Van Lanschot

1737

2013 Annual Report

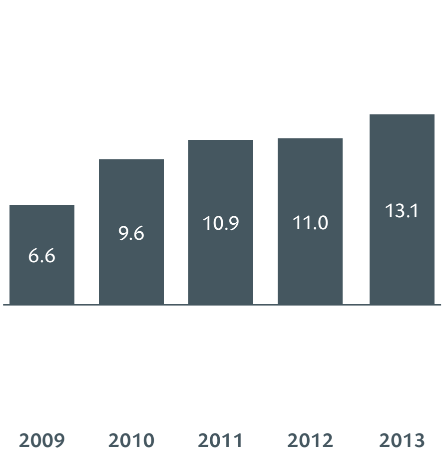
CONTENTS

The 2013 Annual report is published in both Dutch and English. It is available online at www.vanlanschot.nl/jaarverslagen (in Dutch) and www.vanlanschot.nl/annualreports (in English). In the event of any discrepancies between the two versions, the Dutch version shall prevail.

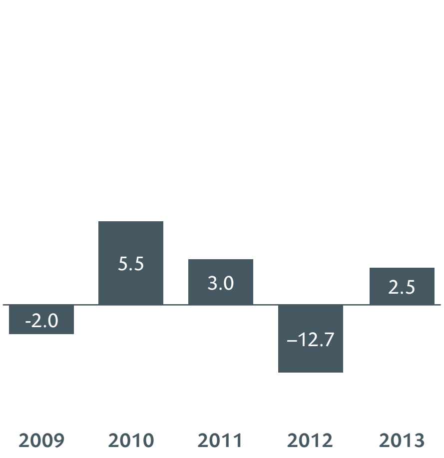
KEY DATA*

1. FINANCIAL OBJECTIVES

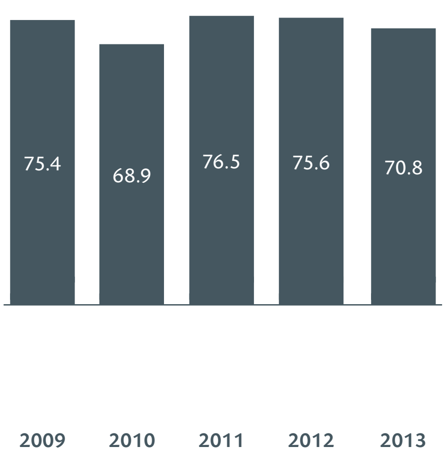
Core Tier I ratio (%)



Return on average Core Tier I equity (%)

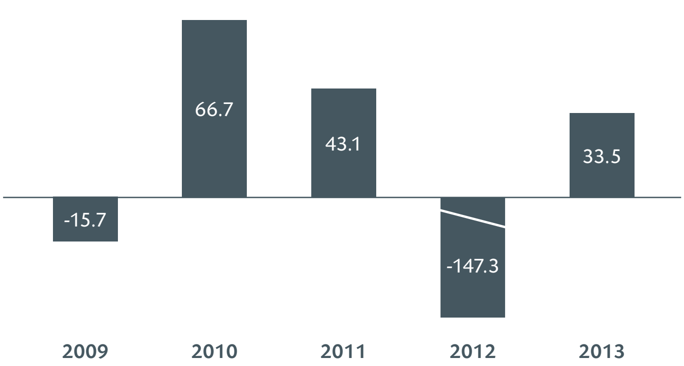


Efficiency ratio, excluding non-recurring charges (%)

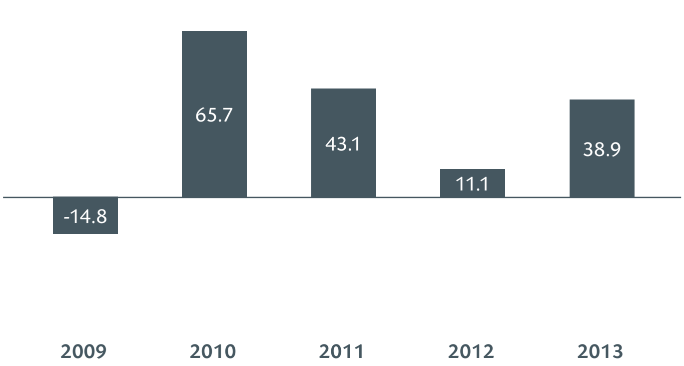


2. RESULTS

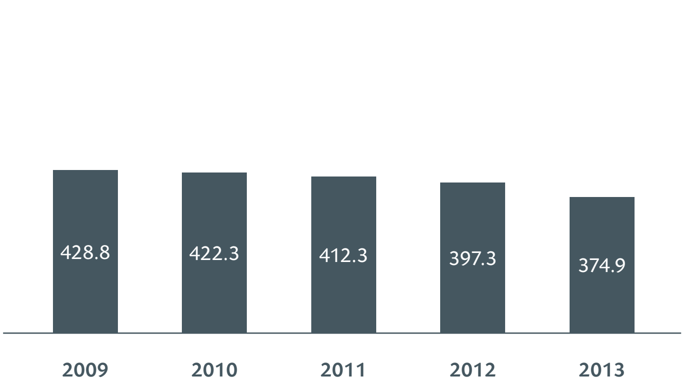
Net result, including nsi (€ million)



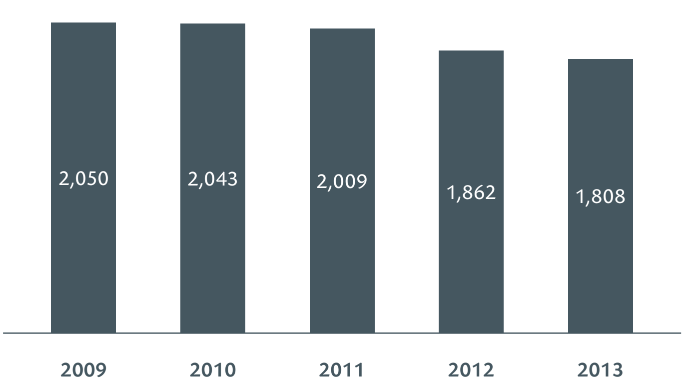
Underlying net result , including nsi (€ million)



Operating expenses (€ million)



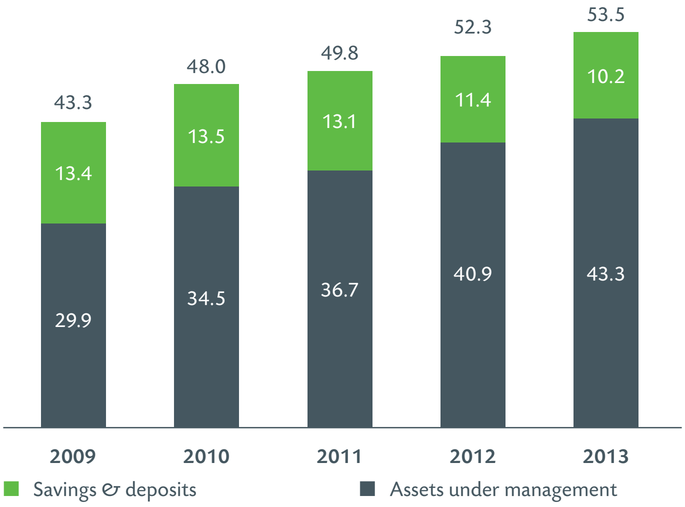
Number of staff (FTE at year end)



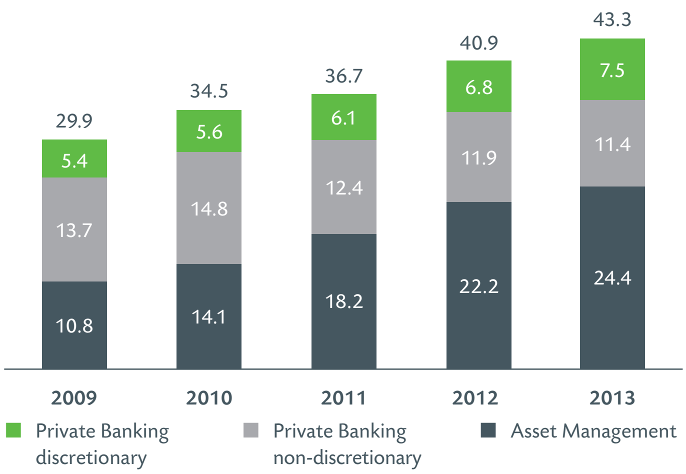
* Excluding of non-strategic investments (nsi), unless indicated otherwise.

3. CLIENT ASSETS

Client assets (€ billion, at year end)

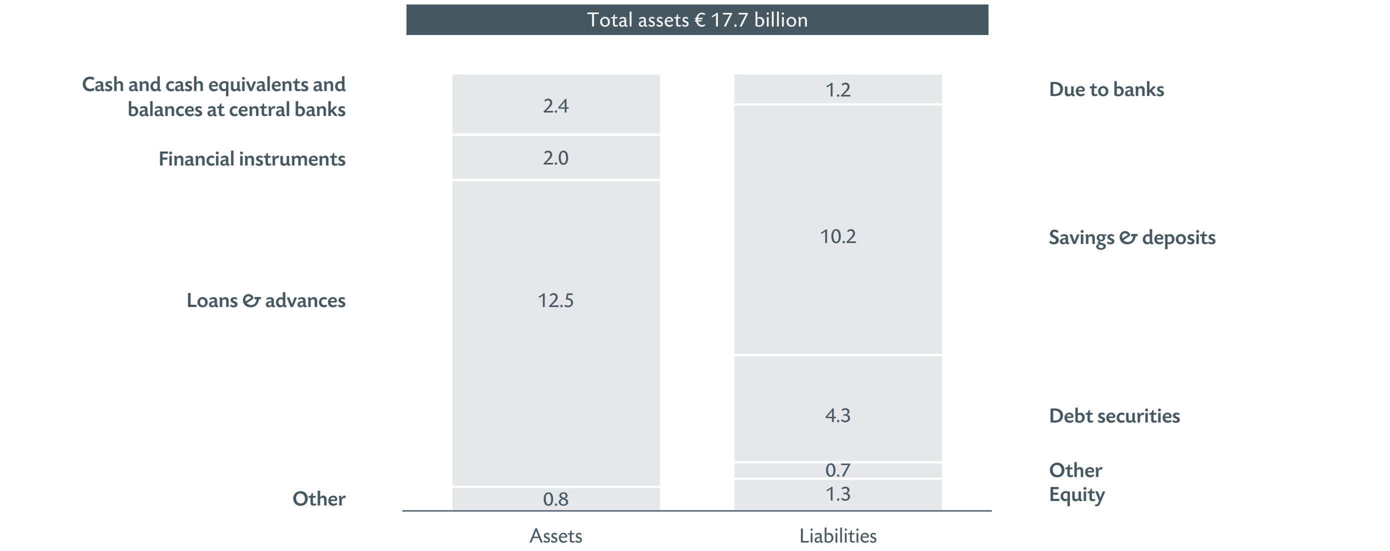


Assets under management (€ billion, at year end)

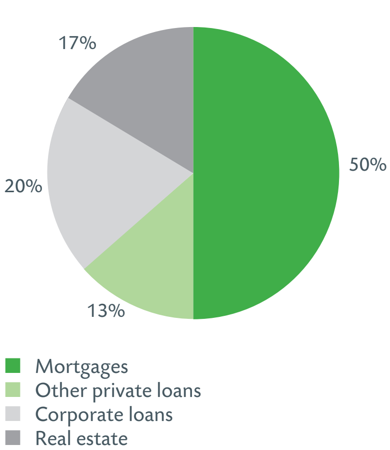


4. BALANCE SHEET

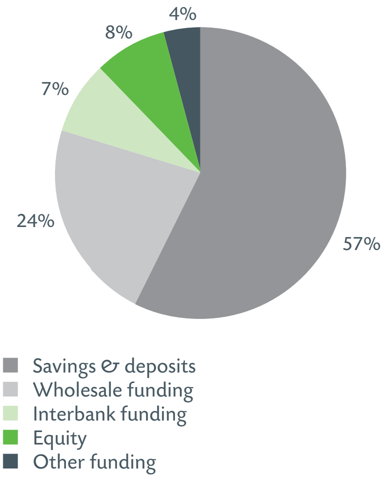
Balance sheet at 31 December 2013 (€ billion)



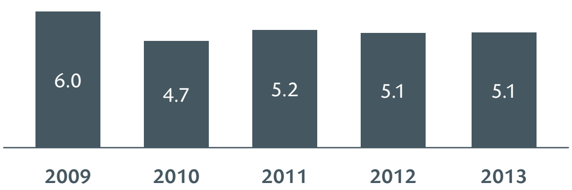
Loan portfolio at 31 December 2013



Funding mix at 31 December 2013



Leverage ratio (Basel III) (%)



€ million (unless indicated otherwise)	2013	2012[1]	Notes
Excluding of non-strategic investments (nsi), unless indicated otherwise			
RESULTS			
Income from operating activities	529.8	525.3	*Commission income is now the main source of income*
Operating expenses	374.9	397.3	*Investments and efficiency measures lead to further reduction in cost base*
Addition to loan loss provision	103.7	115.2	*Loan loss provision still relatively high, but downward trend visible compared with 2012*
Net result (including nsi)	33.5	– 147.3	*Profit recovery in 2013 despite challenging market conditions*
BALANCE SHEET			
Loans & advances	12,491	13,464	*Continued deleveraging by clients and scale-down of Corporate Banking portfolio*
Savings & deposits	10,161	11,369	*Van Lanschot deliberately does not compete on price in savings market*
Total assets	17,670	17,941	
Equity	1,339	1,315	*Increase in equity thanks to retained earnings*
Risk-weighted assets (RWA)	9,003	10,535	*Due in part to successful run-off of real estate and corporate loan portfolio*
Core Tier I ratio (%)	13.1	11.0	*Rise in Core Tier I ratio primarily attributable to retained earnings and lower risk-weighted assets*
Tier I ratio (%)	13.1	11.0	
BIS total capital ratio (%)	13.9	11.9	
Leverage ratio (%)	7.3	7.0	*Solid balance sheet leads to excellent leverage ratio*
BASEL III			
Common Equity Ratio *(fully loaded)* (%)	10.5	9.3	*Van Lanschot complies with all Basel III capital and liquidity requirements*
Liquidity Coverage Ratio (%)	151.3	126.3	*Comfortable liquidity position*
Net Stable Funding Ratio (%)	102.9	101.7	*Well-diversified funding profile*
Leverage ratio (%)	5.1	5.1	
CLIENT ASSETS (€ BILLION)			
Client assets	53.5	52.3	
– Assets under management	43.3	40.9	*Inflow of discretionary assets and positive market performance offset outflow of non-discretionary mandates*
– Savings & deposits	10.2	11.4	*Outflow due to expiry of premium deposit*
Assets under management	43.3	40.9	
– Discretionary	31.9	29.0	*Substantial inflow in institutional asset management*
– Non-discretionary	11.4	11.9	*Positive shift from non-discretionary to discretionary assets*
OTHER FINANCIAL DATA			
Interest margin (%)	1.20	1.28	*Interest margin under continued pressure due to low market interest rates*
Addition to loan loss provision as a % of average RWA	1.06	1.07	*Loan loss provision still high due to challenging economic conditions in the Netherlands*
Efficiency ratio (%)	70.8	75.6	*Improved efficiency ratio in particular thanks to lower costs*
Earnings per share (€)	0.71	– 3.67	
Return on average Core Tier I equity (%)	2.5	– 12.7	
Funding ratio (%)	81.3	84.4	*The loan portfolio is largely funded by savings & deposits*
EMPLOYEES AND CLIENTS			
Number of staff (FTE) at year-end	1,808	1,862	*Adjusted for IT insourcing, the decline is 108 FTE*
Loyalty index private clients[2]	64	63	*Client loyalty score still well in excess of benchmark*
Benchmark loyalty index[2]	55	56	
CORPORATE RESPONSIBILITY			
Assets under screening (%)	66	48	*Existing investment policy applied to more asset categories*

1 The revised IAS 19 applies to all financial statements as from 1 January 2013. The new standard has consequences for the accounting treatment of employee benefits, including the pension provision. The new standard has been applied with retroactive effect in the financial statements. In addition, the amortisation charge of the macro fair value hedges was reclassified from Profit on financial transactions to Interest. The comparative figures in this document have been restated accordingly.

2 Figures relate to index scores on a scale from 0 to 100 and concern Van Lanschot Bankiers in the Netherlands.

PROFILE

SPECIALISED, INDEPENDENT WEALTH MANAGER

We are an independent, specialised wealth manager that seeks to preserve and create wealth for our clients. Our strength comes from the strong, special relationship that our private and institutional clients have with the established Van Lanschot and Kempen & Co brands. Private banking, asset management and merchant banking are areas in which we excel and where our expertise, experience and personal attention allow us to stand out from the crowd.

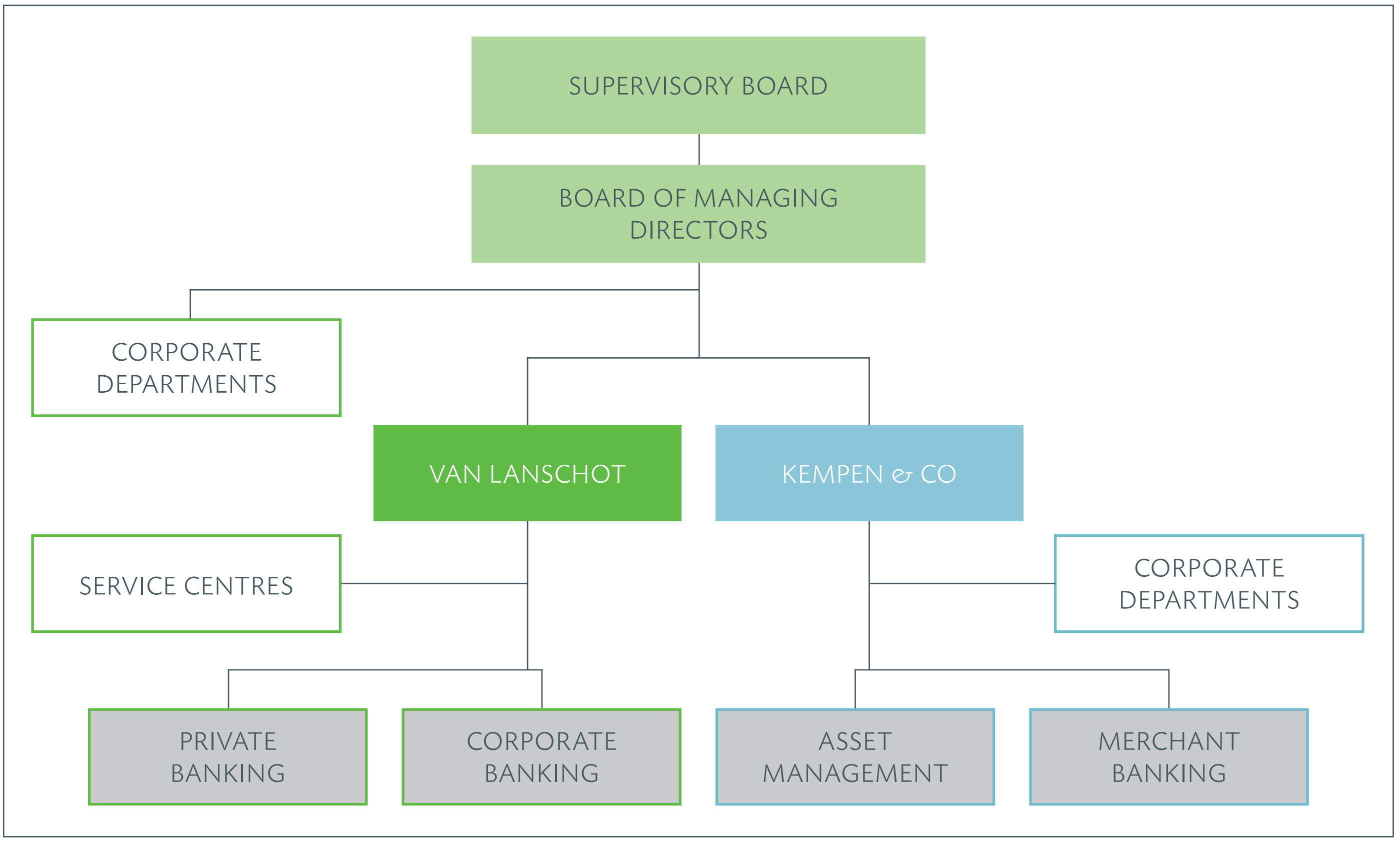
Our Private Banking services are aimed at high net-worth individuals, entrepreneurs and family businesses. We also target business professionals and executives, healthcare professionals, and foundations and associations. Creating and preserving wealth is not only relevant for high net-worth individuals; there is a universal need for this. Given this, in 2013 we introduced a new online savings and investment solution for those starting out on the wealth management market.

Activities that are not directly related to wealth management will be scaled back in the next few years. These include corporate lending activities, which have been segregated within Corporate Banking. A team of specialists will continue to serve to these clients, based on a more standardised package of products and services.

Asset Management and Merchant Banking offer specialist services in areas such as asset management, securities, mergers and acquisitions and capital market transactions to institutional investors, companies, financial institutions and semi-public and public institutions. These activities reinforce the wealth management proposition we offer our clients.

Van Lanschot is the oldest independent private bank in the Netherlands with a history dating back to 1737. For us, the client is key, but we also serve the interests of other stakeholders. We maintain close contacts with our own employees, shareholders, other providers of capital and society at large. Our aim is to be a trustworthy, reliable bank for all stakeholders.

Operational group structure



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF MANAGING DIRECTORS

In 2013 our bank demonstrated resilience in what were still challenging market conditions. It therefore gives me great pleasure to be able to report on a number of important positive developments.

STRATEGIC REVIEW

The most important development in terms of the future of the bank was the strategic review we carried out. We made a clear choice to reinforce our positioning as an independent, specialised wealth manager that seeks to preserve and create wealth for our clients. Our strategy focuses on activities that help us achieve this aim; all other activities are being scaled back or terminated. Our core business currently encompasses three activities: Private Banking (under the name of Van Lanschot), Asset Management and Merchant Banking (both under the name of Kempen & Co). These units offer products and services that support and enhance each other, creating a combination that forms the heart of our wealth management strategy. One clear example of the choices we made, and which we are now implementing in a highly disciplined and focused way, concerns scaling back the corporate loan portfolio, which is now managed separately by the Corporate Bank that was specifically set up for this purpose.

FOCUS, SIMPLIFY, GROW

The implementation of our strategy will result in the transformation of the bank, based on focus, simplification and growth.

We started with the simplification of processes, products and our organisation, creating a solid foundation for the future growth of our core activities. The main emphasis in 2013 was on the transformation of Private Banking. We introduced three service concepts: Personal Banking, Private Banking and Private Office. Each of these propositions is geared to specific asset management requirements and offers a distinctive service of a quality that is appropriate for the relevant client group. In this way, we are also responding to the changing needs of clients, who are increasingly demanding online solutions in combination with personal attention. The introduction of Evi van Lanschot, the online investment and savings coach, was a special milestone. The Evi marketing campaign was well received and led to the inflow of new clients and new assets. As a result of this, our expertise in the areas of asset management and advice is now accessible to those who are new to wealth management. In Belgium, Evi was introduced as a savings module. It will be extended to include investment services in 2014.

At Asset Management and Merchant Banking the emphasis is on continuing with the policy that is already in place and has proven to be successful. Both of these core activities had a good year and contributed substantially towards the profitability of the group as a whole. The strategic review had less impact on these core activities, but we will, of course, continue to look for new opportunities and develop even better services for institutional clients in these areas as well.

PROFIT RECOVERY

It is obviously also very significant that we are profitable once more, both in operational terms and bottom line. This recovery in profit represents a solid result for 2013. Our income is, to an increasing degree, a reflection of our choice to focus on wealth management, which we made as part of our strategic review. Commission became the main source of income in 2013. There was a rise in the total amount of client assets - investments and savings - that we manage for our clients. This was partly attributable to the rising stock markets seen in 2013, and also to the inflow of asset management mandates. Moreover, the bank managed to achieve a further substantial reduction in its cost base.

LOAN PORTFOLIO WITH CONTROLLED RISKS

Van Lanschot has a diversified loan portfolio. Traditionally, losses on the portfolio of mortgage loans to high net-worth individuals are very low.

There is little sector concentration in the corporate loan portfolio, while commercial real estate loans are generally for small-scale properties, with virtually no property development. The loan portfolio is, of course, not immune to economic conditions. The increase in the number of business failures and bankruptcies was reflected in the level of loan losses. Although the loan loss provisions seem to have stabilised, their level remains relatively high. We do, however, have a good picture of the risks in our portfolio and they are under control. If the economic recovery, which got off to a cautious start, continues, it is reasonable to expect that the required provisions will fall to a much lower level.

BALANCE SHEET STRENGTHENED

Another important development was the strengthening of our balance sheet. The domestic and international banking landscape was shaken by a number of problems at individual banks in the Netherlands and in Cyprus, especially in the first half of the year. As a result, all banks, including us, came under greater scrutiny again and had to deal with more queries from clients. For this reason in particular, it is significant that each quarter saw a further improvement in our Core Tier I ratio, which rose to 13.1% by the end of the year. We are therefore clearly on our way to achieving a ratio of over 15% in 2017. We also made specific efforts to diversify our funding profile in 2013. We reduced our dependence on retail funding by conducting a number of capital transactions on the wholesale market, which also substantially strengthened our balance sheet. We intend to continue diversifying our funding profile in the next few years.

COMMITTED EMPLOYEES, LOYAL CLIENTS

I became the CEO of Van Lanschot in January 2013. The bank has a great history as the oldest independent financial institution in the Netherlands. Over the past year, I have come to see the bank as a very special company. It is special in two respects in particular: the commitment of our employees, and the loyalty of our clients. These two factors are, of course, closely connected. At a time when banks are coming in for public criticism, these factors have set us apart from other banks. I consider it my mission, and the mission of all my colleagues, to ensure our future success as a specialised, independent wealth manager.

I would like to take this opportunity to express a special word of thanks to our employees. It has not been an easy year and circumstances have made great demands on them and created uncertainty for many. Some of our colleagues lost their jobs. This was a painful, yet vital, consequence of the choices we were forced to make in order to ensure we can remain successful in the future. Despite all this, our employees in the Netherlands and abroad, at Van Lanschot, Kempen & Co, our service centres and our corporate departments, put their hearts and souls into working for our clients.

I am also very grateful to our clients for their loyalty and commitment to our bank. This is exceptional, and it is something we cherish. We are aware that they have been affected by some of our changes. We are, however, doing all we can to ensure the interest of clients and the client experience always come first. In addition, when it comes to activities that no longer form part of our core business we pay careful attention to the interests of our clients and we ensure that alternatives and solutions are available.

A MARATHON, NOT A SPRINT

A great deal of work needs to be done, and we still have a long way to go. This is a marathon, not a sprint. I am very encouraged by the fact that our clients, our employees and our shareholders understand why we are heading in a new direction and support it. In addition, I feel it is important to emphasise that implementation of the strategic review is being led by a broad team, consisting of members of the Board of Managing Directors of Van Lanschot and the management of Kempen & Co. All core activities are therefore represented at a senior level, and we will be able to achieve the best results through close collaboration and having mutual objectives.

DIVIDEND

Thanks to the results we achieved and our solid capital position at the end of the year, we are in a position to present a dividend proposal to our shareholders for the first time since 2011. This is a sign of how confident we are that we can be successful and remain successful in the long term.

READY FOR THE FUTURE

2013 was an eventful year for Van Lanschot and its employees, but it was also a year in which we accomplished a great deal. At the start of 2014 there were positive signs of economic recovery in key sectors and global markets. It remains to be seen whether this recovery will translate into an improvement in the state of the economy in the Netherlands and Belgium, and if so, what shape this will take. No matter what the future brings, we are ready. Our three core activities - Private Banking, Asset Management and Merchant Banking - which operate under our strong Van Lanschot and Kempen & Co brands, are in good shape. Although we have been affected by the tough economic conditions of recent years, we have managed to withstand them on our own. We believe there will be plenty of opportunities for growth in our core activities in the coming years. The bank is stable and is well on course to achieving our aim of sustainable value creation for our clients and our shareholders.

's-Hertogenbosch, the Netherlands, 10 March 2014

Karl Guha
Chairman of the Board of Managing Directors

VAN LANSCHOT'S STRATEGY

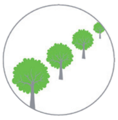
STRATEGIC FRAMEWORK

Positioning: independent, specialised wealth manager that seeks to preserve and create wealth for our clients

Strategy

Focus

- Focus on Private Banking, Asset Management and Merchant Banking
- Specialised services for specific target groups
- Scale-down of activities that are unrelated to Private Banking



Simplify

- Transparent and simplified range of products and services
- Efficient organisation, lean IT and streamlined back office
- Significant reduction in cost base

Grow

- Growth in Private Banking thanks to new service concepts and expansion of online services
- Inclusive offer of wealth management services for all those who wish to preserve and create wealth
- Growth in Asset Management and Merchant Banking through strengthening of selected niches

Core values	Ambitious	Committed	Independent	Professional

The profile of an independent, specialised wealth manager calls for a solid balance sheet with high capital ratios. The strategic choices contribute to this, in particular through improved profitability and balance sheet deleveraging. We aim to achieve our targets in harmony with all stakeholders.

	Targets		Achieved in 2013
Clients	**Client satisfaction** Continue to outperform the benchmark in the loyalty index		Score of 64 (benchmark 55)
	Customer care Adopt a customer care policy that sets the tone for the sector and goes beyond the statutory framework		• Customer care policy central theme in execution of strategic review • Simpler and more accessible product offering for clients • Asset management and investment advice services increasingly available online, also for those starting out on the wealth management market
Staff	**Employer status** Be an employer of choice for top talent in the financial sector.		• Talent development as part of long-term policy • Training institute Van Lanschot Academy • Higher inflow of starters and young professionals • More attractive profile on the labour market thanks to clear focus
Financials		**Targets for 2017**	**Achieved in 2013**
	• Core Tier I ratio	> 15%	13.1%
	• Return on Core Tier I equity	10-12%	2.5%
	• Efficiency ratio	60-65%	70.8%

Priorities for 2013	Achieved/progress in 2013
Focus	
• Structure Private Banking organisation; service concepts in line with needs of client	• Introduction of service concepts: Personal Banking, Private Banking and Private Office • Specialised services for high net-worth individuals, entrepreneurs, business professionals and executives, healthcare professionals, and foundations and associations further refined
• Scale down corporate loan portfolio with no link to Private Banking	• Creation of Corporate Banking • Reduction in risk-weighted assets of Corporate Banking by € 0.5 billion
Simplify	
• Rationalise product range: simplify and adjust product range to client wishes	• Analysis of client wishes and creation of blueprint for simplification of product range • Mortgage policy made more uniform • Start of simplification of savings & deposits products
• Increase organisational efficiency	• Net reduction of 108 FTE • Corporate loans concentrated in one team within Corporate Banking in Den Bosch; Corporate Banking team workforce reduced by 30% • Support services for Private Banking clients centralised in Den Bosch
• Simplify IT infrastructure	• Launch of new securities platform • Continued development of online banking portal (technical and visual improvement) • Move and upgrade of datacentre
Grow	
• Expand online services	• Introduction of Evi in the Netherlands: online offering for asset management, investment advice and savings, also for those starting out on the wealth market • Introduction of Evi in Belgium: online savings module
• Continue niche strategy Asset Management and Merchant Banking	• Asset Management: increase in assets under management thanks to new mandates • Merchant Banking: reinforcement of international market positions in selected niches

Priorities for 2014	Actions scheduled for 2014
Focus	
• Structure Private Banking organisation; service concepts in line with needs of client	• Optimisation of service concepts: Personal Banking, Private Banking and Private Office • Introduction of new system for transparent and client-centric communication
• Scale down corporate loan portfolio with no link to Private Banking	• Reduction in risk-weighted assets of Corporate Banking • Investment in development programmes for Corporate Banking staff
Simplify	
• Rationalise product range: simplify and adjust product range to client wishes	• Launch of a single savings & deposits account • Reduction of number of product variants in mortgages and payments
• Increase organisational efficiency	• Additional reduction of FTE • Finalisation of centralisation of investment advisers • Simplification of processes at support departments and mid and back office • Moving of corporate support departments to Amsterdam
• Simplify IT infrastructure	• Migration of savings accounts to Bankview product system • Replacement of current CRM system and document management system with one single new CRM system • Collaboration between Van Lanschot and Kempen in terms of infrastructure
Grow	
• Private Banking	• Launch of marketing campaign for the various service concepts and segments • Broadening and deepening of online offering (e.g. expanding Evi offering in Belgium) • Improving commercial strength and investing in training and education of staff
• Asset Management	• Continuation and expansion of successful niche strategy and position in fiduciary asset management
• Merchant Banking	• Expansion of national and international position in selected niches

FINANCIAL PERFORMANCE

The recovery in profit in 2013 demonstrates Van Lanschot's resilience in what are still challenging market conditions. At the start of 2013 a strategic review was carried out, which included making a number of clear choices. As an independent, specialised wealth manager, the bank aims to preserve and create wealth for its clients. The strategy focuses on activities that help achieve this aim; all other activities are being scaled back or terminated.

All core activities of our business - Private Banking, Asset Management and Merchant Banking - contributed to the profit recovery. Net profit for 2013 stood at € 33.5 million. There was a substantial reduction in the cost base, which fell 6%. The total amount of client assets - investments and savings - that we manage for our clients increased to € 53.5 billion. This was partly attributable to the rising stock markets seen in 2013, and also to the inflow of asset management mandates.

The loan loss provision is still relatively high owing to economic conditions in the Netherlands in recent years, although a downward trend is observable compared with 2012. The leverage ratio was excellent at 7.3%, and our liquidity position improved substantially. The bank already complies comfortably with the Basel III capital and liquidity requirements, which are due to come into effect in the next few years. Thanks to the results we achieved and our solid capital position at the end of the year, there are now grounds to present a dividend proposal to our shareholders for the first time since 2011.

(€ million)	**2013**	**2012[1]**	**%**
Interest	213.9	233.2	– 8
Income from securities and associates	14.8	21.1	– 30
Commission	234.8	216.7	8
Profit on financial transactions	66.3	54.3	22
Income from operating activities	**529.8**	**525.3**	**1**
Staff costs	217.3	207.1	5
Other administrative expenses	135.0	157.6	– 14
Depreciation and amortisation	22.6	32.6	– 31
Operating expenses	**374.9**	**397.3**	**– 6**
Gross result before non-recurring charges	**154.9**	**128.0**	**21**
Non-recurring charges	8.0	46.1	– 83
Gross result after non-recurring charges	**146.9**	**81.9**	**79**
Addition to loan loss provision	103.7	115.2	– 10
Other impairments	2.4	120.2	– 98
Impairments	**106.1**	**235.4**	**– 55**
Operating result before tax	**40.8**	**– 153.5**	–
Operating result before tax of non-strategic investments	– 3.4	– 11.9	– 71
Income tax	3.9	– 18.1	–
Net result	**33.5**	**– 147.3**	–
Underlying net result excluding non-recurring charges	**38.9**	**11.1**	–

[1] The revised IAS 19 applies to all financial statements as from 1 January 2013. The new standard has consequences for the accounting treatment of employee benefits, including the pension provision. The new standard has been applied with retroactive effect in the financial statements. In addition, the amortisation charge of the macro fair value hedges was reclassified from Profit on financial transactions to Interest. The comparative figures in this document have been restated accordingly.

(€ million)	2013	2012
Underlying net result excluding non-recurring charges	**38.9**	**11.1**
Non-recurring charges	– 8.0	– 46.1
Impairment on goodwill and intangible assets	–	– 126.6
Tax effect	2.6	14.3
Net result	**33.5**	**– 147.3**

INCOME FROM OPERATING ACTIVITIES

Following the strategic review, our income now more closely resembles that of a wealth manager. Commission became the main source of income in 2013.

Interest

Net interest income amounted to € 213.9 million in 2013, down 8% on 2012. The interest margin in 2013 was 120 basis points based on the average balance sheet total (2012: 128 basis points). The 'clean' interest margin[2] fell from 133 basis points in 2012 to 122 basis points in 2013.

Net interest income was impacted by a number of positive and negative developments:

- Further repricing of the loan portfolio generated higher interest income.
- A lower deposit volume and lower savings rates led to lower interest charges. In the case of the premium deposit that expired in the spring of 2013, Van Lanschot decided not to extend the deposit at the same high rate. Van Lanschot deliberately does not compete on price in the savings market and followed the market trend by gradually reducing savings rates over the course of 2013.
- A decline in the volume of mortgage and other loans led to a fall in interest income. This fall in the volume of lending was due to clients using available or released funds to make repayments. The scale-down of the real estate and corporate loan portfolios was also a contributory factor.
- Interest income declined owing to the sale of bonds held in the investment portfolio, mainly at the start of 2013. The gain on the sale of these bonds is included under Profit on financial transactions.
- Van Lanschot completed a number of capital market transactions with a view to funding diversification, which led to pressure on net interest income.

Income from securities and associates

(€ million)	2013	2012	%
Dividend	3.0	4.3	– 30
Capital gains	1.2	5.3	– 77
Valuation gains and losses	10.6	11.5	– 8
Income from securities and associates	**14.8**	**21.1**	**– 30**

Dividend consists of dividends received on participations. Valuation gains and losses relate to the revaluation of non-controlling shareholdings, including Van Lanschot's equity stake in De Zonnewijser (formerly Ducatus) (2013: € 0.4 million; 2012: € 5.6 million) and its share in the result of Van Lanschot Chabot (2013: € 0.7 million; 2012: € 0.4 million). The remainder relates to revaluations of the participations portfolio.

The IPO of one of the funds of MedSciences Capital (part of Kempen Capital Management) was held in the first half of 2013. A gain on this transaction was recognised in the first six months. This gain was partially set off in the second half of the year due to a fall in the share price. Part of this result accrues to other external shareholders.

Commission

(€ million)	2013	2012	%
Commission	187.9	166.9	13
– transaction fee	40.7	39.1	4
– management fee	146.6	125.6	17
– performance fee	0.6	2.2	– 73
Other commission	46.9	49.8	– 6
Commission	**234.8**	**216.7**	**8**

Securities commission increased by 13% compared with 2012. This rise was due in part to an increase in investment transactions, particularly in the first six months of 2013, which resulted in an increase in transaction-related commission. It was also due to an increase in management fees[3], which was attributable to the inflow of new asset management mandates, a shift from assets under non-discretionary management to discretionary management, and the rise in share prices. The share of total securities commission in the form of stable management fees rose to 78% in 2013 (2012: 75%). At present, 40% of total assets under management at Private Banking are under discretionary management (year-end 2012: 36%).

[2] This is the interest margin adjusted for factors such as loan commission and penalty interest.

[3] Management fees include portfolio commission and custody fees.

Profit on financial transactions

(€ million)	2013	2012	%
Profit on securities trading	3.4	3.7	– 8
Profit on currency trading	13.1	14.6	– 10
Profit on investment portfolio	26.4	26.8	– 1
Profit on interest rate hedges	29.3	17.1	71
Other income	– 5.9	– 7.9	– 25
Profit on financial transactions	**66.3**	**54.3**	**22**

The profit on the investment portfolio of € 26.4 million was entirely attributable to the sale of bonds held in portfolio (2012: € 11.3 million).

Van Lanschot applies hedge accounting to a number of swaps. These swaps serve to hedge the interest rate risk on fixed-interest mortgage loans in particular. Imperfections in these hedges and shifting interest rate curves cause ineffectiveness, which is charged directly to profit.

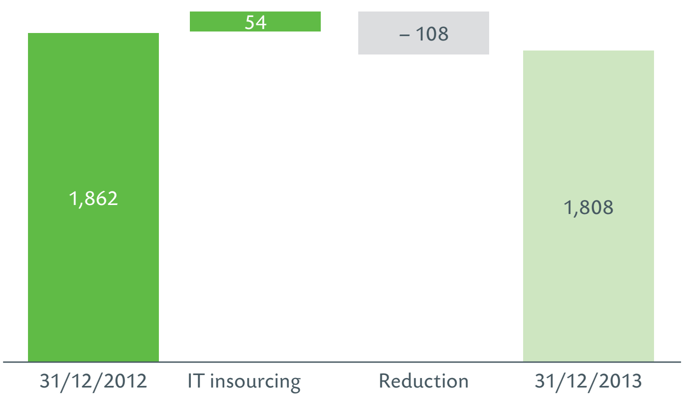
OPERATING EXPENSES

The efficiency measures implemented by the bank during the past two years had a visible impact on its cost level. Operating expenses fell by a further 6% compared with 2012 to € 374.9 million. This means that the original target of reducing the cost base for our core activities to € 380 million by 2015 has already been achieved. On 1 January 2013, 54 FTE were insourced by the IT department. This led to a decline in other administrative expenses and an increase in staff costs.

Staff costs

At year-end 2013, the workforce consisted of 1,808 FTE (year-end 2012: 1,862 FTE) excluding non-strategic investments. The increase in the number of FTE due to IT insourcing was offset by an outflow due to the closure of foreign offices and to efficiency measures. The implementation of the strategic plans is on track. Despite the fall in FTE, staff costs rose 5% in 2013 to € 217.3 million. This was partly due to the fact that the insourcing of IT employees took place at 1 January 2013, while the FTE reduction was mainly in the second half of the year.

FTE 2013



Other administrative expenses

Other administrative expenses stood at € 135.0 million, 14% lower than in 2012. This decrease was due in part to the insourcing of IT activities.

Notwithstanding the marketing costs for the media campaign to publicise the introduction of the new online investment product Evi in the second half of the year, total marketing expenses were lower than in 2012. A number of cost reduction and investment initiatives stemming from the strategic review also led to a reduction in other administrative expenses.

Depreciation and amortisation

Depreciation and amortisation stood at € 22.6 million, 31% lower than in 2012. The most significant factor in this reduction was the accelerated amortisation charge recognised at the end of 2012 relating to the intangible assets associated with the acquisition of Kempen & Co and CenE Bankiers. In addition, a number of IT projects were fully written down in 2013 on reaching the end of their depreciation period.

Non-recurring charges

Non-recurring charges totalling € 8.0 million were recognised in 2013 (2012: € 46.1 million). These non-recurring charges can be broken down as follows:

(€ million)	2013
Accelerated investments in client services	10.1
Additional charges related to headcount reduction	10.2
Other expenses and income related to branch closures and advisory fees	0.9
Gains on sale and impairments of office buildings	– 13.2
Non-recurring charges	**8.0**

When the investment and cost reduction programme was announced in early 2012, Van Lanschot stated that it would set aside € 30 million for accelerated investments in IT. Approximately € 6.5 million of this budget is still available to be used in 2014.

As part of the focus on strategy and balance sheet optimisation, Van Lanschot decided to enter into sale and leaseback transactions for a number of office buildings. The realised gain was disclosed under Gains on sale and impairments of office buildings. As a consequence, depreciation charges will be lower, and lease charges will be higher, in the coming years. The result of € 13.2 million also includes the reversal of an impairment on an office building.

Efficiency ratio

The efficiency ratio (the ratio of operating expenses to income from operating activities) improved to 70.8% (2012: 75.6%), thanks to higher income from operating activities and lower operating expenses.

IMPAIRMENTS

(€ million)	2013	2012	%
Addition to loan loss provision	**103.7**	**115.2**	**– 10**
Impairment of investments and participations	1.6	2.9	– 45
Capital loss on buildings and assets obtained through the seizing of collateral	0.5	4.2	– 88
Impairment of goodwill and intangible assets	0.3	113.1	–
Other impairments	**2.4**	**120.2**	**– 98**
Total impairments	**106.1**	**235.4**	**– 55**

The addition to the loan loss provision stood at € 103.7 million in 2013, 10% less than in 2012. This is, however, still relatively high.

Other impairments

Impairments amounting to € 1.1 million were applied to a number of equity stakes held in the participations portfolio in 2013. On balance, the fair value of the participations portfolio increased.
A net capital loss on buildings and assets obtained through the seizing of collateral was recognised of € 0.5 million. When seizing collateral, Van Lanschot sometimes acquires the assets. Any subsequent decreases in value are recorded as impairments.
In the first half of 2013 a goodwill impairment was recognised on a consolidated non-strategic investment (€ 3.4 million). This item was reclassified during the second half of the year as an addition to loan loss provision, under the result of non-strategic investments.

INCOME TAX

Income tax for 2013 totalled € 3.9 million (2012: tax credit of € 18.1 million). This represents a tax burden of 10.4% (2012: 10.9%). The tax burden is relatively low because the equity holding exemption applies to some of the income. This relates specifically to the income from securities and associates and a capital gain on the sale of Van Lanschot's former activities in Luxembourg.

PROFIT APPROPRIATION

(€ million)	2013	2012
Net profit	**33.5**	**– 147.3**
Net interest on perpetual loans	– 1.1	– 1.1
Share of other non-controlling interests	– 3.2	– 1.7
Net profit for calculation of earnings per ordinary share	**29.2**	**– 150.1**
Earnings per ordinary share (€)	**0.71**	**– 3.67**
Weighted average number of outstanding ordinary shares (x 1,000)	40,918	40,883

The profit attributable to other non-controlling interests relates to the share of other external shareholders in the profit realised by MedSciences Capital and to the Management Investment Plan for a group of staff of Kempen & Co, which was introduced in 2010.

A dividend proposal will be made to the shareholders of Van Lanschot NV to distribute a cash dividend of € 0.20 per share. This represents a pay-out ratio of 28%. The dividend will be made payable in cash.

BALANCE SHEET

(€ million)	2013	2012	%
Balance sheet and capital management			
Equity attributable to shareholders	1,284	1,262	2
Equity attributable to non-controlling interests	55	53	4
Savings & deposits	10,161	11,369	– 11
Loans and advances	12,491	13,464	– 7
Total assets	17,670	17,941	– 2
Funding ratio (%)	81.3	84.4	

LOAN PORTFOLIO

(€ million)	2013	2012	%
Mortgage loans to private individuals	6,483	6,945	– 7
Other private banking loans	1,690	1,673	1
Corporate loans	2,516	2,755	– 9
Real estate loans	2,135	2,401	– 11
Impairments	– 333	– 310	7
Total	**12,491**	**13,464**	**– 7**

The loan portfolio fell by 7% to € 12.5 billion in 2013. In line with general market trends, Van Lanschot saw a further decline in demand for mortgages and corporate loans. In addition, the deleveraging trend among clients continued.

Corporate Banking

As announced as part of the strategic review in mid 2013, Van Lanschot has set up a Corporate Banking unit, where a team of experts focus on managing and scaling down the real estate and corporate loan portfolios. The risk-weighted assets in this portfolio were reduced from € 4.6 billion at year-end 2012 to € 4.1 billion at year-end 2013. The reduction in the loan book released risk-bearing capital and also contributed directly to the improvement in the Core Tier I ratio.

Loan portfolio

Half of the loan portfolio consisted of residential mortgage loans with an average Loan-To-Value (LTV) ratio of 81% at the end of 2013 (year-end 2012: 77%). The LTV ratio is calculated on the basis of market value. The increase in the LTV ratio was due to the fall in residential property valuations in the Netherlands. If the more conservative index-linked foreclosure value is used as a basis, the LTV ratio was 95% (year-end 2012: 91%). Besides providing the usual collateral, a large number of the mortgage clients also hold client assets at Van Lanschot. This portfolio is also characterised by limited losses, low levels of default and few foreclosures.

Corporate loans are well diversified across sectors. The portfolio consists in part of loans related to real estate. The real estate loan portfolio, worth € 2.2 billion, is managed by a specialist team, and comprises small-scale properties in the Netherlands. The bank provides hardly any finance for property development. The average LTV ratio based on foreclosure values was 87% at year-end 2013 (year-end 2012: 71%). The increase in the LTV ratio is due to new, lower rental value factors and to recent appraisals.

The loan portfolio is concentrated in the Netherlands (95%) and Belgium (2%).

PROVISIONS

The bank has formed provisions for the impaired loans in its loan book. At year-end 2013, impaired loans amounted to € 600 million. Of this, € 333 million, or 56%, had been provided for (2012: 58%). The table below provides a more detailed breakdown of the total loan portfolio and the provisions formed at year-end 2013.

Loan portfolio *(€ million)*	Loan portfolio	Impaired loans	Provision for impaired loans	NPL (%)[4]	Coverage ratio (%)
Mortgage loans to private individuals	6,483	107	66	1.7	62
Other private banking loans	1,690	135	64	8.0	47
Corporate loans	2,516	142	99	5.6	70
Real estate loans	2,135	216	94	10.1	44
Impairments	– 333	–	–		
Total	**12,491**	**600**	**323**	**4.8**	**54**
Incurred But Not Reported (IBNR)			10		
Provision including IBNR			**333**		**56**

Van Lanschot has a diversified loan portfolio with risks that are well under control. However, the portfolio is not immune to economic conditions. The increase in the number of business failures and bankruptcies was reflected in the level of loan losses, particularly in the corporate loan portfolio. The addition to the loan loss provision, which amounted to € 103.7 million in 2013, was once again high, although it did show a downward trend compared with 2012 (€ 115.2 million). The addition to the loan loss provision for 2013 corresponds to 106 basis points of the average risk-weighted assets (2012: 107 basis points).

An in-depth review of the corporate and real estate loan portfolios (Asset Quality Review, AQR) was conducted together with external parties in the fourth quarter of 2013. The majority of the underlying commercial real estate was reappraised as part of the AQR. The results of this review confirm that the bank has adequate capital buffers to cover potential credit risks.

Capital and liquidity management

Van Lanschot continued to prioritise reinforcing its capital and liquidity positions in 2013.

(€ million)	**31/12/2013**	**31/12/2012**	**%**
Risk-weighted assets	9,003	10,535	– 15
Core Tier I ratio (%)	13.1	11.0	–
Tier I ratio (%)	13.1	11.0	–
BIS total capital ratio (%)	13.9	11.9	–
Leverage ratio (%)	7.3	7.0	–

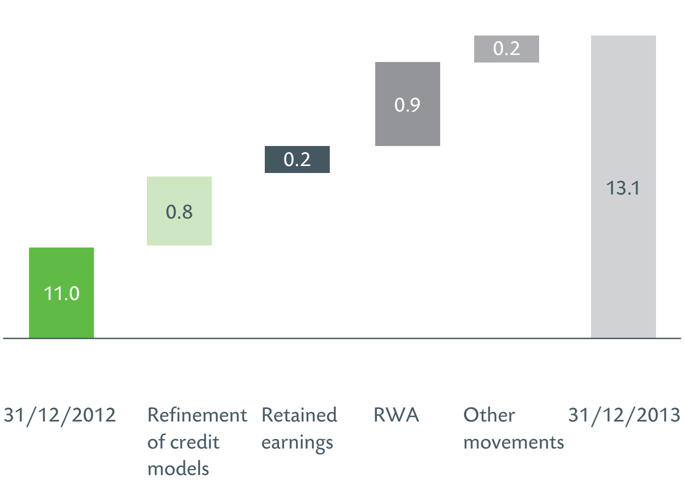
Capital management

There was a substantial rise in the Core Tier I ratio, from 11.0% at year-end 2012 to 13.1% at year-end 2013, which reflects the bank's strong capital position. Van Lanschot is therefore well on track to achieving its target of a Core Tier I ratio of at least 15% in 2017.

4 Non-performing loans (NPL) are impaired loans as a percentage of the total volume of loans outstanding.

The increase in the Core Tier I ratio is primarily attributable to retained earnings and a fall in risk-weighted assets. A number of refinements to the credit models also contributed to the lower risk-weighted assets. For example, the implementation of a new rating model for the SME portfolio in the first half of 2013 improved risk assessment.

Core Tier I ratio (%)



The robust capital base is also reflected in a leverage ratio of 7.3% (year-end 2012: 7.0%).

IAS 19 Employee Benefits *(revised)*

Van Lanschot has applied the revised accounting standard IAS 19 on employee benefits for the first time, with retroactive effect. The comparative figures have been restated accordingly. The Dutch regulator decided that the impact of this accounting standard on prudential capital requirements would be postponed. The accounting standard therefore did not have any impact on the Core Tier I ratio in 2013.

Liquidity and funding

In 2013, the bank's funding profile was diversified further, in terms of instruments, sources and maturities. For example a number of successful capital market transactions were completed, which resulted in robust funding and liquidity positions. The funding ratio of 81.3% remains strong.

Van Lanschot had a comfortable liquidity position at year-end 2013. During the course of 2013, savings and deposits fell by € 1.2 billion on balance. Almost all of this decrease took place in the first six months of the year. Van Lanschot decided not to extend the premium deposits that expired earlier in the year for reasons related to profitability, which led to an outflow of entrusted funds.

Thanks to the easing of competition on the savings market and our comfortable liquidity buffer, we were in a position to reduce savings rates over the course of the year. In addition, more and more clients are using their assets to pay off debts, and many clients have decided to invest on the back of the current market conditions.

Basel III

Stricter capital and liquidity requirements are being imposed on banks under the new Basel III rules. The new standards are being introduced in stages. The Basel III guidelines include the Common Equity Ratio, the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and a stricter definition of the leverage ratio. These are future ratios which the banking sector gradually has to comply with over the period from 2014 to 2018. At year-end 2013, the ratios based on the rules as currently known were as follows.

	31/12/2013	Requirement
Common Equity Ratio (fully loaded) (%)	10.5	> 9.5[5]
Liquidity Coverage Ratio (%)	151.3	> 100
Net Stable Funding Ratio (%)	102.9	> 100
Leverage ratio (%)	5.1	> 3

The Common Equity Ratio at 1 January 2014 under the Basel III phase-in rules was 12.6%.

Van Lanschot's investment and trading portfolio

Van Lanschot's total investment and trading portfolio[6] stood at € 2.0 billion at year-end 2013, compared with € 1.6 billion at 31 December 2012. This increase was mainly due to the purchase of Dutch and other European government bonds. These portfolios also include the investment portfolio set up with the money Van Lanschot raised by participating in the second tranche of the Long Term Refinancing Operation (LTRO) in March 2012 for an amount of € 750 million.

In the context of asset and liability management, the portfolios are held predominantly for liquidity purposes and therefore contain highly liquid and low-risk instruments.

[5] This requirement comprises the following buffers: standard (4.5%), conservation (2.5%) and countercyclical (between 0% and 2.5%).

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

CLIENT ASSETS

(€ billion)	31/12/2013	31/12/2012	%
Client assets	**53.5**	**52.3**	**2**
Assets under management	43.3	40.9	6
Savings & deposits	10.2	11.4	– 11
Assets under management	**43.3**	**40.9**	**6**
Assets under discretionary management	31.9	29.0	10
Assets under non-discretionary management	11.4	11.9	– 4
Assets under management	**43.3**	**40.9**	**6**
Private Banking	18.9	18.7	1
Asset Management	24.4	22.2	10

The increase in client assets was due to an inflow of assets under management, a positive market performance and a fall in savings and deposits from private and corporate clients.

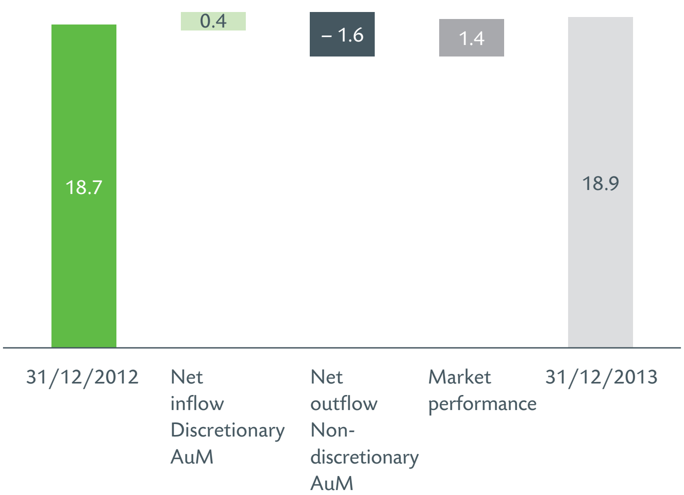
Assets under management

Total assets under management were up 6%, from € 40.9 billion at year-end 2012 to € 43.3 billion at year-end 2013. This € 2.4 billion increase is the balance of an inflow of net new money of € 0.4 billion and a positive market performance of € 2.0 billion.

Private Banking

Assets under management at Private Banking increased by € 0.2 billion to € 18.9 billion in 2013. There was an inflow of € 0.4 billion in discretionary assets under management.

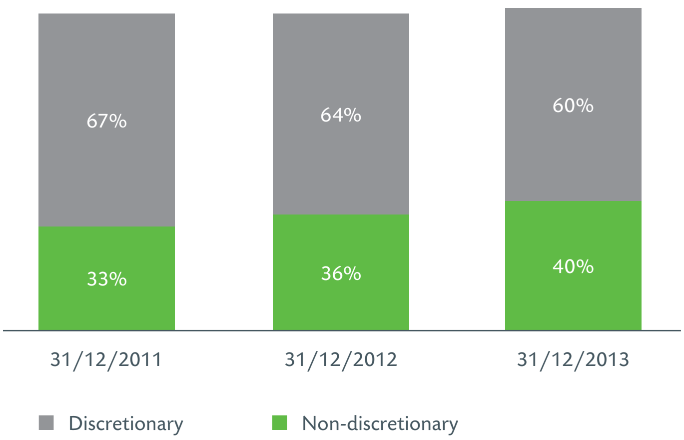
Assets under management Private Banking *(€ billion)*



The outflow in non-discretionary assets related partly to custody deposits with relatively low fees for an amount of € 0.2 billion. In addition, there was an outflow of € 0.3 billion in discretionary and non-discretionary assets due to the termination of the activities in Luxembourg and Curacao.

The trend of opting for the benefits of a discretionary mandate continued in 2013. The share of discretionary assets increased from 36% to 40%.

Ratio of assets under discretionary/non-discretionary management Private Banking

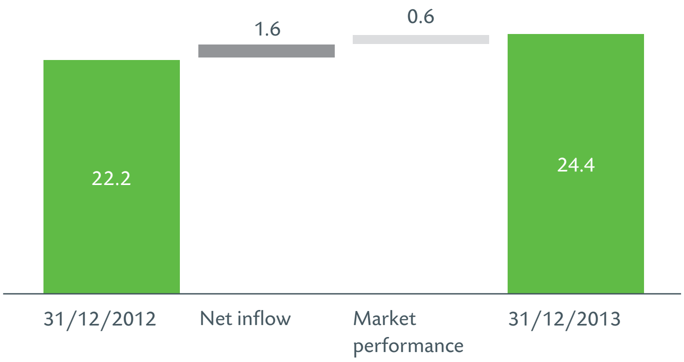


In mid October, Evi, Van Lanschot's online coach for savings and investments, was introduced in the Netherlands, opening the gates for those starting out on the wealth management market. The Evi savings module was also introduced in Belgium in December.

Asset Management

Assets under management at the Asset Management segment were up 10%, from € 22.2 billion to € 24.4 billion. This increase was primarily attributable to an inflow of net new money of € 1.6 billion in new mandates. Net inflows were seen in client solutions and in niche strategies, i.e. investment strategies such as small caps, real estate, high-yield shares, fixed-income investments and funds of hedge funds.

Assets under management Asset Management *(€ billion)*



RISK, LIQUIDITY AND CAPITAL MANAGEMENT

MAIN RISK ISSUES FOR VAN LANSCHOT

1. In 2013 Van Lanschot conducted a strategic review which was based on three pillars: focus, simplify and grow. The implementation of the review got off to a good start, with many changes being made on several fronts. As a consequence, employees and systems came under increased pressure. Given this situation, it is important that we continue to pay close attention to our clients, so that they do not come to view these changes as a deterioration in our services.

   Actions:
   The Executive Committee (EC) is monitoring implementation to ensure it is efficient and effective, and operational risk management is being stepped up further. Client feedback and loyalty are closely monitored.

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2. For most of 2013 there was no real improvement in economic conditions in Europe, particularly in the Netherlands. Cautious signs of a recovery started to be seen in the second half of the year. The outlook for 2014 is cautious optimistic, although the pace and extent of the recovery remain uncertain.

   The higher number of business failures and bankruptcies in 2013 was reflected in the level of loan losses, particularly in the corporate loan portfolio. These will therefore continue to remain above the desired level in 2014.

   Actions:
   Van Lanschot has transferred the corporate loan portfolio (including real estate loans) to Corporate Banking and stepped up management of these loans.

   In addition, risk governance has been strengthened by the creation of a separate Financial Risk Management department.

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3. Demand deposit accounts have traditionally represented a relatively high proportion of the funding mix for Van Lanschot's activities. In 2013 we continued to diversify our funding profile and were more active on the capital market, in line with our refined strategy. As a result, the relative importance of savings and deposits was reduced in 2013.

   A strong liquidity and funding position is also one of the objectives of the Basel III rules, which formally came into effect on 1 January 2014. As part of this, two new liquidity ratios - the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) - were introduced. In addition, some of the measures under the Basel III rules will have a gradual impact on our capital position.

   Actions:
   Van Lanschot aims to comply with all Basel III requirements in good time. As part of this, balance sheet management and liquidity management will focus more on the new liquidity ratios. The bank will also continue to take steps to diversify its funding profile further, in terms of instruments, sources and maturities.

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4. National and international regulators and supervisory authorities continue to impose strict requirements on banks. Examinations such as the Asset Quality Review and stress tests are being conducted in parallel with the implementation of EMIR and Basel III. In addition, banks are having to contend with stricter rules on conduct related to the provision of information on financial products, treating the customer fairly, and the extent to which investments services are appropriate and can be reproduced. Van Lanschot, too, is having to put a great deal of effort into ensuring it continues to comply with these new, often complex rules.

   Actions:
   Van Lanschot is giving top priority to these activities and devoting additional resources to them. The dialogue with the Dutch Central Bank (De Nederlandsche Bank) and the Netherlands Authority for the Financial Markets (AFM) was continued in a constructive manner, with frequent contact taking place. In addition, Van Lanschot participates in consultations with industry associations, in order to address and resolve issues affecting the whole sector. In this way we hope to help the sector deal with the challenges it is currently facing.

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5. Van Lanschot's liquidity position increased sharply thanks to the targeted scaling down of the loan portfolio, in line with our strategy, and the raising of fresh funds on the capital market. Van Lanschot retains a conservative risk profile, which means investment opportunities are more limited. This puts pressure on the interest margin.

   Actions:
   The Asset & Liability Committee (ALCO) places a specific focus on achieving an optimum risk-return ratio, with swift action being taken in response to changing market circumstances.

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6. An effective, reliable IT infrastructure is essential for a bank's services and operational processes. Van Lanschot is continuing to adapt and upgrade its systems, partly as a consequence of the current organisational changes and new rules. In addition, cybercrime is posing a growing threat. Van Lanschot is taking additional steps in order to combat this.

   Actions:
   An optimum IT infrastructure is one of the pillars of Van Lanschot's strategy. The bank will continue to make further improvements to its IT systems over the next few years.

Priorities	Actions taken in 2013	Results for 2013
• Launch and implement refined strategy • Strengthen solvency and liquidity positions • Diversify funding profile further • Implement new rules	• Intensification of credit management for corporate and real estate loan portfolios • Creation of Corporate Banking business unit to focus on scale-down of corporate loan portfolio • Reinforcement of 'three lines of defence model'; creation of separate Financial Risk Management department • Improvement in data quality and optimisation of IRB credit risk models • Efficiency improvements to and simplification of IT systems • Strengthening of operational risk management and optimisation of risk control framework • Implementation of performance management and allocation of capital to core activities	• Increase in Core Tier I ratio to 13.1% • Robust liquidity buffer; LCR and NSFR both over 100% • Further scaling down of loan portfolio, Basel III leverage ratio of 5.1% • Strong presence on the capital market in the form of both secured and unsecured issues • Recovery in profitability, net profit of € 33.5 million for 2013 • Reconfirmation of credit ratings by Fitch and Standard & Poor's • Basel III Common Equity Ratio (fully loaded) of 10.5%

RISK MANAGEMENT

Van Lanschot's aim has always been a solid profile, i.e. low risks with robust liquidity and capital positions. In the following sections, the risks are further explained. For an extensive description of the risks, reference is made to the financial statements, where these risks are, insofar as possible, quantified in terms of their impact on Van Lanschot.

Risk appetite

Every year, Van Lanschot evaluates its risk appetite, which is then laid down in a risk appetite statement. This statement, which contains both qualitative and quantitative elements, is determined by the Board of Managing Directors and subject to the Supervisory Board's approval. The Policy Risk Committee discusses progress reports once every quarter. For 2014, Van Lanschot has refined its risk appetite further and brought it into line with the strategic review. It now takes more specific account of Van Lanschot's own risk-bearing capital (i.e. the extent to which the impact of the risks can be absorbed).

