

Van Lanschot



focus

Annual Report 2008



We can safely say that 2008 was a turbulent year. It will go down in history as the year in which the financial world was turned upside down and all over the world banks collapsed or were forced to obtain state support.

At such times, the strength of solid, independent banks that follow their own course comes into its own. Van Lanschot managed to survive the year in excellent shape, in part thanks to a healthy balance sheet and high levels of liquidity, but mostly because we kept calm. This allowed us to perceive a great many things.

We felt the mood change to one of insecurity, and as the din around us became louder, we listened. By listening to our clients, to what they have to say and what they want, we managed to attract large numbers of new clients.

Over the past 270 years, our combination of **composure, focus and strength** has enabled us to weather many storms.

focus

Van Lanschot nv [Annual Report 2008](#)

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Profile and strategic objectives

Van Lanschot NV is the holding company of F. van Lanschot Bankiers NV, the oldest independent bank in the Netherlands. Our more than 270-year long history constitutes the foundation for the current private bank, offering a solid basis for the future. Van Lanschot's services mainly focus on high net-worth individuals and entrepreneurs. In addition, the bank's subsidiary Kempen & Co also serves the institutional market and offers investment services. Our services are organised into four business segments: Private Banking, Asset Management, Business Banking and Corporate Finance and Securities.

Under the Van Lanschot Kempen brand, the bank focuses on the top segment of high net-worth individuals (> € 5 million). Furthermore, Van Lanschot offers financial services specifically for the healthcare sector under the CenE Bankiers brand. Our services to high net-worth individuals revolve around wealth creation and protection.

In this context, we are able to offer a wide range of products and services, in keeping with our aim of being the best private bank in the Netherlands and Belgium. We offer our clients both third-party products and our own products, based on the principle of open architecture. In the corporate sector, we focus on services to entrepreneurs, where we seek to meet the private as well as the professional needs of business owners and managers. Our main clients are family businesses and their directors/majority shareholders. In the institutional market, we particularly focus on comprehensive fiduciary investment solutions.

OUR MORE THAN 270-YEAR LONG HISTORY CONSTITUTES THE FOUNDATION FOR THE CURRENT PRIVATE BANK, OFFERING A SOLID BASIS FOR THE FUTURE

Banking with care and attention

Van Lanschot has made a conscious choice for a size which strikes the right balance between complete and high-quality services and a personal approach, with short communication lines. We are attentive and responsive to our clients' needs, while also offering a high degree of professionalism and discretion. Consequently, we excel in those services which large banks cannot or cannot easily provide because of their size. Personal relationships are paramount. For this reason, most of our clients expressly choose to bank with us as a deliberate alternative to the large banks. We greatly value our independence, being the cornerstone of our business model, which allows us to put the interests of our clients before all others. More than is the case with other banks, Van Lanschot's actions are guided by its clients' interests.

Always close to our clients

In the Netherlands, Van Lanschot has a nation-wide presence with offices in most large cities. This network allows Van Lanschot to offer all financial services throughout the country. In Belgium, Van Lanschot focuses exclusively on high net-worth individuals and institutional investors. Furthermore, we have branches on Curaçao, in Luxembourg, in Switzerland and on Jersey to serve our private clients elsewhere.

Strategic choices centre on personal services

Van Lanschot continues to invest in people and in product and service concepts that meet our clients' needs. This allows us to build a long-term relationship with the client. The investments we need to make require a certain critical mass. At the same time, our personal approach imposes limits on how large the bank can be.

Objectives

Van Lanschot wishes to achieve organic growth in income (in terms of both the size of its client base and services sold), in addition to making selective acquisitions where necessary. The bank wishes to be the best private bank in both the Netherlands and Belgium.

Clear strategic choices

Our policy of allowing our clients' interests to guide our actions means that our strategic objectives need to be formulated in more than just financial terms. This is reflected by the following strategic choices:

Distinct positioning

- real alternative to the large banks
- independence is our distinguishing feature

Full-service niche bank

- large enough to provide full-service concept to target groups
- small enough to ensure genuine personal service

Client intimacy

- the client is key, also in terms of duty of care
- best in class products/full open architecture

Private Banking

- wealthy private individuals

Business Banking

- enterprises and entrepreneurs - combined
- aligned to private banking

Financial targets

Our financial targets are ambitious and serve as indicators of our success.

- Annual growth in earnings per share of at least 10%
- Annual revenue growth of at least 5%
- Average return on shareholders' funds of 18%
- Efficiency ratio between 50% and 60%
- Capital ratios:
 - o BIS total capital ratio of 12.5%
 - o BIS Tier I ratio of 9.5%
 - o BIS core Tier I ratio of 7.5%
- Single A rating from at least two rating agencies

In part considering the changed market situation, in 2009 Van Lanschot will finetune its strategy where necessary and adjust its financial targets.

Key data

In thousands of euros

	2008	2007	2006	2005
<i>Results</i>				
Income from operating activities	493,596	647,996	534,326 ¹	485,847
Operating expenses	422,118	414,746	307,380 ¹	278,448
Impairments	50,290	71	2,873 ¹	16,874
Addition to fund for general banking risks	–	–	–	–
Operating profit before tax	21,188	233,179	224,073 ¹	190,525
Extraordinary income	–	–	–	–
Net profit	30,091	215,369	184,488 ¹	152,398
<i>Balance sheet</i>				
Shareholders' funds attributable to shareholders	1,226,347	1,366,721	1,044,828	962,156
Public and private sector liabilities	15,318,420	14,596,804	11,412,890	11,458,834
Loans and advances to the public and private sectors	17,072,490	16,006,235	14,746,139	13,540,856
Total assets	20,691,896	21,718,834	18,739,275	17,971,611
<i>Key figures</i>				
Number of ordinary shares at year-end (excluding repurchased depository receipts)	34,838,673	34,472,735	31,951,227	31,733,381
Average number of ordinary shares	34,772,039	34,421,945	31,887,561	31,878,821
Earnings per ordinary share based on average number of ordinary shares (in euros)	0.55	5.94	5.48	4.65
Dividend per ordinary share (in euros)	0.28	3.00	2.75	2.50
Efficiency ratio (%)	85.5	64.0	57.5	57.3
Return on average shareholders' funds (%) ⁴	1.5	16.9	17.4	16.3
BIS total capital ratio (%)	12.5	11.6 ⁶	13.7	13.5
BIS Tier I ratio (%)	10.0	8.9 ⁶	10.0	9.4
BIS core Tier I ratio (%)	6.7	6.6 ⁶	7.3	6.7

1 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 activities.

2 Including effect of release of IT provision of € 13,600.

3 The numbers of ordinary shares and the earnings per ordinary share for 2002 have been restated.

4 Excluding extraordinary income.

5 The figures have been prepared in accordance with IFRS with effect from 2005. The 2004 figures have been restated accordingly.

6 The BIS ratios at 31 December 2007 have been restated in line with Basel II for comparative purposes.

	2004	2003*	2002	2001	2000	1999
	403,878	378,329	377,904	373,465	359,738	296,098
	260,681	217,250	227,636	216,434 ²	229,325	189,618
	16,584	15,133	15,205	10,158	8,157	7,835
	–	–	–	18,455 ²	6,591	6,912
	126,613	145,946	135,063	128,418 ²	115,665	91,733
	–	–	–	10,816	67,062	–
	100,780	106,664	97,576	100,824	147,821	62,443
	857,128	692,557	634,778	606,350	547,559	401,781
	11,047,826	7,906,245	8,047,908	7,644,565	6,782,405	5,640,122
	12,686,489	9,037,581	8,696,610	8,042,057	7,439,931	6,053,432
	16,577,779	11,578,366	11,288,864	10,748,821	9,718,968	8,195,193
	31,936,876	28,211,640	28,193,928 ³	28,897,340	28,809,862	28,236,871
	28,658,530	28,202,094	28,311,626 ³	28,868,388	28,570,333	27,896,004
	3.40	3.66	3.33 ³	3.00	2.71	2.12
	2.11	1.83	1.63	1.50	1.35	0.94
	64.5 ⁵	57.4	60.2	61.6	63.7	64.0
	13.1 ⁵	16.1	15.7	15.6	17.0	16.4
	11.8	12.6	12.7	12.7	11.9	12.4
	9.2	8.7	8.4	8.6	8.7	8.5
	–	–	–	–	–	–

* With effect from 2003, shareholders' funds are based on the balance sheet before profit appropriation. Comparative figures and return on shareholders' funds have been restated accordingly.

Information for shareholders

Authorised and issued capital	Authorised capital (in euros)		Issued capital (in euros)	
	31 12 2008	31 12 2007	31 12 2008	31 12 2007
Ordinary A shares	48,000,000	42,000,000	20,461,670	18,727,787
Ordinary B shares	30,000,000	36,000,000	14,728,507	16,192,882
Preference A shares	6,000,000	–	1,379,311	–
Preference B shares	6,000,000	12,000,000	2,068,965	–
Preference C shares	45,000,000	45,000,000	–	–
Total	135,000,000	135,000,000	38,638,453	34,920,669

Shareholders at 31 December 2008

	Ordinary B shares	Shareholding (as a %)
Friesland Bank NV ¹	6,708,299	17.36%
LDDM Holding BV ²	3,991,140	10.33%
Stichting Pensioenfonds ABP ³	2,940,872	7.61%
Staff of Kempen & Co	1,088,196	2.82%
	<i>Ordinary A shares</i>	
Stichting Administratiekantoor van gewone aandelen A Van Lanschot ⁴	20,461,670	52.96%
	<i>Preference A shares</i>	
Stichting Pensioenfonds ABP	1,149,426	2.98%
SNS REAAL NV	229,885	0.59%
	<i>Preference B shares</i>	
Pref B Van Lanschot Participatie NV ⁵	2,068,965	5.35%
Total ⁶	38,638,453	100.00%

1 On 29 December 2008, Friesland Bank (through Vereniging Friesland Bank) reported a 24.60% interest in Van Lanschot by virtue of Section 5.3.3 of the Financial Supervision Act (Wft). This interest comprises both B shares and depositary receipts for ordinary A shares.

2 On 31 December 2008, LDDM Holding took over the interest held by La Dou du Midi BV in Van Lanschot. On 31 December 2008, LDDM Holding reported an 11.25% interest in Van Lanschot. This interest comprises both ordinary B shares and depositary receipts for ordinary A shares.

3 On 29 December 2008, Stichting Pensioenfonds ABP reported a 12.06% interest in Van Lanschot. This interest comprises ordinary B shares, preference A shares and depositary receipts for ordinary A shares.

4 On 3 August 2007, Stichting Administratiekantoor van gewone aandelen A Van Lanschot reported a 52.42% interest in Van Lanschot. This interest solely comprises ordinary A shares.

5 On 29 December 2008, Pref B Van Lanschot Participatie reported a 5.35% interest in Van Lanschot. This interest solely comprises preference B shares.

6 On 5 July 2007, Delta Lloyd (through Aviva plc) reported a 30.81% interest in Van Lanschot. At the moment of reporting, this interest comprised depositary receipts for ordinary A shares and ordinary B shares. On 1 November 2006, SNS REAAL reported a 7.43% interest in Van Lanschot, which interest solely comprised depositary receipts for ordinary A shares at the moment of reporting. 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.

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 A, B and C shares.

At 31 December 2008, 35,190,177 ordinary shares and 3,448,276 preference shares in Van Lanschot nv were issued: i.e. 20,461,670 ordinary A shares, 14,728,507 ordinary B shares, 1,379,311 preference A shares and 2,068,965 preference B shares.

Compared with the outstanding capital at 31 December 2007 the number of issued shares increased. This was due to the issue of new preference shares on 29 December 2008 (refer to the section 'Issue of preference shares') and to the issue of new depositary receipts for shares to Van Lanschot staff who exercised their options in 2008. Furthermore, the ratio between the number of ordinary A shares and the number of ordinary B shares changed due to the conversion of ordinary B shares into ordinary A shares. At 31 December 2008 and 31 December 2007, no preference C shares were outstanding.

Issue of preference shares

On 29 December 2008, Van Lanschot nv issued 1,379,311 preference A shares and 2,068,965 preference B shares in order to strengthen its capital position. The shares are unlisted and have been placed with a select group of institutional and private investors. The issue price was € 43.50 per preference share.

The nominal value of each preference share is € 1. The holders of the preference B shares will be granted a pre-emption right in future share issues.

The annual dividend on the preference shares is 7.5%. The dividend is distributed in cash and charged against net profit and/or the distributable part of shareholders' funds. The holders of preference shares only receive dividend payments if dividend is distributed on the ordinary shares and the capital adequacy requirements as agreed upon with the Dutch Central Bank (DNB) are met. The full dividend proposal is subject to approval of the Annual General Meeting of Shareholders of Van Lanschot. Dividend payments on preference shares are made simultaneously with the distribution of dividend on ordinary shares.

With effect from March 2012 Van Lanschot shall have the right to repurchase the preference shares during a two-week period after publication of the annual or half-year figures by Van Lanschot, subject to approval of the Dutch Central Bank. The preference shares will be acquired at 115% of the issue price in cash, increased by any accumulated dividends that have not yet been made payable. If dividends are passed over, they will be compensated for 115% in the form of depositary receipts for ordinary A shares Van Lanschot. With effect from March 2012, the holders of preference shares shall have the right to convert these shares into depositary receipts for ordinary A shares Van Lanschot during a two-week period after publication of the annual or half-year figures by Van Lanschot. This conversion is based on 115% of the capital invested plus any dividend passed over, and increased by any accumulated dividends that have not yet been made payable. The conversion price is the 60-day volume-weighted average share price prior to the day on which the holder of the preference shares indicated that he wishes to exercise the conversion right. The number of depositary receipts for ordinary A shares Van Lanschot will therefore be determined

upon conversion. Instead of conversion into depositary receipts for ordinary A shares, Van Lanschot may opt to repurchase the preference shares, as described above, subject to approval of the Dutch Central Bank.

Depositary receipts for shares

The 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, which are listed on the Official Market of the 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 Board of the trust office 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 page 179 of this Report.

Since July 1999, depositary receipts for A shares Van Lanschot have been listed on the Official Market of the Euronext Amsterdam stock exchange.

Large shareholders

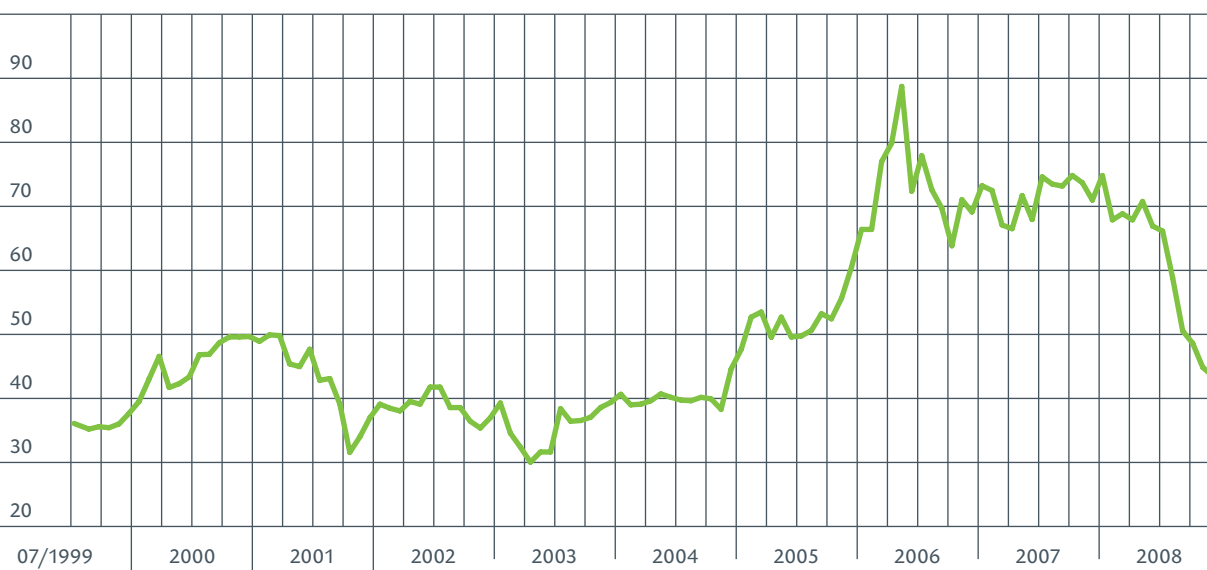
Van Lanschot has shareholder agreements with both LDDM Holding bv and Friesland Bank nv. Under the terms of this agreement, Van Lanschot nv has granted LDDM Holding bv the right to recommend one supervisory director. In 2006, Mr van Lanschot was appointed as a member of the Supervisory Board pursuant to this right of recommendation. In addition, LDDM Holding has the right, subject to certain conditions, to keep its relative shareholding in Van Lanschot at a certain level.

The shareholder agreement with Friesland Bank dates from 2005 and had an initial term of three years. The agreement is automatically renewed one year at a time after expiry of the first three-year period. The period of notice of the agreement was adjusted in December 2008. The period of notice now is one month, instead of one year. It is stipulated in the agreement, among other things, that Friesland Bank will respect Van Lanschot's independence and will not lend its cooperation to the acquisition by a third party of a shareholding in Van Lanschot exceeding 20% of the share capital. The total shareholding of Friesland Bank in Van Lanschot is capped at 29%. In the event of share issues (also the issue of preference C shares), Van Lanschot will allow Friesland Bank to apply for shares up to 20% of the capital to be issued. As long as Friesland Bank holds an interest of at least 20% in Van Lanschot's share capital, it has the right to recommend one member of the Supervisory Board.

Key figures on ordinary shares					
	2008	2007	2006	2005	2004
Share price (€):					
High	74.49	75.50	87.45	67.00	48.29
Low	41.75	65.00	61.85	48.00	38.60
Closing	48.00	73.50	72.00	64.90	48.20
Average daily trading volume in depository receipts for Van Lanschot NV shares					
	6,485	9,452	17,628	13,327	7,829
Market capitalisation (€ billion) (year-end)					
	1.8	2.6	2.3	2.1	1.6
Net asset value per share (€)					
	35.20	39.65	32.74	30.32	24.24
Price-earnings ratio					
	87.3	12.4	13.1	14.0	14.2

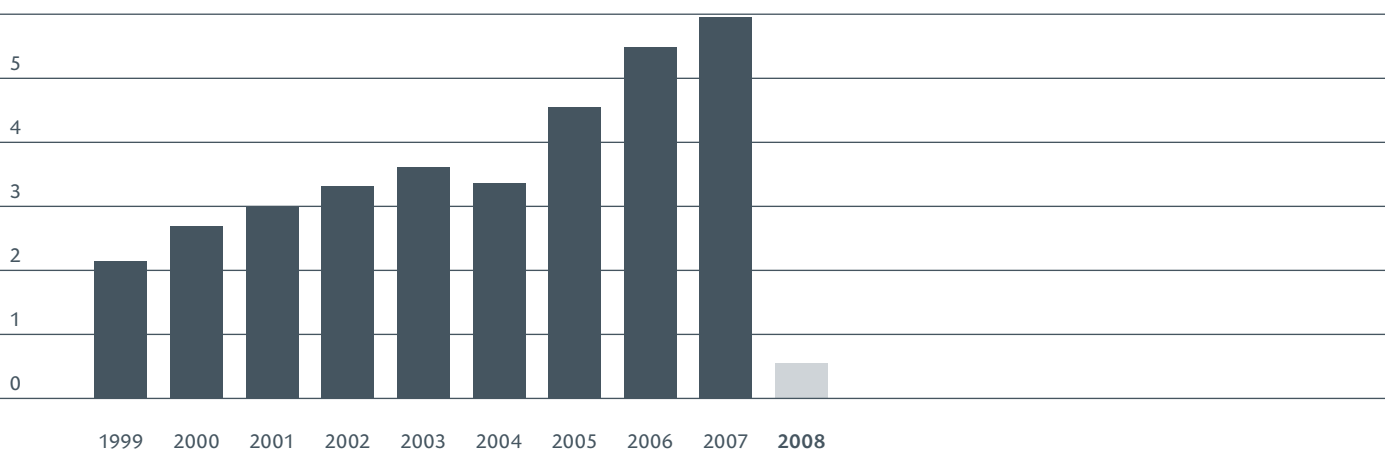
Movements in share price since stock exchange listing

In euros



Movements in earnings per ordinary share

In euros



Credit ratings

	Long-term	Short-term
Standard & Poor's	A, Stable outlook	A-1
Fitch Ratings	A, Stable outlook	F1

Dividend per ordinary share

Van Lanschot strives to distribute to the shareholders of ordinary shares between 40% and 50% of net profit, adjusted for the interest on perpetual loans. This net profit totals € 19.3 million. It will be proposed to the shareholders' meeting to distribute a dividend per ordinary share of € 0.28. This corresponds with a pay-out ratio of 50.6% relative to the earnings per ordinary share (2007: 49.7%). Also refer to the table 'Earnings per ordinary share' on page 12.

Credit ratings

Credit ratings are indicators for the probability of timely and full repayment of interest and the principal amount of fixed-income securities. Van Lanschot has two single A ratings, awarded by the rating agencies Standard & Poor's and Fitch Ratings. The single A ratings were reconfirmed by both rating agencies in December 2008.

Issue of shares

In the shareholders' meeting of 8 May 2008, the authority of the Board of Managing Directors to issue shares was extended for a period of 18 months from the date of this meeting. The authority relating to the issue of ordinary shares is limited to 10% of the issued capital, to be increased by an additional 10% if the issue is made within the context of a merger or takeover. In connection with the intended issue of preference A and B shares, the extraordinary meeting of shareholders of 17 December 2008 granted the Board of Managing Directors the authority to issue these shares. In this meeting, the Board of Managing Directors was given the authority to decide to issue preference A shares convertible into ordinary A shares and to issue preference B shares convertible into ordinary A shares during a period of 18 months from the date of this extraordinary meeting of shareholders. In addition, in this meeting, the Board of Managing Directors was given the authority to decide to grant rights to acquire additional ordinary A shares during a period of 18 months from the date of this extraordinary meeting of shareholders, if this should prove to be required in connection with (i) the conversion of preference A shares convertible into ordinary A shares and (ii) the conversion of preference B shares convertible into ordinary A shares. This authority is restricted to the number of additional ordinary A shares that proves to be required in connection with the conversion of the preference A and B shares. The Board of Managing Directors exercised these powers. On 29 December 2008 1,379,311 preference A shares and 2,068,965 preference B shares were issued (refer to the section 'Issue of preference shares').

Repurchase of shares

In the shareholders' meeting of 8 May 2008, the Board of Managing Directors was authorised to repurchase paid-up shares in the company or depositary receipts for such shares, on the

stock exchange or otherwise, subject to approval of the Supervisory Board, up to the maximum of 10% (under the law and Articles of Association) of the issued capital, during a period of 18 months as from the date of this meeting. In the extraordinary shareholders' meeting of 17 December 2008, the Board of Managing Directors was authorised to repurchase paid-up preference A shares convertible into ordinary A shares in the company or preference B shares convertible into ordinary A shares in the company through a private purchase, up to the maximum of 10% of the issued capital, during a period of 18 months as from the date of said extraordinary shareholder's meeting.

Transfer of shares and depositary receipts for shares

The issued ordinary B shares and the issued preference A shares are held by several large shareholders. The issued preference B shares are held by Pref B Van Lanschot Participatie nv. The table 'Shareholders at 31 December 2008' on page 8 contains a list of the shareholders and the number of shares for which they were registered in Van Lanschot nv's shareholders' register at 31 December 2008.

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

Share plans

In 2008, the Van Lanschot Share Plan was introduced. This share plan affords employees the opportunity to acquire Van Lanschot shares once a year up to a capped amount at a 20% discount to the then prevailing market price of the share. The shares purchased at a discount will be subject to a transfer restriction for a four-year period. After expiry of this period, they are freely available for trading. After this four-year period they can be sold at the then prevailing market price of the Van Lanschot share. Furthermore, employees will receive an additional payment after four years if they are still in Van Lanschot's employ at that moment. The Van Lanschot Share Plan was designed by Van Lanschot to consolidate its employer of choice status. Furthermore, Van Lanschot hopes that this plan will help it to retain staff for longer periods and foster their commitment to Van Lanschot.

From 1989 until 2006, Van Lanschot had a share option plan. Until 2002, the term of an option was always five years. In early 2003, the regulations were changed in this respect, and the Supervisory Board was given the authority to determine the term of the options on an annual basis. For the years 2003-2006, the term was set at seven years. At 31 December 2008, the number of outstanding option rights totalled 508,127. For the obligations resulting from these option rights, Van Lanschot holds depositary receipts for ordinary A shares. Since May 2006, Van Lanschot has stopped purchasing depositary receipts for ordinary A shares in order to cover said obligations. Since May 2006, these obligations have primarily been covered through the issue of new depositary receipts for ordinary A shares.

For more information about the share plan for members of the Board of Managing Directors, we refer to the section

Information about the dividend per ordinary share					
	2008	2007	2006	2005	2004
Earnings per ordinary share (€)	0.55	5.94	5.48	4.65	3.40
Dividend per ordinary share (€)	0.28	3.00	2.75	2.50	2.11
Dividend yield (%)	0.60	4.08	3.84	3.85	4.38
Pay-out ratio (%)	50.6	49.7	48.4	50.0	50.0
Total return for holders of ordinary shares (%)	-31	6	14	38	9

Outstanding options on ordinary shares at 31 December 2008

<i>Exercise period runs to</i>	<i>Number of options including Board of Managing Directors</i>	<i>Average exercise price in euros</i>
2009	28,108	25.55
2010	32,974	32.07
2011	56,121	40.28
2012	138,595	51.07
2013	218,944	73.33
2014	33,385	65.78
Total	508,127	57.88

'Remuneration policy for members of the Board of Managing Directors' on page 51.

Amendment of the Articles of Association

A resolution to amend the Articles of Association of Van Lanschot nv can only be passed following a proposal of the Board of Managing Directors, which has been approved by the Supervisory Board. Euronext Amsterdam nv will be consulted about the content of such proposal to amend the Articles prior to this being presented to the General Meeting of Shareholders. The Netherlands Authority for the Financial Markets (AFM) will be informed about the proposal. This notification will be made at the latest on the day on which the General Meeting of Shareholders is convened, in which meeting the proposal to amend the articles will be put to the vote. 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.

Important dates

Annual General Meeting of Shareholders	11 May 2009
Publication of trading update	
first quarter of 2009	11 May 2009
Ex-dividend date	13 May 2009
Dividend record date	15 May 2009
2008 dividend available for payment	20 May 2009
Publication of 2009 half-year results	11 August 2009
Publication of trading update	
third quarter of 2009	6 November 2009
Publication of 2009 full-year results	12 March 2010
Annual General Meeting of Shareholders	6 May 2010
Publication of trading update	
first quarter of 2010	6 May 2010
Publication of 2010 half-year results	10 August 2010

More information

Van Lanschot's Investor Relations policy focuses on informing the financial stakeholders as adequately and timely as possible about the developments in the company, with the aim of providing sufficient information for any investment decisions regarding Van Lanschot. For more information, please visit our corporate website www.vanlanschot.nl and go to the menu 'About Van Lanschot', Section: Investor Relations.

The Investor Relations department welcomes questions from investors and their advisers, on +31 73 548 33 50. Questions may also be sent by e-mail to investorrelations@vanlanschot.com.

Message from the Chairman of the Board of Managing Directors



From left to right: Mr Loven, Mr Sevinga, Mr Zwart, Mr Deckers

The world turned upside down

During 2008, the world was engulfed by an unprecedented global financial crisis. A combination of opportunism, herd behaviour, excessive risk taking and a poor understanding of the correlation between macroeconomic imbalances and the role that banks play in this brought the entire financial system to the brink of collapse in 2008. People lost confidence in banks, and banks lost confidence in each other. What once seemed certain turned out to be false, and no new certainties have been put forward. Furthermore, owing to the current reporting rules the results reported by banks are more volatile than ever. The nature and scale of the problem, which was first seen on the us mortgage market, exposed the extent of international interdependence in the financial system and the lack of transparency in the market for certain structured products. In the wake of this, the real economy has entered into a global recession, and it is hard to say how severe this will be. Although the financial crisis has affected everyone, including Van Lanschot, I can report that the principles of conservative banking – banking as it is supposed to be done – have proved their worth.

A robust bank in a turbulent market

Van Lanschot made a conscious decision to focus on private banking and services to family businesses and their directors/majority shareholders. As a result, it has a low risk profile. In

keeping with this, it chose to engage in proprietary trading to a limited extent only, since the interests of clients always come first at Van Lanschot, and its balance sheet only exists for the benefit of clients.

The resulting model did not lead to the highest profits seen at banks prior to the financial crisis, but it does mean that the bank has managed to survive these difficult times relatively unscathed. Taking risks that are not fully understood is not in keeping with the business culture at Van Lanschot, and so we did not have any investments in the subprime sector or any risky investments such as collateralised debt obligations (CDOs) or structured investment vehicles (SIVs). Furthermore, we have not been affected by problems at financial institutions such as AIG, Lehman Brothers, Freddie Mac, Fannie Mae, Merrill Lynch, Bear Sterns, IKB or Hypo Real Estate. In contrast to almost every other bank, in 2008 Van Lanschot did not have to include any write-offs for assets of this type in its balance sheet. The fact that our balance sheet remained intact and we ended the year in profit – a rare combination in 2008 – is testament to our low risk profile. During 2008, our bank's liquidity position was not in danger at any time, and we did not need to apply to the State for support. In fact, at the end of 2008 we managed to reinforce our capital position on our own. (Refer to page 45 for a detailed description of risk management at Van Lanschot.)

Van Lanschot's prudent policy and low risk profile are appreciated by our clients and the market. Our private banking strategy also proved popular in the turbulent market, judging from the substantial inflow of new clients and funds entrusted. During 2008, the number of both private banking and business banking clients increased, and we were able to welcome many new clients who consider our bank to be a safe haven for their savings. However, the influx we saw in August and September of new clients from banks that were nationalised in October stopped following nationalisation, and a slight reversal was seen.

During the year, existing clients converted many of their investments into liquid assets, leading to a 15% rise in savings and deposits to € 11.6 billion. Unlike many other banks, Van Lanschot did not stop lending, and loans to the corporate sector increased by 13%, to € 6.6 billion. We even continued to grow in the fourth quarter. Where necessary, we also arranged loans for our private clients. We will continue to do so in 2009, although to a limited extent as more stringent capital and liquidity ratios will prove a barrier to growth in this area as they will play a greater role in determining growth in bank lending. During the year under review we also managed to strengthen our position in the Dutch fiduciary asset management market. As can be seen, conservative management, high quality assets, a sound balance sheet and stable shareholders proved their worth in what was a turbulent year. The group of stable shareholders expanded further following a € 150 million preference share issue in December 2008.

**CONSERVATIVE MANAGEMENT, HIGH QUALITY ASSETS,
A SOUND BALANCE SHEET AND STABLE SHAREHOLDERS
PROVED THEIR WORTH IN WHAT WAS A TURBULENT YEAR**

Profits and a healthy balance sheet

Although Van Lanschot did not suffer any direct losses, indirectly the credit crunch has visibly had an impact. The bank may still have been profitable, but profits were sharply down on 2007, chiefly due to falling commission income. We were also relatively badly affected by the battle for savers, as savings and deposits account for a relatively high proportion of our funding. Furthermore, a pre-tax loss of approximately € 50 million was incurred on the sale of equities in the investment portfolio due to falling stock markets, and additions to the loan loss provisions were increased as a result of the deteriorating economic climate.

Van Lanschot is still a sound bank with a healthy balance sheet. For instance, we:

- have a funding ratio of 90%, making our liquidity position among the highest in the Dutch banking sector;
- reduced the value of Van Lanschot bonds in issue by € 1.25 billion;
- strengthened our balance sheet at the end of 2008 by raising an additional € 150 million from issuing convertible preference shares to institutional and private investors (dividend rate of 7.5%, a conversion rate of 115%).

Our BIS Tier I ratio of 10.0% and our BIS total capital ratio of 12.5% at the end of 2008 put us towards the upper end of the market. During the year under review, the rating agencies Standard & Poor's and Fitch Ratings reconfirmed our Single A rating (stable outlook).

Our subsidiary Kempen & Co performed reasonably well in 2008, in what were extreme circumstances. Kempen and Van Lanschot were both protected by the decision taken at the time of the acquisition that Van Lanschot's assets would only be made available to Kempen in exceptional cases, and only if consent was obtained from the Board of Managing Directors. No such consent was either requested or granted during 2008, which means that the risks involved are extremely limited. Kempen Securities built on its dominant position in the Dutch small and mid-cap market and its strong European position in property company shares. Corporate Finance acted as adviser in a number of top deals, while Kempen Capital Management made a substantial contribution by helping to improve the quality of asset management at Van Lanschot. Furthermore, Kempen still proved to be a popular employer among former employees of major banks during 2008.

The public role of banks

Clearly, the impact of the credit crunch will continue to be felt for a long time to come. The entire financial industry has, quite rightly, been admonished. However, generalisations have been made and the approach taken towards the industry has been one-sided, overlooking the fact that some banks cannot be blamed as they were not involved in any way, or deliberately avoided taking on risky positions. The fact that such banks – which include Van Lanschot – are also viewed in a bad light is hurtful.

At Van Lanschot, the balance sheet is primarily for the benefit of clients, who entrust their money to the bank. Prudential management means that maximising profits can never be the driving force at financial institutions. In my view, companies that play a role within society, such as banks, are unable to achieve the same returns on investment as companies operating outside the financial sector, such as other service providers, manufacturers and traders.

Van Lanschot will therefore continue to focus on achieving non-financial objectives as well as financial targets. During 2008 it became clear that such objectives are at least as important as financial targets. As we focus on clients' interests, client satisfaction is the most important measure for us. We measure client satisfaction every year, and our 2008 survey revealed that clients are still very satisfied with Van Lanschot.

Clients see the difference

Although the crisis, which began in late 2007, will not be over by the end of 2009, we will still continue to work on achieving our ambition of being the best private bank in the Netherlands and Belgium. We have invested a great deal in developing the expertise and skills of our employees, in spite of developments on the market. We have recruited many experienced bankers, and are continuing to invest in our IT infrastructure. We have also refined our duty of care policy and set up related systems.

As a bank our aim is to provide services to our clients, not to sell them financial products. Personal advice is at the heart of our services. We want to help our clients manage and where possible grow their assets in the most appropriate way for their future plans. This means doing the right things in the right way. Clients can see this difference, even though Van Lanschot is naturally not immune to developments on the market.

AS A BANK OUR AIM IS TO PROVIDE SERVICES TO OUR CLIENTS, NOT TO SELL THEM FINANCIAL PRODUCTS

The challenge before us is to continue to improve as a bank and to build on our strong position in private banking. Our guiding principle is excellence, focusing on three areas: client satisfaction, healthy balance sheet ratios, and long-term thinking when it comes to investing in relationships with clients and in our own employees.

A realistic view of the future

The current state of the market creates opportunities for us to strengthen our position in the market. In connection with this, we are reviewing our strategy and targets and will present revised details to our shareholders in May 2009.

Our other priorities for 2009 are:

- to maintain healthy balance sheet ratios;
- to cut costs and improve our efficiency ratio;
- to continue to improve the quality of our organisation and make our branch organisation more effective;
- to keep costs under control by taking a critical look at the way we fill vacancies and at all salary levels;
- to continue to invest in risk management systems;
- to introduce the F-IRB approach ahead of schedule, in view of the increased attention being given to BIS ratios (the aim is to use the F-IRB approach for reporting purposes as from 1 January 2010).

I do not expect the financial sector as a whole to recover in 2009. There may be more shocks to come. However, Van Lanschot seems to have weathered the worst, but will still feel the full impact of the recession. Realistically, there are bound to be loan losses that have not been specifically provided for as yet. For this reason, we are not making any predictions as regards the profit outlook in 2009.

Given the far-reaching changes currently being made in the banking industry and the reasons for these changes, there will undoubtedly be further, more fundamental changes to follow. What is certain is that the financial system will change. And in the new system, Van Lanschot will continue to play its own special role, as it has done for over 270 years.

