 40 of our clients to brainstorm ideas with a group of about ten social entrepreneurs. Together, they refined business cases, brainstormed about new funding channels and forged new partnerships by connecting networks to each other. Some of the social entrepreneurs found themselves a new coach, while others were introduced to potential funders or partners.

We are hoping to provide financial support to the Dutch Ashoka Fellows – social entrepreneurs specially selected by Ashoka – in 2016. We will also be continuing our quest to identify financing instruments that are best suited for giving social entrepreneurs easier access to capital.

Making robust decisions despite all the clamour around us

Kempen Capital Management (KCM) is staffed by professionals who are passionate about what they do. This is something that our clients recognise and appreciate. My main task, as I see it, is to help create the right culture and put in place the ideal conditions for our staff to thrive. Professional skill is a crucial part of the mix, and we all help to raise each other's expertise by giving honest feedback on each other's work, without any regard for lines of authority. This open culture is one of our core values and is also one of the key factors enabling us to build and retain successful teams. It's absolutely vital that both our investment philosophy and our investment process are carefully thought-out and reviewed on a regular basis. We are a boutique firm and our investment teams don't necessarily all need to espouse the same philosophy.

I'm responsible for our investment teams, investment funds and the allocation of assets. I work together with my staff to spread the word: disseminating our company's perspective on the state of the world economy and the financial markets. I also play an active role in positioning KCM in the market, which involves giving presentations here in the Netherlands and abroad, for example on active, long-term shareholder engagement.

We've just completed seven good years that have been kind to equities and bonds, but the markets are becoming increasingly nervous about the future and valuations are demanding. We believe the key to success in the years ahead will be to give our clients' assets the best possible protection.

The markets always tend to get overexcited, whether the movement's upwards or downwards. Our job is to make robust decisions in spite of all the clamour around us. It's all about focusing on the long term, and creating lasting value for our staff, our clients and our shareholders.

Lars Dijkstra – Chief Investment Officer at KCM

Asset Management

Focused growth

Financial results

Asset Management (€ million)	2015	2014	%
Interest	–	–	–
Income from securities and associates	0.3	2.6	– 88%
Commission	82.7	81.4	2%
Result on financial transactions	– 0.1	–	–
Income from operating activities	**82.9**	**84.0**	**– 1%**
Staff costs	38.8	36.3	7%
Other administrative expenses	18.5	13.9	33%
Depreciation and amortisation	0.8	0.8	0%
Operating expenses	**58.1**	**51.0**	**14%**
Impairments	–	–	–
Total expenses	**58.1**	**51.0**	**14%**
Operating profit before tax	**24.8**	**33.0**	**– 25%**

Asset Management, trading as Kempen Capital Management (KCM), is a specialist asset manager that operates with a sharp focus and a clear investment philosophy. We offer world-leading investment strategies to open-architecture banks and asset managers, and to pension funds, insurers, foundations and associations. Our strategies relate to small caps and real estate, high-dividend equities, fixed-income securities and funds of hedge funds. We also offer total fiduciary asset management solutions to institutional clients.

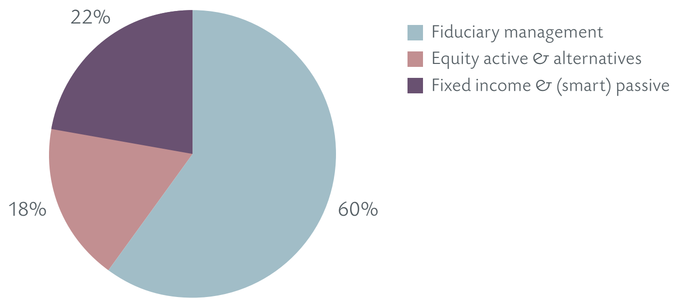
We deliver these services from our branches in Amsterdam, London and Edinburgh. One thing that sets us apart is that both Kempen & Co and our employees themselves invest in our funds, which means our interests are aligned with those of our clients.

Acquisition of MN UK

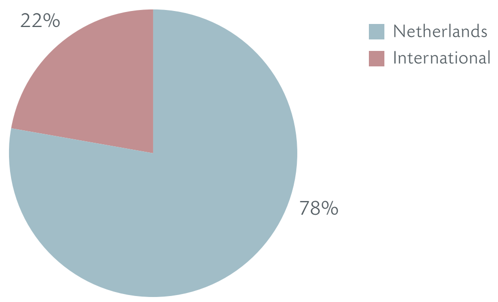
A number of factors, including advanced consolidation within the Dutch pensions market, have prompted us to look abroad for markets that closely match our approach culturally and in terms of investment philosophy. We focused on the United Kingdom, Germany, France and Italy, while also considering Scandinavia, Switzerland, Belgium and Spain.

The takeover of all the UK fiduciary management activities of the Dutch pension and asset manager MN on 1 October 2015 gives us a firm foothold from which to create a second core market in that country. The acquisition added €4.6 billion to our assets under management. It also brought us 21 new colleagues, enabling us to bolster our fiduciary management operations in the United Kingdom, where we can now approach the institutional market via local staff. The takeover also creates a unique opportunity for our people to develop abroad.

AuM by service (€32.8 billion)



AuM by client nationality (€32.8 billion)



Investment climate

The investment climate was marked this year by a clear intensification in financial market volatility. Although sentiment was generally positive, minor interest rate movements had a major impact on asset prices. Dutch small caps, global small caps and real estate all performed excellently, whereas European small caps and our dividend fund still lagged their benchmarks. The bond markets had a tougher time, courtesy of the low interest rates at the beginning of the year. Emerging markets' performance fell short of expectations, due primarily to the sharp slowdown in Chinese growth. For the most part, our clients could look back over a reasonably good investment year, even though the seven successive years of bull markets are unlikely to continue into the years ahead.

Responsible investment policy

More and more investors are basing their investment choices on both financial and non-financial information. In other words, they are no longer judging companies or investment funds solely on the basis of their financial results, but also on their environmental and social performance. We too incorporate non-financial information in our investment process alongside financial data. This is what we mean by responsible investment.

Founded on international guidelines

Van Lanschot signed up to the UN Global Compact (UNGC) in 2008. These international United Nations guidelines on areas including the environment, employment conditions, human rights and corruption, provide an important framework for our responsible investment policy. The same goes for another international UN initiative endorsed by Van Lanschot: the Principles for Responsible Investment (PRI).

Screening and dialogue: geared towards positive change

At Van Lanschot, we have translated both sets of guidelines into specific criteria based on which KCM periodically screens its investments. The screening criteria can be found in the Convention Library on our website at corporate.vanlanschot.nl/responsible/core-banking-activities. If the screening process reveals that companies or investment funds are involved with controversial weapons, they are excluded. An engagement process – i.e. a dialogue intended to rectify the existing situation – can be initiated in the case of companies and investment funds displaying other infringements of our environmental, social and governance criteria.

Our engagement activities are aimed at companies, investment funds and other stakeholders.

- If it is found that companies are taking insufficient measures to control material environmental, social and governance risks, KCM's portfolio managers can select them for engagement. In each case, KCM draws up specific engagement targets. Companies that make insufficient progress towards meeting these targets can be excluded.
- We also engage in dialogue with external fund managers, in the process of which we challenge them about their responsible investment policies. We encourage them to be transparent and to exercise their voting rights. Fund managers are also encouraged to engage in dialogue with companies in their investment portfolio that have material environmental, social or governance issues.
- KCM likewise challenges clients, sector peers and credit rating agencies to pursue responsible investment and other policies.

We also take part in collaborative engagement initiatives to enhance the effectiveness of our efforts. These are dialogues with companies and fund managers that are carried out on behalf of several institutional investors and asset managers at once.

Exercising voting rights is another essential element of responsible investment. KCM casts its vote at the general meetings of Dutch businesses and by proxy in the case of international companies. 2015 voting guidelines and records are accessible from the KCM website at www.kempen.nl/proxyvoting.

Most of the companies and fund managers we have approached in recent years have shown a willingness to improve their policies or portfolios. Only a few were not prepared to do so, to which we responded by excluding them.

Further integration of responsible investment

At the beginning of 2015, following extensive market research, we chose MSCI ESG Research as our new provider of non-financial data. The agency's methodology offers such a perfect fit with our own approach and the quality of the provided data is so high that we have fully integrated MSCI ESG Research's database into our existing investment process. This means that KCM's fund managers now have direct access to a full range of non-financial data, and can also engage with companies and fund managers directly on CSR matters, rather than having to call in an external engagement manager.

In the course of 2015, we engaged 91 companies directly and 112 via collaborative engagement initiatives. We also maintained a dialogue with 17 external fund managers. A factsheet has been drawn up for each engagement, setting out the most important goals and outcomes.

Further increase in assets under screening

In 2011 we set ourselves the target of increasing the assets screened by non-financial criteria (measured as a percentage of total assets under management) year-on-year. As the table below shows, we met this target once again in 2015, primarily by further refining the applied methodology.

Assets under screening	2015		2014	
	AuM (x € billion)	Assets under screening as % of AuM	AuM (x € billion)	Assets under screening as % of AuM
Private Banking	17.4	80%	16.6	68%
Asset Management	32.8	76%	27.5	73%
Total	**50.2**	**78%**	**44.1**	**71%**

Climate change

Climate change dominated the news for a large part of 2015. A great deal of publicity was generated by the successful lawsuit initiated by the campaign group Urgenda to oblige the Dutch state to take more action against climate change. Volkswagen then found itself all over the front pages in September because of inaccuracies in the stated fuel consumption and carbon emissions of certain models of car. These events, combined with the successful international climate summit in Paris, added to the increasingly wide recognition that fossil fuels will be replaced in the future by more sustainable sources of energy. This presents investors with new opportunities as well as threats and was one of the reasons why Van Lanschot too paid considerable attention to the climate in 2015.

In the course of the year, for instance, we began to measure the climate impact of our investment portfolios. We also joined the Institutional Investors Group on Climate Change (IIGCC) and the PRI's working group on corporate climate lobbying. The purpose of these initiatives is to challenge companies and public organisations to recognise their responsibility in terms of climate change. We will report on this in more detail in 2016.

Long-term engagement

The focus on climate change fits in well with KCM's investment philosophy, which is characterised by its long-term focus and engagement. KCM also asked in 2015 that the theme of long-term investment should be examined as part of the Chief Investment Officers' Dialogue (a periodic consultation between Dutch CIOs). A number of publications were produced on this topic too. KCM is also in discussion on behalf of the CIO group with the De Nederlandsche Bank to highlight the issue of long-term investment. This discussion included the utility and necessity of benchmarks, and potential hindrances in current legislation for institutional investors wishing to implement a long-term investment philosophy.

We also responded to the trend whereby asset owners – particularly institutional investors – are putting increasing pressure on asset managers to generate short-term returns on their investments. This exerts pressure on companies in turn, undermining their willingness to invest, which is bad news for the market, the economy and society.

'If we want to change this focus on short-term results, we will have to alter the market mind-set not only of asset owners, asset managers and companies, but also of regulators.'
***Paul Gerla**, Executive Board member responsible for Asset Management*

Anticipated developments in responsible investment

We again sharpened our responsible investment ambitions in the final quarter of 2015. Our key ambition now is to complete our integration process and to heighten awareness of responsible investment among both our employees and our clients. Our responsible investment policy will continue to focus in 2016 on the long term and on engagement: we want to use our influence to bring about positive change among our stakeholders. The climate theme will also stay high on the agenda, while we will further develop our dialogue with external fund managers and pay more attention to our voting activities.

Data management

Clients have a more pressing need for transparency than ever. Individuals want insight into their underlying investment portfolio and the total cost of ownership, while institutional investors are seeking detailed look-through in their investments. This requires the efficient digitisation and automation of working processes. KCM is a strongly data-driven organisation: our portfolio managers add value by interpreting large volumes of data as input for their investment policies.

'Asset management is data management. By opening up and linking data we can arrive faster at the information we need in order to create value for our clients. We no longer have to be there in person, for instance, to value real estate: we buy in the relevant data, analyse it and compare it. We lose far less time gathering information and can switch more quickly to its interpretation.'
***Erik Luttenberg**, Managing Director at Kempen Capital Management*

Engagement case: Eni SpA

Eni is active in oil exploration and production, gas extraction, engineering services, construction and chemicals. The Italian company has been linked to a series of corruption cases in recent years and so we approached it for a dialogue in 2014. Eni was prepared to discuss the corruption challenges with us and indicated that it was working to develop a new anti-corruption policy, which was published on its corporate website at the end of November 2014. The scope of its policy was expanded and its implementation and enforcement were made compulsory for Eni and all its subsidiaries. Eni has also set up unusually effective enforcement of its anticorruption policy and the associated programmes at senior level. The policy revision was enough in itself to satisfy most of our initial engagement goals.

We continued the dialogue in 2015 to enable us to judge whether its new policy and programmes were indeed being implemented and were having the desired effect, namely to prevent any further major corruption scandals. Eni was asked, for instance, to continue to provide detailed information on the corruption cases, including details of the legal investigations. The company reported on this last year in its quarterly reports. We also encouraged Eni to provide additional details about its implementation mechanism for anticorruption controls, about external audits, and about its due diligence process at external parties, particularly in relation to high-risk activities in emerging markets. We had regular contact with the company in 2015, and we are satisfied with the transparency Eni has shown us. We continue to encourage the company to provide more information about its anticorruption programme in its public reporting.

Client satisfaction

The client satisfaction survey we commissioned in 2015 calculated a Net Promoter Score (NPS) of 32, up from 22 two years ago. Average satisfaction worked out at 7.8. Clients were satisfied with KCM's level of knowledge, integrity and service orientation, for instance, while there is room for improvement in terms of clear communication.

Awards

The Kempen (Lux) Euro Credit Fund managed by KCM was voted the best fund in the Belgian market in the Euro Corporate Bonds category. The fund received a high score for its investment strategy and for the balance between risk and return. Morningstar Netherlands also gave Kempen (Lux) Euro Credit Fund its highest possible rating (Gold). Kempen Non Directional Partnership won a prize at the end of October at the Swiss Hedge Fund Awards Ceremony for the best multi strategy over a five-year period.

The Kempen (Lux) Sustainable European Small Cap Fund qualified once again for the Novethic SRI Label, showing that non-financial criteria have been systematically integrated into the investment process and transparently reported. At the same time, the research organisation Trucost established that the fund had a carbon footprint at the end of 2015 that was 63% lower than the MSCI World Index – the sixth year in a row that the fund was less carbon-intensive than its benchmark.

Kempen adds entrepreneurial mind-set

After earning my degree in mathematics, I qualified as a Fellow of the Institute of Actuaries and worked in various consultancy roles in and around pensions. In September 2011, I joined MN as part of a small team charged with expanding their Dutch fiduciary management business into the UK. MN's UK operations were acquired by Kempen in 2015.

At Kempen, I'm responsible for developing and delivering integrated client solutions in asset management. We used to work exclusively for pension funds, but as part of the Kempen family we have the opportunity to broaden our reach to insurers, foundations and associations, and other institutional investors.

With last year's acquisition, these are exciting times for the team in London. We're not just transitioning client assets and integrating back offices, we're also bringing together two company cultures. And quite smoothly so, I have to say: both teams take a long-term view and are highly client-focused. Without doubt, Kempen isn't just contributing highly relevant investment expertise, it also brings an entrepreneurial mind-set – a tremendous drive to get things done.

I'm very aware of the importance of what we're doing: we share responsibility for the financial security in retirement of hundreds of thousands of people. Working towards full funding is about so much more than achieving financial objectives. Analysing a pension fund's liability profile, understanding its risk tolerance, and then generating stable and controlled returns: we're doing important and meaningful work.

Jeff Neate – Head of Client Solutions at Kempen Fiduciary Management

Merchant Banking

Client relevance built on a combination of focus and dedication

Financial performance

Merchant Banking (x € million)	2015	2014	%
Interest	3.5	2.8	25%
Income from securities and associates	–	–	–
Commission	66.6	52.1	28%
Result on financial transactions	3.0	6.3	– 52%
Income from operating activities	**73.1**	**61.2**	**19%**
Staff costs	30.0	25.4	18%
Other administrative expenses	11.4	9.7	18%
Depreciation and amortisation	0.6	0.6	0%
Operating expenses	**42.0**	**35.7**	**18%**
Impairments	0.2	2.0	– 90%
Total expenses	**42.2**	**37.7**	**12%**
Operating profit before tax	**30.9**	**23.5**	**31%**

Merchant Banking is made up of two units: Corporate Finance and Securities. Corporate Finance is a leading player in its niche markets in relation to mergers and acquisitions, capital market deals and debt advisory services. The strength of the Securities department 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.

Corporate Finance

Our specialist teams combine in-depth knowledge of the markets in which our clients operate with up-to-date familiarity with the capital market. This allows the Corporate Finance department to supply its clients with high-quality, independent advice on the optimum structure, timing and positioning of the transactions they are planning to undertake.

Specialisation

Our reputation among clients operating in our niche markets, i.e. the Benelux countries, European real estate and the life sciences, is that of a reliable partner and an impartial adviser. Our clients benefit from our global network of specialist investors, shareholders, businesses and other leading market players. We help to create robust businesses that are capable of handling all sorts of different issues and challenges.

One of the principal objectives of our Life Sciences team is to use innovation in order to ensure that care services remain affordable. Kempen & Co (Kempen) is one of the few European merchant banks specialising in this particular market.

The Corporate Finance department further boosted its share of its selected niche markets last year, which proved a very busy year for our teams of specialists. The high level of activity was reflected in a large number of transactions, the scale of these transactions and the leading role played by the Corporate Finance department in them. The Benelux team managed IPOs on behalf of both Lucas Bols and Grandvision and also advised on the takeover of Grontmij by Sweco, which is active in the same industry. The European real estate team was extremely active both in the German market, where the highlights included the acquisition of Gagfah by Vonovia and the IPO of ADO Properties, and in the Dutch market, handling transactions involving Vesteda, Wereldhave and NSI among other companies. The Life Sciences team also managed a number of IPOs and share issues, their clients including Biocartis, Kiadis and Probiodrug. All the corporate clients serviced by the Corporate Finance department are first screened to ensure that they meet certain environmental, social and governance criteria.

'Our clients are displaying a growing preference for specialist, independent advice – which is precisely what our teams of specialists can offer.'
Joof Verhees, Executive Board member responsible for Merchant Banking

On the back of the policy of quantitative easing pursued by the European Central Bank (ECB), the mood on the financial markets was extremely upbeat in the first half of the year. After the summer, however, the markets became so volatile as to severely limit the amount of time for successful deals. Despite these difficult circumstances, our Corporate Finance team nonetheless carried out a number of successful transactions for their clients.

'Many of our clients made substantial progress in 2015, not just in implementing their strategies but also in funding them on the capital markets. Our aim is to get involved at the earliest possible stage so that we can advise our clients on the best strategic moves and how to set about putting these into practice. We see our role as helping to create value for our clients.'
Paul Pruijmboom, Managing Director of Kempen Corporate Finance

Conferences

As in previous years, our Corporate Finance and Securities departments jointly organised a number of successful conferences for our clients. These included the Life Sciences Conference in New York, the Benelux Conference in London and the European Property Seminar in Amsterdam. These conferences are an ideal opportunity for the clients of our Securities and Corporate Finance departments to share ideas and experiences, and to keep in touch with the latest developments in their markets.

Selected Kempen & Co transactions in 2015

European Real Estate

Befimmo	Placement of treasury shares	€ 29,710,760	*Joint-Bookrunner*	November 2015
LEG	Accelerated bookbuild offering	€ 306,680,000	*Co-Bookrunner*	November 2015
Deutsche Office	Public offer for Deutsche Office by alstria	€ 1,792,304,000	*Financial adviser*	November 2015
MERLIN	Rights issue	€ 1,033,696,000	*Co-Lead Manager*	August 2015
ADO	Initial public offering	€ 415,000,000	*Joint Global Coordinator Joint Bookrunner*	July 2015
hamborner REIT	Rights issue	€ 101,659,558	*Joint Bookrunner*	July 2015
CITYCON	Rights issue	€ 608,161,628	*Joint Global Coordinator Joint Bookrunner*	July 2015
DEKOR	Sale of Berlin residential portfolio		*Adviser*	June 2015
DEUTSCHE ANNINGTON	Rights issue	€ 2,247,556,865	*Co-Lead Manager*	June 2015
WERELDHAVE	Accelerated bookbuild offering	€ 257,250,000	*Joint Bookrunner*	June 2015
LEG	Accelerated bookbuild offering	€ 73,623,010	*Joint Global Coordinator Joint Bookrunner*	June 2015
nsi	Secondary placement of 35% stake in IOW	€ 110,760,000	*Joint Global Coordinator Joint Bookrunner*	June 2015
Deutsche Wohnen	Rights issue	€ 906,580,438	*Lead Manager*	June 2015
vesteda	Refinancing	€ 600,000,000	*Financial adviser*	June 2015
nsi	Refinancing	€ 550,000,000	*Financial adviser*	May 2015
Cofinimmo together in real estate	Rights issue	€ 285,410,210	*Co-Lead Manager*	May 2015
vesteda	Capital raise	€ 600,000,000	*Sole financial adviser*	April 2015
DEUTSCHE ANNINGTON	Block trades in Deutsche Annington shares	€ 283,441,799	*Sole Manager*	April 2015
WDP	Secondary placement	€ 40,962,500	*Placement Agent*	March 2015
DEUTSCHE ANNINGTON	Public offer for GAGFAH	€ 8,867,000,000	*Adviser*	March 2015
LEG	Block trades in LEG shares	€ 107,279,017	*Sole Bookrunner*	January 2015
DEUTSCHE ANNINGTON	Block trades in Deutsche Annington shares	€ 80,872,909	*Sole Manager*	January 2015
DEUTSCHE ANNINGTON	Block trades in Deutsche Annington shares	€ 40,938,597	*Sole Manager*	January 2015

Life Sciences & Healthcare

ALK	Sale of the European veterinary business		*Adviser*	December 2015
LUMC	Strategic review		*Adviser*	November 2015
probiodrug	Private placement	€ 13,531,780	*Joint Bookrunner*	November 2015
Kiadis pharma	Initial public offering	€ 32,670,450	*Sole Global Coordinator Joint Bookrunner*	July 2015
BIOCARTIS	Initial public offering	€ 115,000,000	*Joint Bookrunner*	April 2015
valneva	Rights issue	€ 45,031,721	*Joint Bookrunner*	February 2015

Benelux

Grontmij	Public offer for Grontmij by Sweco	€ 354,000,000	*Adviser*	October 2015
Kempen Capital Management	Acquisition of MN Services United Kingdom		*Financial adviser*	October 2015
ArboNed	Sale to HumanCapitalCare		*Financial adviser*	June 2015
van Gansewinkel	Capital restructuring		*Financial adviser*	April 2015
DAMIER	Acquisition of Flinndal		*Adviser*	March 2015
Refresco · gerber	Management participation advisory in dual-track sale process		*Financial adviser*	March 2015
RIWAL	Refinancing	€ 220,000,000	*Financial adviser*	March 2015
GrandVision	Initial public offering	€ 1,020,000,000	*Co-Lead Manager*	February 2015
LUCAS BOLS	Initial public offering	€ 146,787,159	*Joint Global Coordinator*	February 2015

Expert guide in the capital markets

After graduating in Finance and European Business Law, I joined Kempen & Co in 2013. I'm a member of the Equity Capital Markets (ECM) team, with a focus on European real estate.

ECM advises and assists companies by managing all the processes required for successful capital market transactions such as IPOs, capital increases and secondary offerings of large blocks of shares. We bring companies to the market and the market to companies, serving as brokers between corporates and investors.

Working in close collaboration with Corporate Finance and Securities, ECM helps to structure and market capital-market transactions and place equities with investors. We also help companies compile prospectuses and draw up legal documentation for transactions. Although my studies come in handy here, the skills needed for this line of work are not something you can learn from a textbook: it's all about learning on the job.