Van Lanschot's risk appetite is based on the following key principles:

- Van Lanschot only takes risks that can be understood and explained.
- Van Lanschot only takes risks that either directly or indirectly help it to achieve its strategic objectives.
- The total exposure may not exceed the amount of risk-bearing capital.
- When taking risks, Van Lanschot takes the interests and expectations of all its shareholders into account.
- Van Lanschot aims to have a single A credit rating as a minimum.
- The risk appetite must be taken into consideration when key decisions are taken at any level in the organisation.
- Van Lanschot acts within the legal and regulatory frameworks.
- Van Lanschot does not take any risks that could seriously damage its reputation.

Credit risk

Credit risk is traditionally one of the greatest risks to which a bank is exposed. Van Lanschot has a relatively healthy loan portfolio with risks that are well under control, but the portfolio is not immune to economic conditions. Following several years of contraction, the economy started to show some signs of an upturn in the second half of 2013. The recovery in the Eurozone continued, albeit cautiously, and the Dutch economy also showed a few green shoots. That said, unemployment, business failures and bankruptcies continued to rise. Sectors that depend on domestic demand (construction, wholesale and retail) were the hardest hit. The relatively high rate of unemployment and the continued fall in house prices led to losses in the private sector too in 2013. It goes without saying that these economic circumstances also affected credit risk and the provisions Van Lanschot forms for this.

Over 50% of the loan portfolio consists of mortgages (mostly loans to high net-worth private individuals), as a result of which the portfolio has a lower risk profile. The degree of concentration in individual loans is low. Van Lanschot has only two loans in its portfolio that have an amount outstanding in excess of 5% the core capital. None of the loans exceed the 10% limit. The portfolio's rating distribution shows a similar trend to economic developments. The loan portfolio and credit risk are concentrated largely in the Netherlands. Lending in Belgium and Switzerland and at Kempen is limited, with a low risk profile.

In implementing the strategic review, including the scaling down of the corporate loan portfolio that has no link to private banking, Van Lanschot strives to reduce credit risk substantially over the next few years. The corporate loan portfolio (including real estate loans) has been transferred to Corporate Banking and the management of the portfolio has been stepped up.

The focus is now on the coordinated, gradual scaling down of this portfolio and improving profitability. As part of this, Van Lanschot will of course, not loose sight of the interests of clients.

The year under review also saw the strengthening of risk governance through the creation of a separate Financial Risk Management department and the further optimisation of the IRB credit risk models.

Mortgages

Approximately half of Van Lanschot's loan portfolio consists of mortgages. Losses on mortgages have been relatively low. The average mortgage loan amount at Van Lanschot is considerably higher than at its Dutch competitors, and as a consequence it is more sensitive to declining prices. This is mitigated by the fact that Van Lanschot's mortgage clients hold considerable amounts of other assets (savings and investments).

The risk on such mortgages is calculated using the Advanced-IRB (A-IRB) approach. This has revealed that the actual default rates seen so far are lower than the probability of default used to calculate the minimum capital requirements for individual mortgages. This fact underscores the cautious approach taken by Van Lanschot

Commercial real estate

Van Lanschot keeps a particularly close eye on commercial real estate in the loan portfolio owing to the relative level of this lending and trends in the Dutch real estate market, such as higher vacancy rates and lower rents. This allows us to identify potentially increased risks in the portfolio at an early stage and to take adequate measures.

The real estate loan portfolio is well diversified and almost 95% of all debtors have amounts outstanding of less than € 10 million. The ten largest clients, taken together, owe a total of € 339 million. Commercial real estate loans concern business premises (33.8%), offices (26.8%), residential (16.8%) and retail property (15.5 %). The share of property development in real estate loans is very low.

In 2013, the total value of the real estate loan portfolio declined by 10.9 %. Commercial real estate accounted for approximately 17% of the total loan portfolio at year-end 2013. This level of concentration is high, given the refined strategy and the defined risk appetite. For this reason, Van Lanschot is actively pursuing a policy to reduce commercial real estate loans. The management of this portfolio was stepped up further, and the processes were optimised. In addition, the team formed in 2012 was expanded during the year under review. This team aims where possible to scale down this portfolio, reduce the risk involved for Van Lanschot and increase profitability.

In contrast to most banks, Van Lanschot bases most of its real estate loans on the quality of the debtor rather than the property. The debt-service coverage ratio (DSCR) is calculated to determine the extent to which a client will be able to pay interest and make loan repayments from the rental income generated by the commercial real estate. Of the total amount outstanding, 66% (2012: 76%) relates to loans with a DSCR over 1, which means that the rental income is sufficient to cover interest payments and loan repayments. Clients with a ratio of less than 1 often have other income they can use to meet the loan obligations.

Despite persistent difficult market circumstances, the additions to the provision for this portfolio were down in 2013 compared with 2012.

The credit risk on commercial real estate is calculated using the Foundation IRB (F-IRB) approach. For capital requirements, a regulatory Loss Given Default (LGD) of 45% is used. Van Lanschot expects this to be conservative in the market circumstances too. The deteriorating conditions on the market have been taken into account wherever possible when making these calculations. In many cases, this increased credit risk has been reduced by the provision of additional collateral or by solid parties acting as guarantors for the loan.

Impaired loans

Impaired loans are loans for which a provision has been formed. At year-end 2013, impaired loans accounted for 4.8% of the loan portfolio (2012: 4.0%). A provision equal to 54% of these loans was formed (2012: 56%). In 2013, Van Lanschot decided that loans for which provisions have been formed would be written down more quickly. As a result, the specific amount provided for stood at € 323 million (€ 333 million including Incurred But Not Reported). Although the addition to provisions in 2013 of € 103.7 million was down compared with the previous year (2012: € 115.2 million) it remains at a high level. Business failures had a particularly strong impact on provisions.

The level of provisions can be significantly affected by large individual loans, and a provision related to a single relatively large loan can give a distorted view. The ten largest provisions accounted for 36% of total provisions, and this had a relatively strong impact on Van Lanschot's results. To minimise such concentration effects in the future, Van Lanschot has pursued an active policy aimed at reducing the highest limits. As a result, the 20 highest limits in the entire portfolio have been reduced. Active, strict credit management for existing clients should safeguard the quality of the loan portfolio.

Interest rate risk

Various methods are used to measure interest rate risk at Van Lanschot. The interest rate sensitivity of equity is measured using duration analyses, gap analyses and simulations. Duration is a measure of the sensitivity of the bank's equity to interest rate fluctuations. Van Lanschot pursues a cautious interest rate policy. This is reflected in the application of a duration that is in line with Van Lanschot's strategy and risk appetite. The Asset & Liability Committee (ALCO) actively manages the duration of equity by means of movements in the investment portfolio and interest rate swaps, among other things. The yield curve continued to remain at an absolute low in 2013. The yield on ten-year Dutch government bonds ranged from 1.5% at the start of 2013 to just over 2.4% in September. Short-term interest rates also remained low, with 3-month Euribor standing at just over 0.2% before rising to 0.3% in the final month of the year.

Given this low yield curve and the likelihood that interest rates will rise in response to the cautious signs of recovery, the ALCO took steps aimed at ensuring a conservative interest rate position and keeping the duration within the defined bandwidth of four to seven years.

The duration of equity was four years at the end of 2013. In a dynamic simulation, the net interest income is calculated for a two-year period, taking account of the expected development of the balance sheet and a yield curve forecast. This simulation is used to determine the impact of various scenarios on interest income. These scenarios, which include a scenario in which there is an increase in the rate of interest payable on savings in the Netherlands, are presented to the ALCO every month. At year-end 2013, this simulation showed that in all scenarios the losses remain within the limits.

Operational risk

Operational risks relate to inadequacies or shortcomings in internal processes, people and systems or to external events. To control such risks, Van Lanschot uses a broad-based operational risk management framework. It has set up various processes to identify threats and the associated risks that could lead to detrimental incidents. In addition, Van Lanschot has a bank-wide risk control framework in place, allowing it to periodically test the effectiveness of the key control measures. Information is also collected on incidents that have occurred, in order that the control of key processes can be improved.

Given the high level of and heavy dependency on automation, Van Lanschot's operational risk management framework gives prominence to information security and business continuity. Controlling the risks associated with information technology is becoming increasing important. Not only is there a growing dependency on IT systems, for example due to the rise of online services, we are also seeing higher levels of computer crime. In this context, the Information Risk Management & Business Continuity Management department has a key role identifying, reporting and monitoring risks with the aim of mitigating them.

The management teams of 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. Van Lanschot's Operational Risk Management department plays an active, independent role in the process of identifying, measuring, monitoring and controlling operational risks, and it reports on this to the bank's senior management. The Basel II Standardised Approach is used for operational risk management at Van Lanschot. The bank has also defined an operational risk appetite, which is actively managed.

In addition, the process surrounding in-control statements was refined further and brought into line with Van Lanschot's overall operational risk management framework in the year under review. Van Lanschot has taken out insurance to cover certain operational risks.

Compliance risk

Van Lanschot has to ensure it complies with rapidly changing national and international rules and legislation. The complexity of these rules continues to increase. Recent examples are the new solvency and liquidity requirements (CRD IV), new standards for transparency on the derivatives markets (EMIR) and new requirements for fund managers (AIFM) and investment fund providers (ban on distribution fees). In addition, changes were made to US tax law (FATCA) and there were developments concerning requirements relating to the duty of care. All of the above led to changes in operational management. Managing the associated compliance risks is a matter that demands the attention of the Risk Management department and the business units.

In 2013, Van Lanschot took steps to optimise its operational processes further in order that it continues to comply demonstrably with the legal standards. In order to provide a good service it is vital that we have a good picture of our clients' goals and their risk appetite. To this end, we sent our clients requests for information to ensure that the risk profiles of our clients are up to date. We also modified a number of internal processes so that we could comply with the requirements regarding the provision of appropriate advice and other services that can be reproduced.

Van Lanschot's customer due diligence process is a crucial factor in the management of integrity risks. Our organisation pays constant attention to ensuring it obtains the correct information, to updating the client's risk profile periodically, and to risk-based monitoring of integrity risks.

As in previous years, treating customers fairly remained central to the provision of services at Van Lanschot. Given this, the interests of clients formed a key theme in the strategic review and its implementation.

We take specific account of our target groups and their wishes when designing new services and rationalising our existing product range. The product approval process was revised at the end of 2012. In 2013 we applied this process to new and existing products and when new forms of services were developed.

Throughout the year, the organisation strove to strike a balance between satisfying statutory and regulatory compliance requirements on the one hand and ensuring client-friendly, effective operational processes on the other.

LIQUIDITY MANAGEMENT

Policy and developments

Van Lanschot pursues a conservative liquidity policy. In 2013, the existing policy was refined further and new limits were set on the size and composition of the liquidity buffer. Thanks to the creation of a separate Financial Risk Management department, there are now better safeguards for the segregation of first line and second line liquidity risk management. The Internal Liquidity Adequacy Assessment Process (ILAAP), which is reported to the Dutch Central Bank every year, combines the policy with the more quantitative aspects of liquidity risk.

One important reason for the decline in savings and deposits in the first half of 2013 was the maturity of the Jubileumdeposito (a premium rate deposit marking the bank's 275th anniversary), which offered a relatively high interest rate that was not extended. Van Lanschot deliberately does not seek to be a price leader on the savings market. In addition, our clients used their savings for loan repayments and investments. During this period there was also a general negative mood, caused by the Cyprus bail-out and the nationalisation of SNS Bank, among other things. In response to this, steps were taken to enhance monitoring of the liquidity position and flows of funds. At year-end 2013, Van Lanschot had a comfortable liquidity buffer.

In addition, attention was devoted to further developing liquidity projections and liquidity stress tests in 2013. The bank-specific and market stress scenarios were comprehensively updated. The projections and results of the stress tests are discussed by the ALCO every month. At year-end 2013, the survival period was over three months for the bank-specific stress scenario (limit: one month) and over twelve months for the market stress scenario (limit: six months).

Basel III liquidity ratios

Although the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are formally still in the Basel III monitoring phase, they have been firmly embedded in Van Lanschot's liquidity risk management. In 2013, revised LCR guidelines were published and the precise application and calibration of the ratios within Van Lanschot was refined further. These ratios (together with projections) are calculated and discussed by the ALCO every month. The position of high-quality liquid assets is determined on a daily basis and reported in the liquidity report. Both ratios stood at over 100% at year-end 2013. Van Lanschot therefore already complies with the Basel III guidelines, which will not formally come into effect until 2015.

Funding

Van Lanschot pays close attention to diversifying its funding profile, in order to achieve a balanced funding mix. As we have traditionally had a high funding ratio (with a large proportion of lending being financed from savings and deposits), we are now giving greater priority to ensuring a highly diversified funding profile in terms of sources, counterparties and maturities. Van Lanschot was very successful on the capital markets in 2013, and carried out the following transactions:

- April 2013: placement of € 750 million of retained RMBS Citadel 2010-II notes;
- May 2013: placement of a 5-year senior unsecured loan for an amount of € 300 million;
- October 2013: placement of € 884 million of Lunet RMBS 2013-I notes.

These transactions also helped us further build our wholesale funding curve. In the next few years, we will continue to be active on the capital market with some frequency. In addition, we will focus on attracting new money in the form of savings in the personal banking segment in the Netherlands as well as in Belgium.

CAPITAL MANAGEMENT

There was a considerable improvement in Van Lanschot's solvency position in 2013. This was reflected in, among other things, the bank's Core Tier I ratio, which increased from 11.0% at the start of 2013 to 13.1% at year-end 2013 owing to the scaling down of the loan portfolio, retained earnings profit and the optimisation of the IRB models.

Van Lanschot expects that the bank's capital position, and with it the Core Tier I ratio, will continue to be strengthened, primarily as a result of the further scaling down of the loan portfolio (i.e. the reduction of risk-weighted assets) and profit retention. The further optimisation of the IRB models is also expected to have an impact. These developments will offset the drop in qualifying capital that will be caused by the introduction of Basel III.

The long-term strategic goal of a Core Tier I ratio of at least 15% is expected to be achieved before 2017. As mentioned above, the bank is seeing a significant structural decline in the bank's risk-weighted assets (RWA). In 2012, RWA still stood at € 10.5 billion. At year-end 2013, RWA had fallen to € 9.0 billion, and there is expected to be a further decline in 2014.

Basel III started to be phased in on 1 January 2014. The fully loaded Basel III Core Tier I ratio stood at 10.5% at year-end 2013; Van Lanschot thus already complies comfortably with the statutory minimum requirement that will come into effect in 2019.
For Van Lanschot, the most significant effects of Basel III will be the phase-out arrangements for perpetual and subordinated Tier II loans and the phase-in arrangements for deferred tax. The long-term projection shows that the internal target of 15% for the Basel III Core Tier I ratio (fully loaded) will be exceeded in 2017.

At year-end 2013, the Basel III leverage ratio stood at 5.1%, which is very high compared with other Dutch banks and much higher than the future minimum requirement of 3%. This ratio will continue to rise due to the expected reduction of the loan portfolio. Given this, the current debate on the potential increase in the minimum requirement from 3% to 4% is less relevant for Van Lanschot. The Basel III guidelines are, by and large, still in a state of flux, and the Basel Committee recently published several proposed changes. Van Lanschot is keeping a close watch on developments in this area and has a Basel III programme in place to ensure proper, full implementation.

SERVICES TO OUR CLIENTS

PRIVATE BANKING

Personal Banking – Private Banking – Private Office

Services

- Full range of wealth management services: state-of-the-art asset management services, investment advice and savings
- International private banking solutions
- Specialist services for:
  - high net-worth individuals
  - entrepreneurs (director-owners)
  - business professionals and executives
  - healthcare professionals
  - foundations and associations

Characteristics

- Wealth preservation and creation as the basis for the service offering
- Personal attention combined with online services
- Investment concepts based on active management and a long-term vision
- Open architecture and transparent fee structure
- Institutional investment solutions also accessible to Private Banking clients
- Responsible investment/asset management based on a strategy of engagement
- Local presence with 34 branches and client reception locations in the Netherlands, Belgium and Switzerland

www.vanlanschot.nl/offices

CLIENTS

Wealth management focusing on the preservation and creation of wealth

ASSET MANAGEMENT

Services

- Institutional asset management
- Asset allocation of investment portfolios for private clients
- Management of investment funds
- Total investment solutions for the client (fiduciary management)
- Development of investment products and solutions

Characteristics

- Niche investment strategies with a long-term vision; European small caps, listed real estate funds, high-dividend shares, corporate bonds and absolute return strategies
- Responsible investment based on a strategy of engagement
- Branches in Amsterdam and Edinburgh

www.kempen.com

MERCHANT BANKING

Corporate Finance – Securities

Services

Corporate Finance

- Independent advice and support in mergers, acquisitions, capital market transactions and financial restructuring operations
- Advisory services to corporate clients of Van Lanschot

Characteristics

- National and international specialisation in five sectors: life sciences & healthcare; cleantech; construction, maritime & offshore; real estate; financial institutions
- Independent intermediary without conflicting interests
- Branch in Amsterdam

Services

Securities

- Securities research
- Securities brokerage
- Facilitation of capital market transactions in collaboration with Corporate Finance
- Structured investment products

Characteristics

- Niche player with focus on Benelux listed companies, listed (European) life sciences companies and (listed) pan-European cleantech and real estate companies
- Branches in Amsterdam and New York

www.kempen.com

PRIVATE BANKING

Ambition: To be the best independent wealth manager for preserving and creating wealth

	Priorities	Actions taken in 2013	Results for 2013
Focus	• Focus on wealth management, based on wealth planning • Develop clear service concepts that meet the needs of clients	• Introduction of wealth management service concepts: Personal Banking, Private Banking and Private Office • Revision of services for specialised target groups • Separation of Business Banking	• Further shift from advice to management, leading to a rise in the share of discretionary asset management from 36% to 40% • Client loyalty stable and nine points above benchmark • Creation of Corporate Banking (see page 39)
Simplify	• Rationalise product range	• Creation of a simpler and more accessible product range	• Launch of new securities platform • Transparent fee structure
Grow	• Expand online services	• Introduction of Evi online investment coach in the Netherlands and Evi savings module in Belgium	• Increase in assets under management to € 18.9 billion • Substantial inflow of new Evi clients • Growth in inflow at A la Carte asset management

FINANCIAL PERFORMANCE

Private Banking *(€ million)*	2013	2012	Change %
Interest	152.5	166.2	– 8
Income from securities and associates	–	3.8	–
Commission	104.9	112.6	– 7
Profit on financial transactions	1.3	1.7	– 24
Income from operating activities	**258.7**	**284.3**	**– 9**
Staff costs	122.9	148.0	– 17
Other administrative expenses	96.1	120.3	– 20
Depreciation and amortisation	16.2	9.4	72
Operating expenses	**235.2**	**277.7**	**– 15**
Impairments	34.7	151.0	– 77
Total expenses	**269.9**	**428.7**	**– 37**
Operating result before tax	**– 11.2**	**– 144.4**	**–**

Investing in new service concepts and expanding online services

In 2013, the stock markets rose sharply and consumer confidence improved slowly but surely. Although the crisis has made investors much more cautious and risk appetite was significantly lower than in previous years, we saw an increase in interest in investing. Lower interest rates on savings deposits also played a role in this. In addition, private banking clients continued to use savings and deposits to pay off their mortgages early.

During the year under review we saw a further shift towards asset management. Discretionary asset management now accounts for 40% of total assets under management for Private Banking (year-end 2012: 36%). Assets under discretionary management at Private Banking rose to € 7.5 billion in 2013 (2012: € 6.7 billion).

DOING WHAT WE EXCEL AT

Van Lanschot has historically focused on high net-worth private individuals in the Netherlands and Belgium as well as entrepreneurs (directors-owners) and family businesses. We also target business professionals and executives, healthcare professionals, and foundations and associations. We have the necessary experience and expertise to provide added value when it comes to the specific issues these clients typically have to deal with.

We consciously chose to position ourselves even more clearly as a specialised, independent wealth manager in 2013. Our focus is on our clients and their assets. This means that we do our utmost to ensure that the client's wealth is preserved and continues to grow. This aim of preserving and creating wealth is fully in keeping with Van Lanschot's long-term investment philosophy, wealth planning and service concepts, with services organised around clients.

We have identified excellent opportunities to make our experience and expertise accessible to different client groups at all wealth levels and therefore in 2013 we expanded our target group to include those starting out on the wealth management market. We intend to continue to enhance our overall level of service by expanding online services and giving our clients the ability to choose how they interact with the bank.

Target groups	Main services
High net-worth individuals	Wealth planning Complex financial structures Investment services
Starters on the wealth management market	Online saving and investing
Family businesses/entrepreneurs	Business succession planning Advice Financing needs and issues Mergers and acquisitions
Business professionals and executives	Privacy and investment compliance Arrangements for partners
Healthcare professionals	Financing Pension structures Mergers and acquisitions
Foundations and associations	Governance Responsible and sustainable investing Investment charters

Wealth planning at the heart of wealth management proposition

Wealth planning forms the starting point for our services to all our clients. It allows us to provide clients with information on their financial situation and determine their wishes and objectives. We then ascertain the extent to which these objectives are achievable and identify solution strategies for achieving them.

In wealth planning, we link clear income and wealth objectives to state-of-the-art scenario analyses. This is done using asset and liability management (ALM), a methodology used in the pension world. What this means is that, rather than using a historic average annual return as our starting point, we provide the client with information on the potential development of their assets based on economic scenarios. Clients are presented with different scenarios related to their objectives, enabling them to make well-considered choices.

As wealth planning is one of the key aspects of our Private Banking services, we invest a great deal in staff training and in systems in order to promote quality. In connection with this, a new system that supports the wealth planning process and makes it more transparent for clients will be introduced in 2014.

Introduction of service concepts: Personal Banking, Private Banking and Private Office

We believe that clients should be able to decide for themselves how and when they make use of our advice and services. This is because every client is unique; the amount of assets, personal circumstances and complexity of the issues at play differ from one client to the next. This is why we decided to reconfigure our service concepts.

We currently have three service concepts – Personal Banking, Private Banking and Private Office – that reflect the needs of the client. Clients decide for themselves which of these service concepts is most appropriate for their financial situation. Our existing clients are given maximum support when deciding on which service concept is best for their specific situation.

Personal Banking offers a simpler range of online products with a clear fee structure so that the client can make a well-informed choice assessment. Combining the online offering with personal attention sets Van Lanschot apart from other banks. Clients can access a wide variety of services online and where necessary communicate directly with their own personal banker by live video chat, e-mail or telephone. Personal Banking clients have access to a wealth of experience and expertise in the area of wealth management at Van Lanschot, as do Private Banking and Private Office clients.

Private Banking is aimed at clients who require a personal wealth plan and specialist attention in order to preserve and create wealth. Our private bankers are in personal contact with these clients and manage their portfolios. They always consider the client's overall financial situation, ensuring tailor-made financial planning.

Where complex issues are involved, clients generally require a more extensive service concept. The level of complexity is usually related to the amount of assets. Clients with assets in excess of € 10 million are offered specialised services through Van Lanschot's Private Office. This team offers fully customised services in the area of investments, complex financial problems, national and international structuring, and banking services.

DEMAND FOR WEALTH PRESERVATION AND CREATION

More and more people are becoming aware of their financial responsibilities, particularly when it comes to pensions. Many private individuals are aware that they need to take care of their own financial security in old age, and thus are responsible for building up their pension. For this reason, people are saving much more than they used to. Over 8% of private individuals in the Netherlands have over € 50,000 freely available to them (Source: Statistics Netherlands). However, it is difficult to preserve wealth, let alone achieve growth, given today's low interest rates and the taxation of the presumptive return on personal wealth (box 3 of Dutch income tax system). For this reason, investing is increasingly being considered in conjunction with savings as at least a partial solution for achieving long-term goals. Preserving and creating wealth is therefore an important matter for our clients, as is limiting risks. We can see that Private Banking clients are avoiding large risks and are adopting more defensive investment strategies. This aim of preserving and creating wealth is fully in keeping with Van Lanschot's investment philosophy, wealth planning and client service models.

Introduction of Evi, the online investment coach

In 2013, Van Lanschot invested heavily in improvements to its online services, in its existing personal client portal, and in the introduction of Evi, the new online savings and investment solution for anyone looking to preserve and create wealth.

Evi clients can opt for online asset management (Evi Beheer), online investment advice (Evi Advies) and savings (Evi Sparen). They are able to decide for themselves whether they wish to receive advice and support, and if so, how much. It is this combination of independence, personal attention and asset management that makes this concept unique. Evi means investing with the expertise of a private bank and the enthusiasm of an online coach.

Clients who opt for Evi Advies receive advice and assistance. Evi Advies is unique in the Netherlands. It combines Van Lanschot's experience and expertise in the field of wealth management with specific investment advice, and clients are entirely free to take their own investment decisions.

Evi Beheer is for those who would prefer to leave the management of their assets to experts. It has five risk profiles, each of which has its own model portfolio. The website and the app allow all Evi clients to see how their investments are performing and what we are performing them. The minimum amount clients have to invest is just € 25,000.

Evi's broad appeal became apparent when the first clients signed up. New and younger clients account for half of all Evi clients, and the majority of clients opt for Evi Beheer.

Growth in inflow at A la Carte asset management

As in previous years, Private Banking and Private Office clients were able to opt for A la Carte asset management, which offers more investment options than the Evi version available online. Within the different asset management categories, clients have more choice when it comes to investing in individual bonds or, for example, hedge funds. They are also able to include actively or passively managed investment funds (investment funds that only track an index). In 2013, assets under management at A la Carte asset management grew by € 0.8 billion.

PERSONAL CONTACT IS CRUCIAL

'The results of the independent client satisfaction survey prove that clients have confidence in us. The loyalty index score remained high at 64, and more clients indicated that they would like to transfer a larger share of their assets to Van Lanschot.' Richard Bruens, managing director of Private Banking, believes that client satisfaction, and therefore client loyalty too, are the lifeblood of Van Lanschot. *'Most clients consider us to be a bank that delivers tailor-made services and provides excellent advice.'* The client satisfaction survey conducted in October also revealed that Van Lanschot had managed to hold on to its strong position compared to the competition. *'This is a great achievement, given the past year,'* Mr Bruens said. *'Client loyalty seems to be primarily attributable to Van Lanschot's image and satisfaction with the level of personal contact. In 2013, our clients indicated once again that this last aspect is the greatest strength of our services. Despite this, there are still areas where we can improve, including in the area of online services. We therefore invested heavily in improvements to our online services, in our existing personal client portal and in the introduction of Evi, the new online savings and investment solution, during the past year. We will continue to make further investments in these areas in the next few years so that we can respond promptly to new developments.'*

Making the product range simpler and more accessible: comprehensible, transparent products

We attach great value to helping clients make good choices when it comes to our products and ensuring they understand them, which is why we started to simplify the product range in 2013. As part of this we simplified our fee structure, made our mortgage lending policy more uniform and rewrote our terms and conditions in language that is easier to understand. In addition, we started a process of product rationalisation in the area of savings and mortgages. Soon, clients will have a smaller, simpler, more accessible range of products to choose from. This is in keeping with the view that what matters to clients are the solutions, and not the number of products.

Changes affecting investment advice

Investment advice has traditionally been an important part of our services, with clients benefiting from the experience and expertise present within our bank. Until recently the associated costs were calculated into the transaction fees for investment services and the banks received commission from fund managers in exchange for offering their investment funds. All this changed with the introduction of the prohibition on commissions on 1 January 2014. As of that date, clients pay an investment advice fee, although they also pay less in the way of transaction fees. This new fee structure represents a considerable simplification as many types of fees have disappeared. Advisory fees are now more visible, and clients can see exactly what they are paying for more clearly.

The client satisfaction survey revealed that clients appreciate our advice. Our clients trust our independent advisers and are glad to receive advice from them on achieving their goals and managing risks.

As well as covering access to Van Lanschot's professional investment advisors, the investment advice fee also includes a fee for risk management and for risk monitoring activities in the event that a client's risk profile and portfolio are no longer well-matched. We also offer access to our securities research and make it accessible to clients. Regular sessions are organised for clients at which investment professionals from Van Lanschot and Kempen provide insight into recent developments on the financial markets and expectations for the coming period. These matters are also explained to all clients in comprehensible reports.

As Van Lanschot was one of the first banks to pass on distribution fees from funds to asset management clients, it was relatively easy for us to make the necessary adjustments to our advisory services too. In 2013, our investment advisors held personal meetings with clients to explain the changes to them. These meetings revealed that clients understand why the way in which they pay for investment advice is changing. Such advice is appreciated by clients, in particular those with more assets, and they are willing to pay for it. The new legislation and the related changes to the fees for investment advice have led to a further shift from investment advice to asset management. We have also seen an increase in clients opting for execution-only services. Despite this, investment advice still accounts for a significant and substantial share of invested assets at Van Lanschot.

We have also seen a continued shift in focus from a product-oriented approach towards an advisory and monitoring role based on the interests of the client. We will therefore continue to invest in the knowledge and skills of our investment advisers and in our information systems over the next few years.

SEPARATION OF BUSINESS BANKING: FROM BUSINESS BANKER TO BUSINESS ADVISER FOR ENTREPRENEURS

In our refined strategy, clients whose interests are both business and personal, such as directors-owners, business professionals and healthcare professionals, remain a key target group. We have the necessary knowledge and expertise to provide added value when it comes to the specific issues this target group typically has to deal with. Our proposition as an independent wealth manager means that we are assuming the role of adviser to an increasing extent. In this role, we consider the entrepreneur's situation in terms of their business and their personal situation.

We help entrepreneurs to form a picture of the entire financial structure of the business and the related risks, and to organise it in the most effective and affordable way possible. Lending is no longer an automatic aspect of this, although independent advice on appropriate financing structures is. Our experience with loans provided by other banks puts us in a good position to make comparisons. We will, of course, continue to finance promising initiatives under strict conditions. All seven regions now have their own business adviser instead of a business banker. Corporate lending was transferred to Corporate Banking in the second half of 2013.

RESEARCH

Van Lanschot performs a great deal of research into the target groups that the bank serves. The results of this research enable us to respond more effectively to the needs of clients and developments in the market. As in previous years, we conducted a number of surveys in 2013.
In May and December 2013 we published our family business barometer (in Dutch) setting out the latest trends and developments among Dutch director-owners of family businesses. In addition, we published the second edition of the Dutch Wealth Report (in Dutch), an independent survey of millionaires in the Netherlands.

BUSINESS TRANSFER ACADEMY

The third course organised by the Business Transfer Academy (Academie voor Bedrijfsoverdracht) was launched in 2013 with 13 participants from family businesses. The programme focuses on preparing for and planning a business transfer and is designed for persons who are acquiring or are successors to a business as well as persons intending to transfer a business. Besides providing them with a great deal of relevant knowledge, the programme also looks at the psychological and emotional changes they may experience when a business is transferred. By following the programme together, the person transferring the business and the successor create a solid foundation for a smooth transfer.

Business professionals and executives

For many years Van Lanschot has been the market leader among business professionals and executives, such as auditors, lawyers and directors of listed companies, thanks to our unique offering (both in terms of business and private products and services) that are tailored to relevant issues affecting these clients. They are served by a single dedicated team that is fully aware of the restrictions faced by this target group, such as compliance restrictions in the field of investments. We work closely with international firms of auditors and lawyers in the Netherlands and also with a number of listed companies. The team is also specialised in tax structures that are commonly used within this target group. One current issue affecting business professionals and executives is the building up of self-administered pensions. Given the previously mentioned developments in the areas of rules and legislation and the specific requirements of clients in this target group, we expect to see further growth in 2014.

Healthcare professionals

Van Lanschot Healthcare is for professionals working in the healthcare sector who have made their profession their business. We focus specifically on dentists, medical specialists, veterinarians, general practitioners and pharmacists. The healthcare sector is typified by high barriers to entry and long-term agreements on income and performance. We play a role for these professionals through their entire life cycle. We can support them when they buy into a partnership, start or expand their practice, transfer their practice and when they retire. Van Lanschot Healthcare's small scale distinguishes it from other banks. Clients have a single point of contact for all their financial questions, whether business-related or private. Moreover, our focus means that we are able to offer a relevant network that can provide them with further assistance.

For many years, the healthcare sector has had to contend with far-reaching structural changes, particularly in the area of funding. The working environment of healthcare professionals has also changed. Van Lanschot Healthcare has published various articles on these topics and organised seminars for dentists and pharmacists, among others. These seminars focused on how the above developments affect their practices and their personal situation. Owing to changes in the area of taxation, for example, healthcare professionals have been compelled to make their own arrangements to save up for a retirement income. We also worked on strengthening our network and having closer contact with interest groups. This is important because these groups often issue guidelines on matters such as the transfer and valuation of practices and division of income.

Foundations and associations

The social importance of foundations and associations is expected to continue to increase in the next few years. The role played by the state will be reduced owing to a lack of financial and other resources, which will create more room and a greater need for private social initiatives.

The market for foundations and associations has traditionally been divided into private charitable foundations, religious institutes and fundraising organisations. The market for private charitable foundations in particular is growing. Rising prosperity, the ageing population (plus the associated growing number of inherited estates) and the increase in private social initiatives are driving this trend. In addition, we have observed that financial management in the context of governance and liability is being outsourced to external professional institutions to an increasing extent. As a specialised, independent wealth manger, Van Lanschot is in a good position to benefit from this trend.

Van Lanschot's dedicated team focuses on providing services to foundations and associations. Aspects of our advisory services that set us apart from the competition in this segment include advice on investment charters, directors' liability and sustainability. The investment solutions tend to be oriented towards the preservation of wealth subject to strict, sustainable criteria.

VAN LANSCHOT BELGIUM

In Belgium, where our clients are primarily high net-worth individuals, we are in a good position to substantially grow our market share. In order to achieve this, we took the initial step of amending our product policy during the year under review. As part of this we introduced the Evi online savings account, which is suited for a broad clientele. This cleared the way for the introduction of the Evi online asset management and advice module in 2014. Evi will be Belgium's first online investment coach that enables clients to draw upon a team of investment advisers and private bankers. In addition, we have continued to improve A la Carte asset management and developed a range of savings products that are better suited to the needs of clients. This will place a greater emphasis on savings, rather than on deposits, which until recently were more popular in Belgium than savings products. We will also broaden our focus in the Belgian market to place greater emphasis on entrepreneurs (director-owners), business professionals and foundations and associations.

Despite a slight outflow of assets, invested assets rose to € 2.3 billion thanks to rising prices. Assets under discretionary management accounted for a 51% share. In addition, by working more closely with the Dutch branch organisation we were able to bring about more efficient staffing and greater synergy.

VAN LANSCHOT SWITZERLAND

In Switzerland, Van Lanschot focuses on high net-worth private individuals from the Netherlands and Belgium and their international asset structures. We provide services to Dutch and Belgian citizens who are resident in Switzerland as well as to expats, new emigrants, Dutch and Belgian citizens who own or are considering purchasing holiday homes, and clients who have to contend with all kinds of international asset management issues, including in the areas of asset protection and privacy.

In 2012, Van Lanschot made a strategic choice to concentrate its international private banking activities in Switzerland, the leading country for international private banking. As a Dutch bank in Switzerland with branches in Zurich and Geneva, Van Lanschot is active in a specific niche, and it is proving successful. Client assets grew for the fifth year in a row. Of the assets under management, 37% was invested via discretionary mandates at year-end 2013.

ASSET MANAGEMENT

Ambition: To be a world-class European asset manager

	Priorities	Actions taken in 2013	Results for 2013
Focus	• Continue long-term strategy targeting a number of carefully selected investment niches • Continue and intensify partnership with clients	• Reinforcement of the Kempen Capital Management (KCM) brand in the Netherlands and abroad • Continued focus on strong culture of KCM	• Clients' investment objectives achieved
Grow	• Expand position as an investment boutique for foreign institutional investors • Recruit, develop and retain talent	• Intensified client contact in fiduciary asset management • Development of new sustainable funds to meet the needs of foundations and associations	• Assets under management up 10% to € 24.4 billion; 73% of this was due to net inflow of funds • Rise in number of clients in all segments, including pension funds, insurers and banks as well as foreign institutional investors

FINANCIAL PERFORMANCE

Asset Management *(€ million)*	2013	2012	Change %
Interest	–	–	–
Income from securities and associates	–	–	–
Commission	75.9	59.7	27
Profit on financial transactions	– 0.1	–	–
Income from operating activities	**75.8**	**59.7**	**27**
Staff costs	37.8	30.4	24
Other administrative expenses	14.2	10.4	37
Depreciation and amortisation	0.7	1.0	– 30
Operating expenses	**52.7**	**41.8**	**26**
Impairments	–	–	–
Total expenses	**52.7**	**41.8**	**26**
Operating result before tax	**23.1**	**17.9**	**29**

Growth based on focus and long-term vision

Kempen Capital Management (KCM) can look back on an excellent year, with an increase in the number of clients in virtually all segments, from pension funds, insurers and banks to foundations and associations. Assets under management increased from € 22.2 billion to € 24.4 billion. Of this increase, 73% came from net inflow, while some 27% was due to positive market performance.

Assets under management *(€ billion)*	2013	2012	%
Niche strategies	11.4	9.9	15
of which investment funds	7.1	5.8	23
Client solutions	13.0	12.4	5
of which fiduciary asset management	11.3	11.5	– 1
Total	**24.4**	**22.2**	**10**

EXCELLING THROUGH FOCUS ON NICHES

KCM operates from the basis of a long-term vision and a strong focus on a limited number of carefully selected investment strategies. As part of this approach, we respect the interests of asset manager and investors equally by investing in our own funds. This has proved to be a successful approach. The investment niches on which we focus are European small caps, real estate shares, high-dividend strategies, corporate and government bonds and absolute return strategies. In addition, our multi-management team selects a number of external investment products. Our investment approach incorporates a clear, responsible investment strategy that pays substantial attention to social aspects, environmental issues and corporate governance for all clients.

Our decision to deliver an optimum performance in a limited number of investment strategies and to operate from the basis of a long-term vision fits in seamlessly with the Van Lanschot investment philosophy. The institutional investment expertise of KCM is one of the benefits enjoyed by private clients of Van Lanschot.

Our ambition is to build on our success in the international arena. We are working to achieve this step-by-step and with a selective approach, again based on a long-term vision. We make sure that our track record and our investment philosophy are visible in the countries where we wish to grow. We do this among other things through one-on-one meetings with prospects, consultants and other influencers, through an active communication policy and by ensuring that we are included in all relevant international databases.

It goes without saying that reinforcing the relationship with our existing clients is always our priority. We also invest in our performance, risk and reporting systems to ensure that we are compliant with the latest standards for the benefit of our clients.

CULTURE AS A SUCCESS FACTOR

Research has shown that 95% of asset managers regard a good corporate culture as a key success factor. That also applies for KCM. Paul Gerla, Chairman of the Management Board of KCM, sets out his vision: '*We are on a journey with KCM. We invest continuously in creating an asset management organisation where people enjoy working, where talent is developed further and where our people work for and alongside our clients to help them achieve their long-term investment goals. KCM was named Focus Elite Firm by the Focus Consulting Group in 2013. This accolade is awarded to asset managers in recognition of the excellence of their corporate culture. The winners are characterised by a strong, coherent culture with clear values, high-quality and loyal staff, effective decision-making and clear leadership and an absence of bureaucracy. KCM is the only asset manager outside North America to be chosen as Focus Elite Firm; it was selected from more than a hundred asset managers worldwide.*'

LONG-TERM PARTNERSHIP IN FIDUCIARY ASSET MANAGEMENT

There was a limited increase in assets entrusted to the fiduciary management team in 2013. Further consolidation in the pension fund sector, coupled with pressure from amended legislation and regulations, meant that many smaller pension funds sought affiliation with industry-wide pension funds. Other funds opted for an insured pension scheme. At year-end 2013, KCM had assets under management totalling € 13.0 billion (balanced mandates and fiduciary management).

Nonetheless, we see adequate opportunities for further growth in the years ahead. For example, there are opportunities in the Netherlands in relation to industry-wide and company pension funds, and we are also exploring the opportunities for rolling out our fiduciary management activities to other countries. We also expanded our fiduciary services further in 2013 to include advice on investments in unlisted real estate. This met a need on the part of both existing clients and prospects for a specialist independent adviser in this field, in which Kempen has built up a wealth of experience over many years.

Through our involvement in the pensions sector, we are playing an active role in the current debate about pensions in the Netherlands. In view of the trend towards consolidation, we are also exploring together with clients and prospects which solutions are most appropriate for them: joining a Premium Pension Institution (PPI), an industry-wide pension fund or opting for an insurance-based pension scheme.

We also further reinforced our expertise in responsible investment, among other things by appointing a Responsible Investments Director. In addition, experienced professionals were brought in to strengthen our risk management and strategic asset allocation teams. Our management reports have also been brought more into line with our clients' needs. We once again organised a number of meetings with clients in 2013; these meetings were greatly valued across a broad front.

Our clients' appreciation of our approach was also affirmed in an independent client satisfaction survey commissioned by KCM in 2013 among 84 of its Dutch clients. The survey showed that our clients are satisfied with their relationship with KCM, awarding an average score of 7.7 out of 10. The clients surveyed described KCM as a professional and approachable organisation which provides a good service. The survey also revealed that, in addition to the products and services we offer, the people working at KCM were a decisive factor for clients in choosing us. The majority of clients rate their relationship with KCM highly and assess it as better or much better than the relationship with our competitors. In response to the question of whether, knowing what they know now, they would still choose KCM, virtually all clients answered in the affirmative.

GROWTH AS A NATIONAL AND INTERNATIONAL INVESTMENT BOUTIQUE

The assets invested in our niche strategies rose by € 1.5 billion in the year under review, with around € 850 million comprising newly entrusted assets. We performed well in all niches. Our position in the Netherlands enabled us to strengthen the range of our funds offered by Dutch banks. Elsewhere, we saw growing demand for our investment funds particularly in France, Italy, the United Kingdom and Germany. We are also seeing increasing interest in our products from Sovereign Wealth Funds.

Growth of products

Our Global High Dividend Fund grew particularly strongly in the year under review, and in February 2014 reached the capacity limit of € 3 billion. The choice of this limit is deliberate: if a fund grows too large, there is a risk that we will no longer be able to invest efficiently enough to sustain the long-term objectives of our clients. The appreciation of our investment approach is also apparent from the awarding of a prestigious international prize to the Kempen Orange Investment Partnership, which was hailed as the Best Diversified Fund of Hedge Funds by Hedge Funds Review magazine.

New sustainable funds

KCM pursues a strategy of engagement as part of its responsible investment policy. This means that we enter into a dialogue with companies or funds that do not meet our environmental, social and governance (ESG) criteria. This engagement strategy does not go far enough for many foundations and associations, which require investment solutions that meet stricter exclusion criteria.

We have developed the Kempen Global Sustainable Equity Fund and the Kempen Euro Sustainable Credit Fund specifically for foundations and associations that endorse the guidelines of the Charity Association of the Netherlands (VFI). These funds invest in a globally diversified portfolio of listed shares and bonds issued by companies that meet strict sustainability standards. Investments in these funds are screened by an independent data provider to assess whether they meet a battery of social and environmental criteria.

Companies that are involved in violations of human rights, environmental pollution, corruption or the production of alcohol, fur and tobacco, for example, are excluded from the investment universe. These funds form an addition to the Kempen Sustainable Smallcap Fund, which also meets these sustainability guidelines.

In common with other asset managers, KCM also made preparations in the year under review to adapt its product range to meet the requirements of the ban on commission which came into effect on 1 January 2014 and which mean that, from that date, Dutch banks may no longer receive a fee from asset managers for the distribution of their funds. KCM adjusted its cost structure to match the range of funds available, leading to a significant reduction in the management fee. In the year under review, KCM also implemented a number of changes centred around the principle of creating a transparent cost structure.

More information on our investment funds and their performance may be found (in Dutch) at: www.kempen.nl/asset_management/beleggingsfondsen.

MERCHANT BANKING

Ambition: To grow and be superior in the selected niches

	Priorities	Actions taken in 2013	Results for 2013
Focus	• Have clear focus on selected niches	• Joint focus by Corporate Finance & Securities on life sciences & health, cleantech and real estate	• Stronger market position in all niches • Top positions in Thomson Extel ratings
Grow	• Strengthen position in niches in Europe • Continue collaboration between Corporate Finance & Securities	• Expansion of international activities	• Growth in joint capital market transactions by Corporate Finance & Securities • Strong growth in debt advisory and restructuring practice

FINANCIAL PERFORMANCE

Merchant Banking *(€ million)*	2013	2012	Change %
Interest	2.4	2.4	–
Income from securities and associates	–	–	–
Commission	44.9	37.0	21
Profit on financial transactions	2.8	1.1	–
Income from operating activities	**50.1**	**40.5**	**24**
Staff costs	28.7	23.8	21
Other administrative expenses	6.6	7.4	– 11
Depreciation and amortisation	0.9	1.0	– 10
Operating expenses	**36.2**	**32.2**	**12**
Impairments	1.4	0.5	–
Total expenses	**37.6**	**32.7**	**15**
Operating result before tax	**12.5**	**7.8**	**60**

Internationalisation based on the strength of our niches

Merchant Banking encompasses our activities geared to assisting and advising on capital market transactions, mergers and acquisitions and refinancing operations (Corporate Finance) as well as investment research, brokerage and the development of investment products (Securities). The unique proposition of combining Corporate Finance and Securities has proved to be extremely valuable, especially in capital market transactions. These transactions involve the placement of large parcels of shares, something that demands specialist knowledge of the relevant regulations. Merchant Banking also supports our Private Banking clients in dealing with more complex financial issues.

STRONG PERFORMANCE OF SHAREHOLDINGS

The bank's equity investment company, Van Lanschot Participaties (VLP), facilitates acquisitions or management buyouts and/or stimulates corporate growth by strengthening companies' equity. We invest in stable, medium-sized companies in the Netherlands that are characterised by good management, a proven business model, strong market position and demonstrable earnings growth potential. We seek where possible to acquire a non-controlling interest (20-50%), and apply a long-term investment horizon. This gives the companies in which we invest the time and space to realise the agreed (growth) strategy. Two names were added to the portfolio in 2013: the strategic IT consultant Quint Wellington Redwood and Holonite, a manufacturer of composite stone products for the construction industry. As at year-end 2013, VLP had investments in 15 companies as well as a number of private equity funds. The portfolio returned an excellent net performance in 2013, and increased in value to around € 140 million. Van Lanschot Participaties is managed by Kempen Investments, part of Kempen & Co's Merchant Banking operations.
www.vanlanschotparticipaties.nl
www.kempen.nl/investments (in Dutch)

CORPORATE FINANCE

THE STRENGTH OF A CLEAR FOCUS

Corporate Finance can look back on a good year. The result was up on 2012 and, fully in line with our niche strategy, we further strengthened our international position in the core sectors life sciences & healthcare, cleantech and real estate. We also reinforced our position in the Benelux, where our main focus is on the construction sector, maritime & offshore and financial institutions. The market for capital market transactions was good and brought an increase in the number of transactions, especially in the second half of the year. We once again enjoyed great success in the German listed real estate sector, while our debt advisory practice also grew.

As an independent operator with specific sector expertise combined with in-depth knowledge of the capital market, we are increasingly able to carve out a distinctive profile in the market. Since we advise our clients at strategic level, we are involved in the decision-making process at an early stage; that is reflected in the nature and size of the transactions.

STRENGTH IN CAPITAL MARKET TRANSACTIONS

The strong capital market in 2013 provided a powerful boost to our activities on the equity capital markets. The expansion of our international activities and the close cooperation between Corporate Finance, Securities and the Equity Capital Markets (ECM) team put us among the leading operators in our niches. The ECM team acts as a bridge between Corporate Finance and Securities, based on those same niches. This role means the ECM team is able not only to perform capital market transactions, but also to provide Corporate Finance clients with continual feedback on developments in the capital market. This market expertise makes Corporate Finance a relevant discussion partner for its clients.

The ECM team coordinated capital market transactions in all selected niches, including a number of notable initial public offerings (IPO) in the United Kingdom, Germany and Belgium: Infinis (cleantech), Deutsche Annington, LEG Immobilien (real estate) and Cardio 3 (life sciences). Our role in the LEG Immobilien offering made us part of the biggest real estate IPO in history.

PROMINENT M&A TRANSACTIONS

We were involved in a number of notable transactions in the Benelux – our home market – in the year under review, especially in the offshore and construction industries. The number of transactions in the financial services sector also increased. We began the year with a merger & acquisition (M&A) transaction in the offshore sector involving the acquisition of Dockwise by Boskalis, in which we acted as financial adviser to Boskalis.

In the same sector, we advised the shareholders of Ampelmann later in the year on the sale of the business to IK Investment Partners.

In Germany, we acted as adviser to GSW Immobilien in the biggest M&A transaction in the real estate sector for many years, namely the acquisition of GSW Immobilien by Deutsche Wohnen. The transaction created a combined portfolio valued at € 8.5 billion. In addition to the above transactions, we also coordinated M&A transactions in the life sciences and financial institutions sectors.

STRONG GROWTH IN DEBT ADVISORY ACTIVITIES

We have invested heavily in our debt advisory practice in recent years. Aided by a recovering market, this meant that we advised clients on their financial affairs more frequently and more intensively in 2013. In our debt advisory activities we actively seek synergies with our existing clients in order to broaden our dialogue and service provision further. Because we act as an independent adviser to companies and are able to oversee the entire capital structure, we are seen as a trusted discussion partner by company directors.

Summary of main capital market transactions, M&A and refinancing projects in 2013

Europe

Life sciences & healthcare
- IPO, Cardio3 (Belgium)
- Secondary offering of shares in Mauna Kea Technologies (France)
- Global coordinator in cashless warrant exercise, Genmab (Denmark)
- Accelerated bookbuild offering, Galapagos (Belgium)
- Rights issue, Epigenomics (Germany)
- Private placement of shares, Ablynx (Belgium)
- Private placement of shares, DBV Technologies (France)
- Advisory services to Dr. Reddy's Laboratories (India) in public bid for OctoPlus

Cleantech
- IPO, Infinis (United Kingdom)
- Advisory services in refinancing of Westland Infra (the Netherlands)
- Advisory services in mezzanine loan facility for Eteck (the Netherlands)

Real Estate
- Advisory services in share issue, GSW Immobilien (Germany)
- IPO, Deutsche Annington (Germany)
- Accelerated bookbuild offering, Befimmo (Belgium)
- Co-dealer manager in convertible bond tender offer, Wereldhave (the Netherlands)
- IPO, LEG (Germany)
- Advisory services in sale of majority holding in real estate portfolio (Germany)

Benelux

Construction, maritime & offshore
- Accelerated bookbuild offering, Heijmans (the Netherlands)
- Advisory services in sale of shares, Ampelmann (the Netherlands) to IK Investment Partners
- Advisory services in private placement of shares, SBM offshore (the Netherlands)
- Advisory services in public bid by Boskalis (the Netherlands) for Dockwise
- Private placement of shares, Boskalis (the Netherlands)
- Advisory services in accelerated bookbuild offering, Boskalis (the Netherlands)
- Advisory services in strategic study, TBI (the Netherlands)

Financial institutions
- Advisory services in merger between Ducatus and De Zonnewijser (the Netherlands)
- Advisory services in sale of ELQ Hypotheken (the Netherlands) to Adaxio
- Sale of Van Lanschot Luxembourg (the Netherlands)

Other
- Secondary offering of shares, Unit4 (the Netherlands)
- Advisory services in valuation of share programme for C1000 management (the Netherlands)
- Advisory services in refinancing of Accell Group (the Netherlands)

SECURITIES

STRONG GROWTH IN SECURITIES

Securities can look back on an excellent year in a stock market climate marked by a healthy and positive undertone. Income was strong on all fronts. Volumes traded on the securities markets were higher and commission income improved by 16%. Income from issues of structured products showed very strong growth thanks to an enlarged client base. In addition, Securities was involved together with Corporate Finance in a number of notable capital market transactions in our chosen niches Benelux, life sciences, cleantech and real estate.

Securities strengthened its market share further in all its niches by continuing to focus consistently on European life sciences, cleantech, European real estate and Benelux shares. Securities again invested heavily in quality in 2013, thereby laying down a strong platform for further growth.

The strength of Securities lies in the quality of its people. We operate an ambitious training and development programme for young high-potentials, as well as investing in very experienced professionals, for example recruiting three top analysts for our niche sectors. We revamped our research products to increase their impact and tailor them even more closely to the different needs of our clients. This approach is clearly appreciated by our clients and enabled us to broaden our client base whilst also growing the share of business placed with existing clients.

FURTHER INTERNATIONALISATION

Our strength also lies in the combination of a strong focus on a small number of sectors and offering a complete service in those sectors. We set ourselves apart through our research, but also through the liquidity of the shares: we trade actively with 18 of the 22 largest equity investors in the world. The international brokerage market is very dynamic, with constantly changing levels of demand from institutional clients. We also have a wealth of knowledge about these sectors, and in securities brokerage we are a major player in the securities markets, allowing us to facilitate capital market transactions.

Our ambition is to grow further by maintaining our focus on our niches, enlarging our client base and developing our international presence further. We intend to strengthen our presence in New York to meet the anticipated increase in client numbers from the United States and Canada.

We have built up a solid position in European life sciences, European real estate shares and Benelux shares and are steadily raising our profile in our newest niche, European cleantech.

We again organised a large number of conferences, seminars and roadshows in Europe and the United States in the year under review, bringing together businesses and investors. We also successfully organised our first international conference for cleantech companies and investors.

SOLID POSITION IN STRUCTURED PRODUCTS

We also use our deep sector knowledge and research to develop tailored investment products both for Van Lanschot and for third parties. Starting from the niches on which Securities focuses, we develop structured products that enable investors to generate returns with reduced risk. These products fit in well with the Van Lanschot investment policy of focusing on capital growth. Issuing structured products enables Kempen Securities to raise funding for Van Lanschot. We expect client demand for these guaranteed-return products to grow further in the years ahead.

In response to the growing demand by investors for socially responsible investments, we introduced an Ethical Europe Guarantee Certificate in the year under review. The Ethical Europe Equity Index comprises 30 liquid European equities and is compiled on the basis of both ethical and financial criteria. The products issued in the reporting year included the Trigger Note Eurozone and two Index Guarantee Notes.

TOP 3 POSITION IN ALL RELEVANT SECTORS AND CATEGORIES IN THE THOMSON EXTEL SURVEY

Kempen once again received a number of awards in 2013, underlining the fact that the sales, research and trading activities of Securities are among the best in the categories that are relevant for Kempen. Kempen was ranked first for trading and execution in both Europe and the Benelux in the annual Thomson Extel Survey, a leading client satisfaction survey conducted among more than 2,500 asset managers, 797 companies and 243 brokers around the world. In addition, listed European real estate companies voted Kempen the best broker in Europe. The Kempen & Co analysts achieved first place in the Benelux Country Research category as well as in the European Pharmaceutical Industry and Biotech category.
Joof Verhees, member of the Management Board of Kempen & Co, sees these awards as confirmation of the company's strong market position. *'We are not the biggest bank, but we are a major player in our chosen niches. Even more important than winning prizes is our position in the market, and these results are a good reflection of that. Kempen is a leading broker in Europe, with top-ranking specialists in both research and execution in its staff.'*

CORPORATE BANKING

Ambition: To reduce capital requirement through careful scale-down of corporate lending

	Priorities	Actions taken in 2013	Results for 2013
Focus	• Achieve targeted rationalisation of corporate loan portfolio where there is no link to Private Banking • Improve profitability of outstanding loans	• Establishment of clear financial objectives • Further strengthening of risk management	• Risk-weighted assets reduced by more than € 0.5 billion • Contribution to improvement in the Core Tier I ratio of the whole bank • Improvement in interest margin of 0.2 percentage points
Simplify	• Create an effective organisation: corporate banking services concentrated in a single team • Simplify the range of products and services for businesses • Invest in our people	• Streamlining of corporate lending organisation • Creation of one central team of specialists • Development of staff training programme	• Contribution to cost reduction of € 2.7 million

FINANCIAL PERFORMANCE

Corporate Banking *(€ million)*	2013	2012	Change %
Interest	55.1	56.1	– 2
Income from securities and associates	–	–	–
Commission	7.5	8.7	– 14
Profit on financial transactions	–	–	–
Income from operating activities	**62.6**	**64.8**	**– 3**
Staff costs	20.2	19.1	6
Other administrative expenses	13.7	21.7	– 37
Depreciation and amortisation	2.3	–	–
Operating expenses	**36.2**	**40.8**	**– 11**
Impairments	74.7	75.5	– 1
Total expenses	**110.9**	**116.3**	**– 5**
Operating result before tax	**– 48.3**	**– 51.5**	**– 6**

Focus on corporate lending within a specialist team

Van Lanschot created the Corporate Banking business unit in the year under review, bringing together the corporate lending activities (both corporate and real estate loans) in a single team. As this capital-intensive activity does not fit in with the Van Lanschot proposition as a wealth manager, we are gradually scaling down our corporate lending activities. Corporate loans tie up a relatively high proportion of capital, are often complex and insufficiently profitable in relation to the high capital requirements and higher risk profile. We will in future only provide new corporate loans if there is a direct relationship with Private Banking and the loan is profitable.

REDUCTION IN RISK-WEIGHTED ASSETS

One of the most important objectives we have set ourselves is to halve the risk-weighted assets, reducing them by € 2.2 billion by the end of 2017. In terms of achieving our Core Tier I target of 15%, this will cut the capital requirement by more than € 0.5 billion. We also intend to simplify our range of products and services for businesses, improve the profitability of outstanding loans by adjusting the interest margins, reduce loan losses and lower the costs. A prudent approach and maintaining client satisfaction will be key principles here.

Our stronger focus on risk management and loan quality is reflected in a stabilisation of our provisions. The interest margin also improved by 0.2 percentage points in 2013, risk-weighted assets were reduced by € 0.5 billion and cost savings were made totalling € 2.7 million.

STRONG TEAM OF PROFESSIONALS

The corporate lending activities (including real estate loans) are managed by a team of experts drawn from various regional offices. Bringing these professionals together in one place has made the organisation more efficient and reduced staffing levels by 30%.

OFFERING STAFF AN INSPIRING ENVIRONMENT

The scale-down of the corporate loan portfolio means the size of the team will gradually reduce. At the same time, these specialist activities also offer career prospects for the employees concerned. These are complex activities which demand a great deal of professionalism, knowledge and expertise and which provide valuable experience. In order to support this, we invest a great deal in our people, for example by offering education and training courses.

THE PEOPLE BEHIND VAN LANSCHOT

Priorities	Actions taken in 2013	Results for 2013
• Focus and simplify the organisation • Reposition Van Lanschot as an employer of choice • Raise the standard of expertise, skills and conduct among all employees • Talent development	• Changes to organisational structure, including process improvements • New job descriptions for employees • Adaptation of training courses to new legal requirements and job descriptions • Leadership programme for senior management • Set-up of campus recruitment	• Implementation of learning management system and development of performance management & development tool • Job descriptions and training programmes brought into line with new organisation • Increased intake of starters and young professionals • More efficient and effective organisation • Implementation of leadership programme; phase 2 under development

EMPLOYER OF CHOICE

In a knowledge and service organisation such as ours, it is people that make the difference. With their professionalism, personality, competences, values and integrity, it is they who determine the quality of our service. It is therefore imperative that both Van Lanschot and Kempen are attractive and distinctive employers. In order to realise this ambition, we must also create the right conditions to enable our staff to excel. If we are able to challenge them in the right way, we will get the best from our people.

Our HRM policy is aimed at attracting and retaining high-quality staff. Our aim is to be an employer of choice in the financial sector, so that our employees are able to deliver an optimum performance and so that we are able to attract and retain the right top talent and successful professionals. Existing and potential employees now see a bank with a clear vision and focus, which offers good career opportunities. Training programmes are described in a clear and straightforward way. Making Van Lanschot a more distinctive proposition offers interesting opportunities in an inspiring working environment for both starters and experienced top professionals.

DIVERSITY OF PEOPLE, EQUALITY OF OPPORTUNITY

Van Lanschot believes that its staff must reflect the diversity and wealth of talent in society. We therefore attach importance to a diverse workforce and good individual development, regardless of visible characteristics (age, sex, ethnicity) and non-visible characteristics (wishes, needs, resilience). Our basic premise is that every employee has their own, unique characteristics. We place the emphasis on competences and conduct, based on the principle of equal opportunities for everyone.

We have an inclusive corporate culture. Our aim is to create a working environment in which the competences and conduct of every employee are able to flourish. Our programmes are therefore not developed for one specific target group. We also regard the ability to work remotely as a means of encouraging diversity.

At Van Lanschot, the diversity of our people is seamlessly interwoven with the diversity of our processes and systems. This begins with the search and recruitment process for new employees. The relevant process is designed to ensure that we select people with a variety of training backgrounds and experience. Naturally, it is also important that they are able to work in a team and that a team has the right makeup: because a team with an optimum and diverse composition functions better. Diversity is also a component in the performance management & development tool, in which managers are appraised much more for their coaching skills. Diversity is also important when assessing the application of the bank's core values (professional, ambitious, independent and committed). We support employees who are independent-minded and who are not afraid to express differing opinions. Our talent development programmes have also enabled us to identify more effectively who our talented employees are and how we can give them the best possible support. We do not apply fixed career progression models based on diversity within the bank, but look at where our people can be deployed most effectively in terms of ambition, performance and scope within the organisation.

CONTINUOUS DEVELOPMENT OF EXPERTISE AND SKILLS

Van Lanschot's aim of building long-term relationships with employees is in keeping with its goal of being an employer of choice. Van Lanschot attaches great value to the development of its employees.

To this end, in 2012 we began bringing the entire offering of training and other courses together in the Van Lanschot Academy. This training house offers a coherent package of training and other courses in a logical sequence. The Van Lanschot Academy, with its clear learning philosophy, was developed further in 2013.

An important new element is the Learning Platform. This offers employees a single point of contact for questions, enrolment and information about management development, general development, expertise and skills training programmes and other aspects relating to their development. In addition, both employees and managerial staff can keep track on a daily basis of whether they are compliant with the statutory and regulatory training standards.

Continuing education for directors

The law sets specific standards for policymakers (Board of Managing Directors) and those who supervise their actions (Supervisory Board). In response to this, we offer an annual Continuing Education programme for members of the Board of Managing Directors and Supervisory Board. In 2013, three meetings were organised under this programme, covering the topics liquidity risk, derivatives and structured products, cybercrime and risk appetite.

Professional competence

The focus with regard to professional competence in the year under review was on simplifying and describing more concisely the development requirements and opportunities. With this in mind, the training requirements were cast in the form of study pathways in the Learning Platform for Private Banking. This makes it easy for employees and managers to see what is expected of them and what knowledge and skills they may still need to acquire or develop. They can also see the opportunities that exist for their development at Van Lanschot. The transparent structure enables them to take responsibility for themselves and work on their development in the best possible way.

Course participants can often prepare for classroom sessions by studying part of the theory online in advance. These e-learning modules are an important addition to the regular courses and training programmes and greatly enhance the impact of the classroom sessions. Online learning dovetails seamlessly with the strategic review because it is both more effective and more efficient: more effective because it focuses only on the core activities; more efficient because fewer learning aids need to be deployed and customisation is possible, with participants learning only what they need to know. Participants can also engage in online learning at a time and place that suits them, enhancing efficiency given the geographical distribution of participants and departments.

We provide a range of online training programmes. The majority of our employees completed the general e-learning module Client First in the year under review. The same applies for the online training course Appropriate Investment Solutions, which is intended for all employees who give investment advice.

Most bankers also followed the online training courses on Evi. The Wealth Management course also came to a conclusion at the end of 2013, culminating in a number of integration days and assessments.

Preparations also began in the year under review for the new Wft professionalisation framework which comes into effect in 2014. This new framework, which will replace the present Wft (Financial Supervision Act) legislation, stipulates that advisors who have contact with private clients and advise them on one or more specific financial products must follow a number of Wft training courses and pass certain examinations. This new professionalisation framework focuses more on professional competence for each individual professional qualification, each of which consists of several Wft modules. Van Lanschot has selected a partner to oversee the transition from the old to the new Wft.

As in previous years, the training curriculum at Kempen was adapted to changing legislation and regulations. Kempen has traditionally devoted a great deal of attention to personal skills and development training. More depth was added in the year under review to the skills training programme aimed specifically at senior management.