's-Hertogenbosch, 19 March 2009

Floris Deckers

Report of the Supervisory Board



From left to right: Mr Slippens, Mr van Lanschot, Mr de Swaan, Mr de Monchy, Ms Lodder, Mr Streppel, Mr Duron

Introduction

The worldwide banking industry experienced an extremely difficult year. The Supervisory Board kept close track of the developments and their impact for Van Lanschot. Despite the harsh market conditions, Van Lanschot posted a profit for 2008. In December, Van Lanschot successfully issued € 150 million in preference shares. It is satisfactory that Van Lanschot was able to strengthen its capital position under its own steam.

Financial statements and dividend proposal

We have approved the financial statements after their audit by Ernst & Young Accountants. For the auditors' report, reference is made to page 176. We propose that the Annual General Meeting of Shareholders adopt the 2008 financial statements as submitted and endorse the Board of Managing Directors' conduct of the bank's affairs and the Supervisory Board's supervision thereof. The profit for the 2008 financial year was € 30.1 million. The profit remaining after deduction of the interest due on the Perpetual Capital Securities issued by the company is € 19.3 million. The Board of Managing Directors has proposed that € 9.5 million should be added to the reserves, and we have approved this proposal. The portion of the profit that is available for the shareholder amounts to € 0.28 per ordinary share.

Composition of the Supervisory Board

In the shareholders' meeting of 8 May 2008, Mr de Vries and Mr Bierma stepped down as members of the Supervisory Board.

They were both members of our Board for a period of thirteen years, and were no longer eligible for reappointment. In the past four years, Mr de Vries acted as chairman of our Board. We are sincerely grateful to Mr de Vries and Mr Bierma for their valuable contribution to our Board.

The vacancy that would have arisen due to the resignation of Mr de Vries was already filled by the appointment of Mr de Swaan to the Supervisory Board in 2007. Since 8 May 2008, Mr de Swaan has fulfilled the position of chairman of the Supervisory Board. Mr Streppel took over the position of deputy chairman of our Board from Mr de Swaan. For the vacancy arising on Mr Bierma's leaving, Friesland Bank is entitled to recommend a supervisory director. This right was not exercised however; no successor for Mr Bierma was nominated. On 11 May 2009, the first term of office of Ms Lodder and Mr Streppel will expire. They are both available for re-election. The Employees' Council exercised its enhanced right of recommendation by recommending Ms Lodder for reappointment. The Supervisory Board accepted this recommendation. The Supervisory Board will propose to the Annual General Meeting of Shareholders on 11 May 2009 to reappoint Ms Lodder and Mr Streppel as Supervisory Board members.

All Supervisory Directors, with the exception of Mr van Lanschot, are independent as referred to in best practice provision III.2.2 of the Dutch Corporate Governance Code (2003). The requirements of best practice provision III.2.1 have been met.

Composition and duties of Board of Managing Directors

On 1 October 2008, Mr H.H. Idzerda stepped down as member of the Board of Managing Directors on account of reaching retirement age. Since the acquisition of CenE Bankiers in 2004, Mr Idzerda played a key role in the successful integration of CenE Bankiers into Van Lanschot. His area of responsibility included Asset Management, Risk Management and Healthcare. We greatly appreciate Mr Idzerda's important contribution to Van Lanschot in the past years.

On 1 January 2009, Mr Sevinga stepped down as chairman of the Board of Kempen & Co nv.

Since 1 October 2008, the areas of responsibility in the Board of Managing Directors have been divided as follows:

F.G.H. Deckers, Chairman of the Board of Managing Directors

- Secretariat to the Board of Managing Directors (Legal Affairs, Compliance, Corporate Communication)
- Human Resource Management
- Strategy
- Group Audit
- Van Lanschot Belgium

P.A.M. Loven, Member of the Board of Managing Directors

- Operations, Corporate Facility Management, Corporate Purchasing Management
- Financial Control, Tax Affairs, Treasury
- Information Technology Management, project Drive
- Van Lanschot Curaçao

I.A. Sevinga, Member of the Board of Managing Directors

- Risk Management
- Marketing & Product Management
- Kempen & Co

P.R. Zwart, Member of the Board of Managing Directors

- Private Banking (including International Private Banking and Trust)
- Business Banking (including Healthcare CenE Bankiers)
- Van Lanschot Luxembourg
- Van Lanschot Switzerland

Meetings

The Supervisory Board met eight times in the reporting period. At three meetings, two supervisory directors were not present, at two meetings, one supervisory director was not present, and three meetings were attended by all supervisory directors. In the meetings of March and August, we discussed the annual figures and the half-year figures respectively, in the presence of the external auditor. In October, the Supervisory Board devoted a meeting to the strategy and risks related to the company's operations. The progress of the bank-wide IT project Drive was discussed during several meetings. The performance of the Board of Managing Directors was discussed in the meeting in December, partly in the presence of its Chairman.

The performance of the Supervisory Board was discussed during a meeting of the Board in February 2009. In this respect, we found that the composition of the Board is in accordance with the profile and the requirements of Chapter III.3 of the Dutch

Corporate Governance Code (2003). The agendas for all meetings of the Supervisory Board were drawn up by the Chairman of the Board, in consultation with the Chairman of the Board of Managing Directors and the Company Secretary.

Demarcation of duties of Audit and Compliance Committee and Risk Committee

In 2008, the duties of the Audit and Compliance Committee and the Credit and Risk Committee were demarcated. The Credit and Risk Committee was transformed into the Risk Committee. The division of tasks between these two committees now is as follows. The Risk Committee focuses on monitoring the credit (counterparty) risk, market risk, operational risk and interest rate risk. In addition to its tasks in the field of financial reporting risks, compliance risks and duty of care, the Audit and Compliance Committee concentrates on monitoring the solvency and liquidity risks and reputation risk. This division of tasks between these committees will be evaluated after one year.

Audit and Compliance Committee

The members of this Committee are Mr Streppel, Mr de Swaan, Mr de Monchy and Mr van Lanschot. Mr Streppel is chairman of the Committee. The composition of the Committee changed during the reporting year. Mr van Lanschot succeeded Mr Bierma and Mr de Vries stepped down as committee member.

The Audit and Compliance Committee met on five occasions during the reporting year and these meetings were attended by a delegation of 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 department. The Audit and Compliance Committee extensively considered the annual and half-year figures and discussed the reports of the external auditors and the management letter prior to them being discussed in a meeting of the entire Supervisory Board. In the meeting of March, the Committee discussed the report of the Board of Managing Directors on the financial reporting risks. Furthermore, the annual plan, the progress reports and the annual report of Group Audit were also discussed, as well as the external auditor's audit plan and the reports of the Compliance department. By way of preparation for a meeting with the entire Board, one of the four meetings was devoted to the subject of internal control. In this meeting, the policy and procedures for the duty of care, i.e. proper customer service and compliance in customer processes, were discussed.

In November an extra meeting was scheduled in connection with the intended issue of preference shares for € 150 million. There were also discussions about the contacts with the Dutch Central Bank and the Netherlands Authority for the Financial Markets (AFM) and the audit reports issued by those authorities. The Audit and Compliance Committee held one meeting with the external auditor without company officials being present. In addition, the Committee met with the head of Group Audit without other company officials being present.

Risk Committee

This Committee comprises Ms Lodder, Mr Duron, Mr Slippens and Mr van Lanschot. Mr Duron is chairman of this Committee. They met on four occasions in 2008. The Committee discussed

the risks within the bank, focusing in particular on the developments in the quality of the loans portfolio, the loan loss provisions, the operational risks and the market, interest rate and liquidity risks. In mid 2008, the market, interest rate and liquidity risks were added to the subjects discussed in the meetings of the Audit and Compliance Committee. These risks were discussed in the Risk Committee on the basis of reports and memorandums presented by a member of the Board of Managing Directors and staff members of the Risk Management department during the meeting. In 2008, the Risk Committee also discussed the risks posed by the credit crunch and the preparations for the transition to the F-IRB approach.

Selection and Remuneration Committee

This Committee comprises Ms Lodder, Mr de Swaan, Mr Slippens and Mr Streppel. In 2008, this Committee convened four times. Mr de Swaan acts as chairman for subjects related to selection, while subjects relating to remuneration are treated under the chairmanship of Mr Slippens. The meetings were attended by Mr Deckers and the head of HRM. In the meetings of February and March, the proposal for the new remuneration policy for 2008-2012 was also discussed, which was submitted for adoption to the Annual General Meeting of Shareholders on 8 May 2008. This new remuneration policy, adopted by the Annual General Meeting of Shareholders, is further set out on page 51 of this annual report.

In the meeting held in March 2009 the Committee established that the budgetted RAROC percentage had not been achieved. As a result, the members of the Board of Managing Directors, in accordance with the remuneration policy, do not receive that part of the variable remuneration that is based on the RAROC-criterion. In January 2009, the Committee discussed the extent to which the individual members of the Board of Managing Directors met their personal targets during the year under review and the related variable remuneration, and their targets for 2009. On the basis of this, Mr Deckers will be granted a variable remuneration of 32% of his fixed salary, Mr Idzerda one of 20%, Mr Loven one of 16.8%, Mr Sevinga one of 24% and Mr Zwart one of 15.6%. In total, the short-term component of the variable remuneration of the members of the Board of Managing Directors was € 0.4 million for 2008; in the year 2007, this amount was € 1.2 million for the board members at the time.

The long-term variable remuneration is granted provisionally, and becomes unconditional if earnings per share rise on average by a certain percentage in the period 2008-2010 compared with the earnings per share for 2007. Given the average growth in earnings per share in the period 2006-2008, the performance shares conditionally awarded in 2006 have been withdrawn.

The Board was furthermore informed about the decision of the complete Board of Managing Directors to reduce the fixed salary for 2009 of the Chairman from € 550,000 to € 500,000 and to reduce the fixed salary of the other members of the Board of Managing Directors from € 330,000 to € 300,000, in connection with the difficult economic situation and the relevant measures still to be taken in the organisation. The complete Board decided to follow this example and reduce the remuneration received by the Supervisory Directors for 2009 by 10%.

Contact with the Employees' Council

Members of the Supervisory Board by rotation attended a number of consultative meetings held with the Employees'

Council. This concerned consultative meetings during which important requests for a formal opinion or the general affairs at Van Lanschot were discussed. The consultations with the Employees' Council and its Chairman were always pleasant and constructive.

In conclusion

Owing to the volatile market conditions, the year 2008 was not an easy year. Van Lanschot still energetically continued the implementation of its strategy focused on being the best private bank in the Netherlands and Belgium, while the bank's solid profile was maintained. We would like to thank all staff and the Board of Managing Directors for their efforts.

Van Lanschot has a clear vision of its position as an independent private bank. We are confident that the company will also be able to weather the tough economic conditions in 2009.

's-Hertogenbosch, 19 March 2009

T. de Swaan *chairman*
 J.B.M. Streppel *deputy chairman*
 W.W. Duron
 G.P. van Lanschot
 Ms T.M. Lodder
 C.W. de Monchy
 A.J.L. Slippens

Private Banking

Asset Management

Business Banking

Corporate Finance
and Securities

Private Banking

Van Lanschot proved itself to be **a stable bank in this turbulent market**, although it was still indirectly affected by the crisis, particularly in the second half of 2008.

Private Banking

In millions of euros

	2008	2007	%
Interest	203.8	199.4	2%
Income from securities and associates	–	–	
Commission	112.8	149.7	– 25%
Profit on financial transactions	1.6	2.0	– 20%
Income from operating activities	318.2	351.1	– 9%
Staff costs	135.3	131.4	3%
Other administrative expenses	99.4	72.3	37%
Depreciation and amortisation	17.5	14.9	17%
Operating expenses	252.2	218.6	15%
Impairments	6.7	2.6	158%
Total expenses	258.9	221.2	17%
Operating profit before tax	59.3	129.9	– 54%

Private Banking focuses on providing comprehensive advisory services to private individuals with an above-average income or net-worth. The bank offers a broad range of solutions, the most important of which are asset structuring, investment advice and financing. A special group of private banking clients comprises directors/majority shareholders, based on the view that they are at the centre of most new wealth creation. In line with this, business banking services have been specially designed for this group. Our target groups also include business professionals (accountants, tax advisers, notaries and lawyers) and executives at listed companies.

A stable private bank in a turbulent market

In 2008, the turmoil on the international financial markets led to a crisis in the financial sector, followed by a severe recession that set in during the fourth quarter. Van Lanschot proved itself to be a stable bank in this turbulent market, although it was still indirectly affected by the crisis, particularly in the second half of the year. During 2008, the tendency for our clients to move out of investments and into savings, first noted in 2007, became stronger, in response to developments on the financial markets. Savings and deposits held by Private Banking clients increased by 15% to € 11.6 billion. Interest income remained reasonably stable, as the declining interest margin was offset by the inflow of cash assets from new clients. In addition, many existing clients converted assets into cash. This, in combination with falling prices, resulted in a sharp decrease in commission income in 2008. Private Banking operating expenses increased € 33.6 million to € 252.2 million as a direct result of substantial planned investments in IT, training and education, marketing and recruiting new staff to strengthen the Private Banking business unit. Operating profit before tax was € 59.3 million, down sharply on 2007 (€ 129.9 million).

The importance of client communication in troubled times

Confidence in the financial world has taken a severe knock, and, quite understandably, private investors are feeling insecure. This is why we believe it is vital to proactively provide clients with information, keep in touch with them and take great care when providing support and advice. Arranging credit for private banking clients is in keeping with this. We provided this service in 2008, and we will continue to do so in 2009. This is in line with our aim to build long-lasting relationships with our clients and with our central focus on putting the interests of clients first.

Third private-equity fund for clients

To our clients, 2008 was an unprecedentedly bad year for investments. Substantial losses were incurred in every investment category, except for government bonds and cash assets held at banks with strong finances. One of the few high points in investment during the year was our alliance with Egeria. The Egeria structure introduced in 2007 was able to distribute a substantial dividend thanks to a number of successful deals. The successful alliance with Egeria Investment Management was continued with the introduction of a third fund – the Egeria III Feeder Fund – during the year under review. Van Lanschot's clients submitted applications totalling € 100 million for this issue.

Egeria is a leading private equity specialist, and its expertise complements the exclusive, top quality services that

Van Lanschot offers its clients. The new investment fund invests in Egeria III, Egeria's latest private equity fund. Like its predecessors, Egeria III invests in unlisted Dutch companies, which will use the new capital to fund further growth, as well as projects and acquisitions. Egeria III was offered exclusively to the wealthiest clients of Van Lanschot and Van Lanschot Kempen.

INCREASING THE FOCUS ON THE TOP END OF THE MARKET HAS BORN FRUIT

Refinement of client segments

Private banking demands high levels of knowledge of the financial world and of the wishes and requirements of individual clients. This means that private banking is highly labour intensive in terms of client service. For this reason, there is an upper limit on the number of clients that can be assigned to an individual banker.

In 2007, we introduced new definitions of target groups that took further shape in 2008. In order to optimise the services we provide to these target groups and emphasise our qualities as a genuine private bank, in 2008 we increased the threshold for accepting clients to € 250,000 in freely investable assets (compared with € 100,000 previously) or an income of at least € 250,000. Our target group is split into three segments: clients with a net worth of up to €1 million, clients with a net worth of between € 1 million and € 5 million, and clients with a net worth of over € 5 million. Different kinds of services are associated with each of these segments. The private wealth teams at our larger offices serve the second group of clients, while services to the third group are provided by Van Lanschot Kempen.

Increasing the focus on the top end of the market has born fruit: in 2008 the composition of our client base visibly changed as a result of our policy. The number of private banking clients grew by 5.2% in 2008. Growth in the number of very high net-worth individuals, entrepreneurs and business professionals, being part of the target group clients, was approximately 9%. The number of non-target group clients declined about 6%, which mostly concerns clients who only took out a mortgage loan at our bank in the past, and look for a new mortgage provider on the interest renewal date. The assets of non-target group clients also grew in 2008. The largest share in the growth in volume was however contributed by very high net-worth individuals, entrepreneurs and business professionals (about 75%). The trend is expected to continue in the coming years.

Client-centred services

In 2008 we took steps to bring our organisation and services more closely into line with our client segmentation. Improvements were made with respect to co-ordinating the services offered by Private Banking, Asset Management, Business Banking, Corporate Finance and Securities. One group of clients that we have successfully targeted for many years consists of directors/majority shareholders. Wealth is created within their businesses over a large number of years, and this is being withdrawn for private use at an increasingly early stage. Together with Business Banking, we continued to develop our policy on directors/majority shareholders during 2008.

We expect that this will lead to improvements and innovations in our services for these clients being embedded more firmly within Van Lanschot. As a result, we will be able to offer consistent services to our clients.

Roll-out of client planning models

At the end of 2007 we introduced OPAL ('Optimised Personal Asset Liability' planner), a client planning model based on a model used for pension funds. We provided private bankers with special training in how to use these models, which they use as a basis when looking at the assets and financial objectives of clients. These objectives need to be properly analysed in order to ensure the right choices and decisions are made. This model uses a sophisticated combination of financial planning and asset management based on the ALM (Asset and Liability Management) methodology.

Improving the quality of our organisation to promote broad-based advice

During the year under review we took steps to increase our visibility in the market and improve the quality of the organisation throughout the business units. Changes were made to the internal organisation, and improvements were made, particularly in respect to key positions, which are in keeping with the refinement of our services. Private Banking expanded substantially, taking on almost 60 new staff, including 45 senior bankers and managers. The number of private wealth teams was increased from 12 to 18, and almost all staff were given intensive training.

During 2009, Private Banking will pay special attention to service delivery. Our ambition is to ensure that every branch of Van Lanschot provides the same high standard of service. Furthermore, these services need to be recognisably Van Lanschot services. We will also continue to work on building long-term relationships with clients, which we believe are essential for private banks.

Duty of care

Our guiding principle is that the interests of clients come first. Accordingly, we believe that good customer care is one of our most important strategic pillars. For this reason, in mid 2008 we formulated a duty of care policy that is specifically geared to the situation at Van Lanschot. The Ten Golden Rules of this policy will serve as a guideline for our actions in 2009 and beyond. Compliance with these rules is a permanent aspect of employee's objectives and appraisals. The Ten Golden Rules emphasise three aspects of our duty of care: customer due diligence, prudent advice to clients, and well-organised files.

In order to fulfil our duty of care and encouraged by the changes in the environment in which we operate, we continued to work on the bank's compliance set-up during the year under review. In May, we decided to structure the organisation in a way that would provide greater clarity as to responsibility for compliance. The first line – the front office – is responsible for compliance and duty of care. Within the sales organisation, a business control department for Private and Business Banking has been set up, alongside the duty of care department, with responsibility for quality control throughout the branch organisation. This process is then monitored and checked by the second line

(Compliance) and third line (Group Audit). A start was made on setting up and staffing this structure during 2008.

OUR GUIDING PRINCIPLE IS THAT THE INTERESTS OF CLIENTS COME FIRST. ACCORDINGLY, WE BELIEVE THAT GOOD CUSTOMER CARE IS ONE OF OUR MOST IMPORTANT STRATEGIC PILLARS

Van Lanschot Belgium

In Belgium, our second home market, the turmoil on the market was clearly visible, both positively and negatively. The number of target group clients increased 5%. Although this increase led to an inflow of new funds entrusted for Private Banking, this was not enough to offset falling prices. On balance, total funds entrusted fell for the first time in years, from € 3.5 billion to € 3.1 billion. The cautious approach that clients took towards investing led to a 26% fall in securities income to € 12.0 million. On balance, savings and deposits fell, and as a result interest income fell by 8% compared with 2007, partly as a result of the unusually high rates offered elsewhere.

The loans portfolio rose 2% to € 0.4 billion, largely due to growth in the mortgage loans portfolio despite the increasing competition. The inverse interest curve also put margins under pressure. Although total operating expenses were kept under control, rising by only 3.4% compared with 2007, operating profit before tax fell 74.4% to € 2.1 million.

The acquisition of all of the shares of Buttonwood, vermogensbeheerders nv in October 2008 enabled Van Lanschot to build on its position as a bank for high-net-worth individuals in Belgium during 2008. Buttonwood, an asset management firm set up in 1999, has € 400 million in assets under management. With branches in Kortrijk and Bruges, Buttonwood focuses, as Van Lanschot does, on high-net-worth individuals in Belgium.

International Private Banking

The International Private Banking (IPB) activities serve the international needs of Dutch and Belgian clients primarily. These needs are often the result of emigration or international business or investment activities. We offer these clients solutions in the form of international asset structuring and investment. IPB serves clients with assets exceeding € 1 million from its offices in Curaçao, Luxembourg and Switzerland. In 2007, a representative office in the South of France (Mougins) was opened and brought Van Lanschot into contact with new clients living either temporarily or permanently on the coast in the South of France. Major investments were made in Switzerland during the year under review, which included the recruitment of a number of new employees. In the autumn of 2008, Van Lanschot acquired the Curaçao private banking activities of ING Bank nv. This acquisition doubled the amount of assets under management at Van Lanschot Curaçao, and resulted in the employees of ING Private Banking Curaçao being transferred to Van Lanschot Curaçao.

The gross operating result before tax of International Private Banking fell 32% from € 15.3 million for 2007 to € 10.3 million for 2008.

Asset Management

KCM is a leading European
 'investment boutique'
 with a strong focus on a
 number of specialisations

Asset Management

In millions of euros

	2008	2007	%
Interest	0.8	1.6	- 50%
Income from securities and associates	-	-	
Commission	38.3	60.7	- 37%
Profit on financial transactions	0.7	0.6	17%
Income from operating activities	39.8	62.9	- 37%
Staff costs	18.3	27.9	- 34%
Other administrative expenses	7.3	7.4	- 1%
Depreciation and amortisation	0.4	0.3	33%
Operating expenses	26.0	35.6	- 27%
Impairments	0.5	-	
Total expenses	26.5	35.6	- 26%
Operating profit before tax	13.3	27.3	- 51%

The Asset Management business segment comprises the asset management activities of Van Lanschot. Asset management activities for institutional investors, including associations and foundations, are carried out by Kempen Capital Management NV (KCM). KCM is a leading European investment boutique with a strong focus on a number of specialisations, specifically European small caps, listed European property companies, dividend strategies, corporate bonds and absolute return strategies (partly through a global fund or hedge funds). KCM offers fiduciary asset management as a solution to Dutch institutional investors, and also offers high-quality investment solutions, such as multi-management concepts, to institutional investors. These concepts are also available to clients of Van Lanschot Private Banking.

Good results in a tough year for investors

From a financial perspective, 2008 was an eventful year for our Asset Management clients. In view of this, we stepped up contact with clients during the year under review. Given the state of the market, satisfactory results were still achieved in 2008, although KCM did feel the impact of declining stock market prices. Steep falls were seen at the start of the year, and in mid September all investment categories started to go downhill. These affected absolute return funds and corporate bonds as well as equities. Despite this, there was a net inflow of funds in 2008, particularly in the area of fiduciary management.

GIVEN THE STATE OF THE MARKET, SATISFACTORY RESULTS WERE STILL ACHIEVED IN 2008

At the end of 2008, assets under management amounted to € 9.6 billion, down 9% due to falling stock market prices, which had a negative impact of € 2.8 billion. Against this, there was a net inflow of new funds of € 1.8 billion. Owing to the negative mood on the stock market, income from operating activities (chiefly commission) fell 37% to € 39.8 million. Assets under management for institutions increased € 0.4 billion to € 6.4 billion, the result of a net inflow of € 1.7 billion and a negative market performance of € 1.3 billion. Assets under management in in-house funds fell € 1.4 billion to € 3.2 billion due to a € 0.1 billion net outflow and a € 1.3 billion negative market performance.

A clear focus on investing

KCM has made a conscious decision to restrict its operations to a small number of high-quality activities. Either we do something well, or we don't do it at all. Our focus and specialisation enables us to identify major opportunities for excellent absolute and relative returns on investment in the longer term, by being faster, better and smarter. Our starting point is to add value for clients. Above all, our approach focuses on the interests of our clients. KCM's asset managers participate in their own investment strategies. Besides this, a significant portion of their pay is performance-related. Such things are in keeping with our view that we are in partnership with our clients. This approach provides clients with reassurance and gives them faith in the success of our products and services. We are also strongly committed to talented staff, and we invest a great deal in training, education and state of the art technology for customised solutions. This continued unabated during the year under review. The results are a testimony to our solid foundations

and offer a good basis for future growth. During the year under review, KCM worked more closely with Van Lanschot Private Banking. As part of this, Asset Management sets the investment policy for Private Banking.

Innovations that get noticed

During the year under review, the Dynamic Allocation Overlay Fund, which was introduced in 2007, proved it was able to adapt extremely well to the wishes of clients and developments on the market. This fund, which was specifically set up in connection with the fiduciary management solution offered to institutional clients of KCM and high net-worth private clients of Van Lanschot, enables us to respond rapidly and dynamically to price fluctuations on the financial markets without having to make any changes in the client's own portfolio. This leads to a significant improvement in the portfolio's risk/reward ratio and much lower transaction costs. The Orange European Participations fund, which was set up especially for investors that are liable to corporate income taxes, also grew steadily in 2008. This fund combines our expertise in the area of European small caps with our knowledge of tax-effective investment and our ability to innovate. By investing in interests of at least 5% in European enterprises, the fund is able to benefit from the participation exemption. At year-end 2008, the size of this fund was € 245.3 million. As we are convinced that interest in absolute return strategies will continue to increase, we launched the Kempen Absolute Return Credit Fund in March 2008 alongside our existing fund of hedge funds. The new fund capitalises on current low interest rates and dynamics on the credit markets. It is intended to be a flexible credit product that offers considerably higher returns than the money market interest rate in combination with a limited downward risk. Another innovation introduced in 2008 was the adoption of a smart indexing strategy for KCM's existing property investment product, which is weighted by passive market value. Under the new strategy, enterprises are valued on the basis of a range of factors, not just their market value, in order to obtain a more accurate picture of their underlying strengths. During 2008 this strategy produced better results than the traditional passive investment approach. The fact that other Dutch financial institutions have opened up their distribution networks to our specialist investment funds is a testament to the strength of our approach of specialising in a small number of funds. During 2008 a special team was formed in order to develop this market further.

Continued growth in fiduciary management

During the year under review we managed to build on our strong position in the Dutch fiduciary asset management market. The mandates we received from Stichting Pensioenfondsen Randstad and the insurance company De Goudse were put into effect in the year under review. In addition, during 2008 KCM was awarded asset management mandates by a major Dutch company and by ZLTO (Zuidelijke Land- en Tuinbouworganisatie). Assets under fiduciary management amounted to € 2.5 billion at year-end 2008. Fiduciary management is a form of asset management outsourcing with an emphasis on the long-term objectives within the framework of structured risk management.

With a high level of diversification and supported by proper risk management, the investment policy is emphatically based on the stated commitments. We expect the trend towards fiduciary management to continue to grow in the coming years and

our participation in this to be successful. During the past year, we invested in a highly professional team and we managed to strengthen our ties with a number of very capable people. To complement our sustainable European small cap product (Orange SeNSe Fund), a sustainable solution for fiduciary mandates was introduced in 2008.

WE MANAGED TO BUILD ON OUR STRONG POSITION IN THE DUTCH FIDUCIARY ASSET MANAGEMENT MARKET

A responsible service provider

Given the huge increase in the number of asset managers offering fiduciary management services, clear guidelines are needed for both asset managers and pension funds. For this reason, in 2008 kcm joined forces with MnServices, KPMG and others to draw up guidelines for outsourcing pension assets. The guidelines lay down requirements that fiduciary managers have to comply with. As a minimum, they are responsible for formulating strategic policy, managing risk, putting the portfolio together, selecting and managing end investors, and reporting and communication. They also have to act with due care and diligence. The guidelines are also aimed at pension funds that are interested in concluding a fiduciary management agreement. We have decided that with effect from 2009 engagement strategies will be used with a view to sustainable investment. This means that we will keep clients informed and enter into talks with the relevant company or fund manager as soon as there is a suspicion that certain boundaries are being transgressed in the area of corporate social responsibility (CSR). Companies are screened by GES, an independent Swedish institution, on the basis of the principles relating to human rights, labour, environment and fighting corruption set out in the UN Global Compact. As an investor, kcm already has the Orange SeNSe Fund, the sustainable version of the European Small Caps fund (sustainability screening is in this case done by outside specialists from SNS Bank).

Associations and foundations

Owing to the turmoil on the financial markets, associations and foundations took a very cautious approach in 2008, preferring deposits to investments. During the biennial one-day assembly, which Van Lanschot has organised for over 20 years, and the seminars relating to the new regulations governing institutions for general public advancement, many contacts have been made, but so far these have not led to investment mandates due to the state of the market.

Performance of the funds

<i>Absolute return funds</i>	<i>Return in 2008</i>	<i>Three-year return (annually)</i>	<i>Return since inception (annually)</i>
Dynamic Allocation Overlay Fund	4.0%		2.0%
Kempen Absolute Return Credit Fund	- 3.0%		- 3.0%
Kempen Property Hedge Fund*	- 30.6%		- 13.1%
Orange European Participations	- 32.5%		- 29.4%
Orange Investment Partnership	- 32.0%	- 8.2%	- 5.7%
Orange Non-Directional Partnership	- 21.5%	- 4.4%	0.8%
Orange Oranje Participaties	- 49.5%	- 13.9%	9.9%
<i>Index related funds</i>	<i>Return in 2008</i>	<i>Three-year return</i>	<i>Return since inception</i>
Equities			
Kempen European Dividend Fund	- 45.0%		- 14.9%
Orange European Property Fund	- 52.9%	- 21.4%	2.1%
Orange European Smallcap Fund	- 50.5%	- 11.9%	7.2%
Orange SeNSe Fund	- 46.3%	- 9.1%	9.4%
Fixed interest			
Kempen Euro Bond Fund	5.8%		3.7%
Kempen Euro Credit Fund	- 6.6%	- 3.4%	0.4%
Orange Global Bond Fund	5.7%	1.6%	4.2%
Multi Management			
Equities	- 42.7%	- 12.3%	- 4.0%
Bonds	3.5%		2.2%

* As a result of dramatically deteriorating market conditions and performance, it was decided to close the Kempen Property Hedge Fund early in 2009.

Business Banking

Business Banking can look back on a good year, with continued **growth and improved results** in an unstable market

Business Banking

In millions of euros

	2008	2007	%
Interest	119.4	101.9	17%
Income from securities and associates	16.9	8.5	99%
Commission	19.0	21.4	- 11%
Profit on financial transactions	6.5	8.4	- 23%
Income from operating activities	161.8	140.2	15%
Staff costs	40.0	43.8	- 9%
Other administrative expenses	34.6	27.0	28%
Depreciation and amortisation	5.8	5.2	12%
Operating expenses	80.4	76.0	6%
Impairments	12.0	-3.1	487%
Total expenses	92.4	72.9	27%
Operating profit before tax	69.4	67.3	3%

In line with Van Lanschot's vision on private banking, Business Banking focuses especially on entrepreneurs of medium-sized family and other businesses whose personal and business interests merit maximum attention. Here, on the one hand, we examine areas of activity associated with the company, such as business risks, finance and acquisitions, and on the other hand aspects of a more personal character, such as the assets and pension of the director/majority shareholder. Furthermore, with its CenE Bankiers brand, Van Lanschot offers financial services specifically for the healthcare sector, accommodating the advisory needs of medical practitioners, pharmacists and care institutions.

Controlled growth

Business Banking can look back on a good year, with continued growth and improved results in an unstable market, which was certainly the case in the second half of the year. In addition, the efficiency ratio was improved further. Income from operating activities rose 15% to € 161.8 million. Loans and advances to corporate clients in this segment rose € 0.7 billion (i.e. 13%) to € 6.6 billion. Even in the tumultuous last quarter of the year, our loans portfolio experienced growth. In 2009, we again expect a healthy growth of the corporate loans and advances. The aforementioned growth was counteracted by a limited reduction in funds entrusted, in particular in corporate deposits, by 6% to € 1.5 billion.

The satisfactory performance can largely be attributed to the increased focus on the target group and more attention to services taking account of the connection between company and entrepreneur. The number of Business Banking clients was up, in particular in the medium-sized family and other businesses segment, generating a turnover in excess of € 10 million.

INCREASED FOCUS ON THE TARGET GROUP AND MORE ATTENTION TO SERVICES THAT TAKE ACCOUNT OF THE CONNECTION BETWEEN COMPANY AND ENTREPRENEUR

Specialist in director/majority shareholder services

In 2007, we decided to increase our focus on Dutch family and other businesses and on managers with a capital interest in companies generating revenues ranging from € 10 million to € 200 million in the industrial, services and trading sectors. Business Banking plays a logical role here within Van Lanschot. In 2008, we further fleshed out our business plan method for directors/majority shareholders, which was initiated in 2007. This method is based on the lifecycle approach, meaning that we offer our clients guidance and support during the various phases of their entrepreneurship and in the subsequent period. We help them prepare for the future exit and provide financial planning and tax optimisation services. We focus on providing added value and on specialist services important to directors/majority shareholders, such as asset restructuring exercises, takeover financing and property loans. We wish to operate at the crossroads of professional and private needs, and primarily form the driving force for the private bank. For this reason, Business Banking does not conduct any activities that might be interesting business-wise, but are not in line with these assumptions.

Driving organisational improvement

The increased focus on directors/majority shareholders started an improvement process in our business bank. The new approach does require other skills of our staff and places higher demands on the quality of our services. Therefore, we also recruited experienced people from outside, several of whom now operate in the so-called DGA (director/majority shareholder) teams, which solely focus on this target group. Our adage is having the right people in the right places at all times. This means that we not only recruit people externally, but also offer our internal staff additional training and education. In 2008, the intensified cooperation with Private Banking was successful; not only did the number of target group clients increase, more clients came to Business Banking through Private Banking.

Again excellent results in asset restructuring

Recapitalisation of successful companies in order to free up cash without having to sell part or all of the business forms part of the current entrepreneurial strategy. An increasing number of entrepreneurs feel the need to privately reap the rewards of their business success and Van Lanschot offers them this opportunity. In particular for the director/majority shareholder, this can be an interesting option. Since dividend is paid out, capital is freed up and the client can thus also work on his private assets. Private Banking was involved in many of the transactions. During the year, we were involved in asset restructuring exercises of, among others, Schoevers, Credit Yard and Atag Heating Holding bv. Owing to the upcoming recession, 2009 will probably see fewer company takeovers by third parties. Since we specifically concentrate on family businesses, where transactions are often financed within the family, we do not expect this to have a large impact on us.

Appreciation of our approach

In 2008, Van Lanschot again scored high in the annual Incompany 100 business review, both in the field of business finance and in the corporate finance sector. In addition, Van Lanschot was nominated for the 'best banker in takeovers and financing solutions in the midmarket' category and two of our bankers came in second and third in the category 'Best Leveraged Finance Banker Midmarket' in the M&A Awards.

Global Cash Management rolled out successfully

Capitalising on the major shift in goods flows from Europe to Asia, we started to reinforce our services in the field of payment transactions and cash management services, as part of overall corporate account management in 2007. Our personal approach is characterised by short, direct lines of communication and short document processing times. We have a specialist team of consultants available, who assist our clients in international procedures, help them conduct their payment transactions in a cost-efficient way based on Global Cash Management and help them cover any risks involved.

In the reporting year, several clients were connected to the Van Lanschot Global Cash Management application: a user-friendly programme offering extensive opportunities for international cash management.

By means of a web application, our clients can control an international accounts structure. To date, experience has been positive.

AN INCREASING NUMBER OF ENTREPRENEURS FEEL THE NEED TO PRIVATELY REAP THE REWARDS OF THEIR BUSINESS SUCCESS AND VAN LANSCHOT OFFERS THEM THIS OPPORTUNITY

Facilitation of knowledge accumulation

From our focus on and familiarity with family businesses, we operate the Successors' Academy. This is an initiative of De Baak Management Centrum VNO-NCW and Van Lanschot Bankiers. In 2008, this Academy started its sixth year with a group of seven participants. The Academy concentrates on successors in medium-sized businesses with more than ten employees where the actual transfer of ownership will take place within five years. We estimate that some 25% of family businesses will be faced with succession issues in the coming years. In 2009, the activities of the Academy will be extended further. In addition, in the year under review, we established a sponsoring partnership with the Dutch branch of Entrepreneurs' Organization, an organisation with nearly 7,000 owners, (co-)founders and majority shareholders as its members. Their goal is to share the knowledge of and experience with entrepreneurship in order to learn from each other and grow. We also offer this special knowledge network to our existing director/majority shareholder clients. This also contributes to our goal to be the best private bank in the Netherlands.