Both market sentiment and the ECM climate were mainly very positive in 2015, but this didn't necessarily make our work easier. More deals also mean more competition to attract investors: our task was to make sure that it was our clients' transactions that appealed to them most.

As a specialist player, we offer companies sector expertise, a tailor-made transaction process and access to a global network of sector-specific investors. That's how we compete with, distinguish ourselves from and are complementary to international 'bulge bracket' banks.

An ECM transaction is an important step for a company, which demands a lot of time and attention. We guide our clients through every step of the process and prepare them for the capital market.

Birgit Brekelmans – Associate Equity Capital Markets at Merchant Banking

Securities

Listed stocks are often tracked and researched by dozens of analysts all over the world. Operating alongside the big, global brokers, genuine specialists who offer industry-specific expertise are capable of adding value in this competitive market. Kempen is just such a specialist player and is used to making choices in order to retain its competitive edge.

Building on our large share of the market in European real estate research, we expanded our research products in 2015 by adding infrastructure to our product range. This includes European airports, toll roads and ports. We expanded our research products in life sciences by adding a contiguous sector, food, feed & pharma. Following a comprehensive review, we decided in 2015 to stop producing research analyses on cleantech, as this is not a big enough market for investors. In response to the growing demand for ethical investments, we screen all the stocks we track on a regular basis, to make sure that they comply with certain environmental, social and governance criteria.

The Benelux countries remain a key focal region for Merchant Banking, which is why we decided to expand the team of analysts concentrating on this field. The research recommendations embodied by the Benelux favourites list produced a 27% profit in 2015, whereas the Amsterdam AEX and AMX indices returned 7% and 12% respectively. The favourites list of our European real estate team yielded a 21% profit in 2015, while the life sciences favourites list posted a 111% rise in profits in 2015. All our teams outperformed their respective benchmarks.

Investment propositions for Van Lanschot clients

With interest rates hitting historic lows, clients have been asking us to look into ways and means of generating a good return. The Structured Investments department at Kempen Securities develops products that are designed to enable clients, including Van Lanschot account holders, to preserve and expand their wealth and to achieve the best possible returns within the boundaries of their agreed risk appetite. These structured products are notes or certificates based on an index, an equity or a fixed-rate security as their underlying asset. They can be used to inject a special emphasis into an investment portfolio or in order to meet certain special client requirements for asset creation or protection.

> 'During any prolonged period of low interest rates, there's always a demand for products that yield a better return than outright savings or straight equity investments. The rise in the proportion of Van Lanschot clients in the Structured Investments client base in 2015 reflects the growing demand among private investors for protection combined with return.'
> *Anko Gerlofs, Managing Director of Kempen Securities*

Because clients may perceive structured investment products as being complex vehicles, we set great store by transparency and clear communication with our clients. While generating positive returns, our products have a lower risk profile than direct equity investment. Five instruments that had been publicly issued in 2014 were redeemed in 2015 and generated positive returns of between 7% and 13%.

Intermediary role

We continued to mediate in our niche markets between institutional investors involved in large-scale securities transactions known as block trades. With the stock market now less liquid, the action of buying or selling a large block of equities in an illiquid market can lead to sudden price movements. For this reason, our specialists sell large blocks of equities to institutional investors in single trades. This prevents movements in stock market prices and benefits both the buyer and the seller, as well as any underlying clients. Our role as an intermediary is growing increasingly important in this market. Our target clients are companies with a market capitalisation of between €500 million and €5 billion.

Research kept separate from equity trading

We have now set out on the journey leading to MiFID II. The entry into force of the EU's Markets in Financial Instruments Directive will change the way in which our research services are valued in future. The position at present is that the value of research services is generally linked to the volume of traded equities, a figure that can vary enormously from year to year. In future, however, the valuation of research services will need to be kept separate from the trade in equities, which means that the value of research will have to be expressed in the form of a fixed price. This greater cost transparency means that institutional investors will need to place a value on research products, together with research service providers such as Kempen. The general expectation is that the new legislation will depress turn-over earned by research service providers. We believe, however, that investors will be prepared to pay for high-quality research by specialists.

> 'We need to be able to demonstrate our relevance in every discipline. That means making certain choices. Which is exactly what we've done, and I'm confident that this decision will prove its value in the future.'
> *Bernd Stahli, Managing Director of Kempen Property Research*

Awards

We won three Extel Awards this year. We were named no. 1 in Benelux Trading & Execution, no. 1 in European Real Estate (based on corporate votes) and no. 3 in European Real Estate (based on client votes). Our success was built on the quality of our research combined with a quick-moving Trading & Execution team.

Sponsorship

Like Van Lanschot, Kempen has adopted a sponsorship policy that is fully commensurate with its market positioning and brand image. Thus, in addition to supporting various cultural and social causes, we focus on sport as our main field of sponsorship. We are the principal sponsors of Nereus, an Amsterdam student rowing club, and the first men's team of the Pinoké hockey club in Amstelveen. Our decision to focus our sponsorship activities on sport ties in well with our day-to-day work. Operating as we do in a highly international and fiercely competitive field of play in which results count above all else, we feel that we have a lot in common with top sportsmen and sportswomen. In addition to our sports focus, we have also sponsored the Holland Festival since 2014. This is an international performing and visual arts festival that is held in Amsterdam every summer.

Clients expect quality and originality

My team of staff track listed equities in the Benelux countries and advise institutional investors across the world: between 80% and 90% of shareholders in Dutch listed companies are based abroad.

As an independent merchant bank, following equity movements is one of our core activities. That's reflected in the type of people who work for us: our staff tend to be passionate, resourceful and enterprising. And people applying for jobs with us – including applicants from outside the Netherlands – are generally of a very high quality. That's important, given our preference for training people on the job rather than taking on experienced staff.

I myself studied economics in Amsterdam, after which I spent eight years working for Goldman Sachs in London. When I decided to return to the Netherlands, there was really only one bank that I wanted to work for. Despite all the changes in the financial industry, Kempen has remained a successful, enterprising business that creates space and opportunities for talent to thrive. I think we have done amazingly well to preserve that culture, and it gives us the basis we need to build our future success.

The thing I most like about my work is the fact that, at its core and in spite of all the technology, it's still all about people. It's about forging relationships with people – with clients, colleagues and other stakeholders. Clients expect us to deliver consistent quality and original ideas – that's the value we need to add, now and in the future. And our independent status gives us a real edge in doing this. Our freedom is our unique selling point and we need to make the most of it.

Jaap Pannevis – Head of Benelux Research at Merchant Banking

Van Lanschot Participaties

Calm, patient approach aimed at creating value in the long term

Van Lanschot Participaties acquires non-controlling interests in unlisted companies. We invest between €5 million and €15 million in each company. We set ourselves a long-term investment horizon and do not impose any restrictions on the duration of the investment or in terms of the need to sell it off in the near future. We take a calm, patient approach aimed at creating value in the long term.

As a minority shareholder, our objective is not to gain control but to have a say in the running of the business. This means that we often play an active role in formulating strategies, undertaking acquisitions or working out the details of refinancing packages. We enter into a dialogue with the management and shareholders before taking a shareholding in a company. Our aim is to forge a relationship and find common ground in our views about the company's long-term future. We believe that the best management team is one that is given an opportunity to spend some time at the helm and that wishes to use our help to take the company to the next stage in its development. In certain situations, we join forces with a co-investor. In each case, we take a close look at the profiles of both the investors and the company in question, as well as their thinking about the company's long-term prospects, to ensure that they are closely aligned with each other. Assessing whether the company meets certain environmental, social and governance criteria also forms an integral part of the due diligence we undertake before acquiring an interest in a company.

We did not acquire any new shareholdings in 2015. We did, however, sell two shareholdings and TechAccess, in which we own a stake, made an acquisition in Belgium. Our existing shareholdings performed well, in line with the revival of the economy as a whole. We continued to wind down our interests in private equity funds as planned. The situation on 31 December 2015 was that Van Lanschot Participaties held a portfolio consisting of shareholdings in 12 companies and a number of private equity funds. The market value of these shareholdings was over €110 million.

'The abundance of capital on the market resulted in a challenging investment climate in 2015. This led to high takeover prices, with companies often being able to choose from a range of financing options. We are still interested in finding well-managed companies who turn to us as a logical partner that can help them resolve a particular problem. In these situations, we are prepared to pay a proper price for the company in question. In the words of Warren Buffett, it's all about buying wonderful companies at fair prices.'
***Joost Bakhuizen**, Managing Director of Kempen Investments*

Corporate Banking

Winding down the portfolio at the right pace

Financial performance

Corporate Banking (x € million)	2015	2014	%
Interest	55.3	66.8	– 17%
Income from securities and associates	–	–	–
Commission	3.7	5.6	– 34%
Result on financial transactions	– 0.8	–	–
Income from operating activities	**58.2**	**72.4**	**– 20%**
Staff costs	15.5	20.2	– 23%
Other administrative expenses	14.0	19.3	– 27%
Depreciation and amortisation	0.7	0.1	–
Operating expenses	**30.2**	**39.6**	**– 24%**
Impairments	23.9	69.3	– 66%
Result from sale of private and public sector loans and advances	22.4	–	–
Total expenses	**76.5**	**108.9**	**– 30%**
Operating profit before tax	**– 18.3**	**– 36.5**	**50%**

We have been winding down our portfolio of corporate loans since 2013. At the outset of this process, the value of our risk-weighted assets (RWA) was €4.4 billion, and we wanted to halve this figure by the end of 2017. In fact, we already achieved this target at the end of last year: the value of the portfolio was lowered to €1.8 billion of real estate loans and loans to small and medium-sized firms and €1.9 billion of RWA. We will be seeking to reduce the value of the portfolio to zero in the years ahead. We should point out, though, that our Private Banking division will continue to grant corporate loans to business professionals and executives and healthcare professionals, in line with our wealth management strategy.

We completed the sale of non-performing real estate loans with a nominal value of around €0.4 billion to a subsidiary of Cerberus Capital Management in the third quarter of 2015. This meant accepting a one-off gross writedown of €23.2 million. The sale helped to speed up the process of winding down our portfolio of corporate loans, improved the portfolio's risk profile and reduced the need to make provisions in the future. We continued to reprice the portfolio in 2015, and this helped to improve interest margins.

Employability

Staffing levels at Corporate Banking have declined since 1 January 2015 by an average of two FTEs per month. These reductions have all taken the form of natural wastage and have followed the trend in the volume of the portfolio. We doubled our budgets for training and development in order to optimise the employability of our staff.

Telling an honest story

Both our clients and our staff know exactly where they stand: our portfolio of corporate loans is going to be reduced to zero during the coming years. The situation requires a greater degree of urgency in our communications with our remaining clients. Refinancing their loans in good time is no longer a question of expediency; it has now become a necessity. It goes without saying that we place our people, our expertise and our network at our clients' disposal, so that they are assured of the best possible service even in these final stages of their relationship with us.

Companies understand that we have to make choices

Before joining Van Lanschot, I spent 18 years working at ING, initially on behalf of small firms and later for medium-sized companies. I left ING to join Van Lanschot in 2007, when I was appointed to manage one of the 13 business branches, as they were then known. It was clear from the outset that Van Lanschot is a place where you're left much more to your own devices – there's no umbrella of support departments, like at the big High Street banks. This was something that appealed to me straightaway. I like the fact that my job brings me into personal contact with all sorts of different people, from regulators to computer experts.

Bringing the Corporate Banking department together in 's-Hertogenbosch was a key step; a major operation like this is best organised from a central vantage point. We're now in the process of scaling down our business portfolio and our team of staff. We need to make sure that both sides of the equation are fully in balance. This means taking a smart approach to our work, and organising it in such a way that there's always just a bit too much to do. No one has any problems with this as long as we make it crystal clear what we're doing.

We'll be pleased with the outcome if we manage to reduce the number of jobs without having to make any redundancies. That's why we have a policy of investing continuously in the knowledge and skills of our staff, also in terms of personal marketing and handling job applications and interviews.

The corporate clients we are now having to shed made a conscious choice in favour of Van Lanschot. These are people we are now duty-bound to help – by introducing them to other banks or debt advisers, for instance. Companies understand full well that we have to make choices – it's what they themselves do all the time. Our priority now is to minimise the impact of these choices on them.

Lex van Dijk – Director of Corporate Banking

The people behind Van Lanschot and Kempen

Our people are our main assets

We are a modern employer that believes more in the power of consultation than in all sorts of complex rules and regulations. Our main assets are our people and our expertise. We want our people to offer our private and institutional clients a high standard of quality and service. In turn, our staff are entitled to expect us to inspire and challenge them, to offer them a competitive pay and benefits package and to provide them with plenty of facilities for training and development. Our value creation model (see page 15) shows how our human and intellectual capital helps us to successfully implement our business model.

Milestones

The new set of terms and conditions of employment, on which we reached agreement with the Works Council at the end of 2014, came into force on 1 January 2015. Later on in the year, we reached an agreement with the Works Council on steps to further modernise these terms and conditions.

A new redundancy scheme was also agreed with the Works Council at Van Lanschot. Under the scheme, the severance payment made to redundant staff is no longer based on what used to be known as the 'subdistrict court formula' and instead takes the form of a statutory 'transition payment', which is lower. This is a novelty for the banking industry. We also adopted a single group-wide policy on variable remuneration for the Van Lanschot Group, in line with national and European law.

With effect from the summer of 2015, some of the corporate and support departments at Van Lanschot and Kempen began working together more closely. This will continue into 2016. We wish to ensure that our corporate and support departments are responsive and efficient and that they offer support and assistance to our commercial departments based on a common group strategy.

The Banker's Promise came into force and was endorsed by all members of our staff in 2015. In making this affirmation, individual members of staff accept a personal responsibility for adhering to a code of conduct that is designed to guarantee that bankers practise their profession with integrity and due care. Once a member of staff has given this promise, they are subject to a disciplinary scheme. As a further step, we also complied with the statutory obligation (imposed in 2015) to assess the suitability and reliability of our middle management.

We took various measures in 2015 in relation to recruitment, staff retention, staff development and pay and benefits. We performed a 'health and engagement scan' in 2015 in order to measure staff engagement and take any action deemed appropriate (such as measures to reduce absenteeism). The results of the scan paint a picture of the physical and mental condition of our staff. The aim is to encourage staff to strike a healthy work-life balance and to keep them in a good state of health. There was a good response to the scan, which was completed by 80% of our staff.

Recruitment

We mounted a new recruitment campaign in 2015, featuring a number of our clients explaining who they are, what they do and what we mean to them. The campaign is intended to further strengthen our two brands, Van Lanschot and Kempen. Our recruiters also disseminate these key messages at events, on social media and during their visits to universities and colleges of higher education. We track our 'future talents' from as early as the second year of their degree courses, so that we can appoint talented young individuals to junior posts at a later stage.

The success of *Evi* was particularly helpful in further raising awareness of the Van Lanschot brand among young people. Both Van Lanschot and Kempen began to make more active use of social media for recruitment and selection purposes. With the aid of an interactive on-boarding app that we developed ourselves, new members of staff are given a rapid but thorough induction into our organisation, thus ensuring that they quickly feel at home and know their way around.

Staff retention

The need to retain good professionals is just as important as the need to recruit new staff. Rather than design a series of carefully polished career planning programmes and procedures, we prefer to sit down and talk to individual members of staff about where they see themselves in two years' time. This has helped to turn career development into a shared responsibility.

Being an employer of choice requires a measure of commitment on the part of both the employee and the employer. But rather than thinking in terms of 'employers and employees', we seek to enter into a dialogue between management and staff, in which people are able to develop and are given genuine opportunities to achieve promotion and personal growth. We continued the traineeship programmes we launched some time ago.

Training and development

We encourage the staff of the Asset Management and Securities departments to apply for registration as Chartered Financial Analysts (CFA). All members of staff at Private Banking who have more than just a passing contact with clients will be required to meet the competence requirements laid down by the Dutch Securities Institute and the Financial Supervision Act (Wft) in 2017. Under the latter law, staff who advise or inform private clients are required to possess a certain specified knowledge of banking, consumer conduct and ethical standards of behaviour. We brought the 2017 deadline forward and made sure that 91% of our staff were already compliant in 2015.

For our staff, this meant spending a considerable amount of time and energy on completing the necessary studies.

Alongside individual, digital courses, we also developed a number of customised training courses for each branch. This involved first analysing needs as well as gaps in knowledge and skills. The courses themselves were designed in accordance with the principles of blended learning, i.e. they combined classroom teaching with digital learning.

We also launched a number of programmes focusing on leadership in the broadest sense of the word. These courses are being developed in conjunction with a number of external parties who lead their particular fields.

Assessing staff performance

We want our staff to have their performance (in terms of both their technical competence and their conduct) appraised in a modern manner. Self-evaluation is a vital aspect of the appraisal procedure. The way in which staff performance is assessed is not a routine procedure, but a transparent, interactive process. The appraisals of different groups of staff are compared during meetings known as calibration sessions. Managers also get together to discuss where their own teams of staff stand in terms of their career development. These sessions generate useful information for succession planning, staff training and job rotation.

> 'We want people who understand how the world works, people who can assess the impact of the events happening around us. Our private bankers need to broach an ever broader range of topics during their meetings with clients, and that means that our people need to have a correspondingly broad horizon.'
> ***Marjolijn Minnema****, Director of HRM*

Diversity

Our clients are all different. That's why it's also important that we embrace diversity in the composition of our workforce. At Van Lanschot and Kempen, diversity is about more than just taking account of the gender balance or differences in age, religion and background. It's also about differences in terms of competences and personalities. The differences among our clients mean that our staff need to possess different competences. We deploy our staff in accordance with the diversity of our client base. This client-centred approach is intended to optimise cooperation with a view to achieving the best possible result.

Staff composition

The number of FTEs employed at Van Lanschot fell by 46 to 1,666 in 2015 (2014: 1,712). The decrease is the combined result of our strategy, performance management and natural wastage.

Staff of Van Lanschot NV	2015	2014
Staff (in FTEs at year-end)	1,666	1,712
Absenteeism (%)	3.7	4.0
Investments in training (x € million)	4.3	4.1

Number of staff	2015		2014	
	Number	FTEs	Number	FTEs
Van Lanschot	1,107	1,041	1,177	1,106
Van Lanschot Belgium	150	143	141	135
Van Lanschot Switzerland	24	23	23	22
Kempen & Co	477	458	471	449
Total	**1,758**	**1,666**	**1,812**	**1,712**

Absenteeism

The rate of absenteeism fell compared with the previous year, to 3.7% (2014: 4.0%). The decrease in 2015 is the result of an active policy of reducing the absenteeism rate that we pursued during the past year.

Further information on HRM

For more details, see our CSR supplement.

Risk and capital management

Key risk themes for Van Lanschot

1. Persistent low interest rates, combined with low inflation and high volatility on the financial markets, pose a challenge in areas such as balance sheet management, interest rate risk and the investment portfolio. Uncertainty concerning the various input parameters for the interest rate scenarios makes it more difficult to determine the optimum duration of equity, a key indicator for the balance sheet's position's sensitivity to fluctuations in interest rates. When taking out a new mortgage, clients are increasingly opting to fix at lower rates for longer periods. This reduces the number of different fixed-interest periods in our mortgage portfolio, thereby increasing the repricing risk. And while the ample liquidity position offers a solid buffer against liquidity risk, it also puts heavy pressure on interest income.

Actions: The Asset & Liability Committee (ALCO) devotes extra attention each month to managing the duration and interest rate risk. Interest rate swaps are used to keep the duration within the targeted bandwidths. To limit the rise in the liquidity buffer, carefully considered choices are made regarding the composition of the balance sheet, the funding strategy and the interest policy. Implementing a new Asset & Liability Management (ALM) system makes it possible to perform faster and more sophisticated interest rate scenario analyses.

2. Technological developments within the financial sector are taking place at lightning speed. Themes such as big data, apps and contactless payment are all hot topics, but so too is cybercrime. Fintech start-ups are new entrants that use innovative technology and often target one specific segment of the banking services market.

It is essential for banks to continue investing in technological developments while at the same time safeguarding the interests of all stakeholders. This poses an additional challenge for a bank of our size. A strong vision that leads to clear choices and a focus on providing a distinctive service is essential for Van Lanschot.

Actions: Continue the efforts to simplify the IT systems in combination with investments in the front-end client systems. Make intelligent strategic choices regarding the products and services offered, including mobile apps.

3. The volume of new banking regulation and its complexity continues to grow strongly. In addition to new and amended regulations from the European Banking Authority (EBA) and the Basel Committee in relation to themes such as interest rate risk, resolution planning, reporting requirements and IRB (internal ratings-based) models, the Single Supervisory Mechanism is leading regulators to put ever more pressure on bank staff with asset quality reviews and on-site inspections. The costs of continually complying with these regulations are high. In many cases, banks such as Van Lanschot have to meet the same standards as the High Street banks. Correct and timely implementation is a complex and costly undertaking.

Actions: Assign sufficient priority and capacity to enable us to comply with new and existing finance and risk management regulations. Adopt a project-based approach with multidisciplinary teams for asset quality reviews and on-site inspections. The team concerned with analysing regulation will be strengthened.

Risk management

We have traditionally sought to achieve a solid profile, expressed by transparent risk levels allied with a robust liquidity and capital position. Our risks are set out in more detail in the following sections. A more detailed description can be found in the financial statements, where these risks are also quantified, wherever possible, in terms of their impact on Van Lanschot (see section on risk management from page 97).

Risk appetite

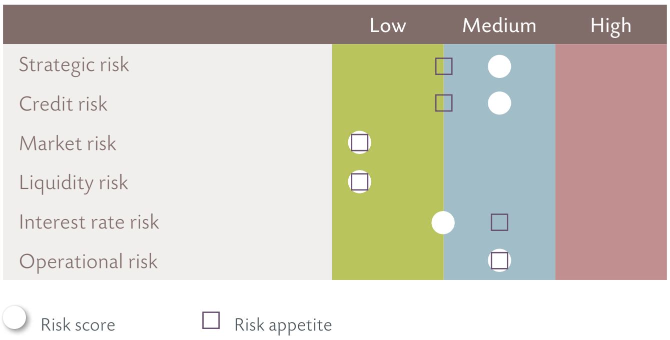
Every year, we evaluate our risk appetite, which is then communicated in a risk appetite statement containing both qualitative and quantitative elements. The statement is prepared by the Statutory Board and is subject to the Supervisory Board's approval.

Targets and risk limits are more dynamic and may be adjusted from time to time. That said, we do not change the key principles underlying our risk appetite and that create the firm framework within which we operate:

- We only assume risks that can be understood and explained.
- We only assume risks that will help us – either directly or indirectly – achieve our strategic objectives.
- Total exposure may not exceed the amount of risk-bearing capital.
- We consider the interests of all our stakeholders when assuming risks.
- Risk appetite must be taken into consideration in all key decisions at every level of the organisation.

- We always operate within the legal and regulatory frameworks.
- We do not assume any risks that could seriously harm our reputation.

A risk dashboard and progress report are sent to the Risk Committee every quarter. The following simplified version of the risk dashboard at year-end 2015 shows the scores and the risk appetite for each individual risk type. Low risks are not an end in themselves: it may be appropriate for various reasons to accept a higher risk, either temporarily or for a prolonged period.



For more information on risk appetite and the management of the various risks, see the Risk management section in the financial statements.

Strategic risk

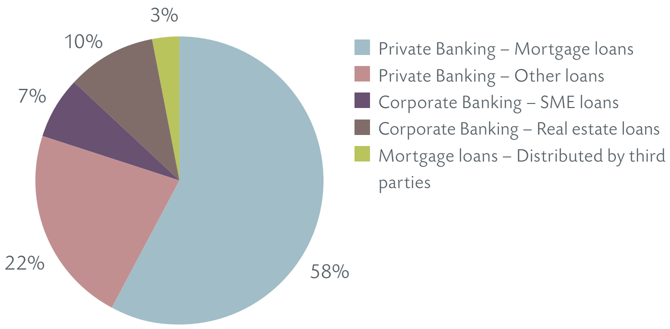
Strategic risk can be defined as the threat to Van Lanschot's results or equity resulting from failure to respond or respond adequately to changes in environmental factors, or from incorrect strategic decisions. Environmental factors include (the actions of) competitors, clients, potential market entrants and public authorities. The SWOT analysis on page 11 shows how we assess our own position and the influence of environmental factors. 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 trends) 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.