DEVELOPING TALENT

We devoted a good deal of attention in 2013 to identifying and supporting talented employees. Van Lanschot's role as a wealth manager means it is crucial that those whose performance is above-average and who have sufficient potential develop into highly skilled professionals and managers. Developing talent has therefore become an even more integral part of the long-term HRM policy. We have defined clearly what we mean by talent, and will systematically track talented employees as their careers progress. We have replaced the traditional programme-based approach with a talent monitoring system which enables us to offer talented employees the right development opportunities in a way that is tailored to them. Where appropriate, we commission the development of specific programmes.

In the year under review we identified the key positions within the business and the positions where we consider internal succession to be important. We also looked at whether we have suitable candidates for those positions in house, both now and in the future. As a result, succession planning has become a structural part of the HRM policy.

We once again devoted attention to supporting high-potentials in 2013. In March, a new group of trainees began working at Private Banking and in the financial support departments. In view of the organisational changes, we have redesigned the traineeship and this will be implemented in early 2014.

In partnership with an external party, we developed a leadership programme for our branch managers in the year under review. The programme is centred around the question of how participants can sharpen the focus both in their work activities and in their personal growth.

BETTER QUALITY ASSURANCE

The design and implementation of a digital performance management and development tool began in 2013. Employees can use this tool to upload their personal plans, while managers can upload their appraisal forms. These online forms have been simplified and now provide a clearer definition of the conduct that is required for specific competences, such as leadership. The clear descriptions make it easier to monitor the quality of personal plans and appraisals. The tool was implemented on 1 January 2014.

ATTRACTING TALENT

In the year under review we divided potential employees into three segments: starters, young professionals and experienced professionals. Starters are a key target group given the importance we give to attracting young talent. We have been targeting the starters market explicitly since 2012, and in 2013 we further concentrated our activities in this area, and enlarged the Recruitment department by bringing in a 'campus recruiter' specially for this target group.

We were also present at job fairs and events for student associations and expanded our network in student centres through the creation of 'city managers': young, talented Van Lanschot employees who act as ambassadors for Van Lanschot in the city where they themselves studied and have a network. All these efforts in the area of campus recruitment raised our profile on the starters market and enabled us to recruit a larger number of academically qualified people than in previous years.

In the year under review we attracted the attention of many young professionals (talented young people with between three and seven years' work experience) and experienced professionals. The latter group were reached mainly through our own networks and via social media, which meant there was less need to bring in external recruitment consultancies. Our name recognition was already high among this group, but thanks to our clear positioning as a wealth manager, we were able to increase our attractiveness as a potential employer for this group.

Kempen maintained its strong position on the labour market in 2013. Partly thanks to the use of social media, Kempen is a well-known name among talented starters. A consistently strict selection process has enabled Kempen to attract the most talented people from the market. Kempen mainly uses its own network for recruitment to senior positions.

Kempen has a diverse workforce. International expansion of recruitment has helped increase the number of non-Dutch employees; this has helped boost the innovative capacity and enhances awareness of what is going on in the world around us.

ORGANISATION GEARED TO TIGHTER STRATEGIC FOCUS

In 2012, Van Lanschot launched an investment and cost control programme aimed at making the organisation more efficient and more effective. This programme was intensified and stepped up in 2013 with the further tightening of the strategic focus. We made a number of conscious choices to enable existing processes to run more smoothly and create greater focus.

In combination with scaling back the corporate loan portfolio, simplifying the product portfolio and the organisation will result in streamlining of departments and a reduction in the number of job titles. Against this backdrop, we once again reviewed the organisation to assess the degree to which job descriptions match the new situation. This led to a new, simpler job classification and to clearer job descriptions where this was necessary. We created a development chart for the commercial jobs and tightened up the registration requirements. These comprise both the requirements set by law and our own requirements for each job title.

The total workforce was reduced by 108 FTE in 2013. Employees who were made redundant received intensive support from the VL Mobility Centre, which focused on scoping the opportunities for other work within the organisation or providing support in finding work outside the bank. Ultimately, new jobs were found for a substantial proportion (79%) of the transfer candidates within one year; in some cases, these were inside the organisation.

A restructuring programme not only affects transfer candidates, but also the employees who remain, who are faced with additional pressure. This is precisely when it is key that good working conditions are assured. We therefore also devoted a lot of attention to engaging in dialogue and making the changes and development opportunities transparent for those employees remaining with the bank.

A number of new job titles were also created. In addition, in other parts of the organisation we actually need new people with specific qualifications. This is reflected in the recruitment and training policy that was implemented in 2013.

INTENSIVE YEAR FOR THE EMPLOYEES' COUNCIL

Like the previous year, 2013 was a busy and intensive year for the Employees' Council. On top of all the changes in 2012, the year under review brought the strategic review and all the changes that stemmed from that, which required critical and constructive consultation.

Close consultation between the Board of Managing Directors and the Employees' Council is of great importance, especially during change processes. The relationship between Board members and the Employees' Council was further reinforced in 2013.

In May the Board of Managing Directors submitted a general request for a formal opinion on the strategic review and its consequences for employees. The Council issued a positive opinion, underlining the fact that the Employees' Council also endorses the tighter strategic focus. The six underlying subsidiary requests for opinion were then discussed; the Employees' Council, whilst fully respecting the decisions of the Board, posed lots of constructive critical questions and made a good contribution to the substance of the issue. The Employees' Council also issued a positive opinion on the proposal to relocate a number of support departments from 's-Hertogenbosch to Amsterdam (the Netherlands), though did attach a number of conditions.

COMPOSITION OF THE WORKFORCE

The number of FTE at Van Lanschot fell by 54 in 2013 to 1,808. After adjustment for insourcing of IT services, the reduction was 108 FTE. Of the total number of employees whose employment contracts were terminated, 26.9% left of their own volition.

Staff	2013	2012
Employees (FTE)	1,808	1,862
Absenteeism (%)	3.2	3.5[1]
Investments in education & training (€ million)	3.9	3.6

Number of employees	2013		2012	
	Number	FTE	Number	FTE
Van Lanschot	1,322	1,223	1,370	1,249
Van Lanschot Belgium	134	130	135	131
Van Lanschot Switzerland	24	23	24	21
Van Lanschot Curaçao	4	4	31	30
Van Lanschot Luxembourg	–	–	15	14
Kempen & Co	453	428	431	410
Westerzee	–	–	4	2
Trust	–	–	5	5
Total	**1,937**	**1,808**	**2,015**	**1,862**

Absenteeism

The rate of absenteeism was lower than in the previous year, at 3.2% (2012: 3.5%). The reduction occurred in both short-term and long-term sick leave.

TERMS OF EMPLOYMENT

Van Lanschot decided to end its participation in the collective bargaining agreement for the banking sector in 2013. The agreement applied to a very diverse group of banks which differ significantly from each other: Dutch subsidiaries of foreign banks, smaller local specialists, general banks and investment banks. As these banks were so vastly different, application of the 'one size fits all' principle which characterises the sector-wide agreement was becoming ever more difficult. Van Lanschot is an organisation that requires customisation and terms of employment that are appropriate for a specialist, independent wealth manager. Examples include adjustment of the salary system, simplification of leave arrangements and changes to overtime arrangements.

The existing collective bargaining agreement expired in 2012, but is still in force due to the 'carry-over effect'. The present terms of employment form the starting point for the discussions with the Employees' Council, with a view to agreeing on a new, more modern system. The aim will be to present a modern and flexible agreement to our employees, which matches the new strategy and which guarantees that we are able to compete well on the labour market.

The gradual raising of the state retirement age and the existing pensions legislation require that we adapt our pension schemes. We intend to do that in 2014.

Coverage ratio

The coverage ratio of the pension fund stood at 109.4% on 31 December 2013 after allowing for the employer's additional contribution. Without the additional contribution, the coverage ratio would have been 108.6%. This additional payment is one of the agreements reached at the end of 2011 as part of the recovery plan. The additional payment in 2013 brought an end to the obligation to make these payments.

A number of topics which were on the agenda in the year under review, such as a new salary system and simplification of the leave arrangements, will be discussed in more detail in 2014.

[1] Figure restated based on final data.

CORPORATE RESPONSIBILITY

For Van Lanschot, Corporate Responsibility specifically means conducting business with integrity. The basis for this is the permanent dialogue with all our stakeholders.

Priorities	Actions taken and results for 2013
• Continue stakeholder dialogue • Focus on investments and corporate loans • Environment: reduce carbon footprint • Bring more focus to the policy for supporting good causes • Improve internal and external communication	• Seven out of nine KPIs were achieved, one partly achieved and one not achieved • Responsible investment: scope of policy widened; communication improved; introduction of two new sustainable funds • Corporate loans: screening revealed no negative issues • Carbon footprint reduced • Charity Service launched in January 2014 (more information on this can be found in our Dutch-language Sustainability Report) • Improved position in external benchmarks • External verification of Sustainability Report

POLICY

Van Lanschot has formulated a framework for the implementation of corporate responsibility (CR); see the box below. Within this framework, corporate responsibility is divided into four focus areas: core banking activities, being a good employer, environmental management and procurement, and social involvement. Key performance indicators (KPIs) were established at the end of 2011 to enable the results for each of these focus areas to be measured (verified) more effectively.

CORPORATE RESPONSIBILITY FRAMEWORK

Stakeholders and guidelines	Principles and organisation	Focus areas	KPIs		Achieved in 2013
Stakeholders • Clients • Shareholders • Employees • Government/Regulators • Non-governmental organisations • Peers	**Principles** • Banking with integrity and respect for the world around us, including future generations • Active dialogue with stakeholders; weighing their interests in all we do • Transparency about goals and actions	**1. Core banking activities** • CR - Client acceptance policy • CR - Investment policy • CR - Lending policy	• Client loyalty score higher than last year • Growth in assets under screening (as a % of AuM) – Private Banking (asset management and advice) – Asset Management • Corporate lending: more transparency on results of engagement	KPI 1 KPI 2 KPI 3 KPI 4	● ● ● ◕
External guidelines • UN Global Compact (GC) • Principles for Responsible Investment (PRI) • International Labour Organisation (ILO) • Corporate Governance Code • Banking Code • Global Reporting Initiative (GRI) 3.1	**Organisation** • Board of Managing Directors • Supervisory Board • Ethical Council • Corporate Responsibility Department • ESG Council • Van Lanschot Green Team • Kempen Sustainability Team • Policy Risk Committee	**2. Good employer** • Education and training • Development of talent • Employability • Diversity	• Increase in number of employees who recommend Van Lanschot as an employer	KPI 5	○
		3. Environmental management and procurement • Reduction in CO_2 emissions • Procurement policy	• Energy consumption: reduction in kilowatt hours • Paper consumption: reduction in kilograms	KPI 6 KPI 7	● ●
		4. Social involvement & external assessment • Transparency • Stakeholder dialogue • Sponsorship and donations	• Transparency benchmark: higher absolute score than last year • Sustainalytics rating: higher absolute score than last year	KPI 8 KPI 9	● ●

● KPI achieved fully
◕ KPIs largely achieved
◐ KPI stable: partially achieved
◔ KPI achieved to a small extent
○ KPI not achieved at all

For Van Lanschot, corporate responsibility primarily focuses on the quality of the services it provides (core banking activities) and the people behind those services (employees). This is addressed in this annual report.

Further information on environmental management and procurement, on social involvement and on external assessment can be found at www.vanlanschot.nl/csr.

CORE BANKING ACTIVITIES

Van Lanschot is fully aware that putting the client first is a necessary condition for the continuity of the bank. This is in line with the Banking Code, which the bank endorses. At the same time, we realise that this must not mean that we undermine the interests of other stakeholders. We have therefore explicitly included the interests of other stakeholders in our client acceptance policy, responsible investment policy and responsible lending policy.

Client acceptance policy

Van Lanschot applies an extensive Customer Due Diligence (CDD) policy. This policy ensures that information about clients, for example the origin of their assets, is properly established. It also ensures that the bank does not provide services to clients who may be involved in financial and economic crime, such as money laundering or the financing of terrorism.

Responsible investment policy

The engagement strategy that has formed the basis for the responsible investment policy since 2009 was continued in 2013. Companies and fund managers which act contrary to existing conventions and treaties are challenged about this (engagement). If the company or fund manager does not subsequently make sufficient changes, exclusion (divesting) is an option.

More focus was given to this engagement strategy in 2013. The existing engagement cases were brought together within seven distinct sustainability themes: palm oil; controversial working conditions; child labour in the cocoa sector; issues in the oil, gas and mining industry; controversial dam projects; corruption; and nuclear weapons. A thematic background paper is available for each of these themes.

RESPONSIBLE INVESTMENT POLICY

By signing the Principles for Responsible Investment and UN Global Compact, Van Lanschot opted to define its investment policy on the basis of standards that are widely accepted within society. The screening process is carried out by an independent, specialist consultant (GES Investment Services). GES Investment Services screens for issues related to themes such as human rights, labour rights, the environment, tackling corruption, weapons, animal rights and nuclear energy. To this end, GES Investment Services has translated the United Nations framework into more investment fund fails to comply with one or more of these criteria, Van Lanschot launches a process of engagement, in which it tries to bring about improvements by means of active dialogue with the relevant company or investment fund. If the company or fund manager refuses to cooperate, Van Lanschot disposes of the investment.

To meet the demand for more transparency, all engagement cases have now been set down in concise engagement factsheets, describing the background to the case, the results achieved thus far and the future engagement objectives.

During a meeting with institutional clients in October 2013, the need emerged for us to target our engagement efforts in the coming year more emphatically on the negative impact of palm oil production. This was one of the reasons that prompted Kempen to become a member of the Sustainable Palm Oil Investor Working Group (IWG) in 2013, a group of financial institutions and asset managers which together have assets of more than $ 2.5 trillion under management and which works towards achieving a sustainable palm oil industry through a strategy of engagement.

The responsible investment policy for government bonds and real estate was adapted on a number of points in 2013:

- With regard to government bonds, specific ESG (environmental, social and governance) information will henceforth be incorporated in the existing country assessment process, and we will begin an engagement programme for low-scoring countries. The engagement is targeted at fund managers, benchmark providers and rating agencies. The purpose of this is to ensure that they take these low scores into consideration when compiling their funds, benchmarks or ratings.
- Increasingly, the method used by Kempen for screening real estate funds makes explicit use of data from the Global Real Estate Sustainability Benchmark (GRESB), of which Kempen Capital Management (KCM) is an active member. For unlisted real estate funds, KCM employs an active dialogue to reach tangible sustainability agreements with fund managers (and mandates). In 2013, for example, KCM held talks with a Dutch property fund on the use of solar panels on rented homes. The fund subsequently launched a pilot.

The ESG Council, which is responsible for the formulation of the responsible investment policy, was strengthened in 2013 by the addition of the Chief Investment Officer from KCM. A full-time Responsible Investment Director was also appointed within KCM.

Further rise in assets under screening

Assets under screening (as a percentage of assets under management) rose further in 2013. This was directly related to the increase in the number of asset classes covered by the periodic sustainability screening. In addition to active equity investment funds, real estate funds, individual government bonds and a number of credit funds, several passive investment funds and the 'matching portfolio' are now also subject to screening.

The figures below provide an impression of the assets under screening as at year-end 2013:

- Private Banking: assets under management at Private Banking amounted to € 18.9 billion at year-end 2013 (2012: € 18.7 billion). By year-end 2013, 60% of these assets had been screened by GES Investment Services (2012: 56%). This increase means that KPI 2 as defined previously was achieved.
- Asset Management: Kempen had assets under management totalling € 24.4 billion at year-end 2013 (2012: € 22.2 billion). At year-end 2013, 71% had been screened by GES Investment Services (2012: 42%). This means that KPI 3 as set earlier was achieved.

If the invested assets of Private Banking (including Belgium and Switzerland) and Asset Management are taken together, total assets under management amount to € 43.3 billion. Of this total, € 28.6 billion (66%) had been screened at year-end 2013. This compares with 48% (of € 40.9 billion) at year-end 2012.

Engagement and exclusions

The number of investment funds covered by the engagement policy stood at 21 at year-end 2013 (2012: 27). At year-end 2013, the engagement process had been applied to 29 companies spread over 11 fund managers (2012: 38 companies spread over 14 fund managers). The number of companies excluded almost doubled in 2013, from 13 at the end of 2012 to 24 at year-end 2013, due among other things to the law banning investments in companies involved in cluster munitions which was introduced in early 2013.

Responsible lending policy

Since the inception of the responsible lending policy, existing and new corporate loans have been reviewed to ascertain whether they have any involvement in violations of human rights and labour rights, environmental breaches, corruption, weapons (controversial or otherwise), fur, gaming, pornography, animal testing and nuclear energy. If a borrower does not comply fully with the criteria, Van Lanschot attempts to bring about improvements by pursuing a strategy of engagement.

Internally, this policy has been implemented by introducing the ‘CR loan filter’. The filter flags borrowers involved in the above sectors/activities as ‘potentially high risk’ and submits them for advice to the Corporate Responsibility department. The number of cases submitted to the CR department was relatively low in 2013. There are several possible reasons for this. In addition to the scaling down of corporate lending announced in May 2013 (strategic review), the economic situation also plays a role (fewer new loan applications). On top of that, the bank has now screened the lion’s share of its portfolio.

The number of potentially high risk filters stood at 132 at year-end 2013. Almost 70% of these had been fully processed by year-end 2013 (no outstanding questions for the borrower). The figure at the end of 2012 was 53%. As in the previous year, the screening of our corporate loan portfolio has to date produced no surprises.

STRICT NEW SUSTAINABILITY FUNDS SEE THE LIGHT

Two new investment funds were introduced in 2013 in response to an expressed demand by several clients, particularly foundations, associations and congregations, for a range of investment funds based on exclusion. These funds, the Kempen Global Sustainable Equity Fund and the Kempen Euro Sustainable Credit Fund, exclude companies that are involved in fields such as nuclear energy or the production of tobacco, fur and alcohol. They also exclude companies with which Kempen has already begun an engagement project as part of the responsible investment policy. The selection of the sustainability themes for these funds follows the guidelines issued by the Vereniging van Fondsenwervende Instellingen (VFI). The actual screening is carried out by GES Investment Services.

ASSESSMENTS IN EXTERNAL BENCHMARKS IN 2013

Forum Ethibel:
The Belgian consultancy Forum Ethibel once again awarded an Ethibel certificate to Van Lanschot in 2013. By doing so, Forum Ethibel certifies that Van Lanschot invests the financial resources entrusted to it in a responsible manner.

Sustainalytics:
Sustainalytics (a research company) puts Van Lanschot in the top 10 out of 274 banks.

Transparency Benchmark:
Van Lanschot achieved a very high ranking (17th out of approximately 500 companies) in the Transparency Benchmark, an initiative of the Dutch Ministry of Economic Affairs.

Fair Bank Guide:
Van Lanschot has for some years occupied a high position in the Fair Bank Guide, an NGO initiative which assesses the sustainability of Dutch banks.

STAKEHOLDER DIALOGUE IN 2013

The dialogue with stakeholders remained a key driver of the on-going development of the corporate responsibility policy in 2013. During the meetings that we organised with clients on corporate responsibility, we asked clients to give their views on the bank's corporate responsibility policy.

We also conducted a survey among our stakeholders at the end of 2013 to ascertain which topics they consider important in relation to corporate responsibility, both for themselves and for the success of the bank. The outcomes of this survey were discussed during a broad-based meeting with stakeholders. Good governance (focusing on financial management, asset management, external communication) and doing business honestly (including treating customers fairly, honest marketing) were particularly important for our stakeholders. The various environmental themes (biodiversity, use of resources) were felt to be less important. The following issues also emerged during the discussion:

- A good corporate responsibility policy has a clear focus. Most stakeholders endorse the choices made by Van Lanschot, but believe they could be communicated more clearly.
- Many stakeholders suggested that corporate responsibility should by definition stem from the intrinsic motivation of the bank and that there might be scope for Van Lanschot to improve in this regard. Several stakeholders feel that the current policy is too reactive, and that the bank should base its policy less on (external) opinions and guidelines, and more on its own vision.
- Van Lanschot should identify the topics where it could and would like to make a difference.

More information on the stakeholder dialogue may be found in the 2013 Sustainability Report (in Dutch) at www.vanlanschot.nl/verantwoordondernemen.

REPORT OF THE SUPERVISORY BOARD

FOREWORD

Van Lanschot demonstrated in 2013 that it has resilience, staying power and ambition. The bank implemented changes on several fronts which stem from the strategic review that was unveiled in May. The new strategy represents a clear choice for a positioning as a specialist, independent wealth manager.

The result improved in 2013 thanks to higher income and lower costs. The capital base was also strengthened considerably, Private Banking posted an improved result and Asset Management and Merchant Banking once again delivered an excellent performance.

Supervision

The role of the Supervisory Board is to supervise the policies of the Board of Managing Directors and the general course of business at the company and its affiliated enterprises. In addition, it provides advisory assistance to the Board of Managing Directors. The Supervisory Board is guided by the interests of the company and its affiliated enterprises, weighing the interests of all stakeholders, such as clients, shareholders and employees. The Supervisory Board focuses among other things on the achievement of the company's targets, the business strategy and the risks attached to the business, the design and effectiveness of the internal risk management and control systems, financial reporting procedures, compliance with laws and regulations, the relationship with shareholders and corporate responsibility.

REPORT ON SUPERVISORY TASKS OF THE SUPERVISORY BOARD

Achievement of corporate targets

Van Lanschot carried out a strategic review in 2013, led by the new Chairman of the Board of Managing Directors, Karl Guha. As a wealth manager that seeks to preserve and create wealth for its clients, the focus is on the core activities Private Banking, Asset Management and Merchant Banking. The scale-down of the corporate loan portfolio was transferred to Corporate Banking. Corporate lending is not a core activity, but does play a crucial role in achieving our objectives for the long term. Van Lanschot also worked on improving its profitability in 2013, as well as strengthening its balance sheet and capital ratios further and diversifying its funding profile. This led among other things to the affirmation of the bank's credit ratings by S&P and Fitch in the second half of the year.

A first step was taken in 2013 towards the achievement of the targets formulated for the period 2013-2017: a Core Tier I ratio of at least 15%, a return on Core Tier I equity of 10-12% and an efficiency ratio of 60-65%.

The Supervisory Board was intensively involved in the strategic review and the associated decision-making processes. The Supervisory Board fully endorses the choices made. We firmly believe that the strategic realignment lays a solid foundation for the future of the bank. A Strategy Execution Committee (SEC) was created for the implementation of the new strategy, consisting of Karl Guha, Constant Korthout, Ieko Sevinga, Arjan Huisman, Richard Bruens, John Hak, Michel van de Coevering, Paul Gerla and Joof Verhees. The SEC meets fortnightly to discuss progress.

Design and effectiveness of internal risk management

The Supervisory Board devoted a separate meeting to discussing the principal risks to which Van Lanschot and Kempen are exposed. Particular attention was devoted during this meeting to the structure and operation of the risk management and control systems. The Supervisory Board satisfied itself that there is an adequate risk structure in place and that the risk management and control systems operate satisfactorily.

Financial reporting

Periodically, financial reporting is extensively discussed in the meetings of the Audit & Compliance Committee in the presence of the independent external auditor. Feedback is subsequently provided to the full Supervisory Board. The discussion of the annual figures was also attended by the independent external auditor. No differences in insight arose.

Compliance with laws and regulations

The quarterly reports of the Compliance & Supervision department were discussed in the meetings of the Audit & Compliance Committee, in the presence of the Director of Compliance & Supervision. In the meetings of the Supervisory Board, updates were regularly given about the status of various customer care projects, such as Customer Due Diligence, the investment advice process and the mortgage advice process. The Supervisory Board was also periodically informed of the status in relation to the implementation of new legislation and regulations, such as the Foreign Account Tax Compliance Act (FATCA).

Relationship with shareholders

The Supervisory Board found that the relationship of the company with its shareholders is good. Although the most intensive contact with the shareholders takes place through the shareholders' meeting, there was bilateral contact with several major institutional shareholders on a number of subjects. An example was the strategic review. Van Lanschot has also formulated a policy in the field of investor relations and (bilateral) contacts with shareholders. This policy is published at www.vanlanschot.nl/aboutvanlanschot.

Relevant aspects of corporate responsibility

Each year, the Supervisory Board receives the Sustainability Report about one month prior to its publication. During the meeting in September, the Supervisory Board was informed by the Corporate Responsibility manager about the current status in relation to corporate responsibility. In addition, the corporate responsibility manager presents an evaluation of the responsible lending policy to the Risk Committee each year. Both the Sustainability Report and the responsible lending policy can be found (in Dutch) at: www.vanlanschot.nl/verantwoordondernemen.

COMPOSITION OF AND REPORTING BY COMMITTEES

Composition

The Supervisory Board has appointed four committees from among its members:

- the Audit & Compliance Committee, consisting of:
  - Jos Streppel (Chairman)
  - Heleen Kersten
  - Tom de Swaan
  - Godfried van Lanschot
  - Willy Duron

- the Risk Committee, consisting of:
  - Willy Duron (Chairman)
  - Jeanine Helthuis
  - Abel Slippens
  - Godfried van Lanschot
  - Jos Streppel

- the Selection & Appointment Committee, consisting of:
  - Tom de Swaan (Chairman)
  - Jeanine Helthuis
  - Abel Slippens
  - Jos Streppel

- the Remuneration Committee, consisting of:
  - Abel Slippens (Chairman)
  - Jeanine Helthuis
  - Tom de Swaan
  - Jos Streppel

The composition of the Risk Committee, the Selection & Appointment Committee and the Remuneration Committee changed during the year under review. Truze Lodder stepped down on 14 May 2013. At the recommendation of the Employees' Council, Jeanine Helthuis was nominated for appointment and appointed by the General Meeting of Shareholders on 2 July 2013. Ms Helthuis replaced Truze Lodder on the aforementioned committees.

The Supervisory Board determines the composition of these committees. The committees prepare the decision-making of the Supervisory Board regarding the subjects covered by their area of focus. The Supervisory Board retains full responsibility for decisions prepared by the Committees.

Audit & Compliance Committee

The Audit & Compliance Committee met on five occasions during the reporting year; these meetings were attended by a delegation from the Board of Managing Directors. The meetings were also attended by the external auditor, the head of Group Audit, the head of Financial Control and, if his area of responsibility was being discussed, the head of the Compliance & Supervision department. No changes took place in the composition of the Audit & Compliance Committee in 2013.

The Audit & Compliance Committee carried out a detailed assessment of the annual figures, half-year figures and the information for the trading updates. Reports by the external auditor and the management letter were discussed, prior to them being addressed in a meeting of the entire Supervisory Board. The Committee also discussed the annual plan, the Group Audit reports, the external auditor's audit plan and the annual plan as well as the reports by the Compliance & Supervision department. The review of the Audit Charter, the amendment of the Audit & Compliance Committee Rules and the mid-year review of the 2013 audit plan were also discussed, as were the contacts with and the reports of the Dutch Central Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM).

The Audit & Compliance Committee also consulted with the external auditor without company officials being present.

Risk Committee

The Risk Committee met on three occasions in 2013. Each of these meetings was attended by a delegation from the Board of Managing Directors and at least one representative of the Risk Management department. During these meetings, the Committee extensively discussed the developments in the field of credit risk, operational risk, and market and interest rate risk to which the entire organisation is exposed. A number of special subjects were also addressed, such as the developments in the real estate loan portfolio and the introduction of a risk control framework.

The risk appetite report was discussed at each meeting, when attention was devoted to the bank's risk appetite and the extent to which the prevailing risk profile was in accordance with this risk appetite. The management letter from the Board of Managing Directors on the status formed part of the discussions.

Within the scope of credit risk, the Committee devoted specific attention to developments in the loan loss provisions and in the loan portfolio as a whole. With regard to operational risk, the loss database, risk self-assessments and action tracking were discussed on the basis of the reports from the Operational Risk department. Developments in relation to interest rate and market risks were discussed based on duration analyses, VAR developments and stress tests. Explicit attention was also paid to the effectiveness of the product approval and review process. As in previous years, the Risk Committee was explicitly informed by Group Audit about the design, existence and effectiveness of the product approval process. In November 2013 the bank's risk appetite for 2014 was discussed and submitted to the Supervisory Board with a positive recommendation. For the assumptions on which the risk appetite of Van Lanschot is based, reference is made to www.vanlanschot.nl/corporategovernance, Banking code.

Selection & Appointment Committee

The Selection & Appointment Committee met once in the year under review. At this meeting, the Committee discussed the size and composition of the Supervisory Board and the Board of Managing Directors. The Committee advised the Supervisory Board on the recommendation for the reappointment of Godfried van Lanschot.

Remuneration Committee

The Remuneration Committee met on four occasions in the reporting year. The meetings were attended by the Chairman of the Board of Managing Directors and the HR director.

The Committee discussed at length the performance appraisals of the members of the Board of Managing Directors for 2012 and their individual targets for 2013. The remuneration policy for the members of the Supervisory Board was also discussed, as well as the highest variable pay within Van Lanschot, including Kempen.

The Remuneration Report was also discussed at length. Among other things, the Report states whether the targets set for the Board of Managing Directors have been met. The Remuneration Committee increased the verifiability of the remuneration policy by making the targets for the Board of Managing Directors more objective.

No variable pay was awarded to the members of the Board of Managing Directors for 2013. Even before the appraisals took place, the members of the Board of Managing Directors indicated that they did not feel it was appropriate to receive variable pay at a time when the bank is going through a far-reaching transformation. The transformation entails substantial cost savings, which are being achieved in part through rationalisation of the workforce. This is a painful but unavoidable consequence of the measures that are necessary to secure the future success of the bank. Given that a substantial number of employees will be made redundant, the Board of Managing Directors notified the Supervisory Board that it did not wish to receive variable pay for 2013. In response to this, the Supervisory Board decided not to award variable pay to the members of the Board of Managing Directors for 2013. The Remuneration Report, which provides further details on the principles of the remuneration policy, the remuneration summary, the pension scheme and the benchmark applied, can be found at www.vanlanschot.nl/results2013.

INTERNAL ORGANISATION

Composition of Board of Managing Directors

Karl Guha was appointed Chairman of the Board of Managing Directors with effect from 2 January 2013. No terms of office expired in 2013 and no further changes occurred in the composition of the Board of Managing Directors. The terms of office of Arjan Huisman and Constant Korthout expire in May and October 2014, respectively.

Composition of Supervisory Board

The terms of office of Truze Lodder and Jos Streppel expired in May 2013. Both had been members of the Supervisory Board for eight years and were thus eligible for reappointment for one further term. Mr Streppel declared himself available for reappointment for a final term of office, and was reappointed to the Supervisory Board for a period of four years by the Annual General Meeting of Shareholders on 14 May 2013. Ms Lodder indicated that she would not be available for reappointment. The Employees' Council had an enhanced right of recommendation in respect of the vacancy that arose due to the departure of Ms Lodder. Following a thorough recruitment and selection process, which was carried out in close consultation with the Supervisory Board and in which the profile outline for the vacancy was taken into account, the Employees' Council recommended Jeanine Helthuis for appointment. She was duly appointed to the Supervisory Board for a period of four years by the General Meeting of Shareholders held on 2 July 2013.

The second term of office of Godfried van Lanschot expires in May 2014. He will then have been a member of the Supervisory Board for eight years and will thus be eligible for reappointment for one further term.

The profile outline for the vacancy that will arise when Mr van Lanschot steps down includes the following criteria: thorough knowledge of and affinity with financial institutions in a broad sense, including the products, services and markets in which Van Lanschot is active; relevant developments in those markets and the applicable legislation and regulations; knowledge of the financial aspects of risk management or sufficient experience to be able to make a sound assessment of risks; knowledge of and/or experience with sound and controlled operational policies; thorough knowledge of Van Lanschot's functions in society and of the interests of all parties involved in Van Lanschot; and the ability in the decision-making process to carefully weigh up all interests involved and to arrive at a decision in a balanced and consistent manner. Godfried van Lanschot declared that he was available for reappointment. Under the shareholder agreement between LDDM Holding BV and Van Lanschot NV, LDDM Holding has a right of recommendation for the appointment to the Supervisory Board that will arise when Mr van Lanschot steps down. LDDM Holding has already indicated that it is recommending Godfried van Lanschot for reappointment to the Supervisory Board. The Supervisory Board intends to recommend the reappointment of Godfried van Lanschot to the Annual General Meeting of Shareholders to be held on 15 May 2014.

QUALITY ASSURANCE SUPERVISION

Evaluation of Supervisory Board

The full Supervisory Board, with external assistance, devoted a day in June 2013 to evaluating the functioning of the Supervisory Board. The members of the Supervisory Board found this to be a very useful exercise.

In 2013, the evaluation of the performance of the Supervisory Board, the Committees and the individual members of the Supervisory Board took place through a questionnaire which was completed by each Supervisory Board member. In addition, the Chairman of the Supervisory Board held separate talks with each individual Supervisory Board member. The evaluation was subsequently discussed at the Supervisory Board meeting held on 6 February 2014. It was established among other things that the composition of the Supervisory Board is in line with the profile outline (both in terms of expertise and diversity) and complies with the requirements of Chapter III.3 of the Dutch Corporate Governance Code. The members of the Supervisory Board gave each other feedback on their strengths and points to consider, and reflected on this. Among other things, it was agreed that informal discussions should take place after meetings on a more regular basis. It was also stated that documents for meetings should be provided in good time, so that the members of the Supervisory Board have sufficient time to study them thoroughly.

The members of the Supervisory Board also discussed and updated the suitability matrix of the Supervisory Board.

Education

The members of the Supervisory Board and the Board of Managing Directors participated in their respective continuing education programmes in 2013. The meetings organised as part of these programmes focused on the following topics: liquidity risk, derivatives and structured products and cybercrime. The meetings were evaluated very positively.

Independence

The section on corporate governance on page 55 of this annual report provides more information on the independence of the members of the Supervisory Board. The Supervisory Board is satisfied that all its members are able to keep an open and independent mind, and to adopt a critical stance towards Van Lanschot, each other, the Board of Managing Directors and the various particular interests. In the event that a certain subject might involve a potential conflict of interest, the member of the Supervisory Board concerned will not be involved in the relevant deliberations and decision-making.

In so far as applicable, best practice provisions III.6.1 to III.6.3 of the Dutch Corporate Governance Code were observed.

MEETINGS

The Supervisory Board met twelve times during the year under review. There was no frequent absence by any of the Supervisory Board members. Three members each did not attend one meeting, and two members were each absent from two meetings.

The Supervisory Board received all information required for the proper performance of its tasks from the Board of Managing Directors and the external auditor. The meetings were regularly attended by employees from the organisation to provide more in-depth information on a subject within their field of operation. The agendas for the Supervisory Board meetings were drawn up by the Chairman of the Supervisory Board, in consultation with the Chairman of the Board of Managing Directors and the company secretary.

CONTACTS WITH THE EMPLOYEES' COUNCIL

A member of the Supervisory Board attended the consultative meetings during which the annual figures and the half-year figures were explained and the general course of business at Van Lanschot was discussed with the Employees' Council. The consultations with the Employees' Council took place in a constructive atmosphere.

FINANCIAL STATEMENTS

The Supervisory Board has approved the financial statements following their audit by Ernst & Young Accountants LLP. The independent auditors' report may be found on page 213 of this annual report. We hereby invite the Annual General Meeting of Shareholders to adopt the 2013 financial statements as submitted and to discharge the Board of Managing Directors 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 first steps have been taken on the strategic path towards focus, simplification and growth. We have every confidence that the business is in good condition and is on track to face the challenges that it will encounter in 2014. All of this has been achieved thanks to the efforts of the Board of Managing Directors, the Management Board of Kempen and all employees of Van Lanschot and Kempen. We would like to express our great appreciation for those efforts.

's Hertogenbosch, the Netherlands, 10 March 2014

Tom de Swaan, *Chairman*
Jos Streppel, *Deputy Chairman*
Willy Duron
Jeanine Helthuis
Heleen Kersten
Godfried van Lanschot
Abel Slippens

CORPORATE GOVERNANCE

Van Lanschot attaches great importance to proper corporate governance. The main aspects of corporate governance at Van Lanschot are set out below. The Articles of Association and various other regulations and documents on corporate governance have been posted on www.vanlanschot.nl/aboutvanlanschot.

BOARD OF MANAGING DIRECTORS

Van Lanschot NV is a two-tier board company and the holding company of F. van Lanschot Bankiers NV. The Board of Managing Directors of Van Lanschot NV is also the Board of Managing Directors of F. van Lanschot Bankiers NV.

The members of the Board of Managing Directors of Van Lanschot NV are appointed by the Supervisory Board. The Supervisory Board informs the General Meeting of Shareholders about an intended appointment. A member is appointed for a maximum period of four years. The Supervisory Board may dismiss a member of the Board of Managing Directors at all times, but will only do so after the General Meeting of Shareholders has been consulted about the intended dismissal.

COMPOSITION AND PERFORMANCE OF THE BOARD OF MANAGING DIRECTORS

The Board of Managing Directors comprises at least two members. The number of members is set by the Supervisory Board.

During 2013, the Board of Managing Directors comprised four members: Karl Guha (Chairman), Ieko Sevinga, Arjan Huisman (Chief Operating Officer) and Constant Korthout (Chief Financial & Risk Officer). On 2 January 2013, Karl Guha was appointed member and Chairman of the Board of Managing Directors.

The Board of Managing Directors should have a complementary composition with appropriate diversity. Gender diversity only forms one aspect of this; complementarity and diversity involve other aspects too, such as knowledge, experience, skills and personality. All of these aspects are taken into account in the search for the most suitable candidate for a position on the Board. A balanced participation by men and women in the Board is aimed for. The aim is that seats on the Board are filled such that at least 30% is held by women and at least 30% by men. When filling future vacancies on the Board of Managing Directors, this aim will be taken into account when drawing up the job profile. The most suitable candidate will be appointed. To date, based on a careful consideration of all relevant selection criteria, a woman has not yet been appointed to the Board of Managing Directors.

The division of tasks within the Board of Managing Directors is determined (and amended, if required) by the Board itself, subject to the Supervisory Board's approval. The members of the Board of Managing Directors specifically charged with certain board decisions bear the primary responsibility for execution, risk control and monitoring of the relevant board duties. The decisions of the Board of Managing Directors are in principle taken in a meeting of this Board. Appendix 4 of the Supervisory Board Regulations states which decisions of the Board of Managing Directors require approval of the General Meeting of Shareholders, and which decisions require the Supervisory Board's approval.

At least once a year, without the members of the Board of Managing Directors being present, the Supervisory Board discusses the performance of the Board of Managing Directors as a body and the performance of the individual members and the conclusions reached. The Supervisory Board sets the remuneration and the conditions of employment for the members of the Board of Managing Directors, with due observance of the remuneration policy as determined by the General Meeting of Shareholders.

In 2013, no decisions were taken to conclude transactions involving conflicts of interest that were of material significance to the company and/or to the board member in question.

SUPERVISORY BOARD

Supervision of the Board of Managing Directors and the general course of affairs at Van Lanschot is entrusted to the Supervisory Board. The Supervisory Board of Van Lanschot NV is also the Supervisory Board of F. van Lanschot Bankiers NV. The members of the Supervisory Board of Van Lanschot NV are appointed by the General Meeting of Shareholders. These supervisory directors are appointed in accordance with the provisions of Section 158 of Book 2 of the Netherlands Civil Code. They are appointed for a maximum period of four years, after which they may be put up for re-election. The maximum term of office for Supervisory Directors is twelve years, which is in line with best practice provision III.3.5 of the Dutch Corporate Governance Code.

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

COMPOSITION AND PERFORMANCE OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The number of members of the Supervisory Board is determined by the Supervisory Board, bearing in mind that the number should be sufficient to warrant proper execution of the function of the Board and its committees. The Supervisory Board has prepared a profile outline[1] for its size and composition. This profile outline was prepared taking account of the nature of the business of Van Lanschot and its subsidiaries and the required expertise and background of the members of the Supervisory Board. The Supervisory Board aims for a complementary and diverse composition.

The profile outline of the Supervisory Board states that a balanced participation by men and women in the Board will be observed as far as possible. The objective is to fill seats on the Board such that at least 30% is held by women and at least 30% by men.

At year-end 2013, the Supervisory Board comprised the following seven members: Tom de Swaan (Chairman), Jos Streppel (Deputy Chairman), Jeanine Helthuis, Heleen Kersten, Willy Duron, Godfried van Lanschot and Abel Slippens. Female members currently make up 29% of the Supervisory Board. Given the size of the Supervisory Board, the aim that 30% of the seats on the Supervisory Board should be held by women has essentially been achieved.

The Supervisory Board has appointed four committees from among its members: an Audit & Compliance Committee, a Risk Committee, a Remuneration Committee and a Selection & Appointment Committee. The composition of these Committees is set out in the report of the Supervisory Board on pages 50 and 51.

At least once a year, without the members of the Board of Managing Directors being present, the Supervisory Board discusses its own performance, that of the Committees and the performance of the individual members of the Supervisory Board and the conclusions subsequently reached. The relevant information is set out in the report of the Supervisory Board on pages 49 to 53. Once every three years, the Supervisory Board assesses the performance of the Supervisory Board and is supported in this process by an independent party. The last assessment was carried out in 2011 with the assistance of PwC.

In 2013, there were no cases of members of the Supervisory Board reporting the existence of any actual or potential conflicts of interest that were of material significance to the company and/or to the Supervisory Board member in question.

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

STRATEGY EXECUTION COMMITTEE

A Strategy Execution Committee (SEC) was formed within the group in 2013. The SEC oversees the implementation of the strategic plan that was announced in May 2013. The SEC comprises the following members: Karl Guha (chairman of the Board of Managing Directors), Richard Bruens (managing director of Private Banking), Michel van de Coevering (CFO/COO of Kempen & Co), Paul Gerla (member of the Management Board of Kempen & Co), John Hak (chairman of the Management Board of Kempen & Co), Arjan Huisman (member of the Board of Managing Directors, COO), Constant Korthout (member of the Board of Managing Directors, CFRO), Ieko Sevinga (member of the Board of Managing Directors) and Joof Verhees (member of the Management Board of Kempen & Co). With effect from February 2014, the SEC was transformed into the Executive Committee (EC). The EC not only discusses the progress of the implementation of the strategic plan, but also the main corporate and business issues.

DUTCH CORPORATE GOVERNANCE CODE

The revised Dutch Corporate Governance Code[2] (the Code), which came into effect on 1 January 2009, applies to Van Lanschot NV. Van Lanschot complies with the Code. Van Lanschot deviates from best practice provisions II.2.5 and III.2.1 for certain specific reasons:

- II.2.5 of the Code states among other things that shares granted to board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. For the conditional and unconditional depositary receipts for A shares awarded to the members of the Board of Managing Director as variable pay, a lock-up period of five years from the date of grant applies. At the time these depositary receipts for shares become unconditional, as many depositary receipts for shares may be sold as required in order to compensate for the corresponding payroll tax payable. This is in deviation of best practice provision II.2.5. The Corporate Governance Code Monitoring Committee believes that the reasons given for the deviation from this aspect of the provision of the Code are acceptable. The explanation given by Van Lanschot is in line with the explanation as given by the Dutch Central Bank in the Regulation on Sound Remuneration Policies pursuant to the Dutch Financial Supervision Act (Wft 2011).

- The provision in III.2.1 of the Code states among other things that all members of the Supervisory Board, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2. Since the appointment of Ms Kersten as supervisory director of Van Lanschot as from 11 May 2011, Van Lanschot has had two supervisory directors who can be regarded as not being independent within the meaning of best practice provision III.2.2 of the Code, i.e. Mr van Lanschot and Ms Kersten.

[1] The profile outline is posted on www.vanlanschot.nl/supervisoryboard.

[2] The Dutch Corporate Governance Code can be downloaded from www.commissiecorporategovernance.nl: go to 'Information in English', Section Dutch Corporate Governance Code.

Mr van Lanschot was recommended for appointment to the Supervisory Board by shareholder LDDM Holding BV. The General Meeting of Shareholders appointed Mr van Lanschot as supervisory director on the recommendation of the Supervisory Board in 2006; he was reappointed as supervisory director in 2010. Under the terms of the shareholder agreement between Van Lanschot and LDDM Holding, the latter has the right to recommend one supervisory director. Ms Kersten is lawyer and partner at Stibbe law firm. The Corporate Governance Code states that if the firm where the supervisory board member works acted as adviser to the company in the year prior to this member's appointment, the supervisory director is deemed not to be independent (best practice provision III 2.2 under c. of the Code). Stibbe is one of the legal firms with which Van Lanschot works. This would mean that Ms Kersten can be deemed to be not independent within the meaning of the Code. However, Van Lanschot believes that Ms Kersten is a very suitable supervisory director with substantial added value in terms of knowledge, experience and diversity. That is the reason why the Supervisory Board considers this deviation to be reasonable.

DUTCH BANKING CODE

The Banking Code[3], published by the Dutch Banking Association, came into effect on 1 January 2010. The Banking Code defines principles about treating customers fairly and about risk management and audit, governance (Supervisory Board, Board of Managing Directors) and the remuneration policy. The Banking Code applies to all banks granted a banking license under the Dutch Financial Supervision Act (Wft).

Implementation of the Banking Code

Van Lanschot applies the Banking Code at F. van Lanschot Bankiers NV and Kempen &Co NV, the two subsidiaries holding a Dutch banking license. Van Lanschot also applies the Banking Code to the foreign subsidiaries with a banking license, taking account of the local laws and regulations and practical circumstances in view of the limited scale of the foreign operations of Van Lanschot. An overview has been posted on www.vanlanschot.nl/bankingcode setting out how Van Lanschot complies with the recommendations of the Banking Code. Van Lanschot complies with the Banking Code. For the explanation why principle 6.3.4 of the Banking Code is not followed, reference is made to the section on the Dutch Corporate Governance Code (best practice provision II.2.5). Principle 6.3.1 of the Banking Code states that the total direct compensation of a member of the Board of Managing Directors lies just below the median for comparable positions within and outside the financial sector.

[3] The English translation of the Banking Code can be downloaded from: www.nvb.nl, go to 'English'; Section Publications. Reference is made to our corporate website for a summary of implementation of each article of the Dutch Banking Code by Van Lanschot.

At year-end 2011, Hay Group performed a benchmark review into the remuneration policy for the Board of Managing Directors of Van Lanschot NV (for more details about this benchmark review, reference is made to page 5 of the 2013 Remuneration Report for the members of the Board of Managing Directors on www.vanlanschot.nl/annualreports). This review showed that the total direct compensation of the Board of Managing Directors in the event of on-target performance lies just fractionally above the median for Mr Sevinga and below the median for the other board members.

The remuneration policy for the Board of Managing Directors is reassessed in principle every four years. The assessment was last performed in 2010. The remuneration policy for the Board of Managing Directors was subsequently changed for technical aspects in connection with amendments in rules and legislation.

The amounts that the members of the Board of Managing Directors are entitled to were not changed because the Supervisory Board does not consider it desirable to make interim changes to the remuneration policy (i.e. during this four-year period) in view of continuity and the protection of legal interests of the members of the Board of Managing Directors in question. In principle, the remuneration policy for the Board of Managing Directors would be reassessed in 2014, since the four-year period then expires. However, in view of recent legislative proposals on remuneration for financial institutions, the Supervisory Board decided to postpone the reassessment for one year.

Information in Dutch on the application of the Dutch Banking Code at Kempen & Co can be found on the website of Kempen & Co (www.kempen.nl).

CAPITAL STRUCTURE AND SHARES

Van Lanschot NV's authorised share capital consists of 135 million shares with a nominal value of € 1 each and is divided into ordinary A and B shares and preference C shares.

At 31 December 2013, 41,016,668 ordinary A shares in Van Lanschot NV were in issue. Compared with the outstanding capital at 31 December 2012 the number of issued shares remained unchanged, although the distribution among the classes of shares changed. At 31 December 2012, there were 38,705,997 ordinary A shares and 2,310,671 ordinary B shares in issue.

Two conversions took place in the year under review. On 24 May 2013, the last ordinary B shares held by LDDM Holding (1,330,380 in total) were converted into the same number of ordinary A shares. In addition, on 12 November 2013, the last ordinary B shares held by Stichting Pensioenfonds ABP (980,291 in total) were converted into the same number of ordinary A shares. For more details about these conversions, reference is made to the Rights of shareholders section, specifically the paragraphs on the Conversion of ordinary B shares on page 58. In 2013, no preference C shares were outstanding.

DEPOSITARY RECEIPTS FOR SHARES

All issued ordinary A shares are held by Stichting Administratie-kantoor van gewone aandelen A Van Lanschot (the trust office), which has issued depositary receipts for those shares. The depositary receipts are listed on the Official Market of the NYSE Euronext Amsterdam stock exchange. A depositary receipt can be converted into the underlying share without any restrictions. Administrative costs may be charged for this.

The protective function of issuing depositary receipts for shares was lifted in 2006. This means that, in line with the Corporate Governance Code, the trust office will in all cases allow the holders of depositary receipts to exercise their voting rights. As regards shares for which the trust office has granted no proxy votes to the holders of depositary receipts and for which no voting instructions have been given either, the Board of the trust office will decide how the votes are to be cast. The Board consists of four members and is independent from Van Lanschot. The Board appoints its own members without the approval of Van Lanschot being required, and it also reports on its own activities. For this report, reference is made to 215 of this Annual Report.

Depositary receipts for A shares in Van Lanschot have been listed on NYSE Euronext Amsterdam since 1999.

STICHTING PREFERENTE AANDELEN C VAN LANSCHOT

Stichting Preferente aandelen C Van Lanschot (the Stichting) and Van Lanschot NV have signed a call option contract under which the Stichting has acquired the right to subscribe to preference C shares. The Stichting has the right to subscribe to preference C shares once they have been issued, subject to an upper limit corresponding to 100% of the issued capital of Van Lanschot NV prior to the exercise of the call option, minus one share. A shareholders' meeting at which a proposal to redeem the preference shares will be placed on the agenda is to be convened within 12 months. The following circumstances may lead to the issuance of preference C shares:

- a concentration of shares or depositary receipts for shares in Van Lanschot as a result of purchases on the stock exchange or the purchase of blocks of shares, other than as a pure investment;
- merger talks not leading to agreement;
- the announcement of a public bid, whether or not in combination with the above circumstances.

SHARE PLANS

From 2008 to 2012, the Van Lanschot Share Plan was in place. This share plan gave employees the opportunity to buy depositary receipts for ordinary A shares in Van Lanschot (shares) once a year, subject to an upper limit, at a 20% discount to the market share price prevailing at the time of purchase.

The shares purchased at a discount are subject to a transfer restriction for a four-year period. Following the expiry of this period, they are freely available for trading. The shares can then be sold at the prevailing price for Van Lanschot shares at that moment. Furthermore, employees receive an additional payment after four years if they are still employed by Van Lanschot at that time. From 1989 until 2006, Van Lanschot had a share option plan. With effect from 2003, a seven-year term has applied. At 31 December 2013, the number of outstanding option rights totalled 13,070. Van Lanschot holds shares to cover the obligations resulting from these option rights. Van Lanschot meets its obligations under the share and option plans by drawing on its stock of shares and issuing new shares.

In 2010, a management investment plan was introduced for a select group of employees of Kempen & Co NV. This plan helps Kempen to retain and attract professionals and foster their long-term commitment. Under the plan, this group of employees can invest in a special class of shares in Kempen's equity. These shares entitle the holders to a distribution that is dependent on Kempen's net profit. Van Lanschot retains full control of Kempen.

For more information about the system of granting shares to members of the Board of Managing Directors, reference is made to the 2013 Remuneration Report, which is available on www.vanlanschot.nl/annualreports.

INTERESTS IN VAN LANSCHOT NV TO BE REPORTED BY VIRTUE OF ARTICLE 5.3.3 OF THE FINANCIAL SUPERVISION ACT

On 24 May 2013, Stichting Administratiekantoor van gewone aandelen A Van Lanschot reported a 97.61% interest in Van Lanschot. This interest solely comprised ordinary A shares on the notification date.

On 31 December 2012, Rabobank Nederland reported a 12.09% interest in Van Lanschot. This interest solely comprised depositary receipts for ordinary A shares on the notification date.

On 1 April 2012, Stichting Fryslân Boppe (currently Stichting FB Oranjewoud) reported an 11.08% interest in Van Lanschot. This interest solely comprised depositary receipts for ordinary A shares on the notification date.

On 6 May 2011, Delta Lloyd reported a 30.35% interest in Van Lanschot. This interest solely comprised depositary receipts for ordinary A shares on the notification date.

On 3 February 2010, APG Algemene Pensioen Groep NV reported a 12.06% interest in Van Lanschot. On the same day, Stichting Pensioenfonds ABP reported an indirect interest of 12.06% in Van Lanschot (held through APG Algemene Pensioen Groep). These interests both comprised ordinary B shares, preference A shares and depositary receipts for ordinary A shares on the notification date.

The preference A shares and ordinary B shares have in the meantime been converted into ordinary A shares, for which shares depositary receipts were issued.

On 31 December 2008, LDDM Holding BV reported an 11.25% interest in Van Lanschot. This interest comprised both ordinary B shares and depositary receipts for ordinary A shares on the notification date. The ordinary B shares have been converted into ordinary A shares. Depositary receipts were issued for the ordinary A shares.

On 1 November 2006, SNS Reaal NV reported a 7.43% interest in Van Lanschot, which interest solely comprised depositary receipts for ordinary A shares on the notification date.

On 1 November 2006, Stichting Preferente aandelen C Van Lanschot reported a potential interest of 100% in Van Lanschot by virtue of the call option agreement concluded between the Stichting and Van Lanschot.

In 2013, no transactions took place between Van Lanschot and a natural person or legal entity holding at least 10% in the shares in Van Lanschot and which would be material to Van Lanschot and/ or the person/entity concerned.

RIGHTS OF SHAREHOLDERS

Conversion of ordinary B shares

In 2013 the last ordinary B shares in Van Lanschot NV in issue were converted into ordinary A shares. Each year from 2010 to 2013, certain tranches of ordinary B shares were converted into ordinary A shares in accordance with the conversion policy as published by the Board of Managing Directors and the Supervisory Board. According to this policy, conversion in principle takes place in three equal tranches, and conversion of the second and third tranches will not take place until 12 months after the conversion of the first and second tranches, respectively. The request for conversion is to be made in writing to the Board of Managing Directors.

In February 2010, Friesland Bank requested that the ordinary B shares it held be converted into ordinary A shares. In April 2011 and May 2011, respectively, LDDM Holding and Stichting Pensioenfonds ABP also requested that the ordinary B shares they held be converted into ordinary A shares. After the Supervisory Board gave its consent, the Board of Managing Directors approved the two requests, on the condition that the ordinary B shares would be converted in three equal annual tranches as per the published conversion policy.

The ordinary B shares held by Friesland Bank were converted into the same number of ordinary A shares in July 2010, 2011 and 2012. The conversion of the ordinary B shares held by LDDM Holding into ordinary A shares took place in May 2011, 2012 and 2013 and for Stichting Pensioenfonds ABP in May 2011, in July 2012 and in November 2013.

As at 12 November 2013 there were no longer any ordinary B shares held in the capital of Van Lanschot NV.

Dividend

The portion of the profit remaining after addition to the reserves is at the disposal of the General Meeting of Shareholders. If a loss was suffered in a financial year and this loss cannot be covered by a reserve or in any other way, no profit distributions will be made in any subsequent years until such loss has been made good. If preference C shares have been issued, dividend will be distributed on these shares prior to the decision to add all or part of the profit to reserves. The dividend on the issued preference C shares is calculated as follows. The refinancing rate of the European Central Bank is increased by a surcharge, as determined by the Board of Managing Directors and approved by the Supervisory Board, of at least 1 percentage point and at most 4 percentage points, depending on prevailing market conditions. This increased rate is calculated on the basis of the paid-up part of the nominal amount of the issued preference C shares and is weighted according to the number of days for which the distribution is made. If the distribution on issued preference C shares in respect of a financial year cannot be made, either in full or in part, because the profit available for distribution is insufficient, the deficit will still be paid out and will be charged to the distributable part of equity.

Dividend can only be distributed after the relevant dividend proposal has been approved by the General Meeting of Shareholders.

Pre-emption right

Upon the issuance of ordinary shares, every holder of ordinary shares has in principle a pre-emption right proportionate to the aggregate nominal amount of that shareholder's ordinary shares. Ordinary A shares are issued to holders of ordinary A shares; ordinary B shares are issued to holders of ordinary B shares. The same applies with regard to the granting of rights to acquire ordinary shares.

The pre-emption right can be limited or excluded pursuant to a resolution of the Board of Managing Directors. Such a resolution requires the Supervisory Board's approval. The relevant authority of the Board of Managing Directors ends as soon as the Board's authority to issue shares expires (reference is made to the section on share issues).

Shareholders do not have any pre-emption right on shares issued in exchange for a non-cash contribution. In addition, shareholders do not have any pre-emption rights on shares or depositary receipts for shares issued to employees of Van Lanschot or a group company.

SPECIAL RIGHTS OF SHAREHOLDERS

Van Lanschot has concluded a shareholder agreement with LDDM Holding. The shareholder agreement dating from 1999 was renewed in 2011. In this renewed agreement, LDDM Holding reconfirmed that it will continue to respect Van Lanschot's independence. In connection with this, LDDM Holding will not cooperate in any way in the acquisition, by a third party, of a shareholding in Van Lanschot NV exceeding 25% of the issued share capital. In the event of any future share issues, Van Lanschot will allow LDDM Holding, subject to certain conditions, to keep its relative shareholding in Van Lanschot at a certain level.

As long as LDDM Holding retains an interest of at least 7.5% in Van Lanschot, it has the right to recommend one person for appointment as a member of the Supervisory Board of Van Lanschot NV. Mr Godfried van Lanschot currently holds a seat on the Supervisory Board, on the recommendation of LDDM Holding. There are no special control rights attaching to shares in Van Lanschot.

RESTRICTIONS ON VOTING RIGHTS AND DEADLINES FOR EXERCISING VOTING RIGHTS

Van Lanschot NV has not imposed any restrictions on the exercise of voting rights. In principle, voting rights are exercised at the General Meeting of Shareholders by the shareholder or the person authorised by the shareholder.

A shareholder is entitled to vote during the General Meeting of Shareholders if the shares concerned are registered in the name of the shareholder on the registration date (reference is made to the section on page 60 on the General Meeting of Shareholders).

Holders of depositary receipts for ordinary A shares who register to attend the General Meeting of Shareholders on time are granted a proxy by the trust office.

With this proxy they can themselves exercise the voting rights at the General Meeting of Shareholders on the shares held by the trust office, and in exchange for which depositary receipts were issued. They do not have to apply for a proxy themselves. Proxies will be granted to them when signing the attendance list prior to commencement of the meeting. If the depositary receipt holder's right to attend the meeting is to be exercised by a representative authorised in writing, the trust office will grant a proxy to the representative.

Shareholders and holders of depositary receipts for shares may also issue a voting instruction to an independent third party prior to the shareholders' meeting. The notice convening the relevant shareholders' meeting will state where this voting instruction should be sent and the deadline for submission.

SHARE ISSUES

The extent of the authority of the Board of Managing Directors to decide on a share issue (subject to the approval of the Supervisory Board) is determined on the basis of a resolution adopted by the General Meeting of Shareholders. The duration of this authority and its granting are also determined by resolution of the General Meeting of Shareholders and may not exceed five years. In the shareholders' meeting of 14 May 2013, the authority of the Board of Managing Directors to issue ordinary A and B shares, including the granting of rights to acquire these shares, was extended for a period of 18 months following the date of that meeting. The authority to issue such shares is limited to 10% of the issued capital, to be increased by an additional 10% of the issued capital, if the issue is made within the context of a merger or takeover.

REPURCHASE OF SHARES

Repurchases of paid-up shares in the company or depositary receipts for such shares, other than for no consideration, may only take place if the General Meeting of Shareholders has authorised the Board of Managing Directors to this effect. This authorisation applies for a maximum period of 18 months. Repurchases take place pursuant to a decision by the Board of Managing Directors, subject to the approval of the Supervisory Board.

In the shareholders' meeting of 14 May 2013, the Board of Managing Directors was authorised to repurchase paid-up ordinary A and/or B shares in the company or depositary receipts for such shares, by buying such shares on the stock exchange or otherwise, up to a maximum of 10% of the issued capital as at the date of the authorisation (=14 May 2013), and subject to the approval of the Supervisory Board, for a period of 18 months from the date of the meeting.

TRANSFER OF SHARES AND DEPOSITARY RECEIPTS FOR SHARES

The transfer of the ordinary B shares requires the prior approval of the Supervisory Board and the Board of Managing Directors. The Articles of Association and the trust conditions do not contain any restrictions on the transfer of the depositary receipts for ordinary A shares, the ordinary A shares and the preference C shares.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

A resolution to amend the Articles of Association of Van Lanschot NV may only be adopted on the basis of a proposal put forward by the Board of Managing Directors and approved by the Supervisory Board. If a proposal to amend the Articles of Association is presented to the General Meeting of Shareholders, a copy of the proposal will be made available to the shareholders and holders of depositary receipts prior to the meeting.

GENERAL MEETING OF SHAREHOLDERS

Each voting shareholder and depositary receipt holder is authorised, either in person or through a representative authorised in writing, to attend the General Meeting of Shareholders, address the meeting and exercise their voting rights.

A registration date applies to each General Meeting of Shareholders, which date is the 28th day prior to that meeting. The registration date serves to determine who qualifies as a voting shareholder or depositary receipt holder for the relevant General Meeting of Shareholders. The notice convening the meeting states the registration date, the way in which shareholders and depositary receipt holders can register and how they can exercise their rights, either in person or through a representative authorised in writing. Shareholders and depositary receipt holders or their representatives are only admitted to the meeting if they have informed the company in writing about their intention to attend, and if this was done in the manner described in the notice convening the meeting. Access to the meeting is only possible if the relevant shares or depositary receipts are registered in the name of the shareholder or the depositary receipt holder on the registration date. In addition, representatives must present a written proxy. A written proxy may be sent electronically.

Each share entitles the holder to cast one vote in the shareholders meeting. The main powers of the General Meeting of Shareholders are as follows:
- approving decisions of the Board of Managing Directors to make an important change to the identity or nature of the company or the business;
- appointing members of the Supervisory Board on the recommendation of the Supervisory Board;
- setting the remuneration of the members of the Supervisory Board;
- passing a motion of no confidence in the Supervisory Board;
- determining the remuneration policy for the Board of Managing Directors;
- approving schemes in the form of shares and/or rights to acquire shares for the Board of Managing Directors;
- adopting the financial statements;
- disposing of the profit remaining after dividend has been distributed on any outstanding preference C shares and after the decision has been made to add all or part of the profit to reserves;
- discharging the Board of Managing Directors;
- discharging the Supervisory Board;
- granting the Board of Managing Directors the authority to issue shares and to limit or exclude pre-emption rights upon the issue of shares;
- granting the Board of Managing Directors the authority to repurchase own shares;
- resolving to amend the Articles of Association of Van Lanschot NV, to dissolve Van Lanschot NV or to effect a legal change or demerger of Van Lanschot NV, following a proposal to that effect made by the Board of Managing Directors and approved by the Supervisory Board.

MAIN FEATURES OF THE MANAGEMENT AND CONTROL SYSTEM AT VAN LANSCHOT

The Internal Control Framework at Van Lanschot is designed to manage internal and external risks. Part of this involves managing the risks related to the financial reporting process. The aim of the Internal Control Framework is, among other things, to provide reasonable assurance about the reliability of the financial reporting, and ensure that the financial statements are prepared in accordance with generally accepted accounting principles. The main elements of the management of financial reporting at Van Lanschot are as follows:
- the Van Lanschot Accounting Manual, setting out the principles applied by Van Lanschot insofar as these concern regulations in the field of financial accounting;
- description of processes and procedures addressing risk management, authorisations, internal control and segregation of duties, including the Risk & Control Framework safeguarding the adequate functioning of the management and control system for financial reporting;
- periodical management reports and KPI dashboards, accompanied by in-depth analyses of financial and non-financial figures and trends;
- assessment and approval of the financial accounting in the Board of Managing Directors and the discussion of this topic in the Audit & Compliance Committee and in the Supervisory Board;
- examination of the functioning of this management and control system by Group Audit.

The findings are discussed in the Board of Managing Directors, in the Audit & Compliance Committee and in the Supervisory Board.

In 2013, Risk Management, Compliance and Group Audit devoted attention to the implementation of the three-lines-of-defence model as announced in 2012.

This model was established in 2013. The Risk & Control Framework is part of this. From September 2013, the functioning of internal control is monitored based on this framework. The framework will be enhanced in 2014. The three-lines-of-defence model ensures that both the business and the Compliance & Supervision department apply first line and second line controls, and that Group Audit performs its role as the third line of defence (audit).