Interesting growth trends in the healthcare sector

The healthcare sector, with a size of 13.5% of the Gross National Product, is a growth market. With the specialist CenE Bankiers brand, we provide specific services to this market. Since the introduction of the Health Care Act in 2006, care institutions and healthcare professionals have increasingly been judged on their own merits. With our broad experience and expertise, we are closely involved in this entrepreneurial spirit. Our specific sector focus allows us to keep close track of the developments in this sector and rapidly respond to the many changes and innovations.

The year 2008 therefore was a year of healthy growth for CenE Bankiers, its profit improving by 22% compared with 2007 and the number of clients being up 8.3%. This growth was largely made up of medical specialists and medical entrepreneurs. Our market share among healthcare institutions remained stable. Since private initiative is starting to play a larger role in the healthcare sector as well, this sector will increasingly attract more and more private parties with a director/majority shareholder structure. In addition, hospitals are increasingly conducting commercial activities. We expect that the coming years will see more initiatives in the free market place, especially as far as collaboration between hospitals and medical specialists is concerned. This reconciles well with the know-how of CenE Bankiers and its service range, and we therefore believe that the near future will offer good growth opportunities in line with Van Lanschot's target group strategy.

The healthcare sector experienced significant development in the past year. Especially among healthcare institutions, the market risk became clearly visible. They are switching over from a budgeting system to a production system and this gives them a risk profile which is more like that of a private company. Hospitals are at the forefront of this trend. From this perspective, stricter solvency demands are imposed and we critically review the business plans of these parties. The involvement of medical specialists, the competitive position and the market position are also important factors to be considered. Pharmacists form another target group. On 1 July 2008, the preference policy was introduced, which means that insurance companies will only reimburse the lowest priced generic medicinal products for certain active substances. As a result, pharmacists will face a substantial decline in their bonuses. We already anticipated this by applying a well-considered adjustment to the financing solutions for pharmacists. In this market segment, our market share was reinforced further. Early in 2008, medical practitioners switched to a standard hourly rate system. This change led to more private initiatives of medical specialists and an increase in the number of independent medical treatment centres. Medical specialists and other medical practitioners took this step and thus became private business owners. We were able to give them proper support through financing solutions and specific services. The fact that we are one of the few banks that operate nationwide in this field, is obviously a plus.

Corporate Finance and Securities

Services rendered by Corporate Finance and Securities are also **characterised by a sector focus and specialisation.**

We seek to have Kempen & Co stand out in the same specialist areas

Corporate Finance and Securities

In millions of euros

	2008	2007	%
Interest	0.6	0.5	20%
Income from securities and associates	1.6	–	
Commission	43.9	65.0	– 32%
Profit on financial transactions	3.7	7.0	– 47%
Income from operating activities	49.8	72.5	– 31%
Staff costs	25.0	33.7	– 26%
Other administrative expenses	10.6	13.7	– 23%
Depreciation and amortisation	0.2	0.1	100%
Operating expenses	35.8	47.5	– 25%
Impairments	–	–	
Total expenses	35.8	47.5	– 25%
Operating profit before tax	14.0	25.0	– 44%

Within Van Lanschot, Kempen & Co operates as an independent entity for its own account and risk, with its own balance sheet and income statement. Kempen & Co Corporate Finance bv independently advises and supports companies and institutions during capital market transactions, financial restructuring operations, mergers and acquisitions. In addition, it renders advisory services to clients of Business Banking, for instance during transfer of ownership of family businesses. The Securities department concentrates on securities brokerage for professional investors in Europe and the United States. The Securities department offers them high-quality research and the execution of share transactions in particular in funds listed in the Netherlands and Belgium. Services rendered by Corporate Finance and Securities are also characterised by a sector focus and specialisation: different teams closely follow the market developments in a particular sector and translate these into strategic priorities for key players in the market.

Top three in Corporate Finance

The primary spheres of interest of Corporate Finance are the real estate (property funds and developers) sector, the utilities & renewables ((sustainable) energy, waste and water companies) sector and the biotechnology sector. In addition, Corporate Finance also focuses on listed Dutch small and midcap funds, especially in the construction and maritime sectors, the temporary staffing branch and the industrial sector. We seek to have Kempen stand out in the same specialist areas. Therefore, Corporate Finance works closely with Securities in the field of biotech for example. Moreover, Kempen is one of the few parties to follow the small caps listed in the Netherlands. Corporate Finance belongs to the top three of the Netherlands, certainly in the sectors it specialises in.

FOR OUR CLIENTS, WE ARE INTERMEDIARIES WITHOUT CONFLICTING INTERESTS

Successful sales transactions

Corporate Finance can look back on a year in which the income from operating activities was only slightly lower than in 2007, despite the negative sentiment on the stock exchanges. Especially in the first half of 2008, we worked on a number of successful transactions. The slowdown in the transactions on the capital market, signs of which were already apparent in 2007, was largely counteracted by a growth in the number of M&A transactions in the first half of the year. In the utilities sector, for instance, we were involved in the acquisition of the Belgian wind energy development company Air Energy by Eneco, the merger between the energy exchanges ENDEX and APX, and the sale of the cable company CAIW to the Rabo Bouwfonds Communication Infrastructure Fund. In the year under review, we were also involved in a number of transactions in the waste sector. For the sale of a majority interest in a cleaning company to Friesland Bank Investments bv, Business Banking arranged the financing. This is a good example of the effect of Van Lanschot's business model. In early 2008, Corporate Finance acted as the advisor to Delta Lloyd Vastgoed in the introduction of the Delta Lloyd Dutch Property Fund, i.e. a property fund with Dutch property in which other institutional investors can participate. Since early 2008, Corporate Finance has been the financial advisor to Movares.

Corporate Finance advised on the design and implementation of the new capital structure, in which over 700 employees participate. Part of the recapitalisation was attracting a conservative yet interest-only loan. In 2008, Corporate Finance advised Dieseko during the merger with International Equipment Beheer. Both companies are Dutch piling and vibro producers, which developed into global players over the past decades with a joint market share of about 30%. Corporate Finance provided advisory services to its client throughout the entire process regarding the preparation of the valuation, the design of the transaction structure and the meetings held with the prospective merger partner. In addition, Corporate Finance played an important advisory role in the meetings about the financing of the transaction.

Unique in its independence

Also at Corporate Finance, results are for a large part attributable to the sharp sector focus, excellent services and, certainly in these uncertain times, extra attention to client communication. Thanks to this specific knowledge and independent position, we are trusted consultative partners for company executives and shareholders. For our clients, we are intermediaries without conflicting interests. Our clients appreciate this approach. We do not have any conflicts of interest with regard to loans. This is all the more relevant in times of pressure on loans. We believe ample opportunities exist to strengthen our position in the current difficult market, in particular thanks to our specialisation and independent position. In order to act on market opportunities, we founded Debt Advisory & Restructuring, which renders advisory services in the field of financing structures. We succeeded in recruiting an experienced banker with an excellent reputation who will head this team. Again we will focus on small and midcap funds here. This development is in line with the growing need for financial restructuring operations, which we anticipate for the future.

Securities

In addition to Dutch listed companies, Securities also focuses on listed biotech companies in the Benelux countries and on listed pan-European real estate companies. We aim to provide a high-quality product that concentrates on services to the largest investors throughout the world. Securities actively trades with 18 out of the 22 largest equity investors in the world. All orders of Van Lanschot clients are executed in the dealing room of Kempen. The international brokerage market is dominated by a few global players. Securities operates in a dynamic market where the needs of institutional clients are constantly changing. Especially by focusing on selected niches, the bank is able to capitalise on this and provide its clients with added value in the field of research and trading.

In terms of market share, Securities ranks among the top three players in Dutch small and mid cap funds and pan-European real estate stocks.

Profit thanks to sector focus

Even though share prices fell sharply in the second half of the year, Securities was still able to generate a profit thanks to its strict focus on niches. The major uncertainty on the equity markets led to lower prices and thus to a negative price effect on commission income of Securities. In some periods, this negative

price effect was counteracted by volumes that were higher than one year ago. Securities was still able to reinforce its market position. Especially in these turbulent times, Kempen chose to intensify its contacts with clients. In 2008, we organised many roadshows and seminars for instance, such as our European Property Seminar in Amsterdam and our Benelux conference in London.

THIS EQUITY RESEARCH OFFERED BY KEMPEN IS ALSO AVAILABLE TO CLIENTS OF VAN LANSCHOT. THIS APPROACH HELPS VAN LANSCHOT ACHIEVE ITS OBJECTIVE OF BEING THE BEST PRIVATE BANK IN THE NETHERLANDS AND BELGIUM

Appreciation of our approach

Kempen takes a hands-on approach and invests much in young talent. It is apparent from the various prizes won by Securities in 2008 that this is appreciated by our clients. We were for instance awarded various Extel Rating Awards in the Benelux category. Furthermore, Securities came in first for country analysis (best broker of the Benelux), mid and small caps sales, corporate access and trading and execution. In the mid and small caps research category, Securities ranked second. Thanks to our real estate niche focus, Kempen is better able to follow more European real estate companies than other brokers. This was awarded with the second prize in the European Real Estate category, directly under Merrill Lynch and before JP Morgan. This equity research offered by Kempen is also available to clients of Van Lanschot. This approach helps Van Lanschot achieve its objective of being the best private bank in the Netherlands and Belgium.

Deepening and reinforcing the services

Securities aims to increase its market share in the existing niches. Based on the knowledge accumulated and its specialisation in a number of sectors, Van Lanschot is looking into the possibilities of translating this to a number of other European countries. In addition, we wish to market products which are also interesting for the Private Banking clients of Van Lanschot. For instance, in 2008, we devoted much attention to the implementation of a new Structured Products department. In 2009, we intend to develop and launch new products which are in particular interesting for private persons and small institutional investors. The bond desk of Kempen experienced an extremely good year. The activities of the bond desk especially comprise facilitating the clients of Van Lanschot, in particular in the field of company and government bonds.

Financial performance

Van Lanschot in 2008

Outlook for 2009

Van Lanschot in 2008

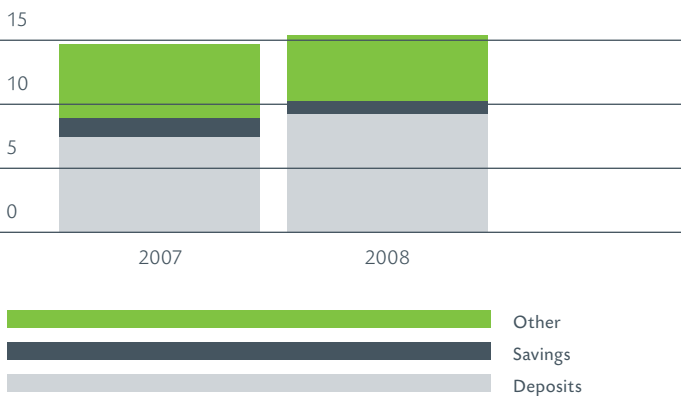
Van Lanschot's balance sheet remained solid in 2008. Our balance sheet exists for the benefit of our clients. Any use of assets for the bank's own account is, and will continue to be, extremely limited. The bank has a strong capital position with a Tier I ratio of 10.0% and a BIS total capital ratio of 12.5%. In 2008, Van Lanschot succeeded in raising fresh capital in the capital market on two occasions. This put the bank in a position to ensure its ratios are once again among the highest new levels on the market. Van Lanschot has more than sufficient liquidity. The activities of the bank are financed mainly by savings and deposits of clients. Van Lanschot's business model is relatively simple and transparent, and the interests of clients are always at the forefront of everything Van Lanschot does. As a result, a number of choices were made which have had positive outcomes in the current circumstances.

Balance sheet

Total assets at 31 December 2008 came to € 20.7 billion, against € 21.7 billion at 31 December 2007, and shareholders' funds declined from € 1.7 billion to € 1.5 billion. This was attributable to the realisation of the negative revaluation reserve of investments, impairment losses on derivatives, and the dividend for 2007 that was distributed in May 2008.

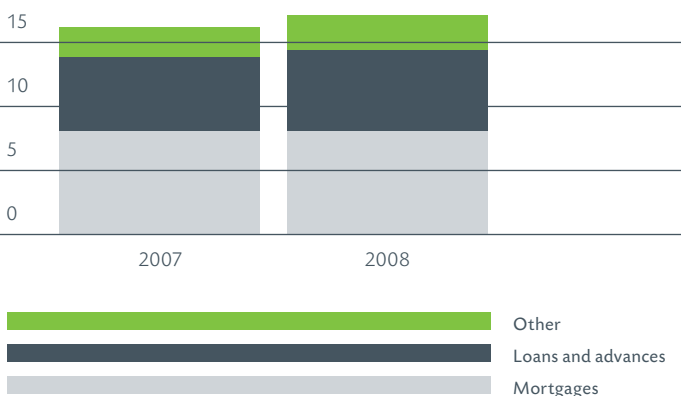
Public and private sector liabilities

In billions of euros



Loans and advances to the public and private sectors

In billions of euros



Public and private sector liabilities were up € 0.7 billion (5%) from € 14.6 billion to € 15.3 billion. Existing private clients chose to keep part of their securities portfolios in liquidities and new clients transferred to the bank with portfolios in the form of liquid assets. This resulted in a substantial growth of € 2.0 billion up to and including August of this year. In the last period of the year, this item underwent a net decline of € 1.3 billion. This decline was caused by the nationalisation of ABN Amro and Fortis Nederland and the choice made by private clients to spread their liquidities among various banks. In addition, government bonds became the safe haven of choice for clients. Other liabilities to the public and private sectors consist mainly of current account balances.

Loans and advances to the public and private sectors increased € 1.1 billion (7%) in 2008. This increase was mainly realised in business banking. In the private banking segment, loans and advances rose less rapidly as a result of the bank's strategy to put less focus on mortgages. The mortgage portfolio remained stable at a level of € 8.0 billion.

The bank's funding ratio (the ratio of public and private sector liabilities to total loans and advances to the public and private sectors) was 90% at the end of 2008.

Return on average shareholders' funds declined from 16.9% at year-end 2007 to 1.5%.

The BIS total capital ratio increased from 11.6% to 12.5% due to an increase in qualifying capital as a result of the issue of preference shares (€ 150 million) and a decrease in the required risk capital. The BIS total capital ratio of 12.5% is well above the standard set by the regulators. The issue of the preference shares had the same impact on the Tier I ratio, which rose from 8.9% to 10.0%, but is not part of the Core Tier I capital. Risk-weighted assets rose by € 0.4 billion from € 13.6 billion at the end of 2007 to € 14.0 billion at 31 December 2008.

Income statement <i>In millions of euros</i>	2008	2007	Change (%)
Interest	294.1	276.3	6
Income from securities and associates	– 17.3	27.5	– 163
Commission	217.7	295.4	– 26
Profit on financial transactions	– 0.9	48.8	– 102
Income from operating activities	493.6	648.0	– 24
Staf costs	224.9	248.5	– 9
Other administrative expenses	162.3	129.8	25
Depreciation and amortisation	34.9	36.4	– 4
Operating expenses	422.1	414.7	2
Impairments	50.3	0.1	
Total expenses	472.4	414.8	14
Operating profit before tax	21.2	233.2	– 91
Income tax	– 8.9	43.8	– 120
Net profit from continuing operations	30.1	189.4	– 84
Discontinued operations*	–	26.0	
Net profit	30.1	215.4	– 86

2008 results

Net profit for 2008 amounted to € 30.1 million, a decline of 86% on 2007 (€ 215.4 million). Based on continuing operations, the decline was 84%. Earnings per share in 2008 were € 0.55, i.e. a 91% decrease compared with 2007 (€ 5.94).

Exceptional items had an impact of € 76.4 million on the operating profit before tax:

- Loss on the equity portfolio of € 51.7 million
 - € 42.1 million in Income from securities and associates
 - € 9.6 million in Impairments
- Write-off on IT project € 20.5 million in Impairments
- Obligations under the deposit guarantee scheme € 4.2 million in Other administrative expenses.

Income from operating activities for the entire year 2008 totalled € 493.6 million, which is 24% lower than for 2007 (€ 648.0 million).

Compared with 2007, interest income was up by 6% from € 276.3 million in 2007 to € 294.1 million in 2008, as a result of the positive trend in the underlying volumes and a stable interest margin.

Income from securities and associates was € 17.3 million negative in 2008. This includes € 31.8 million negative for the loss on the sale of available-for-sale investments (2007: € 17.3 million positive). This loss comprises the aforementioned loss of € 42.1 million plus a profit of € 10.3 on the sale of a number of other available-for-sale investments. In addition, this item includes € 22.9 million in dividend distributions (2007: € 11.2 million) and a negative revaluation result of € 8.4 million (2007: € 1.0 million negative).

Commission income for the entire year 2008 totalled € 217.7 million, which is 26% down on 2007 (€ 295.4 million). This was entirely the result of declining securities commission and management fees, which fell from € 252.4 million in 2007 to € 170.0 million. The number of transactions was 32% lower than in 2007. The falling share prices (the AEX fell 52% in 2008) resulted in a substantial reduction in value of assets under management, causing a major decrease in management fees. Other commission was up 11% from € 43.0 million to € 47.7 million.

* This concerns Van Lanschot Assurantiën Holding bv; net profit of € 5.2 million and gain on sale of € 20.8 million.

For 2008, profit on financial transactions was € 0.9 million negative; in 2007 this was € 48.8 million positive. This amount contains the realised and unrealised value changes on the trading portfolio, the exchange differences, and realised and unrealised gains and losses on hedge accounting. Profit on financial transactions strongly depends on the development of the interest rate, the sentiment on the stock exchanges and exchange rate movements.

Operating expenses for 2008 totalled € 422.1 million, i.e. a 2% increase on 2007 (€ 414.7 million).

In 2008 staff costs totalled € 224.9 million, i.e. a 9% decline on 2007 (€ 248.5 million). This decline was the result of the release of the pension provision (€ 8.2 million) and of the provision for healthcare costs (€ 5.2 million) and a lower accrual for variable remuneration (€ 27.6 million lower than in 2007).

Other administrative expenses were up 25% on 2007, from € 129.8 million in 2007 to € 162.3 million in 2008, which was largely caused by the increase in IT costs due to external staff hired for the IT project and the outsourcing of the IT activities. Finally, a provision of € 4.2 million was formed in 2008 for the bank's obligations under the deposit guarantee scheme, including those in connection with the bankruptcy of Icesave.

Depreciation and amortisation was 4% lower than in 2007 (from € 36.4 million to € 34.9 million in 2008). This decline was largely the result of the lower amortisation of intangible assets due to the takeover of Kempen. In 2007 this involved an amount of € 13.6 million and in 2008 € 10.9 million.

The item impairments totalled € 50.3 million. Of this amount, € 20.5 million related to the impairment of the costs of the IT project and € 9.6 million to the impairment of the available-for-sale equity investments.

In 2008, the addition to the loan loss provision was € 20.1 million (2007: € 1.3 million), i.e. 15 basis points of the risk-weighted assets (2007: 1 basis point). The percentage of non-performing loans covered by the provision for loan losses is 63.8% (year-end 2007: 138.6%).

In 2008, income tax on operating profit was a tax credit of € 8.9 million. This resulted from the low profit before tax on the one hand, and the tax benefit from the participation exemption on the other.

The efficiency ratio, i.e. the ratio of operating expenses to income from operating activities, rose to 85.5% (2007: 64.0%)

Earnings per ordinary share

Earnings per ordinary share in 2008 were € 0.55, i.e. a 91% decrease compared with 2007 (€ 5.94).

<i>In millions of euros</i>	2008	2007
Net profit	30.1	215.4
Interest on perpetual loan	-10.8	-10.7
Net profit for calculation of earnings per share	19.3	204.7
Earnings per ordinary share (€)	0.55	5.94
Average number of ordinary shares (x 1,000)	34,772	34,422

Dividend

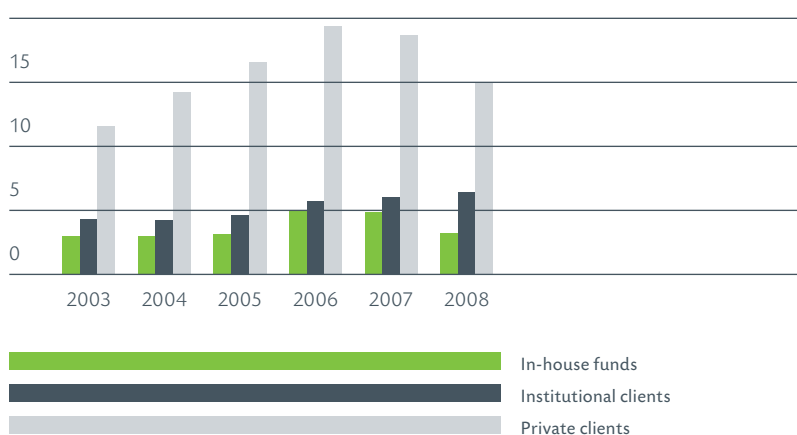
An amount of € 19.3 million is available to the shareholders. The Board of Managing Directors has decided, subject to the approval of the Supervisory Board, to add € 9.5 million of this amount to the reserves. The remaining € 9.8 million will be at the disposal of the Annual General Meeting of Shareholders.

Assets under management

Assets under management fell by € 4.6 billion, i.e. 16%, in 2008, which was mostly due to a drop in assets under management for private clients (down € 3.6 billion).

Development in total assets under management

In billions of euros



Private clients

The assets under management for private clients fell by € 3.6 billion from € 18.6 billion to € 15.0 billion. This decrease was due to a net inflow of new money of € 0.3 billion and a negative market performance of € 3.9 billion. The net inflow included the assets under management from the acquisition of Buttonwood (€ 0.3 billion) by Van Lanschot Belgium and of ING private banking Curaçao (€ 0.5 billion) by Van Lanschot Curaçao. The assets under management for private clients include the Index Guarantee Contracts, which decreased in 2008 by € 0.3 billion to € 1.1 billion at year-end 2008.

Institutional clients and in-house funds

Assets under management for institutional clients increased in 2008 by € 0.4 billion (7%), rising from € 6.0 billion to € 6.4 billion. The increase is the sum of a negative market performance of € 1.4 billion and a net inflow of € 1.8 billion. The negative market performance was due to a sluggish stock market, with the inflow being attributable to the mandate of De Goudse (€ 1.6 billion) and the asset management agreement with Stichting Pensioenfondsd Randstad (€ 0.4 billion).

Assets under management for in-house funds (all of which are discretionary) decreased by € 1.4 billion (30%) in 2008, dropping to € 3.2 billion. This decrease was the sum of a net outflow of € 0.1 billion and a negative market performance of € 1.3 billion. Other noteworthy developments in 2008 were the integration of the Orange European Midcap Fund into the Orange SeNSe Fund and that of Van Lanschot Bond Opportunity into the Orange Global Bond Fund.

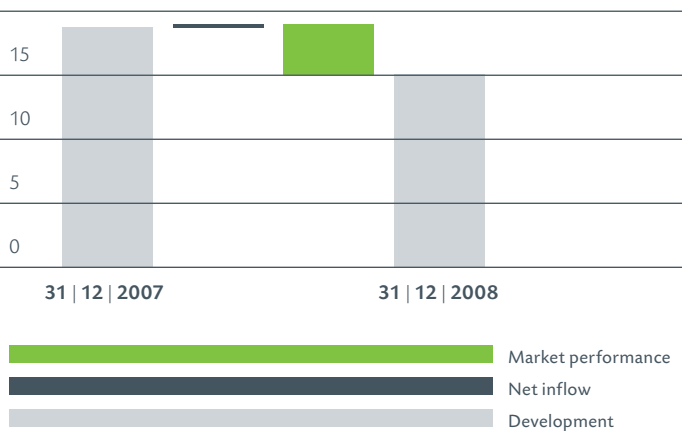
Total assets under non-discretionary management dropped by € 2.0 billion (15%) in 2008, from € 13.4 billion to € 11.4 billion. This drop was the sum of a net inflow of € 0.9 billion and a negative market performance of € 2.9 billion.

Securitisation

In addition, in January 2009, through a securitisation of part of its mortgage portfolio, Van Lanschot created € 1.9 billion in securities, of which € 1.6 billion qualifies for refinancing by the European Central Bank (ECB). This step was taken expecting that Van Lanschot will not, in 2009, have to recourse to external sources of financing to meet its funding need.

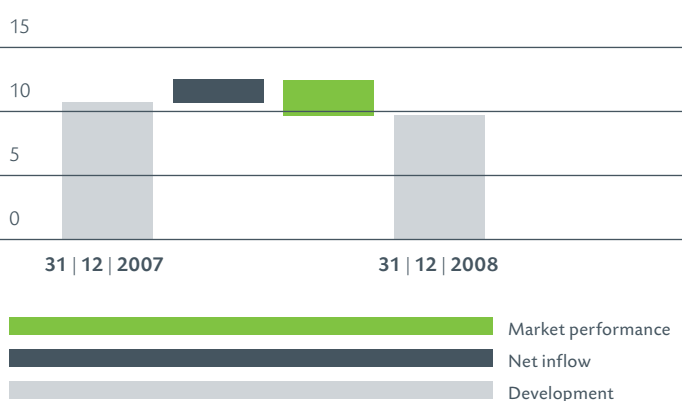
Developments in assets under management for private clients

In billions of euros



Developments in assets under management for institutional clients and in-house funds

In billions of euros



Outlook for 2009

Despite the high quality of the loans portfolio, we expect to have to increase the addition to the provision for loan losses in 2009. This increase may be offset to some extent by granting new loans with better margins, particularly in the corporate sector. During the first few months of 2009 the mood on the equity markets remained bearish, and as a consequence investors are staying away from the markets. We therefore do not expect to return to former levels of profitability this year.

Van Lanschot's relatively simple and transparent business model means that the specific risks for the bank are well identified, which increases predictability. Nevertheless, Van Lanschot can still be affected by the sector-wide risks during 2009. Although the credit crisis is unlikely to lead to more of the exceptional write-downs seen in 2008, it would be wrong to presume that income will improve significantly. In view of the predicted lower levels of income, Van Lanschot is taking steps to cut costs. These efficiency measures will affect the jobs of approximately 150 FTEs, whereby it is expected that several dozen employees will be made redundant. The measures comprise centralising a number of mid-office activities and merging two small offices with larger branches. In addition, the fixed salaries of the Managing Directors and the remuneration of the members of the Supervisory Board for 2009 have been cut by 10%, while senior management salaries have been reduced by 7%. No general staff bonus was paid in relation to 2008.

As part of its cost-cutting measures, the bank is conducting a comprehensive review of all planned investments. As part of this review, the phasing down of the project to upgrade the IT environment is being examined. The consequences of this are currently being reviewed together with the parties concerned.

Van Lanschot's funding position continues to be strong. The bank is a net lender on the interbank money market, and it also has more than € 2 billion available to use as collateral for loans from the ECB if necessary. In view of our robust funding position, we do not expect to have to make any calls on the capital market in 2009.

The current financial crisis has put the stability and soundness of financial institutions under the spotlight. Banks are now expected to maintain higher capital ratios and to pay more attention to risk management. The required future profitability of banks will also need to be reconsidered in the light of the current circumstances. In connection with this, Van Lanschot will conduct a critical review of its financial targets in the next few months.

Our aspiration to be the best private bank in the Netherlands and Belgium also comes with the ambition to recruit and retain the best people

Building our reputation as an employer of choice

Our aspiration to be the best private bank in the Netherlands and Belgium also comes with the ambition to recruit and retain the best people. That is why we go to extra lengths to put ourselves on the map as an employer of choice and to prove to (prospective) employees that Van Lanschot is no ordinary bank. We expect our people to help us achieve this ambition. And they are rewarded in return. 'Experience the difference' was a key motto of our recruitment campaign in 2008, which should be seen in this light.

We were successful on the job market thanks to several print campaigns and television commercials that encouraged experienced bankers working at large banks to begin a dialogue with Van Lanschot. But most leads for new employees originated within the Van Lanschot organisation itself.

Focus in 2008 was primarily on growth; we hired more senior private bankers and private wealth managers in particular, which was the result of our stepped-up efforts to recruit these bankers. But our attentions were also drawn to developments in Information Technology Management, Compliance, Process and Information Management and Private Banking Services.

Although the state of the economy at the end of the year prompted us to impose a recruitment freeze, 2008 was a successful year when it came to bolstering our organisation. People who applied at Van Lanschot in the past year mostly did so because Van Lanschot uses short lines to facilitate a proactive approach to developments, is a true private bank that makes clear choices, is a stable bank, has prestigious clients, is proud of its reputation, and 'builds' rather than 'burns'.

Investing in people

Improving knowledge of banking and sales skills were key concepts in 2008. We continued to increase our training efforts, from 3.5% to 5% of our wage bill. As a result, we focused heavily on continuing education (CE). Advisers, for instance, took a CE course of at least 12 hours, actively using the options offered by e-learning. In addition, the Leadership Programme was broadened to include modules on personal leadership and strategic thinking and leadership. Many managers registered for these modules. Another noteworthy development was the launch of the Financial Management Traineeship. A group started a 15-month traineeship in October.

Four groups of 25 top managers and high potentials took bespoke courses at INSEAD, the French business school, where an executive curriculum was developed especially for Van Lanschot. Having formed groups, they worked on 19 high-relevance projects in total. This made the course more than a good learning experience; it also contributed to the organisational development of the bank. Participants were given the opportunity to improve their strategic and technical knowledge, as well as working on their personal leadership skills.

Professional Development (pd)

In 2008 a group of 60 talented people were selected for the Professional Development programme. Focus was on mapping the potential and ambitions of these top performers. The PD Committee also defined the key positions at the bank in the past year, as well as identifying successors in these positions in the

near and more distant future. The purpose of this exercise was to enhance employee mobility within the organisation and to create adequate fall-back scenarios. PD people are always considered in selecting candidates for key positions.

Pay and benefits

Because Van Lanschot searched intensively in 2008 for people who fit the bank's profile, we invested much of our energy – going against the trend perhaps – in developing a new remuneration policy. The new policy has yet to be implemented as a result of the economic conditions. We successfully introduced an employee share plan in the reporting period, which Van Lanschot employees can use to invest their so-called 13th month and variable income. There was also a one-off option to contribute leave days. Employees are given 20% off on the purchase of shares and a bonus share will be paid in cash for each two shares bought after a four-year lock-up. 34.7% of employees joined the share plan. The plan will be continued in 2009.

We also kept building up our performance management in 2008, only to focus on this area even more in the coming years. Performance management policy establishes a direct link between performance and pay.

Impact of organisational developments

The IT department was outsourced in 2008 as announced. 93 employees were transferred on 1 December 2008: 52 went to IBM, 38 to Accenture and 3 to Centric. In the new situation, the providers are controlled by a special-purpose ICT steering organisation, which gives practical application to demand management, project & portfolio management, and service & contract management. The decision to outsource facility services, which was taken as early as in 2007, was followed up in 2008. After a thorough selection process, it was ultimately decided to transfer the work and employees to Arcadis Aquamen Facility Management. All affected employees (33 employees or 29 FTEs) transferred from Van Lanschot to Arcadis Aquamen Facility Management on 31 December 2008. The bank sold 51% of the shares in Van Lanschot Assurantiën Holding BV to De Goudse, an insurance company, as at 30 November 2007. Assurantiën was carved out of the organisation in the first half of 2008.

Dialogue with Employees' Council

A great many topics were discussed with the Employees' Council in the year under review, including several requests for a formal opinion or consent. The requests for a formal opinion mainly involved organisational changes. Much of the Employees' Council attention was focused on the formal opinions relating to the outsourcing of Facility Services and IT. The Employees' Council stated its position clearly from the very start. The allocation of roles between the Employees' Council and the trade unions was relevant in this regard as well. The Employees' Council was very successful in ensuring that the interests of employees affected by the outsourcing were fully considered in reaching an opinion. The result was that the outsourcing process was completed in 2008. Other issues that came up for discussion were the new remuneration policy and the pension scheme.

Composition of workforce

Despite the high influx of staff, our employee base dropped slightly to 2,241 FTEs. The average age was stable over the past

few years, at about 41. The number of people over 50 was down for men and slightly up for women. Employees are increasingly availing themselves of flexible benefits, such as part-time work, early retirement and leave for older employees, the latter seemingly being an attractive option especially for men.

Absenteeism

The absenteeism rate for 2008 landed at 4.3%, which was lower than in 2007 when the rate was 4.8%. The rate of long and medium-term sick leave showed a particular drop.

IMPROVING KNOWLEDGE OF BANKING AND SALES SKILLS WERE KEY CONCEPTS IN 2008

Pension fund

The Van Lanschot pension fund can look back on a turbulent year because of many statutory amendments and the credit crunch. Many internal and other rules had to be changed following the enactment of the Dutch Pension Act. Internal oversight of the pension fund had to be broadened, for instance, by establishing an accountability body and an on-site review committee. In addition, an indexing matrix was introduced that is meant to be in use on 1 April 2009. This matrix contains information on indexing policy and funding, and allows pension fund members to compare the indexing capacity of pension funds, among other features. The new Uniform Pension Statements (Dutch acronym: UPO), which provide a clear understanding of a member's pension situation, were sent to the members at the end of 2008, over and above the pension statements issued earlier that year based on the existing model. This allows members to easily compare the new UPOs with the design of the 'old' pension statements. The pension fund's funding ratio dropped in 2008. At year-end the pension fund was effectively underfunded. The short-term recovery plan that has been drawn up will ensure that the required funding ratio is achieved within three years.

For more information about the people behind Van Lanschot, please refer to our Social Report 2008 (Dutch language only) which has been posted on www.vanlanschot.nl.

A responsible company

We could not have existed as a bank for more than 270 years without having forged close ties with the communities around us and keeping up with the developments of the day

Close ties with the community

Van Lanschot is the oldest independent bank in the Netherlands. We could not have existed as a bank for more than 270 years without having forged close ties with the communities around us and keeping up with the developments of the day. The idea that a bank plays a vital role in the community as a broker between supply and demand, thereby facilitating economic processes, is nothing new to us. We have given more explicit expression to our social corporate responsibility policy since 2006 based, on the one hand, on our chosen theme 'The Next Generation' and on our identity on the other.

The environment

Van Lanschot has taken steps towards environmental care for some time now. We now operate an energy-efficient fleet of leased cars via GREENlease. This not only offers cost savings, but also results in lower fuel consumption. Any carbon emissions from GREENlease cars are offset. In addition, every new driver is expected to take a fuel-efficient driving course.

Waste is separated and recycled where possible (paper, coffee cups). We have reduced our paper usage and monitor our energy consumption. We purchase sustainable products for maintaining our buildings, and we choose our suppliers based on the materials they use and their occupational health and safety policy. These are important choices, but they are not the be all and end all. That is why a team of competent managers is working on a more structural approach to our environmental policy. We will establish a policy that is more in keeping with existing guidelines and environmental standards, such as United Nations charters, on the one hand, and by identifying every opportunity for a more effective environmental policy on the other. However, every individual can make or break this policy; it exists by their willingness to provide input or even make sacrifices. All things considered, we will focus more on fostering awareness through targeted communication with our staff.

Our identity

The credit crunch has again demonstrated to us that banks fulfil an economic and social function. It has prompted us to think more about our role and our identity. What are our values and how do we translate them into actions? What are our ethical views on incidents taking place within and outside our bank? We want to continue to work on these questions in 2009 and embed the answers in our organisation where we can.

Reporting

As in 2007, we will publish a Dutch-language Social Report for 2008. Preparations are underway to adjust this Report with effect from 2009 onwards. We will make a selection of existing guidelines to help us take a structural approach to preparing the Social Report. We will also offer a broader understanding of how our corporate social responsibility figures add up.