Credit risk

Credit risk is one of the most significant to which a bank is exposed. Our loan portfolio is worth €10.2 billion, more than half of which consists of mortgage loans, primarily to high net-worth individuals.

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

Loan portfolio in 2015
(100% = €10.2 billion)



The loan portfolio and credit risk are concentrated in the Netherlands (97%). Lending in Belgium and Switzerland and at Kempen & Co (Kempen) is limited, and has a low risk profile.

We have a transparent loan portfolio with manageable risks. After a stabilisation of the risk profile in 2014, credit quality improved in 2015. Economic growth in the Netherlands continued, house prices rose again and employment also picked up further. These effects fed through to Van Lanschot's loan portfolio with a slight lag. Loan losses were substantially lower in 2015 than in previous years, and the systematic contraction of the loan portfolio is reducing the overall credit risk. The sale of non-performing real estate loans in September 2015 reinforced this and also improved the quality of the portfolio as a whole.

The risk of concentration in the overall loan portfolio is relatively limited, and eased further in 2015. Our ten largest counterparties accounted for a total loan volume of €327 million by the end of 2015 (year-end 2014: €367 million). Approximately 85.4% of all borrowers held loans of less than €10 million at year-end 2015 (year-end 2014: 85.2%). Our policy is actively to reduce the highest limits in order to contain the concentration risk – and its impact on Van Lanschot's result – to the maximum possible extent. Tighter acceptance criteria for new loans and disciplined credit management for existing clients ensure the quality of the loan portfolio.

For more information about credit risk, please refer to the discussion of risk management in the financial statements, Section 2, Credit risk.

Responsible lending policy

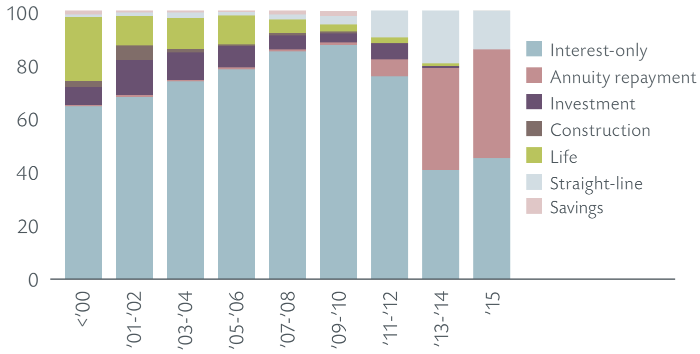
Clients and other stakeholders have approached Van Lanschot in recent years with sustainability questions relating to our corporate loan portfolio. These mostly focused on how we prevent our corporate lending activities from having an adverse environmental or social impact. We responded by drawing up a comprehensive responsible lending policy in 2011. This policy, which was also applied in 2015, provides for periodic sustainability screening of all existing and new corporate loans. The number of potentially high-risk borrowers fell from 72 to 42 in 2015, in line with the winding down of the corporate loan portfolio. Van Lanschot is currently in discussion with these 42 borrowers about specific sustainability risks and how they might be mitigated. For more information on this policy and its results, see our CSR supplement.

A separate policy was formulated a few years ago for assessing the sustainability of financial institutions with which Van Lanschot has a banking relationship (corporate.vanlanschot.nl/responsible/core-banking-activities). This policy is intended to prevent client assets from finding their way (through interbank loans for instance) to institutions with a weak or non-existent CSR policy. Van Lanschot challenges financial institutions that have not developed sufficiently visible policies (our engagement approach). One such institution was contacted in 2015 for additional information concerning its sustainability policy. If financial institutions prove unwilling to adapt their policies, we will, in principle, terminate our relationship with them.

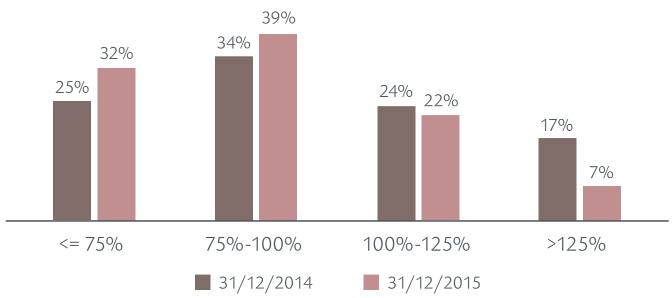
Mortgage loans

Over half of Van Lanschot's loan portfolio consists of mortgages, primarily to high net-worth individuals. Our portfolio differs from that of other Dutch mortgage lenders, for instance, in that the average loan of approximately €440,000 is considerably higher. This makes our portfolio somewhat more sensitive to a fall in underlying house prices. In 2015 there was a significant improvement in the portfolio's weighted average loan-to-value (LTV) ratio based on foreclosure values. This stood at 71% at year-end (year-end 2014: 84%) and mainly down to better administration of valuation data. Early in 2015 De Nederlandsche Bank (DNB) conducted an asset quality review of Van Lanschot's mortgage portfolio.

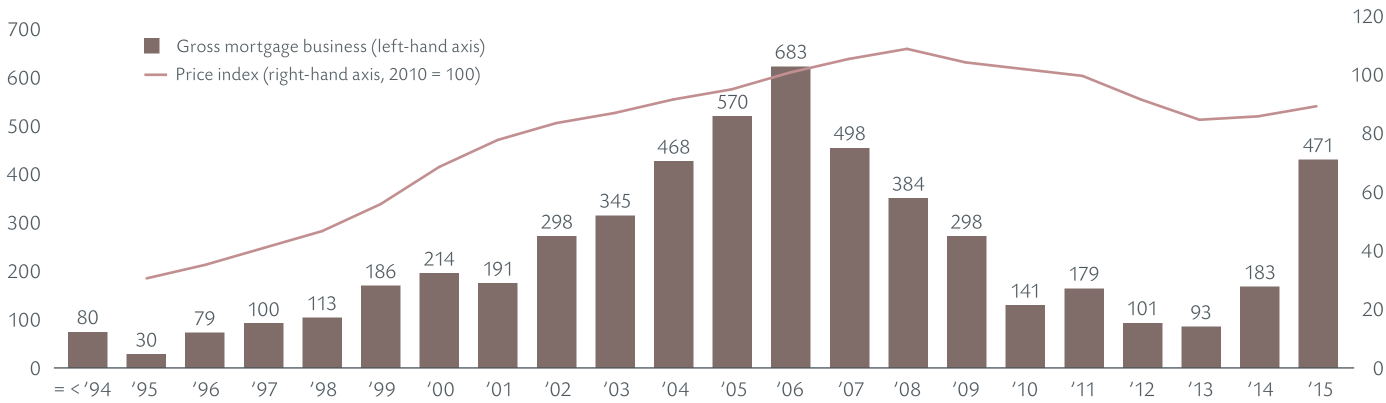
Mortgage loans: types of mortgage



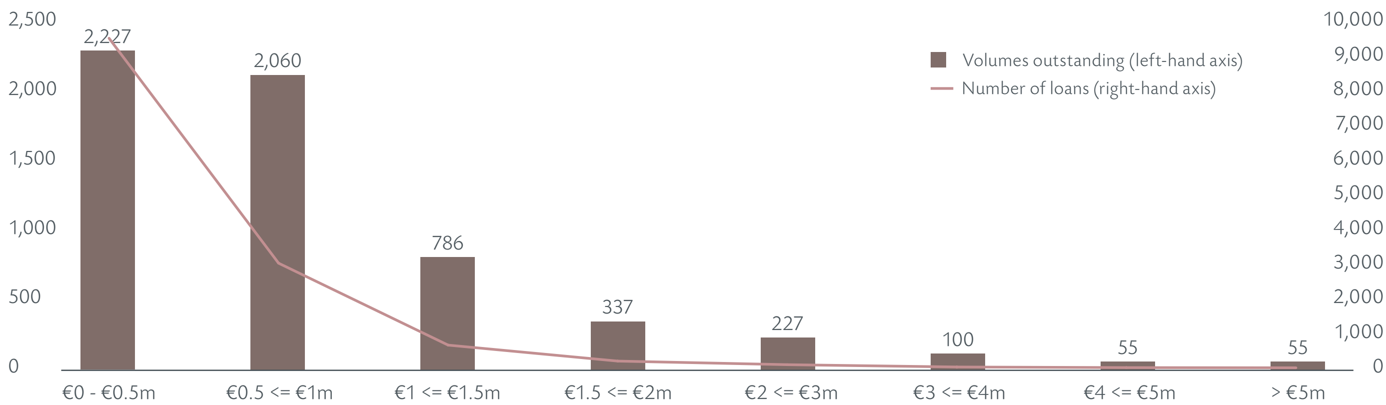
Mortgage loans: loan-to-value



Mortgage loans: gross business per year (x € million) compared with house price trends



Mortgage loans: outstanding volumes (x € million) and number of loans by size



In April 2015 we started to provide mortgages through a network of intermediaries for reasons of liquidity management, branded Hypotrust. The aim is to build a portfolio of regular Dutch mortgages to supplement our investment portfolio, enabling us to generate attractive returns on available liquidity. These mortgages are subject to rigorous acceptance criteria and the size of this portfolio amounted to €332 million by year-end 2015. We are aiming for €500 million in this portfolio.

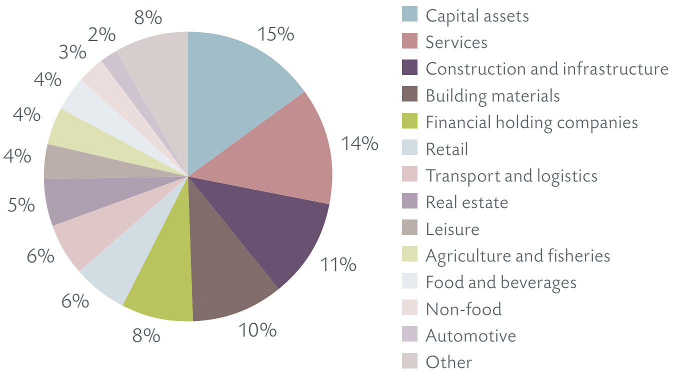
Other Private Banking loans

This part of the loan portfolio consists of loans to high net-worth individuals, in the shape of funding for a second home, for instance, or of overdraft facilities. Commercial activities that fit into Private Banking's relationship model, such as funding investments for family businesses, business professionals, executives and healthcare professionals, also belong to this category. New business is limited and the size of the average loan is approximately €210,000.

SME credit and real estate loans

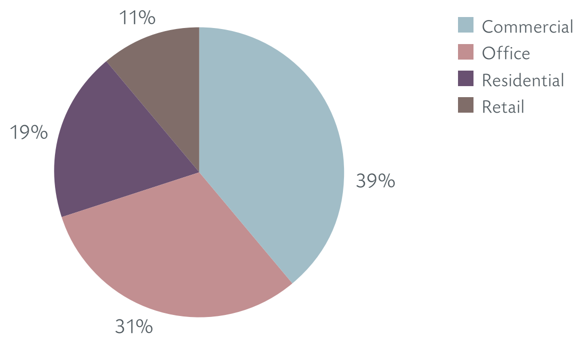
In 2015, we continued to significantly wind down further our Corporate Banking loan portfolio, made up of SME credit and real estate loans, in line with our strategy. This was achieved through the sale of non-performing real estate loans, refunding by other banks or, to a more limited degree, via factoring and leasing constructions, and was implemented across all risk categories. SME credit is well diversified, with no dominant sector.

Corporate Banking: SME credit
(100% = €765 million)

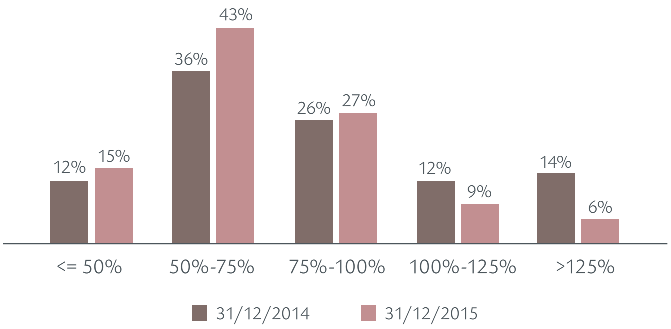


Our portfolio of real estate loans is also highly diversified, as it is being wound down across the board and its breakdown hardly changed as a result. Project development accounts for less than 1% of this portfolio.

Corporate Banking: real estate loans by collateral
(100% = €1,065 million)



Corporate Banking: loan-to-value of real estate loans



Average LTV improved to 74% (year-end 2014: 89%), mainly thanks to the sale of non-performing real estate loans.

Many of our real estate loans are partly based on the quality of the borrower, rather than exclusively on the underlying real estate. The debt service coverage ratio (DSCR) is calculated so that we can determine the extent to which a client will be able to make interest and principal payments from the rental income generated by the commercial real estate. At year-end 2015, 75% of real estate loans generated a rental income sufficient to cover interest and principal payments, i.e. had a DSCR of over 1 (year-end 2014: 60%). Clients with a DSCR of less than 1 often have other income they can use to service their loan obligations.

Impaired loans

Impaired loans are loans for which a provision has been taken. At year-end 2015, impaired loans accounted for 5.2% of the loan portfolio (year-end 2014: 5.8%). A provision equal to 32% of these loans was taken (2014: 49%). As a result, specific provisions amounted to €166 million (€180 million including those incurred but not reported). The €51.0 million added to provisions in 2015 was less than in 2014 (€76.0 million), and the effect of the sale of non-performing real estate loans is very visible here. Current provisions as well as expected loss have fallen significantly.

In 2015 our Recovery Section tightened up its procedures and criteria, and it now makes provisions earlier in the process. Meanwhile, we have also set up teams for preventive and intensive management, creating a chain that should help pre-empt signs of reduced creditworthiness.

Market risk

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

For further information on market risk, see the section on risk management in the financial statements (Section 4, Market risk).

Liquidity risk

Policy and developments

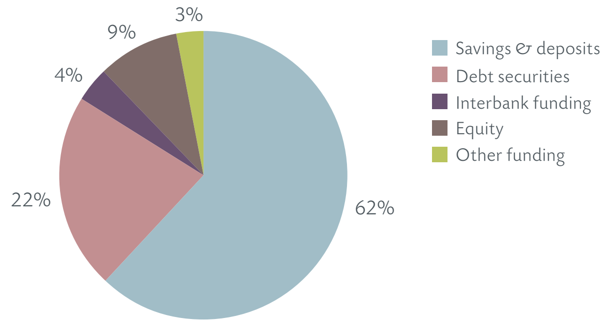
We pursue a cautious liquidity policy and aim to hold solid liquidity buffers. Following strong growth in our cash reserves in 2014, we made a number of conscious decisions on funding in 2015, as a result of which the size and composition of our liquidity buffer was closely aligned with our balance sheet and risk profile. In particular, we reduced our holdings of large deposits from institutional clients who have no direct relationship with Private Banking, which also led to a decline in the concentration risk in relation to our funding base. We made a memorable first appearance on the covered bond market in April of last year with the issue of a seven-year €500 million conditional pass-through covered bond (CPTCB), which also helped to diversify our funding mix. Thanks to our plentiful cash reserves, we easily meet all the relevant internal and external liquidity requirements.

The procedures, processes and reporting associated with liquidity management are combined in the internal liquidity adequacy assessment process (ILAAP), which is assessed by the regulator annually. Once again, the ILAAP was rated as adequate in both qualitative and quantitative terms in 2015. We further refined our liquidity ratio forecasts and stress scenario projections in 2015. This information is discussed by ALCO every month. The outcomes of the stress tests showed that Van Lanschot is structurally capable of absorbing acute liquidity stress.

Funding

We aim to achieve a balanced funding mix, with adequate diversification in terms of sources, products and maturities. The funding ratio at year-end 2015 was 94.1% (year-end 2014: 96.1%). This means that the majority of the loan portfolio is funded by client savings and deposits. In view of the rising cash levels resulting from our wealth management strategy, we are pursuing a carefully thought-out policy on pricing policy, according to product and client type.

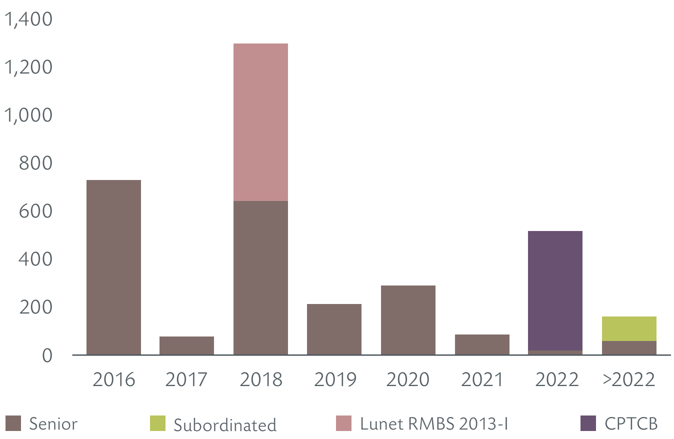
2015 funding mix (100% = €15.5 billion)



Our activities in the capital market were limited in 2015 to the issue of the CPTCB. This is a new type of bond amply covered by mortgage loans. Thanks to a combination of broad investor interest and a relatively low cost of funding, the issue proved a success and further bonds issues may follow in the future as part of the CPTCB programme.

We also redeemed the RMBS Citadel 2010-I notes and the RMBS Citadel 2010-II notes in 2015. The net result was a reduction in the value of outstanding capital market loans, a trend that may well continue in the years to come as part of our balance sheet strategy. The redemption profile for wholesale funding in the years ahead is as follows:

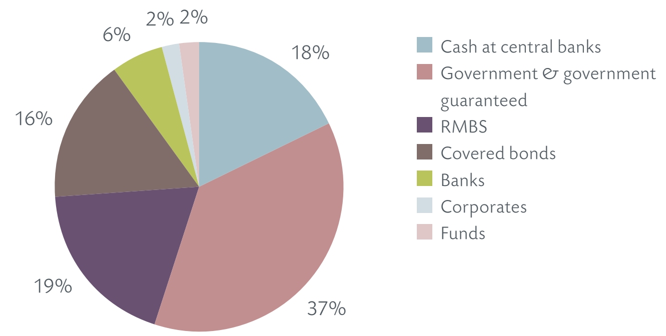
Redemption profile (x € million)



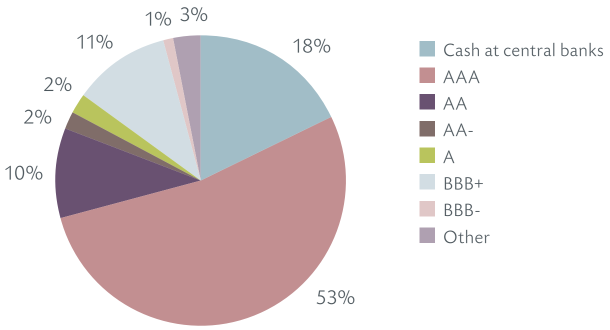
Investment portfolio

The investment portfolio is maintained primarily for liquidity purposes within the framework of asset and liability management, and so consists chiefly of liquid, low-risk instruments. Our investment portfolio was worth €3.4 billion at year-end 2015, down from €3.8 billion at year-end 2014. The decline in the value of the portfolio is the result of our policy on the funding mix. The composition and size of the investment portfolio follow in part from the liquidity coverage ratio (LCR) requirements. With the portfolio consisting of a higher proportion of LCR-qualifying investments, there was an improvement in the portfolio's liquidity value compared with 2014. ALCO periodically reviews the mandate for the portfolio and the relevant limits.

Investment portfolio and liquidity by counterparty at 31 December 2015 (100% = €4.1 billion)



Investment portfolio and liquidity by rating at 31 December 2015 (100% = €4.1 billion)



We review our investment portfolio every year to ensure that it meets our environmental, social and governance criteria. The financial institutions in the portfolio are subject to our policy on corporate social responsibility for financial institutions as outlined above (see Responsible lending policy, page 51). The corporates in the portfolio are assessed for compliance with our policy on responsible investment (see page 36). We have not to date encountered any sustainability issues in our investment portfolio.

For further information on the liquidity risk, see the section on risk management in the financial statements (Section 7, Liquidity risk).

Interest rate risk

2015 saw interest rates fall further across the board. Short-term rates have now turned negative and long-term interest rates have also fallen further. These interest rate movements translated into a further reduction in client rates for both loans and client assets. We have seen a clear change in behaviour by mortgage clients, who are opting for longer fixed-interest rate periods both when taking out new mortgages and during interest rate reviews. The European Central Bank (ECB) bond purchase programme has led to further reductions in yields on government and other bonds, which are held by Van Lanschot as part of its liquidity policy. This has made balancing the risk and return of the investment portfolio more challenging and led us to manage the portfolio more actively.

We pursue a prudent interest 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 interest income to a range of interest rate scenarios over a timespan of one year. Van Lanschot applies a limit of a 15% fall in interest income. The worst-case scenario at year-end 2015 involves a 'savings war' in which the interest paid on savings rises by one percentage point; the impact of this scenario on interest income ranges between 10% and 11%, well within our limit.

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 our assets and liabilities. The main tool used in the economic value calculation is duration analysis. The duration of equity indicates how much its value will change as a result of movements in interest rates. The fact that mortgage clients are opting for longer fixed-interest rate periods is pushing up the duration of equity. ALCO has used swap transactions to keep the duration within the targeted range; at year-end 2015 the duration stood at just over four years, and it fluctuated between two and six years over 2015 as a whole. This duration implies that a parallel rise in the yield curve of one percentage point would lead to a reduction in the economic value of equity of €82 million.

We improved our interest rate risk management further in 2015 by implementing a new IT system for Asset & Liability Management, which will also make it easier to construct projections. We are also monitoring and preparing for new regulations on interest rate risk, such as the EBA guidelines on managing interest rate risks from non-trading activities, which come into effect on 1 January 2016, and the Basel Committee proposals on adjusting the capital adequacy requirements for interest rate risk.

For more information on interest rate risk, see Section 6, Interest rate risk in the risk management section of the financial statements.

Operational risk

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

To improve key processes, we collect information on any incidents that arise. Given the high level of automation and how heavily the bank depends on it, our operational risk management framework prioritises information security and business continuity. Controlling the risks associated with information technology is increasingly important. There is a growing dependency on IT systems – due to the rise of online services, for instance – and we are also witnessing higher levels of cybercrime across the sector. Our Operational Risk Management department plays an active role in identifying, reporting and monitoring risks, with the aim of mitigating them.

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

For more information about operational risk, please refer to the discussion on risk management in the financial statements, Section 3, Operational risk.

Compliance risk

Our Compliance department helps to ensure that our staff adhere at all times to legislation, internal regulations and our own code of conduct. We act prudently in enforcing laws and regulations. Non-compliance with legislation may result in significant reputational damage and/or financial losses. The Compliance department plays a key role in safeguarding the integrity of our operations.

Both domestic and international laws continue to increase in volume and complexity. We need to constantly appraise whether our processes and procedures remain compliant with changing laws and regulations. In 2015, we translated the most important statutory requirements into obligatory processes and procedures. The Compliance department regularly organises training courses and awareness-raising sessions to ensure that our staff do indeed comply with the relevant legislation in practice (see also page 48, Training and development). These courses and sessions are intended to sensitise staff to the relevant processes and procedures. The staff of the Compliance department advise and inform staff from the business lines on the interpretation and application of statutory regulations. They monitor compliance with statutory regulations and suggest any improvements they feel are necessary.