EXTERNAL AUDITOR

In 2013, EY's audit plan and risk analysis were discussed in the meetings of the Board of Managing Directors and of the Audit & Compliance Committee and subsequently approved. In addition, consultations were held between EY and Group Audit.

In December 2013, EY issued a 2013 management letter and in March 2014 an audit report for 2013. The subjects set out in the management letter and the audit report are in line with the notes included in this annual report on subjects addressing risk management. As in 2012, in its 2013 management letter, EY judged Group Audit to be objective, professional and independent in the performance of its activities.

In 2013, Mr van Loo stepped down as external auditor for Van Lanschot. Mr Smit, the partner introduced in 2012, took over responsibility for the signing of the auditor's report.

According to the Dutch Corporate Governance Code (best practice provision V.2.3), the Supervisory Board and the Audit Committee shall conduct a thorough assessment of the functioning of the external auditor, at least once every four years. A thorough assessment was conducted at the end of 2012 leading to the appointment of the auditor for the 2013 financial year. No circumstances occurred during 2013 justifying a different view as to the assessment and/or functioning of the external auditor. The effectiveness of the activities was also addressed during the discussion of the annual plan and the periodic meetings between Van Lanschot and the external auditor.

An auditor's report issued by one of the legal predecessors of Ernst & Young was published for the first time in the 1967 financial statements.

FINANCIAL REPORTING RISK

The Board of Managing Directors of Van Lanschot is responsible for the design and effectiveness of an adequate system of internal control over the financial reporting process. This system of internal control is designed to provide reasonable assurance about the reliability of financial reporting and to ensure the financial statements are prepared in accordance with generally accepted accounting principles.

The Board of Managing Directors states with reasonable assurance that the internal risk management and control systems regarding financial reporting performed at an adequate level and that the financial reporting of Van Lanschot is therefore free of material misstatement.

The Board of Managing Directors bases this statement on an extensive analysis of the financial reporting and other risks. The management teams of the relevant divisions issued in-control statements on the extent of internal control to the Board of Managing Directors based on the outcome of testing procedures of the control framework, the risks reported on a quarterly basis, the follow-up of these risks and the incidents reported.

Risk Management, Compliance and Group Audit evaluated these statements. The quarterly reports of Group Audit setting out their main findings were discussed in the Audit & Compliance Committee. This Committee subsequently made recommendations to the Supervisory Board.

Group Audit is responsible for the execution of IT and operational audits; EY is responsible for carrying out the financial audit. Group Audit issued 72 reports. All of Group Audit's reports were submitted to the Board of Managing Directors. Group Audit, Compliance and Risk Management are responsible for ensuring an adequate follow-up and for prioritising. In the meantime, supplementary control measures have been defined that should mitigate the risk sufficiently.

The Supervisory Board was informed about the way in which the Board of Managing Directors manages the internal control structure and how it safeguards the integrity of financial information. The subjects taken into consideration by the Supervisory Board when assessing the financial statements come from the management letter and the external auditor's audit report among other things.

INFORMATION BY VIRTUE OF THE DECREE IMPLEMENTING ARTICLE 10 OF THE TAKEOVER DIRECTIVE

The Decree implementing Article 10 of the Takeover Directive (Decree dated 5 April 2006 implementing Article 10 of Directive 2004/25/EC of the European Parliament and the Council of the European Union of 21 April 2004 on takeover bids) laid down further regulations on the content of the annual report. The required information and, where applicable, the places where this information can be found in this annual report, insofar as not already mentioned in this section, are summarised below.

The system of control of any scheme granting employees the right to acquire or obtain shares in the capital of the company or a subsidiary, in which control is not exercised directly by the employees.

Reference is made to the 2013 Remuneration Report for members of the Board of Managing Directors, which is available on www.vanlanschot.nl/annualreports.

Significant agreements that take effect, are amended or terminate upon a change of control of Van Lanschot NV following a public bid within the meaning of Article 5:70 of the Financial Supervision Act (Wft).

The shareholder agreement concluded by F. van Lanschot Bankiers NV and De Goudse NV within the context of the partial sale of Van Lanschot Assurantiën Holding BV contains a 'change of control' clause. By virtue of this clause, in the event of a change of control, De Goudse NV has the right, under certain circumstances, to acquire the shares held by F. van Lanschot Bankiers NV in Van Lanschot Chabot Holding BV (a call option) or to transfer the shares held by De Goudse NV in Van Lanschot Chabot Holding BV to F. van Lanschot Bankiers NV (a put option).

Any agreements between Van Lanschot NV and a board member or employee providing for compensation upon termination of employment due to a takeover bid within the meaning of Article 5:70 of the Financial Supervision Act (Wft).

Van Lanschot has not concluded any agreements with board members or employees that provide for compensation upon termination of employment due to a takeover bid within the meaning of Article 5:70 of the Financial Supervision Act (Wft).

's-Hertogenbosch, the Netherlands, 10 March 2014

Board of Managing Directors

Karl Guha, *Chairman*
Arjan Huisman
Constant Korthout
Ieko Sevinga

EXECUTIVE BOARD RESPONSIBILITY STATEMENT

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

– the 2013 financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Van Lanschot NV and its consolidated entities;

and

– the 2013 annual report of Van Lanschot NV gives a true and fair view of the position of the company and its consolidated entities on the balance sheet date, and of the course of their affairs during the 2013 financial year, and describes the material risks that Van Lanschot NV faces.

's-Hertogenbosch, the Netherlands, 10 March 2014

Board of Managing Directors

Karl Guha, *Chairman*
Arjan Huisman
Constant Korthout
Ieko Sevinga

PERSONAL DETAILS OF MEMBERS OF THE BOARD OF MANAGING DIRECTORS

KARL GUHA (1964)
CHAIRMAN

Nationality
Dutch

Appointed
2 January 2013

Areas of responsibility
Private Banking, Asset Management, Merchant Banking, Secretariat to the Board of Managing Directors, Marketing, Communication, Compliance & Supervision, Human Resource Management and Group Audit

Main other positions
None

ARJAN HUISMAN (1971)

Nationality
Dutch

Appointed
6 May 2010

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

Main other positions
Member of the Supervisory Board of Van Lanschot Chabot Holding BV

The members of the Board of Managing Directors jointly form the Supervisory Board of Kempen & Co.
The schedule for reappointment/retirement of the Board of Managing Directors is posted on www.vanlanschot.nl/boardofmanagingdirectors.

CONSTANT KORTHOUT (1962)

Nationality
Dutch

Appointed
27 October 2010

Areas of responsibility
Financial Control, Treasury, Risk Management and Financial Risk Management

Main other positions
Deputy Chairman of the Supervisory Council of Sint Franciscus/Vlietland Groep

IEKO SEVINGA (1966)

Nationality
Dutch

Appointed
22 January 2007, reappointed on 1 January 2011

Areas of responsibility
Corporate Banking and Strategy

Main other positions
Member of the Supervisory Board of Van Lanschot Chabot Holding BV, non-executive director of Persgroep NV, and Chairman of Stichting het Nederlands Olympiade Paard

PERSONAL DETAILS OF MEMBERS OF THE SUPERVISORY BOARD

Tom de Swaan (1946) *Chairman*

Nationality
Dutch

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

Former positions
Member of the Managing Boards of ABN AMRO Bank NV and ABN AMRO Holding NV, and member of the Governing Board of De Nederlandsche Bank NV (Dutch Central Bank)

Other supervisory directorships and board positions
Zurich Insurance Group (Chairman), Koninklijke DSM, GlaxoSmithKline Plc

Main other positions
Member of the International Advisory Board of the National Bank of Kuwait, member of the advisory board of the China Banking Regulatory Committee in Beijing, Chairman of the board of Van Leer Jerusalem Institute, Chairman of the Advisory Council of Rotterdam School of Management Erasmus University, Chairman of the Board of Governors of Antoni van Leeuwenhoek Hospital/Netherlands Cancer Institute

Jos Streppel (1949) *Deputy Chairman*

Nationality
Dutch

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

Former positions
Member of the Executive Board of Aegon NV

Other supervisory directorships and board positions
KPN NV (Chairman), RSA Insurance Group Plc

Main other positions
Chairman of the Board of Duisenberg School of Finance, member of the Board of Trustees of Arq foundation, member of the board of Amsterdam Center for Corporate Finance, Chairman of Shareholders Communication Channel, Chairman of the Advisory Council of the Royal Dutch Actuarial Association

Willy Duron (1945)

Nationality
Belgian

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

Position
Honorary Chairman of KBC Group NV

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

Main other positions
University Centre Kortenberg, University Hospitals Leuven

Jeanine Helthuis (1962)

Nationality
Dutch

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

Former positions
Chairman of the Board of Monuta Holding and member of the Executive Board of Fortis Bank Netherlands

Other supervisory directorships
Prorail B.V.

Main other positions
Member of the Advisory Board of Nintes

Heleen Kersten (1965)

Nationality
Dutch

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

Position
Partner at Stibbe

Other supervisory directorships
Egeria Investments BV

Main other positions
Member of the board of Royal Concertgebouw Orchestra's donors foundation

Abel Slippens (1951)

Nationality
Dutch

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

Former positions
Chairman of the Executive Board of Sligro Food Group NV

Other supervisory directorships
Beter Bed Holding NV, Blokker Holding BV, Simac Techniek NV (Chairman)

Main other positions
Chairman of Advisory Council of Hobij Groep BV, member of Advisory Council of Menken Combinatie BV, member of Advisory Council of Nabuurs BV, Chairman of the board of Stichting Administratiekantoor Beccus

Godfried van Lanschot (1964)

Nationality
Dutch

Appointed
10 May 2006; second term of office expires in 2014

Former positions
Previously employed in various positions at ABN AMRO Bank NV

Other board positions
Fetch, Inc.

THE VAN LANSCHOT SHARE

ISSUED SHARE CAPITAL

The issued share capital of Van Lanschot NV at 31 December 2013 consisted of 41,016,668 ordinary shares with a nominal value of € 1 each.

At the beginning of the year under review, 38,705,997 ordinary A shares and 2,310,671 ordinary B shares were outstanding, i.e. 94% and 6%, respectively, of the issued share capital. The ordinary B shares were held by two majority shareholders: Stichting Pensioenfonds ABP and LDDM Holding BV. They converted the last tranche of the ordinary B shares held by them into ordinary A shares in 2013. As a result, the composition of the issued share capital changed: as at 31 December 2013 it consisted exclusively of ordinary A shares. For more information about these conversions, the relevant conditions and the capital structure of Van Lanschot, reference is made to the section on Corporate Governance, under the heading 'Capital structure and shares', on page 56.

An overview of the shareholdings in Van Lanschot as registered with the Netherlands Authority for the Financial Markets (AFM) can be found in the section on Corporate Governance on page 57. At year-end 2013, Van Lanschot held 90,419 treasury shares.

THE VAN LANSCHOT SHARE

All issued ordinary A shares are held by Stichting Administratiekantoor van gewone aandelen A Van Lanschot (the trust office), which has issued depositary receipts for those shares. These depositary receipts are listed on the Official Market of the NYSE Euronext Amsterdam stock exchange. More information about the depositary receipts can be found in the section on Corporate Governance, under the heading 'Depositary receipts for shares', on page 57.

The depositary receipts for ordinary A shares have been publicly traded on NYSE Euronext Amsterdam since 29 June 1999 (ISIN: NL0000302636; ticker: LANS.NA). The market capitalisation of Van Lanschot was € 734 million at year-end 2013. The Van Lanschot share was covered by three sell-side analysts (ABN AMRO, ING and Rabo Securities) in the year under review.

CREDIT RATINGS

Credit ratings are indicators of the probability of timely and full repayment of interest and the principal amount of fixed-income securities. In October 2013, Fitch Ratings (Fitch) reconfirmed its Single A minus credit rating, with a negative outlook, for Van Lanschot. In an explanatory note, the rating agency stated that Van Lanschot's credit rating is based on its established Dutch franchise, its balanced funding profile and its good liquidity and capitalisation. At the same time, Fitch expects that the bank's strategic refocus on wealth management will lead to improved earnings, reduced credit risk and strengthened capitalisation. The unchanged negative outlook is primarily attributable to economic conditions in the Netherlands.

In November 2013, Standard & Poor's (S&P) reconfirmed Van Lanschot's credit rating of BBB+, with a negative outlook. According to S&P, Van Lanschot has strong capitalisation, sound liquidity and funding positions and conservative management. The negative outlook reflects S&P's expectation that profitability will remain under pressure for the next two years.

Shareholder structure	31/12/2013		31/12/2012	
	Ordinary A shares	Shareholding (%)	Ordinary A shares	Shareholding (%)
Stichting Administratiekantoor van gewone aandelen A Van Lanschot	41,016,668	100.00	38,705,997	94.37
	Ordinary B shares		Ordinary B shares	
Stichting Pensioenfonds ABP	–	–	980,291	2.39
LDDM Holding BV	–	–	1,330,380	3.24
Total	**41,016,668**	**100.00**	**41,016,668**	**100.00**

Credit ratings

	Long-term	Short-term
Fitch Ratings	A-, negative outlook	F2
Standard & Poor's	BBB+, negative outlook	A-2

DIVIDEND AND DIVIDEND POLICY

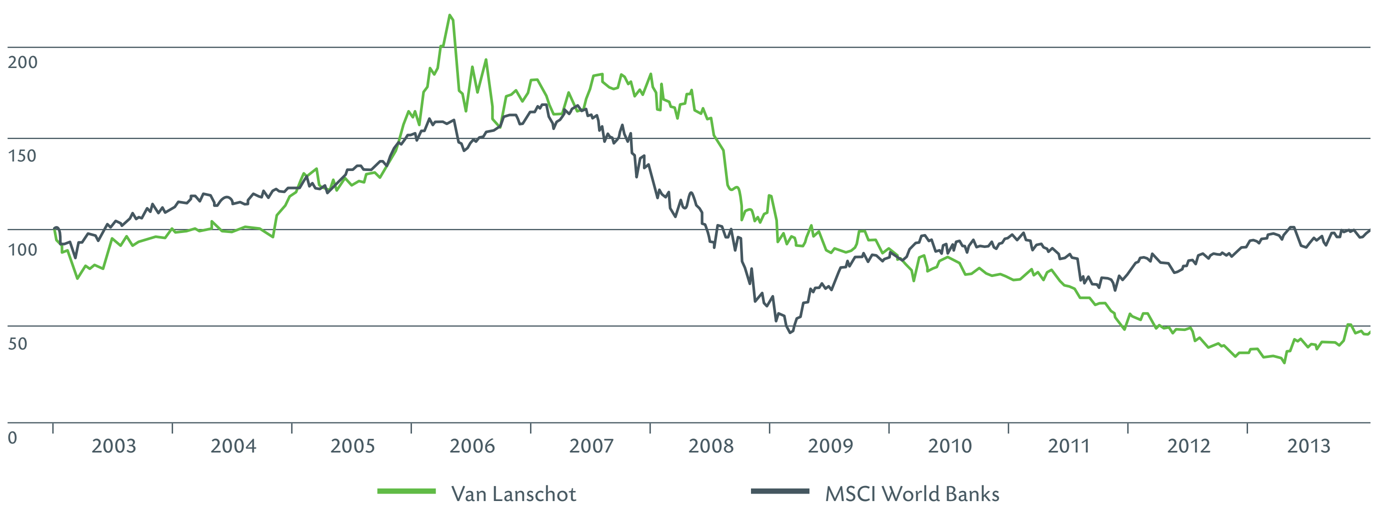
Van Lanschot aims to distribute a dividend to the holders of ordinary shares of between 40% and 50% of net profit, adjusted for the interest on perpetual loans. In the short term, the priority is to achieve the capital target of a Core Tier I ratio of over 15%.

Thanks to the results we achieved and our solid capital position at the end of the year, we are now in a position to present a dividend proposal to our shareholders for the first time since 2011. The net profit available for shareholders amounts to € 29.2 million. It will be proposed to the General Meeting of Shareholders on 15 May 2014 that a dividend of € 0.20 per ordinary A share be distributed for 2013, corresponding to a pay-out ratio of 28%. The dividend will be made payable in cash on Wednesday 28 May 2014.

Key figures on ordinary shares	2013	2012	2011	2010	2009
Share price (€):					
- High	**20.77**	22.70	32.49	36.37	48.00
- Low	**11.63**	12.99	18.95	29.47	35.00
- Closing	**17.90**	14.10	21.74	30.05	36.84
Average daily trading volume in depositary receipts for Van Lanschot NV shares	**6,025**	2,584	2,944	4,432	3,548
Market capitalisation (year-end, € million)	**734**	578	892	1,233	1,424
Intrinsic value per share (€)	**31.29**	33.09	36.93	35.32	35.50
Price-earnings ratio	**25.2**	n/a	25.9	20.4	n/a

Information on dividend per ordinary share	2013	2012	2011	2010	2009
Earnings per ordinary share (€)	**0.71**	– 3.67	0.84	1.47	– 0.75
Dividend per ordinary share (€)	**0.20**	–	0.40	0.70	–
Dividend yield (%)	**1.1**	–	1.8	2.3	–
Pay-out ratio (%)	**28.2**	–	47.3	50.5	–
Total return for holders of ordinary shares (%)	**27**	– 33	– 25	– 17	– 23

Van Lanschot's share price compared with MSCI World Bank Index



INVESTOR RELATIONS POLICY

Van Lanschot's investor relations policy focuses on informing the financial stakeholders as adequately and as timely as possible about developments within the company that could affect their investment decisions. We seek an active dialogue with all financial stakeholders, including the credit rating agencies, by publishing press releases and the annual report, and organising meetings and one-on-one discussions with existing and prospective investors, among other things.

Van Lanschot observes a closed period of one calendar month prior to the publication of the annual results and half-year results. We do not hold any meetings with shareholders or analysts during closed periods.

All documents and relevant information are available on the corporate website (www.vanlanschot.nl/aboutvanlanschot). Those wishing to receive Van Lanschot's press releases directly by e-mail can subscribe to our news service on our corporate website (www.vanlanschot.nl/pressreleases).

More information

The Investor Relations department welcomes questions from investors and their advisers on +31 (0)20 354 45 90. Questions may also be sent by e-mail to investorrelations@vanlanschot.com.

Important dates

Annual General Meeting of Shareholders 2014	15 May 2014
Publication of trading update – first quarter of 2014	15 May 2014
Ex-dividend date	19 May 2014
Record date	21 May 2014
2013 dividend payable date	28 May 2014
Publication of 2014 half-year results	26 August 2014
Publication of trading update – third quarter of 2014	7 November 2014

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

€ thousand

		31/12/2013	31/12/2012*	01/01/2012*
Assets				
Cash and cash equivalents and balances at central banks	(1)	1,999,963	1,647,231	1,154,324
Financial assets held for trading	(2)	47,083	52,427	80,044
Due from banks	(3)	429,215	430,850	544,947
Financial assets designated as at fair value through profit or loss	(4)	725,938	631,411	515,331
Available-for-sale investments	(5)	1,197,731	913,079	844,977
Loans and advances to the public and private sectors	(6)	12,490,723	13,464,234	14,270,431
Derivatives (receivables)	(7)	208,134	213,623	252,648
Investments in associates using the equity method	(8)	50,385	46,443	43,986
Property, plant and equipment	(9)	84,638	100,366	135,200
Goodwill and other intangible assets	(10)	172,431	173,875	318,672
Current tax assets	(11)	13,616	2,552	4,319
Deferred tax assets	(12)	59,797	69,698	41,113
Other assets	(13)	190,711	195,076	195,834
Total assets		**17,670,365**	**17,940,865**	**18,401,826**
Equity and liabilities				
Financial liabilities held for trading	(14)	798	382	29,614
Due to banks	(15)	1,175,422	1,522,640	398,052
Public and private sector liabilities	(16)	10,161,397	11,368,814	13,100,131
Financial liabilities designated as at fair value through profit or loss	(17)	357,633	214,355	20,165
Derivatives (liabilities)	(7)	299,662	364,568	379,541
Issued debt securities	(18)	3,849,119	2,543,905	2,321,837
Provisions	(19)	35,910	77,938	23,501
Current tax liabilities	(20)	22,904	7,397	9,271
Deferred tax liabilities	(21)	8,358	22,533	28,132
Other liabilities	(22)	291,978	370,643	418,863
Subordinated loans	(23)	128,218	132,482	152,764
Total liabilities		**16,331,399**	**16,625,657**	**16,881,871**
Issued share capital		41,017	41,017	41,017
Treasury shares		– 2,135	– 3,638	– 5,837
Share premium		479,914	479,914	479,914
Other reserves		735,461	895,138	911,739
Undistributed profit attributable to shareholders of Van Lanschot NV		29,230	– 150,083	34,499
Equity attributable to shareholders of Van Lanschot NV		**1,283,487**	**1,262,348**	**1,461,332**
Equity instruments issued by subsidiaries		36,063	36,063	36,063
Undistributed profit attributable to equity instruments issued by subsidiaries		1,125	1,132	7,587
Equity attributable to equity instruments issued by subsidiaries		**37,188**	**37,195**	**43,650**
Other non-controlling interests		15,140	13,995	13,932
Undistributed profit attributable to other non-controlling interests		3,151	1,670	1,041
Equity attributable to other non-controlling interests		**18,291**	**15,665**	**14,973**
Total equity	(24)	**1,338,966**	**1,315,208**	**1,519,955**
Total equity and liabilities		**17,670,365**	**17,940,865**	**18,401,826**
Contingent liabilities	(25)	177,912	217,874	337,518
Irrevocable commitments	(26)	447,342	1,033,277	587,527
		625,254	**1,251,151**	**925,045**

* Certain figures differ from the 2012 financial statements. Reference is made to the Changes in presentation and accounting policies section for details of the restatement.

The number beside each item refers to the relevant note.

CONSOLIDATED STATEMENT OF INCOME FOR 2013

€ thousand

		2013	2012*
Income from operating activities			
Interest income		780,728	917,465
Interest expense		568,517	685,286
Net interest income	(27)	**212,211**	**232,179**
Income from associates using the equity method		10,602	6,901
Other income from securities and associates		6,524	14,187
Income from securities and associates	(28)	**17,126**	**21,088**
Commission income		240,294	224,170
Commission expense		7,017	7,384
Net commission income	(29)	**233,277**	**216,786**
Result on financial transactions	(30)	**66,273**	**54,256**
Other income	(31)	**22,306**	**17,455**
Total income from operating activities		**551,193**	**541,764**
Expenses			
Staff costs		239,662	236,845
Other administrative expenses	(33)	153,081	181,636
Staff costs and other administrative expenses		**392,743**	**418,481**
Depreciation and amortisation	(34)	15,890	30,719
Operating expenses		**408,633**	**449,200**
Addition to loan loss provision		102,385	113,365
Other impairments		2,732	144,656
Impairments	(35)	**105,117**	**258,021**
Total expenses		**513,750**	**707,221**
Operating result before tax		**37,443**	**– 165,457**
Income tax	(36)	3,937	– 18,176
Net result		**33,506**	**–147,281**
Of which attributable to shareholders of Van Lanschot NV		29,230	– 150,083
Of which attributable to equity instruments issued by subsidiaries		1,125	1,132
Of which attributable to other non-controlling interests		3,151	1,670
Earnings per ordinary share (€)	(37)	0.71	– 3.67
Diluted earnings per ordinary share (€)	(38)	0.71	– 3.67
Proposed dividend per ordinary share (€)		0.20	–

* Certain figures differ from the 2012 financial statements. Reference is made to the Changes in presentation and accounting policies section for details of the restatement.

The number beside each item refers to the relevant note.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2013

€ thousand

		2013	2012*
Net result (as per statement of income)		**33,506**	**– 147,281**
Other comprehensive income**			
Other comprehensive income that will be reclassified subsequently to profit or loss			
Other comprehensive income through revaluation reserve			
Revaluation of equity instruments		2,823	8,360
Revaluation of debt instruments		– 5,696	46,997
Realised return on equity instruments		– 1,049	– 8,785
Realised return on debt instruments		– 26,476	– 11,249
Impairments of equity instruments through profit or loss		–	124
Income tax		8,564	– 9,302
Total other comprehensive income through revaluation reserve	(24)	**– 21,834**	**26,145**
Other comprehensive income from value changes of derivatives (cash flow hedges)			
Increase in value of derivatives directly added to equity		758	12,149
Decrease in value of derivatives directly charged against equity		– 5,494	– 14,470
Realised gains/losses through profit or loss		–	1,977
Income tax		1,184	86
Total other comprehensive income from value changes of derivatives (cash flow hedges)	(24)	**– 3,552**	**– 258**
Other comprehensive income from currency translation differences		– 535	368
Income tax		–	–
Total other comprehensive income from currency translation differences	(24)	**– 535**	**368**
Total other comprehensive income that will be reclassified subsequently to profit or loss after tax		**– 25,921**	**26,255**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Re-measurement result on defined-benefit pension plans			
Re-measurement result on defined-benefit pension plans		22,680	– 70,355
Income tax		– 5,736	17,708
Total other comprehensive income from the defined-benefit pension plans	(24)	**16,944**	**– 52,647**

* Certain figures differ from the 2012 financial statements. Reference is made to the Changes in presentation and accounting policies section for details of the restatement.

** For additional information on the nature and composition of equity, reference is made to note 24.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2013 (CONTINUED)

€ thousand

		2013	2012*
Other comprehensive income from reclassifications to associates using the equity method			
Reclassifications to associates using the equity method		–	– 6,776
Income tax		–	–
Total other comprehensive income from reclassifications to associates using the equity method	(24)	**–**	**– 6,776**
Total other comprehensive income that will not be reclassified subsequently to profit or loss after tax		**16,944**	**– 59,423**
Total other comprehensive income		**– 8,977**	**– 33,168**
Total comprehensive income		**24,529**	**– 180,449**
Of which attributable to shareholders of Van Lanschot NV		20,253	– 183,251
Of which attributable to equity instruments issued by subsidiaries		1,125	1,132
Of which attributable to other non-controlling interests		3,151	1,670

* Certain figures differ from the 2012 financial statements. Reference is made to the Changes in presentation and accounting policies section for details of the restatement.

** For additional information on the nature and composition of equity, reference is made to note 24.

Consolidated statement of changes in equity at 31 December 2013

€ thousand

Equity attributable to holders of equity instruments of Van Lanschot 2013	Share capital	Treasury shares	Share premium*	Other reserves*	Un-distributed profit	**Total equity attributable to share-holders**	Equity attributable to equity instruments issued by subsidiaries	Equity attributable to other non-controlling interests	**Total equity**
Balance at 1 January	41,017	– 3,638	479,914	895,138	– 150,083	**1,262,348**	37,195	15,665	**1,315,208**
Net result (as per statement of income)	–	–	–	–	29,230	**29,230**	1,125	3,151	**33,506**
Total other comprehensive income	–	–	–	– 8,977	–	**– 8,977**	–	–	**– 8,977**
Total comprehensive income	**–**	**–**	**–**	**– 8,977**	**29,230**	**20,253**	**1,125**	**3,151**	**24,529**
Options exercised	–	1,503	–	– 465	–	**1,038**	–	–	**1,038**
To other reserves	–	–	–	– 158,167	158,167	**–**	–	–	**–**
Repurchased equity instruments	–	–	–	–	–	**–**	–	–	**–**
Dividends	–	–	–	–	–	**–**	– 1,132	– 1,670	**– 2,802**
Other changes	–	–	–	7,932	– 8,084	**– 152**	–	–	**– 152**
Acquisition of/change in non-controlling interests	–	–	–	–	–	**–**	–	1,145	**1,145**
Balance at 31 December	**41,017**	**– 2,135**	**479,914**	**735,461**	**29,230**	**1,283,487**	**37,188**	**18,291**	**1,338,966**

* For additional information on the nature and composition of equity, reference is made to note 24.

Equity attributable to holders of equity instruments of Van Lanschot 2012*

	Share capital	Treasury shares	Share premium**	Other reserves**	Un-distributed profit	**Total equity attributable to share-holders**	Equity attributable to equity instruments issued by subsidiaries	Equity attributable to other non-controlling interests	**Total equity**
Balance at 1 January	41,017	– 5,837	479,914	957,652	34,499	**1,507,245**	43,650	14,973	**1,565,868**
Change in accounting policies*	–	–	–	– 45,913	–	**– 45,913**	–	–	**– 45,913**
Balance at 1 January (restated)	41,017	– 5,837	479,914	911,739	34,499	**1,461,332**	43,650	14,973	**1,519,955**
Net result (as per statement of income)	–	–	–	–	– 150,083	**– 150,083**	1,132	1,670	**– 147,281**
Total other comprehensive income	–	–	–	– 33,168	–	**– 33,168**	–	–	**– 33,168**
Total comprehensive income	**–**	**–**	**–**	**– 33,168**	**– 150,083**	**– 183,251**	**1,132**	**1,670**	**– 180,449**
Options exercised	–	2,985	–	– 1,406	–	**1,579**	–	–	**1,579**
To other reserves	–	–	–	18,133	– 18,133	**–**	–	–	**–**
Repurchased equity instruments	–	– 786	–	–	–	**– 786**	–	–	**– 786**
Dividends	–	–	–	–	– 16,366	**– 16,366**	– 7,587	– 1,105	**– 25,058**
Other changes	–	–	–	– 160	–	**– 160**	–	–	**– 160**
Acquisition of/change in non-controlling interests	–	–	–	–	–	**–**	–	127	**127**
Balance at 31 December	**41,017**	**– 3,638**	**479,914**	**895,138**	**– 150,083**	**1,262,348**	**37,195**	**15,665**	**1,315,208**

* For additional information, reference is made to the Changes in presentation and accounting policies section.

** For additional information on the nature and composition of share premium and other reserves, reference is made to note 24.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2013

€ thousand

		2013	2012*
Cash flow from operating activities			
Operating result before tax		37,443	– 165,457
Adjustments for			
– Depreciation and amortisation	(34)	24,133	32,972
– Cost of share plans		1,340	1,007
– Valuation results on associates using the equity method		– 10,095	– 6,758
– Valuation results on financial assets designated as at fair value through profit or loss		13,232	– 30,321
– Valuation results on financial liabilities designated as at fair value through profit or loss		– 6,900	16,911
– Valuation results derivatives		5,235	–
– Impairments	(35)	105,117	258,021
Cash flow from operating activities		**169,505**	**106,375**
Net increase/(decrease) in operating assets and liabilities			
– Financial assets/liabilities held for trading		5,106	– 1,615
– Financial assets designated as at fair value through profit or loss		– 105,862	– 87,464
– Due from/due to banks		– 382,903	1,205,701
– Loans and advances to the public and private sectors/Public and private sector liabilities		– 336,978	– 1,039,013
– Derivatives (receivables and liabilities)		– 69,542	24,396
– Provisions		– 19,348	– 15,918
– Other assets and liabilities		– 76,815	– 73,380
– Current tax assets/liabilities		–	– 2,909
– Income taxes received		506	20,978
– Dividends received		3,033	4,497
Total movement in assets and liabilities		**– 982,803**	**35,273**
Net cash flow from operating activities		**– 813,298**	**141,648**
Cash flow from investing activities			
Investments and acquisitions			
– Investments in debt instruments		– 1,120,065	– 444,871
– Investments in equity instruments		– 1,741	– 5,289
– Investments in associates using the equity method		– 1,082	– 2,803
– Property, plant and equipment		– 14,353	– 5,912
– Goodwill and other intangible assets		– 16,134	– 4,210
Divestments, repayments and sales			
– Investments in debt instruments		802,696	385,116
– Investments in equity instruments		1,170	17,775
– Investments in associates using the equity method		2,904	–
– Property, plant and equipment		23,780	17,759
– Goodwill and other intangible assets		35	171
Dividends received		1,855	5,178
Net cash flow from investing activities		**– 320,935**	**– 37,086**

* Certain figures differ from the 2012 financial statements. Reference is made to the Changes in presentation and accounting policies section for details of the restatement.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2013 (CONTINUED)

€ thousand

		2013	2012*
Cash flow from financing activities			
Options issued		20	2,013
Repurchased equity instruments		–	– 786
Other non-controlling interests		1,145	127
Redemptions subordinated loans		– 4,110	–20,282
Receipts on debt securities		1,930,558	861,484
Redemptions on debt securities		– 625,345	– 639,416
Receipts on financial liabilities designated as at fair value through profit or loss		175,348	179,188
Redemptions on financial liabilities designated as at fair value through profit or loss		– 25,169	– 1,909
Dividends paid		– 2,802	– 25,058
Net cash flow from financing activities		**1,449,645**	**355,361**
Net increase in cash and cash equivalents and balances at central banks	(1)	**315,412**	**459,923**
Cash and cash equivalents and balances at central banks at 1 January		1,670,625	1,210,702
Cash and cash equivalents and balances at central banks at 31 December		1,986,037	1,670,625
Supplementary disclosure			
Cash flows from interest received		792,275	948,585
Cash flows from interest paid		633,152	796,208

* Certain figures differ from the 2012 financial statements. Reference is made to the Changes in presentation and accounting policies section for details of the restatement.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

General
Van Lanschot is a specialised, independent wealth manager dedicated to the preservation and creation of wealth for its clients. Van Lanschot NV is the holding company of F. van Lanschot Bankiers NV. The company's registered office is at Hooge Steenweg 27-31, 5211 JN 's-Hertogenbosch, the Netherlands. Van Lanschot NV is a company incorporated and established in the Netherlands whose depositary receipts for ordinary A shares are publicly traded on the Official Market of Euronext Amsterdam. The consolidated financial statements of Van Lanschot NV at 31 December 2013 were prepared by the Board of Managing Directors on 10 March 2014 and will be submitted to the General Meeting of Shareholders for adoption on 15 May 2014. The shareholders have a formal power of amendment of the financial statements after publication.

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

Continuity
The Board of Managing Directors examined to what extent the bank is able to continue its operations and concluded that the bank is able to do so in the foreseeable future. Furthermore, 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 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 NV. Unless otherwise stated, all amounts are in thousands of euros.

Changes in presentation and accounting policies
From 2013, amortisation charges on discontinued hedging relationships are recognised in Interest income rather than Profit on financial transactions as previously. The comparative figures have been restated accordingly, involving a reclassification of € 3.3 million.

Van Lanschot is applying revised standard IAS 19 Employee Benefits for the first time and with retroactive effect. The comparative figures have been restated accordingly. Certain other changes to standards, as listed in Changes in published IFRS standards and interpretations, were applied for the first time in 2013. These changes have not, however, had any significant impact on the bank's equity or profits.

The nature and impact of the new standards and changes are explained below:

IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income
The changes in IAS 1 provide guidance on disclosing in the statement of comprehensive income which items qualify for disclosure in the statement of income and which do not.

IAS 1 Clarification of requirements for comparative information
The changes to IAS 1 clarify the difference between voluntary additional comparative information and the minimum required comparative information. The notes must include comparative information when comparative information beyond the minimum required has been provided. Van Lanschot is presenting a statement of financial position at 1 January 2012 for retrospective treatment of the changes in presentation and accounting policies. As a result of the changes in IAS 1, comparative information does not have to be provided in the notes for this reporting date.

IAS 19 Employee Benefits
Van Lanschot applied revised IAS 19 in 2013 including the transitional provisions. The opening statement of financial position for 1 January 2012 and the comparative figures have been restated accordingly. The changes relate to the requirements on recognition of post-employment benefits. The changes are far-reaching and can be summarised as follows:
- The corridor method has been abolished and unrecognised actuarial gains and losses are to be recognised in equity immediately.
- Future actuarial gains and losses are also recognised in equity.
- Net interest is no longer recognised in pension costs within Staff costs but is classified as Interest in the statement of income.
- There are additional disclosures for the defined benefit plan presented in the note on Provisions.

The new standard has the following consequences for the 2012 comparative figures in the 2013 financial statements:

Impact on the consolidated statement of income and comprehensive income	2013	2012
Consolidated statement of income		
Income from operating activities		
Interest income	908	783
Interest expense	–	–
Net interest income	**908**	**783**
Total income from operating activities	**908**	**783**
Expenses		
Staff costs	– 10,796	– 9,996
Other administrative expenses	–	–
Staff costs and other administrative expenses	**– 10,796**	**– 9,996**
Operating expenses	**– 10,796**	**– 9,996**
Total expenses	**– 10,796**	**– 9,996**
Operating result before tax	**11,704**	**10,779**
Income tax	2,926	2,695
Net result	**8,778**	**8,084**
Of which attributable to shareholders of Van Lanschot NV	8,778	8,084
Of which attributable to equity instruments issued by subsidiaries	–	–
Of which attributable to other non-controlling interests	–	–
Consolidated statement of comprehensive income		
Re-measurement result on defined-benefit pension plans	22,680	– 70,355
Tax	– 5,736	17,708
Re-measurement result on defined-benefit pension plans	**16,944**	**– 52,647**
Total comprehensive income	**25,722**	**– 44,563**
Of which attributable to shareholders of Van Lanschot NV	25,722	– 44,563
Of which attributable to equity instruments issued by subsidiaries	–	–
Of which attributable to other non-controlling interests	–	–

Impact on earnings per share and diluted earnings per share is € 0.21.

Impact on equity	31/12/2013	31/12/2012	01/01/2012
Treatment of actuarial results	22,680	– 70,355	– 61,217
Deferred tax	– 5,736	17,708	– 15,304
Movement in equity	**16,944**	**– 52,647**	**– 45,913**
Of which attributable to shareholders of Van Lanschot NV	16,944	– 52,647	– 45,913
Of which attributable to equity instruments issued by subsidiaries	–	–	–
Of which attributable to other non-controlling interests	–	–	–

The transition has no impact on the consolidated statement of cash flows.

Changes in published IFRS standards and interpretations

The IFRS standards listed below became compulsory in the course of 2013 and were applied to the financial statements of Van Lanschot for 2013. Application of these standards did not have any significant impact on the bank's equity or result; it often results in adjustment or extension of the notes.

IFRS 1 First-time Adoption of IFRSs

The amendments to IFRS 1, as published on 13 March 2012 and taking effect on 1 January 2013, concern the recognition of government loans in case of first-time adoption of IFRS. These amendments do not impact the financial statements of Van Lanschot.

IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7, taking effect on 1 January 2013, concern additional disclosure requirements. Under these disclosure requirements, a company must disclose information about the rights of set-off and related arrangements for financial instruments under a master netting agreement. Van Lanschot is making these additional disclosures in the 2013 financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 Fair Value Measurement results from a joint project with the American accounting standards body, the FASB, to develop a unique framework for fair value measurement. The standard defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. IFRS 13 does not include requirements on when the fair value measurement is required; it prescribes how fair value is to be measured if another Standard requires it. Application of IFRS 13 has not led to a material impact on the measurement of fair values. The additional disclosures have been made in the individual notes. The fair value hierarchy is set out in Table 9A.

IAS 36 Recoverable Amount: Disclosures for Non-Financial Assets

The amendments to IAS 36 clarify the disclosure requirements: information that is regarded as commercially sensitive need no longer be disclosed. Additional information is required if recoverable amount is based on fair value less costs to sell. The amendments apply to financial statements for periods commencing on or after 1 January 2014. Van Lanschot has applied this amendment early in the 2013 financial statements.

Annual improvements to IFRS 2009-2011 cycle

Changes to standards concern:

- IFRS 1 First-time Adoption of IFRSs. Repeated application of IFRS 1 and Financing costs.
- IAS 16 Property, plant and equipment. Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are recognised as property, plant and equipment and not inventory.
- IAS 32 Financial Instruments: Presentation. Clarifies the treatment of income tax effects on equity instruments issued by subsidiaries and on the costs of equity transactions.
- IAS 34 Interim Financial Reporting. Provisions on when the total assets and liabilities for segments must be included in internal reporting.

Changes in accounting estimates

Van Lanschot made further changes to its hedge accounting methods in July 2013. As a result of this change, from 2013 the de-designation and re-designation of macro-fair-value hedges is being done monthly. In 2013 this led to additional amortisation charges of € 6.7 million.

In 2013, there was a change in accounting estimates for determining the fair value of derivatives. From 2013, measurement of derivatives has reflected counterparty risk: the impact is € 1 million negative. The impact on future years cannot be determined.

Published IFRS standards and interpretations not yet mandatory

In addition to the IFRS standards and interpretations mentioned above, a number of IFRS standards and interpretations are new or were amended and must be applied to financial statements for periods commencing on or after 1 January 2014. Van Lanschot has not applied these standards to the financial statements for 2013; unless indicated otherwise, standards are applied as soon as they become compulsory and have been endorsed by the European Union.

Almost none of the amendments are expected to have a significant effect on the bank's equity or result, except for IFRS 9. The impact of IFRS 9 on the bank's equity or profits will be determined based on the parts of IFRS 9 still to be published.

IFRS 9 Financial Instruments: Classification, Measurement and Hedge Accounting

IFRS 9 for financial assets was first published in November 2009 and updated for financial liabilities in October 2010. Originally, it was to apply to financial statements commencing on or after 1 January 2013. The publication of Amendments to IFRS 9 Mandatory Effective Date and Transition Disclosures on 19 December 2011 postponed the commencement date from 1 January 2013 to 1 January 2015. During its meeting in July 2013, the IASB decided provisionally to postpone the commencement date until the publication date of the full IFRS 9 standard is known. Van Lanschot will ascertain what the overall impact of the new standard will be once all the parts have been published and have been endorsed by the European Union.

The third phase of the project concerns hedge accounting. The proposed model is principles-based and creates a closer alignment of hedge accounting with the risk management activities of entities which hedge financial and non-financial risks. The proposals also include enhanced presentation and new disclosure requirements. The IASB meeting in November 2013 decided to postpone the 1 January 2015 effective date until further notice.

IFRS 10 Consolidated Financial Statements

IFRS 10 contains a new definition of the principle of control which determines which entities must be consolidated. The new standard replaces SIC 12 Consolidation – special purpose entities and the part on the consolidated financial statements in IAS 27 Consolidated and Separate Financial Statements. Application will be compulsory for financial statements for periods commencing on or after 1 January 2014. Van Lanschot's basis of consolidation is not expected to change materially.

IFRS 11 Joint Arrangements
As part of the consolidation project of the IASB, the disclosure requirements for interests in other entities were also revised. IFRS 11 aims for more transparency and less divergence in connection with the disclosure of investments in other entities, inclusive of joint arrangements. IFRS 11 applies to financial statements commencing on or after 1 January 2014.

IFRS 12 Disclosures of Interests in Other Entities
IFRS 12 concerns a new standard with disclosure requirements for all consolidated and non-consolidated entities disclosed under IFRS 10, IFRS 11 (joint arrangements), IAS 27 and IAS 28. IFRS 12 applies to financial statements for periods commencing on or after 1 January 2014.

IFRS 10, IFRS 12 and IAS 27 Investment Entities
The amendments relating to investment entities apply to investments in subsidiaries, associates and joint ventures held by an entity that meets the definition of an investment entity. They are a significant change for investment entities which currently have to consolidate associates where they have control. The amendments apply to financial statements for periods commencing on or after 1 January 2014.

IAS 28 Investments in Associates
The changes in IAS 28 provide further guidance for accounting for investments in associates and for application of the equity method. The amendments apply to financial statements for periods commencing on or after 1 January 2014.

IAS 32 Financial Instruments: Presentation
The amendments to IAS 32, as published on 16 December 2011 and taking effect on 1 January 2014, concern a clarification of the offsetting criteria of assets and liabilities.

IAS 39 Derivatives and Continuation of Hedge Accounting
The changes in IAS 39 involve a relief of the termination of hedge accounting in certain situations where a hedge instrument is novated. The amendments apply to financial statements for periods commencing on or after 1 January 2014.

IFRIC 21 Levies
IFRIC 21 applies to all levies other than outflows within the scope of other Standards and fines and other penalties for breaches of the law. IFRIC 21 provides guidance on recognition of levies imposed by a government and applies to financial statements for periods commencing on or after 1 January 2014. The European Union has not yet adopted this interpretation.

Significant accounting judgments and estimates
In the process of applying the accounting policies Van Lanschot uses estimates and assumptions which can have a significant impact on the amounts recognised in the financial statements. The estimates and assumptions are based on the most recent information available. Actual amounts in the future may differ from the estimates and assumptions. The main estimates and assumptions concern 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, assets acquired through foreclosures and deferred taxes. In addition, they concern the determination of the fair value for financial instruments, taxes, share-based payments, the consolidation of Special Purpose Entities, employee benefits and provisions.

Determination of fair value
The fair value of financial instruments, insofar as available and provided there is an active market, is based on stock exchange prices at the reporting date. For financial assets, the bid price is used; for financial liabilities, the selling price. The fair value of financial instruments not traded in an active market is determined based on cash flow and 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, reference is made to the Risk Management section (page 94).

Impairments
All assets are assessed at least once a year to determine whether there are objective indicators of impairment. Objective indicators may arise in the event of significantly changed market circumstances regarding for instance 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 the line item Impairments.

Impairments of loans and advances to the public and private sectors
When determining whether impairments exist, a distinction is made between items for which there are objective indicators of impairment and items for which there are no objective indicators of impairment. Objective indicators of impairment are substantial financial problems occurring at the client, failure to pay interest and redemptions, and probability of bankruptcy or another financial restructuring of the client.

For all items where an objective indication of impairment exists, an estimate is made of the future cash flows which are discounted based on the Discounted Cash Flow method. Assumptions used are the estimate of the liquidation or other value of the collateral, estimate of payments to be received, estimate of the timing of these payments and the discount rate.

Since this concerns a loss event, and IFRS does not allow taking account of future loss events, probability does not play a role in the measurement of individual impairments, other than the expectations regarding the 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 occurred at reporting date but of which the bank is not yet aware due to an information time lag are estimated based on the product of Exposure At Default (EAD) x Probability of Default (PD) x Loss Given Default (LGD) x confirmation period. The confirmation period is the number of quarters during which the information time lag exists (minimum 0, maximum 4).

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

Impairment of forbearance loans
If there is impairment, Van Lanschot aims to restructure loans to avoid enforced collection of collateral. This may occur by extending the expiry date of the contract or agreeing new borrowing terms. The method to determine impairments for forbearance loans is identical to that for non-restructured loans.

Impairment of investments in equity instruments
An investment in equity instruments is considered to be impaired if its carrying amount permanently exceeds the recoverable amount, i.e. the recoverable amount is significantly or prolonged below cost. With available-for-sale investments, any revaluation in equity 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 occurring at the counterparty, the collapse of a market or other indications. With available-for-sale investments, any revaluation in equity 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 impairment previously recorded 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 to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To determine whether assets are impaired the individual assets are allocated to the lowest level in which cash flows can be identified (cash-generating units).

Non-financial assets, other than goodwill paid, that were subject to impairment are reviewed each year to see whether the impairment can possibly 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. When determining future taxable profits, estimates are used since these are subject to uncertainty.

Acquisitions
For acquisitions, the fair value of the acquired assets (inclusive of any intangible assets and goodwill acquired), liabilities and obligations not recognised in the statement of financial position must be determined. For this purpose, estimates are used, in particular for those items which are not traded on an active market.

Actuarial assumptions of provisions
The pension liabilities are determined based on actuarial calculations, using assumptions about, for instance, the discount rate, future trends in salaries and returns on investments.

These assumptions are subject to uncertainty. For more details, reference is made to note 19.

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements of Van Lanschot NV comprise the financial statements of F. van Lanschot Bankiers NV and its subsidiaries. The financial statements of F. van Lanschot Bankiers NV and its subsidiaries are prepared at 31 December, using consistent accounting policies. The financial year of F. van Lanschot Bankiers NV and its subsidiaries is the same as the calendar year.

Intra-group transactions are eliminated for consolidation purposes. Subsidiaries are consolidated from the date of incorporation or acquisition, being the date on which Van Lanschot obtains control, and continue to be consolidated until the date that such control ceases. Van Lanschot has control over an entity if it can determine, either directly or indirectly, this entity's financial or operational policy.

When determining whether Van Lanschot has decisive control of interests in investment funds, account is taken of Van Lanschot's interest for own account and the role of Van Lanschot or 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 for the reporting period that can be attributed to the non-controlling interest is disclosed separately.

Acquisitions

Acquisitions are disclosed using the purchase method. Accordingly, the cost of acquisitions is allocated to the fair value of the acquired assets (inclusive of any intangible assets previously not 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 the debts taken over) and Van Lanschot's interest in the fair value of the acquired assets, liabilities and obligations not recognised 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 directly taken to the statement of income.

A non-controlling interest in the company acquired is disclosed at the fair value prevailing at 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 on 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, lead to an 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 sales proceeds and acquisition cost (including goodwill) and any unrealised gain or loss is disclosed in the statement of income.

Goodwill is not amortised. For more information about the valuation, reference is made to note 10.

Foreign currencies

Functional currency

Line items of each group company are measured using 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 using another functional currency than the reporting currency are translated as follows:

- Assets and liabilities are translated using the closing rate at the reporting date;
- Income and expenses are translated using rates ruling at the transaction dates, which are approximately equal to the average rates;
- Any resulting exchange difference is recognised as a separate component of equity.

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

Transactions and line items

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates ruling at 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, unless 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 simultaneously with the determination of the 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 profit on financial transactions, and those relating to the sale of available-for-sale investments are considered to be an inherent part of the realised/unrealised gains and losses and presented under Income from securities and associates.

Classification as debt or equity

Financial instruments, or the individual components of the instrument, are classified as debt or equity in accordance with the economic substance for Van Lanschot as the issuing party.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Recognition of financial assets in the statement of financial position

The purchase of financial assets designated as at fair value with value changes through profit or loss, or financial assets classified as available for sale or held for trading, which are settled according to standard market conventions, are recognised at the transaction date, i.e. the date on which Van Lanschot undertakes to purchase or sell the asset concerned. Loans and advances are recognised at 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 the obligation to fully pay these to a third party by virtue of a special agreement, and
- Van Lanschot has transferred its rights to the cash flows from the asset and has transferred substantially all the risks and rewards; or has not transferred substantially all the risks and rewards, but has transferred control over this 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 this asset and has not transferred control, this asset is recognised as long as Van Lanschot has continuing involvement in this asset. A financial liability is derecognised as soon as the obligation under the liability is discharged, cancelled or expires.

Repo transactions and reverse repo transactions

Securities sold subject to repurchase agreements (repos) continue to be included in the statement of financial position. The related liability is included under the line item concerned (mainly Due to banks).

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

Securitisation

Van Lanschot has put 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 control over an SPE based on substance, it is consolidated.

The main indicator for control is retention of significant but not all risks and economic rewards of the financial asset.

When consolidating SPEs, the accounting principles applied by Van Lanschot are followed.

Transfers of financial assets
All or a part of a financial asset is transferred if:
- the contractual rights to receive the cash flows of that financial asset are transferred; or
- the contractual rights to receive the cash flows of that financial asset are retained, but a contractual obligation is assumed to pay the cash flows to one or more recipients in an arrangement.

Van Lanschot entered into securitisation transactions in which not all notes are held by Van Lanschot. These concern a partial transfer of financial assets. For more details, reference is made to the Risk Management section, under 7. Liquidity risk

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

Derivatives
The initial recognition is at fair value on the date the contract is entered into. After initial recognition, the derivative is subsequently remeasured at fair value and movements in value are taken to the statement of income under Profit 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 that are hedged through fair value hedging and that would otherwise be recognised at cost is adjusted for movements in the fair value that can be allocated 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 and the financial risk management objective and Van Lanschot's policy for undertaking the hedge. 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 the inception and during the term, 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, insofar as they concern the hedged risk, and the actual outcome is within a range of 80-125%.

The effectiveness is assessed and documented on a monthly basis in order to determine that the hedge has been highly effective throughout the financial reporting periods for which it was intended.

Hedges that qualify for hedge accounting are disclosed 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, insofar as the hedging instrument was effective in the past period.

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

Cash flow hedges
Cash flow hedges are hedges of the exposure to changes 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 which was established 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 not expected to occur, 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 separately measured 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 when interest payment and redemption are linked to a share index.

It is determined in advance 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 case 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 realise the asset and settle the liability simultaneously. This mainly concerns netting of current account balances and derivatives.

Statement of financial position by IFRS accounting policy

For the format of the statement of financial position, reference is made to the section Consolidated statement of financial position by accounting policy in the supplementary notes.

Statement of financial position

Cash and cash equivalents and balances at central banks

Cash and cash equivalents and balances at central banks comprise, at nominal value, the cash in hand and deposits with a term of less than three months at banks, 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 the Dutch Central Bank by virtue of the minimum reserve requirement is also included in this item.

Financial assets held for trading

Financial assets held for trading are transactions for own account with the aim 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 Profit on financial transactions.

Due from banks

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

Financial assets designated as at fair value through profit or loss

Financial assets designated as at fair value through profit or loss contain investments of which management believes that they should be recognised at fair value through profit or loss, on the basis of one of the following reasons:

1. It eliminates or substantially reduces inconsistencies in valuation and recognition which would otherwise arise as a result of assets being valued or income and expense being recognised under different policies;
2. The performance of the relevant financial assets is assessed based on their fair values, in accordance with a documented risk management or investment strategy. Reporting to management occurs based on 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 revaluing these financial instruments at fair value are recognised under Result on financial transactions.

Available-for-sale investments

Investments included in this line item have been classified by management as transactions held indefinitely and are carried as Available for sale. This line item comprises investments in both equity instruments and debt instruments. These investments are initially recognised at fair value and subsequently adjusted 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 base in equity.

Realised gains and losses are presented under Result on financial transactions (bonds) and Income from securities and participating interests (equities). Interest earned on these assets is recognised as interest income. Dividends are recognised under Income from securities and participating interests.

Available-for-sale investments can 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 such investments are disposed of or suffer impairment losses, the adjustments to fair value are recognised in profit or loss.

Van Lanschot reviews twice a year whether impairment losses have occurred. The fair value of an investment in an equity instrument being significantly or prolonged below cost is objective evidence of impairment. The Impairment Committee determines, based upon the adopted policy, whether the fair value of an item is significantly or prolonged below cost.

Van Lanschot considers the unrealised losses on debt instruments in the investment portfolio, as a result of interest fluctuations, to be temporary diminutions in value. Van Lanschot intends to retain these investments in debt instruments during a term considered long enough to offset these unrealised losses and expects to receive the full principal when held to maturity.

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

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

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

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, insofar as this remains within the bandwidths set, concerns ineffectiveness and is taken to the statement of income.

Derivatives include:

- *The fair value of derivatives held for trading*
  Derivatives held for trading are transactions for own account with the aim to sell this asset them in the short term;
- *Economic hedges*
  Economic hedges are derivatives to manage risks without applying hedge accounting;
- *Derivatives structured products*
  Derivatives structured products are options acquired by Van Lanschot in order to hedge structured products sold to clients, without application of hedge accounting;
- *Option position clients*
  Offsetting transactions are conducted on the market for all option positions of our clients on a one-on-one basis;
- *Derivatives with application of hedge accounting*
  This concerns derivatives used as hedging instrument in the application of hedge accounting.

Investments in associates using the equity method
Investments have been designated by management as transactions held permanently and can be classified, as a result of the acquired control, as Investments in associates using the equity method. This concerns 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 associates using the equity method are recognised at cost, and are adjusted (if applicable) for any changes in the value of the associate's individual receivables and payables occurring after the acquisition, based on the policies applied by Van Lanschot.

Each quarter, the recoverable amount of the investments in associates is determined using the equity method. The applied valuation methods are as follows: the capitalisation method (peer group analysis), net present value method and 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. Based on a peer group analysis, the multiplier factor is derived from similar listed companies (the peer group), if applicable also taking account of a 20% discount for poor liquidity and minority shareholding. EBIT and EBITDA are adjusted, where applicable, for one-off items.

The net present value method calculates the enterprise value by discounting the forecast operational cash flows at a discount rate for the plan period and a final value based on the extrapolation of the operating profit. The discount rate (WACC) is in principle determined based on the discount rate of listed companies with a great deal of similarity and the specific characteristics of the company, if applicable also taking account of a 20% discount for poor liquidity and minority shareholding.

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

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

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

Property, plant and equipment

Property, plant and equipment comprise property, information technology, furniture & fixtures and communication and safety equipment. Property, plant and equipment are initially carried at historical cost and subsequently 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 is exclusive of day-to-day servicing costs. Depreciation is calculated on a straight-line basis over the useful lives of the assets concerned.

At least every five years, the net realisable value of the individual items of property is determined. If market conditions so dictate, appraisals are carried out at an earlier stage. 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 in 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, there is a likelihood that future economic benefits will flow to Van Lanschot and costs can be measured reliably.

Property not in own use concerns 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 the 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 CGUs 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 by CGU. Therefore, the recoverable amount is 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 the carrying amount of the CGU concerned, goodwill is impaired. The impairment is first allocated 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 investigations into possible trends. Events and factors that might 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.

Other intangible assets with a limited life, such as application software, client bases, contractual rights and the value of acquired funds entrusted 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 in 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 taxes are offset when they relate to the same tax authority, the same type of tax and it is permitted under law to offset 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 at 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 recognised at their face value. Deferred tax assets are included only if it is probable that taxable profits will be realised in the near future against which these temporary differences can be offset.

Tax receivables 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. The reduction has to 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. When realised, deferred tax is taken to the statement of income at the same time as the movement in value.

Other assets

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

Financial liabilities held for trading

Financial liabilities held for trading are own account transactions with the aim to repurchase these instruments in the short term. Financial liabilities held for trading are carried at fair value, with movements in value being taken through profit or loss under Profit on financial transactions. This line item comprises short positions on the trading portfolio of both equity instruments and debt instruments. Recognition takes place with effect from the date on which the contract is concluded.

Due to banks

Upon initial recognition, amounts due to banks are disclosed 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

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

Financial liabilities designated as at fair value through profit or loss

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

1. It eliminates or considerably reduces inconsistencies in the valuation and recognition which would otherwise arise due to the valuation of liabilities or recognition of income and expense based on deviating policies.
2. The performance of the financial liabilities concerned is assessed based on the fair value, in accordance with a documented risk management or investment strategy. Reporting to management occurs based on 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.

The own credit risk of Van Lanschot is taken into account in the valuation.

Issued debt securities

Upon initial recognition, issued debt securities are disclosed at fair value excluding transaction costs. After initial recognition, issued debt securities are carried at amortised cost using the effective interest method. Purchases by Van Lanschot of own debt securities are set off in the consolidated financial statements against the liability; the difference between 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 or 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 that defines an 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 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 immediately in equity; net interest is recognised under Interest in the statement of income.

Provision for jubilee benefits scheme
On the occasion of being in service for 10, 20, 30 and 40 years, employees receive a bonus. Furthermore, receptions are organised for employees who have been in service for 25 and 40 years. These benefits are calculated on an actuarial basis and recognised in the statement of financial position as a provision.

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

Restructuring provision
A restructuring provision is solely recognised if the criteria for disclosure of a provision are met. Van Lanschot has a constructive obligation if it has a detailed formal plan for the restructuring 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 expenditures that will be undertaken and a suitable timeframe, and if it has announced its main features to those affected by it.

Other provisions
This item includes all other provisions.

Other liabilities
Other liabilities are carried at historical cost.

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

Equity
Direct costs of a new share issue are deducted from equity, taking account of taxes.

If Van Lanschot purchases treasury shares, the purchase price, including direct transaction costs after tax, is deducted from equity. Treasury shares purchased by Van Lanschot do not qualify for profit or dividend and are not included in the calculation of the earnings per share.

The equity instruments issued by subsidiaries included under equity are carried at cost.

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

Contingent liabilities
Contingent liabilities are carried at the contract value and concern in particular 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 insofar as it is likely that the economic benefits will flow to Van Lanschot and 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 expense is 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, when appropriate, a shorter period 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 uncollectable amounts.

Income from securities and associates
All dividends received from investments in equity instruments are recognised under Dividends and fees. Dividends are directly recognised in the statement of income when made payable. Diminutions 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 as well as debt instruments are recognised under Gains 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 (Profit on financial transactions). Van Lanschot's share in the results of investments using the equity method is recognised under Income from securities and associates using the equity method.

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

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

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

Commission on a transaction basis
Net commission income on a transaction basis is recognised in the periods in which Van Lanschot provides the services. Transaction commission for which Van Lanschot only provides a service on the transaction date (e.g. securities commission) is taken directly to the statement of income. Transaction commission for which Van Lanschot has to provide a service in the future (e.g. commission for Index Guarantee Contracts) forms part of 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 the financial instruments relating to the securities trading portfolio. Exchange and price differences on trading in other financial instruments are recognised under the Result on foreign exchange trading. Gains and losses on account of ineffectiveness in hedge accounting are recognised under Unrealised gains and losses on derivatives under hedge accounting. Results on economic hedges include realised and unrealised gains and losses on derivatives that are not included in a hedge accounting model.

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

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

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

Share-based employee benefits: Management Investment Plan
Selected Kempen employees are offered the opportunity of participating in the Kempen Management Investment Plan (MIP).

Under the terms of the Kempen MIP, these employees purchase ordinary shares indirectly held in Kempen's share capital. Kempen has issued these ordinary shares to MIP Coöperatie UA, a cooperative society in which nearly all membership rights are owned by Stichting Administratiekantoor Kempen Management Investeringsplan, which in turn issues depositary receipts to the employees concerned in exchange for payment of the issue price. The MIP therefore involves an equity instrument settled transaction.

If, at the moment of awarding, the fair market value per depositary receipt exceeds the issue price, an employee benefit exists. The fair value of this employee benefit is treated as an expense during the vesting period, with a corresponding adjustment to equity. The total sum to be taken into consideration is determined on the basis of the fair value of the depositary receipts as determined on the date on which they are awarded, without taking into account any terms of employment that may be continued.

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

Depreciation and amortisation
Depreciation and amortisation is determined based on the estimated useful life and is charged to the statement of income.

Impairments
This item consists of 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 set off.

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

Diluted earnings per ordinary share are calculated by dividing the profit available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted for possible dilution as a result of outstanding option rights for example.

Statement of cash flows
The statement of cash flows is prepared using the indirect method. This statement of cash flows shows the source and application of cash items. Cash flows are divided into those from operating, investing and financing activities.

Cash and cash equivalents and balances at central banks comprise the cash in hand and 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 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 leases 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.

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. Secondary information is reported geographically based on where the business activities are located. Intra-segment transactions are conducted based on commercial conditions and market circumstances (at arm's length).

RISK MANAGEMENT

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1 Risk and capital management

Banking is all about taking and managing responsible risks. Van Lanschot approaches risk management in a way that matches its relatively small size and the bank's focus. Van Lanschot aims to limit the impact of unexpected events on its solvency, liquidity and performance to the greatest possible extent.

Van Lanschot consciously aims for a low risk profile and it achieves this by having a strategy as well as systems and procedures in place for the identification and restriction of risks. Making clear choices and adequately embedding risk management at all organisational levels are important in this respect.

Since 1 July 2012, Van Lanschot has reported its loan portfolio on the basis of risk-sensitive IRB models. These models reflect the risk-sensitivity of the loan portfolio. Van Lanschot thus has a good insight into the risk of default of the entire portfolio (with the exception of the residual part), of the potential loss and the capital that has to be held. In 2013, Van Lanschot took further steps to develop its risk management by implementing a retail approach (A-IRB) for small and medium-sized business (SME) clients up to € 1 million. In 2014, the A-IRB approach applied to the consumer credit sub-portfolio of up to € 250,000 will be extended to consumer credit of up to € 2 million. The model developed for this has been externally validated and approved by the Dutch Central Bank. Thanks to these developments, Van Lanschot is better able to monitor and mitigate the bank's risks both in the short and the long term.

In response to the financial crisis, regulators have asked financial institutions to draw up a Recovery Plan with the aim of improving stability in the financial sector. Van Lanschot drew up its Recovery Plan in 2013 and it now forms an integral part of Van Lanschot's risk management. The Recovery Plan shows that Van Lanschot can respond properly to stress situations and is able to maintain its solid position in the financial sector.

Risk management within Van Lanschot covers the following risks:

- Credit risk
- Operational risk
- Market risk
- Strategic risk
- Interest rate risk
- Liquidity risk
- Compliance risk

These types of risk are discussed separately from section 2 onwards, where Basel II and Basel III aspects are outlined. Subsequently, information is provided about fair value in section 9.

1.1 Risk appetite

Van Lanschot is a specialised, independent wealth manager dedicated to the preservation and creation of wealth for its clients. This translates into the risk appetite of the bank. A wealth manager should boast solid capital and liquidity ratios; something we have been able to do for years now. The lending activities mainly focus on private banking. Commercial loans are only granted to selected target groups of clients where there is the prospect of a private banking relationship. As a result, the balance sheet is not directly comparable to that of a private bank only focusing on high net-worth individuals, nor to that of a large bank.

Van Lanschot's risk appetite can be summarised as follows:

Against the background of its aim to be the a specialised, independent wealth manager with stable profitability and a solid profile, Van Lanschot only takes risks it understands. The balance sheet is for the client and Van Lanschot avoids risks that threaten the bank's stability and solidity.