The Next Generation

At the end of 2007, we selected 'The Next Generation' as our umbrella theme, focusing on nurturing enterprising young people. This theme was further fleshed out over the course of 2008. Three task forces translated it into concrete plans that are in line with our identity, each with their own sub-themes, i.e. Experience, Tradition and Innovation. A number of initiatives

have now been implemented. We will continue to work on developing initiatives in 2009.

We organised six successful events in cooperation with BizWorld. During these events, classes were taught to pupils in their last year of primary school, based on our knowledge and experience, and a structure suggested by BizWorld. Both the participants and the children were enthusiastic, which is why we have decided to widen this initiative in the coming year. In The Hague, we launched a successful pilot with Networking, linking seasoned business owners to promising start-ups. Again, the transfer of knowledge is the central issue. This initiative will be broadened in an adjusted form over the coming year. The third initiative involves The Next Generation Days, during which our staff volunteer a day of their time towards a good cause. We plan to organise this initiative annually in September.

THE CREDIT CRUNCH HAS AGAIN DEMONSTRATED TO US THAT BANKS FULFIL AN ECONOMIC AND SOCIAL FUNCTION

Donations

Many charitable donations were made in 2008 as well, some of which were contributed locally by the branches and others were centrally coordinated. A third source of donations was the Charities Committee, which honours requests for donations to activities where our staff volunteer for a good cause. This year 17 requests were honoured.

Sustainable asset management

Kempen signed the Principles for Responsible Investment in 2008. This reflects its decision to integrate sustainability criteria into investment policies. Over the past year Van Lanschot has developed an innovative approach to making sustainable investments via investment funds. This approach hinges on the principle of engagement. We seek dialogue to bring about changes in businesses in the areas of environmental policy, social policy and transparent operations. An independent engagement manager has been appointed so as not to lose our focus on the financial return and risk targets of the portfolios. The engagement manager will review the underlying portfolios of the investments funds that are offered to clients wanting to make sustainable investments. The managers will then be warned about businesses that should not be invested in without active involvement. The managers are expected to report on the progress of their dialogue with the businesses in question. If progress is slow, they will decide to sell the interest in such businesses. The engagement manager will periodically review all in-house funds and any third-party funds that are offered.

For more information, please refer to our Social Report 2008 (Dutch-language only), which has been posted on www.vanlanschot.nl.

Risk management

Compliance, duty of care,
laws and regulations

Corporate Governance

Remuneration policy for
members of the Board of
Managing Directors

Risk management

2008 will go down in history as the year of the credit crunch. The financial crisis started in the United States, where excessive mortgage lending led to problems in 2007. This mortgage crisis resulted in a global financial crisis, and a recession. Although initially expected to be spared the worst of the crisis, during the second half of 2008 it became clear that the Netherlands was being severely affected by the crisis.

The Dutch banking community has changed radically as a consequence. While some banks had to apply for State support, giving the government large stakes in these institutions, Van Lanschot managed to improve its position independently, thanks to its focus on traditional banking and its correspondingly low risk profile.

Although Van Lanschot has managed to keep its balance sheet clean, we are clearly feeling the impact of the financial crisis. Our clients are conducting fewer securities transactions, which has put our commission income under pressure. By contrast, interest-related business in the corporate segment grew sharply. Unlike many other banks, Van Lanschot did not stop lending in 2008. On balance, we lent more than we had budgeted for at the start of 2008. Lending could have grown even faster, but at the moment the focus of our policy is on ensuring good capital and liquidity ratios.

Van Lanschot's prudent risk policy and low risk profile are appreciated by our clients and the market. We have been able to take on many new clients who view us as a safe haven for their savings. The bank's solid position is reflected in our Single A credit rating (stable outlook). Two rating agencies, Fitch Ratings and Standard & Poor's, reconfirmed this assessment several times in 2008, partly in view of the bank's conservative management, the high quality of its assets, its solid balance sheet and its robust funding position.

The impact of the credit crunch

As a private bank, Van Lanschot aims for an appropriately low risk profile. For many years the bank has pursued a prudent lending policy, in which counterparties are subjected to a stringent selection process. We know and understand both our clients and our products. Since our lending activities are primarily aimed at high net-worth individuals and medium-sized family and other businesses, historically our loan losses have been very limited. Our target is to keep average annual additions to loan loss provisions down to 15 basis points over the course of the business cycle. The avoidance of unnecessary risks is deeply rooted in Van Lanschot's corporate culture.

Van Lanschot does not have any investments in the subprime sector or risky investments such as collateralised debt obligations (CDOs) or structured investment vehicles (SIVs). Furthermore, our financial position has not been affected as a result of amounts owed by financial institutions that have found themselves in difficulties as a result of the crisis. Van Lanschot has therefore not had to write off any receivables from financial institutions.

Van Lanschot's liquidity is more than adequate. Our activities are financed by savings to a greater extent than those of other banks. Our funding ratio, which is around 90%, is one of the highest to be found among Dutch banks. It is currently receiving an additional

boost, as many of our clients are keeping the proceeds of investments they have sold as cash assets at the moment. As a result, we are not at all dependent on the capital market for funding for our activities. Owing to our strong liquidity position, instead of having to borrow money on the interbank market we had to keep lending funds that were temporarily or otherwise surplus to requirements. This was an area of ongoing concern and attention for us. This was also the reason why we decided to buy back a substantial proportion of the Floating Rate Notes. In addition, we tightened up our internal monitoring of receivables from financial institutions. Throughout the year, the larger liabilities outstanding at a number of financial institutions were under constant scrutiny. Decisions concerning these limits were taken during the weekly meetings of the Credit Committee, in which the Board of Managing Directors is represented.

In addition, the committee promptly changed limits and liabilities outstanding in cases whenever there were growing concerns (due to disappointing results and/or write-offs at counterparties). The number of banks at which Van Lanschot was prepared to hold liquid assets was reduced sharply. Furthermore, the maximum liabilities receivable from individual banks were also subject to sharp downward readjustments. As well as taking account of assessments issued by rating agencies, reviews were based on know-how and common sense, and a strongly risk-averse course was steered.

Although Van Lanschot managed to retain a clean balance sheet, falling prices on the stock market had a negative impact on the value of our investment portfolio. In total, the loss on this portfolio during 2008 was € 27.5 million. This loss was charged to the income statement and the positions were sold before the end of 2008.

The first signs of the recession were clearly visible in the second half of 2008. The recession resulted in an increase in problem loans, in terms of both numbers and liabilities outstanding. As a result, an amount of € 20.1 million was added to the provisions. We foresaw this development at an early stage, and increased the capacity of our Recovery Section in anticipation of this. The acceptance criteria for new clients and the credit management process for existing clients were tightened further to enable problems to be avoided or identified at an early stage.

Reorganisation of risk and capital management

Van Lanschot operates in an environment of growing legislation and regulation, ongoing professionalisation and change, in which it is essential that risks are considered in relation to one another to an increasing extent. By integrating the two existing risk management departments (Credit Risk Management and Operational and Market Risk Control) with effect from 1 October 2008, we have been able to take a more coherent approach to risk, concentrate expertise better in the area of risk, and provide better, more effective support to the commercial departments.

The reorganisation of the risk management function was based on the principle of employing three lines of defence:

- The commercial team is responsible for the day-to-day management of risks (first line).
- The Risk Management department is responsible for risk policy and for co-ordinating the supervision of risk control within Van Lanschot (second line).

- Group Audit is responsible for performing independent checks on the risk framework (third line).

Kempen has its own Risk Management department. The department reports independently to the Board of Kempen, and also reports to the bank's Risk Management department. Kempen's risk policy is tested against, and is in line with, the risk policy applying throughout the entire Van Lanschot organisation. A separate Asset and Liability Management department (part of the Financial Control department) manages risks specific to the balance sheet (liquidity risk and interest rate risk) and is responsible for capital management, owing to the direct link this has with balance sheet management. The new structure has clarified activities and ensures the organisation of risk and capital management is in keeping with the culture, nature and scale of Van Lanschot.

Progress of Basel II

With effect from 1 January 2008, Van Lanschot has reported on the basis of Basel II. In connection with this, the standard methods for credit risk, operational risk and market risk are currently applied. These provide a relatively simple way of calculating the required capital. As a consequence, this system provides only a limited picture of the true risk profile of Van Lanschot. As credit risk constitutes the largest risk, Van Lanschot intends to start reporting under F-IRB earlier than initially planned. F-IRB is a more refined approach that provides a better picture of the bank's true credit risk profile. Van Lanschot's aim is to start reporting under the F-IRB approach with effect from 1 January 2010.

Under F-IRB, internal rating models are used to calculate the required capital. The models required for the transition to F-IRB have been implemented and are used on a day-to-day basis for granting approval and calculating charges. In order to migrate to F-IRB, we need to gather empirical data so we can validate the models. The required capital relating to credit risk is expected to fall sharply once Van Lanschot starts reporting under F-IRB. The development of models has put the risk management organisation under great pressure. We are happy with the work done in this area.

Alongside the work done in relation to the changeover to F-IRB, further work was done on implementing the recommendations relating to Pillars II and III of Basel II. Tightening up internal procedures and introducing sophisticated methods for calculating the actual total risk (in addition to the Pillar I risks: credit risk, market risk and operational risk) received the bank's full attention in 2008. This will continue to be the case in 2009. With respect to Pillar III, which is designed to improve the information provided to the market and thus enhance market discipline, we have decided to use the annual figures as the vehicle for communication. The impact of this can be found in the section on risk management in the financial statements (page 74).

Liquidity management

Owing to the tight conditions and current crisis of confidence on the money market, and following substantial write-offs on assets, many banks are facing liquidity and solvency problems. Several banks have been taken over and at other banks government have had to intervene in the form of nationalisations, capital injections

and loan guarantees. Around the world, billions have been written off in losses and billions have been raised in fresh capital since the start of the credit crunch.

On the money market, liquidity risk and its management receive considerable attention, not just from the institutions themselves, but also from the Dutch Central Bank, rating agencies, analysts, counterparties, clients and shareholders. However, during 2008, Van Lanschot's liquidity position was not in danger in any time.

The bank:

- did not make any subprime-related write-offs;
- has a funding ratio of approximately 90%; and does not depend on the money or capital markets for its funding;
- has a surplus of liquid assets thanks to a sharp net inflow of funds entrusted in 2008, which enabled the bank to reduce its variable market funding (Floating Rate Notes or FRNs) by € 1.25 billion during the year.

Van Lanschot continued to be active in the interbank market in 2008. Despite the market trends, the bank continued to grant interbank loans, albeit applying a more selective lending policy.

In order to ensure, insofar as this is possible, that the bank will be always be able to fulfil its obligations, Van Lanschot applies a minimum standard for its daily liquidity position. This position is monitored on a daily basis, and if the minimum standard is not reached corrective action is taken immediately and management is informed. The Treasury department reports on movements in the bank's liquidity and funding positions to the Board of Managing Directors every fortnight. In addition, the Asset and Liability Committee is provided with extensive information every month, mainly in the form of forward-looking scenarios and simulations. A new liquidity dashboard, for instance, was introduced in April, extending the liquidity risk reporting to the Asset and Liability Committee to include the funding mix, the ratio liquid assets versus volatile funding, and information about concentrations in funding. In addition, Van Lanschot has a Liquidity Contingency Plan in place to deal with any potential liquidity problems that threaten to arise.

In 2008, Van Lanschot had the luxury of a very strong funding position. This excellent starting point is the direct consequence of the policy of striving for a liquidity profile appropriate to a private bank, introduced back in 2006. Notwithstanding its highly fortunate position, during the year under review Van Lanschot worked hard on further optimising its funding position:

- Public and private sector liabilities: A sharp increase of € 0.7 billion in 2008, largely due to the major inflow of cash on deposit. As a result, Van Lanschot did not depend on funding from financial market players for its core activities during 2008.
- Senior market funding: Compared with year-end 2007, this declined by about € 1.25 billion, particularly due to various transactions in FRNs placed by Van Lanschot, including:
 - the early repayment of the FRN 05/2012 in March (€ 600 million)
 - the scheduled repayment of the FRN 05/2008 in May (€ 400 million)
- Capital: In 2008, € 100 million in new long-term subordinated paper was placed and € 65 million in existing subordinated FRN 2016 was withdrawn. Furthermore, at year-end 2008, the bank

issued unlisted preference shares for € 150 million in order to further improve the bank's buffer capital.

In addition, in January 2009, through a securitisation of part of its mortgage portfolio, Van Lanschot issued € 1.9 billion in paper, of which € 1.6 billion is eligible for refinancing at the European Central Bank. This step was taken in the expectation that the bank will not have to recourse to external sources of financing to meet its funding need.

Capital management

In 2007 Van Lanschot approved the ICAAP (Internal Capital Adequacy Assessment Process) manual, which describes governance, starting points and methodologies in relation to the ICAAP as applicable at the bank. Van Lanschot has reported historical and expected trends in capital to the Dutch Central Bank since 30 September 2007.

Trends in qualifying capital

The capital adequacy requirements resulting from the identified risks are set off against the capital actually available within the bank. To calculate the capital ratios, with respect to available capital a distinction is made between core capital, Tier I capital and qualifying capital.

Core capital

Growth in core capital (currently € 942 million) was very limited this year. The main reason for this is the small contribution made by retained earnings for 2008. The addition to general reserves amounted to € 100 million.

Tier I capital

Tier I capital amounted to € 1.4 billion at the end of 2008. The share of hybrid Tier I capital in this increased by some €150 million following the placement of preference shares in December.

Other qualifying capital

The subordinated capital (Lower Tier II) amounted to € 343 million at the end of 2008. This is about the same level as at year-end 2007. The Tier II capital changed in 2008, chiefly due to the placement of new, long-term subordinated notes for € 100 million and the withdrawal of € 65 million of the existing subordinated FRN 2016. Furthermore, the Tier II capital fell by € 45 million owing to the notional phase-out arrangement of the Dutch Central Bank. Subordinated loans are assigned a lower weighting as they approach maturity, as a result of which they make a smaller contribution to the qualifying capital.

Extensive information on risk management at Van Lanschot can be found in the financial statements (section starting on page 74).

In control and Responsibility statement

The Board of Managing Directors of Van Lanschot nv is responsible for the design and effectiveness of an adequate system of internal control over the financial reporting. This system of internal control is aimed at providing reasonable assurance about the reliability of the financial reporting, as well as on the preparation of the financial statements in accordance with generally accepted accounting principles. In 2008, the Board of Managing Directors performed an analysis of the financial reporting risk. As part of

this analysis, the way in which this reporting risk is controlled and to what extent this is done, was discussed, as well as any improvement opportunities. In addition, the Board of Managing Directors evaluated the company level controls, insofar as these are relevant to the financial reporting process. These subjects were discussed in the Audit and Compliance Committee. Furthermore, they were discussed in the Supervisory Board among all members, as part of the annual discussion of the findings of the evaluation performed by the Board of Managing Directors of the design and effectiveness of the system of internal control and risk management.

In 2008, the internal control framework for the financial processes was improved further and documented, where necessary. The management information was extended in certain respects and more in-depth analyses were included. The management reports on capital, liquidity and balance sheet management formed valuable input for decision-making within the bank in the extraordinary market conditions of the year 2008. The subsidiaries of Van Lanschot evaluated control over the financial reporting risk as one of the subjects of the in control statement prepared by them.

Considering the facts mentioned above, it can be stated with reasonable assurance that the system of internal control over the financial reporting performed at an adequate level and that the financial reporting is therefore free of material misstatement.

At present, the financial reporting process does not lead us to expect that this process will not function properly in 2009 as well. In the coming year, we will seek further improvement, for instance in the following areas:

- Simplification and standardisation of the financial processes.
- Set-up of a control framework for the implementation of F-IRB.
- Update of the accounting manual and the Associates manual.

By virtue of Section 5:25c(2)(c) of the Dutch Financial Supervision Act (Wft), the Board of Managing Directors declares that, to the best of the directors' knowledge,

- the annual financial statements give a true and fair view of the assets, liabilities, financial position and the profit or loss of Van Lanschot nv and its consolidated entities.
- the directors' report gives a true and fair view of the position of the company and its related entities whose financial information has been consolidated in the annual financial statements as at the balance sheet date and of their state of affairs during the financial year and that the annual report describes the principal risks that Van Lanschot nv faces.

's-Hertogenbosch, 19 March 2009

Board of Managing Directors

F.G.H. Deckers, *chairman*
P.A.M. Loven
I.A. Sevinga
P.R. Zwart

Compliance, duty of care, laws and regulations

As service providers to the general public, Van Lanschot and its subsidiaries can operate properly only if every party they deal with has full confidence in them. Moral integrity, on the part not just of the bank as a whole but also of individual members of its staff, is the basis for the confidence placed in the bank. Statutory regulations provide the framework for this confidence. Financial companies such as Van Lanschot run client, market, employee and organisation-related compliance risks. In order to achieve a more effective control over these risks, Van Lanschot refined the tasks and responsibilities of the first line (Private Banking, inclusive of the Business Control and Duty of Care departments), second line (Compliance) and third line (Group Audit) in 2008. An increase in the capacity of the Business Control, Duty of Care and Compliance departments by 7.5 FTEs was approved. The Compliance department, which reports directly to the chairman of the Board of Managing Directors, independently monitors the company's control over the compliance risks.

In 2008, more steps were taken in order to achieve a more effective control over compliance risks, the most important step being the foundation of the Product Board and the adoption of the duty of care policy. The Product Board bears the ultimate responsibility for the management of the bank's product offering, in which respect much attention is devoted to the quality of the products and the sound and proper information supply to the clients.

With the formulation of the duty of care policy, one of the bank's strategic pillars has been fleshed out. The concept of duty of care has been defined for the bank as exercising due care in all aspects of our services to clients, in which case the client's interests should be at the forefront of everything. Laws and regulations and the bank's interest provide the relevant framework. The starting point here is proper services to clients during the entire life cycle of the client's relationship with the bank. This is expressed in the process of product development and management. Duty of care aspects are also incorporated in the descriptions of in particular advisory and sales processes. In order to safeguard compliance with the duty of care policy in daily practice, ten golden rules were deduced from this policy, which rules form part of the objectives for 2009 of the sales organisation.

Once again, 2008 saw a number of changes in the legislation and regulations on the provision of financial services. It goes without saying that Van Lanschot follows these changes very closely and tries to translate new regulations and legislation into internal instructions and procedures and subsequently incorporates these into the organisation's working methods. In addition, Van Lanschot is also represented in a number of committees formed by the Netherlands Bankers' Association to address the implementation of new legislation and its impact on the banking industry.

The most important activities in the field of regulations and legislation in 2008 related to the Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft) and the Payment Services Directive (psd). The Wwft came into effect on 1 August 2008. In part following the request of the Netherlands Bankers' Association, the regulator (the Dutch Central Bank) announced a

leniency period until 1 January 2009. The implementation of the Wwft led to adjustment of a number of operating instructions, such as those for reporting unusual transactions, for client identification and customer due diligence.

The PSD is a European guideline which harmonises the regulations in the field of payment transactions within the EU. The national governments of the 27 EU countries have to incorporate the rules from the directive into their national legislation (in the Netherlands: in the Financial Supervision Act (Wft) and the Netherlands Civil Code) by 1 November 2009 at the latest. At that date, the parties in the market should also comply with the rules. Although the PSD requirements have not yet been incorporated in Dutch legislation, Van Lanschot already started preparations for this extensive project.

Corporate Governance

Corporate governance is always high on the agenda within Van Lanschot. The articles of association and various other regulations and documents on corporate governance are posted on our corporate website (www.vanlanschot.nl).

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 are appointed by the Supervisory Board. The Supervisory Board informs the General Meeting of Shareholders about its intention to appoint a member. 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. Chapter II of the Dutch Corporate Governance Code 2003 (the Code) sets out the principles and best practice provisions that apply to the Board of Managing Directors.

Mr Idzerda stepped down as member of the Board of Managing Directors on 1 October 2008. Since Mr Idzerda's retirement on 1 October 2008, the Board of Managing Directors has consisted of four persons.

In departure from best practice provision II.2.7, compensation payable to managing directors appointed after 1 January 2005 and who are dismissed involuntarily by the company will be limited to their fixed gross annual salary plus the average variable income paid over the preceding three years, plus an amount equivalent to the annual pension and disability contributions. Compensation payable to the Chairman of the Board of Managing Directors appointed prior to 1 January 2005 will continue to be governed by the terms of his individual employment contract. Van Lanschot considers it inappropriate to change the terms of this employment contract.

Supervisory Board

Supervision of the Board of Managing Directors and the general course of affairs at Van Lanschot is entrusted to the Supervisory Board. Its members are appointed by the General Meeting of Shareholders. Supervisory directors are appointed in accordance with the provisions of Article 158 of Book 2 of the Netherlands Civil Code. A supervisory director can only be dismissed by the Enterprise Section of the Amsterdam Court of Appeal with due observance of Article 161 (2) of Book 2 of the 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 Article 161a of Book 2 of the Netherlands Civil Code. Such a resolution results in the immediate discharge of the members of the Supervisory Board. The Supervisory Board Regulations include a provision about the maximum term of office of supervisory directors which is in line with best practice provision III.3.5 of the Code. In 2008, Mr de Vries and Mr Bierma stepped down as members of the Supervisory Board on account of completing the maximum term of office. Mr de Swaan took over the position of chairman from Mr de Vries. The position of deputy chairman was taken over by Mr Streppel from Mr de Swaan. For the vacancy that arose on Mr Bierma's retirement, Friesland Bank nv is entitled to recommend a candidate under the terms of the shareholder

agreement signed by Van Lanschot and Friesland Bank. However, Friesland Bank did not use this right. The Supervisory Board has not made a nomination for the successor of Mr Bierma. On 11 May 2009 the first term of office of Ms Lodder and Mr Streppel will expire. They are both available for re-election. In accordance with Article 24 (2) (b) of the company's Articles of Association, the General Meeting of Shareholders is afforded the opportunity to make a recommendation for the vacancies arisen due to the expiry of the term of office of Ms Lodder and Mr Streppel with due observance of the profile outline of the Supervisory Board.

Instead of a separate remuneration committee and a separate selection and appointment committee, as required under principle III.5 of the Code, Van Lanschot's Supervisory Board set up a Selection and Remuneration Committee. The Committee has four members and is responsible for matters concerning the selection, appointment and remuneration of managing directors. The company's size means that the number of subjects to be dealt with by these committees will be limited. As a result, it was considered desirable from an efficiency perspective to assign these responsibilities to a single committee. The chairman of the Supervisory Board acts as chairman of this committee for issues pertaining to selection and Mr Slippens acts as chairman of this committee for issues pertaining to remuneration.

Capital and shares

Van Lanschot's authorised share capital consists of ordinary A shares, ordinary B shares, preference A shares, preference B shares and preference C shares. The ordinary A shares are held by Stichting Administratiekantoor gewone Aandelen A Van Lanschot ('the trust office'), which has issued depositary receipts for those shares. The depositary receipts are listed on the Euronext Amsterdam Stock Exchange. The protective function of issuing depositary receipts for shares was lifted in 2006. This means that, in line with the Code, the trust office will in all cases authorise 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 shall decide how to vote. The trust office's board consists of individuals who operate entirely independently of the company. The ordinary B shares are held by several large shareholders.

On 29 December 2008, within the scope of the issue of shares in order to strengthen the capital position of Van Lanschot, preference A shares and preference B shares were issued. Stichting Preferente aandelen C Van Lanschot and Van Lanschot nv have signed a call option contract pursuant to which the Stichting has acquired the right to subscribe to preference C shares. The right of Stichting Preferente aandelen C Van Lanschot to subscribe to preference C shares once issued is at most 100% of the company's capital in issue prior to the exercise of the call option. The period within which a shareholders' meeting must be convened at which a motion will be tabled to redeem the preference shares is 12 months. Further details on the capital structure and shares are given in the section 'Information for Shareholders' on page 8.

Van Lanschot is in compliance with all principles and best practice provisions as set out in the Code, save for best practice provision II.2.7 regarding the compensation payable to managing directors

in the event of involuntary dismissal, and principle III.5 regarding the existence of a single Selection and Remuneration Committee instead of two separate committees. These variations from the Code are explained above. Van Lanschot will, of course, continue to be mindful in the future of the principles and best practice provisions as contained in the Corporate Governance Code. For example, much attention is being given to the new Dutch Corporate Governance Code that came into force on 1 January 2009.

Remuneration policy for members of the Board of Managing Directors

The Annual General Meeting of Shareholders on 8 May 2008 approved the remuneration policy for the members of the Board of Managing Directors with effect from 1 January 2008. The policy put to the Annual General Meeting of Shareholders follows from the policy that was approved in 2004. The relative weighting of the elements was reappraised in order to bring it into line with market standards.

The new policy is again based on the following assumptions: a well-balanced composition and market compatibility (as formulated by the Frijns Committee) and a remuneration package which is in line with the pay packages offered to board members in a relevant financial environment, in order to allow Van Lanschot to attract and retain qualified board members. In addition, the remuneration package must be structured in such a way that it acts as an incentive for the Board of Managing Directors to use Van Lanschot's capital as effectively as possible, i.e. they should strike the best balance between profit and return. Another requirement was that the package should lead to board members seeking optimum development of profit for the long term instead of focusing on short-term profits. Based on the above assumptions, the remuneration package is made up of four elements, i.e. fixed salary, variable short-term remuneration, variable long-term remuneration and a pension scheme.

Benchmark investigation

The system chosen, which has been in use since 2004, meets the expectations, in part in view of the experience gained with it up to and including the year 2007. This was the reason why it was decided to reappraise it, instead of changing it. Another reason was the re-appointment of the chairman, which was a natural moment to update his remuneration package. The components of variable income were reappraised in some respects, with a primary focus on the long-term remuneration. This shift in focus is not only in line with the current general trend, but is also in accordance with the recommendations made by the Frijns committee.

Towers Perrin was commissioned to perform an extensive benchmark investigation. An important aspect of this investigation was the formalisation of the labour market reference group, in part in light of the growth of the company after the acquisition of CenE Bankiers and Kempen & Co.

This group had to be as broad as possible, in order to prevent the relevant benchmarks from depending too strongly on several one-off observations. Furthermore, the benchmarks should of course be similar positions in the financial sector. Based on those assumptions, it was decided, in consultation with Towers Perrin, to take a group of twenty financial institutions. This group not only involves independent companies, but sometimes also business units of large financial institutions which jointly make up the labour market reference group. The following institutions were selected as labour market reference group: ABN AMRO BU NL, ABN AMRO NV, ING Retail Banking, Fortis Bank Retail Banking, Fortis Bank Merchant Banking, Rabobank Nederland, NIBC, SNS Bank, Friesland Bank, KAS Bank, Oyens en Van Eeghen, UBS NL, Petercam, Citibank NL, Deutsche Bank NL, Delta Lloyd, Fortis ASR Nederland, Nationale Nederlanden, Onderlinge 's-Gravenhage and SNS Reaal.

Investigation showed that the total remuneration of the chairman lies between the 25th percentile and the median; both the basic

salary and the variable income are under the median level. For two (during the investigation three) members of the Board of Managing Directors, the total remuneration is above the median level, i.e. both the fixed salary and the variable income. For one member of the Board of Managing Directors (Mr Sevinga), the total remuneration package is below the median level.

The assumption is that the members of the Board of Managing Directors are compared with the median, based on the criterion that the fixed salary is not less than 60% of the chairman's fixed salary. The chairman is compared with the 75th percentile of the labour market reference group. This was also the benchmark used at the time of his appointment. The chairman's salary was not adjusted in the period 2004-2007.

In 2007 and 2008, the members of the Board of Managing Directors received cash amounts as broken down in the below table. These amounts include the fixed salary, the pension premium and the short-term variable income.

	2008	2007
Mr Deckers	€ 892,815	€ 971,500
Mr Idzerda	€ 542,960	€ 836,890
Mr Loven	€ 485,529	€ 602,480
Mr Sevinga	€ 509,289	€ 666,500
Mr Zwart	€ 481,569	€ 585,500

Fixed salary

The fixed salary is in principle revised once every two years, based on a number of factors: Van Lanschot's development and performance, the individual development and performance of the directors, pay developments in the bank's relevant environment, and changes in the consumer price index (CPI). The Annual General Meeting of Shareholders of 8 May 2008 approved the following fixed salary changes:

	2008	2007
Mr Deckers	€ 550,000	€ 500,000
Mr Idzerda	€ 340,000	€ 340,000
Mr Loven	€ 330,000	€ 304,000
Mr Sevinga	€ 330,000	€ 325,000
Mr Zwart	€ 330,000	€ 300,000

The variable income for the short-term

The short-term component of the variable income consists of an annual benefit in cash expressed as a percentage of the fixed gross annual salary for the previous year. For members of the Board of Managing Directors, this remuneration is partly based on (i) a projected RAROC rate and (ii) individual short-term targets which are as much as possible formulated based on measurable performance criteria. It is determined in the Selection and Remuneration Committee whether and to what extent the target has been met.

The ratio between the components making up the short-term variable income was adjusted. Instead of 80%, 60% will now be allocated based on the RAROC criterion. The other portion of the variable income for the short term, which depends on the individual targets, was increased from 20% to 40%.

(i) For the portion of the variable income that is linked to the projected raroc rate, the Selection and Remuneration Committee sets the RAROC rate that applies as the target on a yearly basis. For further details on this portion of the variable income, please refer to the first table on page 53.

The calculation of the realised RAROC rate is reviewed by the external auditor each year.

(ii) For the portion of the variable income that is linked to the (extent to which) the directors achieved their individual short-term targets, several personal performance criteria are formulated which are measurable, insofar as possible. The individual short-term targets are discussed before the start of every year. Once they have been set by the Selection and Remuneration Committee, each Managing Director is notified of them in writing. Relative to this portion of the variable income, the following applies:

- If a director partially meets his individual short-term targets, this portion of the variable income is set proportionate to the number of targets achieved, subject to a maximum of 10% of the basic salary for the preceding year. This is 15% for the chairman of the Board of Managing Directors;
- If a director fully meets his individual short-term targets, this portion of the variable income is set at 20% of the basic salary for the preceding year. This is 30% for the chairman of the Board of Managing Directors;
- If a director receives an outstanding performance appraisal in relation to the individual short-term targets, this portion of the variable income is set at 30% maximum of the basic salary of the preceding year. This is 40% for the chairman of the Board of Managing Directors.

The Selection and Remuneration Committee determines, after the end of each year, to what extent the individual short-term targets have been met.

The variable income for the long term

The long-term component of the variable income consists of the award of depositary receipt for ordinary A shares in Van Lanschot NV ('performance shares') instead of a cash benefit. The average increase in earnings per share ('EPS') during a 3-year period forms the criterion for the determination of the extent of the long-term component of the variable income. This period commences on 1 January of the year in which the conditional award of the performance shares is made and runs until 31 December of the third subsequent year ('the 3-year period'). The year in which the conditional award of the performance shares is made in writing, is referred to below as the 'year of the conditional award'.

The long-term component supports optimum development of profit and is designed to help prevent short-term profits from being maximised at the expense of long-term profits. After the final award of the performance shares, the members of the Board

of Managing Directors have to hold the performance shares for at least five years, which underlines the long-term character of the remuneration.

The target for the long-term variable income is an average EPS growth of 10% per annum over the 3-year period. The change in the variable income for the long-term is the fact that this will fully be awarded in the form of shares (and thus no longer in share options).

The calculation of the number of performance shares to be awarded unconditionally takes place in the fourth year after the year of the conditional award by the Selection and Remuneration Committee, after publication of the annual figures. For further details on this component of the variable income, reference is made to the second table on the next page.

Pension scheme

A fixed pension allocation is made. Until 2004, a final pay plan applied and subsequently a defined contribution scheme was installed. The pension allocation was again set at 27%. Only for the chairman, this represents a modest increase (from 23.6% to 27%). The pension arrangements are the own responsibility of the directors.

Discretionary authority to award variable income

Furthermore, it was added to the remuneration policy that the Supervisory Board has the discretionary authority, within the scope of the variable income for the short term based on individual targets, to allocate in extremely special situations, a variable income of 25% of the fixed gross annual salary to the members of the Board of Managing Directors. This authority was granted against the background of the unexpected major challenges that may occur during the course of the year, which have not yet been taken into account during the formulation of the individual targets.

Theoretically the financial impact for 2008 of the adjustment of the remuneration package in the event of performance at target would have increased from € 3.8 million to € 4.5 million. For the real impact for 2008 reference is made to page 19.

The other terms and conditions of employment for the members of the Board of Managing Directors are common practice in the banking sector; i.e. a discount on banking products and participation in the group health insurance scheme. Finally, the company also provides a chauffeured car and a net annual expense allowance of € 5,160.

Changes in the remuneration policy

The Supervisory Board keeps close track of the developments relative to this subject. Any changes in the remuneration policy will be put to the General Meeting of Shareholders for their approval.

<i>Realised RAROC rate</i>	<i>Members of the Board of Managing Directors</i>	<i>Chairman of the Board of Managing Directors</i>	
Target to target + 0.5%	30% of the basic salary	45% of the basic salary	
Target to target - 0.5%	15% of the basic salary	22.5% of the basic salary	
Target + >0.5%	45% of the basic salary	60% of the basic salary	
Target - >0.5%	No payment	No payment	
<i>If the growth in EPS* on average lands at</i>	<i>Expressed in the equivalent value of the shares to be awarded</i>		
	<i>Members of the Board of Managing Directors</i>	<i>Mr Sevinga</i>	<i>Chairman of the Board of Managing Directors</i>
5%	No payment	No payment	No payment
6%	10% of the basic salary	15% of the basic salary	20% of the basic salary
7%	20% of the basic salary	30% of the basic salary	40% of the basic salary
8%	30% of the basic salary	45% of the basic salary	60% of the basic salary
9%	40% of the basic salary	60% of the basic salary	80% of the basic salary
10% (target)	50% of the basic salary	75% of the basic salary	100% of the basic salary
11%	55% of the basic salary	80% of the basic salary	105% of the basic salary
12%	60% of the basic salary	85% of the basic salary	110% of the basic salary
13%	65% of the basic salary	90% of the basic salary	115% of the basic salary
14%	70% of the basic salary	95% of the basic salary	120% of the basic salary
15% or more	75% of the basic salary	100% of the basic salary	125% of the basic salary

* In calculating the average EPS, account is taken of a net charge of € 23 million recognised at the end of 2004 in connection with the acquisition of CenE Bankiers. This amount is deducted from the company's profits over a period of five years from 2005.

Consolidated balance sheet at 31 December 2008

In thousands of euros

Assets	31 12 2008	31 12 2007
Cash and cash equivalents ¹	584,215	525,480
Financial receivables from trading activities ²	62,716	83,666
Banks ³	902,081	2,884,995
Available-for-sale investments ⁴	894,639	839,512
Loans and advances to the public and private sectors ⁵	17,072,490	16,006,235
Financial assets designated at fair value through profit or loss ⁶	52,381	63,468
Derivatives ⁷	209,700	471,872
Investments in associates using the equity method ⁸	10,052	9,496
Property, plant and equipment ⁹	188,639	195,268
Goodwill and other intangible assets ¹⁰	383,025	379,318
Current tax assets ¹¹	79,610	2,287
Deferred tax assets ¹²	4,128	7,120
Prepayments and accrued income ¹³	217,975	211,450
Other assets ¹⁴	30,245	38,667
Total assets	20,691,896	21,718,834

Equity and liabilities

31 | 12 | 2008

31 | 12 | 2007

Financial liabilities from trading activities ¹⁵	14,113	35,583
Banks ¹⁶	391,474	904,407
Public and private sector liabilities ¹⁷	15,318,420	14,596,804
Financial liabilities designated at fair value through profit or loss ¹⁸	22,452	18,243
Derivatives ¹⁹	313,621	387,643
Issued debt securities ²⁰	1,761,142	3,015,960
Provisions ²¹	20,172	34,910
Current tax liabilities ²²	10,467	2,933
Deferred tax liabilities ²³	44,910	55,754
Accruals and deferred income ²⁴	557,418	450,018
Other liabilities ²⁵	63,291	64,529
Subordinated loans ²⁶	630,306	465,451
Total liabilities	19,147,786	20,032,235
Share capital	35,190	34,921
Repurchased shares	– 21,854	– 27,833
Share premium	315,293	310,217
Other reserves	878,452	844,808
Undistributed profit attributable to shareholders of Van Lanschot NV	19,266	204,608
Shareholders' funds attributable to shareholders of Van Lanschot NV	1,226,347	1,366,721
Minority interests (perpetual loans)	305,193	307,393
Undistributed profit attributable to minority interests (holders of perpetual loans)	10,858	10,740
Other minority interests	1,745	1,724
Undistributed profit attributable to other minority interests	– 33	21
Shareholders' funds attributable to minority interests	317,763	319,878
Shareholders' funds ²⁷	1,544,110	1,686,599
Total equity and liabilities	20,691,896	21,718,834
Contingent liabilities ²⁸	408,677	435,717
Irrevocable commitments ²⁹	505,811	337,607
	914,488	773,324

Consolidated income statement for 2008

In thousands of euros

Income from operating activities	2008	2007
Interest income	1,347,639	1,244,604
Interest expense	1,053,513	968,244
Interest ³⁰	294,126	276,360
Income from associates using the equity method	5,122	3,694
Other income from securities and associates	- 22,442	23,795
Income from securities and associates ³¹	- 17,320	27,489
Commission income	224,674	308,960
Commission expense	7,001	13,572
Commission ³²	217,673	295,388
Profit on financial transactions ³³	- 883	48,759
Total income from operating activities	493,596	647,996
Expenses		
Staff costs ³⁴	224,928	248,573
Other administrative expenses ³⁵	162,321	129,762
Staff costs and other administrative expenses	387,249	378,335
Depreciation and amortisation ³⁶	34,869	36,411
Operating expenses	422,118	414,746
Impairments ³⁷	50,290	71
Total expenses	472,408	414,817
Operating profit before tax	21,188	233,179
Income tax ³⁸	- 8,903	43,828
Net profit from continuing operations	30,091	189,351
Discontinued operations	-	26,018
Net profit	30,091	215,369

The number beside each item refers to the relevant note.