Industry regulators, clients and other stakeholders regularly ask to be supplied with information and reports demonstrating our compliance with rules and regulations. An adequate system of data management is a necessary condition for meeting the many and diverse statutory information and reporting requirements. We again spent a great deal of time and energy in 2015 on refining our data management system.

The Compliance department paid special attention in 2015 to four issues: our duty of care towards our clients, client due diligence (CDD), privacy and MiFID II. As far as our duty of care is concerned, the department's activities focused mainly on our advisory services for investments and mortgage and other loans, and on the design of our execution-only services. The need for correct, clear and non-misleading client communication was another focal area. Major improvements were made in CDD, resulting in a more effective CDD procedure and stricter guidelines for staff.

The need to comply with privacy legislation is an ongoing concern of the Compliance department and led (among other things) to the appointment of a Privacy Officer last year.

There were no major incidents in 2015 resulting from failures to comply with legislation on our duty of care towards our clients, fraud, marketing communications, privacy or any other forms of liability for products or services. Although we have sold interest rate derivatives to clients in the past, this was on a very small scale compared with other financial institutions. In 2014, acting in consultation with the Netherlands Authority for the Financial Markets (AFM), we reviewed some 100 contracts and presented the results of these reviews to the AFM. At the end of 2015, the AFM asked us to conduct a second round of reviews, the criteria for which have yet to be decided.

Capital management

Our solvency position strengthened again in 2015. The Common Equity Tier I ratio (phase-in, including retained earnings for 2015) amounted to 16.3% at year-end 2015 (year-end 2014: 13.6%) and is well ahead of our 2017 target. The same ratio on a fully loaded basis was 15.4% (year-end 2014: 13.4%). The total capital ratio stood at 17.0% (year-end 2014: 14.3%). The main reasons for this growth were the scaling down of risk-weighted assets (RWA) within Corporate Banking, and to some extent also the addition of realised gains to the reserves. A favourable influence on the ratio, of course, was the premium payment to Van Lanschot by Van Lanschot NV. In 2014, RWA was still heavily influenced by internal ratings-based model optimisations (IRB, a methodology for calculating credit risk), but by 2015 this effect was limited. Solvency was somewhat depressed by the phased-in implementation of Basel III's more rigorous capital and liquidity requirements.

MiFID II

MiFID II (Markets in Financial Instruments Directive) is an EU directive designed to make the European financial markets more efficient and more transparent, and to afford investors better protection. One of its aims is to improve the transparency of trading platforms. This will tend to reduce both over-the-counter (OTC) trading (i.e. trades arranged without the participation of an exchange) and the number of 'dark pools' (private forums for trading securities). The rules on investor protection entail better cost transparency and a ban on commissions. The directive will also impose new requirements on product development. The date on which MiFID II enters into force is likely to be put back from 3 January 2017 to 3 January 2018. MiFID II will have a big impact on the financial industry, and thus also on Van Lanschot. For this reason, we launched a project in 2015 to analyse the consequences of MiFID II in as much detail as possible. Depending on the speed with which the details of the new legislation are announced, the project team will embed MiFID II in operations as 2016 progresses.

The Basel III leverage ratio stood at 6.1% at year-end 2015 (year-end 2014: 4.9%), which is high compared with other Dutch banks. The minimum leverage ratio required under Basel III is 3%, but it is not yet clear what the requirement will be for banks in the Netherlands. Our leverage ratio is substantially higher than the minimum, even if the requirement for Dutch banks were to be set at 4%. That said, the run-off of our corporate loan portfolio should contribute to a further gradual upturn in the leverage ratio.

We pursue a solid capital position and also critically examine its composition. To this end, we closely track the latest market developments and new regulations. Bail-in rules, MREL and TLAC are still very much in flux and tighter Basel III rules will inevitably affect our capital structure. Our aim is to strike just the right balance between the capital and funding mix on the one hand and return on equity on the other. We draw on an up-to-date two-year capital and funding plan as a tactical and strategic framework for any decisions made.

Report of the Supervisory Board

This report contains an overview of the activities of the Supervisory Board and its committees in 2015. A description of the composition and operation of the Supervisory Board is set out in the notes on corporate governance (see page 64).

Supervision

Achievement of corporate targets

Van Lanschot took further major steps in 2015 in pursuit of the ambition we set ourselves in 2013 of being a specialist, independent wealth manager. The focus on three core activities – Private Banking, Asset Management and Merchant Banking – was consolidated once again. Net inflow of assets under management for Private Banking clients grew in 2015, following the reconfiguration of our Private Banking activities in previous years. Asset Management's UK operations were expanded by the acquisition of MN UK. Merchant Banking was involved in a large number of landmark transactions in 2015.

Further progress was made on the winding down of non-core activities. The sale of a portfolio of non-performing real estate loans marked the next step in the scaling back of Van Lanschot's corporate loan portfolio and substantially reduced the bank's risk profile.

A considerable amount of work was dedicated in 2015 to meeting the targets set for the 2013-17 period: a Common Equity Tier I ratio of at least 15%, a return on Common Equity Tier I capital of 10–12%, and an efficiency ratio of 60–65%. Thanks to measures to improve the Common Equity Tier I ratio, the target of at least 15% has now been achieved. The strategic choice was made in 2015 not only to focus on short-term cost reduction, but also to continue investing in service provision and future growth. Because of this deliberate choice, it is now expected that the efficiency ratio target will not be achieved until after 2017.

The Supervisory Board was kept regularly informed throughout the year regarding progress towards our strategic objectives. The current status of the various projects initiated to achieve these objectives was reported via quarterly overviews.

Van Lanschot's governance model has been further simplified. The three core activities were managed effectively and efficiently via the Executive Board, in which each is represented. Since February 2015, the Supervisory Board has also been the Supervisory Board of Kempen & Co (Kempen), making its supervision of all core activities even more effective and efficient.

Structure and efficacy of internal risk management

Van Lanschot and Kempen's principal risks and the structure and operation of their risk management and control systems are discussed in the Risk Committee. The committee's chairman reported on these matters after each meeting to the Supervisory Board, which confirmed that the risk management structure was effective and that the risk management and control systems were functioning correctly. The risk appetite statement is subject to the Supervisory Board's annual approval. The statement for 2016 was approved at the board's December meeting.

Financial reporting

Financial reporting is discussed regularly at meetings of the Audit and Compliance Committee, which are also attended by the external auditors. Feedback is then provided to a session of the Supervisory Board. All members of the Supervisory Board were invited to attend the meetings of the Audit and Compliance Committee at which the annual and haf-year figures were discussed – and most were present. The Supervisory Board approved the financial statements for 2014.

EY was reappointed as external auditors for the 2015 financial year. In view of the mandatory rotation of external auditors, PricewaterhouseCoopers Accountants NV (PwC) were appointed external auditors in 2015 for the 2016 financial year, and work began to transfer the audit duties from EY to PwC.

Legal and regulatory compliance

De Nederlandsche Bank (DNB) performed an asset quality review (AQR) on Van Lanschot's mortgage portfolio in 2015. The Supervisory Board regularly discussed activities relating to the AQR and their outcome. It was also informed at regular intervals about the ongoing implementation of new legislation and regulations. The quarterly reports issued by the Compliance department were discussed by the Audit and Compliance Committee, the meetings of which were also attended by the Director of Compliance.

Relevant aspects of corporate responsibility

The head of CSR and the director of Responsible Investment at Kempen Capital Management (KCM) briefed the Supervisory Board at its June meeting on Van Lanschot and Kempen's progress in the field of corporate social responsibility, going over developments and results in the area of responsible and sustainable investment solutions. A review of Van Lanschot's responsible lending policy was also presented to the Risk Committee this year.

The Supervisory Board was, at its own request, briefed at length in 2015 on Van Lanschot's diversity policies.

Internal organisation

Composition of the Statutory Board

The composition of the Statutory Board did not change in 2015, and from 2015 onwards this Board has, in principle, been taking its decisions during meetings of the Executive Board. The Executive Board is made up of Karl Guha (Chairman), Constant Korthout, Richard Bruens, Paul Gerla, Arjan Huisman and Joof Verhees.

Composition of the Supervisory Board

The second term of office of both Tom de Swaan and Willy Duron expired in May 2015. They made themselves available for reappointment for a final term. Tom de Swaan and Willy Duron were both reappointed to the Supervisory Board for a term of four years by the AGM on 13 May 2015.

Heleen Kersten's term of office also expired in May 2015. She served on the Supervisory Board for four years and did not make herself available for reappointment. Bernadette Langius was appointed a member of the Supervisory Board at the AGM on 13 May 2015.

Tom de Swaan stepped down as Chairman of the Supervisory Board in December 2015 and as a member in February 2016. He had joined the Supervisory Board in 2007 and was appointed its Chairman in 2008. Since then, he has made a major contribution to Van Lanschot's development, and the Supervisory Board is grateful to him for his hard work and dedication. Willy Duron has been appointed as the new Chairman of the Supervisory Board.

The Supervisory Board intends to fill the vacancy created by Tom de Swaan's departure and to nominate to the General Meeting a candidate for appointment as a member of the Supervisory Board.

Composition and reporting by committees

Composition

The current composition of the committees is as indicated in the table at the bottom of this page. Each committee prepares the Supervisory Board's decision-making in its designated area of interest. The Supervisory Board remains fully responsible, however, for the decisions prepared by these committees.

Audit and Compliance Committee

The Audit and Compliance Committee met five times in 2015, attended by several members of the Statutory Board. Also present at these meetings were the external auditors and the respective directors of Group Audit, Finance, Reporting & Control and Compliance. The Audit and Compliance Committee performed a detailed assessment of the annual figures, half-year figures and the information used for the trading updates. It discussed external auditor reports and the management letter prior to their consideration by the full Supervisory Board.

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

The Audit and Compliance Committee took note of Group Audit and Compliance's quarterly reports, as part of its evaluation of the quality and efficacy of the bank's governance, risk management and internal control systems. Group Audit reports present the results of reviews of the risk & control framework, the implementation and functioning of IT systems, the management of the loan portfolio, and what impact the strategy is having on the organisation. Quarterly reporting from Compliance covered themes such as client-centricity, investment advice and services, and client due diligence.

Committee composition	Audit and Compliance Committee	Risk Committee	Selection and Appointment Committee	Remuneration Committee
Willy Duron	●	● (Chairman)	● (Chairman)	●
Jos Streppel	● (Chairman)	●	●	
Jeanine Helthuis	●		●	
Bernadette Langius		●		●
Godfried van Lanschot			●	● (Chairman)

Risk Committee
The Risk Committee met three times in 2015. Its meetings were also attended by a delegation from the Statutory Board and representatives of the Risk Management and Financial Risk Management departments and the Recovery Section. Detailed attention was paid to developments in the field of credit risk, operational risk, and market and interest rate risk.

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

When discussing credit risk, the committee focused specifically on developments in the loan portfolio as a whole, and on the pattern of loan loss provisions. As in previous years, moreover, the committee paid particular attention to the evolution of credit risk in the portfolio of real estate loans. The results of the AQR of the residential mortgage portfolio were another key focus.

The following themes were discussed in the area of operational risk: ongoing implementation of the control framework, the loss database; and action tracking.

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

Risk appetite for 2016 was discussed at the December 2015 meeting. See corporate.vanlanschot.nl/en/governance ('Banking Code') for the principles on which Van Lanschot's risk appetite is based.

Selection and Appointment Committee
The Selection and Appointment Committee met once in 2015 to discuss the size and composition of the Supervisory Board.

Remuneration Committee
The Remuneration Committee met three times in 2015. The main focus in these meetings was on developing a new remuneration policy for the Statutory Board, which was approved by the General Meeting of Shareholders of Van Lanschot NV in May 2015. Attention was also devoted to a review of variable remuneration policy at Van Lanschot and Kempen.

The Committee also discussed the assessments of the members of the Statutory Board in 2014 and the individual targets for the members of the Executive Board for 2014. The 2014 remuneration report was also discussed, as was the 2014 variable remuneration paid to staff of Van Lanschot and Kempen. One of the topics discussed at the December meeting were the amounts available for variable remuneration of Van Lanschot and Kempen staff in 2015.

For more information about the remuneration of the Statutory Board, please refer to page 71.

Assuring supervision quality

Evaluation of the Supervisory Board
The 2015 evaluation of the Supervisory Board, as well as its committees and individual members, was carried out using a questionnaire completed by each board member. Its findings were then discussed at a Supervisory Board meeting.

The conclusion was that the Supervisory Board meets the required profile in terms of suitability, expertise and diversity, and also complies with Principle III.3 of the Dutch Corporate Governance Code. It was agreed that time will be made available for consultation between individual members of the Supervisory Board.

The Supervisory Board was agreed to function well.

Education
The members of the Supervisory and Executive Boards took part in the continuing education programme in 2015, in sessions focusing on operational risk management, interest rate risk and pension trends. These were viewed as positive.

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

Meetings
The Supervisory Board met 15 times in 2015, 11 of which were plenary meetings with the Executive Board. On seven of these 11 occasions the Supervisory Board met prior to convening with the members of the Executive Board. None of its members was frequently absent. Two members of the board missed two plenary meetings each.

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

Contacts with the Works Council
In October, Tom de Swaan and Jeanine Helthuis sat in on the Works Council's meeting on the general course of business at Van Lanschot, and consultation with the Works Council was once again constructive. In addition, Willy Duron and Jeanine Helthuis, both of whom were appointed on the basis of the Works Council's enhanced right of recommendation at Van Lanschot NV, took an additional meeting with them in June.

Financial statements

The Supervisory Board approved the financial statements as audited by Ernst & Young Accountants LLP. The independent auditors' report can be found on page 234. We hereby invite the General Meeting to adopt the 2015 financial statements as submitted and to discharge the Statutory Board in respect of its conduct of the bank's affairs and the members of the Supervisory Board in respect of their supervision.

In conclusion

The Supervisory Board would like to thank the members of the Executive Board for their open and constructive cooperation. A special thanks to all Van Lanschot staff – they bring tremendous energy and drive to the challenge of responding to rapid changes in the financial sector.

's-Hertogenbosch, the Netherlands, 30 March 2016

Supervisory Board

Willy Duron, Chairman
Jos Streppel, Deputy Chairman
Jeanine Helthuis
Bernadette Langius
Godfried van Lanschot

It's all about careful planning

After graduating in law from Groningen University, I spent nine years working as a lawyer with NautaDutilh, where I specialised in company law and mergers and acquisitions. After a while, I decided that it might be interesting to see how a company works from the inside, so I joined Van Lanschot as a corporate lawyer a year ago.

Having been used to working out things for myself, I found myself in an environment in which a lot of time and energy is spent on consultation and knowledge-sharing. Although I've done my best to adjust to the culture, I still find myself looking through the critical lens of an outsider from time to time. Sometimes, it's about how to do certain things more quickly or more efficiently. At other times, I'm more interested in how we can raise the standard of our service even further.

I work mainly for the Strategy and Corporate Development departments, and the Company Secretary's office. I'm responsible for making sure that all the right documentation is in place and that decisions are the result of careful planning. I alert colleagues to new developments and make suggestions for improvements. I like being involved at an early stage, so that I can help with the planning process. What's the position regarding contracts currently in operation? Do we really want to go down the road to a legal separation, or is there a simpler solution? These are the types of question I find myself asking.

I analyse the pros and cons and assess the risks involved in particular processes, and I identify issues that may have been overlooked but that need to be taken into consideration. It's all about careful planning. That means taking account of even the tiniest of details so as to raise the chances of success for the plan as a whole. And that's where my role as a lawyer comes in. Given that I've now been here for a year, I'm no longer really an 'outsider', but I do try to retain my critical focus.

Philippine van Leeuwen – Senior Legal Counsel at Van Lanschot

Corporate governance

F. van Lanschot Bankiers NV is a 100% subsidiary of Van Lanschot NV. The Supervisory Board and the Staturtory Board of F. van Lanschot Bankiers NV also serve as the Supervisory and Statutory Boards of Van Lanschot NV. The key elements of corporate governance at Van Lanschot NV are set out below. The Articles of Association and various other regulations and documents relating to corporate governance can be consulted at corporate.vanlanschot.nl/en/governance.

Corporate governance structure

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

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

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

Statutory Board

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

The Statutory Board factors in all material environmental and social considerations in its strategic decision-making, and periodically also agrees the key performance indicators (KPIs) for corporate social responsibility (CSR) at Van Lanschot. Our website has more on the way CSR is organised at Van Lanschot Group corporate.vanlanschot.nl/responsible/policy.

Composition and performance of the Statutory Board

The Statutory Board must consist of at least two members, with the actual number set by the Supervisory Board. The composition of the Statutory Board did not change in 2015 and consisted of Karl Guha (Chairman), Constant Korthout, Richard Bruens and Arjan Huisman.

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

Our policies governing recruitment and selection of members of the Statutory and Supervisory Boards can be found on our website at corporate.vanlanschot.nl/management-supervision, under Policy on recruitment and selection of policymakers (in Dutch only).

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

The Supervisory Board sets the remuneration and the other conditions of employment for members of the Statutory Board, taking account of the remuneration policy as determined by the General Meeting. No decisions were taken in 2015 to conclude transactions involving a conflict of interest on the part of members of the Statutory Board that were of material significance to Van Lanschot NV and/or the board member in question.

Supervisory Board

In performing its duties, the Supervisory Board focuses on the interests of the company and its associated business. The Supervisory Board of Van Lanschot NV is also the Supervisory Board of Van Lanschot and Kempen & Co NV (Kempen).

The members of the Supervisory Board of Van Lanschot NV are appointed by the General Meeting, in accordance with the rules for the appointment of Supervisory Board members as set out in Article 23 of Van Lanschot NV's Articles of Association. Members of the Supervisory Board are appointed for a term of four years, following which they may be reappointed. A supervisory director may serve for a total of twelve years, which is in line with best practice provision III.3.5 of the Dutch Corporate Governance Code.

A supervisory director may only be dismissed by the Enterprise Section of the Amsterdam Court of Appeal with due observance of Article 161(2) of Book 2 of the Dutch Civil Code. In addition, the General Meeting may pass a motion of no confidence in the Supervisory Board, in accordance with Article 161(a) of Book 2 of the Dutch Civil Code. Any such resolution results in the immediate dismissal of the members of the Supervisory Board.

Composition and performance of the Supervisory Board and its committees

The Supervisory Board has at least three members and a maximum of nine. The actual number of members is determined by the Board itself and totalled six in 2015. With Tom de Swaan having stepped down in February 2016, the Supervisory Board currently has five members and is looking to fill this vacancy by proposing a suitable candidate for appointment to the General Meeting of Van Lanschot NV.

The Supervisory Board has drawn up a profile[1] for its size and composition, taking account of the nature of the business of Van Lanschot and its subsidiaries, and the required expertise and background of the members of the Supervisory Board. The profile also discusses relevant diversity issues, as the Supervisory Board is looking to be both complementary and diverse.

The profile for the Supervisory Board states that a balanced distribution of seats should be sought, as far as possible, between male and female supervisory directors. The aim is to achieve a reasonable gender balance on the Board, with neither the proportion of women nor that of men falling below a minimum of 30%. Currently, two women and three men serve on the Supervisory Board, which means this aim has been met.

The Supervisory Board has appointed four committees from among its members to prepare the Board's decision-making: the Audit and Compliance Committee, the Risk Committee, the Remuneration Committee and the Selection and Appointment Committee. These committees advise the Supervisory Board on matters relating to their respective areas of interest. More information about the committees and their composition can be found on pages 59-60 of the report of the Supervisory Board.

The Supervisory Board discusses its own performance, that of its committees and that of individual supervisory directors, together with the conclusions reached, at least once a year without members of the Statutory Board being present. The Supervisory Board appraises its own performance with independent support once every three years. More information can be found in the report of the Supervisory Board on page 60.

The remuneration of the members of the Supervisory Board is set by the General Meeting of Shareholders of Van Lanschot NV. For more information about remuneration, please turn to pages 70-71 of the Remuneration section.

In 2015, Godfried van Lanschot notified Van Lanschot of a (potential) conflict of interest and refrained from discussing and decision-making on the relevant issue; no transaction took place. Van Lanschot thus complied with best practice provisions III.6.1 through III.6.3 of the Dutch Corporate Governance Code governing conflicts of interest.

Executive Board

An Executive Board was installed at Van Lanschot NV in 2015, comprising the members of the Van Lanschot NV Statutory Board and the members of the Management Board of Kempen. The CEO, CFO/CRO, COO and those with responsibility for the three core activities of the bank all have a seat on the Executive Board. The Executive Board oversees the implementation of strategy and manages the three core activities, thus ensuring its efficiency. The Van Lanschot NV Statutory Board bears ultimate responsibility for the actions and decisions of the Executive Board.

The members of the Executive Board are appointed and can be suspended or dismissed by the Statutory Board subject to the approval of the Supervisory Board. The Supervisory Board is involved in the recruitment and selection of Executive Board members who are not members of the Statutory Board in the same way as in the recruitment and selection of members of the Statutory Board.

Dutch Banking Code

The updated Banking Code[2] came into effect on 1 January 2015, superseding the original Code which had been in force since 1 January 2010. The Banking Code contains principles on sound and ethical business operations, governance, risk policy, audit and remuneration policy.

The Banking Code applies to activities performed in and aimed at the Netherlands by banks with registered offices in the Netherlands which hold a banking licence issued by De Nederlandsche Bank (DNB). It therefore applies to Van Lanschot and Kempen, the two subsidiaries of Van Lanschot NV which hold a banking licence in the Netherlands. Where banks that are subject to the Banking Code form part of a group, parts of the 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 Banking Code are therefore applied at the level of Van Lanschot NV.

Application of the Banking Code

All Dutch banks report on their websites how they have applied the Banking Code in the past year. Where applicable, a bank states why it has not (fully) applied a principle from the Code, and gives reasons for this (comply or explain). Van Lanschot complies with the 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.

1 The profile can be consulted at corporate.vanlanschot.nl/management-supervision.

2 The Banking Code can be downloaded from www.nvb.nl.

When the new remuneration policy for the Statutory Board was adopted by the General Meeting of Shareholders of Van Lanschot NV 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 shares, 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 Banking Code are applied by Van Lanschot in full.

An explanation (in Dutch) of how Van Lanschot has applied the Banking Code in the past year is given on our website at corporate.vanlanschot.nl/en/governance.

For information on the application of the Banking Code at Kempen, please refer to the Kempen website (www.kempen.nl/over-kempen/corporate-governance).

Bankers' Promise

The Dutch banking sector has taken the initiative to introduce a Bankers' Promise for all bank staff. Since 1 April 2015, it has been a legal requirement for bank staff in the Netherlands to affirm the Bankers' Promise, and all those who were employed at a bank on 1 April 2015 must do so by 1 April 2016 at the latest. By affirming and signing the Bankers' Promise, employees undertake to observe the Dutch banking code of conduct and subject themselves to its disciplinary scheme. Van Lanschot endorses the importance of the Bankers' Promise, and virtually 100% of staff at Van Lanschot and Kempen have signed up to it. Those employees who have not yet done so have been on long-term sick leave or only recently joined the bank. No employees have refused to sign up to the Promise. A good deal of attention has been devoted within the bank to the importance and operation of the Bankers' Promise and its disciplinary scheme, and dedicated teams have discussed potential dilemmas which are faced by employees in performing their day-to-day duties.

Capital structure and shares

F. van Lanschot Bankiers' authorised share capital consists of 1,000,000 shares with a nominal value of €100 each. A total of 400,000 shares were in issue at 31 December 2015. The outstanding capital was unchanged compared to the figure at 31 December 2014.

Main features of Van Lanschot's management and control system

Van Lanschot's management and control system is designed to manage internal and external risks. This includes the management of financial reporting risks, so as to ensure reliable financial reporting and financial statements that are prepared in accordance with generally accepted accounting principles and which comply with the prevailing legislation and regulations. Van Lanschot applies the three lines of defence model for the management of risk. The first line of defence in this model is the business responsible for day-to-day risk management.