Van Lanschot has an extensive risk appetite process in place, inclusive of reporting and policy cycles. In order to firmly embed the risk appetite in the organisation, a formal framework was set up, comprising a uniform set of roles and responsibilities. Every six months, the Board of Managing Directors reports on Van Lanschot's risk appetite in the form of a management letter to the Supervisory Board. Every six months, the Supervisory Board checks the risk appetite based on the review report, the management letter and the limits set.

Each year, the Board of Managing Directors translates the risk appetite into strategic risk limits in a policy document, the risk appetite statement, which is submitted to the Supervisory Board for their review. The objectives are restated in a joint effort by the Board of Managing Directors and the Supervisory Board. The risk appetite of Van Lanschot is based on the following objectives:

1. defined strategy, objectives and core values;
2. having a single A (stable outlook) external credit rating
3. profitability throughout the cycle, accompanied by a consistent dividend policy
4. protecting Van Lanschot's good reputation
5. compliance with regulatory requirements.

In the past few years, Van Lanschot has not had to apply for any financial support from the government. This can be attributed to the risk policy pursued, which is apparent from its ample liquidity and capital positions, and the fact that the bank's balance sheet is for the benefit of clients and is not used for investment products for own risk.

Table 1.1 Capital ratios (%)	External requirement	Van Lanschot	
		31/12/2013	31/12/2012
BIS ratio	8.0	13.9	11.9
Tier I ratio	4.0	13.1	11.0
Core Tier I ratio	–	13.1	11.0

1.2 Organisation of risk and capital management

The organisation pays particular attention to compliance and corporate governance. The principles of compliance and corporate governance form part of the due care with which Van Lanschot guards its reputation as a bank with a solid profile and integrity. It is important that a cautious risk attitude is adopted throughout all layers of the bank and that laws and regulations are strictly complied with. The objective of the bank's risk framework is identifying and analysing risks at an early stage and setting and monitoring responsible limits. Adequate internal control procedures and reporting systems, including the application of appropriate limits and their constant supervision by means of reliable information systems, are therefore key elements in the bank's risk management. Risk management is an ongoing process that hinges on the quality and commitment of management and employees.

The organisation of the risk framework is based on the three lines of defence principle, in which day-to-day responsibility for risk control is assigned to the commercial and/or operational departments (first line). Compliance & Supervision, Risk Management and Financial Risk Management form the second line and are responsible for initiating risk policy and supervision of risk control within Van Lanschot. Group Audit forms the third line and is responsible for performing independent audits on the risk framework.

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

1.2.1 Supervision

The Supervisory Board supervises the risks and capital adequacy requirements in relation to the bank's operations and portfolio. For this purpose, it has installed two committees.

The Risk Committee supervises on behalf of the Supervisory Board all risks identified relating to the bank's business activities. This Committee approves the bank's risk framework and prepares the decision making regarding Van Lanschot's risk appetite.

The Audit & Compliance Committee was installed to advise the Supervisory Board on financial reporting, liquidity risk, capital management, internal and external audits, as well as on compliance matters and duty of care.

1.2.2 Risk and capital management policy

The Board of Managing Directors bears the ultimate responsibility for formulating the bank's strategy. It is also responsible for a timely and correct supply of data, which serve as a basis for the Supervisory Board's opinion about the risk appetite of Van Lanschot. An important element of the bank's strategy is the risk and capital management policy and the resulting capital management plan. This plan is reviewed and approved annually by the Board of Managing Directors.

This also means that the Board of Managing Directors has the ultimate responsibility for the existence and effective operation of the processes that enable Van Lanschot to hold sufficient capital considering its objectives, its risk appetite and the statutory capital adequacy requirements. Within this scope, the Board of Managing Directors has delegated specific tasks to divisions or committees. At least one member of the Board of Managing Directors has a seat on each committee.

Table 1.2 Risk and capital management

Supervision § 1.2.1	Supervisory Board – Risk Committee – Audit & Compliance Committee				
Risk and capital management § 1.2.2	Board of Managing Directors – Policy Risk Committee – Asset & Liability Committee – Operational Risk Management Committee – Credit Committee – Crisis Management Team and IT Security – Impairment Committee – Compliance Committee – Product Board – Project Board				
Implementation and review § 1.2.3	Risk Management Van Lanschot	Financial Risk Management	Financial Control	Compliance & Supervision Group Audit	Risk Management Kempen
Execution § 1.2.4	Private Banking	Corporate Banking	Asset Management	Corporate Finance & Securities	Treasury

Within the bank, the following committees are active in various risk areas:

Policy Risk Committee: All aspects of risk and capital management policy, including determination of the risk appetite

This committee determines and adjusts the bank's overall risk and capital management policy. The committee determines Van Lanschot's overall risk appetite and translates this into standards, limits and/or capital required for the various risks. In this process, the strategic objectives and assumptions for the risk appetite are also taken into account. The committee convenes once every quarter. All members of the Board of Managing Directors have a seat on this committee, as well as representatives of Risk Management, Financial Risk Management, Compliance & Supervision, service centres and the corporate staff of Private Banking and Corporate Banking.

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

This committee supervises the implementation and execution of the capital management policy, the bank's capital management plan and liquidity policy which is derived from this. In terms of the execution of transactions, the committee supervises compliance with the relevant guidelines, especially relative to capital structure, capital ratios and funding. In addition, it also bears responsibility for the approval of the Internal Capital Adequacy Assessment Process (ICAAP) reporting and the Internal Liquidity Adequacy Assessment Process (ILAAP) reporting. In addition to specialists and the relevant directors, all members of the Board of Managing Directors hold seats on the Asset & Liability Committee. This committee meets once every month.

Operational Risk Management Committee: Management of operational risk

This committee supervises the implementation and execution of the operational risk management policy. This policy defines the standards for the identification, measurement, monitoring and control of operational risks. The committee assesses the bank's operational risks and monitors the progress of the actions taken in order to limit these risks. The committee convenes eight times per year and is chaired by a member of the Board of Managing Directors.

Other committees which execute tasks delegated by the Board of Managing Directors are as follows:

- Credit Committee: has the highest authority within Van Lanschot to approve loans;
- Crisis Management Team and IT Security: is responsible for management of the information security risk;
- Impairment Committee: determines impairments and provisions;
- Compliance Committee: is responsible for the design, effectiveness and execution of the policy on compliance risks;
- Product Board: is responsible for the introduction of new products and the review of existing products;
- Project Board: is responsible for project decision-making.

1.2.3 Implementation and review of the risk and capital management policy

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

At Van Lanschot, implementation and monitoring of the risk and capital management policy has been delegated to the following departments:

- Risk Management Van Lanschot
- Financial Risk Management
- Financial Control
- Compliance & Supervision
- Risk Management Kempen

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

The lead department **Risk Management Van Lanschot** performs the risk appetite process including the acceptance of loans and the management of default clients. It is also responsible for measuring, modelling and managing operational risk. During the first quarter of 2014, certain Credit Risk activities (in particular acceptance and management) are being transferred to the first line (Corporate Banking and the service centre for Private Banking). This creates a clearer distinction between the first and second lines of Credit Risk Management.

The lead department **Financial Risk Management** has full responsibility for second line monitoring and management of all balance sheet risks, including modelling, measuring and managing Van Lanschot's credit, market, interest rate, liquidity and strategic risks, and for reporting on them. Financial Risk Management also performs Van Lanschot's capital policy. In addition, all risks are aggregated and reported on at group level by this department. In addition, Financial Risk Management bears responsibility for preparation of the ICAAP and ILAAP reports.

The lead department **Financial Control**, along with Risk Management Van Lanschot, Financial Risk Management Van Lanschot and Compliance & Supervision, is responsible for the risk policy, challenging the business and co-ordination and supervision of risk management at Van Lanschot Bankiers. The head of Financial Control reports directly to the Board of Managing Directors of Van Lanschot.

The **Compliance & Supervision** department has an advisory and monitoring role on compliance with internal and external laws and regulations by the Board of Managing Directors, senior management and employees of Van Lanschot. Within Van Lanschot, Compliance & Supervision operates independently and the Head of the Compliance & Supervision department directly reports to the Chairman of the Board of Managing Directors. In addition, Compliance & Supervision periodically reports to the Audit & Compliance Committee of the Supervisory Board. Kempen has its own Compliance & Supervision department which reports to the Chairman of the Management Board of Kempen.

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

Risk Management Kempen issues daily risk reports on market risks, which are monitored intraday by the management team of Kempen Securities and Risk Management Kempen. The Management Board of Kempen is responsible for defining the market risk policy. This policy must meet the standards of Van Lanschot's Policy Risk Committee and be approved by it.

Monthly reports are issued on credit and operational risks to Kempen's Credit Committee and Operational Risk Committee. These committees are chaired by Kempen's CFO and the relevant business units and departments are represented on them. The minutes of these committees are shared with the Management Board of Kempen. This ensures the Management Board, senior management and business unit managers remain well informed about Kempen's risk profile and alerted in good time to significant problems and developments. There is an authorisation structure, approved by the Van Lanschot's Policy Risk Committee, for limit overruns.

Kempen's Risk Management department reports on these risks to:

- Relevant line management,
- Management Board of Kempen,
- Audit, Risk & Compliance Committee of Kempen's Supervisory Board (Van Lanschot's Board of Managing Directors is represented on the Kempen's Supervisory Board),
- Financial Risk Management Van Lanschot and Risk Management Van Lanschot,
- Policy Risk Committee Van Lanschot
- Risk Committee of the Supervisory Board of Van Lanschot.

A Risk Appetite Process has been set up at Kempen. Kempen's risks must fall within the overall risk appetite of Van Lanschot and therefore frameworks and standards for risks and risk management at Kempen have been set. Kempen has a large degree of autonomy within these frameworks and subject to these standards. This also applies to the Risk Management Kempen department. The powers of Risk Management Kempen are determined by the Policy Risk Committee of Van Lanschot. Risk Management Kempen reports periodically and as requested to Financial Risk Management Van Lanschot and Risk Management Van Lanschot, in order to safeguard that Van Lanschot has a complete overview of all relevant risks.

Group Audit Van Lanschot 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 Board of Managing Directors. The policy pursued by Van Lanschot forms the starting point for the independent review by Group Audit. Processes, infrastructure, organisation and systems are thus audited based on the policy pursued, in order to determine whether the organisation has taken sufficient measures to properly perform the risk and capital management policy. Group Audit also monitors the quality of the implementation, execution and review of the risk and capital management policy.

Internal Audit Kempen reports to the Chairman of the Board of Kempen.

1.2.4 Execution of risk and capital management policy

The commercial departments are responsible for the preparation of commercial plans. Based on these plans, the current and future risks and the resulting capital needs are determined. These serve as input for the Asset & Liability Committee. The Asset & Liability Committee primarily determines the implementation of the policy.

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

1.3 External and internal capital adequacy requirements

Of the Pillar I risks, credit risk is the most important risk category. The capital adequacy requirement is based on the total loan commitments of Van Lanschot. The limited amount of market risk results from the risk policy by virtue of which Van Lanschot only trades for own risk to a very limited extent. The solvency requirement for operational risk is based on average income over the past three years.

The Basel II 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 credit risk, market risk and operational risk;
- Pillar II: internal processes relating to risk management and the calculation of internal capital adequacy requirements, the economic capital, and the assessment of these 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 deals 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 include its entire Pillar III report in its financial statements, which are published once a year. 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

Under Basel II rules, banks must have sufficient buffer capital to cover the risks arising from banking operations.

Pillar I provides guidelines for calculating the minimum capital that needs to be held according to regulators for credit risk, market risk and operational risk. Under the rules, the capital adequacy requirements relating to these risks can be calculated in different ways with varying degrees of sophistication from relatively simple to advanced. Banks are free to choose their own method, 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.

The loan portfolio of Van Lanschot can roughly be divided into two portfolios, i.e. a retail portfolio with mainly mortgages and (from 2013) small and medium-sized business financing and a non-retail portfolio with customised financing solutions. On 1 July 2010, Van Lanschot switched to the Advanced Internal Rating Based (A-IRB) approach for the retail portfolio. On 1 July 2012, the Dutch Central Bank additionally granted its approval for 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 for operational risk and market risk.

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

Table 1.3.1.A Minimum external capital adequacy requirements (Pillar I)	31/12/2013		31/ 12/2012	
Total	**720,226**	**100%**	**824,783**	**100%**
Credit risk	639,287	89%	758,601	90%
Market risk	8,083	1%	8,400	1%
Operational risk	72,856	10%	75,782	9%

Table 1.3.1.B Capital requirement for main types of exposure under credit risk	31/12/2013		31/12/2012	
Total	**639,287**	**100%**	**758,601**	**100%**
Receivables from corporates	445,792	70%	580,030	76%
Retail receivables	103,482	16%	90,793	12%
Other	90,013	14%	87,778	12%

Table 1.3.1.C Subsidiaries (%)	31/12/2013	31/12/2012
F. van Lanschot Bankiers NV	100	100
F. van Lanschot Bankiers (Schweiz) AG	100	100
Kempen & Co NV	95	94
Van Lanschot Participaties BV	100	100
Van Lanschot Bankiers (Curaçao NV)	–	100
Lesalanda BV	100	100

1.3.2 Internal capital adequacy requirements

The objective of Pillar II is to ensure that the bank has implemented internal processes that are designed to establish whether the required capital is in keeping with the risks the bank runs. At Van Lanschot these processes have been laid down in the ICAAP manual. Among other things, this manual describes the governance structure, the procedures, the assumptions and the methods used to determine the required capital. The ICAAP serves to assess and maintain both the current and future capital adequacy of Van Lanschot.

Table 1.3.2. shows the internal capital requirements by type of risk.

At present, the internal capital adequacy requirement is based on the requirements of Pillar I, supplemented with a surcharge for other risks. These are:

- concentration risk in the loan portfolio
- interest rate risk
- strategic or business risk

The models and methods applied are in keeping with Van Lanschot's complexity and size and show a mix of qualitative and quantitative aspects of risk management. Diversification effects among the risk categories are not taken into account. Stress tests are conducted on a regular basis to check whether Van Lanschot's internal capital is adequate.

Table 1.3.2 Internal capital requirements	31/12/2013		31/12/2012	
Total	**983,249**	**100%**	**1,126,833**	**100%**
Credit risk	639,287	65%	758,601	67%
Concentration risk	75,582	8%	85,407	8%
Market risk	8,083	1%	8,400	1%
Operational risk	72,856	7%	71,315	6%
Interest rate risk	129,000	13%	156,000	14%
Strategic risk	58,441	6%	47,110	4%

1.4 Available risk capital

The capital management policy and its monitoring are laid down in the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is designed to define capital risk management at Van Lanschot. Current and future capital adequacy of Van Lanschot is also assessed. Within this scope, capital and funding plans are prepared each year.

These plans include projections for expected trends in capital. This makes it possible to manage future capital adequacy and Van Lanschot ensures that it always has sufficient risk capital available.

Risk capital is divided into Pillar I and Pillar II capital. The statutory capital adequacy requirements are calculated within Pillar I and risk capital for additional risks within Pillar II. For Pillar II purposes Van Lanschot keeps at least 10% more qualifying capital than required under internal capital adequacy calculations (the ICAAP capital).

In 2013, the core capital grew by € 18 million from € 1,158 million to € 1,176 million. The increase was helped by a realised gain of € 21 million but held back by an increase in the shortfall on core capital of € 18 million. The rise in the shortfall came from an increase in the Expected Loss as a result of poor economic conditions, with disappointing growth in the economy and falling house prices. Core capital was also affected by a fall of € 5 million in the intangible assets deduction and an € 8 million increase in general reserves.

Table 1.4.A Capital adequacy requirements and available capital	31/12/2013	31/12/2012
Minimum capital adequacy required	**720,226**	**842,783**
Credit risk	639,287	758,601
Market risk	8,083	8,400
Operational risk	72,856	75,782
Qualifying capital	**1,254,280**	**1,254,057**
of which core capital	1,176,129	1,158,483
of which Tier I capital	1,176,129	1,158,482
of which Lower Tier II capital	78,151	95,575
Capital ratios		
BIS total capital ratio	13.9%	11.9%
Tier I ratio	13.1%	11.0%
Core Tier I ratio	13.1%	11.0%

Table 1.4.B Entities deducted from qualifying capital	Interest (at year-end 2013)	31/12/2013	31/12/2012
Total		**5,580**	**5,018**
Van Lanschot Chabot Holding BV	49%	5,580	5,018

Table 1.4.C provides a breakdown of Van Lanschot's qualifying capital, and also shows the relationship between the qualifying capital and equity as presented in the consolidated statement of financial position.

When drawing up the qualifying capital, adjustments need to be made for a number of items that, with the introduction of IFRS, affected the size and composition of equity. These fall into two groups: goodwill plus all intangible assets recognised in connection with acquisitions, and the revaluation of bonds and other equity instruments.

Interests of over 10% in the issued share capital of a financial institution or credit institution are deducted from the qualifying capital. Half of this is deducted from the Tier I capital, and the other half from the Tier II capital. This also applies to participating interests in insurance companies. Goodwill included in qualifying capital excludes of the goodwill concerning non-strategic investments (€ 8.7 million; 2012: € 3.0 million).

Table 1.4.B. indicates which entities are deducted from the qualifying capital.

2 Credit risk

Credit risk is defined as the risk that a counterparty cannot fulfil its obligations to the bank. Van Lanschot's policy on credit risk revolves primarily 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 safeguard the quality of the loan portfolio.

The lending activities are based on the starting point that they should support Van Lanschot's objectives. It is assessed on an individual basis whether the loans are in line with these objectives.

Credit risk on positions with governments and financial institutions arises from the investment activities, international payment transactions and cash management. The counterparty risk on financial institutions is largely the result of surplus cash being placed with financial institutions for short terms or investments, for example in covered bonds.

When determining country limits and limits for financial institutions, Van Lanschot applies a strict policy. The country limits serve as a cross limit, meaning that the counterparty risks on financial institutions in one single country are limited by the extent of the country limit concerned. This 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 the Acceptance & Management department. The authority to approve large loans rests with the Credit Committee, which consists of representatives of the relevant divisions as well as members of the Board of Managing Directors. Specific powers to approve loans fully covered by a securities portfolio have been defined for Kempen.

Limits for financial institutions and countries are determined based on a number of hard criteria, such as external rating, BIS ratios, capital ratios, Gross Domestic Product (in case of countries) and the country of origin. In addition, limits can 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 conducted at item and portfolio levels. At item level, explicit attention is paid to unauthorised overdrafts and past due accounts management. In addition, the quality of the customised loans is monitored through reviews. The frequency of these reviews may differ depending on the individual borrower's risk profile, but takes place at least once a year. During the review, in addition to the financial analysis, attention is paid to future developments in the client's situation and relevant macro-economic trends.

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. For more information, reference is made to section 2.3.

At portfolio level, the relevant (expected) developments are discussed in the Policy Risk Committee on a monthly basis. Any negative trend identified in the risk profile with respect to a particular client segment (or 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.

Table 1.4.C Qualifying capital	31/12/2013	31/12/2012
Tier I capital		
Issued share capital	41,017	41,017
Share premium	479,914	479,914
General reserve	793,677	943,940
Provisional profit distribution for solvency purposes	21,045	– 158,167
Non-controlling interests	15,140	13,995
Less: Goodwill	– 125,584	– 125,584
Less: Other intangible assets	– 16,757	– 21,871
Less: Deduction for shortfall IRB	– 32,323	– 14,761
Core Tier I capital	**1,176,129**	**1,158,483**
Innovative instruments with interest step-up (equity instruments issued by subsidiaries)	27,250	27,250
Innovative instruments without interest step-up (equity instruments issued by subsidiaries)	8,813	8,813
Original Tier I capital	**1,212,192**	**1,194,546**
Deduction for equity elements	– 2,790	– 2,509
Deduction for shortfall IRB	– 33,273	– 33,555
Total Tier I capital	**1,176,129**	**1,158,482**
Tier II capital		
Upper Tier II capital	21,498	19,718
Country-specific supplementary additional own funds	6,100	5,569
Lower Tier II capital	118,939	121,112
Original Tier II capital	**146,537**	**146,399**
Deduction for equity elements	– 2,790	– 2,509
Deduction for shortfall IRB	– 65,596	– 48,315
Total Tier II capital	**78,151**	**95,575**
Total qualifying capital	**1,254,280**	**1,254,057**
Reconciliation of qualifying capital with consolidated equity		
Add: Expected dividend payable for the current year	8,185	–
Add: Result for 2013/2012 attributable to non-controlling interests	4,276	2,802
Add: Goodwill	125,584	125,584
Add: Other intangible assets	16,758	21,871
Less: Total lower Tier II capital	– 118,939	– 121,112
Add: Deduction for equity elements	5,580	5,018
Add: Deduction for shortfall IRB	131,192	96,631
Add: Revaluation reserves not forming part of qualifying capital	410	24,024
Add: Other equity elements not forming part of qualifying capital	– 6,743	– 3,191
Less: Actuarial results on defined benefit pension plan	– 81,617	– 90,476
Total consolidated equity	**1,338,966**	**1,315,208**

If the review, payment arrears or external signals point to an increased risk of discontinuity, the Recovery Section is brought in. An estimate is made of the continuity perspective. Depending on the seriousness and size of the problem, either monitoring or intensive supervision is applied. If the continuity perspective is doubtful or insufficient, the Recovery Section draws up an impairment proposal. On the basis of this proposal, the Impairment Committee sets the final impairment.

2.2 Breakdown of loan portfolio

The credit risk concentration lies with Van Lanschot Bankiers. Kempen and the foreign subsidiaries grant few loans. The limits fully depend on the collateral furnished and may change on a daily basis.

Table 2.2.A Breakdown of loan portfolio by entity (excluding impairments)	31/12/2013		31/12/2012	
	Limit	Utilisation	Limit	Utilisation
Total	**13,820,714**	**12,823,351**	**15,086,987**	**13,774,612**
Van Lanschot Bankiers	13,466,178	12,488,675	14,602,672	13,326,053
Kempen	167,995	148,135	211,850	211,850
Van Lanschot other	186,541	186,541	272,465	236,709

The total outstanding amount, as included in tables 2.2.B and 2.2.C, is reduced by impairments of loans. This indicates the total of loans and advances to the public and private sectors. The impairments are split into Incurred But Not Reported (IBNR) on the one hand, and specific provisions on the other. IBNR is included in Past due. Specific provisions are included under Impaired, both nominal and as a percentage.

All loans of which the interest and/or redemptions are not paid in time are considered to be past due. If a client potentially or actually defaults on its obligations to the bank, a provision is formed. The loans of the client are then classified as impaired loans.

Unsecured loans are only granted with the utmost conservatism. There is a very strict acceptance policy for corporate loans. For these loans, regular collateral is furnished such as property, receivables, inventories and fixtures and fittings.

Private loans are usually secured by residential property (mortgage loan), an investment portfolio (securities-backed loan) or privately held commercial property (real estate loan). The remainder concerns regular consumer credits and private customised financing (other loans). For customised financing, the structure and collateral are determined on an individual basis. This loan category is solely intended for clients who have placed substantial funds with Van Lanschot.

New loans are assessed critically to determine whether they are in line with Van Lanschot's objectives. As a result Van Lanschot only grants loans with the utmost conservatism and part of the portfolio is being purposely run down.

Table 2.2.B Loans and advances to the public and private sectors by sector at 31/12/2013

	% of the total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%
Total		**12,490,723**			**4.4%**	**600,150**	**322,652**	**53.8**
Companies and institutions								
Real estate	12	1,518,221	1,508,658	1,347,689	25,478	145,054	61,135	42.1
Healthcare	2	257,039	285,517	243,047	1,045	12,947	7,436	57.4
Financial holdings	3	381,634	515,980	371,204	7,401	3,029	2,749	90.7
Services	4	556,779	662,278	475,099	47,876	33,804	29,473	87.2
Retail	2	297,114	349,081	289,961	1,058	6,095	4,363	71.6
Capital assets	2	271,988	340,909	258,988	3,070	9,930	2,041	20.6
Food, beverages & tobacco	1	154,214	200,585	152,523	156	1,535	1,715	11.7
Other	9	1,086,472	1,278,886	986,976	16,557	82,939	54,682	65.9
Total companies and institutions	**35**	**4,523,461**	**5,141,894**	**4,125,487**	**102,641**	**295,333**	**163,594**	**55.4**
Private individuals								
Mortgages	51	6,482,569	6,580,410	6,304,357	71,351	106,861	66,431	62.2
Securities-backed loans	1	170,200	432,731	169,616	–	584	387	66.3
Real estate	5	660,949	661,134	568,910	20,874	71,165	32,268	45.3
Other	8	986,172	1,004,545	827,454	32,511	126,207	59,972	47.5
Total private individuals	**65**	**8,299,890**	**8,678,820**	**7,870,337**	**124,736**	**304,817**	**159,058**	**52.2**
Impairments of loans		332,628			9,976	322,652		

Table 2.2.C Loans and advances to the public and private sectors by sector at 31/12/2012

	% of the total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%
Total		**13,464,234**			**4.1%**	**536,036**	**298,924**	**55.8**
Companies and institutions								
Real estate	13	1,729,228	1,716,492	1,493,884	55,517	179,827	97,531	54.2
Healthcare	2	272,978	311,726	263,935	374	8,669	6,082	70.2
Financial holdings	3	438,083	621,895	415,216	1,950	20,917	10,667	51.0
Services	4	570,396	711,701	548,588	3,786	18,022	9,521	52.8
Retail	2	319,545	369,693	303,826	1,521	14,198	9,067	63.9
Capital assets	2	318,120	402,301	312,986	1,708	3,426	2,408	70.3
Food, beverages & tobacco	1	146,033	191,687	136,860	7,647	1,526	1,572	103.0
Other	9	1,208,152	1,471,448	1,106,181	34,212	67,759	40,942	60.4
Total companies and institutions	**36**	**5,002,535**	**5,796,943**	**4,581,476**	**106,715**	**314,344**	**177,790**	**56.6**
Private individuals								
Mortgages	50	6,944,782	7,058,074	6,767,990	82,469	94,323	56,835	60.3
Securities-backed loans	2	213,784	585,398	212,554	–	1,230	545	44.3
Real estate	5	716,698	715,559	651,576	37,277	27,845	18,180	65.3
Other	7	896,813	931,013	748,739	49,780	98,294	45,574	46.4
Total private individuals	**64**	**8,772,077**	**9,290,044**	**8,380,859**	**169,526**	**221,692**	**121,134**	**54.6**
Impairments of loans		310,378			11,454	298,924		

In 2013, the category 'Other' for companies and institutions (the Netherlands) comprises: Construction & infrastructure 1.27% (2012: 1.26%), Building materials 1.35% (2012: 1.17%), Transport & logistics 0.78% (2012: 0.88%), Consumer products non-food 0.72% (2012: 0.73%), Tourism 0.56% (2012: 0.62%), Agriculture & fisheries 0.23% (2012: 0.49%), Automotive 0.36% (2012: 0.43%), Technology 0.29% (2012: 0.24%), Basic materials 0.27% (2012: 0.17%), Media 0.17% (2012: 0.14%), Chemicals 0.01% (2012: 0.05%), Oil & Gas 0.02% (2012: 0.02%) and Public utilities 0.01% (2012: 0.01%). These percentages are of the total loans and advances to the private and public sectors in the Netherlands.

2.3 Increased credit risk

Increased credit risk occurs if a client fails to meet its payment obligations within 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 estimate is made of the continuity perspective. As soon as there are indications that may suggest a deteriorated continuity perspective, the Recovery Section takes over supervision of the client. If the continuity perspective is doubtful or insufficient, the Recovery Section draws up an impairment proposal. This evaluation is performed by the Recovery Section and Corporate Banking. These departments prepare a proposal for the required impairment, based on the liability outstanding, collateral available and expected cash flows. The Impairment Committee reviews these proposals and ultimately determines the impairment in line with policy four times a year.

Loans involving an increased credit risk are classified into the category past due or the category impaired. All loans of which the interest and/or redemptions are not paid in time are past due. If a receivable is qualified as impaired, the loans to the client are also designated as impaired.

The primary goal of the Recovery Section is to make a client ready for transfer to accounts with regular status (not under Recovery Section supervision). The bank aims to do so subject to the matters agreed upon with the client, but restructuring is applied where necessary. There is further information on loan restructuring in Section 2.3.3.

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. A client's contrary balances are set off insofar as this has legally been formalised. The Monitoring Desk monitors the past due accounts and supports the network of branches in reducing these accounts (refer to table 2.3.1).

Thanks to active management of past due accounts, potential problem loans are identified at an early stage. If the individual assessment identifies an increased risk, the Recovery Section will monitor the client concerned. Table 2.3.1 concerns the loan portfolio.

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

Table 2.3.1 Aging analysis of past due accounts (excluding impaired loans)	31/12/2013		31/12/2012	
	Balance outstanding	Overdrawn amount	Balance outstanding	Overdrawn amount
Total	**227,377**	**42,758**	**276,241**	**45,083**
30-60 days	42,095	1,002	59,599	10,262
61-90 days	52,943	1,969	23,101	1,490
>90 days	132,339	39,787	193,541	33,331

2.3.2 Impaired loans

If a client potentially or actually defaults on its obligations to the bank, a provision is formed. The loan is then designated as impaired.
Van Lanschot again felt the negative impact of the economic recession in the year under review. This resulted in a relatively high number of impaired loans.

If a loan is designated as impaired, the Recovery Section officer will determine 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 2013 was 117 basis points of the average RWA during 2013 (2012: 105 basis points). This addition is partly offset by an increase in the interest premium charged to clients.

Van Lanschot writes off loans immediately if there is sufficient certainty about the loss (expectations are that no returns will be generated, all collateral provided has been sold off and/or the final distribution from the liquidator is still outstanding). The total amount of impaired loans being past due is € 440 million (2012: € 330 million).

When determining whether impairments exist, all clients in default are assessed individually and included under specific provisions. In addition, a provision is formed for Incurred But Not Reported credit losses. This is done applying the following methods:

Individual items

For individual items where an objective indication of impairment exists, an estimate is made of the future cash flows which are discounted based on the DCF method using the original discount rate. Assumptions used are the estimate of the (liquidation) value of the collateral, estimate of payments to be received, estimate of the timing of these payments and the discount rate.

Incurred But Not Reported (IBNR)

Loans for which there is no objective indication of impairment are included in IBNR. IBNR concerns value decreases which have occurred at reporting date but of which the bank is not yet aware due to an information time lag. This impairment is calculated based on the Expected Loss (EL). This is calculated at client level (non-retail) and product level (retail) with the available Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). In addition, the confirmation period is estimated. This is the number of quarters during which an information time lag exists (minimum 0, maximum 4). The ultimate calculation of the impairment is the product of EL and the confirmation period. This method is consistent with the Basel II models and uses historical information.

Table 2.3.2.A Movements in impairments in 2013

	Specific	Collective	IBNR	**Total**
Balance at 1 January	298,924	–	11,454	**310,378**
Loans written off	– 84,269	–	–	**– 84,269**
Additions to or release of provision	103,863	–	– 1,478	**102,385**
Interest charged	4,134	–	–	**4,134**
Balance at 31 December	**322,652**	–	**9,976**	332,628
As a percentage of RWA				3.69

Table 2.3.2.B Movements in impairments in 2012

	Specific	Collective	IBNR	**Total**
Balance at 1 January	204,935	–	13,355	**218,290**
Loans written off	– 21,277	–	–	**– 21,277**
Additions to or release of provision	115,266	–	– 1,901	**113,365**
Balance at 31 December	**298,924**	**–**	**11,454**	**310,378**
As a percentage of RWA				2.95

Table 2.3.2.C Impairments charged to profit or loss

	2013	2012
Impairments charged to profit or loss	102,385	113,365
As a percentage of average RWA	1.05	1.05

Table 2.3.2.D Provisions by entity

	31/12/2013		31/12/2012	
	Impaired	Provision	Impaired	Provision
Total	**600,150**	**322,652**	**536,036**	**298,924**
Van Lanschot Bankiers	598,294	320,796	534,507	297,585
Kempen	1,759	1,759	1,499	1,309
Van Lanschot other	97	97	30	30

2.3.3 Restructured loans

A loan is regarded as restructured if it is revised by the Recovery Section outside the normal credit standards for a loan because the client is unable to meet its contractual obligations as a result of economic circumstances. Tables 2.3.3.A to 2.3.3.E show the total volume of customer groups with one or more restructured loans (including loans which are not restructured). There are various types of restructuring at Van Lanschot (see table 2.3.3.B). After such restructuring, the loans stay with the Recovery Section until it has been demonstrated that the restructuring was successful. As soon as the loans are transferred to accounts with regular status, Van Lanschot regards the loans as regular instead of restructured.

Table 2.3.3.A Restructured loans by sector at 31/12/2013

	% of the total	Total	Limit	Neither past due nor impaired	Past due	Impaired	Provision	%
Total		**415,907**				**339,693**	**171,464**	**50.5**
Companies and institutions								
Real estate	23	135,359	120,614	27,725	6,584	101,050	47,591	47.1
Healthcare	2	9,180	2,354	785	–	8,395	5,786	68.9
Financial holdings	1	4,127	3,875	1,429	–	2,698	920	34.1
Services	9	55,205	46,590	20,821	83	34,301	18,547	54.1
Retail	10	56,022	63,237	50,366	822	4,834	2,696	55.8
Capital assets	2	11,231	10,603	5,306	–	5,925	281	4.7
Food, beverages & tobacco	1	5,926	5,973	4,602	–	1,324	1,715	129.5
Other	17	103,482	85,022	40,070	7,569	55,843	31,257	56.0
Total companies and institutions	**65**	**380,532**	**338,268**	**151,104**	**15,058**	**214,370**	**108,793**	**50.8**
Private individuals								
Mortgages	8	47,421	50,851	20,839	3,794	22,788	18,419	87.7
Securities-backed loans	–	–	–	–	–	–	–	–
Real estate	18	106,440	103,487	39,926	1,812	64,702	28,420	43.9
Other	9	52,978	30,100	6,643	8,502	37,833	15,832	42.0
Total private individuals	**35**	**206,839**	**184,438**	**67,408**	**14,108**	**125,323**	**62,671**	**50.0**
Impairments of loans		**171,464**				**171,464**		

Table 2.3.3.B Types of restructured loans

	31/12/2013
Total	**415,907**
Repayments/reviews temporarily reduced/suspended	222,049
Temporary increase in credit limit for funding financing expenses/cash flow shortfalls	110,648
Temporary reduction in interest rate or funding is made interest-free	67,650
Conditional and/or partial forgiveness of the loan	15,560

Table 2.3.3.C Movements in restructured loans	2013
Balance at 1 January	283,198
New restructured loans	213,819
Additions and repayments	– 27,228
Impairments	– 53,882
Balance at 31 December	**415,907**

Table 2.3.3.D provides information on underlying collateral of restructured loans. The table has been drawn up using the Basel II collateral, except for Commercial real estate.

Table 2.3.3.D Restructured loans by collateral 2013

	Balance outstanding	Mortgage collateral	Commercial real estate*	Financial collateral	Total primary collateral	Secondary collateral and unsecured loans
Total	**415,907**	**36,450**	**192,881**	**447**	**229,778**	**193,577**
Mortgage loans	29,002	36,450	–	–	36,450	–
Current accounts	155,854	–	–	–	442	155,412
Loans	225,042	–	192,881	442	192,881	32,161
Securities-backed loans and settlement claims	9	–	–	–	5	4
Subordinated loans	6,000	–	–	5	–	6,000

* Based on investment value

The geographical breakdown in table 2.3.3.E is based on client locations.

Table 2.3.3.E Restructured loans by geographical area	31/12/2013
Total	**415,907**
The Netherlands	409,374
Belgium	4,009
Other	2,524

2.4 Credit risk models

Under Basel II, the calculation of credit risk can be based on internal models. The risk sensitivity of the risk models varies. The more and the better (statistical) information about clients and products, the more advanced the approaches for the models. Possible approaches (with increasing degrees of risk sensitivity) are: Standardized Approach (SA), Foundation Internal Ratings Based (F-IRB) and Advanced Internal Ratings Based (A-IRB).

Table 2.4 lists the parameters for internal models on the basis of which the risk on loans is determined.

In mid-2012, Van Lanschot was granted approval to report all loan portfolios under the Internal Ratings Based method. As a result, Van Lanschot has a complete risk-sensitive insight into the loan portfolio. The loan portfolio of Van Lanschot can be split up into two portfolios, i.e. a retail portfolio and a non-retail portfolio.

Retail portfolio

Van Lanschot uses an A-IRB method to calculate the Risk Weighted Assets (RWA) for it retail portfolio. This concerns several sub portfolios:

- the mortgage portfolio;
- overdrafts up to € 40,000;
- the standard securities-backed loans;
- consumer credits up to € 250,000;
- SME customers to € 1 million (from March 2013).

For these portfolios, internal models are used to determine the PD, LGD and EAD for each individual product. These parameters are defined based on 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 determination of the EAD is based on the relevant limit and utilisation.

In addition, segmentation models are used to monitor risk trends and calculate stress scenarios (both sensitivity and scenario stress tests). In this process, the impact on the profitability and capital ratios is also determined.

In 2014, the A-IRB approach applied to the consumer credit sub-portfolio up to € 250,000 will be extended to consumer credit up to € 2 million. A model has been constructed for this which has been validated externally and approved by the Dutch Central Bank.

Non-retail portfolio

Van Lanschot uses an F-IRB method to calculate the Risk Weighted Assets (RWA) for it non retail portfolio. This concerns the following models:

- the commercial property model, which comprises the commercial property portfolio;
- the holding model, comprising 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 based on rules and regulations.

Other loans and advances

The RWA of the remaining portfolio not being retail or non-retail (government, financial institutions, non-profit organisations, short-term overdrafts and amounts owed to subsidiaries) is calculated based on the SA method.

2.4.1 Safeguarding the quality of internal models

The framework used for the development of the models is the Model Governance Framework. This is part of the overall Credit Governance Manual. This framework defines the process of model development and approval. The method for validation of the models has been laid down in the Framework Model Validation.

Model development took place based on data from a special purpose data warehouse. The development process of all models has been tested and approved by Group Audit. In addition, an external validator assessed and approved this process.

Van Lanschot uses segmentation models to assess the risk profile of the retail portfolio. On a monthly basis, the effectiveness of the models is tested. This is done through monthly back testing of the models and a periodic external validation.

Table 2.4 Key parameters in the calculation of the risk weighting

PD = Probability of Default (%)	The likelihood that a loan will fall into 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 if the collateral for a loan is seized and executed or a business is liquidated as part of a foreclosure process.
M = Maturity (years)	Expected term to maturity.
S = Sales (€)	The revenue of a company (used in corporate non-retail models).

The external validations demonstrate that the models not only perform well, but also stay stable throughout time, and that the PD estimates are correct. This led to formal approval of the models by the Dutch Central Bank in 2010.

Van Lanschot uses rating models to assess the non-retail portfolio. These models combine statistics and model input based on expert knowledge. The outcome of these models is reported on each month and the models are periodically validated by an external party. This led to formal approval of two models by the Dutch Central Bank in 2011 and the others in 2012.

2.4.2 Future developments of internal models

Van Lanschot has gradually migrated to an IRB approach. As mentioned earlier, Van Lanschot was granted approval by the Dutch Central Bank for application of the A-IRB approach to all consumer credit up to € 2 million.

2.5 Quality of loan portfolio

In section 2.4, the loan portfolio was divided into retail and non-retail loans. For retail and non-retail loans, different approaches are used for the determination of the risk of the portfolio.

Retail portfolio

The quality of the retail portfolio (refer to the description in section 2.4) is determined based on statistical segmentation models. In these models, retail loans are classified in the correct risk class, based on specific characteristics and statistical models.

Non-retail portfolio

To assess non-retail loans, internally developed rating models are used in the Netherlands. A client's rating is a decisive factor in the assessment and pricing of customised financing. In addition, the rating is used to increase the insight into the loan portfolio and to monitor its quality.

Van Lanschot has prepared a rating scale for the rating models. At the top of the rating scale 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 the segments concerned. The exposure of the loan portfolio by rating at year-end is shown in table 2.5.A.

The distribution of the ratings was in line with the economic trends. In the past few years, the economic crisis had a substantial impact on the PD of customised loans. Nearly the entire customised portfolio was given a rating.

Tables 2.5.B and 2.5.C provide insight into the underlying securities of this loan portfolio. The table has been drawn up using the Basel II collateral, except for Commercial real estate.

Unsecured loans are only granted with the utmost conservatism. The category Secondary collateral and unsecured loans mainly comprises loans for which collateral has been provided, such as operating assets, inventories and receivables, and collateral not directly linked to a specific loan due to system technical reasons. The share of unsecured loans is minor. In general, collateral can be used for all current and future amounts owed by a debtor.

The average Loan-To-Value (LTV) of mortgages, based on 100% foreclosure value, is 95% (2012: 91%).

Table 2.5.A Breakdown of internal ratings of customised loans as a percentage of liability outstanding

	Description	31/12/2013	31/12/2012
Total		**100**	**100**
T	Top class	–	–
A1 - A3	Strong	–	1
B1 - B3	Good	17	20
C1 - C3	Adequate	45	45
D1 - D3	Weak	27	26
E	Very weak	3	3
F1 - F3	Default	8	5

The size of the customised portfolio is € 4.8 billion (2012: € 5.9 billion).

Table 2.5.B Loans and advances to the public and private sectors by collateral 2013

	Balance outstanding	Mortgage collateral	Commercial real estate*	Financial collateral	Guarantees	Total primary collateral	Secondary collateral and unsecured loans
Total	**12,490,723**	**5,551,349**	**1,999,268**	**712,388**	**15,156**	**8,278,161**	**4,212,562**
Mortgage loans	6,593,548	5,551,349	–	–	–	5,551,349	1,042,199
Current accounts	1,653,410	–	–	498,248	–	498,248	1,155,162
Loans	3,867,146	–	1,999,268	–	15,156	2,014,424	1,852,722
Securities-backed loans and settlement claims	329,642	–	–	214,140	–	214,140	115,502
Subordinated loans	46,977	–	–	–	–	–	46,977

* Based on investment value

Table 2.5.C Loans and advances to the public and private sectors by collateral 2012

	Balance outstanding	Mortgage collateral	Commercial real estate*	Financial collateral	Guarantees	Total primary collateral	Secondary collateral and unsecured loans
Total	**13,464,234**	**6,135,778**	**2,417,743**	**799,646**	**24,675**	**9,377,482**	**4,086,392**
Mortgage loans	7,070,279	6,135,778	–	–	–	6,135,778	934,392
Current accounts	1,732,325	–	–	542,436	–	542,436	1,189,889
Loans	4,270,850	–	2,417,743	–	24,675	2,442,418	1,828,432
Securities-backed loans and settlement claims	357,457	–	–	257,210	–	257,210	100,247
Subordinated loans	33,323	–	–	–	–	–	33,323

* Based on investment value

2.6 Concentration in the loan portfolio

The largest concentration of loans concerns the mortgage portfolio. The credit risk in this portfolio is limited. The largest credit risk and the actual historic losses can be found in the corporate portfolio. Van Lanschot aims for a diversified corporate loan portfolio. Van Lanschot has a strong position in medium-sized family and other businesses and commercial real estate. In view of the bank's nature and size, concentration effects can be identified.

Van Lanschot actively worked on a reduction of the concentration on individual counterparties and in 2013 this led to a reduction of 14% in the total volume of the 20 highest limits compared with their volume in 2012. Within the scope of its risk appetite, Van Lanschot also sets limits for concentrations in individual sectors.

Commercial real estate

Van Lanschot has a relatively large concentration in commercial real estate. The bank has always observed conservative lending standards in this respect. Policy on commercial property financing was sharpened during 2013 to such an extent that in effect no new loans are being granted (see table 2.6.A).

The commercial real estate portfolio of Van Lanschot comprises € 1.5 billion in property loans to corporate clients (2012: € 1.7 billion) and € 0.6 billion in real estate loans to private clients (2012: € 0.7 billion).

At year-end 2013, the bank had € 216 million in impaired property loans (2012: € 208 million). For these loans, a provision of approximately € 93 million (43%) was formed (2012: € 116 million, 56%).

The average Loan-To-Value (LTV) of the real estate loans portfolio is 87% (2012: 71%).

Concentration in individual loans

The 20 largest loans to individual counterparties, not being financial institutions, total € 755 million, compared with a total loan portfolio of € 12.8 billion (2012: € 764 million, compared with a total loan portfolio of € 13.8 billion).

Concentration in geographical areas

In accordance with the strategy of Van Lanschot, the majority of the loans is granted in the Netherlands and Belgium. The geographical breakdown is based on client locations. A part of the Belgian market is served from the Dutch network of branches.

2.7 Investments

Investments at Van Lanschot have a predominantly low risk profile, high creditworthiness and are mainly held for liquidity purposes. Investments must therefore be highly tradable on the market and eligible as collateral.

Decisions concerning investments and allocation to the portfolio are made by the Asset & Liability Committee. All new positions in the capital market instruments portfolio should be approved in advance by the Acceptance & Management department (country limits) and the Treasury department (individual limits). New positions in shares and shareholdings must be approved in advance by the Board of Managing Directors.

New investments in debt instruments of banks should be of a senior (non-subordinated) level, with a minimum rating requirement of AA (external credit rating).

Van Lanschot classified 62% of its investments as available-for-sale and 38% as Financial assets designated as at fair value through profit or loss.

Table 2.6.A Commercial real estate: breakdown of ratings as a percentage of liability outstanding

	Description	31/12/2013	31/12/2012
Total		**100**	**100**
A1-A3	Strong	1	1
B1-B3	Good	18	25
C1-C3	Adequate	47	47
D1-D3	Weak	20	17
E	Very weak	3	2
F1-F3	Default	11	8

Table 2.6.B Loans and advances to the public and private sectors by geographical area

	31/12/2013	31/12/2012
Total	**12,490,723**	**13,464,234**
The Netherlands	11,847,321	12,574,704
Belgium	283,035	428,218
Other	360,367	461,312

The investments in government-guaranteed debt instruments mainly concern Dutch, European Union and Italian government bonds.

At 31 December 2013, Van Lanschot's exposure to Italian government bonds was € 217.9 million (2012: nil). The nominal value of the bond position was € 200 million. Van Lanschot has no investments in the other GIIPS countries.

Only a limited part of the investments of Van Lanschot concerns shares with no Fitch rating and this has been classified as Other. The category Other comprises among others shares for € 79.8 million (2012: € 61.0 million) and shareholdings for € 40.1 million (2012: € 66.9 million). The equity investments mainly concern positions in own equity funds.

Table 2.7.A Investments by type	31/12/2013		31/12/2012	
Total	**1,923,669**	**100%**	**1,544,490**	**100%**
Government paper and government-guaranteed paper	1,040,065	54%	688,446	44%
Covered bonds	442,137	23%	426,661	28%
Asset-backed securities	316,465	16%	261,787	17%
Other equity instruments	125,002	7%	167,596	11%

Table 2.7.B Investments by external rating (most recent Fitch Ratings as known to Van Lanschot)	31/12/2013		31/12/2012	
Total	**1,923,669**	**100%**	**1,544,490**	**100%**
AAA	1,474,995	76%	1,268,701	82%
AA	76,575	4%	109,259	7%
A	30,207	2%	8,588	1%
Other	341,892	18%	157,942	10%

2.8 Additional information under Basel II: credit risk

Credit risk is broken down into four different types of exposure: on balance sheet items, off balance sheet items, repo transactions and derivative transactions. Tables 2.8.A and 2.8.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.

If receivables have been guaranteed by other parties (such as governments), the gross exposure is included in the relevant exposure class, while the net exposure is included under the exposure class of the party that furnished the guarantee (such as Receivables from central governments and central banks). This is the reason why the net exposure is higher than the gross exposure. For more information about the Basel II exposure classes, reference is made to the glossary.

Table 2.8.A Breakdown of credit risk by type of exposure at 31/12/2013

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**20,820,430**	**19,252,056**	**42%**	**7,991,100**	**639,289**
On balance sheet items	18,702,862	18,262,095	40%	7,394,311	591,545
Off balance sheet items	1,586,144	772,550	62%	480,507	38,441
Repo transactions	266,569	–	0%	–	–
Derivative transactions	264,855	217,411	53%	116,282	9,303

Table 2.8.B Breakdown of credit risk by type of exposure at 31/12/2012

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**21,857,781**	**19,830,280**	**48%**	**9,482,527**	**758,601**
On balance sheet items	19,007,615	18,608,746	47%	8,688,371	695,069
Off balance sheet items	1,876,931	940,623	68%	640,429	51,234
Repo transactions	677,332	646	20%	129	10
Derivative transactions	295,903	280,265	55%	153,598	12,288

Table 2.8.C Capital adequacy requirement by exposure class at 31/12/2013

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**20,820,430**	**19,252,056**	**42%**	**7,991,100**	**639,289**
SA exposure classes					
Central governments or central banks	2,704,657	2,719,816	0%	–	–
International organisations	258,264	258,264	0%	–	–
Financial companies and financial institutions	1,009,467	480,492	23%	110,906	8,872
Corporates	915,777	547,248	99%	544,231	43,542
Private individuals and medium-sized businesses	158,968	140,906	75%	105,680	8,454
Secured by real estate	188,792	188,792	35%	66,077	5,286
Past due items	40,813	14,773	133%	19,714	1,577
Items belonging to regulatory high-risk categories	44,056	44,031	150%	66,046	5,284
Covered bonds	440,775	440,775	18%	80,556	6,444
Other risk-weighted assets	706,580	706,451	87%	616,229	49,298
Securitisation positions	65,768	65,768	20%	13,154	1,052
Total SA	**6,533,917**	**5,607,316**	**29%**	**1,622,593**	**129,809**
F-IRB exposure classes					
Corporates	6,153,212	5,973,806	84%	5,028,168	402,253
Equities	64,568	64,568	305%	197,100	15,768
Securitisation positions	267,010	267,010	8%	21,459	1,717
Total F-IRB	**6,484,790**	**6,305,384**	**83%**	**5,246,727**	**419,738**
A-IRB exposure classes					
Retail	7,801,723	7,339,356	15%	1,121,780	89,742
Total A-IRB	**7,801,723**	**7,339,356**	**15%**	**1,121,780**	**89,742**

Table 2.8.D Capital adequacy requirement by exposure class at 31/12/2012

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**21,857,781**	**19,830,280**	**48%**	**9,482,527**	**758,601**
SA exposure classes					
Central governments or central banks	2,022,517	2,022,155	0%	–	–
International organisations	182,832	182,832	0%	–	–
Regional and local governments	1,678	1,678	0%	–	–
Administrative bodies and non-commercial undertakings	17	–	0%	–	–
Multilateral development banks	555	4,189	50%	2,094	168
Financial companies and financial institutions	1,526,037	598,651	28%	169,562	13,565
Corporates	925,726	563,434	100%	563,435	45,075
Private individuals and medium-sized businesses	134,493	133,639	75%	100,229	8,018
Secured by real estate	285,602	285,602	35%	99,961	7,997
Past due items	28,861	9,353	142%	13,314	1,065
Items belonging to regulatory high-risk categories	54,524	46,985	146%	68,789	5,503
Covered bonds	422,185	422,185	18%	75,398	6,032
Other risk-weighted assets	657,331	656,699	86%	567,943	45,435
Securitisation positions	69,433	69,433	20%	13,887	1,111
Total SA	**6,311,791**	**4,996,835**	**34%**	**1,674,612**	**133,969**
F-IRB exposure classes					
Corporates	7,676,909	7,414,710	90%	6,686,943	534,955
Equities	67,419	67,419	254%	171,268	13,701
Securitisation positions	188,922	188,922	8%	14,979	1,198
Total F-IRB	**7,933,250**	**7,671,051**	**90%**	**6,873,190**	**549,854**
A-IRB exposure classes					
Retail	7,612,740	7,162,394	13%	934,725	74,778
Total A-IRB	**7,612,740**	**7,162,394**	**13%**	**934,725**	**74,778**

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 (refer to tables 2.8.E and 2.8.F).

A receivable from a financial institution is classified based on the rating in one of the 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 2.8.E Credit quality step by relevant exposure class (%)

	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Receivables from central governments or central banks	0	20	50	100	100	150
Receivables from regional and local governments	20	50	100	100	100	150
Receivables from 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 2.8.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 2.8.G SA exposures

	31/12/2013		31/12/2012	
Risk weighting	Gross exposure	Net exposure	Gross exposure	Net exposure
Total	**6,533,917**	**5,607,316**	**6,311,791**	**4,996,835**
0%	3,076,583	3,091,742	2,295,779	2,295,419
10%	75,994	75,994	90,388	90,388
20%	1,331,107	827,679	1,779,821	870,931
35%	188,792	188,792	285,602	285,602
50%	88,465	62,917	134,910	112,532
75%	158,968	140,906	134,493	133,639
100%	1,559,857	1,165,373	1,535,893	1,155,103
150%	54,151	53,913	54,905	53,221

Breakdown of IRB Corporates exposures by probability of default classes
The corporate receivables are divided over ten default classes in the IRB models (refer to tables 2.8.H and 2.8.I).

Table 2.8.H Probability of default classes IRB corporates 2013

	Average LGD weighting of exposure	Average PD weighting of exposure	Net exposure	Risk weighting	Capital adequacy requirements
Total			**5,973,806**	**5,028,168**	**402,253**
1	44.44%	0.09%	23,620	6,212	497
2	12.95%	0.17%	336,909	42,411	3,393
3	38.87%	0.33%	261,903	142,277	11,382
4	37.06%	0.55%	613,576	406,941	32,555
5	39.67%	0.84%	700,538	622,443	49,795
6	39.61%	1.58%	1,584,628	1,600,982	128,079
7	31.29%	2.97%	728,155	641,090	51,287
8	37.42%	5.43%	669,578	845,172	67,614
9	34.47%	11.87%	246,861	369,893	29,591
10	37.70%	79.50%	808,038	350,747	28,060

Table 2.8.I Probability of default classes IRB corporates 2012

	Average LGD weighting of exposure	Average PD weighting of exposure	Net exposure	Risk weighting	Capital adequacy requirements
Total			**7,414,710**	**6,686,943**	**534,955**
1	43.09%	0.09%	33,099	9,487	759
2	38.46%	0.17%	164,512	69,059	5,525
3	35.24%	0.33%	488,673	250,276	20,022
4	34.63%	0.55%	945,739	615,401	49,232
5	41.64%	0.84%	788,854	780,074	62,406
6	36.67%	1.56%	2,303,807	2,245,713	179,657
7	27.77%	2.97%	888,329	716,419	57,314
8	38.98%	5.43%	824,438	1,098,189	87,855
9	39.12%	11.87%	353,562	611,140	48,891
10	41.18%	84.82%	623,697	291,185	23,295

Table 2.8.J IRB equities simple risk weighting method 2013

Risk weighting	Gross exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total	**64,568**	**64,568**	**197,100**	**15,768**
190%	12,546	12,546	23,836	1,907
290%	24,022	24,022	69,664	5,573
370%	28,000	28,000	103,600	8,288

Table 2.8.K IRB equities simple risk weighting method 2012

Risk weighting	Gross exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total	**67,419**	**67,419**	**171,269**	**13,701**
190%	41,846	41,846	79,506	6,360
290%	3,573	3,573	10,363	829
370%	22,000	22,000	81,400	6,512

Table 2.8.L IRB Securitisations 2013

Risk weighting		Gross exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total	**Category**	**267,010**	**267,010**	**21,459**	**1,717**
7 - 10%	A (most senior)	248,829	248,829	18,463	1,477
12 - 18%	A2 (mezzanine)	10,123	10,123	1,288	103
20 - 35%	B (mezzanine)	8,058	8,058	1,708	137

Table 2.8.M IRB Securitisations 2012

Risk weighting		Gross exposure	Net exposure	Risk weighting	Capital adequacy requirement
Total	**Category**	**188,922**	**188,922**	**14,979**	**1,198**
7 - 10%	A (most senior)	181,944	181,944	13,500	1,080
20 - 35%	B (mezzanine)	6,978	6,978	1,479	118

Breakdown of IRB Retail exposures by probability of default classes

In the IRB models, the retail receivables are divided into default classes (refer to tables 2.8.N and 2.8.O).

Table 2.8.N Probability of default classes IRB retail 2013

	Average LGD weighting of exposure	Average PD weighting of exposure	Net exposure	Risk weighting	Capital adequacy requirements
Total			**7,339,356**	**1,121,780**	**89,742**
1	33.50%	0.04%	50,849	2,410	193
2	12.16%	0.07%	1,653,176	36,649	2,932
3	13.20%	0.13%	2,243,329	92,743	7,419
4	1.20%	0.22%	27,745	151	12
5	36.60%	0.29%	292,683	58,767	4,701
6	27.50%	0.33%	119,751	19,640	1,571
7	14.07%	0.63%	1,379,007	186,048	14,884
8	34.97%	2.75%	345,083	177,111	14,169
9	33.50%	3.48%	26,170	13,223	1,058
10	13.34%	6.10%	992,009	510,430	40,834
11	20.11%	100.00%	209,554	24,608	1,969

Table 2.8.O Probability of default classes IRB retail 2012

	Average LGD weighting of exposure	Average PD weighting of exposure	Net exposure	Risk weighting	Capital adequacy requirements
Total			**7,162,394**	**934,725**	**74,778**
1	33.50%	0.04%	46,571	2,207	177
2	11.73%	0.07%	1,680,896	36,023	2,882
3	12.51%	0.13%	2,437,703	95,431	7,634
4	1.20%	0.22%	38,446	210	17
5	27.50%	0.33%	123,009	20,174	1,614
6	13.38%	0.63%	1,432,008	183,635	14,691
7	27.50%	2.75%	74,168	29,752	2,380
8	33.50%	3.48%	31,874	16,105	1,288
9	12.47%	6.10%	1,123,579	540,569	43,246
10	17.35%	100.00%	174,140	10,619	850

Maximum credit risk

Tables 2.8.P and 2.8.Q provide 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 II.

In these tables, exposures are classified by balance sheet and off balance sheet items and repo transactions, in order to provide insight into the maximum credit risk. The differences between the balances as recognised on the face of the statement of financial position and the balances disclosed in the column gross exposure have several causes.

The greatest differences concern the application of the netting of balances, classification of the loan loss provision, the treatment of actuarial gains and losses under IAS 19R and the deviating consolidated base on account of regulatory purposes. In addition, goodwill, intangible assets by virtue of acquisitions and certain investments in financial institutions lead to a deduction for qualifying capital and thus do not belong to the gross exposure according to the definition of Basel II.
In addition, financial receivables from trading activities are included under the market risk.

Table 2.8.P Maximum credit risk at 31/12/2013

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**20,820,430**	**19,252,056**	**42%**	**7,991,100**	**639,289**
Assets					
Cash and cash equivalents and balances at central banks	1,999,963	1,976,505	1%	14,272	1,141
Due from banks	429,222	268,001	17%	44,879	3,591
Financial assets designated as at fair value through profit or loss	725,938	725,938	21%	149,279	11,942
Available-for-sale investments	1,197,623	1,197,623	13%	156,813	12,545
Loans and advances to the public and private sectors	13,825,470	13,568,589	48%	6,548,961	523,917
Derivatives (receivables)	264,855	217,411	53%	116,282	9,303
Investments in associates using the equity method	49,931	49,931	104%	52,075	4,166
Property, plant and equipment	74,019	74,019	100%	74,019	5,921
Goodwill and other intangible assets	23,939	23,939	100%	23,939	1,915
Current tax assets	13,616	13,616	0%	–	–
Deferred tax assets	34,898	34,898	0%	–	–
Other assets	328,243	329,036	100%	330,074	26,407
Total assets	**18,967,717**	**18,479,506**	**41%**	**7,510,593**	**600,848**
Off balance sheet items	1,586,144	772,550	62%	480,507	38,441
Repo transactions	266,569	–	0%	–	–
	1,852,713	**772,550**	**62%**	**480,507**	**38,441**

Table 2.8.Q Maximum credit risk at 31/12/2012

	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Total	**21,857,781**	**19,830,280**	**48%**	**9,482,527**	**758,601**
Assets					
Cash and cash equivalents and balances at central banks	1,647,231	1,646,036	2%	33,661	2,693
Due from banks	430,843	221,141	24%	53,039	4,243
Financial assets designated as at fair value through profit or loss	631,411	631,411	24%	152,474	12,198
Available-for-sale investments	913,076	913,078	18%	165,758	13,261
Loans and advances to the public and private sectors	14,907,565	14,720,224	53%	7,852,344	628,187
Derivatives (receivables)	295,903	280,265	55%	153,598	12,288
Investments in associates using the equity method	46,111	46,111	100%	46,111	3,689
Property, plant and equipment	95,941	95,941	100%	95,941	7,676
Goodwill and other intangible assets	17,493	17,493	100%	17,493	1,399
Current tax assets	2,540	2,540	0%	–	–
Deferred tax assets	42,966	42,966	0%	–	–
Other assets	272,438	271,805	100%	271,550	21,724
Total assets	**19,303,518**	**18,889,011**	**47%**	**8,841,969**	**707,357**
Off balance sheet items	1,876,931	940,623	68%	640,429	51,234
Repo transactions	677,332	646	20%	129	10
	2,554,263	**941,269**	**68%**	**640,558**	**51,244**

2.9 Additional information under Basel II: counterparty credit risk

Counterparty credit risk is the risk that the counterparty to a transaction will default before the final settlement of the cash flows relating to the transaction has taken place. Van Lanschot applies the method that is based on valuation at replacement cost.

The value of the potential credit exposure is determined based on the total of the theoretical principals or based on the underlying values of derivatives 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 shorter to 15% for commodities contracts with a term to maturity of more than five years.

Table 2.9.A Counterparty credit risk relating to derivative contracts	31/12/2013	31/12/2012
Gross replacement cost of derivative contracts (only items with a replacement cost greater than nil)	182,773	181,577
Settlement of derivative contracts	– 47,444	– 15,000
Add-ons for derivative contracts by virtue of potential future credit risk	82,082	113,688
Net credit equivalent of derivative contracts	**217,411**	**280,265**

Table 2.9.B Net credit exposure by type of derivative contract	31/12/2013	31/12/2012
Total	**217,411**	**280,265**
Interest rate contracts	117,462	149,474
Foreign exchange contracts	46,828	63,397
Equity derivative contracts	53,103	67,394
Commodities contracts	18	–

Methods for calculating risk-weighted assets of securitisation positions

The types of securitisation positions at Van Lanschot are shown in table 2.9.C.

The calculation of risk-weighted assets with respect to the debt securities is based on the underlying loans. In the case of investor positions in securitisations, the external assessment by a rating agency determines the risk weighting. There are no securitisation positions that require a risk weighting of 1,250%.

Table 2.9.C Types of securitisation	31/12/2013		31/12/2012	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Total	**34,613**	**2,769**	**28,866**	**2,309**
Other investor positions	34,613	2,769	28,866	2,309

Guarantees, financial collateral and other forms of collateral by exposure class (credit risk)

The collateral provided for each exposure class in accordance with Basel II is shown in table 2.9.D.

Guarantees

This relates to government-guaranteed bonds, guarantees within the framework of the National Mortgage Guarantee Scheme, guaranteed credits and other credit-replacing guarantees.

Table 2.9.D Collateral by exposure class	31/12/2013			31/12/2012		
	Guarantees	Financial collateral	Other collateral	Guarantees	Financial collateral	Other collateral
Total	**15,156**	**2,038,503**	**271,998**	**24,675**	**2,679,913**	**326,995**
SA exposure classes						
Receivables from administrative bodies and non-commercial undertakings	–	–	–	–	17	–
Receivables from financial companies and financial institutions	–	498,692	–	–	902,582	–
Receivables from corporates	–	225,471	–	3,634	162,647	–
Receivables from private individuals and medium-sized businesses	14,519	–	–	15,652	–	–
Past due items	–	204	–	–	413	–
Other risk-weighted assets	–	128	–	–	633	–
Total SA	**14,519**	**724,495**	**–**	**19,286**	**1,066,292**	**–**
IRB exposure classes						
Retail receivables	–	194,828	621	–	311,028	536
Corporates	637	1,119,180	271,377	5,389	1,302,593	326,459
Total IRB	**637**	**1,314,008**	**271,998**	**5,389**	**1,613,621**	**326,995**

Financial collateral

Table 2.9.E provides a breakdown of financial collateral that has been provided insofar as relevant for Basel II.

Collateral in the form of cash includes current account balances available for setoff. 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. The collateral in the form of securities concerns the categories Due from banks and Loans and advances to the public and private sectors.