	2008	2007
Of which attributable to shareholders of Van Lanschot nv	19,266	204,608
Of which attributable to holders of perpetual loans	10,858	10,740
Of which attributable to other minority interests	- 33	21
Earnings per ordinary share (in euros) ³⁹	0.55	5.94
Dividend per ordinary share (in euros)	0.28	3.00
Diluted earnings per ordinary share (in euros) ⁴⁰	0.55	5.88
Earnings per ordinary share from continuing operations (in euros) ⁴¹	0.55	5.19
Diluted earnings per ordinary share from continuing operations (in euros) ⁴²	0.55	5.13

Shareholders' funds at 31 December 2008

In thousands of euros

Consolidated statement of changes in shareholders' funds

2008

2007

Issued share capital

Balance at 1 January

34,921

32,411

Share issue

269

2,510

Balance at 31 December

35,190

34,921

Repurchased shares

Balance at 1 January

- 27,833

- 28,228

Repurchased shares for stock option rights

- 473

- 12,498

Options exercised

6,452

12,893

Balance at 31 December

- 21,854

- 27,833

Share premium

Balance at 1 January

310,217

135,763

Share issue

5,076

174,454

Balance at 31 December

315,293

310,217

Revaluation reserve

Balance at 1 January

34,974

26,000

Revaluation of equity investments

- 16,222

17,466

Revaluation of other investments

- 10,689

4,927

Realised return on equity investments

- 4,647

- 15,259

Realised return on other investments

612

- 23

Tax on revaluation of equity investments

138

444

Tax on revaluation of other investments

1,239

1,419

Balance at 31 December

5,405

34,974

Currency translation differences

Balance at 1 January

193

- 98

Changes during the year

- 147

291

Balance at 31 December

46

193

Other equity components

Balance at 1 January

18,810

11,135

Increase in value of derivatives added directly to shareholders' funds

26,507

51,528

Decrease in value of derivatives charged directly against shareholders' funds

- 70,894

- 37,414

Tax on value changes

12,694

- 6,439

Realisation recognised through profit or loss

- 5,390

-

Balance at 31 December

- 18,273

18,810

Other reserves

Balance at 1 January

790,831

693,089

Net profit for 2007/2006

204,608

174,756

Dividend for 2007/2006 to shareholders

- 104,482

- 94,745

Employee stock options

764

20,175

Other changes

- 447

- 2,444

Balance at 31 December

891,274

790,831

Consolidated statement of changes in shareholders' funds

2008

2007

Undistributed profit attributable to shareholders of Van Lanschot NV*Balance at 1 January*

204,608

174,756

To other reserves

– 204,608

– 174,756

Profit for the period

19,266

204,608

*Balance at 31 December***19,266****204,608***Shareholders' funds attributable to shareholders of Van Lanschot NV***1,226,347****1,366,721****Minority interest (perpetual loans)***Balance at 1 January*

307,393

312,807

Issue of perpetual loans

–

–

Change in own position

– 2,200

– 5,414

*Balance at 31 December***305,193****307,393****Undistributed profit attributable to third parties***Balance at 1 January*

10,740

9,732

Dividend 2007/2006 to third parties (holders of perpetual loans)

– 10,740

– 9,732

Profit for the period

10,858

10,740

*Balance at 31 December***10,858****10,740****Other minority interests***Balance at 1 January*

1,724

–

Acquired interests during the year

–

1,724

Net profit for 2007/2006

21

–

*Balance at 31 December***1,745****1,724****Undistributed profit attributable to minority interests***Balance at 1 January*

21

–

Net profit for 2007/2006 to minority interests

– 21

–

Profit for the period

– 33

21

*Balance at 31 December***– 33****21***Shareholders' funds attributable to third parties***317,763****319,878****Total shareholders' funds****1,544,110****1,686,599**

Consolidated cash flow statement for 2008

In thousands of euros

Consolidated cash flow statement

2008

2007

Cash flow from operating activities

Operating profit before tax

21,188

233,179

Adjustments for:

– Depreciation and amortisation

34,869

36,411

– Impairments

50,290

71

– Income from securities and associates

17,320

– 27,489

Cash flow from operating activities

123,667**242,172**

Net increase / (decrease) in operating assets and liabilities

– Financial receivables/liabilities from trading activities

– 520

70,787

– Financial assets/liabilities designated at fair value through profit or loss

15,296

14,911

– Banks

1,550,397

– 1,814,994

– Loans and advances to the public and private sectors

– 455,041

1,771,220

– Derivatives

188,150

– 23,728

– Provisions

– 14,738

– 2,396

– Other assets and liabilities

7,201

99,520

– Accrued assets and liabilities

94,674

– 2,992

– Deferred tax assets/ tax liabilities

– 7,852

19,577

Total movement in assets and liabilities

1,377,567**131,905**

Income taxes paid

– 60,886

– 58,949

Net cash flow from operating activities**1,440,348****315,128****Cash flow from discontinued operations**

–

27,923**Cash flow from investing activities**

Investments and acquisitions

– 220,638

– 3,016

– Investments in capital instruments

– 81,641

– 31,579

– Investments in shares

– Investments in group companies (exclusive of cash acquired)

37,676

– 178,021

– Investments in associates

–

– 4,217

– Property, plant and equipment

– 13,562

– 29,695

– Intangible assets

– 29,570

– 31,663

Consolidated cash flow statement

2008

2007

Divestments, repayments and sales		
– Investments in capital instruments	69,511	82,968
– Investments in shares	167,002	36,143
– Investments in group companies (exclusive of cash acquired)	–	3,140
– Investments in associates	– 556	7,631
– Property, plant and equipment	4,105	13,205
– Intangible assets	412	7,171
Share of profit of associates/shareholdings and investment portfolio shares	– 40,268	11,186
Dividends received from associates and shareholdings	22,948	16,303
Net cash flow from investing activities	– 84,581	– 100,444
Cash flow from financing activities		
Share issue and share premium	5,345	40,180
Employee stock options	–	20,175
Movement in other reserves	– 71,326	5,159
Perpetual loans	– 2,082	– 5,414
Minority interests	– 33	1,724
Additions to subordinated loans	250,000	–
Repayments on subordinated loans	– 85,145	– 11,242
Additions to debt securities	–	150,000
Repayments on debt securities	– 1,254,818	– 915,453
Dividends paid	– 104,484	– 94,745
Net cash flow from financing activities	– 1,262,543	– 809,616
Net increase in cash and cash equivalents	93,224	– 567,009
Cash and cash equivalents at 1 January	444,803	1,011,812
Cash and cash equivalents at 31 December	538,027	444,803
Additional disclosure		
Cash flows from interest income	1,350,103	1,218,347
Cash flows from interest expense	940,979	879,722

Summary of significant accounting principles

General

The consolidated financial statements of Van Lanschot NV at 31 December 2008 were prepared by the Board of Managing Directors on 19 March 2009 and will be submitted to the Annual General Meeting of Shareholders for adoption on 11 May 2009. Van Lanschot NV is a company incorporated and established in the Netherlands whose depositary receipts for shares are publicly traded.

Basis of preparation

The consolidated financial statements of Van Lanschot NV 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.

Changes in the presentation

No changes were applied to the presentation.

Estimation uncertainties

In the process of applying the accounting principles Van Lanschot uses estimates and assumptions are made which have 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. Estimates and assumptions mainly relate to:

Determination of fair value of derivatives and other financial instruments

The fair value of financial instruments not traded in an active market is determined based on cash flow and option valuation models. These models are primarily based on the market circumstances prevailing at the balance sheet date. Estimates mainly relate to estimating future cash flows and discount rates.

Impairments

At the balance sheet date, it is assessed for all assets whether there are objective indicators of impairment. Objective indicators are set in the event of significantly changed market circumstances relative to share prices, exchange rates or interest rates. Impairments are determined on the basis of the difference between balance sheet value and the recoverable amount.

Impairments are recognised in the income statement. If an asset is permanently unrecoverable, it is written off and charged against the relevant balance sheet item. The impairment provision previously formed is then released to the relevant balance sheet item. If uncollectable receivables generate cash flows after having been written off, these are taken directly to the income statement.

Impairments of financial assets

In the event of impairments of financial assets, objective indicators are present after the initial recognition of the financial assets. Depending on the type of financial assets, the recoverable amount is estimated based on:

- the fair value determined using an observable market price
- the present value of expected cash flows based on the original effective yield of the asset as the discount rate
- the fair value of securities.

Impairments are individually determined for individually significant items. Other financial assets are collectively assessed at portfolio level. If objective indicators are present, the impairment resulting from the collective assessment is determined based on contractually agreed cash flows and historical experience with respect to credit losses on assets with equivalent credit characteristics. If current circumstances give rise to adjustment of historical experience, the effects of these circumstances are taken into account in the calculations.

Impairments of non-financial assets

The recoverable amount is the higher of the fair value of a non-financial asset less costs to sell and its value in use. This fair value less costs to sell is based on a market-based transaction between knowledgeable, willing parties. 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, that were subject to impairment are reviewed at each balance sheet date to see whether the impairment can possibly be reversed. Non-financial assets are tested for impairment annually by assessing whether there are any indications that these assets are impaired.

Actuarial assumptions of provisions

Reference is made to note 21.

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.

The minority interest in shareholders' funds is presented separately in the consolidated balance sheet as a component of total shareholders' funds. The profit for the reporting period that can be attributed to the minority interest is disclosed separately.

Associates in which Van Lanschot has significant influence

Associates in which Van Lanschot has significant influence are recognised using the equity method, unless indicated otherwise. Under the equity method, the investment is initially carried at cost. Van Lanschot's share in the profits and losses after acquisition is disclosed in the income statement and its share in the movements in the reserves after acquisition is recognised in the reserves.

Segment information

The different business segments form the basis for Van Lanschot's primary segmentation. A business segment is a business unit that provides similar services subject to risks and returns that differ from those of other business segments. Van Lanschot's business units are Private Banking, Asset Management, Business Banking, Corporate Finance and Securities and Other activities. Secondary information is reported geographically based on where the business activities are located. Van Lanschot's geographical segments are the Netherlands, Belgium and Other.

Foreign currencies

Foreign entities

Items recognised in the financial statements of each entity of Van Lanschot are carried based on the currency which best reflects the substance of the events or circumstances which are relevant to that entity (functional currency). The consolidated financial statements are presented in euros, which is Van Lanschot's functional and reporting currency.

Income statements and cash flows of foreign entities are translated at average rates of exchange, and assets and liabilities are translated at the rate prevailing at the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities and of loans designated as hedges of such investments are charged or credited to equity.

Transactions in foreign currencies

Transactions in foreign currencies are translated into the valuation 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 and loss, unless they are recognised in equity as qualifying net investment hedges.

Translation differences on non-monetary items such as instruments held for trading are recognised as part of the fair value gains or losses. Translation differences on available-for-sale non-monetary items are included in the revaluation reserve reported under equity.

Recognition of financial assets

The purchase or sale of financial assets classified as held to maturity, available for sale or held for trading that are settled in accordance with regular market practice are recognised on the date on which Van Lanschot commits itself to buy or sell the asset. Loans and deposits on the other hand are recognised on the settlement date.

Derecognition of financial assets

Financial assets are derecognised when:

- Van Lanschot's rights to the cash flows from the asset expire, and
- Van Lanschot has transferred substantially all the risks and rewards, or
- Van Lanschot no longer retains control over the assets nor has retained substantially all risks.

If Van Lanschot transfers the rights to the cash flows from a financial asset and has not retained significant but not all risks and rewards, Van Lanschot determines whether control has been retained. If control is deemed to have been retained, the asset continues to be disclosed on the balance sheet, to the extent that Van Lanschot is subject to changes in the value of the asset. If control is deemed to have been transferred, the asset is removed from the balance sheet.

Securitisation

Van Lanschot has put parts of its loans in Special Purpose Entities (SPEs). With these transactions, the beneficial ownership of these receivables has been transferred to the individual entities. If Van Lanschot has control over a 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.

Netting 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.

Summary of significant accounting policies

General

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.

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 income statement under 'Profit on financial transactions'. Fair values are based on stock exchange prices, cash flow models and (option) valuation models.

Hedge accounting

Van Lanschot uses derivatives 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 income statement.

At the inception of a hedge transaction, Van Lanschot formally designates and documents the hedge relationship and the 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 expected to be highly effective. The effectiveness is assessed on a monthly basis to determine that the hedge has been highly effective throughout the financial reporting periods for which it was designated. Hedges that qualify for hedge accounting, are disclosed as follows:

Fair value hedging

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 income statement. Insofar as the hedging instrument is effective, the hedged position or transaction is adjusted for the same amount and the amount is also recognised in the income statement. If the hedging instrument expires or is sold, or if it can no longer be designated as a hedge, accumulated gains and losses are amortised over the remaining term of the hedge relationship.

Cash flow hedging

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. 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 income statement, 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 income statement. 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 treated separately if the host contract is not carried at fair value through profit or loss. An interest rate option in a mortgage that determines the ceiling or floor of the interest rate payable is an example of a closely related embedded derivative. An interest payment and redemption linked to a share index is an example of a derivative that is not closely related. 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 under profit on financial transactions in the income statement.

Balance sheet format as per IFRS 7

For the balance sheet format as per IFRS 7, reference is made to the section 'Consolidated balance sheet by accounting policy' in the supplementary notes.

Assets

Cash and cash equivalents

Cash and cash equivalents in the balance sheet are recognised at face value and comprise all legal tender and balances withdrawable on demand with central banks and other banks, in respect of which the risk of value changes is insignificant.

Financial receivables from trading activities

Financial receivables from trading activities are own account transactions which the bank intends to actively sell in the short term. Financial receivables from trading activities consist of the trading portfolio shares and bonds. The financial receivables from trading activities are recognised at fair value with effect from the trade date and value adjustments are taken to the income statement under the item 'Profit on financial transactions'.

Banks

Banks are recognised at amortised cost 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.

Available-for-sale investments

Investments have been classified by management as transactions held permanently and are carried as 'available for sale'. The item 'Available-for-sale investments' comprises investments in shares, bonds and shareholdings. 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. The net amount of unrealised gains and losses resulting from changes in the fair value of investments classified as available-for-sale are recognised in equity. 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. Indicators of impairments are the relative size and the duration of the period during which the fair value is below cost.

Van Lanschot considers the unrealised losses at the balance sheet date on capital 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 capital 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 shares, the accrued revaluation reserve is released to the income statement under the line item 'Income from securities and associates'. On the realisation of available-for-sale bonds, the accrued revaluation reserve is released to the income statement 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. Shareholdings are measured in accordance with the European Venture Capital Association guidelines. The guidelines of this European sector organisation are generally accepted under IFRS for the private equity sector.

Valuation methods are used to determine the market value of the shareholdings for which no stock exchange price is available. The applied valuation methods are capitalisation method (peer group analysis), capitalised earnings method, net present value method and disclosed net asset value method.

The capitalisation method (where possible based on a peer group analysis) determines the value of a business by multiplying the operating profit (ЕБИТ) and the operating profit before depreciation and amortisation (ЕБИТДА) by a multiplier factor. ЕБИТ and ЕБИТДА are adjusted, where applicable, for one-off items. Based on a peer group analysis, the multiplier factor is derived from listed companies with a great deal of similarity, if applicable also taking account of a 25% discount for poor liquidity and minority shareholding. 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. A risk free interest of 3.763% (10-year European Interest Swap Rate at 31-12-2008; 4.688% at 31-12-2007), a fixed market risk premium of 5.5%, a company-specific risk of 0% to a maximum of 9% and a growth rate of 0% to a maximum of 3% is used.

The company's net debt and preference share capital is then deducted from the value resulting from the capitalisation method and/or net present value method in order to pass from the enterprise value to the share value. The capitalised earnings method determines the enterprise value by discounting the net profit at a required return (on average 15%) on shareholders' funds, taking account of the company's expected growth rate. A growth rate of 0% to a maximum of 3% is used.

The disclosed net asset value method determines the value of a company based on the balance sheet data and can be regarded as the lowest valuation in the case of a going concern. If it concerns the valuation of fund investments, the valuation is based on the report 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. The effective interest method is a method of calculating amortised cost and allocating interest income and interest expense over the relevant periods.

Financial assets designated at fair value through profit or loss

Financial assets designated 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. Reports to management are 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 in the income statement at fair value. This is only permitted provided that:
 - (a) the embedded derivative has significant influence on the contractually agreed cash flows, or
 - (b) it is abundantly clear upon initial recognition of the financial instrument that it is not permissible to separate the embedded derivative (e.g. early redemption option at amortised cost).

Derivatives

Derivatives are carried at fair value. The positive and negative values of derivatives are shown separately on the face of the balance sheet on the liabilities side and the assets 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 profit on financial transactions. Unless hedge accounting is completely effectively the net impact on the income statement is nil.

Derivatives include:

- *The positive fair value of derivatives held for trading*
Derivatives held for trading are transactions for own account with the aim to actively sell them in the short term. From the moment on which the contract is concluded (trade date), these derivatives are valued at fair value, with any changes in value being recognised through profit or loss under 'Profit on financial transactions'.
- *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 to hedge structured products sold to clients, without applying hedge accounting.

- Long option positions clients
- Derivatives with application of hedge accounting

Investments in associates using the equity method

Associates are entities in which Van Lanschot has significant influence. Associates are recognised in the financial statements in accordance with the equity method of accounting. Van Lanschot's share in the movement of shareholders' equity of the associate is taken to the statement of changes in shareholders' funds. This also applies to the results of associates which are taken through Van Lanschot's profit or loss.

Property, plant and equipment

Property, plant and equipment comprises property, information technology, furniture and communication and safety equipment. Property, plant and equipment is initially carried at 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.

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

Property not held for own use concerns leased property and property acquired from the settlement of loans. Leased property is carried at historical cost less accumulated depreciation and accumulated impairments. Real estate acquired from the settlement of loans is carried at historical cost less accumulated impairments.

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

Estimated useful life of intangible assets in years

Client bases	5-20
Third-party distribution channels	12-20
Agents' contracts	20
Brand names	20
Deposits and current account balances	10
Application software	3-5

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. Goodwill paid is included in the financial statements at cost less any accumulated impairment losses. Goodwill paid is reviewed 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 of the goodwill and of the cash generating unit (CGU) to which the goodwill relates. A cash-generating unit's recoverable amount is the higher of its fair value less costs to sell and its value in use.

Owing to the absence of a market for separate cash-generating units, Van Lanschot is unable to calculate a reliable fair value less costs to sell by cash-generating unit. Therefore, the recoverable amount is equal to the value in use. The value in use is determined by discounting the future cash flows generated by a cash-generating unit to their net present value. If the recoverable amount of a cash-generating unit is lower than the carrying amount of the cash-generating unit concerned, goodwill is impaired.

Cash flow estimates are based on the long-term plan, the strategic plans and different types of investigations into 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.

Other intangible assets, 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.

Current tax assets

Current tax assets are stated at face value. Current tax assets 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 assets

Deferred taxes are recognised in the balance sheet if the valuation of an asset or liability on the face of the balance sheet temporarily differs from the valuation for tax purposes. Deferred taxes are calculated using enacted tax rates that will apply at the time the deferred taxes are to be realised. 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 assets and liabilities and the taxes are expected to be settled simultaneously. Deferred taxes are stated at 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. Changes in the value of investments classified as 'available for sale' and movements in the value of derivatives forming part of a cash flow hedge are recognised in equity net of deferred tax. Deferred tax is taken to the income statement at the same time as the movement in value.

Prepayments and accrued income

Prepayments and accrued income are carried at historical cost.

Other assets

Other assets are carried at historical cost.

Equity and liabilities

Financial liabilities from trading activities

Financial liabilities from trading activities are own account transactions which the bank intends to actively repurchase in the short term. Financial liabilities from trading activities are carried at fair value and movements in value are taken through profit or loss. This balance sheet comprises short positions for trading portfolio shares and bonds, which are recognised with effect from the date on which the contract is concluded.

Banks

Banks are recognised at amortised cost 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 liability.

Public and private sector liabilities

Public and private sector liabilities are recognised at amortised cost using the effective interest method.

Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss comprise financial instruments which, 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 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 provided that:
 - a) the embedded derivative has significant influence on the contractually agreed cash flows; or
 - b) it is abundantly clear upon initial recognition of the financial instrument that it is not permissible to separate the embedded derivative (e.g. early repayment option at amortised cost).

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

Derivatives

Derivatives include:

- *The negative fair value of derivatives held for trading*
Derivatives held for trading are transactions for own account with the aim to actively sell them in the short term. From the moment on which the contract is concluded (trade date), these derivatives are valued at fair value, with any changes in value being recognised through profit or loss under 'Profit on financial transactions'.

- *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.
- *Long option positions clients*
- *Derivatives with application of hedge accounting*

Issued debt securities

Issued debt securities are carried at amortised cost. 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 income statement.

Provisions

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 income statement 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 balance sheet date less the fair value of plan assets, together with adjustments for unrecognised gains or losses and past service costs. The pension obligation is calculated with reference to the expected return on plan assets.

Neither differences between the expected and actual return on plan assets nor actuarial gains and losses are recognised in the income statement, unless the total of these accumulated differences and gains and losses falls outside the 10% corridor of the greater of the pension benefit obligations and the fair value of the corresponding plan assets. The portion that falls outside the corridor is taken through profit or loss over the remaining years of service of the participants.

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 balance sheet as a provision.

Provisions 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 balance sheet as a provision.

Other provisions

This item includes all other provisions.

Current tax liabilities

Current tax liabilities are stated at face value. Current tax assets and liabilities 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 liabilities

Deferred taxes are recognised on the face of the balance sheet if the valuation of an asset or liability temporarily differs from the valuation for tax purposes. Deferred taxes are calculated using enacted tax rates that will apply at the time the deferred taxes are to be realised. Deferred tax assets and liabilities are set off when they relate to the same tax authority, the same type of tax, it is permitted under law to set off these deferred taxes and the taxes are expected to be settled simultaneously. Deferred taxes are recognised at their face value. Changes in the value of investments classified as 'available for sale' and movements in the value of derivatives forming part of a cash flow hedge are recognised in equity net of deferred tax. Deferred tax is taken to the income statement at the same time as the movement in value.

Accruals and deferred income

Accruals and deferred income are carried at historical cost.

Other liabilities

Other liabilities are carried at historical cost.

Subordinated loans

Subordinated loans 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 income statement.

Shareholders' funds

Direct costs of a new share issue are deducted from shareholders' funds, taking account of taxes.

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

The perpetuals included under equity are carried at cost.

Obligations not recognised on the balance sheet

This includes the obligations that represent a potential credit risk. For the other obligations not recognised on the balance sheet, 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.

Income statement

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 as much as possible allocated to the period in which the services were rendered or to the relevant proceeds.

Interest

This item consists of income earned on lending and costs of borrowing and associated transactions, related commission and other income/expense similar to interest.

Interest income and expense is recognised in the income statement 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 financial 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

Dividends receivable from securities and associates are recognised in the income statement when made payable. Diminutions in the value of shares and shareholdings forming part of the available-for-sale investments are recognised in the income statement as impairment. Gains from available-for-sale investments are recognised under 'Gains from available-for-sale investments'. Gains from associates recognised in accordance with the equity method of accounting are disclosed for Van Lanschot's share in the results of associates.

Commission

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

Van Lanschot receives commission for the wide range of services it provides to clients. There are two types of commission: commission on a transaction basis and periodic commission charged to the client during the year.

Commission on a transaction basis

Commission income on a transaction basis is recognised in the periods in which Van Lanschot provides the services. Transaction commission for which Van Lanschot only provides a service on the transaction date (e.g. securities commission) is taken directly to the income statement. Transaction commission for which Van Lanschot has to provide a service in the future (e.g. commission for ICs) forms part of amortised cost and is recognised in the income statement over the expected term of the asset.

Periodic commission

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

Profit on financial transactions

This item consists of realised and unrealised valuation differences on securities forming part of the trading portfolio, sales of available-for-sale interest-earning securities, and exchange and price differences on trading in other financial instruments. Profit on securities trading

includes gains and losses on the financial instruments relating to the securities trading portfolio. Gains and losses on account of ineffectiveness of the hedge accounting models are recognised under unrealised gains and losses on hedging derivatives. Other results include realised and unrealised gains and losses on derivatives that are not included in a hedge accounting model.

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 payment transactions.

Share-based payments

Employees receive remuneration in the form of share-based payments. The cost of equity-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-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').

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 income statement.

Impairments

This item consists of the balance of the required adjustments for impairments in value and reversals of such impairments in value.

Income tax

Tax on operating profit is recognised in the income statement in accordance with applicable tax law in the jurisdictions in which Van Lanschot operates. Tax effects of any losses incurred in a jurisdiction 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.

Cash flow statement

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

Future ifrs standards

The IFRS standards listed below will become compulsory for financial years ending after 31 December 2008 and have not yet been processed in the financial statements for the year 2008 of Van Lanschot.

The recognition of these new standards is not expected to have any impact on Van Lanschot's profit and shareholders' funds.

ifrs 2

IFRS 2 'Share-based Payment' (adjustment) applies to financial statements for reporting periods commencing on or after 1 July 2009.

ifrs 3

IFRS 3 'Business Combinations' (revised in 2008) applies to financial statements for reporting periods commencing on or after 1 July 2009.

The objective of IFRS 3 is to enhance the relevance, reliability and comparability of the information that an entity provides in its financial statements about a business combination and its effects. The revised IFRS 3 replaces IFRS 3 as issued in 2004.

ifrs 8

IFRS 8 'Operating Segments' was published in November 2006 and applies to financial statements for reporting periods commencing on or after 1 January 2009. IFRS 8 replaces IAS 14 'Segment reporting' and sets out requirements for disclosure of information about an entity's operating segments, the income generated by the entity's products and services, the geographical areas in which it operates, and its major customers.

ias 1

IAS 1 'Presentations of Financial Statements' (revised in 2007) applies to financial statements for reporting periods commencing on or after 1 January 2009. IAS 1 sets requirements for the presentation of financial statements for general purposes, in order to allow comparison, both with the entity's financial statements for prior periods and with those of other entities. The revised IAS 1 replaces IAS 1 as issued in 2005 and revised in 2005.

ias 23

IAS 23 'Borrowing Costs' (revised in 2007) applies to financial statements for reporting periods commencing on or after 1 January 2009. IAS 23 aims to provide the standard for the disclosure of borrowing costs, either as part of an asset which is to be capitalised, or as an expense. The revised IAS 23 replaces IAS 23 as issued in 1993.

ias 27

IAS 27 'Consolidated and Separate Financial Statements' (revised in 2008) applies to financial statements for reporting periods commencing on or after 1 July 2009. The objective of IAS 27 is to provide a standard for the format and presentation of consolidated financial statements for a group of entities under the parent's control. The revised IAS 27 replaces IAS 27 as revised in 2003.

ifric 15

IFRIC 15 'Agreements for the construction of real estate' applies to financial statements for reporting periods commencing on or after 1 January 2009.

ifric 17

IFRIC 17 'Distributions of non-cash assets to owners' applies to financial statements for reporting periods commencing on or after 1 July 2009.

ifric 18

IFRIC 18 'Transfers of assets from customers' applies to financial statements for reporting periods commencing on or after 1 July 2009.

Risk management

In thousands of euros

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 both solvency and performance to the greatest possible extent. Van Lanschot consciously aims for a low risk profile. Van Lanschot 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.

Risk management is an ongoing process, not in the least due to the ever changing market situation and the increasing complexity of laws and regulations. The quality and commitment of our staff form an essential factor in this context. The principles of compliance and corporate governance are firmly embedded in the organisation. They form part of the due care with which Van Lanschot guards its reputation as a solid and honourable banking house.

The risk profile we aim for is reflected in the following objectives:

- Keeping a Single A rating from at least two rating agencies;
- Meeting internal targets relative to the capital ratios (refer to the table on page 75)

Risk management within Van Lanschot covers the following risks:

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

After the general section on risk and capital management, these types of risk will be discussed separately. Subsequently, information will be provided about fair value.

Although Van Lanschot did not suffer any direct losses as a result of the credit crunch, we are clearly feeling the impact of it. Our clients are conducting fewer securities transactions, which has put our commission income under pressure. The risks involved for Van Lanschot are limited, since Van Lanschot's policy mainly concentrates on providing loans to high net-worth individuals and family businesses. In addition, the number of banks where Van Lanschot holds liquid assets has been reduced in order to limit the risks further.

Van Lanschot does not have any investments in the subprime sector or risky investments such as CDOs (Collateralised Debt Obligations) or SIVs (Structured Investment Vehicles). Furthermore, our financial position has not been affected by recent problems at certain financial institutions. In contrast to almost every other bank, Van Lanschot did not have to include any write-offs for assets of this type in its balance sheet. However, as both the number of problem loans and the outstanding amount they represent increased due to the recession, additions to the provision and write-offs were higher than expected.

1.1 Organisation of Risk and Capital Management

Van Lanschot has a professional, bank-wide risk framework in place. 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. Van Lanschot pursues a policy in which the credit, market, interest rate, liquidity and operational risks are closely monitored and the applied limits are conservative. (Refer to the table on Risk and Capital Management on the next page.)

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 employees and management.

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 wherever possible (first line). The Risk Management department is responsible for initiating risk policy and supervision of risk control within Van Lanschot (second line). Group Audit is responsible for performing independent checks on the risk framework (third line).

Risk management is at the core of capital management. Capital management within Van Lanschot focuses on monitoring and managing both external and internal capital adequacy requirements at group level. The central focus here is protection of our financial solidity.

In 2008, the rearrangement of the various risk management functions within the bank was finalised. Activities relating to credit risk, operational risk, market risk and strategic risk were transferred to the new lead department Risk Management. Furthermore, activities relating to balance sheet management, including the interest rate risk, liquidity risk and capital management, were transferred from Risk Management to the lead department Financial Control. The duty of care activities are now handled by the lead department Private Banking.

Capital ratios	External requirement	Internal target	31 12 2008	31 12 2007*
BIS total capital ratio	8.0%	12.5%	12.5%	11.6%
BIS Tier I ratio (%)	4.0%	9.5%	10.0%	8.9%
BIS core Tier I ratio (%)	–	7.5%	6.7%	6.6%

Risk and Capital Management

<i>External supervisory authorities</i>	Supervisory Board – Risk Committee – Audit and Compliance Committee				Supervision
<i>Group Audit</i>	Board of Managing Directors – Policy Risk Committee – Asset and Liability Committee – Operational Risk Management Committee – Information Security and Business Continuity Committee – Legislation Committee				Risk and capital management strategy
	Compliance	Financial Control	Risk Management Van Lanschot Bankiers	Risk Management Kempen	Implementation
	Private Banking, Business Banking, Asset Management, Corporate Finance and Securities and Treasury				Execution

* Since 1 January 2008, Basel II has been effective; the BIS ratios for 2007 have been restated from Basel I into Basel II.

1.2 Supervision

The Supervisory Board supervises the risk and capital management and regularly evaluates the risks connected with the bank's operations and portfolio. For this purpose, it has installed two permanent committees:

- The Risk Committee, which supervises on behalf of the Supervisory Board all risks related to the bank's business activities;
- The Audit and Compliance Committee, which was installed in order 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.

1.3 Risk and Capital Policy

The Board of Managing Directors bears the ultimate responsibility for formulating the bank's strategy. The Board is supported in this respect by the Director of Strategy and the Strategic Committee, which convenes several times a year.

An important element of the bank's strategy is the risk and capital management policy and the resulting capital control plan. The Board of Managing Directors is responsible for the annual review and approval of this plan.

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 and the statutory capital adequacy requirements. Within this scope, the Board of Managing Directors has delegated specific tasks to divisions or committees. Within the bank, the following committees are active in the risk areas as set out below:

- *Policy risk committee*; All aspects of risk and capital management policy;
- *Asset and Liability committee*; Management of interest rate, market and liquidity risks and capital management;
- *Operational Risk Management Committee*; Management of operational risk;
- *Information Security and Business Continuity Committee*; Management of information security risk;
- *Legislation Committee*; Implementation of changes in laws and regulations.

Members of the Board of Managing Directors have a seat on all aforementioned committees.

The *Policy Risk Committee* determines and adjusts the bank's overall risk and capital management policy. The Committee determines Van Lanschot's risk appetite and translates this into standards, limits and/or amounts of required capital relating to the various risks.

It is furthermore responsible for the organisational risk management structure and for the determination and adjustment of powers. All members of the Board of Managing Directors have a seat on this committee, as well as representatives of Risk Management and the commercial departments. The Committee convenes once every quarter.

The *Asset and Liability Committee* supervises the implementation and execution of the capital management policy and the bank's capital management plan which is derived from this policy. In terms of the execution of transactions, the Committee supervises compliance with the relevant guidelines, especially relative to the capital structure, the capital ratios and the funding. In addition, it also bears responsibility for the approval of the ICAAP reporting.

In addition to specialists and the relevant directors, all members of the Board of Managing Directors have a seat on the Asset and Liability Committee. They meet once every month. The Treasury department, as well as the Private Banking, Business Banking, Corporate Finance and Securities and Asset Management departments are responsible for the execution of the decisions made by the Asset and Liability Committee.

The *Operational Risk Management 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 on a monthly basis and is chaired by a member of the Board of Managing Directors. In addition to members of the Board of Managing Directors, the Operational Risk Management Committee consists of representatives of Group Audit, Information Technology Management, Private Banking, Business Banking, Facility Services, Van Lanschot Belgium, Risk Management and Operations.

For a banking institution, information security is crucial. In view of the importance of this subject, these specific risks are monitored by the *Information Security and Business Continuity Committee*. Van Lanschot devotes special attention to this subject not only in view of the confidentiality aspect, but also in order to safeguard the continuity of the bank's own operations. In addition to members of the Board of Managing Directors, the Information Security and Business Continuity Committees also includes representatives of Risk Management and Process and Information Management.

Van Lanschot attaches great value to a careful implementation of the ever changing laws and regulations. For this reason, the bank has established a *Legislation Committee* which supervises the correct implementation of and compliance with laws and regulations. In addition to the members of the Board of Managing Directors, the Legislation Committee includes representatives of the Private Banking, Legal Affairs, Risk Management and Compliance departments.

1.4 Implementation, execution and review of the risk and capital management policy

Implementation, monitoring and execution of the risk and capital management policy has been delegated to the following departments:

- Risk Management Van Lanschot Bankiers;
- Risk Management Kempen;
- Financial Control;
- Compliance.