The second line of defence is provided by departments such as Risk Management, Financial Risk Management and Compliance which oversee the functioning of the first line. Group Audit acts as the third line of defence, providing an independent opinion on the adequacy of the internal management and control system.

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

The professionalism of the three lines of defence model was further enhanced in 2015, including further elaboration of the risk & control framework, which provides the basis for evaluating the effectiveness of internal control. Changes to the organisation and developments in the risk profile mean that the framework has to be updated from time to time.

In 2015 the efficacy of the framework was again evaluated by Risk Management and Compliance, and Group Audit also assessed its quality and effectiveness. The results of these evaluations were published in respective quarterly reports of Risk Management, Compliance and Group Audit.

The financial statements include a more detailed explanation of risk management at Van Lanschot (see 'Risk management', beginning on page 97).

External auditors

Ernst & Young Accountants LLP (EY) is Van Lanschot's external auditor. EY's audit plan and risk analysis were discussed in August 2015 at the meetings of the Statutory Board and the Audit and Compliance Committee. Consultation also occurred between EY and Group Audit.

EY issued a 2015 management letter in November 2015, and an audit report for 2015 in March 2016. The subjects set out in the management letter and the audit report are in line with the notes included in this annual report with respect to risk management, in so far as these related to financial risks.

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

In view of the legally required rotation of external auditors, Van Lanschot NV requested a number of accountancy firms to tender for the external audit of our financial statements from the start of the 2016 financial year. We received the tenders following a study carried out at Van Lanschot NV by the accountancy firms, giving them a sound idea of our organisation.

The Statutory Board and the Audit and Compliance Committee were closely involved in this process. The tenders submitted by the accountancy firms were discussed at meetings of Van Lanschot's Statutory Board and Audit and Compliance Committee. The Statutory Board selected Pricewaterhouse-Coopers Accountants NV (PwC) based on a number of criteria, including relevant technical expertise, the composition of the accountancy team and the commercial offering. The Statutory Board presented its recommendation to appoint PwC to the Audit and Compliance Committee, which adopted the recommendation. The Supervisory Board subsequently decided, on the advice of the Audit and Compliance Committee, to recommend to the General Meeting of Shareholders of Van Lanschot NV that PwC be appointed as Van Lanschot NV's external auditors with effect from the 2016 financial year and the General Meeting adopted this proposal on 13 May 2015. Subsequently, the General Meeting of F. van Lanschot Bankiers NV also appointed PwC as external auditors for the 2016 financial year.

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;
- Scrutiny of the functioning of the internal management and control system by Group Audit. The findings are discussed with the Statutory Board, the Audit and Compliance Committee and the Supervisory Board;
- Assessment and approval of the annual report by the Statutory Board and discussion of this by the Audit and Compliance Committee and by the Supervisory Board.
- 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 Statutory Board bases this statement on an analysis of the financial reporting risks and in-control statements provided by the management teams of the relevant departments. These were based on the results of testing procedures for the risk & control framework, the risks reported on a quarterly basis, the follow-up of these risks, and the incidents reported. Risk Management and Compliance evaluated these statements.

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

Group Audit is responsible for carrying out IT and operational audits. It performed 67 audits. All of Group Audit's reports were submitted to the Statutory Board. Group Audit, Compliance and Risk Management ensure adequate follow-up and prioritisation. Supplementary control measures have been defined in the meantime, which ought to mitigate risk sufficiently.

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

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

Investor relations policy

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

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

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

Investors and advisers with questions are welcome to contact the Investor Relations department by telephone on +31 20 354 45 90 or by email at investorrelations@vanlanschot.com.

Statement by the Statutory Board

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

- The 2015 financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of F. van Lanschot Bankiers NV and its consolidated entities; and
- The 2015 annual report of F. van Lanschot Bankiers NV gives a true and fair view of the position of the company and its consolidated entities on balance sheet date, and of the course of their affairs during the 2015 financial year, and describes the material risks that F. van Lanschot Bankiers NV faces.

's-Hertogenbosch, the Netherlands, 30 March 2016

Statutory Board

Karl Guha, Chairman
Constant Korthout
Richard Bruens
Arjan Huisman

Remuneration

Introduction
Our people and our knowledge are Van Lanschot's most important capital. We want our employees to offer our clients a high level of quality and service, so we pay considerable attention to training and development and offer our employees a competitive employment package.

The Act on Remuneration Policies of Financial Undertakings (WBFO) came into force in the Netherlands in 2015 and contains a raft of rules on financial sector pay. The Regulation on Sound Remuneration Policies 2014 (RBB 2014) also applies to Van Lanschot Group, which drew up a new variable pay policy for its employees in 2015, based on the new regulations. The policy applies to all employees of Van Lanschot and Kempen & Co (Kempen).

In addition to this, a new remuneration policy for the Statutory Board was adopted at the Annual General Meeting of Shareholders of Van Lanschot NV on 13 May 2015. The policy takes account of factors such as the long-term interests of Van Lanschot and its stakeholders, Van Lanschot's transformation process, new legislation and regulation, and the debate in society on the subject of pay. The new remuneration policy for the Statutory Board ends variable pay, reduces maximum pay, provides for a larger proportion of the remuneration package in the form of shares, and ties pay more closely than in the past with Van Lanschot's long-term development. The result is a remuneration package that is balanced, sustainable and in keeping with the market.

Decision-making
The Statutory Board sets the remuneration policy for employees, based on the advice of the Human Resource Management (HRM), Finance, Reporting & Control, Group Risk Management and Compliance departments. These, together with Group Audit, also have an important part to play in setting up, adjusting, implementing and reviewing the variable remuneration policy. They advise the Statutory Board and the Supervisory Board and report to them on their conclusions.

The Statutory Board is responsible for implementing remuneration policy. The Supervisory Board approves the variable pay policy, including its general principles, and oversees implementation of the variable pay policy. The Supervisory Board approves the variable pay pools and the individual variable pay proposed for employees designated as 'identified staff'.

The Supervisory Board's Remuneration Committee prepares the Supervisory Board's decision-making in the area of remuneration.

Fixed pay
The employee's fixed pay reflects their relevant working experience and organisational responsibilities.

Variable pay policy for employees of Van Lanschot Group
Variable pay policy at Van Lanschot Group is based on the principle that outperformance is rewarded. It ought to be possible to reward employees who distinguish themselves through their performance. According to this principle, every employee can be considered for a variable pay award.

Based on operating results, the Statutory and Executive Boards will determine whether variable pay will be awarded and what amount is available, based on factors including achievement of the financial and non-financial performance criteria. If either Van Lanschot or Kempen does not record a profit, no variable pay will be awarded within that particular organisation. The Boards submit the proposed amount for the variable pay pool for the approval of the Supervisory Board, and any deviations also require Supervisory Board approval.

Once it has been determined what amount is available for variable pay for Van Lanschot and Kempen, the Statutory Board will decide how this variable pay will be distributed at Van Lanschot, while Kempen's Board will decide on its distribution at Kempen.

The average variable pay of all employees of Van Lanschot and Kempen who work (largely) in the Netherlands may not exceed 20% of their fixed pay. Variable pay of up to 100% of the fixed pay may be granted on special grounds in individual situations.

Award
The award of variable pay to individual employees occurs on the basis of individual performance, market conformity and special factors.

Individual performance is measured based on the degree to which the employee has achieved the targets set at the beginning of the year. The performance criteria include nothing that might encourage irresponsible risk-taking. Variable pay will only be awarded if (i) Van Lanschot Group's financial position allows; (ii) it is justified by the performance of Van Lanschot Group, the relevant business unit and the individual employee; (iii) Van Lanschot Group meets the prevailing buffer requirements under the Financial Supervision Act (Wft) and its implementing legislation; (iv) the risks taken have been reassessed and no material risks have occurred that were not expected or factored in; (v) the employee has received a good performance assessment, has met compliance targets, has not been subject to disciplinary measures and has not taken any risks that fall outside Van Lanschot Group's accepted risk profile.

Payment
Variable pay can be paid to employees entirely in cash up to a gross maximum of €50,000. If it exceeds this amount, 50% of the portion above the gross figure of €50,000 is paid immediately and unconditionally and the remaining 50% conditionally and on a deferred basis over a period of three years following the year in which it was awarded.

The Statutory Board may, with the approval of the Supervisory Board, claw back all or part of the:
- Conditional variable pay previously awarded to an employee (or former employee) if payment of the variable pay would be considered unfair or unreasonable (malus); and
- Variable pay previously paid to an employee (or former employee). This might occur, for instance, if payment occurred based on incorrect information about achievements or about the conditions on which the variable pay depended.

Long-term share plan
The 2015 long-term share plan (LTP) allows Van Lanschot to award variable remuneration to certain key employees, including identified staff. The plan is not open to members of the Statutory Board or Executive Board. It offers a special form of variable remuneration in which the total variable pay takes the form of depositary receipts for Class A Van Lanschot NV shares. The LTP is governed by the variable remuneration policy, except where the LTP rules depart from this. Under the LTP, 60% of the Van Lanschot shares are awarded immediately and unconditionally, while 40% are awarded conditionally over a period of three years starting in the year after the year of conditional award (the vesting period).

Remuneration policy for identified staff of Van Lanschot Group
Identified staff are employees whose duties have a significant influence on the risk profile of the business. Strict additional rules apply to the variable remuneration of this group of employees.

The identified staff remuneration policy applies for all identified staff of Van Lanschot Group. The members of the Statutory and Executive Boards are not eligible for variable remuneration.

The principles of the variable remuneration policy for identified staff are the same as for the variable remuneration policy of Van Lanschot Group. 50% of the variable remuneration of identified staff is paid in cash and 50% in Van Lanschot shares, while the variable pay of identified staff of Kempen Capital Management NV (KCM) is paid 50% in cash and 50% in a flexible mix of Van Lanschot shares and investments in funds managed by KCM. In all cases, 60% of both parts of the variable remuneration is awarded immediately and unconditionally and 40% conditionally and deferred. Once it becomes unconditional, this deferred remuneration is then paid out over a period of three years following the year of award. Whether an award becomes unconditional depends on reassessment of a number of predetermined criteria. If this reassessment leads to a review of the deferred remuneration, a 'malus' penalty system is applied. A lock-up period of one year applies to Van Lanschot shares that have become unconditional.

More information on the remuneration policy for identified staff can be found at corporate.vanlanschot.nl/remunerationpolicies.

Statutory Board remuneration policy
The remuneration policy for members of Van Lanschot's Statutory Board is adopted by the General Meeting of Shareholders of Van Lanschot NV following a proposal by the Supervisory Board. The policy is aimed at ensuring a balanced, sustainable and competitive remuneration package. Consideration is given when adopting the Statutory Board remuneration package to the pay ratios within the company, and a Hay Group analysis model is used.

Van Lanschot ended all variable remuneration for the Statutory Board in 2015. As partial compensation, a fixed remuneration component was awarded in the form of Van Lanschot shares with a lock-up period of three years. The share ownership guidelines also stipulate that the Van Lanschot shares held by Statutory Board members must be equivalent to the cash portion of two years' salary for as long as they remain in office. This requirement will be met by the Statutory Board members gradually over the coming years through the award of fixed remuneration in the form of Van Lanschot shares.

The new remuneration policy will be reviewed in 2017 in the light of developments and circumstances at that time. The General Meeting of Van Lanschot NV granted permission to the Supervisory Board to adjust the fixed salary of the members of the Statutory Board if the outcome of this evaluation shows this to be necessary.

Benchmarking
Hay Group carried out a comparison of pay levels in the Dutch financial sector and Dutch industry in general (cross-industry benchmark), as well as in the European private banking market.

The total remuneration of the Chairman of the Statutory Board came out of this exercise as being 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.

For information on the composition of the reference groups used for the market comparison of Statutory Board remuneration, please refer to corporate.vanlanschot.nl/remunerationpolicies. This information is an integral part of the remuneration section.

Statutory Board remuneration package

The following table shows the remuneration package for members of the Statutory Board. There are no early retirement schemes for Board members. Their severance pay is in line with current statutory and regulatory rules and amounts to one year's gross salary.

The members of the Statutory Board receive a fixed gross salary including holiday pay. Part of this salary is paid in cash in 12 equal monthly instalments. The remainder is paid in in a single award in the form of Van Lanschot shares, with the proviso that Statutory Board members will receive the net equivalent in Van Lanschot shares and that Van Lanschot will pay the income tax due on their behalf (sell to cover). The salary of the Chairman of the Statutory Board amounts to €975,000 (comprising €750,000 in cash and €225,000 in the form of Van Lanschot shares). The other members of the Statutory Board receive a salary of €625,000 (€425,000 in cash and €200,000 in Van Lanschot shares).

A lock-up period of three years after transfer applies for Van Lanschot shares awarded as part of the gross salary, or longer if needed to enable an individual member of the Statutory Board to comply with the share ownership guidelines. The number of Van Lanschot shares to be awarded as part of the gross salary each year is determined on the basis of the weighted average price of the share over the first four trading days in January of the year to which the salary relates.

For more information on shares and options granted, please refer to the section on Statutory and Supervisory Boards remuneration on pages 230-232 of the 2015 financial statements.

Benefits

The members of the Statutory Board are responsible for their own pension provision, towards which they receive a payment. They also receive a payment for taking out disability insurance. These payments are calculated as a percentage of their fixed annual salary: 20% for the Chairman and 21% for the other members. The payment for disability insurance amounts to 2.45% of the fixed annual salary of the Chairman and 2.59% for the other Statutory Board m embers. Members receive a net payment to cover expenses amounting to €5,160 per person per year.

Supervisory Board remuneration policy

The remuneration of the Supervisory Board is determined by the Van Lanschot NV General Meeting following a proposal by the Supervisory Board. In principle, the remuneration is reviewed every two years. It has not been adjusted since 2010.

The following table summarises the remuneration and expenses paid to the members of the Supervisory Board.

	Chairman	Deputy Chairman	Member
Basic Supervisory Board remuneration	€60,000	€50,000	€45,000
Audit and Compliance Committee	€10,000		€7,500
Risk Committee	€10,000		€7,500
Remuneration Committee	€3,000		€2,000
Selection and Appointment Committee	€3,000		€2,000
Expenses	€2,500	€ 2,500	€2,500

Remuneration in 2015

Employees' variable remuneration

Variable remuneration totalling €16.6 million was paid to employees (including identified staff) of Van Lanschot Group in 2015.

Highest remuneration

One person employed by Van Lanschot received total annual remuneration of more than €1 million in 2015.

Remuneration of the Statutory Board

The table below shows the remuneration and other payments received by members of the Statutory Board in 2015 and 2014, comprising fixed salary, payments for pension and disability insurance and net payment to cover expenses.

Other payments

Ieko Sevinga stepped down as a member of the Statutory Board on 13 November 2014. His employment contract with Van Lanschot ended on 13 May 2015. For the period from 1 January to 13 May 2015 he received remuneration of €156,845 gross plus a payment for pension and disability insurance of €36,692. He received the contractually agreed severance pay amounting to one year's fixed salary at the end of May 2015.

Statutory Board remuneration package	Type of payment	Purpose/rationale
Fixed income	Cash	Reflects responsibilities, performance and market trends
Fixed income	Van Lanschot shares	Achievement of long-term strategy
Benefits	Payment for pension and disability insurance, reimbursement of fixed expenses	Market competitiveness

Remuneration of Statutory Board (€)	2015 Total fixed salary	2015 Cash	2015 Van Lanschot shares	2015 Payment for pension	2015 Payment for disability insurance	2015 Expenses	2014 Total fixed salary	2014 Variable, in shares*	2014 Payment for pension	2014 Payment for disability insurance	2014 Expenses
Karl Guha	975,000	750,000	225,000	195,000	23,888	5,160	750,000	168,750	150,000	18,375	5,160
Constant Korthout	625,000	425,000	200,000	131,250	16,188	5,160	425,000	170,000	89,250	11,008	5,160
Richard Bruens	625,000	425,000	200,000	131,250	16,188	5,160	425,000	170,000	89,250	11,008	5,160
Arjan Huisman	625,000	425,000	200,000	131,250	16,188	5,160	425,000	170,000	89,250	11,008	5,160
Ieko Sevinga							425,000	170,000	89,250	11,008	5,160

* Under the remuneration policy that applied in 2014, variable remuneration of 40% was awarded immediately and unconditionally. The payment of the remaining 60% is deferred and conditional. Provided certain conditions are met, one third of this 60% will become unconditional each year in the period 2015 to 2017 inclusive.

Remuneration of the Supervisory Board

The amounts paid to the members of the Supervisory Board in 2015 are shown in the following table. In addition to these amounts, members receive annual expenses of €2,500.

Remuneration of Supervisory Board[1] (€)	2015 Membership fee	2015 Committee fees	2015 Total	2014[2] Membership fee	2014[2] Committee fees	2014[2] Total
Willy Duron (Chairman)[3]	45,000	17,500	**62,500**	45,000	17,500	**62,500**
Jos Streppel (Deputy Chairman)	50,000	20,500	**70,500**	50,000	21,500	**71,500**
Jeanine Helthuis	45,000	10,500	**55,500**	45,000	11,500	**56,500**
Bernadette Langius[4]	30,000	6,667	**36,667**	–	–	–
Godfried van Lanschot	45,000	13,500	**58,500**	45,000	16,717	**61,717**
Heleen Kersten[5]	18,750	3,125	**21,875**	45,000	7,500	**52,500**
Tom de Swaan[6]	60,000	6,000	**66,000**	60,000	13,500	**73,500**

1 Some figures have been rounded to the nearest thousand.

2 An amount of €34,125 was also paid in 2014 to Abel Slippens, who stepped down from the Supervisory Board on 1 August of that year.

3 Willy Duron took over the chair from Tom de Swaan on 18 December 2015. Tom de Swaan received remuneration in 2015 as Chairman of the Supervisory Board, and Willy Duron as a member of the Supervisory Board.

4 Bernadette Langius was appointed to the Supervisory Board on 13 May 2015.

5 Heleen Kersten stepped down from the Supervisory Board on 13 May 2015.

6 Tom de Swaan stepped down from the Supervisory Board on 25 February 2016.

Personal details of members of the Executive Board

Karl Guha
Chairman of the Statutory Board of Van Lanschot NV/F. van Lanschot Bankiers NV

Born
1964, male

Nationality
Dutch

Appointed
2 January 2013

Areas of responsibility
Corporate Banking, Company Secretariat/Legal Affairs, Strategy & Corporate Development, Human Resource Management, Marketing, Communications, Compliance and Group Audit

Principal supervisory board memberships and board positions
Karl Guha fulfils two board positions.

Constant Korthout
Member of the Statutory Board, CFO/CRO of Van Lanschot NV/F. van Lanschot Bankiers NV/CFO Kempen & Co NV

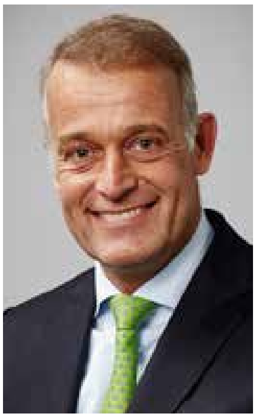
Born
1962, male

Nationality
Dutch

Appointed
27 October 2010

Areas of responsibility
Finance, Reporting & Control, Treasury, Group Risk Management, Recovery Section

Principal supervisory board memberships and board positions
Deputy Chairman of the Supervisory Board of Sint Franciscus-Vlietland Groep. Constant Korthout fulfils a total of five board and supervisory roles.



Richard Bruens
Member of the Statutory Board of Van Lanschot NV/F. van Lanschot Bankiers NV

Born
1967, male

Nationality
Dutch

Appointed
15 May 2014

Areas of responsibility
Private Banking, Evi, Corporate Social Responsibility, Service Centres: Loans, Savings & Payments, Front Office & Online

Principal supervisory board memberships and board positions
Member of the Supervisory Board of Van Lanschot Chabot Holding BV. Richard Bruens fulfils a total of four board and supervisory roles.

Paul Gerla
Chairman of the Management Board of Kempen & Co NV

Born
1966, male

Nationality
Dutch

Appointed
1 January 2009

Areas of responsibility
Asset Management, Kempen Corporate & Legal Affairs, Communications & Marketing

Principal supervisory board memberships and board positions
Member of the Supervisory Board and Audit Committee of Spaarne Gasthuis in Haarlem. Paul Gerla fulfils a total of three board and supervisory roles.

Arjan Huisman
Member of the Statutory Board of Van Lanschot NV/F. van Lanschot Bankiers NV

Born
1971, male

Nationality
Dutch

Appointed
6 May 2010

Areas of responsibility
Service Centres: Securities, Data Management, Procurement, Contract Management & Facilities and Group IT

Principal supervisory board memberships and board positions
Member of the Supervisory Board of Van Lanschot Chabot Holding BV. Arjan Huisman fulfils a total of four board and supervisory roles.

Joof Verhees
Member of the Management Board of Kempen & Co NV

Born
1960, male

Nationality
Dutch

Appointed
1 January 2009

Areas of responsibility
Merchant Banking (Corporate Finance, Securities, Equity Capital Markets, Investments)

Principal supervisory board memberships and board positions
Joof Verhees fulfils one board position.

Personal details of members of the Supervisory Board

The following are members of the Supervisory Boards of Van Lanschot NV, F. van Lanschot Bankiers NV and Kempen & Co NV.

Willy Duron
Chairman of the Supervisory Board

Born
1945, male

Nationality
Belgian

Appointed
10 May 2007; third term of office expires in 2019

Principal other supervisory board memberships and board positions at listed companies
Agfa-Gevaert, Tigenix

Principal other supervisory board memberships and board positions
Ethias, Windvision. Willy Duron fulfils a total of seven board positions and supervisory board memberships.

Previous positions or offices held
Chairman of KBC Group

Jos Streppel
Deputy Chairman of the Supervisory Board

Born
1949, male

Nationality
Dutch

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

Principal other supervisory board memberships and board positions at listed companies
RSA Insurance Group plc

Principal other supervisory board memberships and board positions
Stichting Arq., Gieskes Strijbis Fonds, LeasePlan

Principal other positions or offices held
Council member at the Enterprise Section of the Amsterdam Court of Appeal, Chairman of the Advisory Council of the Royal Dutch Actuarial Association. Jos Streppel fulfils a total of nine board and supervisory roles.

Previous positions or offices held
Member of the Executive Board of Aegon

Jeanine Helthuis
Member of the Supervisory Board

Born
1962, female

Nationality
Dutch

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

Principal other position or office held
Managing Director of PC Hooft Groep

Principal other supervisory board memberships and board positions
Prorail

Principal other positions or offices held
Member of the Advisory Council of Nintes. Jeanine Helthuis fulfils a total of eight board and supervisory roles.

Previous positions or offices held
Chair of the Board of Management of Monuta Holding/Monuta Verzekeringen, Member of the Board of Directors of Fortis Bank Nederland

Godfried van Lanschot
Member of the Supervisory Board

Born
1964, male

Nationality
Dutch

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

Board positions and supervisory board memberships
Godfried van Lanschot fulfils a total of four board and supervisory roles.

Previous positions or offices held
ABN AMRO (various roles)

Bernadette Langius
Member of the Supervisory Board

Born
1960, female

Nationality
Dutch

Appointed
13 May 2015; first term of office expires in 2019

Principal other supervisory board memberships and board positions
Dutch National Opera & Ballet, IBM Nederland, Plan Nederland. Bernadette Langius fulfils a total of eight supervisory roles.