Table 2.9.E Financial collateral	31/12/2013			31/12/2012		
	SA	IRB	Total	SA	IRB	Total
Total	**724,495**	**1,314,008**	**2,038,503**	**1,066,292**	**1,613,621**	**2,679,913**
Cash	595,814	1,213,842	1,809,656	951,550	1,457,661	2,409,211
Securities	128,681	100,166	228,847	114,742	155,960	270,702

Settlement risk

Capital is required to be held 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 2013 € 8,700 financial transactions had to be reported under the settlement risk. There was no settlement risk at year-end 2012.

2.10 Netting of financial assets and liabilities

Table 2.10.A shows netting of financial assets and table 2.10.B netting of financial liabilities.

Table 2.10.A Netting of financial assets at 31/12/2013

	Gross financial assets	Gross financial liabilities netted in the statement of financial position	Net financial assets presented in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Total	**2,979,248**	**1,040,859**	**1,938,389**	**–**	**1,938,389**
Derivatives (receivables)	267,287	59,153	208,134	–	208,134
Current accounts	2,711,961	981,706	1,730,255	–	1,730,255

Table 2.10.B Netting of financial liabilities at 31/12/2013

	Gross financial liabilities	Gross financial assets netted in the statement of financial position	Net financial liabilities presented in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Total	**5,272,191**	**1,252,376**	**4,019,815**	**–**	**4,019,815**
Derivatives (liabilities)	570,332	270,670	299,662	–	299,662
Current accounts*	4,701,859	981,706	3,720,153	–	3,720,153

* Current accounts are part of Other funds entrusted.

3 Operational risk

Operational risks are possible 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, the main classification of the operational incidents is based on the classification by incident type according to Basel II (refer to table 3.A).

Van Lanschot has set up a broad framework for evaluating, monitoring and managing operational risks and risks surrounding information security and business continuity. It comprises the following processes:

- risk identification and classification through risk self-assessments and security assessments;
- risk measurement through a central incidents database and communication about critical risk signals (early warnings) mapping out major potential financial losses;
- risk mitigation, acceptance and monitoring through action tracking (follow-up of outstanding actions and audit findings);
- risk monitoring through setting up and maintaining a control framework and relevant test cycle to determine the effectiveness of key controls;
- risk control through taking out insurance policies, scheduling periodical risk meetings with designated risk owners. In addition, this is done by mapping out the status of the bank's risk appetite, through crisis management and business continuity management.

In order to protect the bank against major financial losses, Van Lanschot has taken out insurance policies offering coverage against claims and losses by virtue of its services. In summary, this concerns combined fraud and professional liability insurance, managing and supervisory directors' liability insurance and various other liability insurance and accident insurance policies.

The responsibility to manage operational risks is assigned as much as possible to the operating and commercial departments themselves, i.e. line management (first line of defence). Various programmes and instruments support line management of the bank in their role as process owners of operational risks within their own division.
Key instruments in this context are the aforementioned risk self-assessments, security assessments, action tracking, control framework and a central incidents database. Risk self-assessment is a tool for line managers to systematically identify and assess risks so that steps can be taken to limit any unacceptable risks that may arise.

Action tracking is used to monitor the risks identified and the progress of actions taken as a result of findings of internal and external regulators, incidents, complaints and other relevant events.

In addition, Van Lanschot has a bank-wide Risk Control Framework in place, allowing it to periodically test the effectiveness of the key control measures, and it gathers knowledge about incidents.

Within the Business Continuity Management process, Business Impact Analyses are performed, in order to gain insight into the critical processes, the critical resources required for the continuity of the bank's services, and any possible threats. Embedding Business Continuity Management is a prerequisite for Van Lanschot in order to create sufficient resilience against the negative effects of calamity. Business Continuity therefore has a bank-wide approach, comprising standards and procedures, aimed at safeguarding said critical processes, or at allowing for a restart within a certain timeframe in case of a calamity. The objective here is to keep any financial, reputational and/or tangible damage to a minimum.

The incidents database allows the systematic recording and analysis of losses resulting from operational risks. This database thus contains information about losses suffered as a result of operational risks in prior years. For Van Lanschot (including Kempen), the loss database forms the foundation of the Operational Risk Management measurement system. In 2013, 340 incidents with a loss in excess of € 1,000 were recorded in the database (2012: 280 incidents), see table 3.A.

Under Pillar I of Basel II, a solvency requirement for operational risk is calculated for the total income from operating activities. Van Lanschot applies the Standardised Approach. This Standardised Approach allocates fixed betas to each business segment. The beta coefficient ranges from 12% to 18%. The risk weighting for operational risk is based on the average income of the Basel II segments in the past three years.

Table 3.A Number of incidents (Basel II category)	2013	2012
Total	**340**	**280**
Internal fraud	–	–
External fraud (in particular bank card skimming)	53	61
Employment practices and workplace safety	–	–
Product liability and duty of care	40	35
Damage to physical assets	1	–
Business disruption and system failures	10	4
Execution, delivery and process and management (in particular execution of transactions)	236	180

Table 3.B Basel II segments operational risk		31/12/2013		31/12/2012	
	%	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Total		**543,854**	**72,856**	**572,097**	**75,782**
Corporate Finance	18	31,832	5,730	31,167	5,610
Trading and Sales	18	43,650	7,857	30,995	5,579
Retail Brokerage	12	106,638	12,797	111,793	13,415
Commercial Banking	15	38,745	5,812	45,872	6,881
Retail Banking	12	216,561	25,986	252,600	30,312
Payment and Settlement	18	18,771	3,379	20,927	3,767
Agency Services	15	25,859	3,879	25,649	3,847
Asset Management	12	61,798	7,416	53,094	6,371

4 Market risk

Market risk is the risk of loss as a result of changes in market variables, including objective variables such as interest rates, exchange rates and share prices. Furthermore, there are variables that are not directly observable, such as volatility and correlations.

The market risk run by Van Lanschot can be divided into two categories, i.e. on the one hand, the market risk run by virtue of the required market maintenance and services to clients, which is concentrated at Van Lanschot itself, and, on the other hand, the market risk by virtue of the trading activities in the field of institutional securities, which is concentrated at Kempen.

Three of the methods used at Van Lanschot to calculate and limit market risks are parametric Value at Risk (VaR), Basepoint value (BPV) and stress testing.

4.1 Market risk: Kempen

All trading activities of the bank in the field of institutional securities have been concentrated at Kempen. In order to allow effective risk management, an adequate corporate governance structure has been installed. The risks are managed by using VaR Limits and gross and net limits. The stress tests, which are performed daily, 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 based on one year of historical data.

The continued validity of the assumptions underlying the VaR computation is regularly tested through back-testing. The VaR on the trading activities is reported to management on a daily basis.

4.2 Market risk: Treasury

In addition to the bank's trading activities in the field of institutional securities, Van Lanschot also runs market risk by virtue of its treasury activities. In the market risk reporting process, interest-related products are analysed. These products are managed based on the basepoint value. The foreign exchange positions are managed based on nominal limits.

The exchange rate risk run by Van Lanschot by virtue of the treasury activities, as well as the interest rate risk of the bank, are reported on based on the gross nominal position (for exchange rate risk) and basis points (for interest rate risks).

Stress tests are performed weekly for the various market risks. When calculating the stress losses, the maximum price movements occurring in the past are considered. Furthermore, stress losses are also calculated by virtue of both parallel and non-parallel shifts of the yield curve.

Table 4.1 VaR trading activities Kempen

	Derivatives-related		Interest-rate related		Share-related	
	2013	2012	2013	2012	2013	2012
VaR at 31 December	39	66	–	–	43	90
Highest VaR	164	141	–	118	274	425
Lowest VaR	17	16	–	–	37	32
Average VaR	61	64	–	4	96	192

Table 4.2.A Interest rate risk trading activities Treasury (total gross BPV)

	2013	2012
BPV at 31 December	43	50
Highest BPV	43	55
Lowest BPV	1	3
Average BPV	8	11

Table 4.2.B Exchange rate risk trading activities Treasury (total gross nominal foreign exchange position)

	2013	2012
Position at 31 December	5,501	1,676
Highest position	7,610	15,060
Lowest position	510	570
Average position	3,180	2,370

4.3 Market risk: currency-related instruments

Van Lanschot's financial position and cash flows are affected by exchange rate fluctuations to a limited extent. Most of the positions in the statement of financial position and transactions are denominated in euros. Van Lanschot ensures that the exchange rate risk is managed effectively within the limits set. The foreign exchange positions are set out in table 4.3.

The foreign exchange position represents all cash, forward and option positions of the entities belonging to the consolidated base (converted into € thousand).

The capital adequacy requirement for exchange rate risk was nil at year-end 2013 and 2012.

The capital adequacy requirement for exchange rate risk is 8% of the net open positions by currency. This does not apply to the currencies of the countries of the second phase of the EMU (Denmark, Latvia and Lithuania), for which the capital adequacy requirement is 1.6% of the net open position.

Table 4.3 Foreign exchange positions	31/12/2013	31/12/2012
Total	**– 14,806**	**– 4,201**
US dollar	– 28,033	– 1,679
Norwegian krone	5,208	– 249
Pound sterling	3,030	229
Indonesian rupiah	2,611	7
Swiss franc	– 1,775	224
Swedish krone	1,026	29
Australian dollar	954	– 93
Canadian dollar	584	28
Turkish lire	517	– 55
Japanese yen	35	– 2,895
Dutch Antillean guilder	12	780
Other	1,025	– 527

4.4 Market risk: interest rate and share-related instruments

For the calculation of the capital adequacy requirement to cover the general risk on debt instruments in the trading portfolio, Van Lanschot applies the maturity-based approach. The share-related instruments concern the share instruments included under Financial assets held for trading (refer to table 4.4).

Weighting and requirements

For all types of market risk, Van Lanschot applies the Standardised Approach.

The market risk on interest rate derivatives is included under market risk on interest rate-related instruments; the market risk on equity derivatives is included under market risk on share-related instruments.

Table 4.4 Market risk	31/12/2013		31/12/2012	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Total	**101,000**	**8,079**	**105,000**	**8,400**
Market risk on interest rate-related instruments	125	10	1,375	110
Market risk on share-related instruments	100,875	8,069	103,625	8,290

5 Strategic risk

Strategic risk concerns the risk of lower income due to a change in the bank's environment and its activities. It is defined by Van Lanschot as follows: The existing or future threat to the bank's result or equity resulting from not or inadequately anticipating changes in the environment and/or from taking incorrect strategic decisions. Strategic risk arises due to changes in prices, margins and/or volumes. It comprises external influences such as market circumstances, reputation and regulations and their anticipation by Van Lanschot management.

Van Lanschot makes strategic decisions that are appropriate to its size. Van Lanschot presented its strategic reorientation in May 2013. It is built on three principles: focus, simplification and growth. Growth requires greater focus and simplification of the product range, IT infrastructure and the organisation. This will help Van Lanschot maintain its solid capital and liquidity positions.

The capital adequacy requirement for strategic risk is calculated based on the volatility of income, taking account of the cost structure. The strategic risk can be limited by reducing the fluctuations in income and applying a flexible cost profile. A large part of the risk is determined externally. Controlling the strategic risk is therefore done through regular business practices and effective management.

6 Interest rate risk

The interest rate risk reflects the existing or future threat to the bank's result or assets of interest rate movements.

Van Lanschot has various methods for managing interest rate risk including gap analysis, duration analysis and scenario analysis. In this way, Van Lanschot actively manages its statement of financial position to limit the potential negative effect of interest rate risk. This could, for instance, involve adjustments to the fixed-income investments portfolio or attracting funds providing the desired spread of interest rate maturities. Derivatives such as interest rate swaps and interest options are also used to manage interest rate risks. The bank's management of the statement of financial position depends on its expectations for interest rate movements and the yield curve. This affects the sensitivity of capital and profits to changes in the financial markets.

Van Lanschot applies a specialised asset and liability system for the management of the interest rate risk and for the preparation of internal and external reports.

The duration analysis, gap analysis, scenario analysis and VaR are reported to the Asset & Liability Committee on a monthly basis.

Duration, which is a measure of the sensitivity of equity to interest rate fluctuations, is an indicator of interest rate risk. A positive duration means that the value of equity decreases as soon as interest rates rise. The duration of equity is determined based on the present value. The fair value of a line item is determined by the sum of the discounted value of its future cash flows. The discounted value of equity is determined by reducing the discounted value of the assets by the discounted value of the liabilities (refer to table 6.A).

The maximum duration of equity considered to be acceptable by Van Lanschot is eight years. In 2013, the Asset & Liability Committee continued the 2012 policy of working actively towards a duration of about four to seven years. Although the first tentative signs of a recovery could be seen, the expectation in 2013 was for continuing low interest rates. The duration of four years at 31 December 2013 indicates that the value of equity would decline by about 4% if interest rates rose by 1% (parallel shift).

Each month, the Asset & Liability Committee is informed about the sensitivity of equity given a sudden parallel shift in the yield curve. This concerns scenarios with an upward or downward parallel shift in the yield curve by 100 basis points. In the case of a sudden upward parallel shift in the yield curve by 100 basis points, equity would decline by about € 65 million (2012: € 91 million). A parallel fall in the yield curve would lead to an increase of € 68 million in equity. This also includes the interest rate risk of items disclosed under Profit on financial transactions, which risk has largely been hedged through interest rate derivatives.

An interest rate risk calculation was performed for the Pillar II capital requirement based on changes in value in the present value of equity. This calculation uses the Key-rate duration (by interest rate bucket) that permits use of an unstressed non-parallel yield shift.

Table 6.A Sensitivity analysis of equity	31/12/2013	31/12/2012
Duration (in years)	4.0	4.5
Present value of equity (€ 1 million)	1,682	2,066

In addition to the calculation of the present value of equity, Van Lanschot also applies scenario analyses to the interest margin. This is based on the basic scenario for the expected interest margin for 2013. In the case of an upward parallel shift in the yield curve by 100 basis points, the interest margin would decline by € 11.1 million compared to this basic scenario (2012: € 12.5 million). Another key scenario is that Van Lanschot has to gradually raise interest rates on savings and deposits by 1% for competitive reasons. In this scenario, interest expense would increase by € 23 million (ceteris paribus).

Parallel movements in interest rates could be expected to increase volatility in the Profit on financial transactions, mainly because of increased ineffectiveness.

Within the scope of interest rate risk management, models are used to determine the interest rate risk of savings and payment products, mortgages and money loans, taking account of the contractual and client-behavioural aspects. Derivative contracts are recognised at face value, since changes in interest rates relate to the face value instead of the market value being the valuation policy for these contracts. Tables 6.B and 6.C show Van Lanschot's sensitivity to interest rate movements based on the contractual interest rate maturity of the respective line items.

Table 6.B Interest rate maturity schedule at 31/12/2013

	Variable	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	No interest rate maturity	Total
Assets							
Cash and cash equivalents and balances at central banks	1,999,963	–	–	–	–	–	**1,999,963**
Financial assets held for trading	–	–	–	–	–	47,083	**47,083**
Due from banks	44,562	363,937	–	293	–	20,423	**429,215**
Financial assets designated as at fair value through profit or loss	–	–	55,000	237,000	356,500	77,438	**725,938**
Available-for-sale investments	–	345,521	–	272,500	468,161	111,549	**1,197,731**
Loans and advances to the public and private sectors	2,035,052	3,493,970	844,332	3,528,034	2,413,157	176,178	**12,490,723**
Derivatives (receivables)	–	2,631,455	1,843,608	428,469	494,007	119,234	**5,516,773**
Investments in associates using the equity method	–	–	–	–	–	50,385	**50,385**
Other assets	–	86,222	77,968	59,797	–	297,206	**521,193**
Total assets	**4,079,577**	**6,921,105**	**2,820,908**	**4,526,093**	**3,731,825**	**899,496**	**22,979,004**
Liabilities							
Financial liabilities held for trading	–	–	–	–	–	798	**798**
Due to banks	58,191	1,105,976	172	10,343	–	740	**1,175,422**
Public and private sector liabilities	7,236,576	1,035,908	1,342,887	284,176	259,742	2,108	**10,161,397**
Financial liabilities designated as at fair value through profit or loss	–	80,457	239,396	16,678	–	21,102	**357,633**
Derivatives (liabilities)	–	2,512,262	1,872,633	503,812	177,509	120,641	**5,186,857**
Issued debt securities	–	2,226,471	558,640	1,077,716	–	– 13,708	**3,849,119**
Other liabilities	–	221,806	93,397	8,358	–	35,589	**359,150**
Subordinated loans	–	4,651	2,000	3,454	116,563	1,550	**128,218**
Total equity and liabilities	**7,294,767**	**7,187,531**	**4,109,125**	**1,904,537**	**553,814**	**168,820**	**21,218,594**
Gap	**– 3,215,190**	**– 266,426**	**– 1,288,217**	**2,621,556**	**3,178,011**	**730,676**	**1,760,410**

Savings and current accounts do not have fixed terms, and the balances are split into a fully elastic, semi-elastic and non-elastic part.

Van Lanschot determines the percentage of early repayment by product type based on historical data from the past year, and applies this percentage for a one-year period. The percentage is revised annually.

Table 6.C Interest rate maturity schedule at 31/12/2012

	Variable	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	No interest rate maturity	Total
Assets							
Cash and cash equivalents and balances at central banks	1,647,231	–	–	–	–	–	**1,647,231**
Financial assets held for trading	–	–	–	–	–	52,427	**52,427**
Due from banks	46,152	360,695	–	630	–	23,373	**430,850**
Financial assets designated as at fair value through profit or loss	–	25,000	–	162,000	370,728	73,683	**631,411**
Available-for-sale investments	–	500	32,179	159,655	638,368	82,377	**913,079**
Loans and advances to the public and private sectors	2,151,851	3,833,969	837,172	3,498,475	2,976,963	165,804	**13,464,234**
Derivatives (receivables)	–	2,811,360	1,968,766	309,788	173,561	320,212	**5,583,687**
Investments in associates using the equity method	–	–	–	–	–	46,443	**46,443**
Other assets	–	65,343	15,236	69,698	–	391,290	**541,567**
Total assets	**3,845,234**	**7,096,867**	**2,853,353**	**4,200,246**	**4,159,620**	**1,155,609**	**23,310,929**
Liabilities							
Financial liabilities held for trading	–	–	–	–	–	382	**382**
Due to banks	18,592	738,950	3,800	760,515	–	783	**1,522,640**
Public and private sector liabilities	7,460,651	1,338,355	1,927,513	391,942	245,256	5,097	**11,368,814**
Financial liabilities designated as at fair value through profit or loss	–	2,185	182,170	–	–	30,000	**214,355**
Derivatives (liabilities)	–	1,717,437	1,878,406	169,856	246,433	318,744	**4,330,876**
Issued debt securities	–	613,570	459,028	1,307,747	161,795	1,765	**2,543,905**
Other liabilities	–	253,469	92,356	26,223	–	106,463	**478,511**
Subordinated loans	–	2,019	2,090	9,992	116,676	1,705	**132,482**
Total equity and liabilities	**7,479,243**	**4,665,985**	**4,545,363**	**2,666,275**	**770,160**	**464,939**	**20,591,965**
Gap	**– 3,634,009**	**2,430,882**	**– 1,692,010**	**1,533,971**	**3,389,460**	**690,670**	**2,718,964**

7 Liquidity risk

The policy and monitoring of Van Lanschot's liquidity position is set out in the ILAAP (Internal Liquidity Adequacy Assessment Process). Van Lanschot's liquidity position is influenced on a daily basis by drawings and payments on deposits and current accounts and drawings and repayments of loans. Management has set limits with respect to the minimum cash position and the minimum stand-by facilities. In this way fluctuations are absorbed.

The internal standard for the minimum liquidity position is determined and adjusted monthly according to the amount of funds entrusted. The liquidity position is monitored on a daily basis by Financial Risk Management. Financial Risk Management also reports daily to the bank's management on movements in the liquidity position.

Van Lanschot pursues a liquidity policy under which it consistently maintains a strong liquidity position. The minimum liquidity position set for the bank is sufficient to absorb any unexpected fluctuations in the cash position. This minimum position also ensures that Van Lanschot maintains a liquidity surplus that meets the standards set by the Dutch Central Bank.

Van Lanschot has recorded its liquidity policy in the ILAAP which was drafted based on the ILAAP guidelines of the Dutch Central Bank. Institutions supervised by the Dutch Central Bank are required to demonstrate, based on their own liquidity planning and own stress scenarios, the adequacy of their liquidity buffer in the short term and its continuation in the long term.

The Dutch Central Bank assesses the ILAAP annually through a Supervisory Review & Evaluation Process (SREP). The Dutch Central Bank reviewed the ILAAP and gave a positive response in 2013. Exhaustive tests were performed, using liquidity stress testing, to assess the extent to which Van Lanschot would be able to cope if clients were to withdraw unexpectedly large amounts of funds. Van Lanschot developed the ILAAP further in 2013. An 18-month liquidity forecast model has been developed and is used to perform an idiosyncratic, market-specific and a combined reverse stress test. The reverse stress testing has shown that Van Lanschot is in a good position to withstand stress situations.

Liquidity management is an explicit part of the Risk Appetite and includes setting the limit structure for liquidity each year and quarterly reports. The reports cover the liquidity position, funding ratio and the Basel III liquidity ratios. The Basel III ratios are set monthly and reported to the Asset & Liability Committee and an integral part of liquidity risk management.

As a result of the implementation of the new Basel III rules, the banking sector needs to address reinforcing capital and liquidity positions. The money market interest rates are still very low. The official rates of the central banks also remained historically low in 2013. Demand for stable funding by Dutch banks is high as a result of which savings rates have been relatively high compared with the market rates of interest for some time.

Traditionally, savings available on demand have formed a relatively large proportion of Van Lanschot's funding. Further to its tightened strategy, Van Lanschot diversified its funding profile further in 2013 by instrument, source and maturity. Consequently, the relative significance of savings and deposits fell in 2013 and Van Lanschot was more active on the capital market. At 31 December 2013, the bank had a very large liquidity buffer of some € 4 billion.

Van Lanschot carried out several successful funding transactions during 2013. In April 2013, € 750 million of Residential Mortgage Backed Securities (RMBS) notes (Citadel 2010-II) were sold to a broad group of institutional investors with the first call date in 2015. In May 2013, Van Lanschot issued a senior bond of € 300 million with a 5-year term to maturity. Subsequently, in November 2013 Van Lanschot sold € 884 million of RMBS notes (Lunet RMBS 2013-I) to a broad group of institutional investors with the first call date in 2018. In addition to capital market transactions, part of the mortgage portfolio was securitised with the aim of creating additional assets available for lending for the liquidity buffer (retained RMBS, € 545 million).

Total assets of Van Lanschot declined in 2013. The fall in savings and deposits in the first half of 2013 was mainly a result of the discontinuation of the Jubileumdeposito (a premium rate deposit marking the bank's 275th anniversary) and the ending of the relatively high interest rate on it. Van Lanschot has made a specific decision not to lead the way with high savings rates. Furthermore, our clients used their savings to make repayments and investments. During the period, there was also generally negative sentiment, partly as a result of the bail out in Cyprus and the nationalisation of SNS Bank. The loan portfolios fell by some € 1 billion in 2013 as a result of strategic decisions and market conditions. At year-end 2013, the funding ratio, the figure by which the loan portfolio is funded from clients' savings, was 81.4%, see table 7.A.

In order to gain insight into a possible increase in liquidity risk, Van Lanschot uses the liquidity monitor. This monitor provides regular reports on the developments in ten indicators which may suggest increased risk for the bank's liquidity position. If one or more limits are exceeded, this may trigger the Assetstion of the liquidity contingency plan. The liquidity monitor is prepared on a weekly basis for the members of the Board of Managing Directors and the management involved.

Table 7.A Funding ratio (%)	31/12/2013	31/12/2012
Funding ratio	81.4	84.4

Securitisation in 2010

On 2 July 2010, Van Lanschot finalised the RMBS transaction Citadel 2010-I. This concerns securitisation of Dutch home mortgage loans. The transaction involved an amount of € 1.2 billion. The credit risk was not transferred. A substantial part of the A2 bonds were placed with a broad group of institutional investors. The sale of these bonds results in a further diversification of the funding. In this structure, Van Lanschot acts as pool servicer. Due to the set-up of the structure, Van Lanschot does not have access to all liquidities of the Citadel 2010-I entity. The liquidities to which Van Lanschot does not have access totalled € 21.2 million at year-end 2013 (2012: € 21.0 million). In addition, Van Lanschot may not sell the securitised loans to third parties. The structure does not incorporate any further restrictions on Van Lanschot.

The carrying amount of the securitised loans, exclusive of accrued interest, for the Citadel 2010-I transaction was € 929 million at year-end 2013 (year-end 2012: € 1,003 million).

The fair value of the securitised loans at year-end 2013 was € 1,003 million. Part of the Senior Class A2 notes of the Citadel 2010-I transaction were placed externally. The face value of these notes at year-end 2013 was € 487 million and their fair value was € 492 million. The holders of the Senior Class A2 notes have first entitlement to the cash flows arising from the securitised loans.

The market value of the securities provided as collateral at year-end 2013 was € 203 million (2012: € 212 million). These securities were provided as collateral to a financial institution as part of repo transactions.

On 30 July 2010, Van Lanschot finalised the RMBS transaction Citadel 2010-II. The transaction involved an amount of € 1.3 billion and concerns mortgages. The credit risk was not transferred. During the second quarter of 2013, a substantial portion of the A-notes was placed with a broad group of institutional investors. The sale of these bonds results in a further diversification of the funding. In this structure, Van Lanschot acts as pool servicer. Due to the set-up of the structure, Van Lanschot does not have access to all liquidities of the Citadel 2010-II entity. The liquidities to which Van Lanschot does not have access totalled € 20.5 million at year-end 2013 (2012: € 23.9 million). In addition, Van Lanschot may not sell the securitised loans to third parties. The structure does not incorporate any further restrictions on Van Lanschot.

The carrying amount of the securitised loans, exclusive of accrued interest, for the Citadel 2010-II transaction was € 960 million at year-end 2013 (year-end 2012: € 1,046 million)

The fair value of the securitised loans at year-end 2013 was € 1,037 million. Part of the Senior Class A notes of the Citadel 2010-II transaction were placed externally. The face value of these notes at year-end 2013 was € 710 million and their fair value was € 703 million. The holders of the Senior Class A notes have first entitlement to the cash flows arising from the securitised loans.

No securities have been provided as collateral at year-end 2013. The market value of the securities provided as collateral at year-end 2012 was € 637 million.

Table 7.B Citadel 2010-I BV

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal at 31/12/2013	First call option date	Contractual date of maturity	Spread
Total			**1,249,400**		**945,424**			
Senior Class A1	–	–	247,400	02/07/2010	–	26/08/2015	26/11/2042	1.30%
Senior Class A2	AAA	AAA	753,350	02/07/2010	709,174	26/08/2015	26/11/2042	1.40%
Mezzanine Class B	–	AAA	75,450	02/07/2010	75,450	26/08/2015	26/11/2042	0.00%
Mezzanine Class C	BBB	BBB+	129,900	02/07/2010	129,900	26/08/2015	26/11/2042	0.00%
Junior Class D	–	–	30,900	02/07/2010	30,900	26/08/2015	26/11/2042	0.00%
Subordinated Class E	–	–	12,400	02/07/2010	–	26/08/2015	26/11/2042	0.00%

Table 7.C Citadel 2010-II BV

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal at 31/12/2013	First call option date	Contractual date of maturity	Spread
Total			**1,255,450**		**978,298**			
Senior Class A	AAA	AAA	990,650	30/07/2010	725,948	26/08/2015	26/11/2042	1.20%
Mezzanine Class B	–	AA–	84,550	30/07/2010	84,550	26/08/2015	26/11/2042	0.00%
Mezzanine Class C	BBB	BBB+	136,700	30/07/2010	136,700	26/08/2015	26/11/2042	0.00%
Junior Class D	–	–	31,100	30/07/2010	31,100	26/08/2015	26/11/2042	0.00%
Subordinated Class E	–	–	12,450	30/07/2010	–	26/08/2015	26/11/2042	0.00%

Securitisation in 2011

On 9 February 2011, Van Lanschot finalised the Citadel 2011-I transaction. The transaction involved an amount of € 1.5 billion and concerns home mortgages. The credit risk was not transferred.

Van Lanschot decided to purchase the debt securities itself. These eligible assets can thus serve as collateral with the Dutch Central Bank. In this way, this transaction supports the bank's liquidity management. In this structure, Van Lanschot acts as pool servicer. Due to the set-up of the structure, Van Lanschot does not have access to all liquidities of the Citadel 2011-I entity. The liquidities to which Van Lanschot does not have access totalled € 38.5 million at year-end 2013 (2012: € 39.5 million). In addition, Van Lanschot may not sell the securitised loans to third parties. The structure does not incorporate any further restrictions on Van Lanschot.

The carrying amount of the securitised loans, exclusive of accrued interest, for the Citadel 2011-I transaction was € 1,179 million at year-end 2013 (year-end 2012: € 1,276 million).

The market value of the securities provided as collateral at year-end 2013 was € 802 million (2012: € 861 million). These securities have been pledged to the Dutch Central Bank.

Securitisation in 2013

On 1 August 2013, Van Lanschot finalised the Courtine RMBS 2013-I transaction. The transaction involved an amount of € 862.6 million and concerns Dutch home mortgages. The repayments of € 27.5 million received during the fourth quarter of 2013 were used to supplement the pool of home mortgages. The credit risk was not transferred.

Van Lanschot decided to purchase the debt securities itself. These eligible assets can thus serve as collateral with the Dutch Central Bank. In this way, this transaction supports the bank's liquidity management. In this structure, Van Lanschot acts as pool servicer. Due to the set-up of the structure, Van Lanschot does not have access to all liquidities of the Courtine RMBS 2013-I entity. The liquidities to which Van Lanschot does not have access totalled € 19.2 million at year-end 2013. In addition, Van Lanschot may not sell the securitised loans to third parties. The structure does not incorporate any further restrictions on Van Lanschot.

The carrying amount of the securitised loans, exclusive of accrued interest, for the Courtine RMBS-I transaction was € 848 million at year-end 2013.

The market value of the securities provided as collateral at year-end 2013 was € 489 million. These securities have been pledged to the Dutch Central Bank.

On 7 November 2013, Van Lanschot finalised the Lunet RMBS 2013-I transaction. The transaction involved an amount of € 1.1 billion and concerns Dutch home mortgages. The credit risk was not transferred. The A1 and A2 notes were placed with a broad group of institutional investors. The sale of these bonds results in a further diversification of the funding. In this structure, Van Lanschot acts as pool servicer. Due to the set-up of the structure, Van Lanschot does not have access to all liquidities of the Lunet RMBS 2013-I entity. The liquidities to which Van Lanschot does not have access totalled € 31.0 million at year-end 2013. In addition, Van Lanschot may not sell the securitised loans to third parties. The structure does not incorporate any further restrictions on Van Lanschot.

The carrying amount of the securitised loans, exclusive of accrued interest, for the Lunet RMBS 2013-I transaction was € 1,041 million at year-end 2013.

The fair value of the securitised loans at year-end 2013 was € 1,125 million. The Senior Class A1 and Senior Class A2 notes of the Lunet RMBS 2013-I-transaction have been placed externally. The face value of these notes at year-end 2013 was € 868 million and their fair value was € 871 million. The holders of the Senior Class A1 notes and Senior Class A2 notes have first entitlement to the cash flows arising from the securitised loans.

No securities have been provided as collateral at year-end 2013.

All the above securitisations are 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 issued securities lead to a payment obligation at the securitisation company instead of Van Lanschot.

Despite the fact that Van Lanschot, based on the voting right, does not have control over the Citadel, Courtine and Lunet companies, various other circumstances imply that Van Lanschot has control after all. These circumstances concern the non-transfer of the majority of the remaining risks concerning the assets of the Citadel, Courtine and Lunet companies, the possibility to obtain benefits from the operations of these companies and the exposure to the relevant risks. As a result, Van Lanschot holds a beneficial interest in the Citadel, Courtine and Lunet companies and has consolidated them in full.

Table 7.D Citadel 2011-I

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal at 31/12/2013	First call option date	Contractual date of maturity	Spread
Total			**1,515,000**		**1,209,242**			
Senior Class A1	AAA	AAA	324,000	10/02/2011	33,242	26/04/2016	26/04/2043	1.10%
Senior Class A2	AAA	AAA	801,000	10/02/2011	801,000	26/04/2016	26/04/2043	1.40%
Mezzanine Class B	AAA	AAA	120,000	10/02/2011	120,000	26/04/2016	26/04/2043	0.00%
Mezzanine Class C	–	–	135,000	10/02/2011	135,000	26/04/2016	26/04/2043	0.00%
Junior Class D	–	–	120,000	10/02/2011	120,000	26/04/2016	26/04/2043	0.00%
Subordinated Class E	–	–	15,000	10/02/2011	–	26/04/2016	26/04/2043	0.00%

Table 7.E Courtine RMBS 2013-I

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal at 31/12/2013	First call option date	Contractual date of maturity	Spread
Total			**862,600**		**855,214**			
Senior Class A1	AAA	AAA	175,000	01/08/2013	175,000	26/09/2018	26/09/2050	1.15%
Senior Class A2	AAA	AAA	370,000	01/08/2013	370,000	26/09/2018	26/09/2050	2.15%
Mezzanine Class B	AAA	AA–	81,500	01/08/2013	81,500	26/09/2018	26/09/2050	0.00%
Mezzanine Class C	–	–	112,000	01/08/2013	112,000	26/09/2018	26/09/2050	0.00%
Junior Class D	–	–	115,500	01/08/2013	115,500	26/09/2018	26/09/2050	0.00%
Subordinated Class E	–	–	8,600	01/08/2013	1,214	26/09/2018	26/09/2050	0.00%

Table 7.F Lunet RMBS 2013-I

	Fitch Ratings	Standard & Poor's	Original principal	Date of securitisation	Principal at 31/12/2013	First call option date	Contractual date of maturity	Spread
Total			**1,085,800**		**1,068,939**			
Senior Class A1	AAA	AAA	244,000	07/11/2013	228,052	27/12/2018	27/12/2045	0.50%
Senior Class A2	AAA	AAA	639,600	07/11/2013	639,600	27/12/2018	27/12/2045	1.08%
Mezzanine Class B	AAA	AA–	49,400	07/11/2013	49,400	27/12/2018	27/12/2045	0.00%
Mezzanine Class C	–	–	71,000	07/11/2013	71,000	27/12/2018	27/12/2045	0.00%
Junior Class D	–	–	71,000	07/11/2013	71,000	27/12/2018	27/12/2045	0.00%
Subordinated Class E	–	–	10,800	07/11/2013	9,887	27/12/2018	27/12/2045	0.00%

7.1 List of maturities

Tables 7.1.A and 7.1.B present the assets and liabilities based on their remaining contractual terms to maturity at the reporting date.

The aggregate amounts fully reconcile with the values disclosed in the consolidated statement of financial position. In some respects this may differ from other breakdowns, since the amounts in these tables are based on cash flows on a non-discounted basis, related to the principal amounts as well as all future interest payments. The items not leading to a cash flow, such as discounting, cost amortisation, value changes of derivatives, own risk margins, etc. have been presented in a separate column in order to make the reconciliation with the statement of financial position transparent.

Table 7.1.A List of maturities at 31/12/2013

	Withdrawable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	**Sub total**	No cash flow	**Total**
Assets								
Cash and cash equivalents and balances at central banks	1,999,963	–	–	–	–	**1,999,963**	–	**1,999,963**
Financial assets held for trading	–	47,083	–	–	–	**47,083**	–	**47,083**
Due from banks	44,562	130,948	–	233,282	20,423	**429,215**	–	**429,215**
Financial assets designated as at fair value through profit or loss	–	39,963	55,000	237,000	356,500	**688,463**	37,475	**725,938**
Available-for-sale investments	–	44,897	–	287,500	797,682	**1,130,079**	67,652	**1,197,731**
Loans and advances to the public and private sectors	2,011,735	210,284	255,137	956,991	8,882,331	**12,316,478**	174,245	**12,490,723**
Derivatives (receivables)	–	47,427	26,549	77,473	51,408	**202,857**	5,277	**208,134**
Investments in associates using the equity method	–	–	–	50,385	–	**50,385**	–	**50,385**
Other assets	–	86,222	77,968	59,797	–	**223,987**	297,206	**521,193**
Total assets	**4,056,260**	**606,824**	**414,654**	**1,902,428**	**10,108,344**	**17,088,510**	**581,855**	**17,670,365**
Total assets excluding derivatives	**4,056,260**	**559,397**	**388,105**	**1,824,955**	**10,056,936**	**16,885,653**	**576,578**	**17,462,231**
Liabilities								
Financial liabilities held for trading	–	798	–	–	–	**798**	–	**798**
Due to banks	58,191	52,838	106,569	957,084	–	**1,174,682**	740	**1,175,422**
Public and private sector liabilities	7,238,106	1,036,990	1,303,663	302,911	277,619	**10,159,289**	2,108	**10,161,397**
Financial liabilities designated as at fair value through profit or loss	–	–	2,950	177,824	155,757	**336,531**	21,102	**357,633**
Derivatives (liabilities)	–	72,198	25,844	147,932	49,296	**295,270**	4,392	**299,662**
Issued debt securities	–	47,318	548,556	1,152,854	2,114,099	**3,862,827**	– 13,708	**3,849,119**
Other liabilities	–	221,806	93,397	8,358	–	**323,561**	35,589	**359,150**
Subordinated loans	–	4,538	–	5,000	117,130	**126,668**	1,550	**128,218**
Total liabilities	**7,296,297**	**1,436,486**	**2,080,979**	**2,715,963**	**2,713,901**	**16,279,626**	**51,773**	**16,331,399**
Total liabilities excluding derivatives	**7,296,297**	**1,364,288**	**2,055,135**	**2,604,031**	**2,664,605**	**15,984,356**	**47,381**	**16,031,737**
On balance gap	**– 3,240,037**	**– 829,662**	**– 1,666,325**	**– 849,535**	**7,394,443**	**808,884**	**530,082**	**1,338,966**
Receivables by virtue of future interest flows	–	108,433	322,143	1,530,745	4,644,077	**6,605,398**	–	**6,605,398**
Liabilities by virtue of future interest flows	–	27,822	121,676	348,782	111,586	**609,866**	–	**609,866**
On balance gap inclusive of future interest flows	**– 3,240,037**	**– 749,051**	**– 1,465,858**	**332,428**	**11,926,934**	**6,804,416**	**530,082**	**7,334,498**

Table 7.1.B List of maturities at 31/12/2012

	Withdrawable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	**Sub total**	No cash flow	**Total**
Assets								
Cash and cash equivalents and balances at central banks	1,647,231	–	–	–	–	**1,647,231**	–	**1,647,231**
Financial assets held for trading	–	52,427	–	–	–	**52,427**	–	**52,427**
Due from banks	43,640	99,661	–	283,515	4,034	**430,850**	–	**430,850**
Financial assets designated as at fair value through profit or loss	–	–	–	177,000	397,321	**574,321**	57,090	**631,411**
Available-for-sale investments	–	42,157	32,157	153,300	639,025	**866,639**	46,440	**913,079**
Loans and advances to the public and private sectors	1,953,222	388,671	254,081	4,372,622	6,329,792	**13,298,388**	165,846	**13,464,234**
Derivatives (receivables)	–	35,820	9,781	61,772	96,402	**203,775**	9,848	**213,623**
Investments in associates using the equity method	–	–	–	46,443	–	**46,443**	–	**46,443**
Other assets	–	65,343	15,236	69,698	–	**150,277**	391,290	**541,567**
Total assets	**3,644,093**	**684,079**	**311,255**	**5,164,350**	**7,466,574**	**17,270,351**	**670,514**	**17,940,865**
Total assets excluding derivatives	**3,644,093**	**648,259**	**301,474**	**5,102,578**	**7,370,172**	**17,066,576**	**660,666**	**17,727,242**
Liabilities								
Financial liabilities held for trading	–	382	–	–	–	**382**	–	**382**
Due to banks	20,245	539,258	163,628	798,726	–	**1,521,857**	783	**1,522,640**
Public and private sector liabilities	7,360,104	1,786,029	1,608,325	364,631	243,734	**11,362,823**	5,991	**11,368,814**
Financial liabilities designated as at fair value through profit or loss	–	–	–	–	214,355	**214,355**	–	**214,355**
Derivatives (liabilities)	–	29,904	36,501	108,055	181,658	**356,118**	8,450	**364,568**
Issued debt securities	37	55,193	459,028	1,307,747	720,135	**2,542,140**	1,765	**2,543,905**
Liabilities held for sale	–	–	–	–	–	**–**	–	**–**
Other liabilities	–	253,469	92,356	26,223	–	**372,048**	106,463	**478,511**
Subordinated loans	–	1,905	91	11,537	117,243	**130,776**	1,706	**132,482**
Total liabilities	**7,380,386**	**2,666,140**	**2,359,929**	**2,616,919**	**1,477,125**	**16,500,499**	**125,158**	**16,625,657**
Total liabilities excluding derivatives	**7,380,386**	**2,636,236**	**2,323,428**	**2,508,864**	**1,295,467**	**16,144,381**	**116,708**	**16,261,089**
On balance gap	**– 3,736,293**	**– 1,982,061**	**– 2,048,674**	**2,547,431**	**5,989,449**	**769,852**	**545,356**	**1,315,208**
Receivables by virtue of future interest flows	–	116,257	348,584	1,667,330	5,374,555	**7,506,726**	–	**7,506,726**
Liabilities by virtue of future interest flows	–	29,434	104,940	317,120	123,663	**575,157**	–	**575,157**
On balance gap inclusive of future interest flows	**– 3,736,293**	**– 1,895,238**	**– 1,805,030**	**3,897,641**	**11,240,341**	**7,701,421**	**545,356**	**8,246,777**

The future interest flows are based on the economic term of the line items and the interest rates prevailing at the moment of reporting. Major differences can be identified in the gaps, since the assets comprise many long-term home mortgage loans, while the liabilities comprise many short-term deposits and current account positions.

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 the bank, 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 by virtue of an irrevocable commitment, the committed amount is classified in the relevant term bucket under which the bank first has the right to withdraw the commitment.

Table 7.1.C List of maturities contingent items at 31/12/2013

	Withdrawable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	**Total**
Guarantees	3,201	10,972	15,685	38,444	82,843	**151,145**
Irrevocable documentary letters of credit	–	10,645	3,600	–	–	**14,245**
Other contingent liabilities	–	6,644	4,578	1,300	–	**12,522**
Unused credit facilities	–	6,994	58	36,567	62,182	**105,801**
Sale and repurchase agreements	–	–	127,394	202,881	–	**330,275**
Other irrevocable commitments	–	5,153	488	2,092	3,533	**11,266**
Total contingent items	**3,201**	**40,408**	**151,803**	**281,284**	**148,558**	**625,254**

Table 7.1.D List of maturities contingent items at 31/12/2012

	Withdrawable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	**Total**
Guarantees	6,404	9,232	24,049	42,612	96,673	**178,970**
Irrevocable documentary letters of credit	965	11,433	8,720	–	–	**21,118**
Other contingent liabilities	–	7,946	4,281	5,559	–	**17,786**
Unused credit facilities	32,542	15,935	136	46,739	62,157	**157,509**
Sale and repurchase agreements	–	637,279	211,855	–	–	**849,134**
Other irrevocable commitments	–	14,182	–	7,813	4,639	**26,634**
Total contingent items	**39,911**	**696,007**	**249,041**	**102,723**	**163,469**	**1,251,151**

7.2 List of maturities

Tables 7.2.A and 7.2.B present a breakdown of the assets and liabilities at reporting date based on their expected term to maturity up to and including 12 months and longer than 12 months at the reporting date.

Table 7.2.A List of maturities at 31/12/2013

	≤ 12 months	> 12 months	Sub total	No cash flow	Total
Assets					
Cash and cash equivalents and balances at central banks	1,999,963	–	**1,999,963**	–	**1,999,963**
Financial assets held for trading	47,083	–	**47,083**	–	**47,083**
Due from banks	175,510	253,705	**429,215**	–	**429,215**
Financial assets designated as at fair value through profit or loss	94,963	593,500	**688,463**	37,475	**725,938**
Available-for-sale investments	44,897	1,085,182	**1,130,079**	67,652	**1,197,731**
Loans and advances to the public and private sectors	2,477,156	9,839,322	**12,316,478**	174,245	**12,490,723**
Derivatives (receivables)	73,976	128,881	**202,857**	5,277	**208,134**
Investments in associates using the equity method	–	50,385	**50,385**	–	**50,385**
Other assets	164,190	59,797	**223,987**	297,206	**521,193**
Total assets	**5,077,738**	**12,010,772**	**17,088,510**	**581,855**	**17,670,365**
Liabilities					
Financial liabilities held for trading	798	–	**798**	–	**798**
Due to banks	217,598	957,084	**1,174,682**	740	**1,175,422**
Public and private sector liabilities	9,578,759	580,530	**10,159,289**	2,108	**10,161,397**
Financial liabilities designated as at fair value through profit or loss	2,950	333,581	**336,531**	21,102	**357,633**
Derivatives (liabilities)	98,042	197,228	**295,270**	4,392	**299,662**
Issued debt securities	595,874	3,266,953	**3,862,827**	– 13,708	**3,849,119**
Other liabilities	315,203	8,358	**323,561**	35,589	**359,150**
Subordinated loans	4,538	122,130	**126,668**	1,550	**128,218**
Total liabilities	**10,813,762**	**5,465,864**	**16,279,626**	**51,773**	**16,331,399**

Table 7.2.B List of maturities at 31/12/2012

	≤ 12 months	> 12 months	**Sub total**	No cash flow	**Total**
Assets					
Cash and cash equivalents and balances at central banks	1,647,231	–	**1,647,231**	–	**1,647,231**
Financial assets held for trading	52,427	–	**52,427**	–	**52,427**
Due from banks	143,301	287,549	**430,850**	–	**430,850**
Financial assets designated as at fair value through profit or loss	–	574,321	**574,321**	57,090	**631,411**
Available-for-sale investments	74,314	792,325	**866,639**	46,440	**913,079**
Loans and advances to the public and private sectors	2,595,975	10,702,413	**13,298,388**	165,846	**13,464,234**
Derivatives (receivables)	54,628	149,147	**203,775**	9,848	**213,623**
Investments in associates using the equity method	–	46,443	**46,443**	–	**46,443**
Other assets	107,206	43,071	**150,277**	391,290	**541,567**
Total assets	**4,675,082**	**12,595,269**	**17,270,351**	**670,514**	**17,940,865**
Liabilities					
Financial liabilities held for trading	382	–	**382**	–	**382**
Due to banks	723,131	798,726	**1,521,857**	783	**1,522,640**
Public and private sector liabilities	10,754,458	608,365	**11,362,823**	5,991	**11,368,814**
Financial liabilities designated as at fair value through profit or loss	–	214,355	**214,355**	–	**214,355**
Derivatives (liabilities)	57,378	298,740	**356,118**	8,450	**364,568**
Issued debt securities	514,258	2,027,882	**2,542,140**	1,765	**2,543,905**
Other liabilities	345,825	26,223	**372,048**	106,463	**478,511**
Subordinated loans	1,996	128,780	**130,776**	1,706	**132,482**
Total liabilities	**12,397,428**	**4,103,071**	**16,500,499**	**125,158**	**16,625,657**

8 Compliance risk

As service providers to the general public, Van Lanschot and its subsidiaries can only operate properly if every party they deal with has full confidence in them. Van Lanschot cannot properly perform the service provision duties unless every stakeholder can place trust in it. Van Lanschot and its employees form the basis for that trust, and statutory regulations provide the framework. Within this scope, Van Lanschot always acts based on the Treating Customers Fairly principle. The Compliance & Supervision department, which reports directly to the Chairman of the Board of Managing Directors, is responsible for ensuring that the bank's Board, general management and employees comply with regulations and legislation.

9 Fair value

A portion of the financial instruments is measured at fair value in the statement of financial position. Tables 9.A and 9.B provide a breakdown of these instruments into three levels. The fair value is either based on quoted prices in active markets, inputs other than quoted prices that are observable in the market, or input not based on observable market data.

Van Lanschot determines at the end of each reporting period whether there has been a transfer of financial assets and liabilities recognised in the statement of financial position between the levels in the hierarchy by reviewing the classification.

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 which are market observable

The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivative financial instruments) is established using cash flow and option valuation models. On the basis of estimates made, 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 account of securities 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.

The assumption is made that the face value (less estimated adjustments) and fair value of trade receivables and liabilities are similar. The fair value of financial obligations not recognised in the statement of financial position is estimated by discounting the future contractual cash flows at the current interest rates for similar financial instruments.

Estimates and judgments made are based on historical experience as well as other factors, including expectations with respect to future events that could reasonably occur based on current circumstances. Estimates and judgments are assessed on an ongoing basis.

Level 3: Input not based on observable market data

The financial instruments in this category have been 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, for more than an insignificant part, information not observable in the market.

Table 9.A Financial instruments at fair value at 31/12/2013

	Level 1	Level 2	Level 3	**Total**
Assets				
Financial assets held for trading				
Shares listed	7,162	3,031	–	**10,193**
Shares unlisted	9,112	27,551	227	**36,890**
	16,274	**30,582**	**227**	**47,083**
Financial assets designated as at fair value through profit or loss				
Debt instruments government paper and government-guaranteed paper	319,756	–	–	**319,756**
Debt instruments covered bonds	366,218	–	–	**366,218**
Shares unlisted	881	19,739	19,344	**39,964**
	686,855	**19,739**	**19,344**	**725,938**
Available-for-sale investments				
Debt instruments government paper and government-guaranteed paper	720,309	–	–	**720,309**
Debt instruments banks and financial institutions listed	1,003	–	–	**1,003**
Debt instruments covered bonds	75,919	–	–	**75,919**
Debt instruments Asset-Backed Securities	180,940	–	135,525	**316,465**
Debt instruments companies cumprefs (Shareholdings)	–	–	40,137	**40,137**
Shares listed	1,587	4,446	–	**6,033**
Shares unlisted	–	–	10,558	**10,558**
Shareholdings	–	–	27,307	**27,307**
	979,758	**4,446**	**213,527**	**1,197,731**
Derivatives (receivables)				
Equity derivatives	–	473	–	**473**
Option position clients	14,603	–	–	**14,603**
Derivatives fair value hedge accounting	–	26,979	–	**26,979**
Derivatives portfolio fair value hedge accounting	–	573	–	**573**
Derivatives cash flow hedge accounting	–	258	–	**258**
Economic hedges	–	106,633	–	**106,633**
Derivatives structured products	–	58,615	–	**58,615**
	14,603	**193,531**	**–**	**208,134**
Total assets	**1,697,490**	**248,298**	**233,098**	**2,178,886**

Table 9.A Financial instruments at fair value at 31/12/2013 (continued)

	Level 1	Level 2	Level 3	**Total**
Liabilities				
Financial liabilities held for trading				
Shares listed	798	–	–	**798**
	798	**–**	**–**	**798**
Financial liabilities designated as at fair value through profit or loss				
Unstructured debt instruments	–	167,400	–	**167,400**
Structured debt instruments	–	173,948	16,285	**190,233**
	–	**341,348**	**16,285**	**357,633**
Derivatives (liabilities)				
Interest rate derivatives	–	1,880	–	**1,880**
Option position clients	13,826	–	–	**13,826**
Derivatives fair value hedge accounting	–	13,750	–	**13,750**
Derivatives portfolio fair value hedge accounting	–	68,699	–	**68,699**
Derivatives cash flow hedge accounting	–	9,926	–	**9,926**
Economic hedges	–	144,619	–	**144,619**
Derivatives structured products	–	46,962	–	**46,962**
	13,826	**285,836**	**–**	**299,662**
Total liabilities	**14,624**	**627,184**	**16,285**	**658,093**

Table 9.B Financial instruments at fair value at 31/12/2012

	Level 1	Level 2	Level 3	**Total**
Assets				
Financial assets held for trading				
Debt instruments banks and financial institutions unlisted	–	–	1,096	**1,096**
Shares listed	5,021	–	–	**5,021**
Shares unlisted	–	46,063	247	**46,310**
	5,021	**46,063**	**1,343**	**52,427**
Financial assets designated as at fair value through profit or loss				
Debt instruments government paper and government-guaranteed paper	196,380	–	–	**196,380**
Debt instruments covered bonds	362,582	–	–	**362,582**
Debt instruments Asset-Backed Securities	24,628	–	–	**24,628**
Shares unlisted	–	31,228	16,593	**47,821**
	583,590	**31,228**	**16,593**	**631,411**
Available-for-sale investments				
Debt instruments government paper and government-guaranteed paper	492,066	–	–	**492,066**
Debt instruments banks and financial institutions listed	39,700	–	–	**39,700**
Debt instruments covered bonds	64,079	–	–	**64,079**
Debt instruments Asset-Backed Securities	94,463	–	142,696	**237,159**
Debt instruments companies cumprefs (Shareholdings)	–	–	38,417	**38,417**
Shares listed	337	3,819	–	**4,156**
Shares unlisted	–	–	8,995	**8,995**
Shareholdings	–	–	28,507	**28,507**
	690,645	**3,819**	**218,615**	**913,079**
Derivatives (receivables)				
Equity derivatives	–	377	70	**447**
Option position clients	18,693	–	–	**18,693**
Derivatives fair value hedge accounting	–	14,420	–	**14,420**
Derivatives portfolio fair value hedge accounting	–	–	–	**–**
Derivatives cash flow hedge accounting	–	172	–	**172**
Economic hedges	–	132,450	–	**132,450**
Derivatives structured products	–	47,441	–	**47,441**
	18,693	**194,860**	**70**	**213,623**
Total assets	**1,297,949**	**275,970**	**236,621**	**1,810,540**

Table 9.B Financial instruments at fair value at 31/12/2012 (continued)

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities held for trading				
Shares listed	382	–	–	**382**
	382	**–**	**–**	**382**
Financial liabilities designated as at fair value through profit or loss				
Unstructured debt instruments	–	158,599	–	**158,599**
Structured debt instruments	–	39,491	16,265	**55,756**
	–	**198,090**	**16,265**	**214,355**
Derivatives (liabilities)				
Interest rate derivatives	–	–	2,132	**2,132**
Option position clients	18,693	–	–	**18,693**
Derivatives fair value hedge accounting	–	2,793	–	**2,793**
Derivatives portfolio fair value hedge accounting	–	100,322	–	**100,322**
Derivatives cash flow hedge accounting	–	5,196	–	**5,196**
Economic hedges	–	159,967	–	**159,967**
Derivatives structured products	–	75,465	–	**75,465**
	18,693	**343,743**	**2,132**	**364,568**
Total liabilities	**19,075**	**541,833**	**18,397**	**579,305**

The fair values of assets and liabilities measured with reference to variables not based on observable market data are only marginally affected by changes in assumptions. The positions in financial assets and liabilities at fair value through profit or loss at the reporting date hedge one another as a result of which changes do not have a material impact on profit.

Transfers in financial assets or liabilities between levels
In 2013, Van Lanschot transferred € 6.4 million from Level 2 to Level 1. The underlying assets are listed and prices are available daily. The market value of these assets at 31 December 2012 was € 8.5 million).

In 2013, Van Lanschot transferred € 2.1 million from Level 3 to Level 2. The underlying assets are not listed and have been measured using data observable in the market. The derivatives were transferred on 1 January 2013.

Breakdown of movements in financial assets and liabilities classified under Level 3
Tables 9.C and 9.D provide a breakdown of the movements in all financial assets and liabilities classified as Level 3 items and disclosed at fair value in the statement of financial position.

Table 9.C.1 Breakdown of movements in financial assets classified under Level 3 in 2013

	Balance at 1 January	To statement of income	To equity*	Purchases	Sales	Transfers	**Balance at 31 December**
Financial assets held for trading							
Debt instruments banks and financial institutions unlisted	1,096	–	–	–	– 1,096	–	–
Shares unlisted	247	–	–	–	– 20	–	**227**
Financial assets designated as at fair value through profit or loss							
Shares unlisted	16,593	– 300	–	306	–	2,745	**19,344**
Available-for-sale investments							
Debt instruments Asset-Backed Securities	142,696	–	811	–	– 7,982	–	**135,525**
Debt instruments companies cumprefs (Shareholdings)	38,417	2,359	97	1,000	– 1,736	–	**40,137**
Shares unlisted	8,995	–	1,466	97	–	–	**10,558**
Shareholdings	28,507	– 444	632	830	– 2,218	–	**27,307**
Derivatives (receivables)							
Equity derivatives	70	– 27	–	–	– 25	– 18	–
Total financial assets Level 3	**236,621**	**1,588**	**3,006**	**2,233**	**– 13,077**	**2,727**	**233,098**

Table 9.C.2 Breakdown of movements in financial liabilities classified under Level 3 in 2013

	Balance at 1 January	To statement of income	To equity*	Issues	Settlements	Transfers	**Balance at 31 December**
Financial liabilities designated as at fair value through profit or loss							
Structured debt instruments	16,265	– 284	–	304	–	–	**16,285**
Derivatives (liabilities)							
Interest rate derivatives	2,132	–	–	–	–	– 2,132	–
Total financial liabilities Level 3	**18,397**	**– 284**	**–**	**304**	**–**	**– 2,132**	**16,285**
Total	**218,224**	**1,872**	**3,006**	**1,929**	**– 13,077**	**4,859**	**216,813**

* The changes in value recognised in equity are included in the statement of comprehensive income as Revaluation of equity instruments and in Revaluation of debt instruments.

Table 9.D.1 Breakdown of movements in financial assets classified under Level 3 in 2012

	Balance at 1 January	To statement of income	To equity*	Purchases	Sales	Transfers	**Balance at 31 December**
Financial assets held for trading							
Debt instruments banks and financial institutions unlisted	–	–	–	1,096	–	–	**1,096**
Shares unlisted	357	–	–	–	– 110	–	**247**
Financial assets designated as at fair value through profit or loss							
Shares unlisted	19,588	– 3,225	–	230	–	–	**16,593**
Available-for-sale investments							
Debt instruments Asset-Backed Securities	139,888	–	2,808	–	–	–	**142,696**
Debt instruments companies cumprefs (Shareholdings)	34,747	2,274	1,170	3,587	– 3,361	–	**38,417**
Shares unlisted	11,921	782	426	–	– 4,134	–	**8,995**
Shareholdings	37,053	748	– 884	2,421	– 1,955	– 8,876	**28,507**
Derivatives (receivables)							
Equity derivatives	33	57	–	–	– 20	–	**70**
Total financial assets Level 3	**243,587**	**636**	**3,520**	**7,334**	**– 9,580**	**– 8,876**	**236,621**

Table 9.D.2 Breakdown of movements in financial liabilities classified under Level 3 in 2012

	Balance at 1 January	To statement of income	To equity*	Issues	Settlements	Transfers	**Balance at 31 December**
Financial liabilities held for trading							
Shares unlisted	3	–	–	–	– 3	–	–
Financial liabilities designated as at fair value through profit or loss							
Structured debt instruments	18,174	– 2,138	–	229	–	–	**16,265**
Derivatives (liabilities)							
Interest rate derivatives	1,837	295	–	–	–	–	**2,132**
Total financial liabilities Level 3	20,014	– 1,843	–	229	–3	–	**18,397**
Total	**223,573**	**2,479**	**3,520**	**7,105**	**– 9,577**	**– 8,876**	**218,224**

* The changes in value recognised in equity are included in the statement of comprehensive income as Revaluation of equity instruments and in Revaluation of debt instruments.

Table 9.E Fair value changes recognised in profit or loss of financial instruments under Level 3

	2013			2012		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net interest income	2,989	–	**2,989**	2,850	–	**2,850**
Income from securities and associates	–	– 300	**– 300**	2,245	– 3,225	**– 980**
Result on financial transactions	– 27	284	**257**	– 238	2,138	**1,900**
Impairments	–	– 1,074	**– 1,074**	–	– 1,291	**– 1,291**
Total	**2,962**	**– 1,090**	**1,872**	**4,857**	**– 2,378**	**2,479**

Table 9.F Notes on determining fair value using inputs which are market observable (Level 2) — 31/12/2013

	Fair value	Valuation method	Key inputs which are market observable
Assets			
Financial assets held for trading			
Shares listed	3,031	Net asset value with the underlying asset measured at fair value	• Most recent known closing price • Most recent published net asset values • Face value • Current value, reflecting appropriate generally accepted valuation methods
Shares unlisted	27,551	Net asset value	• Estimate of net asset value of the underlying investments reflecting appropriate generally accepted valuation methods received from fund managers
Financial assets designated as at fair value through profit or loss			
Shares unlisted	19,739	Net asset value with the underlying asset measured at fair value	• Most recent published net asset value • Market value on measurement date equals market price • Fair value reflecting appropriate generally accepted standards
Available-for-sale investments			
Shares listed	4,446	Net asset value with the underlying asset measured at fair value	• Most recent known closing price • Most recent published net asset values • Face value • Current value, reflecting appropriate generally accepted valuation methods
Derivatives (receivables)			
Equity derivatives			
– Interest rate swaps	219	Discounted cash flow	• Interest rate
– Inflation linked swaps	254	Option model and discounted cash flow	• Interest rate, asset price, dividend yield, volatility, FX rates
Derivatives fair value hedge accounting			
– Interest rate swaps	19,362	Discounted cash flow	• Interest rate
– Inflation linked swaps	7,617	Discounted cash flow	• Interest rate, inflation rate, realised consumer price index (CPI), seasonality
Derivatives portfolio fair value hedge accounting			
– Interest rate swaps	573	Discounted cash flow	• Interest rate
Derivatives cash flow hedge accounting			
– Inflation linked swaps	258	Discounted cash flow	• Interest rate, inflation rate, realised consumer price index (CPI)
Economic hedges			
– Interest rate swaps	96,405	Discounted cash flow	• Interest rate
– FX options	10,228	Option model	• Asset price, interest rate, dividend yield, volatility, FX rates
Derivatives structured products			
– Options	29,899	Option model	• Asset price, interest rate, dividend yield, volatility, FX rates
– Interest rate swaps	5,931	Discounted cash flow	• Interest rate
– Equity swaps	22,785	Option model and discounted cash flow	• Asset price, interest rate, dividend yield, volatility, correlation, FX rates
Total assets	**248,298**		

Table 9.F Notes on determining fair value using inputs which are market observable (Level 2) (continued)	Fair value	Valuation method	Key inputs which are market observable
			31/12/2013
Liabilities			
Financial liabilities designated as at fair value through profit or loss			
– Unstructured debt instruments	167,400	Discounted cash flow	• Interest rate
– Structured debt instruments	173,948	Option model and discounted cash flow	• Interest rate, asset price, dividend yield, volatility, correlation, FX rates
Derivatives (liabilities)			
– Interest rate swaps	1,686	Discounted cash flow	• Interest rate
– FX options	194	Option model	• Interest rate, asset price, dividend yield, volatility, FX rates
Derivatives fair value hedge accounting			
– Interest rate swaps	13,727	Discounted cash flow	• Interest rate
– Inflation linked swaps	23	Discounted cash flow	• Interest rate, inflation rate, realised consumer price index (CPI)
Derivatives portfolio fair value hedge accounting			
– Interest rate swaps	68,699	Discounted cash flow	• Interest rate
Derivatives cash flow hedge accounting			
– Inflation linked swaps	9,926	Discounted cash flow	• Interest rate, inflation rate, realised consumer price index (CPI)
Economic hedges			
– Interest rate swaps	134,809	Discounted cash flow	• Interest rate
– Cross currency swaps	9,810	Discounted cash flow	• Interest rate, FX rates
Derivatives structured products			
– Options	35,048	Option model	• Asset price, interest rate, dividend yield, volatility, FX rates
– Interest rate swaps	6,862	Discounted cash flow	• Interest rate
– Equity swaps	5,052	Option model and discounted cash flow	• Asset price, interest rate, dividend yield, volatility, correlation, FX rates
Total liabilities	**627,184**		

Table 9.G Notes on determining fair value using inputs which are not market observable (Level 3) 31/12/2013	Fair value	Valuation method	Key inputs which are not market observable
Assets			
Financial assets held for trading			
Shares unlisted	227	Net asset value	• Net asset value • Face value
Financial assets designated as at fair value through profit or loss			
Shares unlisted	16,599	Discounted cash flow Market Multiples Trade Multiples	• n/a*
	2,745	Net asset value	• Lower of cost and market value
Available-for-sale investments			
Debt instruments Asset-Backed Securities	135,525	Bloomberg valuation price[1]	• n/a*
Debt instruments companies cumprefs (Shareholdings)	40,137	Discounted cash flow	• Interest rates[1] • Discount rates[1]
Shares unlisted	10,558	Net asset value with the underlying asset measured at fair value	• Most recent known closing price • Most recent published net asset values • Face value • Current value, reflecting appropriate generally accepted valuation methods
Shareholdings	12,571	Net asset value	• n/a*
	2,647	Net asset value	• Multiple analyses of comparable companies less a discount of 25% for illiquidity and company size • Most recently known share price
	4,687	Net asset value	• EBITA[2] • Issue or transfer price • Market price on final trading day • Nominal value less provisions
	7,402	Discounted cash flow Market multiples Transaction multiples	• Sales growth • EBIT(DA) margin development • Net working capital development • Capital expenditures • Weighted average cost of capital (WACC)
Total assets	**233,098**		
Liabilities			
Financial liabilities designated as at fair value through profit or loss			
Structured debt instruments	16,285	Net asset value	• Fair value Egeria NV and Egeria, Private Equity Fund II • Own credit risk
Total liabilities	**16,285**		

* Van Lanschot receives the valuation from a third party and has no insight into the key observable market inputs.
[1] Based on the range of 6.5 %-12%.
[2] Based on the multiple 7.