Group Audit is responsible for the review of this policy.

The lead department *Risk Management Van Lanschot Bankiers* is responsible for modelling, measuring and managing Van Lanschot's credit, operational, market and strategic risk and for reporting on them. In addition, within this department, all risks are aggregated and reported on at group level.

The lead department *Risk Management Kempen* is responsible for measuring and managing all relevant risks within Kempen and reporting on them. Its focus is on the market and operational risks. The department reports directly to the Board of Kempen. Van Lanschot's Board of Managing Directors is represented in the Supervisory Board of Kempen.

The frameworks and standards applicable to Kempen's operations are set by Van Lanschot. Kempen has a large extent of autonomy within these frameworks and subject to these standards. This also applies to the lead department Risk Management Kempen. The powers of this lead department are determined by the Policy Risk Committee of Van Lanschot.

Risk Management Kempen reports periodically to Risk Management Van Lanschot Bankiers, in order to safeguard that Van Lanschot has an overall picture of all relevant risks present within Van Lanschot.

The lead department *Financial Control* is responsible for measuring and managing the interest rate risk, liquidity risk and capital present, inclusive of the execution of the capital management policy within Van Lanschot, and reporting on this. In addition, Financial Control prepares the compulsory reports to the Dutch Central Bank.

Financial Control prepares proposals for the Asset and Liability Committee to remain within the objectives of the capital management policy, making the most efficient use of the capital. The Policy Risk Committee supervises the enforcement of the capital management policy.

The Compliance department monitors compliance with internal and external laws and regulations by the employees of the bank. Within Van Lanschot, Compliance operates independently and the head of the Compliance department directly reports to the chairman of the Board of Managing Directors. In addition, they periodically report to the Audit and Compliance Committee of the Supervisory Board. Kempen has its own Compliance department which reports to the chairman of the Board of Kempen.

Group Audit reviews the design and effectiveness of the risk organisation and the execution of the risk and capital management policy. The department reports about 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 therefore audited based on the policy pursued, in order to determine whether the organisation has taken sufficient measures to perform the risk and capital management policy in an adequate fashion.

Group Audit also monitors the quality of the implementation, execution and review of the risk and capital management policy. The commercial departments are responsible for the preparation of commercial plans. Based on these plans, current and future risks and the resulting audit approach are determined.

2 Basel II: three pillars

With respect to risk management and the calculation of capital adequacy requirements, Basel II offers banks a number of approaches that range from simple, standardised approaches to complex approaches based on internal estimates. No matter which approach is chosen, the lower the risk, the lower the capital adequacy requirement. Reducing credit risk receives special attention.

- *Pillar I*: the minimum capital adequacy requirements for each type of risk: credit risk, market risk, and operational risk
- *Pillar II*: the internal processes relating to risk management and the calculation of internal capital requirements, the economic capital, and the assessment of these processes by the regulator, referred to as the Supervisory Review

- *Pillar III*: the disclosure requirements relating to key financial information calculated in connection with Pillar I.

2.1 Minimum external capital adequacy requirement under Pillar I

New rules for calculating external capital adequacy requirements under Basel II came into effect at the start of 2008. These new rules lay down international standards in the area of minimum solvency requirements for financial institutions. Under these international guidelines, banks are obliged to keep sufficient buffer capital to cover the risks that arise from banking operations. The objective of the capital accord is to safeguard a solid international banking system.

This comprehensive framework for supervising banks consists of three complementary pillars. Pillar I (minimum capital adequacy requirements) offers guidelines for calculating the minimum amount of capital that needs to be held, according to regulators, in relation to 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.

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.

To determine the minimum capital adequacy requirements under Pillar I, Van Lanschot currently applies the standardised approach for credit, market and operational risks. Van Lanschot's aim is to switch to the Foundation Internal Ratings Based approach for credit risk with effect from 1 January 2010 (refer to the Minimum external capital requirements (Pillar I) on page 78).

Minimum external capital requirements (Pillar I)

	31 12 2008		31 12 2007	
Credit risk	1,039,905	92%	1,014,338	92%
Market risk	6,839	1%	11,921	1%
Operational risk	75,176	7%	77,425	7%
Total	1,121,920	100%	1,103,684	100%

The sections on the individual risks contain more detailed information on matters related to Basel II.

The risks of the subsidiaries listed below represent 99% of the capital to be maintained by Van Lanschot NV on a consolidated level under Pillar I.

Subsidiaries

Interest	31 12 2008	31 12 2007
<i>F. van Lanschot Bankiers NV</i>	100%	100%
<i>Kempen & Co NV</i>	100%	100%
<i>Van Lanschot Bankiers België NV</i>	100%	100%
<i>Van Lanschot Bankiers (Luxembourg) SA</i>	100%	100%
<i>F. van Lanschot Bankiers (Schweiz) AG</i>	100%	100%
<i>Van Lanschot Bankiers (Curaçao) NV</i>	100%	100%
<i>F. van Lanschot Participaties I BV</i>	100%	100%
<i>Van Lanschot Mezzaninefonds BV</i>	100%	100%
<i>F. van Lanschot Trust Company BV</i>	100%	100%
<i>LanPar JPY Investments BV</i>	90%	90%

The following table shows the internal capital adequacy requirement for each type of risk.

Internal capital requirements	31 12 2008		31 12 2007	
Credit risk	1,039,905	73%	1,014,338	67%
Concentration risk	88,495	6%	137,600	9%
Market risk	6,839	0%	11,921	1%
Operational risk	61,548	4%	88,540	6%
Interest rate risk	162,000	11%	152,800	10%
Strategic risk	92,000	6%	111,400	7%
Total	1,450,787	100%	1,516,599	100%

2.2 Internal capital adequacy requirement under Pillar II

Pillar II (supervision) contains guidelines for assessing the solvency of a bank. The objective 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 by virtue of its operations.

At Van Lanschot these processes are laid down in the ICAAP (Internal Capital Adequacy Assessment Process) manual. Among other things, this manual describes the governance structure, the procedures, the assumptions and the methods used to determine the economic capital.

At present, the internal capital adequacy requirement is based on the requirements of Pillar I of Basel II, supplemented with a surcharge for other risks. In this context, Van Lanschot explicitly takes the following into account:

- Concentration risk in the loans portfolio;
- Interest rate risk in the non-trading portfolio;
- Strategic (or business) risk.

The table on page 78 sets out the internal capital adequacy requirement by type of risk. The models and methods applied are in keeping with Van Lanschot's complexity and size and show a good 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.

2.3 Notes on Pillar III

In 2008 discussions were held with the Dutch Central Bank concerning details of consolidated supervision. It was established that Van Lanschot NV is the financial holding company of F. van Lanschot Bankiers NV (the holder of the banking licence), and that, given this, regulatory oversight will take place at the level of Van Lanschot NV, which means that the Pillar III reporting requirements apply at the level of Van Lanschot NV.

Pillar III, which deals with the obligation to provide stakeholders with information on risk, supports the provision on 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.

2.4 The capital management plan

The reconciliation between risk and capital is done in the capital management plan. In this plan, the bank's commercial plans are used as a basis for determining current and future capital adequacy requirements and ratios derived from them.

Van Lanschot complied with the minimum external capital adequacy requirements throughout the whole of 2008. Van Lanschot keeps 10% more qualifying capital than required under internal capital calculations.

At the end of 2008, the bank issued unlisted preference shares for € 150 million in order to improve its buffer capital. These preference shares form part of the Tier I capital.

The Tier II capital changed in 2008, chiefly due to the placement of new, long-term subordinated notes for € 100 million and the withdrawal of € 65 million of the existing subordinated FRN 2016. The Tier II capital fell by a further € 45 million owing to the notional phase-out arrangement of the Dutch Central Bank. Subordinated loans are assigned a lower weighting as they approach maturity, as a result of which they make a smaller contribution to the qualifying capital.

The following table shows the changes in both capital adequacy requirements and available capital in 2008.

Capital adequacy requirements and available capital

	31 12 2008	Change in 2008	31 12 2007
Minimum capital adequacy requirement	1,121,920	18,236	1,103,684
Credit risk	1,039,905	25,567	1,014,338
Market risk	6,839	- 5,082	11,921
Operational risk	75,176	- 2,249	77,425
Qualifying capital	1,745,833	139,758	1,606,075
of which core Tier I capital	942,465	27,765	914,700
of which Tier I capital	1,392,622	175,409	1,217,213
of which Lower Tier II capital	343,173	- 8,915	352,088
Capital ratios			
BIS total capital ratio	12.5%	0.9%	11.6%
BIS Tier I ratio	10.0%	1.1%	8.9%
BIS core Tier I ratio	6.7%	0.1%	6.6%

Qualifying capital	31 12 2008	31 12 2007
Tier I capital		
<i>Issued share capital</i>	35,190	34,921
<i>Share premium</i>	315,293	310,217
<i>General reserve</i>	869,466	763,191
<i>Provisional profit distribution for solvency purposes</i>	9,511	101,138
<i>Minority interests</i>	1,745	1,745
<i>Less: Goodwill</i>	- 212,290	- 209,824
<i>Less: Other intangible assets</i>	- 71,707	- 83,222
<i>Less: Deferred purchase prices (securitisation)</i>	- 4,743	- 3,466
Core Tier I capital	942,465	914,700
<i>Innovative instruments with fixed dates (preference shares and perpetual loans)</i>	291,950	144,150
<i>Other innovative instruments</i>	163,243	163,243
Original Tier I capital	1,397,658	1,222,093
<i>Deduction from Original Own Funds</i>	- 5,036	- 4,880
Total Tier I capital	1,392,622	1,217,213
Tier II capital		
<i>Upper Tier II capital</i>	15,074	41,654
<i>Lower Tier II capital</i>	343,173	352,088
Total Tier II capital	358,247	393,742
<i>Deduction from Additional Own Funds</i>	- 5,036	- 4,880
Total qualifying capital	1,745,833	1,606,075
Reconciliation of qualifying capital with consolidated shareholders' funds:		
<i>Add: Undistributed profit attributable to shareholders of Van Lanschot nv</i>	9,755	-
<i>Add: Result for 2008/2007 attributable to minority interests</i>	10,825	114,210
<i>Add: Goodwill</i>	212,290	209,824
<i>Add: Other intangible assets</i>	71,707	83,222
<i>Add: Deferred purchase prices (securitisation)</i>	4,743	3,466
<i>Less: Preference share capital (innovative instruments with fixed dates forming part of loan capital)</i>	- 150,000	-
<i>Less: Total Lower Tier II capital</i>	- 343,173	- 352,088
<i>Add: Deduction for equity elements</i>	10,072	9,760
<i>Add: Revaluation reserves not forming part of qualifying capital</i>	- 9,669	- 6,678
<i>Add: Other equity elements not forming part of qualifying capital</i>	- 18,273	18,808
Total consolidated shareholders' funds	1,544,110	1,686,599

The table on page 80 provides a breakdown of Van Lanschot's qualifying capital, and also shows the relationship between the qualifying capital and the shareholders' funds as presented in the consolidated balance sheet.

For the innovative portion of the hybrid Tier I capital (with fixed dates), an additional limit of 15% of the total Tier I capital applies. Owing to the issue of € 150 million in preference shares in December 2008, this limit was exceeded. However, in view of the special market and other conditions, the Dutch Central Bank accepts this overrun, and the shares issued may fully be included as Tier I capital.

When drawing up the qualifying capital, adjustments need to be made to a number of items that affected the size and the structure of the shareholders' funds at the time IFRS was introduced. These fall into two groups: goodwill plus all intangible fixed assets recognised in connection with acquisitions, and the revaluation of bonds, preference shares and other equity instruments. Basically, it can be said that the qualifying capital is closer to the shareholders' funds under Dutch GAAP.

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.

The interests in the entities that are deducted from the qualifying capital, are listed below.

3 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 risks revolves primarily around the counterparty risks associated with lending to private banking and business banking clients. The selection criteria for new clients and active credit management for existing clients safeguard the quality of the loans portfolio.

In addition, the counterparty risks associated with our investment activities, international payments and cash management are also addressed. This concerns government and financial institution positions. In light of the credit crisis, supervision on this form of credit risk has been tightened; a higher reporting frequency applies and limits have been lowered, particularly those with banks.

Lending is always based on the starting point that it should support our ambition of being the best private bank in the Netherlands and Belgium. It is assessed on an individual basis whether the loan is in line with the strategy of Van Lanschot. Thanks to the introduction of capital budgets for each segment, a ceiling has been set for the growth of the lending portfolio.

The counterparty risk on financial institutions is largely the result of surplus cash being placed with financial institutions for short terms. As a result of Van Lanschot's strong liquidity position, this position had grown substantially at year-end 2007. During the year 2008, this position was scaled down to a more limited size. Van Lanschot applies strict limits for financial institutions. In addition, the aggregate of the limits on foreign financial institutions must not exceed the country limits applied by Van Lanschot.

When determining the country limit of a particular country, gross domestic product (GDP) is taken into account, as is whether the country is an EMU country, and the country's long-term rating according to the rating agencies. Furthermore, when setting limits for a financial institution, the long-term and short-term rating awarded by rating agencies is considered, as well as group equity, Tier I and Tier II capital, the Individual and Support credit ratings awarded by Fitch Ratings, the solvency ratio and return on equity ratio.

The credit crunch affected Van Lanschot in a number of ways. Owing to the current uncertain economic climate, our clients are conducting fewer securities transactions, which has put our commission income under pressure. In addition, the increased risks mean that there are fewer banks where Van Lanschot is willing to hold funds and the relevant limits have been reduced. On balance, we lent more than we predicted in our plans for 2008. Lending could have grown even faster, but this would have put too much pressure on our capital and liquidity ratios.

Entities deducted from qualifying capital	Interest	31 12 2008	31 12 2007
Van Lanschot Chabot Holding bv	49%	5,671	5,076
Berghave nv	38%	177	346
Cepart bv	37%	17	261
Intervest bv	18%	3	3
NV Instituut voor Ziekenhuisfinanciering	10%	4,204	4,074
		10,072	9,760

3.1 Breakdown of loans portfolio

The table below sets out the breakdown of loans and advances to the public and private sectors.

Breakdown of loans and advances to the public and private sectors by product

	2008 <i>Liability outstanding</i>	<i>Limit</i>	2007 <i>Liability outstanding</i>	<i>Limit</i>
Total	17,072,490	20,480,338	16,006,235	19,727,872
Corporate	7,209,720	8,989,528	6,146,012	8,105,927
Mortgages	7,991,682	8,452,970	7,943,168	8,356,180
Securities-backed	79,286	1,069,378	93,452	1,262,460
Private clients/other	1,791,802	1,968,462	1,823,603	2,003,305

The table below provides insight into the underlying securities of this portfolio:

Loans and advances to the public and private sectors by collateral

	31 12 2008	31 12 2007
Total	17,072,490	16,006,235
Government guarantees	117,795	242,400
Mortgage collateral	9,023,928	8,487,626
Credit institution guarantees	9,661	16,836
Securities collateral	237,259	312,463
Other securities and unsecured loans	7,683,847	6,946,910

Other securities and unsecured loans mainly comprise credits for which the borrower pledged corporate property, debtors, stock or furniture and fixtures. Unsecured loans are only granted with the utmost conservatism. The majority of collateral is not directly linked to a specific financing arrangement. In practice, virtually all collateral can be used for all current and future amounts owed by a debtor. Credit management is continuously applied to the loans portfolio.

In 2008, credit management was stepped up with the introduction of rating models, more frequent reviews and the set-up of the management desk, which was done partly with a view to implementing Basel II F-IRB. On 31 December 2008, only 1.1% of all mortgage loans was in default, providing a good indication of the quality of the loans portfolio. Another method to assess the quality of a loans portfolio is determining the Loan To Value (LTV), which is computed as the quotient of the outstanding principal and the collateral. Without indexation of (in particular older) home loans, the mortgage portfolio has a Loan To Value (LTV) ratio of 90% (in reality the LTV ratio for older mortgages in particular will be considerably lower owing to the sharp rise in house prices over the past decade). When evaluating the LTV ratio, it is important to bear in mind that many clients hold substantial amounts of assets (deposits, savings,

securities portfolios) at the bank that are not formally tied to mortgages, but can be used to recover the outstanding balance if a loss event occurs.

In lending operations, Van Lanschot distinguishes between standard products and customised financing solutions. Customised financing solutions comprise all corporate lending as well as exceptional private loans and advances. Since 2006, various rating models have been developed and implemented for customised financing. The rating plays a decisive role when it comes to reviewing and pricing customised financing. In addition, the ratings are used to obtain a better picture of the loans portfolio and monitor the portfolio's quality.

Van Lanschot has developed 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, resulting in 14 non-default classes and 3 default classes. The same rating scale is applied to all clients in the segments concerned.

The exposure of the loans portfolio by rating at year-end 2008 is represented in the table on page 83. The portion of the total loans portfolio that had been given a rating further increased in 2008 owing

to the finalisation of new rating models for specific target groups on the one hand, and a further embedding of the rating methods in daily practice at Van Lanschot on the other.

In addition to the continued implementation of the rating models, progress was made in reporting on the credit risk. Internal reports based on the new rating models were professionalised, which helps the bank to pursue a more direct and more accurate risk management policy.

Breakdown of internal rating customised financing as a percentage of liability outstanding

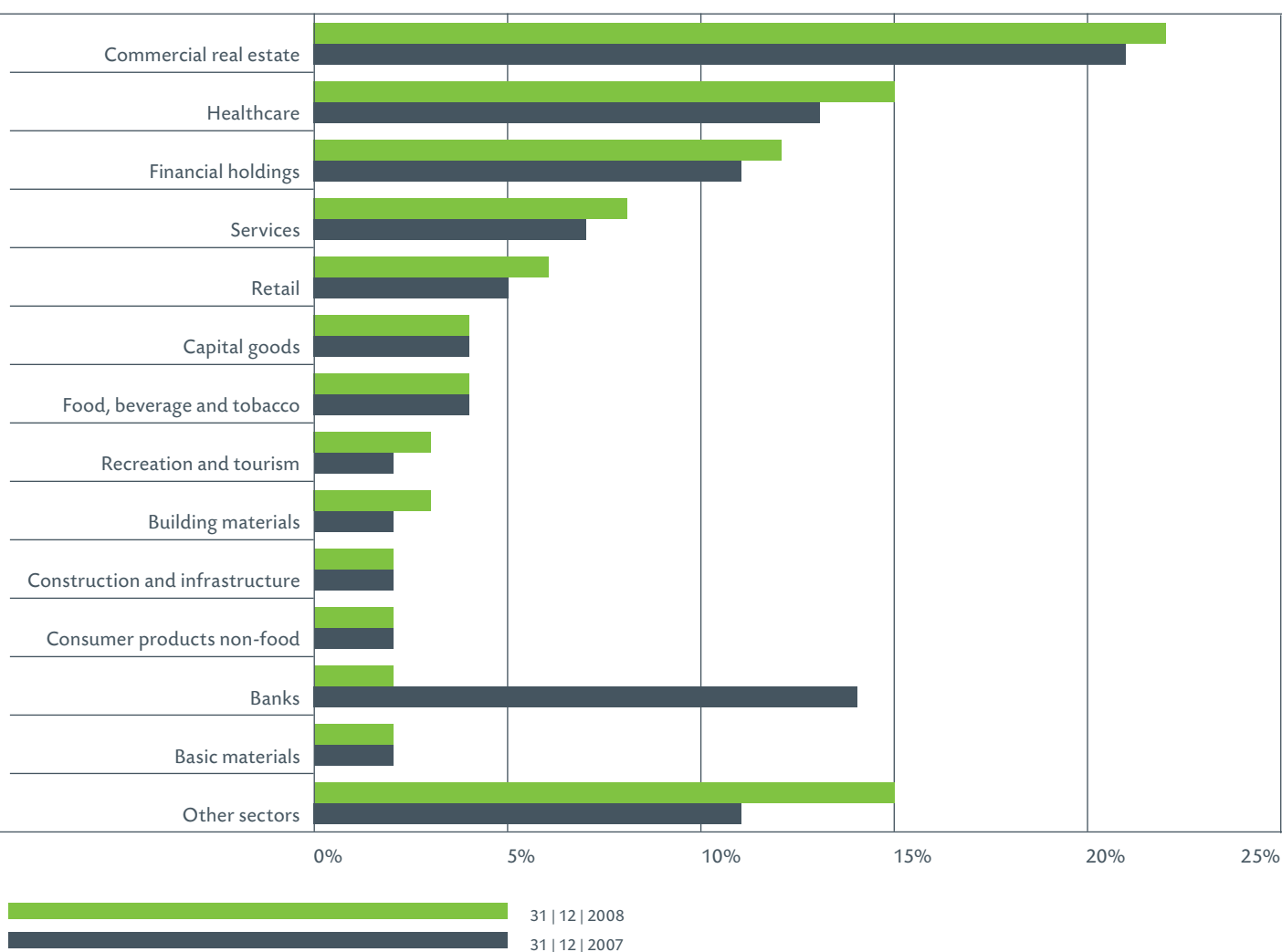
Internal rating	Description	Liability outstanding 31 12 2008	As a % of liability outstanding 31 12 2008	Liability outstanding 31 12 2007	As a % of liability outstanding 31 12 2007
Totaal		6,404,726		4,659,055	
T	Top class	72,739	1%	117,334	2%
A1 - A3	Strong	550,994	9%	487,601	10%
B1 - B3	Good	2,052,430	32%	1,567,751	34%
C1 - C3	Adequate	2,838,753	44%	2,131,332	47%
D1 - D3	Weak	799,118	12%	306,653	6%
E	Very weak	40,712	1%	13,341	0%
F1 - F3	Default	49,980	1%	35,043	1%

Breakdown of corporate risk weighted assets (RWA) by sector

Sector	31 12 2008	31 12 2007
Commercial real estate	22%	21%
Healthcare	15%	13%
Financial holdings	12%	11%
Services	8%	7%
Retail	6%	5%
Capital goods	4%	4%
Food, beverage and tobacco	4%	4%
Recreation and tourism	3%	2%
Building materials	3%	2%
Construction and infrastructure	2%	2%
Consumer products non-food	2%	2%
Banks	2%	14%
Basic materials	2%	2%
Other sectors	15%	11%

'Other sectors' represent all sectors comprising less than 2% of the aggregate total.

Breakdown of corporate risk weighted assets (RWA) by sector



3.2 Concentration in the loans portfolio

Van Lanschot strives for a diversified corporate loans portfolio. Van Lanschot has a strong position in medium-sized family and other businesses and in the medical sector. In view of the bank's nature and size, several concentration effects can be identified. If a sector comprises more than 10% of the total of the portfolio, a concentration risk is present. In accordance with this definition, this concerns the sectors 'Commercial real estate', 'Healthcare' and 'Financial holdings'. On a risk-weighted basis, the concentration in the corporate loans portfolio is represented in the table on page 84.

In the sectors 'Commercial real estate' and 'Healthcare', Van Lanschot has extensive expertise and holds a good market position. The sector 'Financial holdings' comprises a large group of small diverse parties. This concerns both investment companies and personal holding companies. The impact of these sectors on the total loans portfolio is monitored carefully. Thanks to the relatively low risk profile of both sectors, the credit risk remains at a level that is acceptable within Van Lanschot's policy.

Commercial real estate forms the most important sector. The high proportion of loans for commercial property is, to a great extent, the result of the bank's policy, as a great deal of finance is arranged at the point where private banking activities (for our private clients) and business banking activities (for our corporate clients) meet. Real estate (in addition to shares, bonds and liquidity) forms one of the assets of our private banking clients. The LTV ratio of the property loans portfolio is approximately 78%.

The loans to the ten largest counterparties, not being financial institutions, amount to € 804.3 million, compared with a total loans item of € 17.1 billion (2007: € 952.8 million compared with a total loans item of € 16.0 billion).

The geographical concentration of the loans portfolio shows a strong concentration in the Netherlands and Belgium. The geographical breakdown is based on client locations (refer to the table below).

3.3 Overdue accounts

In 2008, the method to determine the overdue accounts was adjusted, in order to comply with the Basel II guidelines. Under the new method, stricter criteria are applied to the setting off of a client's contrary balances (i.e. debit and credit). The transition to this new method resulted in a substantial number of overdue accounts.

The relation between overdue accounts, provisions and non-performing loans is represented schematically on the next page.

Van Lanschot is currently migrating to the new method. This migration has to be done at individual client level and will be completed by the end of 2009. Overdue accounts are shown in the table below. Van Lanschot defines a receivable as an overdue account if there is an overdraft of at least € 5,000 (in consultation with the Dutch Central Bank) for more than 30 days (average collection period).

Information on payment arrears in the 1-30 days group is not relevant when it comes to forming an overall picture of overdue accounts. A large portion of the 1-30 days group relates to very brief overdrafts. In addition, including minor overdrafts (< € 5,000) would not provide a better picture in the table 'Aging analysis of overdue accounts for 2008'. The number of overdue accounts is expected to fall substantially following the migration to the new model.

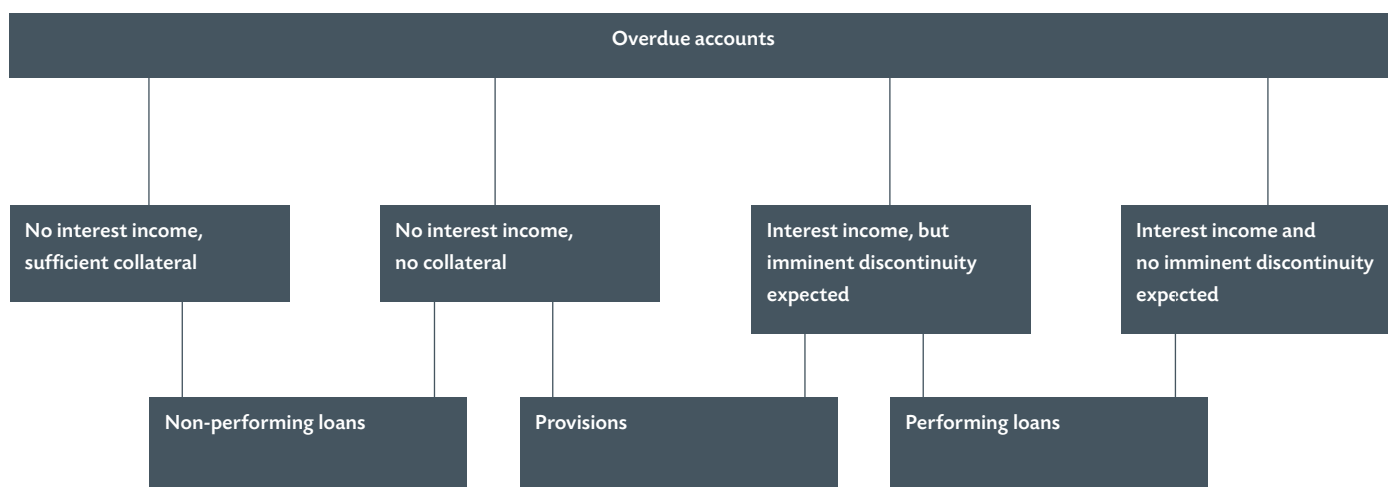
Loans and advances to the public and private sectors by geographical area

	31 12 2008	31 12 2007
Total	17,072,490	16,006,235
The Netherlands	16,062,880	15,131,690
Belgium	533,338	483,466
Other	476,272	391,079

The property loans are broken down by rating in the table below.

Internal rating	Description	Number	Limits
Total		100%	100%
B1 - B3	Good	26%	38%
C1 - C3	Adequate	59%	48%
D1 - D3	Weak	14%	14%
E	Very weak	1%	0%

Relationship between overdue accounts, provisions and non-performing loans



Aging analysis of overdue accounts for 2008

	Accounts with regular status		Accounts with active treatment status	
	Balance outstanding	Excess over limit	Balance outstanding	Excess over limit
Total	460,510	40,735	143,465	47,486
30-60 days	118,694	8,298	4,369	605
60-90 days	59,411	6,884	1,442	1,071
>90 days	282,405	25,553	137,654	45,810

Since this is a new measurement method, no comparative figures are available for 2007. The overdue accounts for 2008 can be divided into accounts with regular status and accounts with active treatment status. Accounts with regular status are overdue accounts which do not involve an increased risk, based on current views.

For the amounts in excess over limits a provision was formed of € 43.1 million, of which € 1.2 million concerns overdue accounts with regular status and € 41.9 million with active treatment status.

Accounts with active treatment status comprise overdue accounts for which an increased risk has been identified, based on an individual assessment. This means that the Recovery Section of the Risk Management department is intensively involved in this account or fully takes over its treatment.

The objective of the Recovery Section initially is to make a client ready for transfer to accounts with regular status by temporarily increasing the supervision. If this is not feasible, the Recovery Section will support the foreclosure phase. Van Lanschot does not apply any debt rescheduling in the foreclosure phase.

The extent of the loans which were previously overdue but which are no longer regarded as 'overdue' owing to restructuring was not material at year-end 2008.

3.4 Provisions

If the Recovery Section fully takes over the treatment of an overdue account, a provision can also be formed. This depends on the risk analysis made by the officer involved. If the client can no longer meet the interest payable commitments and the receivable is not sufficiently covered by collateral, a provision is formed. In addition, the officer involved may decide, based on his risk analysis, that a provision is required, since expectations are that the interest payable commitments can not be met in the short term due to expected future problems. Receivables up to € 100,000 are included in the overall provisions.

In addition to the individual and overall provisions formed for loans where a loss event is known to have occurred, another overall provisions category is distinguished. This concerns the loans falling under the header Incurred But Not Reported (IBNR). This concerns loans where a loss event has occurred, but which is not yet known by Van Lanschot. For these loans, a provision is formed based on empirical data.

Movements in impairments in 2008

	<i>Specific</i>	<i>General</i>	<i>IBNR</i>	<i>Total</i>
Balance at 1 January	85,535	3,254	5,183	93,972
Loans written off	- 22,678	-	-	- 22,678
Additions to or release of provision	15,050	989	4,100	20,139
Income from loans already written off	-	-	-	-
Balance at 31 December	77,907	4,243	9,283	91,433
As a percentage of risk-weighted assets				0.65%

Movements in impairments in 2007

	<i>Specific</i>	<i>General</i>	<i>IBNR</i>	<i>Total</i>
Balance at 1 January	98,564	8,309	4,209	111,082
Inclusion of Kempen & Co at 1 January 2007	629			629
Loans written off	- 17,017	-	-	- 17,017
Additions to or release of provision	3,802	- 5,055	974	- 279
Income from loans already written off	- 443	-	-	- 443
Balance at 31 December	85,535	3,254	5,183	93,972
As a percentage of risk-weighted assets				0.69%

Impairments charged to profit or loss

	2008	2007
Impairments charged to profit or loss	20,139	- 279
As a percentage of risk-weighted assets	0.14%	0.00%

3.5 Non-performing loans

Non-performing loans are loans and advances falling under the responsibility of the Recovery Section, i.e. with active treatment status, because the clients are no longer able to meet the interest payment and/or repayment commitments. If the collateral furnished is not sufficient to repay the debts, the bank actually suffers damage on these receivables.

Movements in non-performing loans

	2008	2007
Non-performing loans at 1 January	61,700	71,272
Additions/reductions	76,941	3,112
Write-offs	- 16,484	- 12,684
Non-performing loans at 31 December	122,157	61,700

Non-performing loans by type of loan

	31 12 2008	31 12 2007
Total	122,157	61,700
Mortgages to private clients	26,358	21,859
Other loans	95,799	39,841

Non-performing loans by geographical area

	31 12 2008	31 12 2007
Total	122,157	61,700
The Netherlands	102,058	52,292
Belgium	13,162	8,508
Other	6,937	900

Non-performing loans

	31 12 2008	31 12 2007
Non-performing loans	122,157	61,700
As a percentage of risk-weighted assets	0.87%	0.46%

Costs of loan losses in basis points (compared with outstanding loans)

	31 12 2008	31 12 2007
Total	12	0
Corporate clients	7	- 5
Private clients	4	3
Other	1	-

3.6 Capital adequacy requirements by type of exposure under Basel II sa (credit risk)

Under Basel II sa, credit risk is broken down into various types of exposure. The following table shows the gross and net exposure, risk weighting and resulting capital adequacy requirement of each type of exposure. The average risk weighting for each type of exposure can be calculated by dividing the risk weighting by the net exposure.

Notes on each type of exposure are provided after the tables.

Capital adequacy requirements at 31 December 2008

Type of exposure	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Receivables from central governments and central banks	847,073	964,868	0%	–	–
Receivables from regional and local governments	8	4	50%	2	–
Receivables from public corporate bodies	222,556	181,894	69%	126,029	10,082
Receivables from multilateral development banks	–	9,661	0%	–	–
Receivables from financial companies and financial institutions	1,510,093	1,093,135	22%	238,822	19,106
Receivables from businesses	9,553,543	6,489,882	99%	6,444,073	515,527
Current receivables from businesses and financial companies	321,228	313,148	20%	62,630	5,010
Receivables from private individuals and medium-sized businesses	3,656,315	3,094,669	75%	2,309,032	184,723
Receivables secured by real estate	5,227,053	5,225,406	36%	1,890,567	151,245
Overdue items (Basel II sa)	340,361	292,675	146%	428,370	34,270
Items at an increased risk	142,365	142,108	150%	213,163	17,053
Positions in hedged bonds	–	–	0%	–	–
Items representing securitisation positions	2,209,008	2,209,008	29%	647,956	51,836
Other risk-weighted assets	727,421	726,352	88%	638,068	51,045
Total	24,757,024	20,742,810	63%	12,998,712	1,039,897

Capital adequacy requirements at 31 December 2007

Type of exposure	Gross exposure	Net exposure ^e	Average risk weighting	Risk weighting	Capital adequacy requirement
Receivables from central governments and central banks	885,779	976,977	1%	4,912	393
Receivables from regional and local governments	8	4	50%	2	–
Receivables from public corporate bodies	318,204	267,869	66%	177,050	14,164
Receivables from multilateral development banks	–	–	0%	–	–
Receivables from financial companies and financial institutions	3,413,708	2,751,330	20%	556,821	44,546
Receivables from businesses	8,008,628	5,714,436	98%	5,610,386	448,831
Current receivables from businesses and financial companies	310,986	305,722	20%	61,201	4,896
Receivables from private individuals and medium-sized businesses	4,276,894	3,566,116	75%	2,674,588	213,967
Receivables secured by real estate	5,893,970	5,887,991	35%	2,060,797	164,864
Overdue items (Basel II SA)	342,020	270,176	148%	400,321	32,026
Items at an increased risk	119,984	119,984	150%	179,976	14,398
Positions in hedged bonds	52,200	52,200	10%	5,220	418
Items representing securitisation positions	150,000	150,000	20%	30,000	2,400
Other risk-weighted assets	798,954	796,772	99%	791,920	63,354
Total	24,571,335	20,859,577	60%	12,553,194	1,004,257

Notes on exposures

Receivables from central governments and central banks

In the case of receivables from central governments or central banks for which a credit assessment is available from a designated rating agency, the risk weighting is derived from the credit quality step corresponding to the agency's assessment.

At Van Lanschot, this category consists primarily of Dutch government bonds, freely accessible balances at central banks and exposures for which a state guarantee is available.

Receivables from public corporate bodies

Public corporate bodies have a risk weighting of 100% unless they are established in the Netherlands (20% weighting) or a state guarantee is available. At Van Lanschot, this category includes advances to hospitals.

Receivables from financial companies and financial institutions

This category consists of receivables from and debt securities issued by banking counterparties with a minimum term of three months.

As almost all of these receivables have an extremely good credit assessment, 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%.

Current receivables from businesses and financial companies

This category consists of receivables from banking counterparties with a maximum term of three months. Based on Fitch Ratings' assessments, under the credit quality step system such receivables are assigned a weighting of 20%.

Receivables from private individuals and medium-sized businesses

This category consists of receivables from private individuals and medium-sized businesses included in this category not exceeding € 1 million in total per client, which are not backed by securities or home mortgages. These receivables have been assigned a risk weighting of 75%.

Receivables secured by real estate

This category consists of receivables that correspond to no more than 75% of the value of the relevant residential property. These receivables have been assigned a risk weighting of 35%.

Overdue items Basel II sa

This category consists of receivables that have been in arrears for more than 90 days. 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.