Previous positions or offices held
Member of the Executive Board of VU Amsterdam, ABN AMRO (including CEO Commercial Banking NL and CEO Private Banking NL)

2015 financial statements

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	10,586,250
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	215,402
Subordinated loans	(24)	118,151	121,415
Total liabilities		**14,175,786**	**15,995,603**
Issued share capital		40,000	40,000
Share premium reserve		318,481	247,396
Other reserves		906,714	819,194
Undistributed profit attributable to shareholder		34,163	99,001
Equity attributable to shareholder		**1,299,358**	**1,205,591**
Issued equity instruments		–	27,250
Undistributed profit attributable to issued equity instruments		943	1,110
Equity attributable to issued equity instruments		**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**	**1,263,835**
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
Interest	(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	248,340
Commission expense		7,176	8,021
Net commission income	(30)	**265,562**	**240,319**
Result on financial transactions	(31)	**23,342**	**41,971**
Other income	(32)	**42,762**	**16,161**
Total income from operating activities		**561,140**	**566,197**
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 the sale of private and public sector loans and advances	(37)	22,403	–
Total expenses		**506,856**	**432,667**
Operating profit before tax		**54,284**	**133,530**
Income tax	(38)	11,530	24,822
Net result		**42,754**	**108,708**
Of which attributable to shareholder		34,163	99,001
Of which attributable to issued equity instruments		943	1,110
Of which attributable to other non-controlling interests		7,648	8,597
Earnings per share (€)	(39)	85.41	247.50
Proposed dividend per share (€)		46.08	–

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**	**108,708**
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**	**26,608**
Of which attributable to shareholder		19,677	16,901
Of which attributable to issued equity instruments		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	Share premium reserve*	Other reserves*	Undistri-buted profit	**Total equity attributable to share-holder**	Equity attributable to issued equity instruments	Equity attributable to other non-controlling interests	**Total equity**
At 1 January	40,000	247,396	819,194	99,001	**1,205,591**	28,360	29,884	**1,263,835**
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**
To other reserves	–	–	99,001	– 99,001	**–**	–	–	**–**
Share premium contribution	–	71,085	–	–	**71,085**	–	–	**71,085**
Dividends	–	–	–	–	**–**	– 1,110	– 6,280	**– 7,390**
Other changes	–	–	3,005	–	**3,005**	– 27,250	–	**– 24,245**
Acquisition of/change in non-controlling interests	–	–	–	–	**–**	–	– 11,619	**– 11,619**
At 31 December	**40,000**	**318,481**	**906,714**	**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	Share premium reserve*	Other reserves*	Undistri-buted profit	**Total equity attributable to share-holder**	Equity attributable to issued equity instruments	Equity attributable to other non-controlling interests	**Total equity**
At 1 January	40,000	247,396	869,873	29,255	**1,186,494**	37,188	18,291	**1,241,973**
Net result (as per statement of income)	–	–	–	99,001	**99,001**	1,110	8,597	**108,708**
Total other comprehensive income	–	–	– 82,100	–	**– 82,100**	–	–	**– 82,100**
Total comprehensive income	**–**	**–**	**– 82,100**	**99,001**	**16,901**	**1,110**	**8,597**	**26,608**
To other reserves	–	–	29 ,225	– 29 ,225	**–**	–	–	**–**
Dividends	–	–	–	–	**–**	– 1,125	– 3,539	**– 4,664**
Other changes	–	–	2,196	–	**2,196**	– 8,813	–	**– 6,617**
Acquisition of/change in non-controlling interests	–	–	–	–	**–**	–	6,535	**6,535**
At 31 December	**40,000**	**247,396**	**819,194**	**99,001**	**1,205,591**	**28,360**	**29,884**	**1,263,835**

Redemption of perpetual capital securities is recognised under Other changes.

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

Consolidated statement of cash flows for 2015

(x €1,000)

		2015	2014
Cash flow from operating activities			
Operating result before tax		54,284	133,530
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**	**17,860**
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		– 316,176	1,703,729
– Derivatives (receivables and liabilities)		– 27,885	57,718
– Withdrawals from restructuring provision and other provisions		– 1,192	– 11,332
– Other assets and liabilities		– 39,495	– 66,910
– Income taxes paid/received		– 2,959	– 6,939
– Dividends received		10,460	3,363
Total movement in assets and liabilities		**– 290,903**	**1,346,344**
Net cash flow from operating activities		**– 93,220**	**1,364,204**
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 premium contribution		71,085	–
Issued equity instruments		– 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		– 7,390	– 4,664
Net cash flow from financing activities		**– 461,712**	**– 486,106**
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
F. van Lanschot Bankiers NV is an independent wealth manager specialising in the preservation and creation of wealth for its clients. F. van Lanschot Bankiers NV is a 100% subsidiary of Van Lanschot NV. F van Lanschot Bankiers NV is a public limited company incorporated under Dutch law at Hooge Steenweg 29, 5211 JN 's-Hertogenbosch, the Netherlands.

The consolidated financial statements of F. van Lanschot Bankiers NV at 31 December 2015 were prepared by the Statutory Board on 30 March 2016 and will be put to the General Meeting for adoption. The Statutory Board has the formal power to amend the financial statements after publication at the request of the General Meeting, subject to the approval of the Supervisory Board. Such amended financial statements will be put to the General Meeting for adoption.

Basis of preparation
The consolidated financial statements of F. van Lanschot Bankiers NV (hereinafter Van Lanschot) and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and with Part 9, Book 2 of the Dutch Civil Code. The assets and liabilities disclosed in the consolidated financial statements are recognised in accordance with the accounting principles as set out below.

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

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

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

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

Van Lanschot has power over an entity if its existing and potential voting rights amount to more than 50%. If these rights amount to less than 50%, Van Lanschot determines whether it has power over the entity pursuant to contractual agreements. In making this assessment, a distinction is made between substantive and protective rights. Substantive rights are rights which enable the decision-making power of an enterprise to be influenced directly and which give Van Lanschot decisive control over an entity. Examples include the right to appoint and dismiss members of the board of management, and to set the level of their remuneration. Protective rights are rights which protect the interests of an entity in another entity, but which do not directly confer decision-making powers. Protective rights do not give Van Lanschot decisive control over an entity. When acquiring non-controlling interests, Van Lanschot in principle includes only protective rights in the contractual agreement. These are rights of approval which enable Van Lanschot to protect its minority position without acquiring decision-making power. Examples of protective rights are rights of approval in respect of the issue of shares and 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
Issued equity instruments 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 of Van Lanschot NV with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using a binomial model. The cost of equity instrument-settled transactions of Van Lanschot NV is recognised, together with a corresponding increase in equity, in the period in which the employee's performance criteria are fulfilled, ending on the date on which the employee becomes fully entitled to the award (the vesting date).

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

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

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

Lease contracts, including financial sale and leaseback agreements, under which the risks and benefits of ownership of the assets are substantially transferred to Van Lanschot, are classified as financial lease contracts. Van Lanschot has entered into financial sale and leaseback contracts as lessee. Financial lease contracts are capitalised on the effective date of the lease contract at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The discount rate used in calculating the present value of the minimum lease payments is the implicit interest rate of the lease contract.

The leased object is recognised under Property, plant and equipment. Depreciation is applied using the same method as for wholly owned 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	14.3
Tier I ratio	6.0	16.3	13.6
Common Equity Tier I ratio (phase-in)	4.5	16.3	13.6
Leverage ratio (phase-in)	3.0	6.4	5.4

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 increased by €45 million in 2015, from €1,001 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**	**1.049.280**
Of which Tier I core capital	1,045,877	1,001,488
Of which Tier I capital	1,045,877	1,001,488
Of which Tier II capital	49,371	47,832
Capital ratios		
Total capital ratio	17.0%	14.3%
Tier I ratio	16.3%	13.6%
Common Equity Tier I ratio (phase-in)	16.3%	13.6%
Leverage ratio (phase-in)	6.4%	5.4%

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: 5.4%). The amount of capital in the numerator is €1,046 million (2014: €1,001 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	40,000	40,000
Share premium reserve	318,418	247,396
General reserve	880,560	735,388
Provisional profit distribution for solvency purposes	15,730	99,001
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**	**1,001,448**
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**	**1,001,448**
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**	**1,049,280**
Reconciliation of qualifying capital with consolidated equity:		
Expected dividend payable for the current year	18,433	–
Result for 2014 attributable to issued equity instruments	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 (issued equity instruments)	–	5,450
Other equity elements not forming part of equity	– 14,550	– 19,128
Total consolidated equity	**1,319,934**	**1,263,835**

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	**5,016,386**	**839,724**	**4,176,662**	**30,037**	**4,146,625**
Derivatives (liabilities)	728,043	346,730	381,313	30,037	351,276
Current accounts*	4,288,343	492,994	3,795,349	–	3,795,349

* Current accounts form part of Other client assets.

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	8,485,570	452,857	945,918	389,044	306,211	6,650	**10,586,250**
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	–	142,287	73,200	10,094	–	21,679	**247,260**
Subordinated loans	–	18,016	2,000	–	100,000	1,399	**121,415**
Total liabilities	**8,538,217**	**3,696,315**	**3,024,017**	**2,658,502**	**889,532**	**35,237**	**18,841,820**
Gap	**– 5,748,892**	**5,537,334**	**– 835,455**	**1,946,470**	**2,225,721**	**944,361**	**4,069,539**

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: 96.1%), 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	96.1

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	Withdrawable 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	8,494,401	672,022	812,022	294,526	306,629	**10,579,600**	6,650	**10,586,250**
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	–	142,287	73,200	10,094	–	**225,581**	21,679	**247,260**
Subordinated loans	–	1,000	2,000	–	117,016	**120,016**	1,399	**121,415**
Total liabilities	**8,569,870**	**1,240,189**	**1,954,377**	**3,334,961**	**855,097**	**15,954,494**	**41,109**	**15,995,603**
Total liabilities excluding derivatives	**8,569,870**	**1,188,333**	**1,942,635**	**3,232,556**	**647,741**	**15,581,135**	**33,155**	**15,614,290**
On-balance sheet gap	**– 5,776,722**	**– 615,268**	**– 1,613,733**	**– 863,669**	**9,423,008**	**553,616**	**710,219**	**1,263,835**
Receivables arising from future interest flows	–	122,514	336,940	1,619,005	4,105,670	**6,184,129**	–	**6,184,129**
Liabilities arising from future interest flows	–	28,256	101,480	380,059	174,855	**684,650**	–	**684,650**
On-balance sheet gap including future interest flows	**– 5,776,722**	**– 464,498**	**– 1,175,313**	**1,135,395**	**13,703,533**	**7,422,395**	**710,219**	**8,132,614**

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	9,978,445	601,155	**10,579,600**	6,650	**10,586,250**
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	215,487	10,094	**225,581**	21,679	**247,260**
Subordinated loans	3,000	117,016	**120,016**	1,399	**121,415**
Total liabilities	**11,764,436**	**4,190,058**	**15,954,494**	**41,109**	**15,995,603**

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	– n/a*
			– Net asset value, with underlying assets measured at fair value	– 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	10,735,038	10,586,250	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 en 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**	**10,586,250**
Savings	4,356,513	4,680,470
Deposits	753,943	1,705,745
Other client assets	4,457,009	4,193,460
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**	**215,402**
Interest payable	47,324	104,320
Other accruals and deferred income	45,058	47,873
Other	56,427	63,209

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 shareholder				
Issued share capital		40,000		40,000
Share premium reserve		318,481		247,396
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	908,799		806,793	
Other reserves		906,714		814,194
Undistributed profit (attributable to shareholder)		34,163		99,001
Total equity attributable to shareholder		**1,299,358**		**1,205,591**
Equity attributable to issued equity instruments				
Issued equity instruments		–		27,250
Undistributed profit (attributable to issued equity instruments)		943		1,110
Total equity attributable to issued equity instruments		**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**

The authorised share capital is €100 million and consists of 1,000,000 shares at a nominal value of €100 per share. At 31 December of 2015 and 2014 there were 40,000 shares in issue.

Conditional and unconditional share and option plans	**2015**		**2014**	
Exercise period up to and including	Number	Average exercise price in €	Number	Average exercise price in €
2016	1,449	40.15	1,449	40.15
2017	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 69.

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	806,793	**819,194**
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	–	–	–	–	–	99,001	**99,001**
Actuarial results	–	–	– 950	–	–	–	**– 950**
Other changes	–	–	–	2,912	–	3,005	**5,917**
At 31 December	**15,467**	**9,380**	**– 15,201**	**1,939**	**– 13,670**	**908,799**	**906,714**
Tax effects	8	4,565	162	–	420	–	**5,155**

In 2015 no dividend for 2014 was made payable.

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	937,547	**869,873**
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	–	–	–	–	–	29,225	**29,225**
Actuarial results	–	–	– 94,809	–	–	–	**– 94,809**
Reclassification	–	–	162,174	–	–	– 162,174	**–**
Other changes	–	–	–	249	–	2,196	**2,445**
At 31 December	**17,311**	**22,723**	**– 14,251**	**– 973**	**– 12,409**	**806,793**	**819,194**
Tax effects	–	– 7,618	31,945	–	1,889	–	**26,216**

In 2014 no dividend for 2013 was made payable.

Nature and purpose of other reserves

Share premium reserve: Covers amounts paid to Van Lanschot by the shareholder above the nominal value of purchased shares.

Revaluation reserve: Covers movements in the fair value of available-for-sale investments and associates.

Actuarial results on defined benefit pension scheme: Covers the actuarial gains and losses on revaluation of the investments and the defined benefit obligations.

Currency translation reserve: This reserve (which is not available for free distribution) covers currency exchange differences resulting from the valuation of investments in group companies at the ruling exchange rate in so far as the currency rate risk is not hedged.

Cash flow 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 issued in equity instruments	2015			2014		
	Issued equity instruments	Undistributed profit attributable to Issued equity instruments	**Total**	Issued equity instruments	Undistributed profit attributable to Issued equity instruments	**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**

Issued equity instruments

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**	**240,319**
Securities commissions	37,451	33,269
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 in Van Lanschot NV added €2.7 million (2014: €1.8 million) to Van Lanschot NV's 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 Van Lanschot NV 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 Van Lanschot NV 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 of Van Lanschot NV on the second trading day after release of Van Lanschot NV's annual figures. Depositary receipts granted of Van Lanschot NV in 2015 had a fair value of €18.85 (2014: €19.03), ignoring dividends.

In 2015, 44,421 conditional depositary receipts for shares of Van Lanschot NV 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	133,530
Total gross profit	**54,284**	**133,530**
Prevailing tax rate in the Netherlands	25%	25%
Expected tax	13,571	33,383
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**	**24,822**

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**	**24,822**
Standard tax		3,298	10,872
(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 share	2015	2014
Net result	42,754	108,708
Interest issued equity instruments	– 943	– 1,110
Non-controlling interest	– 7,648	– 8,597
Net result attributable to shareholder	**34,163**	**99,001**
Weighted average number of shares in issue	400,000	400,000
Earnings per share (€)	85.41	247.50
Proposed dividend per share (€)	46.08	–

To calculate earnings per share, the number of shares consists solely of the weighted average number of shares in issue.

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	–	–	–	10,586,250	–	**10,586,250**
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	–	–	–	215,402	–	**–**
Subordinated loans	–	–	–	121,415	–	**121,415**
Total financial liabilities	**15,674**	**989,858**	**–**	**14,908,307**	**81,764**	15,995,603
Non-financial liabilities						1,263,835
Total liabilities						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
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. At year-end 2015, there were no income, charges or amounts payable or receivable to/from parties with significant influence in Van Lanschot.

Parties with significant influence in Van Lanschot in 2014	Income	Expenses	Amounts receivable	Amounts payable
Van Lanschot NV	–	–	–	87,090

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.

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			**185**	**50.7**	**– 6.1**	**– 1.2**	**–**
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 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			**175**	**52.3**	**– 0.1**	**– 0.9**	**–**
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)

		31/12/2015	31/12/2014
Assets			
Cash and cash equivalents and balances at central banks	(1)	819,547	1,139,532
Government paper eligible for central bank refinancing	(2)	1,387,089	2,093,552
Due from banks	(3)	398,430	538,212
Loans and advances to the public and private sectors	(4)	8,267,141	6,253,024
Debt instruments	(5)	2,965,338	4,510,569
Equity instruments	(6)	39,501	51,992
Investments in group companies	(7)	422,851	407,550
Investments in associates	(8)	6,482	5,782
Goodwill and other intangible assets	(9)	143,178	150,504
Property, plant and equipment	(10)	59,463	67,009
Other assets	(11)	133,349	181,171
Derivatives (receivables)	(12)	184,327	200,304
Accrued assets		70,844	74,532
Total assets		**14,897,540**	**15,673,733**
Liabilities			
Due to banks	(13)	951,198	1,095,671
Public and private sector liabilities	(14)	9,497,080	10,515,683
Issued debt securities	(15)	2,669,055	2,116,786
Other liabilities	(16)	44,098	77,694
Derivatives (liabilities)	(12)	190,021	276,968
Accrued liabilities		107,157	208,206
Provisions	(17)	20,479	27,359
Subordinated loans	(18)	118,151	121,415
Total liabilities		**13,597,239**	**14,439,782**
Issued share capital		40,000	40,000
Share premium reserve		318,481	247,396
Revaluation reserve		24,847	40,034
Statutory reserves		30,231	21,101
Other reserves		851,636	758,059
Undistributed profit attributable to shareholder		34,163	99,001
Equity attributable to shareholder		**1,299,358**	**1,205,591**
Equity instruments		–	27,250
Undistributable profit attributable to equity instruments		943	1,110
Equity attributable to equity instruments		**943**	**28,360**
Total equity	(19)	**1,300,301**	**1,233,951**
Total equity and liabilities		**14,897,540**	**15,673,733**
Contingent liabilities	(20)	274,335	383,323
Irrevocable commitments	(21)	443,688	590,603
		718,023	**973,926**

References relate to the relevant notes.

Company statement of income for 2015

(x €1,000)

		2015	2014
Income from associates	(23)	68,115	81,316
Other results	(24)	– 33,952	17,685
Net profit		**34,163**	**99,001**

References relate to the relevant notes.

Company statement of changes in equity at 31 December 2015

(x €1,000)

	Share capital	Share premium reserve	Revaluation reserve	Statutory reserves	Other reserves	Undistributed profit	Total equity attributable to shareholder
At 1 January	40,000	247,396	40,034	21,101	758,059	99,001	**1,205,591**
Net profit (statement of income)	–	–	–	–	–	34,163	**34,163**
Total other comprehensive income	–	–	– 15,187	2,912	– 2,211	–	**– 14,486**
Total comprehensive income	**–**	**–**	**– 15,187**	**2,912**	**– 2,211**	**34,163**	**19,677**
Share premium payment	–	71,085	–	–	–	–	**71,085**
To other reserves	–	–	–	–	99,001	– 99,001	**–**
To statutory reserves	–	–	–	8,104	– 8,104	–	**–**
Dividends	–	–	–	–	–	–	**–**
Other changes	–	–	–	– 1,886	4,891	–	**3,005**
At 31 December	**40,000**	**318,481**	**24,847**	**30,231**	**851,636**	**34,163**	**1,299,358**

Company statement of changes in equity at 31 December 2014

(x €1,000)

	Share capital	Share premium reserve	Revaluation reserve	Statutory reserves	Other reserves	Undistributed profit	Total equity attributable to shareholder
At 1 January	40,000	247,396	21,908	22,473	825,492	29,225	**1,186,494**
Net profit (statement of income)	–	–	–	–	–	99,001	**99,001**
Total other comprehensive income	–	–	18,126	249	– 100,475	–	**– 82,100**
Total comprehensive income	**–**	**–**	**18,126**	**249**	**– 100,475**	**99,001**	**16,901**
To other reserves	–	–	–	–	29,225	– 29,225	**–**
To statutory reserves	–	–	–	– 1,621	1,621	–	**–**
Dividends	–	–	–	–	–	–	**–**
Other changes	–	–	–	–	2,196	–	**2,196**
At 31 December	**40,000**	**247,396**	**40,034**	**21,101**	**758,059**	**99,001**	**1,205,591**

Company financial statements: basis of preparation

The company financial statements of F. van Lanschot Bankiers NV have been prepared in accordance with the legal requirements as set out in Part 9, Book 2 of the Dutch Civil Code. The statement of income has been prepared in accordance with the legal requirement specified in Book 2, 402 of the Dutch Civil Code, in which we have availed ourselves of the option offered in Article 362(8), Book 2 of the Dutch Civil Code to observe the same accounting principles in the company financial statements (including the accounting principles for the presentation of financial instruments as equity or liabilities) that apply to the consolidated financial statements. Items Investments in group companies and Investments in associates are exceptions to this general rule; these are accounted for using the equity method.

The company financial statements are denominated in euros, Van Lanschot's functional and reporting currency. All amounts are in thousands of euros unless otherwise stated.

Notes to the company statement of financial position

(x €1,000)

1. Cash and cash equivalents and balances at central banks	31/12/2015	31/12/2014
Total	**819,547**	**1,139,532**
Cash	94	331
Withdrawable on demand from central banks	717,033	980,897
Mandatory reserve deposits at central banks	17,659	23,320
Amounts due from banks	84,761	134,984

Mandatory reserve deposits comprise balances withdrawable from central banks as part of required minimum reserves and these are not available for use for Van Lanschot's daily business operations.

2. Government paper eligible for central bank refinancing	31/12/2015		31/12/2014	
	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Total	**1,387,089**	**1,404,040**	**2,093,552**	**1,988,467**
Held to maturity	337,070	348,952	344,744	348,952
Other government paper at fair value	1,050,019	1,055,088	1,748,808	1,639,515

Movements in government paper eligible for central bank refinancing	2015	2014
At 1 January	2,093,552	1,039,553
Purchases	3,091,393	2,814,303
Sales	– 1,568,696	– 961,043
Redemptions	– 2,227,000	– 985,000
Amortisation of premiums/discounts on debt instruments	– 13,139	– 12,708
Value changes to equity	– 7,730	119,468
Value changes to profit and loss	18,709	78,979
At 31 December	**1,387,089**	**2,093,552**

In 2015 and 2014, Van Lanschot held no government paper eligible for central bank refinancing with original maturities of less than two years. The nominal value of this paper amounted to €1.3 billion in 2015 (2014: €1.8 billion), while cumulative revaluation worked out at €5 million (2014: €18.6 million). Accumulated depreciation and impairments stood at nil (2014: nil). €155.0 million of government paper eligible for central bank refinancing is repayable on demand in 2016 (2015: €30.1 million).

In 2015 and 2014 Van Lanschot did not put up any government paper as collateral with De Nederlandsche Bank.

Repo transactions have seen us put up as collateral government paper eligible for central bank refinancing to banking counterparties, with a carrying amount of €237 million (2014: €245 million). We do not therefore have free access to these debt instruments. These debt instruments subject to repurchase (repos) continue to be included in the statement of financial position and have been agreed on the usual conditions pertaining to standard purchase transactions carrying repurchase obligations.

3. Due from banks	31/12/2015	31/12/2014
Total	**398,430**	**538,212**
Payable on demand	65,041	127,205
Other receivables	333,389	411,007

The item Due from banks comprises deposits to the value of €101.1 million (2014: €237.9 million) serving as collateral for obligations arising from derivatives transactions.

Receivables from group companies accounts for €276.2 million of this item (2014: €271.9 million).

4. Loans and advances to the public and private sectors	31/12/2015	31/12/2014
Total	**8,267,141**	**6,253,024**
Mortgage loans	3,540,089	1,452,187
Loans	3,650,355	3,360,993
Current accounts	1,135,284	1,540,900
Securities-backed loans and settlement claims	67,895	91,464
Subordinated receivables	6,000	25,800
Value adjustment fair value hedge accounting	44,550	102,146
Impairments	– 177,032	– 320,466

The credit risk in the company financial statements is similar to that at play in the consolidated financial statements. For more information, see Risk Management, subsection 2, Credit risk.

Please refer to the consolidated financial statements' Summary of significant accounting principles for a more in-depth review of the criteria and the way in which we determine impairments and the write-down of loans and advances to the public and private sectors.

Receivables from group companies account for €1,167.9 million of this item (2014: €144.7 million).