Sensitivity of Level 3 items

Van Lanschot only has insight into the sensitivity of the Asset-Backed Securities and companies cumprefs (Shareholdings) debt instruments. In the case of the Asset-Backed Securities, a parallel increase of 100 basis points in the credit spread has a negative effect of € 1.0 million on the valuation. In the case of the companies cumprefs (Shareholdings), an increase of 100 basis points in the interest rate has a positive effect of € 0.3 million on the valuation. An increase of 100 basis points in the discount rate has a negative effect of € 0.3 million on the valuation.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ thousand

1 Cash and cash equivalents and balances at central banks	31/12/2013	31/12/2012
Total	**1,999,963**	**1,647,231**
Cash	1,562	1,212
Statutory reserve deposits at central banks	19,811	20,282
Balances at central banks	1,883,711	1,455,666
Amounts due from banks	94,879	170,071

Statutory reserve deposits comprise balances at central banks within the scope of the minimum reserves requirement. These balances cannot be used in the daily operations of Van Lanschot.

Reconciliation to consolidated statement of cash flows	2013	2012	Movements
Cash and cash equivalents	1,999,963	1,647,231	352,732
Due from banks, available on demand	44,265	43,640	625
Due to banks, available on demand	– 58,191	– 20,246	– 37,945
Due from/to banks available on demand net	– 13,926	23,394	– 37,320
Total	**1,986,037**	**1,670,625**	**315,412**

The face value is a reasonable approximation of fair value.

2 Financial assets held for trading	31/12/2013	31/12/2012
Total	**47,083**	**52,427**
Debt instruments		
Banks and financial institutions unlisted	–	1,096
Total debt instruments	**–**	**1,096**
Equity instruments		
Shares listed	10,193	5,021
Shares unlisted	36,890	46,310
Total equity instruments	**47,083**	**51,331**

3 Due from banks

	31/12/2013	31/12/2012
Total	**429,215**	**430,850**
Deposits	363,937	360,692
Settlement claims securities transactions	44,265	43,640
Loans and advances	20,716	26,518
Other	297	–

Geographical	31/12/2013	31/12/2012
Total	**429,215**	**430,850**
The Netherlands	367,296	372,634
Belgium	11,165	9,047
Great Britain	30,443	41,052
Germany	13,920	5,451
Other	6,391	2,666

Deposits include € 233.0 million (2012: € 259.5 million) of deposits that serve as collateral for liabilities arising from derivatives transactions.

A provision for the deposit guarantee scheme of € 5.5 million (2012: € 7.1 million) was deducted from Loans and advances.

The fair value of Due from Banks was € 429 million. Fair value is based on the present value of cash flows at appropriate money market interest rates for a comparable remaining term to maturity and taking into account the creditworthiness of the counterparty and so comes under Level 2 of the fair value hierarchy.

4 Financial assets designated as at fair value through profit or loss

	31/12/2013	31/12/2012
Total	**725,938**	**631,411**
Debt instruments		
Government paper and government-guaranteed paper	319,756	196,380
Covered bonds	366,218	362,582
Asset-Backed Securities	–	24,628
Total debt instruments	**685,974**	**583,590**
Equity instruments		
Shares unlisted	39,964	47,821
Total equity instruments	**39,964**	**47,821**

Movements in Financial assets designated as at fair value through profit or loss	2013	2012
Balance at 1 January	631,411	515,331
Purchases	141,287	634,094
Sales	– 44,095	– 576,140
Value changes	– 5,779	58,126
Reclassification of financial assets held for trading	2,460	–
Reclassification of associates using the equity method	654	–
Balance at 31 December	**725,938**	**631,411**

Marked-to-Market portfolio
Surplus liquidity is invested in government bonds, covered bonds and Asset-Backed Securities. These investments were put in a separate portfolio and are managed based on fair value. The investments are carried at fair value with value changes through profit or loss.

Shares: Fund investments
Van Lanschot has an interest in a company specifically founded to make investments. It concerns an investment fund in which Van Lanschot holds a non-controlling interest. Van Lanschot considers this interest as an investment in a similar entity as a mutual fund or unit trust. The investments in this fund are managed based on fair value. All information provided by the investment fund to the bank concerns information based on fair value. As a result, the condition to apply the fair value option is complied with and the interest is designated as and valued at fair value through profit or loss.

Shares: Equity Notes
Interests in Egeria NV and Egeria Private Equity Fund II NV are included under the line item Financial assets designated as at fair value through profit or loss. The equity-linked notes are included at fair value under Financial liabilities designated as at fair value through profit or loss. However, as part of the investment portfolio, the interests in Egeria NV and Egeria Private Equity Fund II should actually be included as available for sale, with value changes being recognised through equity. This would result in a mismatch. In order to restrict this mismatch, Van Lanschot applies the fair value option. The interests in Egeria and Egeria Private Equity Fund II are carried at fair value, with the value changes being recognised through profit or loss.

	31/12/2013	31/12/2012
Total of pledged stocks	**75,675**	**–**
Covered bonds	75,675	–

5 Available-for-sale investments

	31/12/2013 Fair value	31/12/2013 Face value	31/12/2012 Fair value	31/12/2012 Face value
Total	**1,197,731**	**1,081,181**	**913,079**	**824,983**
Debt instruments				
Government paper and government-guaranteed paper	720,309	652,500	492,066	431,957
Banks and financial institutions listed	1,003	1,000	39,700	39,500
Covered bonds	75,919	76,000	64,079	61,500
Asset-backed securities	316,465	314,520	237,159	241,165
Companies cumprefs (Shareholdings)	40,137	37,161	38,417	50,861
Total debt instruments	**1,153,833**	**1,081,181**	**871,421**	**824,983**
Equity instruments				
Shares listed	6,033		4,156	
Shares unlisted	10,558		8,995	
Shareholdings	27,307		28,507	
Total equity instruments	**43,898**		**41,658**	

Movements in available-for-sale investments	2013	2012
Balance at 1 January	913,079	844,977
Purchases	1,117,002	436,905
Sales	– 788,351	– 181,030
Redemptions	– 34,415	– 217,481
Premium (discount) debt instruments	– 9,034	– 757
Value changes	– 2,464	30,246
Impairments	– 1,074	– 1,368
Other changes	2,988	10,463
Reclassification to associates using the equity method	–	– 8,876
Balance at 31 December	**1,197,731**	**913,079**

	31/12/2013	31/12/2012
Total of pledged stocks	**168,110**	**254,262**
Dutch government bonds	–	29,409
Bonds of banks and financial institutions listed	30,053	30,048
Bonds from securitisation transactions	138,057	184,295
Covered bonds	–	10,510

These securities have been pledged to the Dutch Central Bank and, within the scope of repo transactions, to banking counterparties. Securities can only be pledged with the Dutch Central Bank if they are on the European Central Bank's eligible list of marketable assets. All securities, which have been pledged within the scope of repo transactions, are on the aforementioned list of the European Central Bank. These transactions are entered into subject to the conditions customary to standard purchase transactions with a repurchase obligation.

The pledged securities are disclosed based on market value.

6 Loans and advances to the public and private sectors

	31/12/2013	31/12/2012
Total	**12,490,723**	**13,464,234**
Mortgage loans	6,482,709	6,946,277
Current accounts	1,730,255	1,807,435
Loans	4,055,284	4,454,741
Securities-backed loans and settlement claims	329,642	357,457
Subordinated loans	46,977	33,323
Value adjustment fair value hedge accounting	178,484	175,379
Impairments	– 332,628	– 310,378

Impairments	31/12/2013	31/12/2012
Total	**– 332,628**	**– 310,378**
Mortgages	– 67,645	– 51,379
Loans	– 264,983	– 258,999

During the year, Van Lanschot acquired financial and non-financial assets through the seizure of collateral held as security with an estimated value of € 0.9 million. In general, the policy is to dispose of these assets in a reasonably short period. The proceeds are used to redeem the outstanding amount.

The fair value of the loans and advances to the public and private sectors was € 12.9 billion at 31 December 2013 (2012: € 13.1 billion). Fair value is based on the present value of cash flows at current market interest rates for similar loans and taking into account the creditworthiness of the counterparty and so comes under Level 3 of the fair value hierarchy.

7 Derivatives

at 31/12/2013	Asset	Liability	Contract amount
Total	**208,134**	**299,662**	**8,031,025**
Derivatives used for trading purposes			
Interest rate derivatives	–	1,880	91,016
Equity derivatives	473	–	18
Option position clients	14,603	13,826	14,603
Total derivatives used for trading purposes	**15,076**	**15,706**	**105,637**
Derivatives used for hedge accounting purposes			
Derivatives fair value hedge accounting	26,979	13,750	1,192,326
Derivatives portfolio fair value hedge accounting	573	68,699	802,000
Derivatives cash flow hedge accounting	258	9,926	100,000
Total derivatives used for hedge accounting purposes	**27,810**	**92,375**	**2,094,326**
Other derivatives			
Economic hedges	106,633	144,619	5,486,818
Derivatives structured products	58,615	46,962	344,244
Total other derivatives	**165,248**	**191,581**	**5,831,062**

at 31/12/2012	Asset	Liability	Contract amount
Total	**213,623**	**364,568**	**7,708,085**
Derivatives used for trading purposes			
Interest rate derivatives	–	2,132	43,066
Equity derivatives	447	–	70
Option position clients	18,693	18,693	18,693
Total derivatives used for trading purposes	**19,140**	**20,825**	**61,829**
Derivatives used for hedge accounting purposes			
Derivatives fair value hedge accounting	14,420	2,793	585,938
Derivatives portfolio fair value hedge accounting	–	100,322	802,000
Derivatives cash flow hedge accounting	172	5,196	100,000
Total derivatives used for hedge accounting purposes	**14,592**	**108,311**	**1,487,938**
Other derivatives			
Economic hedges	132,450	159,967	5,672,436
Derivatives structured products	47,441	75,465	485,882
Total other derivatives	**179,891**	**235,432**	**6,158,318**

Van Lanschot uses derivatives both for trading and hedging purposes. The table shows both the positive and negative market values of the derivatives, as well as the notionals.

The following types of interest rate derivatives occur:
- interest rate swaps
- interest rate options

The following types of currency derivatives occur:
- cross-currency swaps
- currency options

The following types of equity derivatives occur:
- forwards
- futures
- long and short option positions structured products
- equity swaps

Furthermore, inflation swaps occur.

For hedge accounting purposes, Van Lanschot uses interest rate swaps and inflation swaps as hedging instruments.

Ineffectiveness of derivatives for hedge accounting purposes	31/12/2013		31/12/2012	
	Fair value	Ineffective	Fair value	Ineffective
Total	**– 64,565**	**1,035**	**– 93,719**	**7,417**
Fair value hedge accounting model	13,229	1,087	11,627	6,295
Portfolio fair value hedge accounting model	– 68,126	– 52	– 100,322	1,122
Cash flow hedge accounting model	– 9,668	–	– 5,024	–

The total ineffectiveness of fair value hedges was € 1.0 million in 2013 (2012: € 7.4 million) and comprises € 0.5 million in negative value changes on account of hedging instruments (2012: € 15.4 million negative) and positive value changes of the hedged item of € 1.5 million (2012: € 22.8 million negative).

Hedged items cash flow hedge accounting by term at 31/12/2013	Within 1 year	1 to 3 years	3 to 5 years	5 years and longer
Total	**–**	**–**	**–**	**6,740**
Cash inflow	–	–	–	–
Cash outflow	–	–	–	**– 6,740**

Hedged items cash flow hedge accounting by term at 31/12/2012	Within 1 year	1 to 3 years	3 to 5 years	5 years and longer
Total	**–**	**–**	**–**	**3,191**
Cash inflow	–	–	–	–
Cash outflow	–	–	–	– 3,191

8 Investments in associates using the equity method	31/12/2013	31/12/2012
Total	**50,385**	**46,443**
Current assets	63,745	92,963
Non-current assets	78,204	84,704
Current liabilities	– 45,206	– 53,906
Non-current liabilities	– 59,910	– 83,774
Goodwill	5,732	8,415
Impairments	– 2,089	– 10,118
Other	9,909	8,159

The share of Van Lanschot in the income from operating activities totals € 15.7 million (2012: € 15.3 million); the share in the net profit amounts to € 10.1 million (2012: € 6.3 million).

The share of Van Lanschot in the unrecognised losses totals € 0.3 million for 2013 (2012: €1.1 million). The accumulated share of Van Lanschot in the unrecognised losses totals € 9.8 million (2012: € 9.5 million).

All investments valued using the equity method are unlisted investments.

The fair value of investments valued using the equity method was € 88.3 million and so comes under Level 3 of the fair value hierarchy.

Movements in investments in associates using the equity method	2013	2012
Balance at 1 January	46,443	43,986
Purchases and contributions	1,082	2,803
Sales and repayments	– 2,768	–
Income from associates	10,095	6,309
Impairments	– 16	– 1,678
Dividends received	– 1,855	– 4,754
Other changes	– 2,596	– 223
Balance at 31 December	**50,385**	**46,443**

The accumulated revaluations total € 0.0 million (2012: € 0.0 million).

9 Property, plant and equipment

	31/12/2013	31/12/2012
Total	**84,638**	**100,366**
Buildings	64,675	81,623
IT, operating software and communication equipment	7,796	7,738
Other assets	11,558	10,926
Work in progress	609	79

During 2013, Van Lanschot sold various buildings and rental contracts were entered into for two buildings. The contracts are included in the Non-current liabilities section.

The fair value of the buildings was € 78.5 million (2012: € 84.7 million). The carrying amount of buildings not in use amounts to € 11.4 million (2012: € 6.7 million).

The fair values of IT, operating software and communication equipment and other assets do not deviate materially from their carrying amounts.

Work in progress concerns current projects for IT and maintenance on buildings.

No restrictive rights apply to property, plant and equipment.

Movements in property, plant and equipment 2013	Buildings	IT, operating software and communication equipment	Other assets	Work in progress	**Total**
Historical cost					
Balance at 1 January	168,314	67,371	53,198	79	**288,962**
Acquisition of subsidiaries	7,050	1,590	12,722	–	**21,362**
Investments	1,121	3,601	1,688	4,705	**11,115**
Disposals	– 41,119	– 19,494	1,946	–	**– 58,667**
Capitalisation of investment	–	–	–	– 4,175	**– 4,175**
Other	29	– 3	– 31	–	**– 5**
Balance at 31 December	**135,395**	**53,065**	**69,523**	**609**	**258,592**
Accumulated depreciation					
Balance at 1 January	86,691	59,633	42,272	–	**188,596**
Acquisition of subsidiaries	3,126	1,193	9,625	–	**13,944**
Disposals	– 18,198	– 19,358	2,669	–	**– 34,887**
Depreciation	4,510	3,801	3,399	–	**11,710**
Impairments	220	–	–	–	**220**
Reversal of impairments	– 5,629	–	–	–	**– 5,629**
Balance at 31 December	**70,720**	**45,269**	**57,965**	**–**	**173,954**
Net carrying amount at 31 December	**64,675**	**7,796**	**11,558**	**609**	**84,638**

Movements in property, plant and equipment 2012	Buildings	IT, operating software and communication equipment	Other assets	Work in progress	**Total**
Historical cost					
Balance at 1 January	212,334	64,404	51,668	2,438	**330,844**
Investments	3,065	3,054	2,492	5,700	**14,311**
Disposals	– 45,354	– 38	– 577	–	**– 45,969**
Capitalisation of investment	–	–	–	– 8,059	**– 8,059**
Impairments	– 1,703	– 49	– 73	–	**– 1,825**
Other	– 28	–	– 312	–	**– 340**
Balance at 31 December	**168,314**	**67,371**	**53,198**	**79**	**288,962**
Accumulated depreciation					
Balance at 1 January	99,695	56,230	39,719	–	**195,644**
Disposals	– 27,431	– 54	– 329	–	**– 27,814**
Depreciation	6,022	3,533	3,295	–	**12,850**
Impairments	8,434	– 49	– 73	–	**8,312**
Other	– 29	– 27	– 340	–	**– 396**
Balance at 31 December	**86,691**	**59,633**	**42,272**	**–**	**188,596**
Net carrying amount at 31 December	**81,623**	**7,738**	**10,926**	**79**	**100,366**

10 Goodwill and other intangible assets	**31/12/2013**	**31/12/2012**
Total	**172,431**	**173,875**
Goodwill	134,289	128,614
Other intangible assets	38,142	45,261

Movements in goodwill and other intangible assets 2013	Goodwill	Client bases	Third-party distribution channels	Deposits and current accounts	Brand name	Application software	**Total**
Historical cost							
Balance at 1 January	128,614	58,031	4,899	–	15,330	61,339	**268,213**
Additions	10,545	–	–	–	–	5,589	**16,134**
Withdrawals	–	– 3,147	–	–	–	– 6,680	**– 9,827**
Impairments	– 4,873	–	–	–	–	– 247	**– 5,120**
Other	3	–	–	–	–	9,210	**9,213**
Balance at 31 December	**134,289**	**54,884**	**4,899**	**–**	**15,330**	**69,211**	**278,613**
Accumulated amortisation							
Balance at 1 January	–	42,049	2,449	–	4,600	45,240	**94,338**
Amortisation	–	5,644	408	–	767	5,604	**12,423**
Withdrawals	–	– 3,146	–	–	–	– 6,643	**– 9,789**
Other	–	–	–	–	–	9,210	**9,210**
Balance at 31 December	**–**	**44,547**	**2,857**	**–**	**5,367**	**53,411**	**106,182**
Net carrying amount at 31 December	**134,289**	**10,337**	**2,042**	**–**	**9,963**	**15,800**	**172,431**

The investments in application software comprise € 0.0 million in software developed in-house (2012: € 0.3 million).

The accumulated impairments on goodwill amounted to € 110.4 million at 31 December 2013 (2012: € 105.6 million).

Movements in goodwill and other intangible assets 2012	Goodwill	Client bases	Third-party distribution channels	Deposits and current accounts	Brand name	Application software	**Total**
Historical cost							
Balance at 1 January	230,446	107,893	5,979	9,480	15,330	57,130	**426,258**
Additions	–	–	–	–	–	4,210	**4,210**
Impairments	– 101,837	– 49,863	– 1,080	– 9,480	–	–	**– 162,260**
Other	5	1	–	–	–	– 1	**5**
Balance at 31 December	**128,614**	**58,031**	**4,899**	**–**	**15,330**	**61,339**	**268,213**
Accumulated amortisation							
Balance at 1 January	–	56,844	2,433	6,873	3,833	37,603	**107,586**
Amortisation	–	10,308	462	948	767	7,637	**20,122**
Impairments	–	– 25,279	– 446	– 7,821	–	–	**– 33,546**
Sale	–	176	–	–	–	–	**176**
Balance at 31 December	**–**	**42,049**	**2,449**	**–**	**4,600**	**45,240**	**94,338**
Net carrying amount at 31 December	**128,614**	**15,982**	**2,450**	**–**	**10,730**	**16,099**	**173,875**

In 2013, Van Lanschot performed impairment tests on the goodwill originating from prior-year acquisitions. This goodwill was allocated to Cash Generating Units (CGUs). The impairment tests in 2013 resulted in a goodwill impairment the CGU Non-strategic Investments.

The recoverable amount of the CGUs is calculated based on the value in use. In this calculation, cash flow projections by CGU for a 5-year period are used. These projections are based per CGU on the current year and on the financial estimates used by management to determine objectives. For the period after the explicit projections per CGU, the growth of Van Lanschot has been set at the long-term market growth rate of 2%. Management has compared the most important assumptions against market estimates and expectations.

Cash flow estimates are based on the long-term plan, the strategic plans and possible future trends. Events and factors that might 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 per CGU, which rate reflects the risk-free interest rate, supplemented with a surcharge for the market risk run per 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) was used as the discount rate in the impairment test for the Non-strategic investments.

The impairment test performed in 2013 indicated impairment of € 4.9 million of the goodwill capitalised in the CGU Non-strategic investments; the recoverable amount of that CGU was € 27.9 million at year end 2013. The impairment test for CGUs Asset Management and Securities & Corporate Finance did not lead to impairment.

The model uses a basic scenario. A sensitivity analysis was also performed, in which particular attention was paid to a decrease in net profit, a change in the pay-out ratio and a further increase in cost of equity. This analysis demonstrates that a deterioration in the variables applied does not lead to an impairment in the CGUs Asset Management and Corporate Finance & Securities.

An annual test is conducted for indications of impairment of other intangible assets with an indefinite useful life. For the Client bases item, the movements in the number of clients are assessed. For Third-party distribution channels, it is checked whether the relations with these parties still exist. For Brand name, it is determined whether Van Lanschot will continue to use the brand name in the future. The useful life tests conducted in 2013 do not give any indication of further examination being required, nor of impairments.

For the Client bases item, the movements in the number of clients are assessed. For Third-party distribution channels, it is checked whether the relationships with these parties still exist. For Brand name, it is determined whether Van Lanschot will continue to use the brand name in the future. The useful life tests conducted in 2013 do not give any indication of further examination being required, nor of impairments.

CGU (%)	Discount rate before tax		Discount rate after tax	
	2013	2012	2013	2012
Private & Business Banking	11.6	10.3	9.4	7.8
Asset Management	9.4	10.4	7.4	8.5
Corporate Finance & Securities	11.6	9.9	9.0	7.7
Non-strategic investments	12.5 – 13.6	11.6 – 11.4	11.6 – 11.4	11.1 – 11.2
Other activities	11.1	10.2	8.6	8.0

Allocation of goodwill to CGUs (based on segments)	Balance at 31/12/2012	Additions	Decrease	**Balance at 31/12/2013**
Total	**128,614**	**10,545**	**– 4,870**	**134,289**
Asset Management	49,292	–	–	**49,292**
Corporate Finance & Securities	76,293	–	–	**76,293**
Non-strategic investments	3,029	10,545	– 4,870	**8,704**

Expected amortisation of intangible assets	2014	2015	2016	2017	2018	2019-2026
Expected amortisation of intangible assets	10,935	7,536	5,211	4,141	3,420	6,899

11 Current tax assets

	31/12/2013	31/12/2012
Total	**13,616**	**2,552**
Tax receivables	13,616	2,552

12 Deferred tax assets

Movements in Deferred tax assets 2013	Employee benefits	Commission	Loss available for set-off	Other	Total
Balance at 1 January	28,763	390	39,484	1,061	**69,698**
Withdrawals through profit or loss	– 16,980	– 79	–	– 729	**– 17,788**
Additions through profit or loss	–	–	15,440	–	**15,440**
Total through profit or loss	**– 16,980**	**– 79**	**15,440**	**– 729**	**– 2,348**
Directly to/from equity	– 7,896	–	–	–	**– 7,896**
Directly from/to statement of income	–	–	–	–	**–**
Increase in consolidation base	–	–	343	–	**343**
Balance at 31 December	**3,887**	**311**	**55,267**	**332**	**59,797**

Movements in Deferred tax assets 2012	Employee benefits	Commission	Loss available for set-off	Other	Total
Balance at 1 January	1,897	539	36,525	248	**39,209**
Change in accounting policies	1,905	–	–	–	**1,905**
Balance at 1 January after change in accounting policies	**3,802**	**539**	**36,525**	**248**	**41,114**
Withdrawals through profit or loss	– 2,695	– 149	–	– 87	**– 2,931**
Additions through profit or loss	14,762	–	2,959	900	**18,621**
Total through profit or loss	**12,067**	**– 149**	**2,959**	**813**	**15,690**
Directly to/from equity	12,894	–	–	–	**12,894**
Balance at 31 December	**28,763**	**390**	**39,484**	**1,061**	**69,698**

Part of the use of the deferred tax assets depends on future taxable profits. Tax losses incurred up to and including 2013 can be offset against taxable profits in the coming years.

Based on the most recent forecast, expectations are that the existing tax losses can be offset well before expiring.

Tax losses to be offset

Financial year	Amount	Final year for offsetting
2009	95,306	2018
2010	1,058	2019
2011	–	2020
2012	68,747	2021
2013	55,956	2022

Unrecognised losses	31/12/2013	31/12/2012
Unrecognised losses	–	10,032

These items do not have an expiry date.

13 Other assets

	31/12/2013	31/12/2012
Total	**190,711**	**195,076**
Interest receivable	46,616	58,163
Transitory items	76,938	57,703
Assets by virtue of pension schemes	728	7,214
Assets acquired through foreclosures	39,389	36,347
Inventories	1,653	2,222
Other	25,387	33,427

Assets acquired through foreclosures concern property. The carrying amount is a reasonable approximation of fair value.

14 Financial liabilities held for trading

	31/12/2013	31/12/2012
Total	**798**	**382**
Equity instruments		
Shares listed	798	382
Total equity instruments	**798**	**382**

15 Due to banks

	31/12/2013	31/12/2012
Total	**1,175,422**	**1,522,640**
Special loans European Central Bank	750,000	750,000
Deposits	54,923	26,273
Settlement claims securities transactions	22,920	–
Repo transactions	266,569	676,710
Loans and advances drawn	80,270	68,874
Value adjustments fair value hedge accounting	740	783

Geographical	31/12/2013	31/12/2012
Total	**1,175,422**	**1,522,640**
The Netherlands	1,116,624	1,180,980
Belgium	10,254	26,467
Great Britain	2,669	262,208
Luxembourg	35,001	35,001
Other	10,874	17,984

The fair value of amounts Due to banks of € 1.2 billion is based on the present value of cash flows at appropriate money market interest rates for liabilities with a comparable remaining term to maturity and taking into account own credit risk and so comes under Level 3 of the fair value hierarchy.

For the repo transactions disclosed under Due to banks, € 330.3 million in collateral has been issued (2012: € 849.1 million). This concerned in particular Citadel Notes for € 202.9 million and Darts Finance for € 127.4 million. The pledged securities are disclosed based on market value.

16 Public and private sector liabilities

	31/12/2013	31/12/2012
Total	**10,161,397**	**11,368,814**
Savings	3,481,117	3,645,295
Deposits	2,523,466	3,618,590
Other funds entrusted	4,154,918	4,100,643
Value adjustments fair value hedge accounting	1,896	4,286

Geographical	31/12/2013	31/12/2012
Total	**10,161,397**	**11,368,814**
The Netherlands	7,757,894	9,248,021
Belgium	1,935,988	1,493,203
Other	467,515	627,590

The fair value of Public and private sector liabilities of € 10.3 billion is based on the present value of cash flows at appropriate money market interest rates for liabilities with a comparable remaining term to maturity and taking into account own credit risk and so comes under Level 3 of the fair value hierarchy.

17 Financial liabilities designated as at fair value through profit or loss

	31/12/2013	31/12/2012
Total	**357,633**	**214,355**
Unstructured debt instruments	167,400	158,599
Structured debt instruments	190,233	55,756

Van Lanschot has issued debt instruments which are managed based on fair value. Management believes that valuation as at fair value through profit or loss applies, since this largely eliminates or reduces inconsistencies in valuation and disclosure and performance is assessed based on fair value.

Financial liabilities as at fair value through profit or loss include Unstructured debt instruments, such as Floating Rate Notes and Fixed Rate Notes and Structured debt instruments, such as Egeria and Index Guarantee Notes.

For the calculation of the own credit risk, internal and external models are used, such as iTraxx. The own credit risk became lower; thus the liability in the reporting year was € 3.5 million higher (2012: € 4.9 million higher). The accumulated change in the fair value of Financial liabilities as at fair value through profit or loss which can be allocated to the changes in the own credit risk totals € 6.7 million (2012: € 3.2 million).

Van Lanschot has to pay the fair value on the maturity date.

18 Issued debt securities

	31/12/2013	31/12/2012
Total	**3,849,119**	**2,543,905**
Bond loans and notes	1,528,698	1,231,540
Bank and savings bonds	–	37
Notes within the scope of securitisation transactions	2,058,196	556,442
Floating rate notes	249,725	343,403
Medium term notes	12,500	412,483

This item consists of debt instruments and other negotiable debt securities issued whose rates of interest are either fixed or variable, insofar as not subordinated. In 2014, € 588 million of the debt securities is payable on demand (2013: € 514 million) based on the following breakdown:

- instruments with contractual maturity date in 2014: € 556 million (2013: € 420 million);
- instruments subject to a trigger with optional maturity date in 2014: € 32 million (2013: € 94 million);
- call date of securitised transactions with contractual maturity date in 2014: nil (2013: nil).

Face value versus carrying amount

The value adjustment of debt securities on account of hedge accounting is recognised under the line item Issued debt securities.

Face value versus fair value

The fair value of Debt securities of € 3.9 billion (2012: € 2.6 billion) is based on the present value of cash flows at appropriate money market interest rates for securities with a comparable remaining term to maturity and taking into account own credit risk and so comes under Level 3 of the fair value hierarchy.

Face value versus carrying amount of debt securities at 31/12/2013	Face value	Value adjustment fair value hedge accounting	Premium/ discount	Carrying amount
Total	**3,862,826**	**1,795**	**– 15,502**	**3,849,119**
Bond loans and notes	1,544,349	1,795	– 17,447	1,528,697
Notes within the scope of securitisation transactions	2,057,546	–	650	2,058,196
Floating rate notes	248,431	–	1,294	249,725
Medium term notes	12,500	–	–	12,500

Face value versus carrying amount of debt securities at 31/12/2012	Face value	Value adjustment fair value hedge accounting	Premium/ discount	Carrying amount
Total	**2,542,140**	**23,344**	**– 21,579**	**2,543,905**
Bond loans and notes	1,228,539	23,344	– 20,343	1,231,540
Bank and savings bonds	37	–	–	37
Notes within the scope of securitisation transactions	558,340	–	– 1,898	556,442
Floating rate notes	342,724	–	679	343,403
Medium term notes	412,500	–	– 17	412,483

19 Provisions	31/12/2013	31/12/2012
Total	**35,910**	**77,938**
Provisions for pensions	16,669	52,096
Provision for jubilee benefits scheme	2,701	3,507
Provision for employee rebates	3,785	3,855
Restructuring provision	9,862	14,770
Other provisions	2,893	3,710

Van Lanschot has various employee schemes in place under which participants receive payments or benefits after they retire. These are a pension scheme and a rebate scheme for mortgage interest rates. Van Lanschot also has a jubilee benefits scheme. All these schemes are defined benefit schemes as defined in International Accounting Standard 19 (IAS 19).

The following defined benefit schemes were valued for the purpose of the 2013 annual figures:

- On 1 January 2012 the pension scheme as administered by Stichting Pensioenfonds F. Van Lanschot was amended. An average earnings scheme applies up to a certain threshold, under which scheme 1.875% is accrued for each year of service. Above this threshold, pension is accrued based on a defined-contribution scheme. The pensionable base for the average earnings scheme is comprised of the salary, up to the threshold, minus the state pension offset. The (capped) salary minus the threshold forms the basis for the defined-contribution scheme. In addition to the old age pension, the scheme provides for a temporary old age pension.
- Van Lanschot employees are entitled to a mortgage interest rate rebate and entitlement to this rebate continues beyond the pension date after active service.
- The jubilee payment depends on the years of service.
- For employees working at the branches in Belgium, a defined-contribution scheme as well as a defined benefit scheme are in place. The latter scheme has a pensionable base of the average basic salary of the last five years of service. The pension capital is insured with UKZT (Uitgesteld Kapitaal Zonder Tegenverzekering). The term insurance is financed with risk premiums.
- The pension scheme of Kempen is an average salary scheme under which 2% of the pensionable base (salary minus the state pension offset) is accrued for each year of service and which is based on a retirement age of 65. The surviving dependants' pension is insured on a risk basis. With effect from 1 January 2014, the retirement age was increased to 67.

Only within the pension scheme, equity has been invested to fund the obligations (i.e. funded). The other schemes are unfunded; payments in any year are made directly by the company.

The obligations are calculated on the basis of the projected unit credit method.

The Board of the Pension Fund has final responsibility for the pension benefits and sound asset and balance sheet management, including determining the investment policy and managing the related risks. The Investment Committee advises the Board on the investment policy and, along with the secretariat, appoints the asset managers. The Risk Management Committee advises the Board on risk policy and raises awareness of operational and other possible risks throughout the pension fund.

Under the regulations, the maximum funding of the schemes is 30% of the salary. The basic premium in 2013 was 29.4% (2012: 30.0%). Furthermore, Van Lanschot had amounts payable to the pension fund regarding additional recovery premium for the years 2011, 2012 and 2013 as the funding ratio had fallen below the minimum requirement at 31 December 2011.

Obligations/assets included in the statement of financial position by scheme Balance at 31/12/2013	Pension scheme	Early retirement scheme	Employee rebates	Jubilee benefits scheme
Defined benefit obligations	821,043	170	3,785	2,701
Fair value of plan assets	805,272	–	–	–
Surplus/(deficit)	– 15,771	– 170	– 3,785	– 2,701
Obligation at year-end	– 16,499	– 170	– 3,785	– 2,701
Asset at year-end	728	–	–	–

Obligations/assets included in the statement of financial position by scheme Balance at 31/12/2012	Pension scheme	Early retirement scheme	Employee rebates	Jubilee benefits scheme
Defined benefit obligations	855,156	175	4,310	3,507
Fair value of plan assets	810,450	–	455	–
Surplus/(deficit)	– 44,706	– 175	– 3,855	– 3,507
Obligation at year-end	– 51,921	– 175	– 3,855	– 3,507
Asset at year-end	7,215	–	–	–

Movements in the defined benefit obligation for the pension scheme	2013	2012
Benefit obligations at 1 January	855,156	686,179
Annual costs	17,981	14,304
Interest costs	28,841	31,084
Participants' contribution	4,768	5,052
Actuarial (gains)/losses	– 7,872	– 8,867
Gross benefits	– 13,817	– 14,242
Transfers	– 1,418	– 331
Discontinuation	– 2,418	– 5,206
Changed assumptions	– 60,178	147,183
Benefit obligations at 31 December	**821,043**	**855,156**

Movements in the defined benefit obligation for the early retirement scheme	2013	2012
Benefit obligations at 1 January	175	10
Annual costs	–	165
Discontinuation	– 5	–
Benefit obligations at 31 December	**170**	**175**

Movements in the defined benefit obligation for employee rebates	2013	2012
Benefit obligations at 1 January	4,310	3,577
Annual costs	300	254
Interest costs	113	165
Actuarial (gains)/losses	– 619	–
Gross benefits	– 163	– 178
Discontinuation	–	– 254
Changed assumptions	– 156	746
Benefit obligations at 31 December	**3,785**	**4,310**

Movements in the defined benefit obligation for the jubilee benefits scheme	2013	2012
Benefit obligations at 1 January	3,507	2,971
Annual costs	342	252
Interest costs	81	135
Actuarial (gains)/losses	– 527	–
Gross benefits	– 203	– 232
Discontinuation	– 371	– 165
Changed assumptions	– 128	546
Benefit obligations at 31 December	**2,701**	**3,507**

Movements in the fair value of pension plan assets	2013	2012
Fair value at 1 January	810,450	701,726
Expected return on plan assets	27,859	33,095
Actuarial gains/(losses)	– 45,557	52,010
Employer’s contribution	24,548	37,873
Employee’s contribution	4,391	4,391
Gross benefits	– 13,648	– 14,020
Transfers	– 1,418	– 2,945
Costs	– 1,353	– 1,680
Fair value at 31 December	**805,272**	**810,450**
Actual return on plan assets	– 17,698	85,105

The 2013 employer’s contribution includes recovery payments made for a total amount of € 0.0 million (2012: € 8.4 million).

Annual costs of pension scheme included in the statement of income	2013	2012
Annual costs	17,830	14,304
Net interest income	28,622	31,084
Expected return	– 27,640	– 33,095
Additional charges	1,138	1,326
Discontinuation, restriction of benefits	– 2,203	– 1,160
Amortisation	5	5
Net costs	**17,752**	**12,464**

An amount of € 2.2 million was released from the pension obligation to the statement of income in 2013 as a result of the restructuring that started at Van Lanschot Bankiers in 2012 (2012: € 1.2 million).

Annual costs of early retirement scheme included in the statement of income	2013	2012
Annual costs	–	165
Discontinuation, restriction of benefits	– 5	–
Net costs	**– 5**	**165**

Annual costs of employee rebates scheme included in the statement of income	2013	2012
Annual costs	300	254
Net interest income	113	165
Net costs	**413**	**419**

Annual costs of jubilee benefits scheme included in the statement of income	2013	2012
Annual costs	302	252
Net interest income	81	135
Amortisation	–	381
Discontinuation, restriction of benefits	– 371	–
Net costs	**12**	**768**

Investment categories of pension plan assets of Stichting Pensioenfonds F. van Lanschot at 31 December 2013

The investment mix for the pension fund is set by an Asset-Liability Matching study which is designed to construct an investment mix which is as closely as possible in line with the fund's liabilities in the long term.

- Interest rate risk is hedged within the matching portfolio. The pension fund's liabilities generally have a longer maturity than its assets. The fund's policy is to hedge 60% of the interest rate risk to restrict the mismatch.
- The return portfolio is a mix of investments in equities, bonds and property and is designed to generate investment income at an acceptable degree of risk.

The pension fund also runs currency risk as the liabilities are denominated in euros but some of the investments are denominated in foreign currencies. The fund's policy is to hedge the currency risk in the bonds but not that in equities.

The fair value of the pension fund's investments is not significantly different as a result of the application of IFRS 13.

Fair value of the investments by category at 31 December 2013

Fixed-income	571,631	71%
Equities	166,430	21%
Mixed funds	10,710	1%
Property	22,739	3%
Cash and cash equivalents	2,354	0%
Other	31,408	4%
Total	**805,272**	**100%**

The most significant actuarial assumptions made at the reporting date	**2013**	**2012**
Actuarial interest rate pension	3.8 – 3.9	3.15 – 3.4
Actuarial interest rate employee rebates	2.9	2.5
Actuarial interest rate jubilee benefits	2.7	2.2
Expected return on investments	3.8 – 3.9	3.15 – 3.4
Price inflation	2.0	2.0 – 2.5
General salary increase	1.25 – 2.0	2.0 – 2.5
Career promotions (up to age of 50)	2.0	1.0 – 1.8
Pension increase/increase in social charges	1.25 – 2.0	2.0 – 2.5
Retirement age	65 – 67 years	62 – 65 years

In the calculations at 31 December 2013, the mortality table as published by the Association of Actuaries (Prognosetafel AG 2012-2062) were used, with empirical mortality rates.

The calculations are based on assumptions. The sensitivity of the pension obligations and annual costs to certain significant assumptions are set out below.

Sensitivity to assumptions in 2013	Defined benefit obligations	Annual cost in the statement of income
Fall in discount rate of 0.1%	+2.1%	+2.3%
Halving of probability of leaving employment	+0.4%	+2.5%
Doubling of the adjustment for abnormal mortality	+7.3%	+10.5%

History of movements in pension scheme gains and losses	2013	2012	2011	2010
Defined benefit obligations	821,043	855,156	686,179	651,132
Fair value of plan assets	805,272	810,450	701,726	588,063
Surplus/(deficit)	**– 15,771**	**– 44,706**	**15,547**	**– 63,069**
Actuarial gains/(losses) on obligations	72,751	– 138,316	– 12,744	19,890
Actuarial gains/(losses) on investments	– 5,064	52,010	21,411	156

Expected contribution for 2014	Pension obligations	Employee rebates	Jubilee benefits scheme
Total	**31,574**	**374**	**344**
Expected employer's contribution	27,338	374	344
Expected employees' contribution	4,236	–	–

Restructuring provision	2013	2012
Balance at 1 January	14,770	–
Withdrawal	– 14,489	– 9,824
Release	– 3,131	–
Additions	12,188	24,594
Other changes	524	–
Balance at 31 December	**9,862**	**14,770**

Van Lanschot started a restructuring programme in 2012 in response to the changing market situation. The programme continued in 2013 following the strategic reorientation. Under this programme, a significant cost reduction will be achieved, and additional investments will be made in the quality of the organisation and the service offering.

The restructuring provision at 31 December 2013 mainly comprised expected lump-sum payments. These will be made during 2014.

Other provisions	2013	2012
Balance at 1 January	3,710	4,700
Withdrawal	– 95	– 582
Release	– 1,212	– 1,069
Reclassification	– 429	–
Additions	920	641
Other changes	– 1	20
Balance at 31 December	**2,893**	**3,710**

20 Current tax liabilities

	31/12/2013	31/12/2012
Total	**22,904**	**7,397**
Tax payable	22,904	7,397

21 Deferred tax liabilities

Movements 2013	Property, plant and equipment	Intangible assets	Derivatives	Investment portfolio	Employee benefits	Other	**Total**
Balance at 1 January	3,305	9,366	– 1,064	8,856	1,804	266	**22,533**
Withdrawals through profit or loss	– 1,071	– 2,483	–	–	–	– 85	**– 3,639**
Total through profit or loss	**– 1,071**	**– 2,483**	**–**	**–**	**–**	**– 85**	**– 3,639**
Directly to/from equity	–	–	– 1,182	– 8,561	– 1,507	–	**– 11,250**
Expansion of basis of consolidation	714	–	–	–	–	–	**714**
Balance at 31 December	**2,948**	**6,883**	**– 2,246**	**295**	**297**	**181**	**8,358**

Movements 2012	Property, plant and equipment	Intangible assets	Derivatives	Investment portfolio	Employee benefits	Other	**Total**
Balance at 1 January	6,349	18,513	– 986	– 657	16,828	1,485	**41,532**
Change in accounting policies	–	–	–	–	– 13,402	–	**– 13,402**
Balance at 1 January after change in accounting policies	6,349	18,513	– 986	– 657	3,426	1,485	**28,130**
Withdrawals through profit or loss	– 3,044	– 9,147	–	–	– 1,622	– 1,219	**– 15,032**
Total through profit or loss	**– 3,044**	**– 9,147**	**–**	**–**	**– 1,622**	**– 1,219**	**– 15,032**
Directly to/from equity	–	–	– 78	9,513	–	–	**9,435**
Balance at 31 December	**3,305**	**9,366**	**– 1,064**	**8,856**	**1,804**	**266**	**22,533**

For more information, reference is made to note 36.

22 Other liabilities	31/12/2013	31/12/2012
Total	**291,978**	**370,643**
Interest payable	150,651	215,286
Other accruals and deferred income	55,705	63,906
Other liabilities	85,622	91,451

The line item Other liabilities consists of income received to be credited to future periods and amounts payable such as accrued interest, payables, suspense accounts and unsettled items.

The carrying amount is a reasonable approximation of fair value.

23 Subordinated loans	31/12/2013	31/12/2012
Total	**128,218**	**132,482**
Certificates of indebtedness	100,000	100,000
Other subordinated loans	28,218	32,482

The value adjustment of the subordinated loans used as hedged items is recognised under the line item Subordinated loans.

Amortised cost versus carrying amount subordinated loans at 31/12/2013	Amortised cost	Value adjustment fair value hedge accounting	Carrying amount
Total	**126,668**	**1,550**	**128,218**
7.233% subordinated bond loan 08/33	25,000	–	25,000
7.182% subordinated bond loan 08/38	25,000	–	25,000
7.131% subordinated bond loan 08/43	50,000	–	50,000
Other subordinated loans	26,668	1,550	28,218

The average coupon on the other subordinated loans was 5.91% in 2013 (2012: 6.14%).

The fair value of subordinated loans of € 146.8 million (2012: € 132.5 million) is based on the present value of cash flows at appropriate interest rates for subordinated loans with a comparable remaining term to maturity and taking into account own credit risk and so comes under Level 3 of the fair value hierarchy.

Amortised cost versus carrying amount subordinated loans at 31/12/2012	Amortised cost	Value adjustment fair value hedge accounting	Carrying amount
Total	**130,778**	**1,704**	**132,482**
5.357% subordinated bond loan 08/33	25,000	–	25,000
5.306% subordinated bond loan 08/38	25,000	–	25,000
5.255% subordinated bond loan 08/43	50,000	–	50,000
Other subordinated loans	30,778	1,704	32,482

24 Equity

24 Equity		31/12/2013		31/12/2012
Total		**1,338,966**		**1,315,208**
Equity attributable to shareholders of Van Lanschot NV				
Issued capital		41,017		41,017
Treasury shares		– 2,135		– 3,638
Share premium		479,914		479,914
Revaluation reserve	21,908		43,742	
Actuarial results on defined benefit pension plan	– 81,616		– 98,560	
Currency translation reserve	– 1,222		– 687	
Reserve cash flow hedges	– 6,743		– 3,191	
Retained earnings	803,134		953,834	
Other reserves		735,461		895,138
Undistributed profit (attributable to shareholders of Van Lanschot NV)		29,230		– 150,083
Equity attributable to shareholders of Van Lanschot NV		**1,283,487**		**1,262,348**
Equity attributable to equity instruments issued by subsidiaries				
Equity instruments issued by subsidiaries		36,063		36,063
Undistributed profit attributable to equity instruments issued by subsidiaries		1,125		1,132
Equity attributable to equity instruments issued by subsidiaries		**37,188**		**37,195**
Equity attributable to other non-controlling interests				
Other non-controlling interests		15,140		13,995
Undistributed profit attributable to other non-controlling interests		3,151		1,670
Equity attributable to other non-controlling interests		**18,291**		**15,665**

Issued share capital

	31/12/2013 Number	31/12/2013 Value in € thousand	31/12/2012 Number	31/12/2012 Value in € thousand
Ordinary A shares (nominal value € 1)	41,016,668	41,017	38,705,997	38,706
Ordinary B shares (nominal value € 1)	–	–	2,310,671	2,311
Issued capital	**41,016,668**	**41,017**	**41,016,668**	**41,017**
Shares in portfolio	93,983,332	93,983	93,983,332	93,983
Authorised capital	**135,000,000**	**135,000**	**135,000,000**	**135,000**

Movements in issued share capital 2013

	Ordinary A shares Number	Ordinary A shares Value in € thousand	Ordinary B shares Number	Ordinary B shares Value in € thousand
Issued share capital at 31 December	38,705,997	38,706	2,310,671	2,311
Conversion of ordinary B shares into ordinary A shares	2,310,671	2,311	– 2,310,671	– 2,311
Issued share capital at 31 December	41,016,668	41,017	–	–

Movements in issued share capital 2012

	Ordinary A shares Number	Ordinary A shares Value in € thousand	Ordinary B shares Number	Ordinary B shares Value in € thousand
Issued share capital at 31 December	34,159,225	34,159	6,857,443	6,858
Conversion of ordinary B shares into ordinary A shares	4,546,772	4,547	– 4,546,772	– 4,547
Issued share capital at 31 December	38,705,997	38,706	2,310,671	2,311

In 2013, a number of principal shareholders converted part of their interests held in the form of ordinary B shares into ordinary A shares, as a result of which the composition of the issued capital changed. As a result of this conversion all the issued ordinary B shares have now been converted into ordinary A shares.

All shares were paid up in cash. Owing to option rights outstanding at 31 December 2013, the number of ordinary shares could increase by 13,070 or 0.03% of the number of outstanding ordinary shares at year-end 2013. Furthermore, during the financial year, the bank conditionally granted rights to acquire 142,750 depositary receipts for ordinary A shares for no consideration. The company holds 90,416 depositary receipts for ordinary A shares to meet the open positions (2012: 136,746).

Conditional and unconditional share and option plans	2013		2012	
Exercise period to	Number	Average exercise price (€)	Number	Average exercise price (€)
2013	–	–	160,993	73.53
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
Options granted unconditionally	**13,070**	**62.84**	**174,063**	**72.73**
Conditional shares	**238,298**	**n/a**	**142,827**	**n/a**

Since 2008, option rights have no longer been granted. The managing directors held a total of 210,466 shares and depositary receipts for shares in the company at year-end 2013.

Further details on the stock (option) plan for employees and members of the Board of Managing Directors are provided on page 57 of this report.

Movements in reserves 2013	Revaluation reserve available-for-sale investments		Actuarial results on defined benefit pension plan	Currency translation reserve	Cash flow hedge reserve	Retained earnings	**Total**
	equity instruments	debt instruments					
Balance at 1 January	19,717	24,025	– 98,560	– 687	– 3,191	953,834	**895,138**
Net changes in fair value	2,830	– 4,150	–	–	– 3,552	–	**– 4,872**
Realised gains/losses through profit or loss	– 1,049	– 19,465	–	–	–	–	**– 20,514**
Profit appropriation	–	–	–	–	–	– 158,167	**– 158,167**
Options exercised	–	–	–	–	–	– 465	**– 465**
Actuarial results	–	–	16,944	–	–	–	**16,944**
Other changes	–	–	–	– 535	–	7,932	**7,397**
Balance at 31 December	**21,498**	**410**	**– 81,616**	**– 1,222**	**– 6,743**	**803,134**	**735,461**
Tax effects	7	8,558	– 5,737	–	1,184	–	**4,012**

In 2013, no dividend was made payable for the year 2012.

Movements in reserves 2012	Revaluation reserve available-for-sale investments		Actuarial results on defined benefit pension plan	Currency translation reserve	Cash flow hedge reserve	Retained earnings	**Total**
	equity instruments	debt instruments					
Balance at 1 January	26,063	– 1,690	–	– 1,055	– 2,933	937,267	**957,652**
Change in accounting policies*	–	–	– 45,913	–	–	–	**– 45,913**
Balance at 1 January (restated)	**26,063**	**– 1,690**	**– 45,913**	**– 1,055**	**– 2,933**	**937,267**	**911,739**
Net changes in fair value	8,087	35,059	–	–	– 1,741	–	**41,405**
Realised gains/losses through profit or loss	– 7,781	– 9,344	–	–	1,483	–	**– 15,642**
Net impairments (to profit or loss)	124	–	–	–	–	–	**124**
Profit appropriation	–	–	–	–	–	18,133	**18,133**
Options exercised	–	–	–	–	–	– 1,406	**– 1,406**
Actuarial results	–	–	– 52,647	–	–	–	**– 52,647**
Reclassification	– 6,776	–	–	–	–	–	**– 6,776**
Other changes	–	–	–	368	–	– 160	**208**
Balance at 31 December	**19,717**	**24,025**	**– 98,560**	**– 687**	**– 3,191**	**953,834**	**895,138**
Tax effects	731	– 10,033	17,708	–	86	–	**8,492**

* Reference is made to the Changes in presentation and accounting policies section for details of the restatement.

In 2012, the dividend per ordinary share for 2011 was set at € 0.40.

Nature and purpose of other reserves

Treasury shares: This item includes the cost price of own shares held by Van Lanschot in order to cover the open option position.

Share premium: This reserve includes amounts paid to Van Lanschot by shareholders above the nominal value of purchased shares.

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

Actuarial results on defined benefit pension plan: This reserve includes 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) includes currency translation differences resulting from the valuation of investments in group companies at the ruling exchange rate insofar as the currency rate risk is not hedged.

Cash flow hedges reserve: This reserve includes 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: This reserve includes past profits added to equity and the costs and the changes in connection with the share option plan.

Movements in equity instruments issued by subsidiaries	2013			2012		
	Equity instruments issued by subsidiaries	Undistributed profit attributable to equity instruments issued by subsidiaries	**Total**	Equity instruments issued by subsidiaries	Undistributed profit attributable to equity instruments issued by subsidiaries	**Total**
Balance at 1 January	36,063	1,132	**37,195**	36,063	7,587	**43,650**
Dividend	–	– 1,132	**– 1,132**	–	– 7,587	**– 7,587**
Result for the period	–	1,125	**1,125**	–	1,132	**1,132**
Balance at 31 December	**36,063**	**1,125**	**37,188**	**36,063**	**1,132**	**37,195**

Equity instruments issued by subsidiaries

On 29 October 2004, Van Lanschot issued Perpetual Capital Securities for an amount of € 165 million at an issue price of 100%. In 2011, many holders of these securities accepted the exchange (conversion into new senior bonds) and cash tender offer. The securities do not have a maturity date, but Van Lanschot reserves the right to repay the entire loan at face value on each coupon payment date after ten years. The securities have a variable dividend that is linked to the effective interest rate on ten-year government bonds at the interest rate revision date plus a mark-up. The maximum total dividend percentage is 8%. Dividend is revised every six months. Van Lanschot can postpone payment on the securities, provided that no payments are made on ordinary shares and no ordinary shares are repurchased by the company. The same dividend percentage applies to any deferred payments and the principal.

On 14 December 2005, Van Lanschot issued Perpetual Capital Securities for an amount of € 150 million at an issue price of 100%. In 2011, many holders of these securities accepted the cash tender offer. The securities do not have a maturity date, but Van Lanschot reserves the right to repay the entire loan at face value on each coupon payment date after ten years. The securities have a fixed dividend of 4.855% in the first ten years; if the capital securities are not repaid after ten years, the dividend is linked to the three-month Euribor with a 2.32% mark-up. Van Lanschot can postpone payment on the securities, provided that no payments are made on ordinary shares and no ordinary shares are repurchased by the company. The same dividend percentage applies to any deferred payments and the principal.

Movements in other non-controlling interests	2013			2012		
	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**
Balance at 1 January	13,995	1,670	**15,665**	13,932	1,041	**14,973**
Profit appropriation	– 3	3	**–**	– 64	64	**–**
Dividend	–	– 1,673	**– 1,673**	–	– 1,105	**– 1,105**
Result for the period	–	3,151	**3,151**	–	1,670	**1,670**
Acquisition of interest	1,158	–	**1,158**	133	–	**133**
Other changes	– 10	–	**– 10**	– 6	–	**– 6**
Balance at 31 December	**15,140**	**3,151**	**18,291**	**13,995**	**1,670**	**15,665**

25 Contingent liabilities

	31/12/2013	31/12/2012
Total	**177,912**	**217,874**
Guarantees, etc.	151,145	178,970
Irrevocable documentary letters of credit	14,245	21,118
Other	12,522	17,786

For several group companies, guarantees have been issued for an amount of € 271.9 million (2012: € 318.4 million). The date on which these contingent liabilities will be claimed cannot be predicted.

26 Irrevocable commitments

	31/12/2013	31/12/2012
Total	**447,342**	**1,033,277**
Unused credit facilities	105,801	157,509
Sale and repurchase commitments	330,275	849,134
Other	11,266	26,634

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

€ thousand

27 Net interest income

	2013	2012
Interest income		
Total	**780,728**	**917,465**
Interest income on cash equivalents	490	949
Interest income on banks and private sector	492,027	565,581
Other interest income	934	1,930
Interest income on items not recognised at fair value	**493,451**	**568,460**
Interest income on available-for-sale investments	16,328	17,074
Interest income on loans at fair value	17,393	22,508
Interest income on derivatives	253,556	309,423
Interest expense		
Total	**568,517**	**685,286**
Interest expense on banks and private sector	170,525	250,101
Interest expense on issued debt securities	81,281	67,575
Interest expense on subordinated loans	9,064	8,758
Other interest expense	682	405
Interest expense on items not recognised at fair value	**261,552**	**326,839**
Interest expense on derivatives	306,965	358,447

The interest result on loans subject to impairment is € 16.2 million (2012: € 15.9 million).

The average expected term of the loan portfolio was adjusted in 2013, reducing the expected term of money loans. The amortisation period of the lending commission was adjusted accordingly.

28 Income from securities and associates

	2013	2012
Total	**17,126**	**21,088**
Dividend and fees	3,033	4,497
Movements in value of investments at fair value through profit or loss	47	4,508
Gains on sale of available-for-sale investments in equity instruments	1,049	5,182
Other gains on sale	2,395	–
Income from associates using the equity method	10,602	6,901

29 Net commission income	2013	2012
Total	**233,277**	**216,786**
Securities commission	47,252	47,591
Management commission	140,672	119,366
Cash transactions and funds transfer commission	15,987	18,990
Corporate Finance commission	21,911	18,952
Other commission	7,455	11,887

30 Result on financial transactions	2013	2012
Total	**66,273**	**54,256**
Profit on securities trading	3,424	3,742
Profit on currency trading	13,064	14,587
Unrealised gains/losses on derivatives under hedge accounting	1,157	4,585
Realised and unrealised gains/losses on trading derivatives	4,640	– 239
Realised gains/losses on available-for-sale debt instruments	26,359	11,287
Result on economic hedges	32,040	– 19,120
Result on financial assets designated as at fair value through profit or loss	– 14,411	39,414

31 Other income	2013	2012
Total	**22,306**	**17,455**
Sales	132,644	154,948
Cost of sales	– 110,338	– 137,493

Other income comprises income from non-banking subsidiaries, in particular in the medical sector.

32 Staff costs	2013	2012
Total	**239,662**	**236,845**
Salaries and wages	185,722	185,078
Pension costs defined contribution schemes	2,714	4,734
Pension costs defined benefit schemes	19,963	14,985
Other social security costs	21,804	22,177
Share-based payments	1,316	1,040
Other staff costs	8,143	8,831

An amount of € 0.8 million was added to equity for the share-based payments (2012: € 1.0 million).

Of the pension costs for defined contribution schemes, € 0.5 million (2012: € 0.5 million) concerns members of the Board of Managing Directors.

The average number of staff employed in 2013 was 2,213 (2012: 2,277). Expressed in full-time equivalents, the average number of staff was 2,041 (2012: 2,077).

Average number of staff (FTE)	2013	2012
Total	**2,041**	**2,077**
The Netherlands	1,872	1,878
Belgium	129	133
Other	40	66

Unconditional options granted to staff and members of the Board of Managing Directors	2013		2012	
	Number of options	Average exercise price (€)	Number of options	Average exercise price (€)
Balance at 1 January	174,063	72.73	310,979	64.42
Options exercised	–	–	–	–
Expired and forfeited options	– 160,993	73.53	– 136,916	53.86
Balance at 31 December	**13,070**	**62.84**	**174,063**	**72.73**

The options granted unconditionally can be exercised twice a year during the open period after publication of the interim and full-year figures. In 2013, no option rights were exercised.

Conditional depositary receipts for shares granted to the members of the Board of Managing Directors	2013	2012
Balance at 1 January	–	27,679
Commitments	–	–
Granted	–	– 27,679
Balance at 31 December	**–**	**–**

Conditional depositary receipts for shares granted to employees (excluding members of the Board of Managing Directors)	2013	2012
Balance at 1 January	142,827	85,074
Commitments	142,750	127,814
Granted	– 28,129	– 59,997
Forfeited rights	– 19,150	– 10,064
Balance at 31 December	**238,298**	**142,827**

The fair value is determined based on the volume-weighted price for the day of the depositary receipts for ordinary A shares on the second trading day after publication of the annual figures of Van Lanschot NV. The depositary receipts granted in 2013 had a fair value of € 13.62 (2012: € 21.01). Dividend is not taken into account.

In 2013, 19,296 conditional depositary receipts for shares were granted to the general managers, other than members of the Board of Managing Directors (2012: 13,500).

Share-based employee benefits: Management Investment Plan (MIP)

Under the terms of the Kempen MIP, selected Kempen employees purchase ordinary shares indirectly held in Kempen's share capital and Kempen profit-sharing certificates. Kempen issued these shares and profit-sharing certificates to Coöperatie MIP, a cooperative in which nearly all membership rights are owned by Stichting MIP, which issues depositary receipts to selected employees in exchange for payment of the issue price.

The depositary receipts grant participants the indirect right of beneficial ownership of the underlying shares and profit-sharing certificates. Any dividends that Kempen pays on the ordinary shares owned by Coöperatie MIP and the right to profit on the profit-sharing certificates are distributed to Coöperatie MIP, which in turn pays these distributions on to the members of Stichting MIP and Van Lanschot.

Stichting MIP transfers the distributions to the participants once a year. The issue price of the depositary receipts is financed by the individual participants themselves, who are not offered or provided with any financial support by Van Lanschot or Kempen for this purpose.

Stichting MIP may require that a participant sells his or her depositary receipts to an individual or entity it has designated by Stichting MIP in the event that the participant's employment contract is terminated or the participant is declared bankrupt or is granted extension of payment, or in the event that Stichting MIP makes a request to this effect.
A discount on the transaction price of the depositary receipts may apply when a participant transfers depositary receipts, and this condition is taken into account while the participant continues to perform work. This discount is applied to ensure the participants have a long-term commitment to Kempen or its subsidiaries.

In the event that no such long-term commitment materialises, the proceeds to be received by the departing participant are reduced by applying a discount to the underlying issue price of the depositary receipts and no profit is distributed for the year in which the participant leaves the scheme.

Coöperatie MIP has granted Van Lanschot a call option to acquire the outstanding shares and profit-sharing certificates owned 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, for the first time on 1 January 2016.
Van Lanschot may only exercise the option in the event of unforeseen circumstances that are beyond the control of the participants and Kempen or Van Lanschot. Therefore, the execution of the call option is designated as a deferred settlement alternative.

In 2013, F. van Lanschot Bankiers NV transferred 1,158,000 membership rights to Stichting MIP for the issue of 1,158 depositary receipts for shares to Kempen & Co NV employees. The sale price of these depositary receipts was € 1,000 and represents the fair value of the depositary receipts at the moment of transfer.

The structure of the MIP was revised in 2013 to permit the formation of a fiscal unity between Van Lanschot and Kempen & Co. The special class of B shares in Kempen & Co which were held by Coöperatie MIP were exchanged for ordinary shares and profit-sharing certificates in Kempen. This revision has de facto no consequences for the participants in the MIP.

At 31 December 2013, 13,686 depositary receipts were in issue, corresponding to 91% of the total number of underlying depositary receipts available for issue under the Kempen MIP. The remaining depositary receipts (9%) are currently held by F. van Lanschot Bankiers NV and are available for the future issue of depositary receipts by Stichting MIP. Stichting MIP intends to issue depositary receipts to selected Kempen employees representing at most 5% of Kempen's total share capital.

33 Other administrative expenses

	2013	2012
Total	**153,081**	**181,636**
Accommodation expenses	19,177	20,905
Marketing and communication expenses	10,654	10,427
Office expenses	15,277	16,036
IT expenses	61,598	85,488
Fees external auditor	2,662	2,453
Consultancy fees	12,024	9,956
Travel and hotel costs	10,942	11,223
Fees information suppliers	6,906	6,984
Costs of payment transactions	4,831	5,618
Other administrative expenses	9,010	12,546

The consultancy fees concern, among other things, advisory services (business consultancy, tax) and the implementation and maintenance of software and hardware.

The fees paid to the external auditor (and its network of offices) can be broken down as follows:

Fees paid to the external auditor	2013	2012
Total	**1,776**	**2,007**
Fee for audit of financial statements	1,301	1,445
Fee for other audit services	184	359
Fee for tax services	193	185
Other fees	98	18

34 Depreciation and amortisation

	2013	2012
Total	**15,890**	**30,719**
Buildings	4,510	6,022
IT, software and communication equipment	3,801	3,533
Application software	5,604	7,637
Intangible assets by virtue of acquisitions	6,819	12,485
Results on disposals of property, plant and equipment	– 8,243	– 2,253
Other depreciation and amortisation	3,399	3,295

35 Impairments

	2013	2012
Total	**105,117**	**258,021**
Loans and advances to the private sector	102,385	113,365
Available-for-sale investments	1,074	1,349
Other financial assets and associates	16	1,678
Property, plant and equipment	220	10,137
Reversal of impairment on property, plant and equipment	– 5,629	–
Goodwill and intangible assets	5,120	128,715
Assets acquired through foreclosures	1,931	2,777

The line item Available-for-sale investments comprises the required impairments, resulting from the fact that the fair value of the investments concerned is significantly or prolonged below cost, as laid down in the relevant policy.

The line item Other financial assets and associates concerns the required impairments of associates using the equity method.

The line item Property, plant and equipment comprises the required impairments resulting from the fact that the estimated recoverable value (the higher of value in use and fair value less costs to sell) of a number of office buildings is below the carrying amount.

The line item Assets acquired through foreclosures comprises the required impairments resulting from the fact that the estimated net realisable value of these assets is below the carrying amount.