Items at an increased risk

At Van Lanschot, this category primarily consists of venture capital investments. These items have been assigned a risk weighting of 150%.

Positions in hedged bonds

Bonds backed by security.

Items representing securitisation positions

This item consists of Van Lanschot's investor positions due to securitisations.

Other risk-weighted assets

This category consists mainly of intangible assets, prepayments and accrued income, and shares available for sale.

Risk weightings based on credit assessments by rating agencies

Van Lanschot uses Fitch Ratings' assessments. This weighting is taken into account along with the type of exposure when determining the weighting of an exposure (refer to the top two tables on page 93).

The weighting of an exposure is determined by its type and its assessment. 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. Credit quality step 3 is applied to unrated exposures.

Credit risk by type of exposure

Five different types of exposure make up the credit risk: balance sheet items, off-balance-sheet items, repo transactions, derivative transactions and securitisation transactions.

The two tables at the bottom of the following page show the gross and net exposure, risk weighting and resulting capital adequacy requirement for each type of exposure.

The average risk weighting for each type of exposure can be calculated by dividing the risk weighting by the net exposure.

Credit quality step by type of exposure

	1	2	3	4	5	6
Receivables from central governments and 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 businesses and financial companies	20%	20%	20%	50%	50%	150%
Businesses	20%	50%	100%	100%	150%	150%

Mapping of Fitch Ratings' assessments to credit quality steps

	1	2	3	4	5	6
	AAA AA+ AA- AA F-1	F-2 A+ A- A	F-3 BBB+ BBB- BBB	BB+ BB- BB	B+ B- B	CCC- CCC CC C CCC+ D

Breakdown of credit risk by type of exposure

At 31 December 2008	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Balance sheet items	19,659,598	17,574,297	68%	11,864,190	949,135
Off-balance-sheet items	2,312,474	383,561	91%	347,769	27,822
Repo transactions	–	–	0%	–	–
Derivative transactions	575,944	575,944	24%	138,797	11,104
Securitisation transactions	2,209,008	2,209,008	29%	647,956	51,836
Total	24,757,024	20,742,810	63%	12,998,712	1,039,897

Breakdown of credit risk by type of exposure

At 31 December 2007	Gross exposure	Net exposure	Average risk weighting	Risk weighting	Capital adequacy requirement
Balance sheet items	19,670,030	17,542,306	65%	11,377,794	910,224
Off-balance-sheet items	1,986,950	402,916	93%	375,219	30,018
Repo transactions	–	–	0%	–	–
Derivative transactions	698,157	698,157	22%	152,223	12,178
Securitisation transactions	2,216,198	2,216,198	29%	647,958	51,837
Total	24,571,335	20,859,577	60%	12,553,194	1,004,257

3.7 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.

Counterparty credit risk relating to derivative contracts	31 12 2008	31 12 2007
Gross replacement cost of derivative contracts (only items with a replacement cost greater than zero)	343,293	499,940
Settlement of derivative contracts	- 30,757	- 3,698
Collateral held in connection with derivative contracts	-	-
Add-ons for derivative contracts in relation to potential future exposure	263,408	201,915
Net credit equivalent of derivative contracts	575,944	698,157

Net credit exposure by type of derivative contract	31 12 2008	31 12 2007
Interest rate contracts	292,632	129,489
Foreign exchange contracts	107,534	61,868
Equity derivative contracts	175,778	506,800
	575,944	698,157

The value of the potential future exposure (add-ons) is determined by multiplying the theoretical principal with a fixed percentage. The extent of these fixed percentages depends on the nature of the underlying values and the remaining term of the derivative contract.

Settlement risk

Capital adequacy requirements are to be calculated 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. The risk weighting and the capital adequacy requirement relating to settlement risk are shown in the following table.

Settlement risk	31 12 2008		31 12 2007	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
	113	9	825	66

Method for calculating risk-weighted assets in relation to securitisation positions

The types of securitisation positions at Van Lanschot are shown in the following table.

Type of securitisation	31 12 2008		31 12 2007	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Debt securities – Citadel 2007	619,394	49,551	617,958	49,437
Other investor positions	28,562	2,285	30,000	2,400
	647,956	51,836	647,958	51,837

The calculation of risk-weighted assets with respect to the Citadel debt securities is based on the underlying loans. In the case of other securitisations, the external assessment by a rating agency determines the risk weighting. There are no securitisation positions that require a risk weighting of 1250%.

Guarantees, financial collateral and other forms of collateral per type of exposure (credit risk)

The collateral provided for each type of exposure in accordance with Basel II SA is shown in the following table.

Type of exposure	31 12 2008			31 12 2007		
	Guarantees	Financial collateral	Other collateral	Guarantees	Financial collateral	Other collateral
Receivables from public corporate bodies	32,284	8,272	–	36,924	13,321	–
Receivables from financial companies and financial institutions	49,955	362,253	–	–	360,108	–
Receivables from businesses	19,789	1,369,365	–	25,836	1,237,809	–
Current receivables from businesses and financial companies	–	1,215	–	–	959	–
Receivables from private individuals and medium-sized businesses	25,428	295,686	–	28,458	432,094	–
Overdue items (Basel II SA)	–	8,009	–	–	28,359	–
Other risk-weighted assets	–	956	–	–	181	–
Total	127,456	2,045,756	–	91,218	2,072,831	–

Guarantees

This relates to guarantees within the framework of the Healthcare Sector Guarantee Fund (Wfz) and the National Mortgage Guarantee Scheme (NHG).

Financial collateral

The following table provides a breakdown of financial collateral that has been provided insofar as relevant for Basel II SA.

Financial collateral	31 12 2008	31 12 2007
Cash	1,561,442	1,471,439
Securities	484,314	601,392
Other	0	0
	2,045,756	2,072,831

Collateral in the form of cash includes current account balances available for setoff. These balances have been netted before being reported in the balance sheet under loans to the private sector and private sector liabilities. The collateral in the form of securities relates to amounts reported under Banks and Loans in the balance sheet.

3.8 Control measures

Loan approval

Van Lanschot's loan approval policy focuses on monitoring and maintaining a high-quality loans portfolio. The authority to approve and renew mortgage-backed loans is delegated to branch office management up to a conservative limit (and is mainly focused on lending to private individuals). The authority to approve loans in excess of € 3 million rests with the Credit Committee, which consists of representatives of various divisions and bodies, as well as the members of the Board of Managing Directors. Specific powers to approve loans fully covered by a securities portfolio have been defined for the subsidiary Kempen.

For Van Lanschot and all its subsidiaries, credit limits for financial institutions and countries are set by International Division, a separate department within Risk Management. Hard criteria such as external ratings, BIS ratios and country of origin are used to place the financial institutions in one of the risk categories. These categories specify the maximum limits, but, in practice, limits are often lower. Risk Management periodically monitors compliance with the agreed limits. In addition, limits can be adjusted and withdrawn on a daily basis. Owing to the credit crunch, in the past year, this sector was monitored very intensively and often reported on each day.

The counterparty credit risk relating to derivatives is low, since the credit rating of the counterparty is at least AA at the moment the contract is concluded.

Investment portfolio

Van Lanschot has a limited investment portfolio, with a strong focus on government paper and bonds issued by banks. The government papers have triple-A ratings (long-term foreign currency rating) and are denominated in euros or in Swiss francs. Only a very limited part of the investment portfolio consists of shares (some € 25 million). Investments in bonds issued by banks should be of a senior (non-subordinated) level, and a minimum rating requirement of double-A (long-term rating) has to

be applied. The maximum term should be in line with the relevant country limits and duration.

Decisions concerning the investment portfolio are made by the Board of Managing Directors. However, all new positions in the bonds portfolio should be approved in advance by the International Division and the Treasury department.

Regular credit management

In the course of 2008, Van Lanschot set up a management desk. The primary task of this desk is to act as a central point for monitoring and notifying clients with unauthorised overdrafts. In this way, Van Lanschot is able to reduce the number of unauthorised overdrafts and obtain insight into increased risks at an early stage.

In addition, the quality of the entire loans portfolio is checked by means of a review of the customised portfolio performed at least once a year. Reviews may be performed more frequently, depending on the individual borrower's risk profile. Changes in the risk profiles which could increase the risk may lead to, among other things, closer supervision, an adjusted rating, corrective measures (such as requiring additional collateral or increasing the frequency of financial reporting), transfers to the Recovery Section as accounts with active treatment status or a combination of these measures. 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 applicable lending policy. Trends in sectors where a concentration risk is present are monitored particularly closely.

In view of the current international economic climate, procedures have been tightened and measures have been implemented to keep an even closer track on our loans. The new management desk, which was set up to monitor and reduce unauthorised overdrafts, also provides us with an early warning system for potential problems with new risk models and management reports.

Securitisation 2006

Van Lanschot has securitised part of the loans to the private sector secured on commercial property. In this securitisation transaction, called Lancelot 2006, the beneficial ownership of receivables was transferred to a separate entity. These receivables were transferred at their face

value, plus a deferred selling price. A positive result within the separate entity leads to a positive value of the deferred selling price. Van Lanschot thus maintains a beneficial interest in the Lancelot entity, and has therefore fully consolidated this entity in its consolidated accounts.

The Lancelot 2006 structure comprises a so-called step-up structure. This implies that, as from January 2012, the company has the right to early repayment of the bonds. In addition, on this date, the coupon on the bonds will be subject to an interest step-up. In normal circumstances, an economic motive will then arise for early repayment of the bonds. For the financing of these loans, Lancelot 2006 has issued five classes of debt instruments, the specifications of which are given below. The debt securities have received a rating from Fitch Ratings and Standard & Poor's. Van Lanschot does not hold any of the debt securities issued by Lancelot 2006. In the structure, Van Lanschot acts as pool servicer and default loan servicer.

The Lancelot 2006 exposures are given a 0% weighing under the credit risk Basel II SA.

Van Lanschot bears the first loan losses (principals and interest) of the securitised loans. If loan losses are suffered, the reserve fund is used firstly. Additions to the reserve fund are made through an excess spread. This amounts to 0.6% per year of outstanding notes; the extent of the reserve fund at year-end 2008 is € 4.2 million (2007: € 3.5 million). In 2008, this fund was not used. The fund has been disclosed as a receivable in the corporate financial statements and will be settled in the consolidation process.

The carrying amount of the securitised loans, exclusive of accrued interest, for the Lancelot 2006 securitisation transaction was € 416.6 million at year-end 2008 (year-end 2007: € 472.2 million).

Lancelot 2006 is a traditional securitisation. A characteristic of a traditional securitisation is that the securitised receivables are transferred economically to an entity for securitisation purposes, which subsequently issues securities. The issued securities lead to a payment obligation at Lancelot instead of Van Lanschot.

In 2008, no losses were recorded on positions included in the Lancelot 2006 transaction (as in 2007). At 31-12-2008, there were no arrears on these positions (as in 2007).

Lancelot 2006

Entity	Fitch Ratings	Original Principal	Date of securitisation	Principal at 31-12-2008	First call option	Contractual date of maturity	Spread
Total		600,000		429,394			
Lancelot 2006	AAA	528,000	15-12-2006	357,394	26-01-2012	1-01-2073	0.16%
Lancelot 2006	AA	21,000	15-12-2006	21,000	26-01-2012	1-01-2073	0.26%
Lancelot 2006	A	19,500	15-12-2006	19,500	26-01-2012	1-01-2073	0.44%
Lancelot 2006	BBB	19,500	15-12-2006	19,500	26-01-2012	1-01-2073	0.70%
Lancelot 2006	BB	12,000	15-12-2006	12,000	26-01-2012	1-01-2073	privately placed

4 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 types according to Basel II:

- Internal fraud
- External fraud
- Employment practices and workplace safety
- Product liability and duty of care
- Damage to physical assets
- Business disruption and system failures
- Execution, delivery and process management.

Van Lanschot recognises operational risk as a risk requiring appropriate management. Van Lanschot cherishes its image and the name of Van Lanschot has been established as a leading brand. Protecting our reputation and ensuring it is not compromised are therefore integral parts of our activities. All new products we offer our clients have to meet strict requirements. They are subject to an approval procedure that is designed to identify the risks they pose both to clients and to the bank itself.

Van Lanschot has set up a broad framework for evaluating, monitoring and managing operational risks. It comprises the following processes:

- Risk identification and classification through risk self-assessments, security assessments, audits and fraud detection and risk awareness training courses
- Risk measurement through a central incidents database and incidents reporting and analysis
- Risk mitigation, acceptance and monitoring through action tracking (follow-up of outstanding actions and audit findings), reporting about key risk indicators, crisis management and continuity planning, personal safety and physical security.

This framework is intended to limit the chance of operational risks by increasing the risk awareness within Van Lanschot, providing insight into the operational risks, improve the communication about risk signals ('early warnings'), appoint risk owners and allocate responsibilities. The responsibility to manage operational risks is assigned as much as possible to the executive and commercial departments themselves, i.e. with line management (first line of defense).

The key instruments in this context are the aforementioned risk self-assessments, security assessments, action tracking 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.

Operational incidents will always involve additional costs. These costs are directly taken to the income statement and therefore impact the ultimate profits.

The bank's incidents database allows the systematic recording of losses resulting from operational risks and their analysis. This database thus contains information about losses suffered as a result of operational risks in prior years.

For Van Lanschot, the loss database forms the 'foundation' of the ORM measurement system. In 2008, losses totalled € 3.0 million (2007: € 2.2 million). In 2008, 501 incidents with a loss in excess of € 1,000 were recorded in the database (2007: 398 incidents).

Operational incidents exceeding € 1,000 can be broken down by Basel II categories as follows:

Basel II category

Number of incidents

2008

2007

Internal fraud	–	1
External fraud (in particular bank card skimming)	78	84
Employment practices and workplace safety	1	–
Product liability and duty of care	23	23
Damage to physical assets	–	9
Business disruption and system failures	10	2
Execution, delivery and process management (in particular execution of transactions)	389	279

Total

501

398

The biggest losses were incurred in recording, executing and settling security trading orders and in connection with investment advisory services claims. In addition, losses were caused by external fraud, in particular bank card skimming. Given that investment advisory services are highly susceptible to compensation claims, Van Lanschot seeks to move more towards discretionary asset management services and standardised service concepts. The prevention and management of fraud relative to financial products and services are vital aspects of our operational risk management. In this connection, the development of techniques to prevent and detect financial crime are being developed and encouraged.

As is common practice in the banking sector, Van Lanschot has taken out insurance to cover claims and losses by virtue of its services. In summary, this concerns a combined fraud and professional liability insurance, a managing directors' and supervisory directors' liability insurance and various other liability and accident insurance policies.

Under Basel II, a solvency requirement for operational risk must be calculated under pillar I. 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 past three years.

Basel II segments Operational Risk

	%	31 12 2008		31 12 2007	
		Risk weighting	Capital requirement	Risk weighting	Capital requirement
Corporate Finance	18%	13,728	2,471	12,006	2,161
Trading and Sales	18%	41,907	7,543	58,522	10,534
Retail Brokerage	12%	117,354	14,083	101,733	12,208
Commercial Banking	15%	109,915	16,487	115,320	17,298
Retail Banking	12%	177,263	21,272	174,050	20,886
Payment and Settlement	18%	20,846	3,752	19,317	3,477
Agency Services	15%	21,323	3,198	31,813	4,772
Asset Management	12%	53,085	6,370	50,742	6,089
		555,421	75,176	563,503	77,425

5 Market risk trading activities

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.

Two of the methods used at Van Lanschot to calculate and limit market risks are Value at Risk (VaR) and stress testing. VaR is an estimate of the potential loss on the current portfolio as a result of unfavourable market movements, based on historical market movements and assuming a time span required to realise adjustments to positions. Stress tests use future scenarios of major (stress) changes in market circumstances.

Van Lanschot holds trading portfolios mainly for the required market-making purposes and for the benefit of our clients. All trading activities of the bank in the field of institutional securities have been concentrated with Kempen in Amsterdam. In order to allow effective risk management, an adequate corporate governance structure has been installed. We use gross and net limits to manage market risks, and the Value at Risk (VaR) method to quantify them. The VaR 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.

The latter tests, which are performed daily, provide information on changes in portfolio values in extreme market conditions and hence complement the VaR calculation.

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 November, the method to measure the market risks of the treasury activities was adjusted. In the new reporting, interest-related products are managed based on the basis point value. The basis point value indicates the extent of the change in the financial value as a result of a change in the interest rate of one basis point. The foreign exchange positions are managed based on nominal limits. In addition, for both interest-related products and foreign exchange positions, the VaR limits are used. (Refer to the next page for the table providing a breakdown of the VaR trading activities.)

The limitations of the parametric VaR method relate to the assumption that movements in the financial markets show a normal distribution and that the relationships between the market variables and the value of the portfolios are linear.

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.

Van Lanschot trades derivatives for the account of third parties as well as for its own account. Monitoring the market risks resulting from these derivatives is an integral part of the market risk management of all the bank's trading positions. The trading positions for the bank's own account are restricted substantially by using limits.

Van Lanschot monitors the trading positions, including derivative positions, on a daily basis, using Value at Risk and stress tests.

In the past year, the determination of the VaR for foreign exchange was adjusted, resulting in a more advanced and extensive method. In addition, the volatility of foreign currencies is higher than in 2007, as a result of which the 2007 figures and those for 2008 are not adequately comparable.

Stress tests are performed for the various market risks each day. 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.

5.1 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 on the balance sheet and the transactions are denominated in euros. Van Lanschot ensures that the exchange rate risk is effectively managed within the limits set. The foreign exchange positions are provided in the second and third tables on page 101.

5.2 Market risk: interest rate and share-related instruments

Weighting and requirements

For all forms of market risk, Van Lanschot applies the standard approach (refer to table on next page).

Market risk: interest rate-related instruments

For the calculation of the capital adequacy requirement against the general risk relative to debt instruments in the trading portfolio, Van Lanschot applies the maturity-based method.

Market risk: share-related instruments

This concerns the share instruments included under financial receivables from trading activities.

VaR trading activities

	Currency-related		Interest rate-related		Share-related	
	2008	2007	2008	2007	2008	2007
VaR at 31 December	401	38	37	47	1	57
Highest VaR	1,626	169	209	209	445	397
Lowest VaR	217	–	14	5	1	–
Average VaR	530	14	75	55	69	82

Foreign exchange positions

	31 12 2008	31 12 2007
Total	– 2,358	4,292
us dollar	– 6,163	3,629
Pound sterling	1,649	– 1,784
Swiss franc	– 1,911	– 698
Japanese yen	540	11
Turkish lira	– 320	1,980
Swedish krona	54	336
Dutch Antillean guilder	1,668	91
Singapore dollar	1,263	– 2
Other	862	729

The foreign exchange position represents all cash, forward and currency positions of the entities belonging to the consolidated base in euros.

In the table below, the capital adequacy requirement is set out which results from the net open positions.

Exchange rate risk

	31 12 2008	31 12 2007
Exchange rate risk	194	548
	194	548

The capital adequacy requirement for exchange rate risk is 8% of the open positions by currency. This does not apply to the currencies of the countries of the second phase of the EMU (Denmark, Estonia, Latvia, Liechtenstein and Slovakia), for which the capital adequacy requirement is 1.6% of the open position.

Type of market risk

	31 12 2008		31 12 2007	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Market risk interest rate-related instruments	4,013	321	13,313	1,065
Market risk share-related instruments	79,050	6,324	128,850	10,308
	83,063	6,645	142,163	11,373

6 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 profits or shareholders' funds 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 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 has opted for a specific service model and certain market segments in which size is less critical to our ability to compete. Although such a policy makes it harder for us to spread our risks, this drawback is more than offset by our solid position on the market for asset management services for private individuals.

The capital adequacy requirement of the 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.

7 Interest rate risk

The interest rate risk is on the one hand the risk that changes in interest rates impact future cash flows of financial assets and liabilities and on the other hand that the fair value of financial assets and liabilities changes as a result of changes in interest rates. Van Lanschot's profits can be impacted by the consequences of changes in interest rates. Interest margins might increase as a result of such changes, but could also decrease or result in losses in the event of unexpected changes in interest rates.

Van Lanschot has various methods for managing interest rate risks including gap analysis, duration analysis and scenario analysis. In this way, Van Lanschot actively manages its balance sheet to limit the potential negative effect of interest rate risks. This could, for instance, involve adjustments to the fixed-income 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. In practice, the bank's balance sheet management depends on its expectations for interest rate movements and the yield curve. This naturally affects the sensitivity of capital and profits to changes in the financial markets.

The gap analysis involves the amounts due (both assets and liabilities) with the applicable interest rates for each interest duration bucket. This provides insight into the interest rate position by period. In the event of a positive gap, a decline in interest rates adversely affects net income; an increase in interest rates has a positive effect. In the event of a negative gap, the effects are the reverse.

The duration analysis, gap analysis, scenario analysis and VaR are reported to the Asset and Liability Committee each month.

Duration, which is a measure of the sensitivity of our shareholders' funds to interest rate fluctuations, is a key indicator of interest rate risk. A positive duration means that the value of shareholders' funds decreases as soon as interest rates rise. The duration of 4.2 years at December 2008 indicates that the value of shareholders' funds declines by about 4.2% if interest rates are up by 1%. The maximum duration of shareholders' funds considered to be acceptable by Van Lanschot is ten years.

The duration of shareholders' funds is determined based on the present value. The fair value of a balance sheet item is determined by the sum of the discounted value of its future cash flows. The discounted value of shareholders' funds is determined by reducing the discounted value of the assets by the discounted value of the liabilities.

In view of the current turbulent situation on the money and capital market, the Asset and Liability Committee works actively towards a duration, and thus a lower interest rate risk, of about four years.

In 2008, Van Lanschot put into use a specialised asset and liability system, which contributed towards the further professionalisation of management of the interest rate risks and internal and external reporting. In case of a sudden upward parallel shift in the yield curve by 100 basis points, shareholders' funds decline by about € 71 million (2007: € 62 million). In case of a downward shift, shareholders' funds rise by about € 76 million (2007: € 69 million).

Each month, the Asset and Liability Committee is informed about the sensitivity of shareholders' funds in case of a sudden parallel shift in the yield curve. These simulations at an aggregate level in euros are based on changes of +200, +100, -100 and -200 basis points. In 2009, scenarios with non-parallel shifts will be performed as well. This is currently only done in euros.

In addition, the Asset and Liability Committee is informed each month about the sensitivity of the interest margin in case of a sudden parallel shift in the yield curve. These simulations at an aggregate level in euros are based on changes of +200, +100, -100 and -200 basis points. In 2009, scenarios with non-parallel shifts will also be performed.

The current models are not constructed such that the impact of a parallel shift in the yield curve besides the impact on the interest income can be translated into the effects of this on commission income and the other (in particular price-related) income and costs, which would on balance result in an impact on net profit.

In 2008 no changes occurred in the relevant indicators used by management to measure the interest rate risk (by currency) run in the event of upward and downward interest rate shocks.

Sensitivity analysis shareholders' funds 31 | 12 | 2008 31 | 12 | 2007

Duration (in years)	4.2	4.2
Present value of shareholders' funds (in millions of euros)	1,806	1,624

Sensitivity analysis interest income

Parallel shift in the yield curve (impact) in basis points	Impact on (interest) income	Impact on (interest) income
	31 12 2008	31 12 2007
-200	- 13,700	- 60,100
-100	- 7,300	- 33,500
+100	3,500	24,700
+200	8,300	50,700

Van Lanschot uses several methods to map the contractual and client-behavioural aspects of the savings and payment products, mortgages and money loans. The tables on pages 104 and 105 represent the interest rate maturity schedule of Van Lanschot based on the contractual terms to maturity schedule of the individual balance sheet items. For interest rate risk management purposes, the interest rate risk is also mapped, taking account of the contractual and client-behavioural aspects of the products. Derivatives are recognised at face value.

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.

Interest rate maturity schedule at 31 December 2008

	Variable	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	No cash flow	Total
Assets							
Cash and cash equivalents	525,480	–	–	–	–	–	525,480
Financial receivables from trading activities	–	83,666	–	–	–	–	83,666
Banks	215,130	1,943,924	107,920	618,021	–	–	2,884,995
Investments	–	153,910	145,135	454,155	105,143	– 9,335	849,008
Loans and advances to the public and private sectors	2,132,255	5,933,074	1,471,413	4,757,463	1,722,341	– 10,311	16,006,235
Financial assets designated at fair value through profit or loss	–	2,727	60,741	–	–	–	63,468
Derivatives	–	3,291,747	756,911	1,951,011	645,913	57,396	6,702,978
Other assets	–	178,429	74,234	7,120	–	574,327	834,110
Total assets	2,872,865	11,587,477	2,616,354	7,787,770	2,473,397	612,077	27,949,940
Liabilities							
Financial liabilities from trading activities	–	21,033	14,550	–	–	–	35,583
Banks	387,833	291,597	62,808	153,422	9,717	– 970	904,407
Public and private sector liabilities	6,639,079	4,676,183	872,646	1,454,331	953,267	1,298	14,596,804
Financial liabilities designated at fair value through profit or loss	–	18,243	–	–	–	–	18,243
Derivatives	–	1,719,476	580,079	2,948,343	1,340,979	25,163	6,614,040
Issued debt securities	107	2,845,350	164,336	–	–	6,167	3,015,960
Other liabilities	–	418,836	98,644	55,753	–	34,911	608,144
Subordinated loans	–	405,692	56,294	–	–	3,465	465,451
Total liabilities	7,027,019	10,396,410	1,849,357	4,611,849	2,303,963	70,034	26,258,632
Gap	– 4,154,154	1,191,067	766,997	3,175,921	169,434	542,043	1,691,308

8 Liquidity risk

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. Van Lanschot does not hold cash to cover all clients' drawing facilities because practice has shown that a certain inflow of new resources can be predicted with a high degree of probability. Management has set limits with respect to the minimum cash position and the minimum to be held.

The internal standard for the minimum liquidity position is determined once a year. The liquidity position is monitored on a daily basis by ALM. In the event of a shortfall, Treasury takes immediate measures (in close consultation with ALM) in order to restore the minimum position. If operations are not within the limits set after two working days, the responsible member of the Board of Managing Directors is informed. Furthermore, ALM reports the movements in the liquidity position (i.e. minimum, maximum and average positions) to the Asset and Liability Committee. Treasury also reports to the Board of Managing Directors every fortnight.

The liquidity requirement for guarantees and letters of credit issued is much lower than the amount of the obligation, as it is likely that a large number of these obligations will eventually not be invoked.

Van Lanschot pursues a cautious policy on liquidity risk. The minimum liquidity position of the bank is sufficient to absorb any unexpected fluctuations in the cash position. This minimum position ensures, insofar as this is possible, that Van Lanschot maintains a liquidity surplus that meets the standards set by the Dutch Central Bank.

Owing to the tight conditions and current crisis of confidence on the money market, and following the substantial write-offs on assets, many banks are facing liquidity and solvency problems. Several banks have been taken over and at other banks governments have had to intervene in the form of nationalisations, capital injections and loan guarantees. Around the world, billions have been written off in losses and billions have been raised in fresh capital since the start of the credit crunch.

On the money market, liquidity risk and its management receive considerable attention, not just from the institutions themselves, but also from the Dutch Central Bank, rating agencies, analysts, counterparties, clients and shareholders. However, during 2008, Van Lanschot's liquidity position was not in danger at any time.

The bank:

- did not make any subprime-related write-offs;
- has a funding ratio of approximately 90% and does not depend on the money or capital markets for its funding;
- has a liquidity surplus thanks to a substantial net inflow of funds entrusted in 2008. This helped the bank reduce its variable market funding (Floating Rate Notes or FRNs) by € 1.25 billion in 2008.

Van Lanschot continued to be active in the interbank market in 2008. Despite the market trends, the bank continued to grant interbank loans, yet applying a more selective lending policy.

In 2008, Van Lanschot further professionalised its liquidity risk management. A new liquidity dashboard was for instance introduced in April, extending the monthly liquidity risk reporting to the Asset and Liability Committee with the funding mix, the ratio liquid assets versus volatile funding, and information about the funding concentration.

During the year under review, Van Lanschot worked hard on further optimising its funding position:

- Public and private sector liabilities: A major increase in 2008 by € 0.7 billion, particularly due to the major inflow of cash on deposit. This means that at present about three-quarters of the funding originates from Van Lanschot clients and that the bank does not depend on market funding for the financing of its activities.
- Senior market funding: Compared with year-end 2007, this declined by about € 1.25 billion, particularly due to various transactions in FRNs placed by Van Lanschot, including:
 - the early repayment of the FRN 05/2012 in March (€ 600 million)
 - the scheduled repayment of the FRN 05/2008 in May (€ 400 million)
- Capital: In 2008, € 100 million in new long-term subordinated paper was placed and € 65 million in existing subordinated FRN 2016 was withdrawn. Furthermore, at year-end 2008, the bank issued € 150 million unlisted preference shares in order to further improve the bank's buffer capital.

In addition, in January 2009, through a securitisation of part of its mortgage portfolio, Van Lanschot created € 1.9 billion in paper of which € 1.6 billion is eligible for refinancing at the European Central Bank. Expectations are that the bank will not have to recourse to external sources of financing to meet its funding need.

The funding ratio indicates the extent to which Van Lanschot finances its loans and advances by funds entrusted by clients. A high funding ratio reflects the balance sheet characteristics of a private bank.

Funding ratio

31 | 12 | 2008

31 | 12 | 2007

Funding ratio (as a %)

90

91

Securitisation in 2007

On 1 June 2007, Van Lanschot realised its first RMBS (Residential Mortgage-Backed Security) transaction for an amount of € 1.5 billion in mortgage loans: Citadel 2007-I. 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. This transaction was not focused on reducing capital requirements, but on improving our liquidity. In the structure, Van Lanschot acts as pool servicer.

On average, a 42% weighting (2007: 42%) is assigned to the Citadel 2007-I exposures under the credit risk Basel II SA.

Citadel 2007-I

Entity	Fitch Ratings	Original principal	Date of securitisation	Principal 31 12 2008	First call option date	Contractual date of maturity	Spread
Total		1,466,200		1,466,200			
<i>Citadel 2007-I</i>	AAA	1,300,000	1-6-2007	1,300,000	26-7-2017	26-7-2049	0.15%
<i>Citadel 2007-I</i>	A	108,350	1-6-2007	108,350	26-7-2017	26-7-2049	0.25%
<i>Citadel 2007-I</i>	BBB-	36,150	1-6-2007	36,150	26-7-2017	26-7-2049	0.60%
<i>Citadel 2007-I</i>	BB+	21,700	1-6-2007	21,700	26-7-2017	26-7-2049	1.70%

Citadel 2007-I is a traditional securitisation. A characteristic of a traditional securitisation is that the securitised receivables are transferred economically to an entity for securitisation purposes, which subsequently issues securities. The issued securities lead to a payment obligation at Citadel 2007-I instead of Van Lanschot.

8.1 List of maturities

The table below represents the assets and liabilities based on their remaining contractual terms to maturity at the balance sheet date.

The future interest flows are based on the economic term of the balance sheet items and the interest rates prevailing on the moment of reporting. Major differences can be identified in the gaps, since the assets comprise long-term home mortgage loans, while the liabilities comprise many short-term deposits.

List of maturities at 31 December 2008

	Withdrawable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	No cash flow	Total
Assets							
Cash and cash equivalents	584,215	–	–	–	–	–	584,215
Financial receivables from trading activities	–	62,716	–	–	–	–	62,716
Banks	31,745	283,914	4,490	581,932	–	–	902,081
Investments	–	76,838	57,440	604,121	166,426	– 134	904,691
Loans and advances to the public and private sectors	2,536,314	725,934	254,946	1,311,997	12,144,443	98,856	17,072,490
Financial assets designated at fair value through profit or loss	–	–	–	52,381	–	–	52,381
Derivatives	–	39,865	11,889	115,031	42,915	–	209,700
Other assets	–	253,365	74,465	4,128	–	571,664	903,622
Total assets	3,152,274	1,442,632	403,230	2,669,590	12,353,784	670,386	20,691,896
Liabilities							
Financial liabilities from trading activities	–	14,113	–	–	–	–	14,113
Banks	77,933	22,939	50,592	194,550	45,515	– 55	391,474
Public and private sector liabilities	5,662,138	5,390,059	2,379,927	1,464,913	409,348	12,035	15,318,420
Financial liabilities designated at fair value through profit or loss	–	–	–	–	22,452	–	22,452
Derivatives	–	12,758	14,172	128,313	163,088	– 4,710	313,621
Issued debt securities	83	150,060	378,524	690,974	534,344	7,157	1,761,142
Other liabilities	–	543,578	87,598	44,910	–	20,172	696,258
Subordinated loans	–	–	9,660	355,115	260,537	4,994	630,306
Total liabilities	5,740,154	6,133,507	2,920,473	2,878,775	1,435,284	39,593	19,147,786
On balance Gap	– 2,587,880	– 4,690,875	– 2,517,243	– 209,185	10,918,500	630,793	1,544,110
Receivables by virtue of future interest flows	–	240,386	710,828	3,294,667	10,658,726	–	14,904,607
Liabilities by virtue of future interest flows	–	130,813	361,486	1,177,298	917,827	–	2,587,424
On balance Gap inclusive of future interest flows	– 2,587,880	– 4,581,302	– 2,167,901	1,908,184	20,659,399	630,793	13,861,293

List of maturities at 31 December 2007

	Withdrawable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	No cash flow	Total
Assets							
Cash and cash equivalents	525,480	–	–	–	–	–	525,480
Financial receivables from trading activities	–	83,666	–	–	–	–	83,666
Banks	215,130	1,943,924	107,920	618,021	–	–	2,884,995
Investments	–	111	69,182	609,152	179,898	– 9,335	849,008
Loans and advances to the public and private sectors	2,132,255	831,080	299,091	1,026,829	11,727,291	– 10,311	16,006,235
Financial assets designated at fair value through profit or loss	–	–	2,727	60,741	–	–	63,468
Derivatives	–	4,275	21,604	265,947	122,650	57,396	471,872
Other assets	–	178,429	74,234	7,120	–	574,327	834,110
Total assets	2,872,865	3,041,485	574,758	2,587,810	12,029,839	612,077	21,718,834
Liabilities							
Financial liabilities from trading activities	–	35,583	–	–	–	–	35,583
Banks	387,538	133,926	80,808	258,388	44,717	– 970	904,407
Public and private sector liabilities	6,639,079	4,813,088	1,184,547	1,175,969	782,823	1,298	14,596,804
Financial liabilities designated at fair value through profit or loss	–	–	–	–	18,243	–	18,243
Derivatives	–	1,270	16,379	220,051	124,780	25,163	387,643
Issued debt securities	107	5,418	387,500	1,999,258	617,510	6,167	3,015,960
Other liabilities	–	418,837	98,644	55,753	–	34,910	608,144
Subordinated loans	–	–	27,630	203,912	230,444	3,465	465,451
Total liabilities	7,026,724	5,408,122	1,795,508	3,913,331	1,818,517	70,033	20,032,235
On balance Gap	– 4,153,859	– 2,366,637	– 1,220,750	– 1,325,521	10,211,322	542,044	1,686,599
Receivables by virtue of future interest flows	–	233,535	670,987	3,089,035	10,627,091	–	14,620,648
Liabilities by virtue of future interest flows	–	134,030	357,483	1,153,687	637,956	–	2,283,156
On balance Gap inclusive of future interest flows	– 4,153,859	– 2,267,132	– 907,246	609,827	20,200,457	542,044	14,024,091

9 Compliance risk

As service providers to the general public, Van Lanschot and its subsidiaries can operate properly only if every party they deal with has full confidence in them. Moral integrity, on the part not just of the bank as a whole but also of individual members of its staff, is the basis for the confidence placed in the bank. Statutory regulations provide the framework for this confidence. The Compliance department, which reports directly to the Chairman of the Board of Managing Directors, is responsible for ensuring that bank staff comply with regulations and legislation.

For more information, reference is made to the section 'Compliance, duty of care, laws and regulations' on page 48.

10 Fair value

The fair value of financial instruments traded in an active market is based on the price at the balance sheet date (market price). The bid price is applied for financial assets and the offer price for financial liabilities.

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 balance sheet 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 balance sheet date for a similar instrument subject to the same conditions.