5. Debt instruments	31/12/2015		31/12/2014	
	Carrying amount	Purchase price	Carrying amount	Purchase price
Total	**2,965,338**	**2,943,596**	**4,510,569**	**4,472,586**
Held to maturity	186,569	190,763	188,965	190,763
Other debt instruments at fair value	1,707,455	1,681,519	1,377,852	1,338,071
Other debt instruments at amortised cost	1,071,314	1,071,314	2,943,752	2,943,752

Movements in debt instruments	2015	2014
At 1 January	4,510,569	3,692,916
Purchases	1,322,783	1,825,396
Sales	– 195,460	– 619,519
Redemptions	– 2,653,215	– 349,819
Amortisation of premiums/discounts on debt instruments	– 7,830	– 5,484
Value changes to equity	– 1,160	– 53,785
Value changes to profit and loss	– 10,349	20,864
At 31 December	**2,965,338**	**4,510,569**

The cumulative revaluation amounted to €4.4 million in 2015 (2014: €4.5 million). Accumulated depreciation and impairments was nil (2014: nil). The nominal value of these debt instruments amounted to €2.9 billion in 2015 (2014: €4.4 billion). €475.2 million will be available on demand in 2016 (2015: €151.2 million). Receivables from group companies account for €1,071.3 million of this item (2014: €2,943.8 million).

The carrying amount of instruments serving as collateral to De Nederlandsche Bank, i.e. notes under securitisation transactions, amounted to €469 million (2014: €489 million). We do not therefore have free access to these debt instruments.

6. Equity instruments	31/12/2015		31/12/2014	
	Fair value	Purchase price	Fair value	Purchase price
Total	**39,501**	**42,080**	**51,992**	**57,944**
Listed shares	273	270	3,966	2,829
Unlisted shares	39,228	41,810	48,026	55,115

Movements in equity instruments	2015	2014
At 1 January	51,992	37,483
Purchases	10,039	–
Sales	– 26,845	– 387
Value changes to equity	4,004	– 1,702
Value changes to profit and loss	411	435
Impairments	– 100	–
Reclassification to investments in group companies	–	16,163
At 31 December	**39,501**	**51,992**

The cumulative revaluation of equity instruments worked out at €8.6 million in 2015 (2014: €4.6 million). Cumulative impairments came to €0.1 million (2014: nil).

We purchased 98.5% of these shares (2014: 99.6%) with the intention to hold them for an undefined period.

7. Investments in group companies	31/12/2015	31/12/2014
Total	**422,851**	**407,550**
Investments in credit institutions	92,915	94,212
Investments in associates	329,936	313,338

Investments in group companies are measured in accordance with the equity method of accounting, with the share in the profit of these interests recognised under Share of profit/(loss) in the company statement of income.

Movements in investments in group companies	2015	2014
At 1 January	407,550	523,294
Purchases	–	33,837
Sales	– 9,610	– 3,312
Liquidation	–	– 171,393
Share of profit/(loss)	68,115	81,316
Revaluations	– 2,472	– 4,405
Dividend received	– 40,744	– 47,834
Other changes	12	– 3,953
At 31 December	**422,851**	**407,550**

Cumulative revaluations of investments in group companies amounted to €6.8 million in 2015 (2014: €12.3 million). Accumulated impairments stood at nil (2014: nil).

Name	Head office	Interest
F. van Lanschot Bankiers (Schweiz) AG	Zürich	100%
Kempen & Co NV	Amsterdam	95%
Van Lanschot Participaties BV	Amsterdam	100%
Van Lanschot Invest NV	Antwerpen	100%
BV Beheer- en Beleggingsmaatschappij Orthenstraat	's-Hertogenbosch	100%
NNE BV	's-Hertogenbosch	100%
BV Foton, Maatschappij tot beheer van industrie- en handelsondernemingen	's-Hertogenbosch	100%
BV Beleggingsmaatschappij De Gevulde Trom	's-Hertogenbosch	100%
Lesalanda BV	Amsterdam	100%
Beheers en Beleggings Compagnie Silva Ducis BV	's-Hertogenbosch	100%
Van Lanschot Mezzaninefonds BV	's-Hertogenbosch	100%
Van Lanschot Mezzaninefonds II BV	's-Hertogenbosch	100%
Vakan NV	Luxemburg	100%
Quion 17 BV	Capelle aan den IJssel	100%
Efima Hypotheken BV	's-Hertogenbosch	100%
F. van Lanschot International Trust Company BV	's-Hertogenbosch	100%

Entities in which F. van Lanschot Bankiers NV exercises control:
- Courtine RMBS 2013-I BV
- Lunet RMBS 2013-I BV
- Van Lanschot Conditional Pass-Through Covered Bond Company BV

All investments in group companies are unlisted holdings.

F. Van Lanschot Bankiers NV has issued undertakings pursuant to Article 403, Book 2 of the Dutch Civil Code:
- Kempen & Co NV
- NNE BV
- Efima Hypotheken BV
- Van Lanschot Participaties BV
- BV Beheer- en Beleggingsmaatschappij Orthenstraat

8. Investments in associates	31/12/2015	31/12/2014
Total	**6,482**	**5,782**
Investments in associates	6,482	5,782

Investments in associates are measured in accordance with the equity method of accounting, with the share in the profit of these interests recognised under Share of profit/(loss) in the company statement of income.

Movements in investments in associates	2015	2014
At 1 January	5,782	5,579
Share of profit/(loss)	991	586
Dividends received	– 291	– 383
At 31 December	**6,482**	**5,782**

Cumulative revaluations of the investments in associates was nil in 2015 (2014: nil). Accumulated depreciation and impairments also stood at nil (2014: nil).

Name	Head office	Interest
Van Lanschot Chabot	's-Hertogenbosch	49%

Van Lanschot Chabot is an unlisted interest.

9. Goodwill and other intangible assets	31/12/2015	31/12/2014
Total	**143,178**	**150,504**
Goodwill	125,584	125,584
Brands	8,431	9,196
Other intangible assets	9,163	15,724

Movements in goodwill and other intangible assets in 2015	Goodwill	Brands	Other intangible assets	Total
At 1 January	125,584	9,196	15,724	**150,504**
Additions	–	–	34	**34**
Depreciation	–	– 766	– 6,594	**– 7,360**
Other	–	1	– 1	**–**
At 31 December	**125,584**	**8,431**	**9,163**	**143,178**
Historical cost	125,584	15,330	126,603	**267,517**
Accumulated depreciation and impairments	–	– 6,899	– 117,440	**– 124,339**
Net carrying amount at 31 December	**125,584**	**8,431**	**9,163**	**143,178**

Movements in goodwill and other intangible assets 2014	Goodwill	Brands	Other intangible assets	Total
At 1 January	125,584	9,964	28,179	**163,727**
Additions	–	–	1,590	**1,590**
Depreciation	–	– 767	– 11,017	**– 11,784**
Impairments	–	–	– 3,031	**– 3,031**
Other	–	– 1	3	**2**
At 31 December	**125,584**	**9,196**	**15,724**	**150,504**
Historical cost	125,584	15,330	126,569	**267,483**
Accumulated depreciation and impairments	–	– 6,134	– 110,845	**– 116,979**
Net carrying amount at 31 December	**125,584**	**9,196**	**15,724**	**150,504**

10. Property, plant and equipment	31/12/2015	31/12/2014
Total	**59,463**	**67,009**
Buildings	48,109	54,727
Other property, plant and equipment	11,154	11,995
Work in progress	200	287

Movements in property, plant and equipment 2015	Buildings	Other property, plant and equipment	Work in progress	Total
At 1 January	54,727	11,995	287	**67,009**
Capital expenditure	3,123	3,232	2,453	**8,808**
Disposals	– 4,186	–	–	**– 4,186**
Capitalisation of investments	–	–	– 2,540	**– 2,540**
Depreciation	– 3,068	– 3,636	–	**– 6,704**
Impairments	– 2,948	–	–	**– 2,948**
Other	461	– 437	–	**24**
At 31 December	**48,109**	**11,154**	**200**	**59,463**
Historical cost	106,740	56,516	200	**163,456**
Accumulated depreciation and impairments	– 58,631	– 45,362	–	**– 103,993**
Net carrying amount at 31 December	**48,109**	**11,154**	**200**	**59,463**

Movements in property, plant and equipment 2014	Buildings	Other property, plant and equipment	Work in progress	Total
At 1 January	57,219	9,627	609	**67,455**
Capital expenditure	6,679	6,413	7,910	**21,002**
Disposals	– 2,164	– 12	–	**– 2,176**
Capitalisation of investments	–	–	– 8,232	**– 8,232**
Depreciation	– 3,417	– 4,025	–	**– 7,442**
Impairments	– 3,568	–	–	**– 3,568**
Other	– 22	– 8	–	**– 30**
At 31 December	**54,727**	**11,995**	**287**	**67,009**
Historical cost	112,771	55,816	287	**168,874**
Accumulated depreciation and impairments	– 58,044	– 43,821	–	**– 101,865**
Net carrying amount at 31 December	**54,727**	**11,995**	**287**	**67,009**

Buildings break down into real estate in own use (€4.6 million; 2014: €9.2 million) and real estate not in own use (€43.5 million; 2014: €45.5 million). Our policy is to sell over time any real estate no longer in own use.

Other property, plant and equipment comprises information technology, furniture and fixtures, and communications and safety equipment.

For more information about property, plant and equipment, please refer to the consolidated financial statements' Summary of significant accounting principles.

11. Other assets

This item relates to current and deferred tax liabilities and amounts receivable such as debtors, suspense accounts and intercompany liabilities.

12. Derivatives

At 31 December 2015	Assets	Liabiliies	Contract amount
Total	**184,327**	**190,021**	**6,004,093**
Derivatives used for trading purposes	28,820	28,259	120,440
Derivatives used for hedge accounting purposes	31,676	34,245	3,030,000
Other derivatives	123,831	127,517	2,853,653

At 31 december 2014	Assets	Liabiliies	Contract amount
Total	**200,304**	**276,968**	**6,024,385**
Derivatives used for trading purposes	15,829	16,416	211,413
Derivatives used for hedge accounting purposes	34,129	26,821	1,439,256
Other derivatives	150,346	233,731	4,373,716

We use derivatives for both trading and hedging purposes. This note shows both the positive and negative market values of the derivatives, as well as their notional values. The following types of derivatives are used: interest rate, currency and equity derivatives, as well as forward contracts.

13. Due to banks	31/12/2015	31/12/2014
Total	**951,198**	**1,095,671**
Liabilities withdrawable on demand	255,309	156,465
Repo transactions	238,711	408,024
Other liabilities	457,178	531,182

In 2015, Other liabilities included €350.0 million (2014: €350.0 million) in special loans issued by the European Central Bank (ECB). Liabilities to group companies accounted for €327.7 million of this item (2014: €286.3 million).

For special loans issued by the ECB and for repo transactions we put up debt securities as collateral. For more information, please refer to Note 2, Government paper eligible for central bank refinancing and to Note 5, Debt instruments.

14. Public and private sector liabilities	31/12/2015	31/12/2014
Total	**9,497,080**	**10,515,683**
Savings		
Savings withdrawable on demand	2,206,229	2,161,975
Savings not withdrawable on demand	234,602	480,061
Total savings	**2,440,831**	**2,642,036**
Other public and private sector liabilities		
Other public and private sector liabilities withdrawable on demand	6,134,514	6,193,162
Other public and private sector liabilities not withdrawable on demand	921,735	1,680,485
Total other public and private sector liabilities	**7,056,249**	**7,873,647**

Savings include all deposit and savings accounts held by private individuals and not-for-profit organisations.

Liabilities to group companies accounted for €311.0 million of this item (2014: €338.8 million).

15. Issued debt securities	31/12/2015	31/12/2014
Total	**2,669,055**	**2,116,786**
Listed debt securities	2,068,886	1,549,351
Unlisted debt securities	600,169	567,435

This item consists of debt instruments with rates of interest that are either fixed or variable, in so far as not subordinated. €762.9 million of these debt securities become payable on demand in 2016 (2015: €59.3 million). The discount on issued debt securities amounted to €9.6 million (2014: €9.7 million) and is included in its carrying value.

Liabilities to group companies accounted for €28.2 million of this item (2014: €35.3 million).

16. Other liabilities

This item relates to current tax liabilities and amounts payable such as creditors, suspense accounts and intercompany obligations.

17. Provisions	31/12/2015	31/12/2014
Total	**20,479**	**27,359**
Pension provision	7,968	8,356
Tax provision	2,867	9,361
Other provisions	9,644	9,642

The pension provision is a long-term obligation we have entered into on behalf of employees in our offices in the Netherlands and Belgium. We operate both defined benefit and defined contribution schemes. For more information about these schemes, please refer to Note 20, Provisions in the consolidated financial statements.

The tax provision is taken for assets and derivatives liabilities subject to portfolio fair value hedge accounting whose value in the statement of financial position temporarily diverges from its value for tax purposes. This provision is generally of a long-term nature.

Other provisions comprise provisions taken for the jubilee benefits scheme, employee discounts, restructuring and all other provisions. These provisions are 54% long-term and 46% short-term.

18. Subordinated loans	31/12/2015	31/12/2014
Total	**118,151**	**121,415**
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
6.020% subordinated loan 04/24	17,129	17,281
Other subordinated loans	1,022	4,134

Subordinated loans provide solvency capital for F. van Lanschot Bankiers NV. Holders of our subordinated loans have a position in our capital structure between senior claims and share capital. This implies that, in the event of liquidation or bankruptcy, a holder of a subordinated bond will only be repaid after all senior claims have been settled. Depending on the instrument's terms and conditions, early repayment (at its nominal amount) may take place at the optional redemption date and all subsequent interest payment dates.

Interest paid on subordinated loans amounted to €6.5 million (2014: €6.3 million).

19. Total equity	31/12/2015		31/12/2014	
Total		**1,300,301**		**1,233,951**
Equity attributable to shareholder				
Issued share capital		40,000		40,000
Share premium reserve		318,481		247,396
Revaluation reserve	24,847		40,034	
Actuarial results on defined benefit pension scheme	– 15,201		– 14,251	
Cash flow hedge reserve	– 13,670		– 12,409	
Statutory reserves	28,260		19,326	
Reserves under the Articles of Association	1,971		1,776	
Freely available reserves	880,507		784,718	
Other reserves		906,714		819,194
Undistributed profit attributable to shareholder		34,163		99,001
Total equity attributable to shareholder		**1,299,358**		**1,205,591**
Equity attributable to equity instruments				
Equity instruments		–		27,250
Undistributed profit (attributable to equity instruments)		943		1,110
Total equity attributable to equity instruments		**943**		**28,360**

The statutory reserves comprise a reserve in the amount of the share in the positive income from associates of €26.3 million (2014: €20.3 million) and a reserve for currency translation differences on associates of €1.9 million (2014: €1.0 million negative).

Tax effects on the revaluation reserves worked out at €4.6 million in 2015 (2014: €7.6 million negative).

20. Contingent liabilities	31/12/2015	31/12/2014
Total	**274,335**	**383,323**
Guarantees, etc.	274,335	383,284
Other contingent liabilities	–	39

In 2015, we issued guarantees for a number of group companies in the amount of €192.2 million (€268.2 million).

21. Irrevocable commitments	31/12/2015	31/12/2014
Total	**443,688**	**590,603**
Unused credit facilities	202,642	154,353
Sale and repurchase commitments	241,046	436,250

22. Other notes to the statement of financial position

Foreign currency balance converted to euros

The sum of assets in foreign currencies converted to euros amounted to €495.6 million (2014: €334.5 million) and the sum of liabilities in foreign currencies to €495.5 million (2014: €332.6 million).

List of maturities

The tables below 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 company statement of financial position. The amounts are based on non-discounted cash flows. 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.

List of maturities at 31/12/2015

	With-drawable on demand	< 3 months	≥ 3 months < 1 years	≥ 1 years < 5 years	≥ 5 years	Subtotal	No cash flow	Total
Assets								
Due from banks	65,041	253,671	68,756	–	10,962	**398,430**	–	**398,430**
Loans and advances to the public and private sectors	2,215,962	49,300	132,975	366,033	5,459,613	**8,223,883**	43,258	**8,267,141**
Total assets	**2,281,003**	**302,971**	**201,731**	**366,033**	**5,470,575**	**8,622,313**	**43,258**	**8,665,571**
Liabilities								
Due to banks	255,309	345,252	350,637	–	–	**951,198**	–	**951,198**
Public and private sector liabilities	8,520,913	248,131	220,866	272,584	229,631	**9,492,125**	4,955	**9,497,080**
Issued debt securities	–	7,949	758,107	1,236,834	681,939	**2,684,829**	– 15,774	**2,669,055**
Subordinated loans	–	–	–	–	116,904	**116,904**	1,247	**118,151**
Total liabilities	**8,776,222**	**601,332**	**1,329,610**	**1,509,418**	**1,028,474**	**13,245,056**	**– 9,572**	**13,235,484**

List of maturities at 31/12/2014

	With-drawable on demand	< 3 months	≥ 3 months < 1 years	≥ 1 years < 5 years	≥ 5 years	Subtotal	No cash flow	Total
Assets								
Due from banks	127,205	97,206	16,844	287,902	9,055	**538,212**	–	**538,212**
Loans and advances to the public and private sectors	1,605,019	106,024	98,794	480,181	3,863,688	**6,153,706**	99,318	**6,253,024**
Total assets	**1,732,224**	**203,230**	**115,638**	**768,083**	**3,872,743**	**6,691,918**	**99,318**	**6,791,236**
Liabilities								
Due to banks	156,465	445,447	100,609	392,410	–	**1,094,931**	740	**1,095,671**
Public and private sector liabilities	8,544,461	567,334	793,395	296,085	307,758	**10,509,033**	6,650	**10,515,683**
Issued debt securities	–	41,600	20,141	1,929,872	94,341	**2,085,954**	30,832	**2,116,786**
Subordinated loans	–	1,000	2,000	–	117,016	**120,016**	1,399	**121,415**
Total liabilities	**8,700,926**	**1,055,381**	**916,145**	**2,618,367**	**519,115**	**13,809,934**	**39,621**	**13,849,555**

Financial instruments measured at fair value

The tables below show financial instruments designated at fair value through profit or loss. For a review of valuation models and techniques and for information about these instruments, see Risk management, Section 9, Fair value.

Financial instruments at fair value at 31/12/2015				
Item	Fair value determination using listed market prices	Fair value determination using observable market inputs	Fair value determination using non-observable market inputs	**Total**
Assets				
Government paper eligible for central bank refinancing	1,050,019	–	–	1,050,019
Debt instruments	1,707,455	–	–	1,707,455
Equity instruments	273	19,598	19,630	39,501
Derivatives (receivables)	26,124	158,203	–	184,327
Total assets	**2,783,871**	**177,801**	**19,630**	**2,981,302**
Liabilities				
Issued debt securities	–	751,922	73,720	825,642
Other liabilities	–	–	330	330
Derivatives (liabilities)	26,124	163,897	–	190,021
Total liabilities	**26,124**	**915,819**	**74,050**	**1,015,993**

Financial instruments at fair value at 31/12/2014				
Item	Fair value determination using listed market prices	Fair value determination using observable market inputs	Fair value determination using non-observable market inputs	**Total**
Assets				
Government paper eligible for central bank refinancing	1,748,808	–	–	1,748,808
Debt instruments	1,377,852	–	–	1,377,852
Equity instruments	16,178	24,116	11,698	51,992
Derivatives (receivables)	14,406	185,898	–	200,304
Total assets	**3,157,244**	**210,014**	**11,698**	**3,378,956**
Liabilities				
Issued debt securities	–	620,359	113,698	734,057
Other liabilities	28	–	–	28
Derivatives (liabilities)	14,406	262,562	–	276,968
Total liabilities	**14,434**	**882,921**	**113,698**	**1,011,053**

The table below shows value changes recognised in profit or loss and in the revaluation reserve of financial instruments designated at fair value.

Value changes of financial instruments designated at fair value	2015			2014		
Item	Value changes recognised in profit or loss	Value changes to revaluation reserve	**Total value changes**	Value changes recognised in profit or loss	Value changes to revaluation reserve	**Total value changes**
Assets						
Government paper eligible for central bank refinancing	18,709	– 7,730	**10,979**	78,979	119,468	**198,447**
Debt instruments	– 10,349	– 1,160	**– 11,509**	20,864	– 53,785	**– 32,921**
Equity instruments	416	4,004	**4,420**	– 28	– 1,702	**– 1,730**
Derivatives	– 5,446	–	**– 5,446**	– 73,198	–	**– 73,198**
Issued debt securities	– 8,544	–	**– 8,544**	– 33,966	–	**– 33,966**
Total	**– 5,214**	**– 4,866**	**– 10,100**	**– 7,349**	**63,981**	**56,632**

Financial instruments not recognised at fair value

The table below 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 the table are estimated on the basis of the present value or other estimation or valuation methods.

Financial instruments not recognised at fair value	2015		2014			
	Fair value	Carrying amount	Fair value	Carrying amount	Valued using	Valuation method
Assets						
Government paper eligible for central bank refinancing	361,498	337,070	368,044	344,744	Listed market prices	Listed market prices
Due from banks	400,519	398,430	528,543	538,212	Observable market inputs	Discounted cash flows using applicable money market rates
Loans and advances to the public and private sectors	8,612,252	8,267,141	6,371,889	6,253,024	Non-observable market inputs	Discounted cash flows using current market fees for comparable loans and taking into account the creditworthiness of the counterparty
Debt instruments						
– Held to maturity	195,898	186,569	201,655	188,965	Listed market prices	Listed market prices
– Other debt instruments at amortised cost	1,091,203	1,071,314	2,960,659	2,943,752	Non-observable market inputs	Discount model
Liabilities						
Due to banks	951,855	951,198	1,094,699	1,095,671	Non-observable market inputs	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk
Public and private sector liabilities	9,633,807	9,497,080	10,655,672	10,515,683	Non-observable market inputs	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk
Issued debt securities	1,873,399	1,843,413	1,434,108	1,382,729	Non-observable market inputs	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk
Subordinated loans	146,131	118,151	158,916	121,415	Non-observable market inputs	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk

Capital adequacy requirements and available capital
The table below presents minimum capital required, qualifying capital and capital ratios of F. van Lanschot Bankiers at company level.

Capital adequacy requirements and available capital	External requirement	31/12/2015
Minimum capital required		**539,737**
Credit risk		475,990
Market risk and settlement risk		1,549
Operational risk		58,812
CVA risk		3,386
Qualifying capital		**1,087,390**
Of which Tier I core capital		1,040,456
Of which Tier I capital		1,040,456
Of which Tier II capital		46,934
Capital ratios		
Total capital ratio	8.0%	16.1%
Tier I ratio	6.0%	15.4%
Common Equity Tier I ratio (phase-in)	4.5%	15.4%

Result for the current financial year is not included in qualifying capital. The Common Equity Tier I ratio including the result for the current financial year worked out at 15.7%.

No comparative figures are included as in 2014 Van Lanschot was exempt from capital reporting on F. van Lanschot Bankiers at company level. This exemption was granted by De Nederlandsche Bank (DNB) based on the undertakings issued by Van Lanschot NV pursuant to Article 403, Book 2 of the Dutch Civil Code for F. van Lanschot Bankiers NV. This undertaking expired in 2015.

Future liabilities not recognised in the statement of financial position
We have entered into contracts for buildings – including service fees and rent for any parking spaces – as well as car lease and computer lease contracts. The remaining terms of the lease and rental agreements range between one month and 13 years. The total of future minimum lease and rent payments amounts to €46.8 million, of which €10.8 million within one year, €20.1 million between one and five years, and €15.9 million after five years.

We have agreed non-current liabilities with group companies for an indefinite term to cover rent including accommodation expenses for an office location plus services, for an annual amount of €5.1 million. These contracts may be terminated with due observance of a notice period.

We also have non-current liabilities for outsourcing of IT and a purchase contract for licensing and maintenance of our securities system. For more information, please refer to the supplementary notes to the consolidated financial statements.

Notes to the company statement of income

(x €1,000)

23. Share of profit / (loss)
This item includes net profit realised by associates.

24. Other results
This includes other income and expenses after corporation tax.

Remuneration of the Statutory and Supervisory Boards

For further details of remuneration received in 2015, see the Remuneration section on page 68.