The impairment on the line item Goodwill and intangible assets in 2013 mainly concerns Non-strategic investments. In 2012, it mainly concerned the acquisition of private and business banking activities of CenE Bankiers in 2004 and private and business banking activities of Kempen in 2006. The impairment does not relate to Kempen's current activities.

36 Income tax

	2013	2012
Operating profit before tax from continuing operations	37,443	– 165,457
Profit before tax from discontinued operations	–	–
Total gross result	**37,443**	**– 165,457**
Prevailing tax rate in the Netherlands	25.0%	25.0%
Expected tax	9,361	– 41,364
Tax on continuing operations	3,937	– 18,176
Tax on discontinued operations	–	–
Total	**3,937**	**– 18,176**
Increase/decrease in tax payable due to		
Tax-free interest	– 2,113	– 1,217
Tax-free income from securities and associates	– 4,558	– 5,054
Non-deductible impairments	1,218	26,091
Non-deductible expenses	955	694
Non-deductible losses	–	995
Adjustments to taxes of prior years	– 1,140	431
Impact of foreign tax rate differences	48	550
Other changes	166	698
	– 5,424	**23,188**

This tax amount consists of the tax expense for the financial year on the operating result as disclosed in the statement of income. Tax relief facilities are taken into account in determining the tax expense.

The tax burden differs from the standard tax rate owing to the equity holding exemption and the non-deductible goodwill impairments in particular.

Important components of income tax		2013	2012
Total		**3,937**	**– 18,176**
Standard income tax		6,320	11,565
(Income)/expense by virtue of foreign tax rate differences		48	550
(Income)/expense by virtue of changes in deferred tax assets	(12)	2,348	– 15,690
(Income)/expense by virtue of changes in deferred tax liabilities	(21)	– 3,639	– 15,032
(Income)/expense by virtue of prior-year adjustments		– 1,140	431

The breakdown by components of the deferred tax assets and liabilities is as follows:

Deferred tax assets	2013	2012
Total	**59,797**	**69,698**
Employee benefits	3,887	28,763
Commission	311	390
Losses available for set-off	55,267	39,484
Other	332	1,061

Deferred tax liabilities	2013	2012
Total	**8,358**	**22,533**
Property, plant and equipment	2,948	3,305
Intangible assets	6,883	9,366
Employee benefits	297	1,804
Derivatives	– 2,246	–1,064
Investment portfolio	295	8,856
Other	181	266

37 Earnings per ordinary share	2013	2012
Net result	33,506	– 147,281
Interest on equity instruments issued by subsidiaries	– 1,125	– 1,132
Non-controlling interests	– 3,151	– 1,670
Net result attributable to shareholders of Van Lanschot NV	**29,230**	**– 150,083**
Weighted average number of ordinary shares outstanding	40,917,566	40,883,330
Earnings per ordinary share (€)	0.71	– 3.67
Dividend per ordinary share (€)	0.20	–

To calculate earnings per ordinary share, the number of ordinary shares consists solely of the weighted average number of shares outstanding. The treasury shares held by the company are not included in the number of shares outstanding.

38 Diluted earnings per ordinary share

	2013	2012
Net result attributable to shareholders of Van Lanschot NV	**29,230**	**– 150,083**
Weighted average number of ordinary shares outstanding	40,917,566	40,883,330
Potential shares	212,161	141,652
Weighted average number of ordinary shares outstanding fully diluted	41,129,727	41,024,982
Diluted earnings per ordinary share (€)	0.71	– 3.67

Diluted earnings per ordinary share are calculated in a manner similar to earnings per ordinary share, taking into account the number of potential shares that could lead to dilution. Diluted earnings per ordinary share are based on the weighted average number of ordinary shares that would be in issue upon conversion into ordinary shares of all potential shares.

Options can lead to dilution if this would entail shares being issued at a price lower than the average price of the ordinary shares during the period.

ASSOCIATES ACQUIRED IN 2013

Holowell Holding BV
On 4 January 2013, Van Lanschot agreed to acquire 90.23% of the shares and voting rights in Holowell Holding BV as part of a debt conversion under which, following the acquisition, part of the debt was converted into equity. There was no cash flow. Holowell Holding BV's operating company, Holonite BV, manufactures, works, processes and trades in artificial and natural stone products. Since 1 January 2013, the income and expenses have been for Van Lanschot. Van Lanschot's interest in Holowell Holding BV is not strategic. Van Lanschot intends to dispose of the shares in due course.

The allocation of the acquisition price to the fair value of the acquired assets (inclusive of any identifiable intangible assets), liabilities and contingent liabilities at the acquisition date is set out in the table below. The non-controlling interest is recognised at nil.

	Fair value of acquisitions	Carrying amount of acquisitions
Cash and cash equivalents	4	4
Other financial assets	–	–
Property, plant and equipment	7,418	7,418
Intangible assets	–	–
Other assets	2,392	2,392
Total identifiable assets	9,814	9,814
Deferred tax liabilities	714	714
Other liabilities	19,645	19,645
Total identifiable liabilities	20,359	20,359
Total net assets	**– 10,545**	**– 10,545**
Goodwill	10,545	
Acquisition price less attributable costs	–	
Offset against loans and advances	10,000	
Gross payment	**10,000**	
Cash and cash equivalents acquired	– 4	
Net payment	**9,996**	

The acquiree contributed € 5.1 million to Van Lanschot's revenue in 2013 and a loss of € 5.4 million to Van Lanschot's result in 2013 from the date of acquisition.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY CATEGORY AT 31 DECEMBER 2013

€ thousand

	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	–	–	–	1,999,963	–	**1,999,963**
Financial assets held for trading	47,083	–	–	–	–	**47,083**
Due from banks	–	–	–	429,215	–	**429,215**
Financial assets designated as at fair value through profit or loss	–	725,938	–	–	–	**725,938**
Available-for-sale investments	–	–	1,197,731	–	–	**1,197,731**
Loans and advances to the public and private sectors	–	–	–	12,490,723	–	**12,490,723**
Derivatives (receivables)	15,076	165,248	–	–	27,810	**208,134**
Investments in associates using the equity method	–	–	50,385	–	–	**50,385**
Current tax assets	–	–	–	13,616	–	**13,616**
Deferred tax assets	–	–	–	59,797	–	**59,797**
Other assets	–	–	–	190,711	–	**190,711**
Total financial assets	**62,159**	**891,186**	**1,248,116**	**15,184,025**	**27,810**	**17,413,296**
Non-financial assets						**257,069**
Total assets	**62,159**	**891,186**	**1,248,116**	**15,184,025**	**27,810**	**17,670,365**
Liabilities						
Financial liabilities held for trading	798	–	–	–	–	**798**
Due to banks	–	–	–	1,175,422	–	**1,175,422**
Public and private sector liabilities	–	–	–	10,161,397	–	**10,161,397**
Financial liabilities designated as at fair value through profit or loss	–	357,633	–	–	–	**357,633**
Derivatives (liabilities)	15,706	191,581	–	–	92,375	**299,662**
Issued debt securities	–	–	–	3,849,119	–	**3,849,119**
Provisions	–	–	–	35,910	–	**35,910**
Current tax liabilities	–	–	–	22,904	–	**22,904**
Deferred tax liabilities	–	–	–	8,358	–	**8,358**
Other liabilities	–	–	–	291,978	–	**291,978**
Subordinated loans	–	–	–	128,218	–	**128,218**
Total financial liabilities	**16,504**	**549,214**	–	**15,673,306**	**92,375**	**16,331,399**
Non-financial liabilities						**1,338,966**
Total equity and liabilities	**16,504**	**549,214**	–	**15,673,306**	**92,375**	**17,670,365**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY CATEGORY AT 31 DECEMBER 2012

€ thousand

	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	–	–	–	1,647,231	–	**1,647,231**
Financial assets held for trading	52,427	–	–	–	–	**52,427**
Due from banks	–	–	–	430,850	–	**430,850**
Financial assets designated as at fair value through profit or loss	–	631,411	–	–	–	**631,411**
Available-for-sale investments	–	–	913,079	–	–	**913,079**
Loans and advances to the public and private sectors	–	–	–	13,464,234	–	**13,464,234**
Derivatives (receivables)	19,140	179,891	–	–	14,592	**213,623**
Investments in associates using the equity method	–	–	46,443	–	–	**46,443**
Current tax assets	–	–	–	2,552	–	**2,552**
Deferred tax assets	–	–	–	69,698	–	**69,698**
Other assets	–	–	–	195,076	–	**195,076**
Total financial assets	**71,567**	**811,302**	**959,522**	**15,809,641**	**14,592**	**17,666,624**
Non-financial assets						**274,241**
Total assets	**71,567**	**811,302**	**959,522**	**15,809,641**	**14,592**	**17,940,865**
Liabilities						
Financial liabilities held for trading	382	–	–	–	–	**382**
Due to banks	–	–	–	1,522,640	–	**1,522,640**
Public and private sector liabilities	–	–	–	11,368,814	–	**11,368,814**
Financial liabilities designated as at fair value through profit or loss	–	214,355	–	–	–	**214,355**
Derivatives (liabilities)	20,825	235,432	–	–	108,311	**364,568**
Issued debt securities	–	–	–	2,543,905	–	**2,543,905**
Provisions	–	–	–	77,938	–	**77,938**
Current tax liabilities	–	–	–	7,397	–	**7,397**
Deferred tax liabilities	–	–	–	22,533	–	**22,533**
Other liabilities	–	–	–	370,643	–	**370,643**
Subordinated loans	–	–	–	132,482	–	**132,482**
Total financial liabilities	**21,207**	**449,787**	–	**16,046,352**	**108,311**	**16,625,657**
Non-financial liabilities						**1,315,208**
Total equity and liabilities	**21,207**	**449,787**	–	**16,046,352**	**108,311**	**17,940,865**

For the amounts received in 2013 and other details, reference is made to the Remuneration Report on the corporate website of Van Lanschot.

Remuneration of members of the Board of Managing Directors 2013

	Salary	Pension contri-butions*	Variable pay in cash	Severance pay	Compen-sation**	**Total remuner-ation in cash**	Variable remuneration in depositary receipts for shares	Value of options and depositary receipts for shares	**Total**
Total	**2,022**	**468**	–	–	**750**	**3,240**	–	–	**3,240**
Mr Guha	747	168	–	–	**750**	**1,665**	–	–	**1,665**
Mr Huisman	425	100	–	–	–	**525**	–	–	**525**
Mr Korthout	425	100	–	–	–	**525**	–	–	**525**
Mr Sevinga	425	100	–	–	–	**525**	–	–	**525**

* The pension contribution concerns the contribution for a defined contribution scheme and the premium for disability insurance.

** Mr Guha received a contractual non-recurring sum of € 750,000 in partial compensation for loss of earnings at his previous employer.

Mr Deckers' employment contract ended on 30 June 2013. From that date he is available for consultancy work for a maximum of 18 months. He received an one-off payment of € 75,000 for that work in 2013. Mr Deckers' remuneration in 2013 comprised salary of € 325,000 and a pension contribution of € 84,000.

An amount of € 448,000 was charged to the statement of income in 2013 for the 2013 crisis levy on current and former members of the Board of Managing Directors. The levy will be paid in 2014 and is not included in the above table.

Remuneration of members of the Board of Managing Directors 2012

	Salary	Pension contri-butions*	Variable pay in cash	Severance pay**	Compen-sation	**Total remuner-ation in cash**	Variable remuneration in depositary receipts for shares	Value of options and depositary receipts for shares	**Total**
Total	**1,925**	**468**	–	**650**	–	**3,043**	–	–	**3,043**
Mr Deckers	650	168	–	650	–	**1,468**	–	–	**1,468**
Mr Huisman	425	100	–	–	–	**525**	–	–	**525**
Mr Korthout	425	100	–	–	–	**525**	–	–	**525**
Mr Sevinga	425	100	–	–	–	**525**	–	–	**525**

* The pension contribution concerns the contribution for a defined contribution scheme and the premium for disability insurance.

** Mr Deckers stepped down as member and Chairman of the Board of Managing Directors on 1 January 2013. His employment contract terminated on 30 June 2013. The severance pay was paid out to Mr Deckers after expiry of his employment. The costs were recognised in the 2012 financial statements.

The members of the Board of Managing Directors did not own any options for depositary receipts for shares at 31 December 2013.

An amount of € 332,000 was charged to the statement of income in 2012 for the 2012 crisis levy on current and former members of the Board of Managing Directors. The levy was paid in 2013 and is not included in the above table.

Depositary receipts for shares

	Granted conditionally (maximum)			Granted unconditionally			
	year	number	value in € thousand	year	number	value in € thousand	lock-up period until
Mr Sevinga	2007	1,853	122	2010	forfeited	–	n/a
	2008	4,981	330	2011	forfeited	–	n/a
	2009	8,977	330	2012	8,977	189	2017

Number of depositary receipts for shares held by members of the Board of Managing Directors in 2013

	Balance at 1 January	Granted	Sales	Balance at 31 December
Total	**210,466**	–	–	**210,466**
Mr Guha	–	–	–	–
Mr Huisman	5,025	–	–	5,025
Mr Korthout	10,412	–	–	10,412
Mr Sevinga	195,029	–	–	195,029

In 2013, 19,296 depositary receipts for shares were conditionally granted to the general managers, other than members of the Board of Managing Directors (2012: 13,500).

Loans and advances to members of the Board of Managing Directors at 31 December 2013

	Balance at 31 December	Repaid	Interest	Term	Collateral
Total	**3,326**	**473**			
Mr Huisman	1,020	340	3.75%	30	Mortgage
	420	–	variable	30	Mortgage
Mr Korthout	450	13	variable	30	Mortgage
	450	50	3.50%	30	Mortgage
Mr Sevinga	986	70	variable	30	Mortgage

Loans and advances to members of the Board of Managing Directors at 31 December 2012

	Balance at 31 December	Repaid	Interest	Term	Collateral
Total	**7,256**	**764**			
Mr Deckers	974	–	3.60%	30	Mortgage
	976	–	3.25%	30	Mortgage
	400	–	variable	5	Securities
	572	–	4.04%	3	Securities
	350	–	4.05%	30	Securities
	185	–	variable	30	Securities
Mr Huisman	1,360	340	3.75%	30	Mortgage
	420	280	variable	30	Mortgage
Mr Korthout	463	–	variable	30	Mortgage
	500	–	3.50%	30	Mortgage
Mr Sevinga	1,056	144	variable	30	Mortgage

Remuneration of the Supervisory Board

	2013	2012
Total	**435**	**435**
Mr de Swaan	74	74
Mr Streppel	71	71
Mr Duron	63	63
Ms Helthuis (from 2 July 2013)	33	–
Ms Kersten	53	53
Mr van Lanschot	60	60
Ms Lodder (until 14 May 2013)	23	56
Mr Slippens	58	58

No loans or advances had been granted to members of the Supervisory Board at 31 December 2013.

Loans and advances to members of the Supervisory Board at 31 December 2012

	Balance at 31 December	Repaid	Interest	Term	Collateral
Total	**405**	**116**			
Mr van Lanschot	–	71	3.85%	7	None
Ms Lodder	405	45	4.20%	30	Mortgage

Loans and advances to members of the Supervisory Board are granted at arm's length.

The company and its subsidiaries only grant personal loans, guarantees and such to members of the Supervisory Board within the scope of normal operations and at the conditions as laid down in the financial services regulations for directors of F. van Lanschot Bankiers NV and subject to approval of the Supervisory Board. Loans are not remitted.

RELATED PARTIES

The consolidated statement of financial position and consolidated statement of income include the financial data of the subsidiaries mentioned below (which excludes those of relatively minor significance) and entities controlled by Van Lanschot.

Subsidiaries (%)	2013	2012
F. van Lanschot Bankiers NV	100	100
F. van Lanschot Bankiers (Schweiz) AG	100	100
Kempen & Co NV	95	94
Van Lanschot Participaties BV	100	100
Van Lanschot Bankiers Curaçao NV	–	100
Lesalanda BV	100	100

Entities controlled by Van Lanschot (%)	2013	2012
Citadel 2010-I BV	100	100
Citadel 2010-II BV	100	100
Citadel 2011-I BV	100	100
Courtine RMBS 2013-I BV	100	–
Lunet RMBS 2013-I BV	100	–

Affiliated parties	2013		2012	
	Income	Expenditure	Income	Expenditure
Stichting Pensioenfonds F. van Lanschot	358	–	980	–

Parties with significant influence in Van Lanschot

Parties with significant influence in Van Lanschot concern entities with a shareholding of at least 5% in Van Lanschot.

Parties with significant influence in Van Lanschot 2013	Income	Expenditure	Amounts receivable	Amounts payable
Stichting Administratiekantoor van gewone aandelen A Van Lanschot	–	–	–	6
Delta Lloyd	–	129	–	–
Rabobank	52,202	15,635	120,220	56,929
Stichting Pensioenfonds ABP	–	–	–	–
LDDM Holding	6	–	–	631
Stichting FB Oranjewoud	–	–	–	–
SNS Reaal	–	–	–	–

Parties with significant influence in Van Lanschot 2012

	Income	Expenditure	Amounts receivable	Amounts payable
Stichting Administratiekantoor van gewone aandelen A Van Lanschot	–	–	–	3
Delta Lloyd	–	–	–	–
Rabobank	40,211	8,706	108,745	173,273
Stichting Pensioenfonds ABP	–	–	–	–
LDDM Holding	–	–	316	–
Stichting FB Oranjewoud	–	–	–	–
SNS Reaal	–	–	–	–

On 24 May 2013, Stichting Administratiekantoor van gewone aandelen A Van Lanschot reported a 97.61% interest in Van Lanschot. This interest solely comprised ordinary A shares on the date of notification.

On 6 May 2011, Delta Lloyd reported a 30.35% interest in Van Lanschot. This interest comprised depositary receipts for ordinary A shares on the date of notification.

On 31 December 2012, Rabobank Nederland reported a 12.09% interest in Van Lanschot. This interest comprised depositary receipts for ordinary A shares on the date of notification.

On 3 February 2010, APG Algemene Pensioen Groep NV reported a 12.06% interest in Van Lanschot. On this same day, Stichting Pensioenfonds ABP reported an indirect interest of 12.06% (through APG Algemene Pensioen Groep) in Van Lanschot. These interests comprised ordinary B shares, preference A shares and depositary receipts for ordinary A shares on the date of notification.

On 31 December 2008, LDDM Holding reported an 11.25% interest in Van Lanschot. This interest comprised both ordinary B shares and depositary receipts for ordinary A shares on the date of notification.

On 1 April 2012, Stichting FB Oranjewoud reported an 11.08% interest in Van Lanschot. This interest comprised depositary receipts for ordinary A shares on the notification date.

On 1 November 2006, SNS Reaal reported a 7.43% interest in Van Lanschot, which interest solely comprised depositary receipts for ordinary A shares on the date of notification.

The loans to parties with significant influence in Van Lanschot were granted at market conditions, and collateral was provided for the loans. Van Lanschot did not furnish any guarantees in the year under review (2012: none). Both in 2013 and 2012 no impairments were taken on the receivables.

Associates

In 2013, De Zonnewijser and Kempen MIP were associates of Van Lanschot. Both in 2013 and 2012, Van Lanschot did not have any amounts receivable from or payable to these associates. Van Lanschot did not furnish any guarantees in 2013 or 2012.

Kempen MIP

Before the Kempen MIP (Management Investment Plan) was implemented in 2010, all Kempen shares were held by F. van Lanschot Bankiers NV. These shares were all converted into ordinary A shares following the implementation of the Kempen MIP. At the same time, within the scope of this implementation, Kempen issued 1,658,671 new ordinary B shares to Coöperatie MIP in exchange for the payment of a total purchase price of € 15.0 million.

The structure of the MIP was revised in 2013 to permit the formation of a fiscal unity between Van Lanschot and Kempen & Co. The special class of B shares in Kempen & Co which were held by Coöperatie MIP were exchanged for ordinary shares and profit-sharing certificates in Kempen. This revision has de facto no consequences for the participants in the MIP.

Coöperatie MIP has two members – Stichting MIP and F. van Lanschot Bankiers NV – which hold the membership rights issued by Coöperatie MIP. Van Lanschot's membership originates from legal requirements, and its initial financial contribution to Coöperatie MIP amounted to € 100. Stichting MIP issued depositary receipts for its membership right in Coöperatie MIP to selected Kempen employees who accepted this offer, and these depositary receipts were distributed proportionally based on the total number of depositary receipts acquired. The total purchase price was € 15.0 million.

This sum was payable to Coöperatie MIP for the purchase of ordinary shares and profit-sharing certificates issued by Kempen. As long as Kempen staff do not subscribe for all the depositary receipts available for issue, the contribution payable by Van Lanschot to Coöperatie MIP comprises the surplus membership rights that have not yet been acquired by Stichting MIP plus the financial contribution payable by Van Lanschot in accordance with legal requirements.

The surplus membership rights will be offered to the (potential) participants in the next bidding rounds, by effectively reducing Van Lanschot's memberships interest in exchange for payment by Stichting MIP of the pro rata financial contribution originally paid by Van Lanschot. Stichting MIP and Van Lanschot are members of Coöperatie MIP, which holds 1,076,691 ordinary shares and all the profit-sharing certificates issued by Kempen. Both Stichting MIP and Coöperatie MIP were established specifically for the Kempen MIP.

	31/12/2013	31/12/2012
Number of depositary receipts issued	13,686	12,528
Value of membership rights, pre-financed by Van Lanschot (€ thousand)	1,314	2,472
Contribution of Van Lanschot, based on legal requirements (€)	100	100

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, for the first time on 1 January 2016. Van Lanschot may only exercise the option in the event of unforeseen circumstances that are beyond the control of the participants and Kempen or Van Lanschot. Therefore, the execution of the call option is designated as a deferred settlement alternative. At year-end 2013, the fair value of this option was nil (2012: nil).

Shareholdings in which Van Lanschot is a participant

Shareholdings in which Van Lanschot is a participant concern investments in entities where Van Lanschot has significant influence but not control.

Shareholdings in which Van Lanschot is a participant	31/12/2013	31/12/2012
Income	1,796	2,112
Expenditure	2,554	2,316
Amounts receivable	36,373	49,623
Amounts payable	8,232	7,119
Guarantees furnished	586	601
Impairments of receivables	772	1,201
Accumulated impairments of receivables	21,694	20,922

The loans to shareholdings in which Van Lanschot is a participant were granted at market conditions, and collateral was provided for the loans.

Joint ventures in which Van Lanschot is a venturer

Van Lanschot does not have any 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	2013	2012
Total	**14,038**	**18,429**
Minimum lease payments	6,850	11,083
Rent	7,188	7,346

Van Lanschot expects to include the following minimum payments concerning contractually agreed-upon lease and rental agreements in the years to come.

Expected payments for lease and rental agreements	31/12/2013	31/12/2012
Total	**83,715**	**60,787**
< 1 year	18,372	17,038
≥ 1 year < 5 years	42,617	39,403
≥ 5 years	22,726	4,346

Future liabilities (€ million)	31/12/2013	31/12/2012
Rent		
Rent for buildings (including service costs as well as rent for parking spaces)	71.5	46.5
Expected lease payments		
Car lease costs	7.8	8.8
Computer lease costs	0.9	5.2
Lease costs for copying equipment	3.5	0.2
Other future liabilities	–	0.1

The remaining term of the lease and rental agreements is between 3 months and 15 years.

In November 2013, Van Lanschot sold two buildings and entered into rental contracts for them. The leases have a term of 15 years.

Other non-current liabilities

Outsourcing of facility services

Van Lanschot has an outsourcing contract facility services that transferred about 27 types of facility services inclusive of their management. The most important services concern filing, security, maintenance of buildings and installations, catering, mail services (internal and external mail dispatch) and office supplies. Van Lanschot committed itself for the period up to 2016 inclusive for an amount of € 9.5 million per year. The outsourcing contract can be terminated by Van Lanschot with observance of a 3-month notice period. The exit fee depends on the remaining term to maturity of the contract.

Outsourcing of IT activities

On 1 November 2010, Van Lanschot outsourced the management and maintenance of the telecom/network activities to a sourcing partner. Under this contract, Van Lanschot committed itself for the period up to 2016 inclusive for an amount of € 17.0 million.

For the management, maintenance and development of all software applications in use within the bank, Van Lanschot committed itself, after renegotiations in 2013, for the period up to 2017 inclusive for an amount of € 42.6 million.

In view of the long contract terms, the sourcing partners have structured their organisation based on the commitment concluded. Early termination of the contracts could in principle lead to additional costs. The shorter the term to maturity of the contracts, the lower the additional costs.

Licence purchase contract

In May 2013, Van Lanschot entered into a purchase contract for licensing and maintenance of the securities system. Van Lanschot committed itself for the period up to 2019 inclusive for an amount of € 8.9 million. Van Lanschot may terminate the contract 5 years after its commencement. The exit fee depends on the remaining term to maturity of the contract.

Other contingent liabilities

Pension obligations

In 2011, an extension of the 2009 recovery plan was agreed upon in view of the result of the deficient funding ratio of the pension fund. The extended recovery plan provides for two conditional recovery payments a maximum of € 8.4 million each at year end 2012 and 2013. As a result of the funding ratio at year-end 2012, Van Lanschot paid a recovery payment of € 8.4 million to Stichting Pensioenfonds F. van Lanschot Bankiers in 2012. The provisional calculation of the recovery payment at the end of 2013 is € 5.2 million. Payment will be made in 2014.

SEGMENT INFORMATION

The segmentation basis is determined based on operating segments since Van Lanschot's risks and rates of return are affected predominantly by differences in the products and services produced. Van Lanschot's activities are divided into five operating segments. In addition, information is reported geographically based on where the business segment is located. Intra-segment transactions are conducted based on commercial conditions and market circumstances (at arm's length).

Private Banking
Van Lanschot offers high net-worth private individuals a broad range of products in the private banking market. Van Lanschot also focuses on business professionals & executives, healthcare professionals and associations and foundations.

Corporate Banking
Van Lanschot mainly focuses on medium-sized businesses in the corporate market, with a special interest in family businesses. A spin-off to private banking activities is crucial in this respect.

Asset Management
The asset management services focus on high net-worth private individuals, institutions and the in-house funds.

Merchant Banking
The activities in the field of Corporate Finance and Securities focus on a specific target group. This often concerns separate assignments for which one-off fees and commission are received.

Other activities
This comprises non-strategic investments and other activities in the field of interest rate, market and liquidity risk management. From 2012, this segment also includes the one-off charges under the investment and cost reduction programme.

Operating segments 2013 (€ million)

	Private Banking	Corporate Banking	Asset Management	Merchant Banking	Other activities	**Total**
Statement of income						
Interest income	765.6	143.2	–	3.2	– 131.3	**780.7**
Interest expense	613.1	88.1	–	0.8	– 133.5	**568.5**
Net interest income	**152.5**	**55.1**	**–**	**2.4**	**2.2**	**212.2**
Income from securities and associates	–	–	–	–	17.1	**17.1**
Commission income	107.3	7.5	75.9	47.1	2.5	**240.3**
Commission expense	2.4	–	–	2.2	2.4	**7.0**
Net commission income	**104.9**	**7.5**	**75.9**	**44.9**	**0.1**	**233.3**
Result on financial transactions	1.3	–	– 0.1	2.8	62.3	**66.3**
Other income	–	–	–	–	22.3	**22.3**
Total income from operating activities	**258.7**	**62.6**	**75.8**	**50.1**	**104.0**	**551.2**
Of which income from other segments	– 17.1	–	14.2	3.9	– 1.0	**0.0**
Staff costs	122.9	20.2	37.8	28.7	30.1	**239.7**
Other administrative expenses	96.1	13.7	14.2	6.6	22.5	**153.1**
Depreciation and amortisation	16.2	2.3	0.7	0.9	– 4.2	**15.9**
Impairments	34.7	74.7	–	1.4	– 5.7	**105.1**
Total expenses	**269.9**	**110.9**	**52.7**	**37.6**	**42.7**	**513.8**
Operating result before tax	**– 11.2**	**– 48.3**	**23.1**	**12.5**	**61.3**	**37.4**
Income tax	– 2.9	– 12.0	8.2	1.7	8.9	**3.9**
Net result from continuing operations	**– 8.3**	**– 36.3**	**14.9**	**10.8**	**52.4**	**33.5**
Efficiency ratio (%)	91%	58%	70%	72%	47%	**74%**
Number of staff (FTE)	1,057	200	173	115	447	**1,992**
Statement of financial position						
Total assets	8,725.9	3,614.1	153.8	377.5	4,799.1	**17,670.4**
Of which investments using the equity method	–	–	–	–	50.4	**50.4**
Total liabilities	10,999.8	1,343.4	134.2	100.3	3,753.7	**16,331.4**
Investments	10.0	0.6	–	–	19.9	**30.5**

Operating segments 2012 (€ million)

	Private Banking	Corporate Banking	Asset Management	Merchant Banking	Other activities	**Total**
Statement of income						
Interest income	905.1	178.4	–	3.4	– 169.4	**917.5**
Interest expense	738.9	122.3	–	1.0	– 176.9	**685.3**
Net interest income	**166.2**	**56.1**	**–**	**2.4**	**7.5**	**232.2**
Income from securities and associates	3.8	–	–	–	17.3	**21.1**
Commission income	114.8	8.7	59.7	38.5	2.4	**224.1**
Commission expense	2.2	–	–	1.5	3.7	**7.4**
Net commission income	**112.6**	**8.7**	**59.7**	**37.0**	**– 1.3**	**216.7**
Result on financial transactions	1.7	–	–	1.1	51.5	**54.3**
Other income	–	–	–	–	17.5	**17.5**
Total income from operating activities	**284.3**	**64.8**	**59.7**	**40.5**	**92.5**	**541.8**
Of which income from other segments	– 7.4	–	10.2	3.4	– 6.2	**–**
Staff costs	148.0	19.1	30.4	23.8	15.6	**236.9**
Other administrative expenses	120.3	21.7	10.4	7.4	21.9	**181.7**
Depreciation and amortisation	9.4	–	1.0	1.0	19.3	**30.7**
Impairments	151.0	75.5	–	0.5	31.0	**258.0**
Total expenses	**428.7**	**116.3**	**41.8**	**32.7**	**87.8**	**707.3**
Operating result before tax	**– 144.4**	**– 51.5**	**17.9**	**7.8**	**4.7**	**– 165.5**
Income tax	– 28.1	– 12.8	6.3	0.9	15.5	**– 18.2**
Net result from continuing operations	**– 116.3**	**– 38.7**	**11.6**	**6.9**	**– 10.8**	**– 147.3**
Efficiency ratio (%)	98%	63%	70%	80%	61%	**83%**
Number of staff (FTE)	1,170	215	169	113	343	**2,010**
Statement of financial position						
Total assets	9,756.2	3,674.9	102.4	407.8	3,999.6	**17,940.9**
Of which investments using the equity method	–	–	–	–	46.4	**46.4**
Total liabilities	10,553.1	1,603.8	138.6	85.5	4,244.7	**16,625.7**
Investments	7.0	0.9	0.1	–	2.5	**10.5**

Operating segments 1 January 2012 (€ million)

	Private Banking	Corporate Banking	Asset Management	Merchant Banking	Other activities	**Total**
Statement of financial position						
Total assets	10,639.7	4,003.6	87.9	410.0	3,260.6	**18,401.8**
Of which investments using the equity method	–	–	–	–	44.0	**44.0**
Total liabilities	11,921.3	2,215.8	117.6	125.6	2,501.6	**16,881.9**
Investments	5.1	0.9	0.1	0.5	9.2	**15.8**

Geographical segments 2013 (€ million)

	The Netherlands	Belgium	Other	Total
Statement of income				
Interest income	731.1	41.2	8.4	**780.7**
Interest expense	538.9	26.9	2.7	**568.5**
Net interest income	**192.2**	**14.3**	**5.7**	**212.2**
Income from securities and associates	17.1	–	–	**17.1**
Commission income	216.1	17.6	6.6	**240.3**
Commission expense	4.9	1.3	0.8	**7.0**
Net commission income	**211.2**	**16.3**	**5.8**	**233.3**
Result on financial transactions	65.1	0.7	0.5	**66.3**
Other income	22.3	–	–	**22.3**
Total income from operating activities	**507.9**	**31.3**	**12.0**	**551.2**
Of which income from other segments	– 1.1	1.2	– 0.1	**0.0**
Staff costs	218.8	14.8	6.1	**239.7**
Other administrative expenses	141.0	8.3	3.8	**153.1**
Depreciation and amortisation	12.7	2.6	0.6	**15.9**
Impairments	103.6	1.5	–	**105.1**
Total expenses	**476.1**	**27.2**	**10.5**	**513.8**
Operating result before tax	**31.8**	**4.1**	**1.5**	**37.4**
Income tax	2.4	1.4	0.1	**3.9**
Net result from continuing operations	**29.4**	**2.7**	**1.4**	**33.5**
Efficiency ratio (%)	73%	82%	88%	**74%**
Number of staff (FTE)	1,834	130	28	**1,992**
Statement of financial position				
Total assets	14,669.5	2,580.4	420.5	**17,670.4**
Of which investments using the equity method	50.4	–	–	**50.4**
Total liabilities	13,657.8	2,359.3	314.3	**16,331.4**
Investments	24.5	6.0	–	**30.5**

Geographical segments 2012 (€ million)

	The Netherlands	Belgium	Other	Total
Statement of income				
Interest income	854.2	53.7	9.6	**917.5**
Interest expense	646.2	35.7	3.4	**685.3**
Net interest income	**208.0**	**18.0**	**6.2**	**232.2**
Income from securities and associates	17.3	–	3.8	**21.1**
Commission income	196.1	17.1	11.0	**224.2**
Commission expense	4.8	1.3	1.3	**7.4**
Net commission income	**191.3**	**15.8**	**9.7**	**216.8**
Result on financial transactions	48.7	0.7	4.8	**54.2**
Other income	17.5	–	–	**17.5**
Total income from operating activities	**482.8**	**34.5**	**24.5**	**541.8**
Of which income from other segments	– 5.8	5.9	– 0.1	**0.0**
Staff costs	203.5	16.6	16.8	**236.9**
Other administrative expenses	161.6	10.4	9.7	**181.7**
Depreciation and amortisation	26.2	3.5	1.0	**30.7**
Impairments	244.6	9.8	3.6	**258.0**
Total expenses	**635.9**	**40.3**	**31.1**	**707.3**
Operating result before tax	**– 153.1**	**– 5.8**	**– 6.6**	**– 165.5**
Income tax	– 17.3	0.2	– 1.1	**– 18.2**
Net result from continuing operations	**– 135.8**	**– 6.0**	**– 5.5**	**– 147.3**
Efficiency ratio (%)	81%	88%	112%	**83%**
Number of staff (FTE)	1,810	131	69	**2,010**
Statement of financial position				
Total assets	15,367.8	1,892.1	681.0	**17,940.9**
Of which investments using the equity method	46.4	–	–	**46.4**
Total liabilities	14,358.0	1,793.1	474.6	**16,625.7**
Investments	10.1	0.2	0.2	**10.5**

Geographical segments at 1 January 2012 (€ million)

	The Netherlands	Belgium	Other	Total
Statement of financial position				
Total assets	15,440.0	2,278.8	683.0	**18,401.8**
Of which investments using the equity method	44.0	–	–	**44.0**
Total liabilities	14,119.3	2,210.2	552.4	**16,881.9**
Investments	15.1	0.2	0.5	**15.8**

SUBSEQUENT EVENTS

Van Lanschot's results for the first half of 2014 will be impacted by a material gain on the sale of the 21% equity stake held by Van Lanschot Participaties in DORC Holding B.V.

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

€ thousand

Assets		31/12/2013	31/12/2012
Due from banks	(a)	97,412	97,234
Investments in associates	(b)	1,186,455	1,165,580
Total assets		**1,283,867**	**1,262,814**

Equity and liabilities		31/12/2013	31/12/2012
Current liabilities	(c)	380	466
Equity	(d)	1,283,487	1,262,348
Total equity and liabilities		**1,283,867**	**1,262,814**

COMPANY STATEMENT OF INCOME FOR 2013

€ thousand

Statement of income		2013	2012
Income from associates	(e)	29,225	– 150,123
Other results	(f)	5	40
Net result		**29,230**	**– 150,083**

The letter beside each item refers to the relevant note to the company financial statements.

ACCOUNTING POLICIES FOR THE COMPANY FINANCIAL STATEMENTS

The company financial statements of Van Lanschot NV have been prepared in accordance with the statutory provisions of Section 402, Part 9, Book 2, of the Netherlands Civil Code. In this process, the company availed itself of the facility offered by Section 362(8), Book 2, of the Netherlands Civil Code to use the same accounting policies (including those for the presentation of financial instruments as equity or debt) as used in the consolidated financial statements. This does not apply to Investments in associates, which line item is disclosed at net asset value.

€ thousand

a Due from banks

This item includes the receivables from associates available on demand.

b Investments in associates

The associate, F. van Lanschot Bankiers NV, is carried at net asset value. The share in the result of this associate is recognised in the statement of income under Income from associates.

Movements in this item were as follows:

	2013	2012
Balance at 1 January	1,165,580	1,393,961
Change in accounting policies*	–	– 45,913
Revaluations	– 8,350	– 32,345
Income from associates	29,225	– 150,123
Balance at 31 December	**1,186,455**	**1,165,580**

* Reference is made to the Changes in presentation and accounting policies for details of the restatement.

Further information on the revaluations can be found in note 24 Movements in reserves in the consolidated financial statements.

Van Lanschot NV has issued undertakings pursuant to Section 403, Book 2, of the Netherlands Civil Code for:

- F. van Lanschot Bankiers NV
- Kempen & Co NV
- NNE B.V.
- Efima Hypotheken B.V.
- Van Lanschot Participaties BV
- B.V. Beheer- en Beleggingsmij "Orthenstraat"

c Current liabilities

This item includes payroll tax payable and accounts payable.

d Equity

		31/12/2013		31/12/2012
Total		**1,283,487**		**1,262,348**
Issued share capital		41,017		41,017
Treasury shares		– 2,135		– 3,638
Share premium		479,914		479,914
Revaluation reserve	21,908		43,742	
Actuarial results on defined benefit pension plan	– 81,616		– 98,560	
Reserve cash flow hedges	– 6,743		– 3,191	
Statutory reserves	20,733		13,214	
Articles of association reserves	1,740		1,769	
Freely-available reserves	779,439		938,164	
Other reserves		735,461		895,138
Result for the current year		29,230		– 150,083

For the movements in equity, reference is made to note 24 of the consolidated financial statements.

The Statutory reserves comprise a reserve in the amount of the share in the positive income from associates (Section 389(6), Book 2, of the Netherlands Civil Code) of € 19.9 million, a reserve for non-distributable amounts (Section 319 of the Commercial Code) of € 2.0 million and a reserve for currency translation differences on associates of € 1.2 million negative.

e Income from associates

This item includes the net profit attributable to shareholders.

f Other results

This item chiefly comprises the interest income on the current account balance and general expenses.

Remuneration of the Board of Managing Directors and Supervisory Board

For the remuneration of the members of the Board of Managing Directors and the Supervisory Board, reference is made to the consolidated financial statements.

’s-Hertogenbosch, the Netherlands, 10 March 2014

Supervisory Board

- Tom de Swaan, *Chairman*
- Jos Streppel, *Deputy Chairman*
- Willy Duron
- Jeanine Helthuis
- Heleen Kersten
- Godfried van Lanschot
- Abel Slippens

Board of Managing Directors

- Karl Guha, *Chairman*
- Arjan Huisman
- Constant Korthout
- Ieko Sevinga

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders, the Supervisory Board and the Board of Managing Directors of Van Lanschot NV

Report on the financial statements

We have audited the accompanying financial statements 2013 of Van Lanschot NV, 's-Hertogenbosch. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of income, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position at 31 December 2013, the company statement of income for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, 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 it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Van Lanschot NV as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Van Lanschot NV as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, 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 this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 10 March 2014

Ernst & Young Accountants LLP

signed by W.J. Smit

Provisions of the articles of association governing profit appropriation

Profit is appropriated in accordance with Article 32 of the Articles of Association. This article states that the dividend on preference C shares* must first be paid from the distributable profit (Article 32(1)). The Board of Managing Directors, with the approval of the Supervisory Board, shall then determine which portion of the profit remaining after the dividend distribution on preference C shares is to be taken to the reserves (Article 32(3)).

The portion of the profit remaining after the distribution on preference C shares and said transfer to the reserves is at the disposal of the Annual General Meeting of Shareholders, on the understanding that no further distributions shall be made on the preference C shares.

If a loss was suffered in a financial year which could not be covered by a reserve or in any other way, no profit distributions will be made until such loss has been made good (Article 32(5)).

The Board of Managing Directors may decide that a dividend distribution on ordinary A shares and ordinary B shares shall be made in full or in part in the form of shares or depositary receipts rather than in cash. This decision is subject to the approval of the Supervisory Board (Article 32(8)).

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:

Appropriation of net result (€ thousand)	2013	2012
Total	**29,230**	**– 158,167**
Addition to/(withdrawal) from reserves	21,045	– 158,167
Dividend on ordinary A and B shares	8,185	–

* No preference C shares are outstanding.

STICHTING ADMINISTRATIEKANTOOR VAN GEWONE AANDELEN A VAN LANSCHOT

Stichting Administratiekantoor van gewone aandelen A Van Lanschot (the trust office) hereby reports on the activities in 2013.

Board meetings

The Board met in April and September 2013.

The matters discussed by the Board during these meetings included:

- the composition of the Board;
- the trust office's 2012 financial statements;
- the 2012 annual results of Van Lanschot NV;
- the topics on the agenda of the Annual General Meeting of Shareholders held on 14 May 2013 and the trust office's voting behaviour;
- Van Lanschot's strategic review;
- the 2013 half-year results of Van Lanschot NV;
- the conversion of the last ordinary B shares into ordinary A shares.

General Meetings of Shareholders of Van Lanschot NV

The Board attended the Annual General Meeting of Shareholders held on 14 May 2013 and the Extraordinary General Meeting of Shareholders held on 2 July 2013. The trust office granted proxy votes to holders of depositary receipts who attended the meetings in person or were represented by third parties. As a result, these depositary receipt holders could exercise at their discretion the voting rights attached to a number of ordinary A shares that was equal to the number of depositary receipts for ordinary shares held by them on the record date. The trust office exercised at its discretion the voting rights attached to the ordinary A shares for which no proxy votes were granted. These shares represented 31.09% of the number of votes that could be cast at the Annual General Meeting of Shareholders and 38.9% of the number of votes that could be cast at the Extraordinary General Meeting of Shareholders. After careful consideration of the interests involved, the Board decided to vote in favour of the items on the agenda put to the vote at these meetings.

Composition and remuneration of the Board

The current members of the Board of the trust office are:
H.G. van Everdingen*, chairman*
F.C.W. Briët
J. Meijer Timmerman Thijssen, *secretary*
A.L.M. Nelissen

The Board appointed Mr Meijer Timmerman Thijssen as the secretary to the Board of the trust office with effect from 23 April 2013.

Mr van Everdingen is a former partner of Nauta Dutilh NV.
Mr Briët is former Chairman of the Board of De Goudse NV.
Mr Meijer Timmerman Thijssen is an adviser at Freshfields Bruckhaus Deringer.
Mr Nelissen is a former member of the Board of Management of Dura Vermeer Groep NV.

The Chairman of the Board received remuneration of € 10,000 (excluding VAT) and the other board members € 7,500 (excluding VAT).

Expenses

Other expenses incurred by the trust office amounted to € 7,935 in 2013.

Number of shares for which depositary receipts have been issued

On 31 December 2013, the trust office held 41,016,668 ordinary A shares with a nominal value of € 1 each for which depositary receipts representing the same nominal value have been issued. In 2013, the number of depositary receipts increased by 2,310,671 owing to the conversion of a total of 2,310,671 ordinary B shares into ordinary A shares and the subsequent transfer of these ordinary A shares to the trust office in exchange for the issuance of depositary receipts.

Other

The administrative activities related to meetings of holders of depositary receipts and General Meetings of Shareholders are performed by SGG Netherlands NV, Amsterdam.

The trust office is a legal entity which is independent from Van Lanschot, as referred to in Article 5:71 (1) (d) of the Financial Supervision Act.

Contact details of the trust office

The Board of the trust office can be contacted at the following address:
c/o Van Lanschot NV
Attn. Secretariat to the Board of Managing Directors
P.O. Box 1021
5200 HC 's-Hertogenbosch
The Netherlands
Telephone +31 73 548 33 79

The Board

's-Hertogenbosch, the Netherlands, 28 January 2014

STICHTING PREFERENTE AANDELEN C VAN LANSCHOT

Stichting Preferente aandelen C Van Lanschot (the Stichting) was set up on 28 December 1999 and has its seat in 's-Hertogenbosch.

A call-option agreement has been signed by the Stichting and Van Lanschot NV, under which the Stichting has the right to acquire preference C shares worth up to 100% of the value of Van Lanschot's share capital in issue before the exercise of the call option less one share. When preference C shares are obtained, the Stichting must pay at least 25% of their nominal value. Van Lanschot aims to ensure the period for which preference C shares are outstanding is no longer than necessary. In connection with this, Van Lanschot will table a motion recommending the redemption of the preference C shares at the General Meeting of Shareholders within one year at the latest.

The Board appoints its own board members. The current members of the Board of the Stichting are:

A.A.M. Deterink, *chairman*
F.H.J. Boons
H.P.M. Kivits
P.J.J.M. Swinkels

Mr Deterink is an attorney and counsel at Deterink NV attorneys and civil-law notaries.
Mr Boons is a former President of the Board of Directors of Vado Beheer BV.
Mr Kivits is, among other things, delegated supervisory board member of Efteling BV and president of Eredivisie CV.
Mr Swinkels is a former Chairman of the Board of Directors of Bavaria NV.

The Board of the Stichting met on 23 April and 11 June 2013.

The Stichting is a legal entity which is independent from Van Lanschot, as referred to in Article 5:71 (1) (c) of the Financial Supervision Act.

The Board

's-Hertogenbosch, the Netherlands, 21 January 2014

GLOSSARY

Advanced Internal Ratings Based approach (A-IRB)
The most advanced credit risk measurement technique. With this method, the bank is allowed to develop its own models, based on direct or indirect observables, in order to estimate parameters for the calculation of risk-weighted assets. Under A-IRB, the credit risk is determined by using internal input for the 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 minus redemptions, plus or minus the accumulated depreciation/amortisation using the effective interest rate method for the difference between the original amount and the amount on maturity date, and minus impairments or amounts not received.

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

Assets under management
Assets deposited with Van Lanschot by clients. These assets comprise on the one hand Assets under discretionary management and on the other hand Assets under non-discretionary management.

Assets under non-discretionary management
The assets under advice according to the agreement concluded, for which the investment advisor of Van Lanschot advises the client on the investment policy, irrespective of whether these assets are held in funds, deposits, structured products (Index Guarantee Contracts) or cash.

Basel II
The framework drawn up by the Basel Committee on Banking Supervision which sets minimum capital requirements for banks.

Basel III
The new framework drawn up by the Basel Committee on Banking Supervision which provides a stricter definition of capital and introduces several new ratios and buffers to be complied with by banks. The period for gradual transition from Basel II to Basel III is five years and commenced in 2014.

Basepoint Value (BPV)
A method to measure the interest rate risk. BPV indicates how much profit or loss is generated in case of a parallel shift in the yield curve of one basis point.

BIS 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).

Carried interest arrangement
A carried interest arrangement relates primarily to private equity fund managers who are given the opportunity to obtain an interest in an acquired or other company. This arrangement is financed by means of a subordinated loan or cumulative preference shares that do not share in the surplus profit. The manager holds the ordinary shares and does share in the surplus profit.

Cash flow hedges (hedge accounting)
Hedges used to hedge the exposure to changes in the cash flow of an asset, liability or future transaction, arising as a result of interest rate changes and/or inflation.

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

Core Tier I capital
Also referred to as core capital. The bank's Core Tier I capital represents share capital, share premium and other reserves, adjusted for certain deductions set by the regulator, such as goodwill.

Core Tier I ratio
The Core Tier I capital of the bank as a percentage of risk-weighted assets.

Credit derivatives (credit default swaps)
In this type of swaps, variable interest payments, linked to Euribor, are exchanged with credit guarantees vis-à-vis a third party. The counterparty is required to pay if the third party cannot meet its payment obligations. The specific events which are followed by payments are recorded in the contract.

Credit risk
The risk that funds lent are not, not fully or not timely repaid. 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)
An agreement forming part of an ISDA (International Swaps and Derivatives Agreement) contract and serves to exchange collateral provided as security for obligations resulting from derivatives.

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

Currency option
A currency option grants the buyer the right, but not the obligation, to buy or sell a quantity of a certain currency at a pre-determined exchange rate during or at the end of a pre-determined period. The currency option constitutes an obligation for the seller. The currency options of Van Lanschot mainly relate to transactions for clients for which offsetting transactions are realised on the market.

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 obligation does not have to be based on a legal agreement, but already exists if the company had the intention in the past to make up any deficits.

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

Depositary Receipt for Share (DRS)
A depositary receipt for share does not have any voting right attached, but does provide the holder with profit entitlement.

Derivative
A financial instrument whose value has been derived from the value of another financial instrument, an index or other variables. Van Lanschot holds both derivatives whose size (face value), conditions and price are determined between Van Lanschot and the counterparties (OTC derivatives), as well as standardised derivatives negotiable on organised markets.

Discounted Cash Flow method (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 of a 1% parallel shift in the interest curve.

EBIT
Earnings Before Interest and Tax.

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation.

Economic hedges
Derivatives to manage risks without applying hedge accounting. Economic hedges are carried at fair value. At Van Lanschot, this mainly concerns interest rate derivatives.

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

Efficiency ratio
This ratio expresses the operating expenses excluding impairments as a percentage of income from operating activities.

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

Expected loss (EL)
The expected loss on loans, determined based on the formula EL=PD*EAD*LGD.

Exposure at Default (EAD)
The bank's exposure at the time of the client's default. This is also referred to as the net exposure.

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

Exposure class under Basel II F-IRB: Corporates
Receivables from corporates modelled in the non-retail models. At Van Lanschot, this type of exposure comprises the portfolio with commercial real estate clients, the portfolio with holding clients, private loan accounts and corporate loan accounts.

Exposure class under Basel II F-IRB: Equities
Positions in equities and subordinated loans granted, provided that they do not form a deduction from capital. Van Lanschot applies the simple risk weight method with set risk weights.

Exposure class under Basel II F-IRB: Securitisation positions
The investor positions of Van Lanschot Bankiers due to securitisations. Van Lanschot uses the ratings-based method. Under the ratings-based method, the risk weighting is calculated based on an external credit assessment.

Exposure class under Basel II SA: Administrative bodies and non-commercial undertakings
Receivables from administrative bodies and non-commercial undertakings. Such receivables are assigned a risk weighting of 100% unless they are established in the Netherlands (20% weighting) or a state guarantee is available.

Exposure class under Basel II SA: Central governments or central banks
Receivables from central governments and central banks for which a credit assessment is available from a designated rating agency. These receivables have a risk weighting which is derived from the credit quality step corresponding to the relevant assessment. At Van Lanschot, this type of exposure consists primarily of Dutch government bonds, balances withdrawable on demand at central banks and exposures for which a state guarantee is available.

Exposure class under Basel II SA: Corporates
Receivables from corporates owed to our subsidiaries and non-retail receivables, insofar as not covered by one of the non-retail models. These items are assigned a risk weighting of 100%.

Exposure class under Basel II SA: Covered bonds
Bonds backed by collateral. Such receivables are assigned a risk weighting from 10 to 100%, depending on the risk weighting of the financial enterprise issuing this bond.

Exposure class under Basel II SA: Financial companies and financial institutions
Receivables from and debt securities issued by banking counterparties. Almost all of these receivables have a short term, and such a good credit assessment that, under the credit quality step system, a risk weighting of 20% may be applied. If no credit assessment is available, the risk weighting is 50%.

Exposure class under Basel II SA: International organisations
Receivables from international organisations. Almost all of these receivables have such a good credit assessment that, under the credit quality step system, a risk weighting of 0% may be applied.

Exposure class under Basel II SA: Items belonging to regulatory high-risk categories
This exposure class primarily consists of venture capital investments. These items are assigned a risk weighting of 150%.

Exposure class under Basel II SA: Multilateral development banks
Receivables from multilateral development banks. Almost all of these receivables have such a good credit assessment that, under the credit quality step system, a risk weighting of 20% may be applied.

Exposure class under Basel II SA: Other risk-weighted assets
This exposure class consists mainly of property, plant and equipment, prepayments and accrued income, and shares available for sale.

Exposure class under Basel II SA: Past due items
Receivables which are past due for more than 90 days, to which the standardised method is applied, and where the overdraft exceeds € 5,000. The risk weighting is 150% or 100%, depending on the size of the relevant provision. If the relevant provision corresponds to less than 20% of the unsecured portion of the receivable, the risk weighting of 150% has to be applied.

Exposure class under Basel II SA: Private individuals and medium sized businesses
Receivables owed to subsidiaries by private individuals and medium-sized businesses not backed by securities or home mortgages. These receivables are assigned a risk weighting of 75%. At Van Lanschot this mainly includes receivables owed to group companies by private individuals.

Exposure class under Basel II SA: Secured by real estate
Receivables whose amounts are smaller or equal to 75% of the value of the real estate, insofar as not included in a retail model. Such receivables are assigned a risk weighting of 35%.

Exposure class under Basel II SA: Securitisation positions
This exposure class comprises the investor positions by virtue of securitisations, which are included in the investment portfolio of the subsidiaries. Under the standard method, the risk weighting is calculated based on an external credit assessment.

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 in particular debt securities. The hedge relations are generally exact hedges. Debt securities with a fixed rate and term are offset by a swap with exactly the same term and fixed interest rate in a hedge accounting model.

Fiduciary management
Services in which assets are held on behalf of individuals, trusts, pension companies and other institutions, acting in the capacity of trustee or another fiduciary role. Such assets are not considered assets of Van Lanschot and are therefore not disclosed in the consolidated financial statements.

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 instruments at a future date at a pre-determined price. Forward contracts are customised contracts which are traded on the OTC market.

Foundation Internal Ratings Based approach (F-IRB)
An advanced approach to calculate credit risk. Under this method, the bank is allowed to develop its own models, based on direct or indirect observables, in order to estimate parameters for the calculation of risk-weighted assets. Under F-IRB, the credit risk is determined using internal input for the Probability of Default. The Lost Given Default must be included based on prescribed values (in contrast with A-IRB).

Funding ratio
Represents 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 instruments at a future date at a predetermined price. Futures are standardised contracts which can be traded on organised markets. Stock exchanges act as intermediaries and require daily settlement in cash and the deposit of collateral. Van Lanschot has in particular a number of futures on share indices in its accounts, partly for own use and partly for clients for which offsetting transactions are concluded on the market.

General Meeting of Shareholders
This is the name for the body formed by voting shareholders and others with voting rights or the meeting of shareholders and others entitled to attend.

Gross exposure
The gross exposure is the value at which the receivable is disclosed in the consolidated statement of financial position, with an exception for derivatives. For derivatives, the gross exposure is calculated based on an add-on percentage of the nominal value (fixed percentages in accordance with the Financial Supervision Act) and the positive replacement value of the derivative.

Hedge
Protection of another financial position against interest rate risks in particular by means of a financial instrument (usually a derivative).

Impairments
Amount charged to the result for possible losses on doubtful debts or uncollectible loans and advances or because an impairment test has shown that the asset has to be valued lower, because the fair value is lower than the carrying amount or because the fair value of investments and associates is lower than 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.

Index Guarantee Contracts (IGCs)
Index Guarantee Contracts are receivables in the name of Van Lanschot whose value movements and final payments depend on the level of the underlying value, for instance an index. On the maturity date, the final payment is at least equal to the guaranteed value.

Innovative Tier I instruments
Equity elements other than paid-up share capital and reserves that are taken into account when determining Tier I capital (core capital).

Interest rate option
An agreement between a buyer and a seller, under which the seller guarantees the buyer a maximum interest rate (cap) or minimum interest rate (floor) for a certain term.

Interest rate risk
The risk that profit and equity are impacted by changes in interest rates, in particular in case of an intentional or unintentional mismatch in the terms of funds lent on the one hand and funds borrowed on the other.

Interest rate swaps
A contract in which two parties exchange interest payments regarding a pre-agreed term and principal amount. The face value itself is not exchanged. An interest rate swap requires the exchange of a fixed cash flow and a variable cash flow in the same currency. The variable cash flow is determined based on a benchmark interest rate (usually Euribor).

Internal Capital Adequacy Assessment Process (ICAAP)
Strategies and procedures designed for the bank's continuous assessment whether the amount, composition and distribution of equity still reconcile with the size and nature of its current and potential future risks.

Internal Ratings Based approach (IRB)
An advanced approach to calculate credit risk. Van Lanschot applies both the Foundation Internal Rating Based approach and the Advanced Internal Rating Based approach. In this report, IRB refers to both internal 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 which has determined that they must be applied by all listed companies in the European Union from the financial year 2005.

Irrevocable commitments
All obligations resulting from irrevocable commitments that could give rise to the granting of loans.

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 which are market observable
The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivative financial instruments) is established using cash flow and option valuation models. On the basis of estimates made, 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 instruments in this category have been 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, for more than an insignificant part, information not observable in the market.

Leverage ratio
This is the ratio between total assets and equity attributable to shareholders.

Leverage Ratio Basel III
A Basel III ratio. The leverage ratio represents the ratio between total assets plus contingent items and the Basel III Tier I capital.

Liquidity Coverage Ratio (LCR)
A Basel III ratio. The LCR represents the ratio between high quality liquid assets and the balance of cash outflows and cash inflows over 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 as a result of stock exchange price, foreign exchange and/or interest rate movements.

Net exposure (EAD)
The bank's exposure at the time of the debtor's default. This is also referred to as the exposure at default.

Net Stable Funding Ratio (NSFR)
This is one of the ratios under Basel III. The NSFR represents the ratio of available stable funding to required amount of stable funding.

Operational risk
The risk of direct or indirect losses as a result of inadequate or defective internal processes and systems, of inadequate or defective human acts, or external events.

Option positions clients
It is not possible for clients to purchase or sell share options directly on the stock exchange. Van Lanschot purchases or sells the options to clients and realises the offsetting transaction on the stock exchange. These receivables and payables are disclosed under Derivatives.

Other non-controlling interests
Non-controlling interests in entities that are fully consolidated by Van Lanschot.

Portfolio fair value hedges (hedge accounting)
A portfolio fair value hedge can comprise one or more swaps or caps (interest rate options) jointly concluded in order to hedge the interest rate risk of a mortgage portfolio. Both the swaps (or caps) and the mortgages are divided into term buckets. The fair value of these mortgages is mainly affected by the interest rate level, similar to the valuation of swaps. Minor differences in terms and interest rates may cause some ineffectiveness within the term buckets.

Probability of Default (PD)
The likelihood that a loan will fall into default within one year.

Qualifying capital
The sum of total Tier I capital and total Tier II capital.

Risk-weighted assets (RWA)
The assets of a financial institution after being adjusted by a weighting factor, as determined by the regulators, that reflects the relative risk attached to the relevant assets. Risk-weighted assets are used to calculate the minimum amount of capital that has to be held.

Shortfall
The difference between the calculated expected loss (EL) and the provision formed for a loan for which the capital adequacy requirement is calculated using the IRB method. If the calculated EL exceeds the provision formed, the difference must be deducted from the qualifying capital. Under Basel II, 50% of the shortfall is deducted from Tier I capital and 50% from Tier II capital. Under Basel III, the entire shortfall is deducted from core capital.

Solvency
The bank's buffer capital expressed as a percentage of risk-weighted assets.

Standardised Approach (SA)
A method used under Basel II to measure a bank's operational, market and credit risk. This method is based on a standardised approach, in which the risk weighting of an item is prescribed by the regulator.

Strategic risk
The existing or future threat to the bank's result or equity resulting from not or inadequately anticipating changes in the environment and/or from taking incorrect strategic decisions.

Structured product
Structured products are a kind of synthetic investment instruments specially created to meet specific needs that cannot be met from the standardised financial instruments available in the markets.

Tier I ratio
The ratio between total Tier I capital and risk-weighted assets.

Total Tier I capital
Total Tier I capital of the bank includes share capital, share premium, other reserves and equity instruments issued by subsidiaries, adjusted for certain deductions set by the regulator, such as goodwill and shortfall.

Total Tier II capital
Also referred to as supplementary or secondary capital. The total Tier II capital comprises the revaluation reserves and certain subordinated loans, adjusted for certain deductions set by the regulator, such as shortfall.

Value at Risk (VaR)
Statistical analysis of historical market developments and volatility in order to estimate the probability of a loss on a portfolio exceeding a certain amount.

Weighted Average Cost of Capital (WACC)
A measure of the average cost of a company's capital whereby a weighting is given to the cost of debt and equity capital.

Wft (Financial Supervision Act)
This Act provides for the full-scope supervision of the financial industry in the Netherlands.

Wholesale funding
A type of funding, in addition to savings and deposits, used by banks to fund operations and manage risks.

TEN-YEAR RECORD

	2013	2012	2011	2010
Results (€ thousand)				
Income from operating activities	551,193	541,764 [1]	552,386	630,887
Operating expenses	408,633	449,200 [1]	426,456	439,893
Impairments	105,117	258,021 [1]	79,394	102,458
Operating profit before tax	37,443	–165,457 [1]	46,536	88,536
Net result (group profit)	33,506	–147,281 [1]	43,127	66,710
Statement of financial position (€ thousand)				
Equity attributable to shareholders	1,283,487	1,262,348 [1]	1,507,245	1,461,676
Public and private sector liabilities	10,161,397	11,368,814	13,100,131	13,545,650
Loans and advances to the public and private sectors	12,490,723	13,464,234	14,270,431	15,710,224
Total assets	17,670,365	17,940,865 [1]	18,453,522	20,325,117
Key figures				
Number of ordinary shares at year-end (excluding treasury shares)	40,926,249	40,879,922	40,809,337	40,819,359
Average number of ordinary shares	40,917,566	40,883,330	40,870,488	38,366,748
Earnings per ordinary share based on average number of ordinary shares (€)	0.71	– 3.67 [1]	0.84	1.47
Dividend per ordinary share (€)	0.20	0.00	0.40	0.70
Efficiency ratio (%)	74.1	82.9 [1]	77.2	69.7
Return on average Core Tier I Equity (%) [2]	2.5	– 12.7 [1]	3.0	5.6
BIS total capital ratio (%)	13.9	11.9	11.9	13.9
Tier I ratio (%)	13.1	11.0	10.9	11.9
Core Tier I ratio (%)	13.1	11.0	10.9	9.6

1 Certain figures differ from the 2012 financial statements. Reference is made to the Changes in presentation and accounting policies section for details of the restatement.

2 The figures for 2004 to 2008 represent Return on average equity (%).

3 The BIS ratios at 31 December 2007 have been restated in line with Basel II for comparative purposes.

4 The figures differ from the financial statements in which Van Lanschot Assurantiën Holding BV (currently Van Lanschot Chabot Holding BV) is accounted for under discontinued operations.

5 The figures have been prepared in accordance with IFRS with effect from 2005. The 2004 figures have been restated accordingly.

2009	2008	2007	2006	2005	2004
568,467	493,596	647,996	534,326 [4]	485,847	403,878
428,802	422,118	414,746	307,380 [4]	278,448	260,681
176,043	50,290	71	2,873 [4]	16,874	16,584
– 36,378	21,188	233,179	224,073 [4]	190,525	126,613
– 15,720	30,091	215,369	184,488 [4]	152,398	100,780
1,238,418	1,226,347	1,366,721	1,044,828	962,156	857,128
13,380,188	15,318,420	14,596,804	11,412,890	11,458,834	11,047,826
17,036,279	17,072,490	16,006,235	14,746,139	13,540,856	12,686,489
21,264,839	20,691,896	21,718,834	18,739,275	17,971,611	16,577,779
34,888,086	34,838,673	34,472,735	31,951,227	31,733,381	31,936,876
34,869,875	34,772,039	34,421,945	31,887,561	31,878,821	28,658,530
– 0.75	0.55	5.94	5.48	4.65	3.40
0.00	0.28	3.00	2.75	2.50	2.11
75.4	85.5	64.0	57.5	57.3	64.5 [5]
– 2.8	1.5	16.9	17.4	16.3	13.1 [5]
11.6	12.5	11.6 [3]	13.7	13.5	11.8
9.5	10.0	8.9 [3]	10.0	9.4	9.2
6.5	6.7	6.6 [3]	7.3	6.7	–

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