Statutory Board in 2015

	Fixed salary	Fixed payment toward pension contribution*	Variable pay, cash	Deferred variable pay for previous years, shares of Van Lanschot NV	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 of Van Lanschot NV. 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 of Van Lanschot NV	Severance pay	Compensation	Total remuneration
Total	**2,450**	**568**	**–**	**339**	**425**	**–**	**3,782**
Karl Guha	750	168	–	67	–	–	**985**
Constant Korthout	425	100	–	68	–	–	**593**
Richard Bruens**	425	100	–	68	–	–	**593**
Arjan Huisman	425	100	–	68	–	–	**593**
Ieko Sevinga***	425	100	–	68	425	–	**1,018**

* 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 of Van Lanschot NV that will vest in 2016.

Depositary receipts for shares of Van Lanschot NV 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 of Van Lanschot NV.

Number of depositary receipts for shares of Van Lanschot NV 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 2014.

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, 30 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

Other information

Independent auditors' report

To: The shareholders and Supervisory Board of F. van Lanschot Bankiers NV.

Report on the audit of the financial statements 2015

Our opinion
We have audited the financial statements 2015 of F. van Lanschot Bankiers 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 F. van Lanschot Bankiers 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 F. van Lanschot Bankiers 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 F. van Lanschot Bankiers 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

Materialiteit	
Materiality	€10 million
Benchmark applied	One percent of the Common Equity Tier-I capital
Explanation	We have applied Common Equity Tier-I 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
F. van Lanschot Bankiers NV is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of F. van Lanschot Bankiers 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 BV. 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	
F. van Lanschot Bankiers NV 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, F. van Lanschot Bankiers NV 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	
F. van Lanschot Bankiers NV 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 F. van Lanschot Bankiers 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, 30 March 2016

Ernst & Young Accountants LLP

Signed by W.J. Smit

Profit appropriation

Articles of Association on profit appropriation

Profit is appropriated in accordance with Article 28 of the Articles of Association. This article states that profit is at the disposal of the General Meeting (Article 28 (1)).

Distributions may only be made if equity exceeds the issued and paid up share capital, plus the reserves required by law (Article 28 (2)).

Profit is distributed after adoption of the financial statements, which should prove that such distribution is justified (Article 23 (3)).

With due observance of Article 28 (2), the General Meeting can decide to distribute from a reserve it is not required to keep under the law (Article 28 (5)).

If the Annual General Meeting of Shareholders approves of the dividend proposal as included in these financial statements, the appropriation of net result will be as follows:

Profit appropriation (x €1,000)	2015	2014
Total	**34,163**	**99,001**
Addition to (withdrawal from) reserves	15,730	99,001
Dividend on shares	18,433	–

Events after the reporting period

Delta Lloyd has indicated its intention to pursue a sale of its shareholding in Van Lanschot NV by way of a marketed offering in the course of 2016. We place a high value on having a stable shareholder base that supports our strategy and positioning as a specialist, independent wealth manager, and have therefore agreed to facilitate the offering and to cooperate.

Glossary

Advanced Internal Ratings Based approach (A-IRB)
The most sophisticated credit risk measurement technique. Under A-IRB, a bank is allowed to develop its own models, based on direct or indirect observations, to estimate parameters for calculating risk-weighted assets. Credit risk under A-IRB is determined by using internal input for probability of default (PD), loss given default (LGD), exposure at default (EAD) and maturity (M).

Amortised cost
The amount for which financial assets or liabilities are initially recognised less redemptions, plus or minus accumulated depreciation/amortisation using the effective interest rate method for the difference between the original amount and the amount at maturity date, and less impairments or amounts not received.

Assets under administration
Assets which are entrusted by clients to Van Lanschot purely for custody or for which solely administrative services are performed. Clients take their own investment decisions, over which Van Lanschot has no influence.

Assets under discretionary management
Client assets entrusted to Van Lanschot under a discretionary management agreement, irrespective of whether these assets are held in investment funds, deposits, structured products (Van Lanschot Index Guarantee Contracts) or cash.

Assets under management
Assets deposited with Van Lanschot by clients, breaking down into assets under discretionary management and assets under non-discretionary management.

Assets under non-discretionary management
Client assets held for clients by Van Lanschot, irrespective of whether these assets are held in investment funds, deposits, structured products (index guarantee contracts) or cash, with either a Van Lanschot investment adviser advising the client on investment policy or clients making their own investment decisions without Van Lanschot's input.

Base point value (BPV)
A method to measure interest rate risk. It indicates how much profit or loss is generated in the event of a parallel shift in the yield curve by one basis point.

Basel III
The new framework drawn up by the Basel Committee on Banking Supervision, which introduces a stricter definition of capital and several new ratios and buffers with which banks must comply. The gradual transition from Basel II to Basel III is taking place over a period of five years and started in 2014.

Basel III leverage ratio (LR)
The leverage ratio represents the relationship between total assets plus contingent items and the Basel III Tier I capital. The leverage ratio is calculated in accordance with the Delegated Act.

Basel A-IRB exposures: Retail
Receivables modelled in retail models. At Van Lanschot, this class includes the mortgage portfolio, the securities-backed loan portfolio and consumer loans up to €250,000.

Basel F-IRB exposures: Corporates
Receivables from corporates modelled in non-retail models. At Van Lanschot, this class of exposure comprises commercial real estate clients, holding companies as clients, and private and corporate loan accounts.

Basel F-IRB exposures: Equities
Positions in equities and subordinated loans, provided these are not designated as deductions from capital. Van Lanschot applies the simple risk weight method.

Basel F-IRB exposures: Securitisation
Van Lanschot's securitisation investor positions, recognised in keeping with the ratings-based method, i.e. with risk weightings calculated on the basis of external credit ratings.

Basel SA exposures: Administrative bodies and non-commercial undertakings
Receivables from administrative bodies and non-commercial undertakings are assigned a risk weighting based on the credit quality category of the central government of the jurisdiction where the registered office is situated. A risk weighting of 20% therefore applies for administrative bodies and non-commercial undertakings in the Netherlands.

Basel SA exposures: Central counterparties
Receivables from entities acting as a single party between counterparties trading contracts on one or more financial markets. Under certain conditions, these receivables may be assigned a risk weighting of 2%. If not all the conditions are met, these receivables are treated in the same way as receivables from financial institutions.

Basel SA exposures: Central governments and central banks
Receivables from central governments and central banks with credit ratings from designated rating agencies. Their risk weightings are linked to their precise credit quality steps. Receivables from central governments and central banks of EU member states are assigned a risk weighting of 0%. At Van Lanschot, this class of exposures chiefly comprises Dutch government bonds, balances withdrawable on demand at central banks and exposures for which a state guarantee is available.

Basel SA exposures: Covered bonds
Bonds backed by collateral. This class of receivables is assigned a risk weighting between 10% and 100%, depending on the risk weighting of the financial company issuing them. If an external credit rating for the bond is not available, the risk weighting of the issuing financial entity is used.

Basel SA exposures: Financial companies and financial institutions
Receivables from and debt securities issued by banking counter-parties. Almost all of these receivables have short maturities, and such good credit ratings that the credit quality step system allows for a risk weighting of 20%. Risk weightings are 50% where no such ratings are available.

Basel SA exposures: International organisations
Almost all receivables from international organisations have such good credit ratings that the credit quality step system allows for a risk weighting of 0%.

Basel SA exposures: Items associated with particularly high risks
This class of exposures comprises investments in venture capital, which are assigned risk weightings of 150%.

Basel SA exposures: Local or regional government bodies
Receivables from and debt securities issued by local or regional government-related bodies. Almost all of these receivables have short maturities, and such good credit ratings that the credit quality step system allows for a risk weighting of 0%.

Basel SA exposures: Multilateral development banks
These receivables are treated as receivables from financial institutions. Almost all receivables from multilateral development banks have short maturities, and such good credit ratings that the credit quality step system allows for a risk weighting of 20%. Certain specified development banks have a risk weighting of 0%.

Basel SA exposures: Other risk-weighted assets
This class of exposures consists of property, plant and equipment, prepayments and accrued income, and equities available for sale.

Basel SA exposures: Past due items
Receivables that are past due by more than 90 days, to which the standardised method is applied, and that exceed the agreed limits by at least €5,000. Risk weightings are 150% or 100%, depending on the size of the relevant provision. If the relevant provision amounts to less than 20% of the unsecured portion of the receivable, a risk weighting of 150% applies.

Basel SA exposures: Receivables from corporates
Receivables from corporates owed to Van Lanschot's subsidiaries and non-retail receivables, in so far as these are not covered by one of the non-retail models. These items are assigned a risk weighting of 100%.

Basel SA exposures: Receivables in the form of units or shares in UCITS
Receivables relating to investment funds which do not pose a heightened risk within the meaning of Article 128 of the CRR. The risk weighting of these items is 100%.

Basel SA exposures: Private individuals and medium-sized enterprises
Receivables owed to subsidiaries by private individuals and medium-sized enterprises that are not backed by securities or residential mortgages, assigned a risk weighting of 75%. At Van Lanschot this class of exposures mainly includes receivables owed to group companies by private individuals.

Basel SA exposures: Secured on real estate
Receivables whose amounts are smaller than or equal to 75% of the value of the residential real estate, in so far as these are not included in a retail model. These are assigned a risk weighting of 35%.

Basel SA exposures: Securitisation positions
Securitisation positions in subsidiaries' investment portfolios, recognised in keeping with the SA method, i.e. with risk weightings calculated on the basis of external credit ratings.

Carried interest arrangement
A carried interest arrangement relates primarily to private equity fund managers who are given the opportunity to obtain a stake in a company acquired. This arrangement is financed by a subordinated loan or by cumulative preference shares that do not participate in any surplus profits. The manager holds ordinary shares and participates in any surplus profits.

Cash flow hedges (hedge accounting)
Instruments to hedge the exposure to fluctuations in cash flows of assets, liabilities or future transactions, arising as a result of interest rate changes and/or inflation.

Client option positions
Clients are unable to buy or sell share options directly on the stock exchange. Van Lanschot purchases or sells on behalf of these clients and covers this with offsetting transactions on the stock exchange. Such receivables and payables are recognised under Derivatives.

Common Equity Tier I capital
Also referred to as core capital. Core Tier I capital encompasses a bank's share capital, share premium and other reserves, adjusted for deductions as specified by regulators, such as goodwill, deferred tax assets and IRB shortfall.

Common Equity Tier I ratio
Common Equity Tier I capital as a percentage of total risk-weighted assets.

Contingent liabilities
All commitments arising from transactions for which the bank has given a guarantee to third parties.

Credit-linked swaps
Swaps where variable interest payments linked to Euribor, possibly with a lower or upper limit, are exchanged for credit guarantees in respect of a third party. The counterparty is obliged to pay out if the third party is no longer able to meet its payment obligations. The contract will identify specific payment-triggering events.

Credit risk
The risk that loans are not repaid, not fully repaid or not repaid on time. This also includes the settlement risk, i.e. the risk that counterparties do not fulfil their obligations in connection with, for instance, securities transactions.

Credit support annex (CSA)
Forming part of an international swaps and derivatives agreement (ISDA), a CSA regulates credit support (collateral) for obligations resulting from derivatives.

Credit valuation adjustment (CVA)
An adjustment made on the valuation of derivatives transactions with a counterparty, reflecting the current market value of counterparty credit risk.

Cross-currency swap
A currency swap in which the principal and interest payments denominated in one currency are exchanged for the principal and interest payments denominated in another currency during a fixed term.

Currency options
Currency options grant their buyer the right, but not the obligation, to buy or sell a quantity of a certain currency at a pre-determined exchange rate during or at the end of a pre-determined period. The currency option constitutes an obligation for the seller. Van Lanschot's currency options mainly relate to client transactions covered by offsetting transactions in the markets.

Defined benefit scheme
A pension scheme other than a defined contribution scheme (see below). In a defined benefit scheme, the company has the constructive obligation to make up any deficit in the scheme. This does not have to be based on any legal agreement, but may be simply on the basis of an historical intention on the part of the company to make up any deficits.

Defined contribution scheme
A scheme in which the company makes agreed contributions to a separate entity (a pension fund) to secure pension rights. The company is not obliged, either legally or effectively, to pay additional contributions if the pension fund does not have enough assets to cover all of its current and future obligations.

Depositary receipts for shares (DRS)
Depositary receipts for shares have no voting rights, but do entitle their holders to profits.

Derivatives
Financial assets whose value derives from the value of other financial assets, indices or other variables. Van Lanschot holds both derivatives whose size (face value), conditions and prices are determined between Van Lanschot and its counterparties (OTC derivatives), and standardised derivatives traded on established markets.

Discounted cash flow (DCF)
A method to value an investment by estimating future cash flows, taking account of the time value of money.

Duration of equity
Duration of equity is a measure of the interest rate sensitivity of equity and reflects the impact on equity of a 1% parallel shift in the interest curve.

EBIT
Earnings before interest and tax.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Economic hedges
Derivatives used to manage risks without applying hedge accounting, carried at fair value. At Van Lanschot, these primarily take the shape of interest rate derivatives.

Effective interest rate
The rate that discounts estimated cash flows to the net carrying amount of the financial asset over the life of an instrument, or, where appropriate, over a shorter period.

Efficiency ratio
Operating expenses excluding impairments and result from the sale of private and public sector loans and advances as a percentage of income from operating activities.

Equity instruments issued by subsidiaries
Perpetuals issued by subsidiaries, which count as Tier I qualifying capital under Basel II when determining capital adequacy.

Expected loss (EL)
Expected loss on loans, reflected in the formula EL=PD*EAD*LGD.

Exposure at default (EAD)
Exposure at the time of a client's default, also referred to as net exposure.

Fair value hedges (hedge accounting)
A fair value hedge comprises one or more swaps concluded to cover the changes in fair value resulting from changes in interest rates, of debt securities in particular. Hedge relations are typically exact hedges, involving debt securities with fixed rates and terms being offset by swaps with exactly the same terms and fixed interest rates.

Fiduciary management
Holding assets as a trustee or in another fiduciary role for individuals, trusts, pension providers and other institutions. These assets are not included in the consolidated financial statements because they are not Van Lanschot's assets.

Forbearance
Making a concession regarding the terms and conditions of a loan agreement due to actual or anticipated financial difficulties which prevent a client from meeting its obligations vis-à-vis Van Lanschot. The concession enables the client to meet the revised obligations. This may also include the whole or partial refinancing of the existing loan.

Forward Rate Agreement (FRA)
An agreement between two parties, the purchaser and the vendor, to settle at a future date the difference between a pre-agreed interest rate and one to be set in the future. The agreement has a set term. The purchaser of an FRA fixes interest for a certain period in the future.

Forwards
Contractual obligations to purchase or sell goods or financial assets at a future date at a pre-determined price. Forward contracts are customised contracts traded on the OTC markets.

Foundation internal ratings-based approach (F-IRB)
An advanced credit risk measurement technique. Under F-IRB, a bank is allowed to develop its own models, based on direct or indirect observations, to estimate parameters for calculating risk-weighted assets. Credit risk under F-IRB is determined by using internal input for probability of default (PD). In contrast to A-IRB, the loss given default (LGD) is included, based on prescribed values.

Funding ratio
The ratio between public and private sector liabilities and total loans and advances (excluding bank borrowing and lending).

Futures
Contractual obligations to purchase or sell goods or financial assets at a future date at a pre-agreed price. Futures are standardised contracts traded on organised markets, with stock exchanges acting as intermediaries and requiring daily settlement in cash and/or deposits of collateral. Van Lanschot has a number of futures on share indices on its books, partly for own use and partly for clients, for offsetting transactions in the markets.

General Meeting
The body formed by the voting shareholder and others with voting rights.

Global Reporting Initiative (GRI)
An independent organisation which develops guidelines for sustainability reports. Van Lanschot's integrated annual report is based on GRI. www.globalreporting.org

Gross exposure
The value at which receivables are recognised in the consolidated statement of financial position, with the exception of derivatives. Gross exposure is calculated on the basis of an add-on percentage of the nominal value (fixed percentages in accordance with the Financial Supervision Act) and the positive replacement value.

Hedge
Protection of a financial position – against interest rate risks in particular – by means of a financial instrument (typically a derivative).

Impairment
Amount charged to the result for possible losses on non-performing or irrecoverable loans and advances. Alternatively, an impairment test may suggest lower asset values, if fair values have dipped below carrying amounts and/or the fair value of investments and associates have moved below cost.

Incurred but not reported (IBNR)
Value decreases which have occurred at reporting date but of which the bank is not yet aware due to an information time lag.

Innovative Tier I instruments
Equity elements other than paid-up share capital and reserves, taken into account when determining Tier I capital (core capital).

Institutional Investors Group on Climate Change (IIGCC)
A European collaborative platform for institutional investors in relation to climate change.

Interest rate option
An agreement between a buyer and a seller, under which the seller guarantees the buyer a maximum interest rate (cap) or minimum interest rate (floor) for a fixed term.

Interest rate risk
The risk that profit and equity are impacted by changes in interest rates, in particular in the event of an intentional or unintentional mismatch in the terms of funds lent and borrowed.

Interest rate swaps
A contract in which two parties exchange interest payments for a pre-agreed period and a notional principal amount, while not swapping the face value. An interest rate swap typically involves exchanging fixed-rate cash flows for floating-rate cash flows in the same currency, with the floating rate based on a benchmark interest rate (usually Euribor).

Internal capital adequacy assessment process (ICAAP)
Strategies and procedures designed for the bank's continuous assessment as to whether the amount, composition and distribution of its equity still reconcile with the size and nature of its current and potential future risks.

Internal ratings-based approach (IRB)
An advanced approach used to calculate credit risk. Van Lanschot applies both the foundation internal ratings-based (F-IRB) and advanced internal ratings-based (A-IRB) approaches. In this report, IRB refers to both internal ratings-based model approaches.

International Financial Reporting Standards (IFRS)
Accounting and reporting standards drawn up by the International Accounting Standards Board. These standards have been adopted by the European Union and must be applied by all listed companies in the European Union from the 2005 financial year.

Irrevocable commitments
All obligations resulting from irrevocable commitments that could result in loans being granted.

KCM
Kempen Capital Management NV

Kempen
Kempen & Co NV

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 active markets (e.g. over-the-counter financial derivatives) is established using cash flow and option valuation models. On the basis of its estimates, Van Lanschot selects a number of methods and makes assumptions based on the market conditions (observable data) at the reporting date.

Level 3: Input not based on observable market data
The financial assets in this category have been assessed on an individual basis. Their valuation is based on management's best estimate by reference to the most recent prices, prices of similar instruments and, to a not insignificant extent, information not observable in the market.

Liquidity coverage ratio (LCR)
The LCR represents the ratio between high-quality liquid assets and the balance of cash outflows and cash inflows in the next 30 days.

Liquidity risk
The risk that the bank has insufficient liquid assets available to meet current liabilities in the short term.

Loss given default (LGD)
An estimate of the loss for Van Lanschot after liquidation of the received collateral.

Market risk
The risk that the value of a financial position changes due to movements in stock exchange prices, foreign exchange and/or interest rates.

MSCI
A global equity index by Morgan Stanley Capital International, typically used as a standard benchmark.

MSCI ESG Research
A data provider specialising in non-financial investment information. Van Lanschot has used the services of MSCI ESG Research for its sustainable investment process since 2015. www.msci.com/research/esg-research

Net exposure (EAD)
Exposure at the time of a client's default.

Net stable funding ratio (NSFR)
The relationship between available stable funding and the required amount of stable funding.

Non-performing loans
Loans are classed as non-performing if they meet one or more of the following criteria: 1) significant limit overrun for a period of more than 90 days; 2) a probability of default of 1; 3) a provision has been taken; 4) forbearance exposures where the two-year probationary period has not begun.

Operational risk
The risk of direct or indirect losses as a result of inadequate or defective internal processes and systems, inadequate or defective human acts, or external events.

Other non-controlling interests
Non-controlling interests in entities that are fully consolidated by Van Lanschot.

Portfolio of fair value hedges (hedge accounting)
Such a portfolio may comprise one or more swaps or caps (interest rate options) jointly entered into to hedge the interest rate risk of a mortgage portfolio. Both swaps (or caps) and mortgages are divided into term buckets, with the fair value of these mortgages mainly affected by interest rate levels, similar to the valuation of swaps. Minor differences in terms and interest rates may cause some ineffectiveness within the term buckets.

Principles for Responsible Investment (PRI)
The Principles for Responsible Investment consist of six guidelines to which financial institutions can sign up and which are aimed at encouraging responsible investment. Kempen Capital Management signed the Principles for Responsible Investment in 2009. www.unpri.org

Probability of default (PD)
The likelihood that a client will default within one year.

Proxy voting policy
Kempen & Co regards it as its fiduciary responsibility to vote at shareholders' meetings for its own (Kempen) funds and – at the request of clients – for (discretionary) mandates. The proxy voting policy describes how it fulfils this responsibility. www.kempen.nl/proxyvoting

Qualifying capital
The sum of total Tier I and total Tier II capital.

Residential mortgage-backed securities (RMBS)
Securities backed by residential mortgages. A provider of residential mortgages (typically a bank) will sell these on to a separate entity, a special purpose vehicle (SPV). To finance the mortgages, the SPV will then issue securities called RMBS, which are secured by the mortgages.

Risk-weighted assets (RWA)
The assets of a financial institution after being adjusted by a weighting factor, set by its regulators, that reflects the relative risk attached to the relevant assets. Risk-weighted assets are used to calculate the minimum amount of capital the institution needs to hold.

Shortfall
The difference between the calculated expected loss (EL) and the provision made for a loan for which the capital adequacy requirement is calculated using the IRB method. If the calculated EL exceeds the provision made, the difference must be deducted from Common Equity Tier I capital.

Solvency
The bank's buffer capital expressed as a percentage of risk-weighted assets.

Standardised approach (SA)
A method used under Basel to measure operational, market and credit risks, based on a standardised approach, in which risk weightings are prescribed by the regulators.

Strategic risk
Current or future threats to the bank's results or equity resulting from not or inadequately responding to changes in the environment and/or from taking incorrect strategic decisions.

Structured products
Synthetic investment instruments specially created to meet specific needs that cannot be met by the standardised financial assets available in the markets.

The Next Generation
Van Lanschot's community programme aimed at stimulating entrepreneurship and talent development in the Netherlands.

Tier I ratio
The ratio between total Tier I capital and risk-weighted assets.

Total capital ratio
The percentage of a bank's capital adequacy calculated by dividing qualifying capital by the risk-weighted assets as defined by the Bank for International Settlements (BIS).

Total Tier I capital
Total Tier I capital of the bank includes share capital, share premium, other reserves and equity instruments issued by subsidiaries, adjusted for certain deductions set by the regulator, such as goodwill and shortfall.

Total Tier II capital
Capital instruments and subordinated loans may be designated Tier II capital under certain conditions.

Transparency benchmark
A benchmark constructed by the Dutch Ministry of Economic Affairs to provide an insight into how Dutch businesses report their activities in relation to corporate social responsibility. www.transparantiebenchmark.nl

United Nations Global Compact (UN GC)
An initiative of the United Nations to encourage corporate social responsibility. It comprises ten sustainability principles to which businesses can sign up. www.unglobalcompact.org

Value at risk (VaR)
Statistical analysis of historical market trends and volatilities to estimate the likelihood that a portfolio's losses will exceed a certain amount.

Van Lanschot
F. van Lanschot Bankiers NV

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Van Lanschot Group
Van Lanschot NV and all legal entities forming part of its group.

Weighted average cost of capital (WACC)
A measure of the average cost of a company's capital, in which debt and equity are proportionally weighted.

Wft (Financial Supervision Act)
Wft governs the supervision of the financial sector in the Netherlands.

Wholesale funding
A type of funding, in addition to savings and deposits, used by banks to fund operations and manage risks.

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We welcome your views and opinions – please see our contact details above.

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