The fair value of forward currency contracts is calculated by reference to forward exchange rates at the balance sheet date.

The assumption is made that the face value (less estimated adjustments) and fair value of trade receivables and payables are similar. The fair value of financial obligations not recognised in the balance sheet 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.

Net profit for 2008 includes a charge of € 14.6 million due to changes in the fair value of assets and liabilities carried on the basis of non-observable valuation data (2007: income of € 3.9 million).

In the 'available-for sale-investments' breakdown, 'market prices' includes investments in bonds guaranteed by the government and bank and corporate bonds. 'Variables not observable in the market' includes private equity investments and investments in unlisted investment funds.

Derivatives included under 'variables not observable in the market' concern derivatives by virtue of structured products, both relative to assets and liabilities. The derivatives products based on 'variables observable in the market' concern the derivatives used for hedge accounting and the economic hedges.

The fair values of assets and liabilities valued with reference to variables not observable in the market are only marginally affected by changes in assumptions. The positions in financial assets and liabilities designated at fair value through profit or loss at the balance sheet date mutually hedge one another as a result of which changes have no impact on profit.

Financial instruments at fair value at 31 December 2008	Quoted market price	Variables observable in the market	Variables not observable in the market	Total
Assets				
<i>Financial receivables from trading activities</i>	11,812	–	50,904	62,716
<i>Available-for-sale investments</i>	647,677	141,000	105,962	894,639
<i>Financial assets designated at fair value through profit or loss</i>	31,505	–	20,876	52,381
<i>Derivatives</i>	8,407	96,993	104,300	209,700
<i>Investments in associates using the equity method</i>	–	4,203	5,849	10,052
Total assets	699,401	242,196	287,891	1,229,488
Liabilities				
<i>Financial liabilities from trading activities</i>	14,113	–	–	14,113
<i>Financial liabilities designated at fair value through profit or loss</i>	–	–	22,452	22,452
<i>Derivatives</i>	8,407	203,689	101,525	313,621
Total liabilities	22,520	203,689	123,977	350,186

Financial instruments at fair value at 31 December 2007	Quoted market price	Variables observable in the market	Variables not observable in the market	Total
Assets				
<i>Financial receivables from trading activities</i>	27,718	–	55,948	83,666
<i>Available-for-sale investments</i>	637,739	–	201,773	839,512
<i>Financial assets designated at fair value through profit or loss</i>	40,985	–	22,483	63,468
<i>Derivatives</i>	16,258	131,524	324,090	471,872
<i>Investments in associates using the equity method</i>	–	4,074	5,422	9,496
Total assets	722,700	135,598	609,716	1,468,014
Liabilities				
<i>Financial liabilities from trading activities</i>	35,396	–	187	35,583
<i>Financial liabilities designated at fair value through profit or loss</i>	–	–	18,243	18,243
<i>Derivatives</i>	16,258	55,025	316,360	387,643
Total liabilities	51,654	55,025	334,790	441,469

Notes to the consolidated balance sheet

In thousands of euros

1 Cash and cash equivalents

By type	31 12 2008	31 12 2007
Total	584,215	525,480
Cash	8,643	7,239
Withdrawable on demand with central banks	449,536	440,165
Receivables from banks	126,036	78,076

Reconciliation to consolidated cash flow statement	2008	2007	Movement
Cash	584,215	525,480	58,735
Banks, amounts lent, available on demand	31,745	306,861	- 275,116
Banks, amounts borrowed, available on demand	- 77,933	- 387,538	309,605
Banks available on demand, net	- 46,188	- 80,677	34,489
Total	538,027	444,803	93,224

The fair value does not differ materially from the face value.

2 Financial receivables from trading activities

By type	31 12 2008 <i>Fair value</i>	31 12 2007 <i>Fair value</i>
Total	62,716	83,666
Capital instruments		
Government paper and government guaranteed paper	8,313	8,428
Banks listed	-	11,419
Banks unlisted	-	-
Corporates listed	2,469	4,262
Corporates unlisted	-	-
Total capital instruments	10,782	24,109
Shares		
Listed	1,030	3,609
Unlisted	50,904	55,948
Total shares	51,934	59,557

3 Banks

By type	31 12 2008	31 12 2007
Total	902,081	2,884,995
<i>Deposits</i>	285,692	2,107,674
<i>Settlement claims securities transactions</i>	30,044	107,276
<i>Reverse repo transactions</i>	12,712	25,695
<i>Loans and advances</i>	1,701	107,854
<i>Other</i>	571,932	536,496
Geographical	31 12 2008	31 12 2007
Total	902,081	2,884,995
<i>The Netherlands</i>	36,745	270,334
<i>Belgium</i>	190,701	331,949
<i>France</i>	–	350,000
<i>Great Britain</i>	–	700,000
<i>Ireland</i>	–	150,000
<i>Norway</i>	–	150,000
<i>Luxembourg</i>	571,932	594,228
<i>Switzerland</i>	91,276	–
<i>Other</i>	11,427	338,484

Van Lanschot does not have any impairments relating to banks.
The fair value of receivables from banks does not differ materially from amortised cost.

For the loans disclosed under Banks, € 423.4 million in collateral has been received from third parties, which can be sold without the counterparty being in default. The collateral concerns Austrian government paper (Triple A). The ISDA Master Agreement applies to this, supplemented with a specific Credit Support Annex.

4 Available-for-sale investments

By type	31 12 2008 Fair value	31 12 2008 Face value	31 12 2007 Fair value	31 12 2007 Face value
Total	894,639	797,572	839,512	642,114
Capital instruments				
Government paper and government guaranteed Paper	395,410	385,679	405,617	403,535
Banks listed	252,309	261,593	87,143	88,464
Banks unlisted	277	300	112	115
Corporates listed	141,000	150,000	145,159	150,000
Share premium/discount capital instruments	- 134		- 296	
Total capital instruments	788,862	797,572	637,735	642,114
Shares				
Listed	92		116	
Unlisted	34,076		129,777	
Shareholdings	71,609		71,884	
Total shares	105,777		201,777	

The unlisted shares chiefly include unlisted investment funds.

Capital instruments by rating	31 12 2008		31 12 2007	
Total	788,862	100%	637,735	100%
Triple A	539,462	69%	216,920	34%
Double A	221,690	28%	71,996	11%
Single A	26,153	3%	346,936	55%
Other	1,557	0%	1,883	0%

Movements in available-for-sale investments were as follows:

	2008	2007
Balance at 1 January	839,512	922,445
Purchases	379,227	33,558
Sales	- 167,001	- 66,732
Redemptions	- 69,673	- 40,552
Share premium (discount) capital instruments	162	- 2,661
Movements in value	- 87,588	- 6,546
Balance at 31 December	894,639	839,512

	31 12 2008	31 12 2007
Total number of pledged stocks	1,226,998	1,849,100
Debt securities Citadel	900,000	1,300,000
Various Dutch government bonds	113,415	328,482
Darts Finance	141,000	145,159
Other	72,583	75,459

The stocks have been pledged with the Dutch Central Bank, Euroclear, Caceis and Royal Bank of Scotland.

Stocks can only be pledged with the Dutch Central Bank if they are on the European Central Bank's eligible list of marketable assets.

The investment portfolio of Van Lanschot contains € 1.3 billion in debt securities with a triple A rating from the Citadel 2007-I securitisation transaction (reference is made to the notes under Risk Management on page 74). Of these debt securities, € 0.9 billion was pledged to the Dutch Central Bank. These debt securities are not expressed in the balance sheet category 'Available-for-sale investments' since they are cancelled by the debt securities issued by Citadel 2007-I in the consolidation process.

This collateral meets the conditions set by the European Central Bank with respect to the eligibility of debt securities.

The item 'investments' also comprises a shareholding of € 141.0 million (2007: € 145.2 million) in Darts Finance. Darts Finance only invests in mortgages with a National Mortgage Guarantee Scheme (Nationale Hypotheek Garantie).

5 Loans and advances to the public and private sectors

By type	31 12 2008	31 12 2007
Total	17,072,490	16,006,235
<i>Mortgage loans</i>	8,017,959	8,016,738
<i>Current account</i>	2,514,346	2,015,034
<i>Loans</i>	6,183,892	5,693,833
<i>Securities-backed loans and settlement claims</i>	237,259	312,463
<i>Subordinated loans</i>	86,382	61,878
<i>Value adjustment fair value hedge accounting</i>	124,086	261
<i>Impairments</i>	- 91,433	- 93,972

The 'value adjustment fair value hedge accounting' is higher since fair value hedge accounting was applied to a larger extent in 2008 than in 2007 and due to interest rate effects.

By business line	31 12 2008	31 12 2007
Total	17,072,490	16,006,235
<i>Private Banking</i>	10,441,689	10,117,230
<i>Business Banking</i>	6,630,801	5,889,005

Provision impairments by type	31 12 2008	31 12 2007
Total	- 91,433	- 93,972
<i>Mortgages</i>	- 12,741	- 16,319
<i>Loans</i>	- 78,692	- 77,653

Provision impairments by business line	31 12 2008	31 12 2007
Total	- 91,433	- 93,972
<i>Private Banking</i>	- 36,544	- 37,806
<i>Business Banking</i>	- 54,889	- 56,166

The fair value of the loans and advances to the public and private sectors was € 16.9 billion at 31 December 2008 (€ 16.0 billion at 31 December 2007).

Geographical	31 12 2008	31 12 2007
Total	17,072,490	16,006,235
<i>The Netherlands</i>	16,062,880	15,131,690
<i>Belgium</i>	533,338	483,466
<i>Other</i>	476,272	391,079

The geographical breakdown is based on the client's residence.

Mezzanine loans

Mezzanine loans are typically subordinated loans. In the order of priority of creditors, they rank before the shareholders, but behind all other creditors. Mezzanine loans are often used to finance leveraged buyouts, in addition to ordinary loans and equity

Breakdown of movements in mezzanine loans	2008	2007
<i>Balance at 1 January</i>	51,306	44,978
<i>Repayments</i>	- 11,264	- 22,547
<i>Loans granted</i>	30,435	28,875
<i>Balance at 31 December</i>	70,477	51,306

Breakdown of mezzanine loans by industry	31 12 2008	31 12 2007
<i>Retail</i>	2,750	1,800
<i>Services</i>	27,531	16,071
<i>Healthcare</i>	2,168	265
<i>Industry</i>	17,638	14,495
<i>Food, beverage & tobacco</i>	450	-
<i>Wholesale</i>	667	833
<i>Other</i>	19,273	17,842
	70,477	51,306

6 Financial assets designated at fair value through profit or loss

By type	31 12 2008	31 12 2007
Total	52,381	63,468
<i>Investments at fair value</i>	31,505	40,985
<i>Financial assets designated at fair value through profit or loss</i>	20,876	22,483

Investments at fair value

This item consists of an interest in a company which was established with the objective of making investments. In view of the minority interest and the fact that the majority of the members of the Supervisory Board are independent from Van Lanschot, this investment is classified under 'Financial assets designated at fair value through profit or loss'.

Financial assets designated at fair value through profit or loss

The interests in Egeria NV and Egeria Private Equity Fund II NV are included under the line item 'financial assets at fair value through profit or loss'. The equity linked notes are included at fair value under 'financial liabilities designated at fair value through profit or loss', while the interests in Egeria and Egeria Private Equity Fund II would be included as part of the investment portfolio as 'available for sale'. However, this would result in a mismatch, with the value changes being recognised through equity, and the value changes of the equity-linked notes being recognised through profit or loss. In order to restrict this mismatch, Van Lanschot uses the possibility to apply the fair value option. The interests in Egeria and Egeria Private Equity Fund II are carried at fair value and the value changes are recognised through profit or loss.

7 Derivatives

Van Lanschot uses derivatives for trading as well as hedging purposes.

The following types of interest rate derivatives occur:

- Interest rate swaps
- Interest options
- Forward Rate Agreement (FRA)

The following types of currency derivatives occur:

- Cross currency swaps
- Currency options

The following types of equity derivatives occur:

- Forwards
- Futures
- Long option position IGCS

Furthermore, inflations swaps occur.

Derivatives	31 12 2008	31 12 2007
Total	209,700	471,872
<i>Derivatives used for trading purposes</i>	9,030	18,932
<i>Derivatives used for hedge accounting purposes</i>	23,952	68,239
<i>Other derivatives</i>	176,718	384,701

Derivatives used for trading purposes by type	31 12 2008 <i>Fair value</i>	31 12 2007 <i>Fair value</i>
Total	9,030	18,932
<i>Interest rate derivatives</i>	-	43
<i>Credit derivatives</i>	-	-
<i>Currency derivatives</i>	-	-
<i>Equity derivatives</i>	623	2,631
<i>Long option position clients</i>	8,407	16,258

Derivatives for hedge accounting purposes by type	31 12 2008 <i>Fair value</i>	31 12 2007 <i>Fair value</i>
Total	23,952	68,239
<i>Derivatives fair value hedge accounting</i>	13,655	5,335
<i>Derivatives portfolio fair value hedge accounting</i>	8,077	34,488
<i>Derivatives cash flow hedge accounting</i>	2,220	28,416

Hedge accounting is solely applied to cover the interest rate and inflation risk.

Ineffectiveness of derivatives for hedge accounting purposes	31 12 2008 <i>Fair value</i>	31 12 2008 <i>Ineffective</i>	31 12 2007 <i>Fair value</i>	31 12 2007 <i>Ineffective</i>
Total	- 108,114	3,221	42,729	1,790
<i>Fair value hedge accounting model</i>	13,225	2,087	- 8,915	- 5,350
<i>Portfolio fair value hedge accounting model</i>	- 100,954	2,256	25,695	5,532
<i>Cash flow hedge accounting model</i>	- 20,385	- 1,122	25,949	1,608

The total ineffectiveness of fair value hedges was € 4.3 million positive at year-end 2008 (2007: € 0.2 million positive) and comprises € 109.9 million negative in value changes on account of the hedge instrument (2007: € 9.5 million negative) compared with positive value changes of the hedge item of € 114.2 million (2007: income of € 9.7 million).

Hedge items cash flow hedge accounting by term at 31-12-2008	<i>Within 1 year</i>	<i>1 to 3 years</i>	<i>3 to 5 years</i>	<i>5 years and longer</i>
Total	-	1,941	7,743	8,920
<i>Cash inflow</i>	-	1,941	7,743	8,920

Hedge items cash flow hedge accounting by term at 31-12-2007	<i>Within 1 year</i>	<i>1 to 3 years</i>	<i>3 to 5 years</i>	<i>5 years and longer</i>
Total	308	5,004	23,280	558
<i>Cash inflow</i>	308	5,004	23,280	558

Other derivatives by type	31 12 2008 <i>Fair value</i>	31 12 2007 <i>Fair value</i>
Total	176,718	384,701
<i>Economic hedges</i>	73,041	63,242
<i>Derivatives structured products</i>	103,677	321,459

8 Investments in associates using the equity method

Interest of Van Lanschot in balance sheet of associates using the equity method	31 12 2008	31 12 2007
Total	10,052	9,496
<i>Current assets</i>	18,380	17,698
<i>Non-current assets</i>	3,263	2,624
<i>Current liabilities</i>	11,463	10,826
<i>Non-current liabilities</i>	128	–

The interest of Van Lanschot in the income from operating activities totals € 14.3 million (2007: -€ 0.1 million), the share in the net profit amounts to € 1.0 million (2007: € 3.7 million).

By type	31 12 2008	31 12 2007
Total	10,052	9,496
<i>Listed</i>	–	–
<i>Unlisted</i>	10,052	9,496

The movements were as follows:

	2008	2007
<i>Balance at 1 January</i>	9,496	12,248
<i>Purchases and contributions</i>	–	4,879
<i>Sales and repayments</i>	– 337	– 8,932
<i>Value adjustments</i>	893	1,301
<i>Balance at 31 December</i>	10,052	9,496

The accumulated revaluations total € 3.3 million positive (in 2007 € 2.8 million positive).

9 Property, plant and equipment

By type	31 12 2008	31 12 2007
Total	188,639	195,268
<i>Buildings</i>	157,322	161,524
<i>IT, operating software and communication equipment</i>	10,894	13,442
<i>Other assets</i>	16,104	18,016
<i>Work in progress</i>	4,319	2,286

The fair values of IT, operating software and communication equipment and other assets do not deviate materially from their carrying amounts. The fair value of the buildings was € 164.3 million at year-end 2008 (2007 € 175.9 million). The item 'work in progress' concerns current projects for adjustments at offices. No restrictive rights apply to property, plant and equipment.

Net book value of property, plant and equipment at 31 December 2008	Buildings	IT, operation software and communication equipment	Other assets
Historical cost			
<i>Balance at 1 January</i>	235,928	66,261	43,394
<i>Additions</i>	6,231	2,703	2,613
<i>Disposals</i>	- 4,746	- 6	- 82
<i>Other</i>	-	68	110
<i>Balance at 31 December</i>	237,413	69,026	46,035
Accumulated depreciation			
<i>Balance at 1 January</i>	74,404	52,819	25,378
<i>Disposals</i>	- 2,554	-	-
<i>Depreciation</i>	8,241	5,313	4,553
<i>Impairments</i>	-	-	-
<i>Other</i>	-	-	-
<i>Balance at 31 December</i>	80,091	58,132	29,931
Net book value at 31 December	157,322	10,894	16,104

Net book value of property, plant and equipment at 31 December 2007	Buildings	IT, operation software and communication equipment	Other assets
Historical cost			
Balance at 1 January	226,722	57,586	34,611
Inclusion of Kempen & Co at 1 January	–	1,286	6,192
Additions	13,457	11,644	4,593
Disposals	– 4,251	– 4,255	– 2,002
Other	–	–	–
Balance at 31 December	235,928	66,261	43,394
Accumulated depreciation			
Balance at 1 January	67,774	50,371	21,889
Inclusion of Kempen at 1 January	–	–	–
Disposals	– 1,356	– 3,203	– 1,173
Depreciation	7,986	5,650	4,660
Impairments	–	–	–
Other	–	1	2
Balance at 31 December	74,404	52,819	25,378
Net book value at 31 December	161,524	13,442	18,016

10 Goodwill and other intangible assets

	31 12 2008	31 12 2007
Total	383,025	379,318
Goodwill	212,290	209,824
Work in progress	40,837	46,996
Other intangible assets	129,898	122,498

Similar to last year, the work in progress mainly relates to the costs of IT projects.

Net book value of goodwill and other intangible assets at 31 December 2008	Goodwill	Client bases	Third-party distribution channels	Agents' contracts	Deposits and current accounts	Brand name	Corporate Finance pipeline	Application software	Total
Historical cost									
Balance at 1 January	209,824	96,996	5,979	–	9,480	15,330	2,693	17,882	358,184
Additions	2,466	11,347	–	–	–	–	–	15,230	29,043
Disposals	–	–	–	–	–	–	–	– 412	– 412
Impairment	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	3,594	3,594
Balance at 31 December	212,290	108,343	5,979	–	9,480	15,330	2,693	36,294	390,409
Accumulated depreciation									
Balance at 1 January	–	12,149	584	–	3,081	767	2,693	6,588	25,862
Amortisation	–	10,627	462	–	948	766	–	5,962	18,765
Disposals	–	–	–	–	–	–	–	–	–
Impairments	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	3,594	3,594
Balance at 31 December	–	22,776	1,046	–	4,029	1,533	2,693	16,144	48,221
Net book value	212,290	85,567	4,933	–	5,451	13,797	–	20,150	342,188

Net book value of goodwill and other intangible assets at 31 December 2007	Goodwill	Client bases	Third-party distribution channels	Agents' contracts	Deposits and current accounts	Brand name	Corporate Finance pipeline	Application software	Total
Historical cost									
Balance at 1 January	39,607	9,025	1,080	600	9,480	–	–	6,588	66,380
Inclusion of Kempen at 1 January	169,728	87,971	4,899	–	–	15,330	2,693	–	280,621
Additions	3,975	–	–	–	–	–	–	11,294	15,269
Disposals	– 3,486	–	–	– 600	–	–	–	–	– 4,086
Impairment	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Balance at 31 December	209,824	96,996	5,979	–	9,480	15,330	2,693	17,882	358,184
Accumulated depreciation									
Balance at 1 January	–	1,652	122	68	2,133	–	–	3,704	7,679
Amortisation	–	10,497	462	30	948	767	2,693	2,884	18,281
Disposals	–	–	–	– 98	–	–	–	–	– 98
Impairments	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Balance at 31 December	–	12,149	584	–	3,081	767	2,693	6,588	25,862
Net book value	209,824	84,847	5,395	–	6,399	14,563	–	11,294	332,322

The acquisitions of Westerzee, Buttonwood and ING Private Banking Curaçao lead to a € 2.5 million addition to goodwill, which is fully allocated to the Private Banking CGU. In addition, these acquisitions lead to the identification, recognition and measurement of € 11.3 million as an intangible asset ('Client base') on Van Lanschot's balance sheet.

In 2008, an impairment test was performed on the capitalised costs of the project Drive. It was tested whether the carrying amount of the intangible asset is equal to the value in use. The value in use represents the present value of future cash flows insofar as they can specifically be allocated to the Drive project and to Van Lanschot.

Firstly, a usefulness test was conducted in order to determine the carrying amount. To this end, deliverables from the programme were tested against the usefulness criteria. Subsequently, the recoverable amount was determined by estimating the future cash flows, based on the updated business case. For the proceeds of the Drive project, an additional inflow of new clients of 15% was assumed, a reduced client outflow of 10% and a deep sell effect of 5%. The cost savings were then determined based on the existing business case, adjusted for any subsequent relevant trends occurring, as well as the costs for the implementation of the adjusted program.

In the calculation, a Weighted Average Cost of Capital (WACC) of 9.5% was used. Based on this, and on a defined scenario for the desired development of the efficiency ratio, the recoverable amount per release was determined. As a result, an amount of € 20.5 million was deducted from the carrying amount of work in progress as an impairment, and taken to the income statement as an expense.

In 2008, Van Lanschot performed an impairment test for the goodwill paid on the acquisition of CenE Bankiers in 2004 and Kempen & Co in

2007. The goodwill was allocated to Cash Generating Units. The test indicated that goodwill was not impaired in 2008.

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. The projections are based on the current year and on the financial estimates used by management to determine objectives and the internal standard for the Tier I capital. For the period after the first five years, the growth of Van Lanschot keeps pace with the expected long-term market growth of 2.5%. 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 different types of investigations into 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 have been discounted using a discount rate of 9.7% on average, which rate reflects the risk-free interest rate, supplemented with a surcharge for the market risk run by the CGUs.

For the other intangible assets resulting from acquisitions, a useful life test is conducted every year. A useful life test determines whether there are indications of impairment. 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 the 'Deposits and current account balances' item, the trend in the volumes is assessed. Relative to 'Brand name', it is determined whether Van Lanschot will continue to use the brand name in the future. The useful life tests conducted in 2008 do not give any indication of further examination being required, nor of impairments.

By CGU, the following discount rate was used in 2008:

CGU	discount rate
Private Banking	10.3%
Asset Management	10.3%
Business Banking	8.9%
Corporate Finance and Securities	9.6%
Other activities	9.8%

Allocation of goodwill to CGUs	Balance at 31 12 2006	Inclusion of Kempen	Additions	Decrease	Balance at 31 12 2007	Additions	Decrease	Balance at 31 12 2008
Total	39,607	169,728	3,975	- 3,486	209,824	2,466	-	212,290
Private Banking	21,784	44,143	2,186	-	68,113	2,466	-	70,579
Asset Management	-	49,292	-	-	49,292	-	-	49,292
Business Banking	11,090	-	1,113	-	12,203	-	-	12,203
Corporate Finance and Securities	-	76,293	-	-	76,293	-	-	76,293
Insurance	3,169	-	317	- 3,486	-	-	-	-
Other activities	3,564	-	359	-	3,923	-	-	3,923

Expected amortisation of intangible assets	2009	2010	2011	2012	2013	And subsequent years
Expected amortisation of intangible assets	20,038	20,038	20,036	13,239	12,544	44,003

11 Current tax assets

By type	31 12 2008	31 12 2007
Total	79,610	2,287
Tax receivable	79,610	2,287

12 Deferred tax assets

Movements	2008	2007
Balance at 1 January	7,120	16,926
Withdrawal	- 3,736	- 9,863
Deconsolidation of Van Lanschot Assurantiën Holding bv	-	- 2,042
Addition	744	2,099
Rate adjustment	-	-
Balance at 31 December	4,128	7,120

13 Prepayments and accrued income

By type	31 12 2008	31 12 2007
Total	217,975	211,450
Interest receivable	148,933	151,397
Other prepayments and accrued income	69,042	60,053

The fair value does not differ materially from the historical cost.

14 Other assets

By type	31 12 2008	31 12 2007
Total	30,245	38,667
Other	30,245	38,667

Other assets mainly comprise receivables and suspense accounts.
The fair value does not differ materially from the historical cost.

15 Financial liabilities from trading activities

By type	31 12 2008 Fair value	31 12 2007 Fair value
Total	14,113	35,583
Capital instruments		
Government paper and government guaranteed Paper	1,741	10,136
Banks listed	10,110	13,286
Banks unlisted	–	–
Corporates listed	1,906	11,886
Corporates unlisted	–	–
Total capital instruments	13,757	35,308
Shares		
Listed	356	88
Unlisted	–	187
Total shares	356	275

16 Banks

By type	31 12 2008	31 12 2007
Total	391,474	904,407
Deposits	19,532	216,914
Settlement claims securities transactions	21,889	121,061
Repos	–	–
Loans and advances drawn	350,108	567,402
Value adjustment micro fair value hedge accounting	– 55	– 970

Geographical	31 12 2008	31 12 2007
Total	391,474	904,407
The Netherlands	124,953	264,326
Belgium	20,316	321,524
Germany	175,000	195,000
Luxembourg	55,000	55,000
Other	16,205	68,557

The fair value of payables to banks does not differ materially from amortised cost.

17 Public and private sector liabilities

This item includes the non-subordinated loans, other than loans from credit institutions and not in the form of debt securities.

By type	31 12 2008	31 12 2007
Total	15,318,420	14,596,804
<i>Savings</i>	1,049,627	1,469,845
<i>Deposits</i>	9,064,361	7,357,862
<i>Other funds entrusted</i>	5,207,595	5,779,635
<i>Value adjustment fair value hedge accounting</i>	- 3,163	- 10,538

By business line	31 12 2008	31 12 2007
Total	15,318,420	14,596,804
<i>Private Banking</i>	11,580,357	10,094,061
<i>Business Banking</i>	3,738,063	4,502,743

Geographical	31 12 2008	31 12 2007
Total	15,318,420	14,596,804
<i>The Netherlands</i>	12,799,062	11,855,126
<i>Belgium</i>	1,312,400	1,500,691
<i>Other</i>	1,206,958	1,240,987

18 Financial liabilities designated at fair value through profit or loss

By type	31 12 2008	31 12 2007
Total	22,452	18,243
<i>Notes Egeria</i>	22,452	18,243

Of the value changes, € 0.9 million can be attributed to changes in the credit risk Van Lanschot runs on these liabilities. The calculation is based on comparable debt securities. The difference between the fair value and the contractual liability is € 0.9 million.

19 Derivatives

Van Lanschot uses derivatives for trading as well as hedging purposes.

The following types of interest rate derivatives occur:

- Interest rate swaps
- Interest options
- Forward Rate Agreement (FRA)

The following types of currency derivatives occur:

- Cross currency swaps
- Currency options

The following types of equity derivatives occur:

- Forwards
- Futures
- Short option position IGCS

Furthermore, inflation swaps occur.

By type	31 12 2008	31 12 2007
Total	313,621	387,643
<i>Derivatives used for trading purposes</i>	9,884	16,373
<i>Derivatives used for hedge accounting purposes</i>	132,066	25,510
<i>Other derivatives</i>	171,671	345,760

Derivatives used for trading purposes by type	31 12 2008 <i>Fair value</i>	31 12 2007 <i>Fair value</i>
Totaal	9,884	16,373
<i>Interest rate derivatives</i>	-	-
<i>Credit derivatives</i>	-	-
<i>Currency derivatives</i>	-	-
<i>Equity derivatives</i>	1,477	115
<i>Long option position clients</i>	8,407	16,258

Derivatives used for hedge accounting purposes by type	31 12 2008 <i>Fair value</i>	31 12 2007 <i>Fair value</i>
Total	132,066	25,510
<i>Derivatives fair value hedge accounting</i>	430	14,250
<i>Derivatives portfolio fair value hedge accounting</i>	109,031	8,793
<i>Derivatives cash flow hedge accounting</i>	22,605	2,467

Hedge accounting is used to cover the interest rate and inflation risks. For further details about the ineffectiveness of derivatives for hedge accounting purposes, as well as a breakdown of the cash flow hedge accounting by term, reference is made to the notes on page 119.

Other derivatives by type	31 12 2008 Fair value	31 12 2007 Fair value
Total	171,671	345,760
<i>Economic hedge</i>	71,623	29,515
<i>Derivatives structured products</i>	100,048	316,245

Hedge items cash flow hedge accounting by term at 31-12-2008	<i>Within 1 year</i>	<i>1 to 3 years</i>	<i>3 to 5 years</i>	<i>5 years and longer</i>
Total	-	-	-	331
<i>Cash outflow</i>				331

Hedge items cash flow hedge-accounting by term at 31-12-2007	<i>Within 1 year</i>	<i>1 to 3 years</i>	<i>3 to 5 years</i>	<i>5 years and longer</i>
Total	-	-	-	3,901
<i>Cash outflow</i>				3,901

20 Issued debt securities

This item consists of bonds and other negotiable debt securities issued whose rate of interest is either fixed or variable, such as certificates of deposit and own acceptances which are not subordinated.

In 2009, € 759.2 million of the debt securities is payable on demand (2008: € 402.9 million).

By type	31 12 2008	31 12 2007
Total	1,761,142	3,015,960
<i>Bond loans and notes</i>	139,372	149,727
<i>Bank and savings bonds</i>	83	107
<i>Floating rate notes</i>	1,604,279	2,848,824
<i>Medium term notes</i>	17,408	17,302

Face value versus carrying amount

The value adjustment of debt securities on account of hedge accounting is recognised under the balance sheet item 'Issued debt securities'.

Face value versus fair value

The fair value of debt securities totals € 1.6 billion (2007: € 3.0 billion).

Face value versus carrying amount of debt securities at 31 December 2008 by type	Face value	Value adjustment fair value hedge accounting	Share premium/ commission	Carrying amount
Total	1,758,737	- 1,005	3,410	1,761,142
<i>Bond loans and notes</i>	140,247	- 913	38	139,372
<i>Bank and savings bonds</i>	83	-	-	83
<i>Floating rate notes</i>	1,600,907	-	3,372	1,604,279
<i>Medium term notes</i>	17,500	- 92	-	17,408
Total	3,014,039	- 4,071	5,992	3,015,960
<i>Bond loans and notes</i>	153,556	- 3,873	44	149,727
<i>Bank and savings bonds</i>	107	-	-	107
<i>Floating rate notes</i>	2,842,876	-	5,948	2,848,824
<i>Medium term notes</i>	17,500	- 198	-	17,302

21 Provisions

By type	31 12 2008	31 12 2007
Total	20,172	34,910
<i>Pension obligations (including early retirement)</i>	8,095	16,521
<i>Healthcare cost obligations</i>	–	5,192
<i>Jubilee benefits obligations</i>	3,921	4,229
<i>Employee rebates</i>	2,289	1,949
<i>Other provisions</i>	5,867	7,019

Van Lanschot has various employee schemes under which participants receive payments or benefits after they retire. These are a pension scheme, a healthcare cost compensation 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). Since 2005, Van Lanschot has fully complied with IAS 19 for its defined benefit schemes.

The following defined benefit schemes were valued for the purpose of the 2008 annual figures:

- The pension scheme of Stichting Pensioenfonds F. van Lanschot is a final salary scheme under which 1.892% of the pensionable amount (salary minus premium-free amount) 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. In addition to the old age pension, the scheme provides for temporary old age pension.
- The pension scheme applied in Belgium is a final salary scheme under which 2.5% of the pensionable amount (salary minus premium-free amount) 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.
- The pension scheme of Kempen is an average salary scheme under which 2% of the pensionable amount (salary minus premium-free amount) 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.
- An early retirement scheme is in place for employees who were in service on 1 January 2000 and entitles them to a payment amounting to 75% of their most recent salary. The effective date and duration of the payment depends on the age at 1 January 2000.
- The healthcare cost compensation scheme was cancelled in the reporting year.
- 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.

The only scheme for which equity has been invested to fund the obligation concerns the pension schemes. 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.

Van Lanschot amortises unrealised gains and losses, to the extent that they exceed 10% (the threshold) of the benefit obligations or pension plan assets if higher. Amortisation takes place over the average future years of service of the active participants.

Obligations/assets included in the balance sheet by scheme at 31 December 2008	Pension obligations	Healthcare cost obligations	Early retirement scheme	Employee rebates	Jubilee benefits scheme
Defined benefit obligations	473,435	–	1,314	2,734	3,921
Fair value of plan assets	484,093	–	–	–	–
Surplus/deficit	10,658	–	– 1,314	– 2,734	– 3,921
Unrecognised actuarial (gains)/losses	– 12,961	–	– 147	445	–
Obligation at year end	– 6,634	–	– 1,461	– 2,289	– 3,921
Asset at year end	4,331	–	–	–	–

Obligations/assets included in the balance sheet by scheme at 31 December 2007	Pension obligations	Healthcare cost obligations	Early retirement scheme	Employee rebates	Jubilee benefits scheme
Defined benefit obligations	459,233	3,037	3,453	1,968	4,229
Fair value of plan assets	487,380	–	–	–	–
Surplus/deficit	28,147	– 3,037	– 3,453	– 1,968	– 4,229
Unrecognised actuarial (gains)/losses	– 41,010	– 2,155	1,416	19	–
Obligation at year end	– 14,484	– 5,192	– 2,037	– 1,949	– 4,229
Asset at year end	1,621	–	–	–	–

Movements in the defined benefit obligation for the pension scheme	2008	2007
Benefit obligations at 1 January	459,233	506,829
Annual costs	16,032	24,982
Interest costs	26,078	23,989
Participants' contribution	2,346	1,767
Actuarial (gains)/losses	1,547	– 84,505
Gross benefits	– 9,982	– 9,456
Transfers	– 1,279	– 2,063
Discontinuation	– 3,226	–
Changed assumptions	– 17,314	–
Deconsolidation of Van Lanschot Assurantiën Holding bv	–	– 2,309
Benefit obligations at 31 December	473,435	459,233

Movements in the defined benefit obligation for the healthcare costs	2008	2007
Benefit obligations at 1 January	3,037	3,559
Annual costs	–	273
Interest costs	–	176
Actuarial (gains)/losses	–	– 1,132
Discontinuation	– 3,037	–
Deconsolidation of Van Lanschot Assurantiën Holding bv	–	161
Benefit obligations at 31 December	–	3,037

The healthcare cost compensation scheme was cancelled in the reporting year.

Movements in the defined benefit obligation for the early retirement scheme	2008	2007
<i>Benefit obligations at 1 January</i>	3,453	5,243
<i>Annual costs</i>	23	45
<i>Interest costs</i>	120	194
<i>Actuarial gains/(losses)</i>	- 980	- 53
<i>Gross benefits</i>	- 1,278	- 1,886
<i>Discontinuation</i>	- 32	-
<i>Changed assumptions</i>	8	-
<i>Deconsolidation of Van Lanschot Assurantiën Holding bv</i>	-	- 90
<i>Benefit obligations at 31 December</i>	1,314	3,453

Movements in the defined benefit obligation for employee rebates	2008	2007
<i>Benefit obligations at 1 January</i>	1,968	1,923
<i>Annual costs</i>	382	306
<i>Interest costs</i>	124	102
<i>Actuarial (gains)/losses</i>	500	- 467
<i>Gross benefits</i>	- 93	- 51
<i>Discontinuation</i>	- 86	-
<i>Changed assumptions</i>	- 61	-
<i>Deconsolidation of Van Lanschot Assurantiën Holding bv</i>	-	155
<i>Benefit obligations at 31 December</i>	2,734	1,968

Movements in the defined benefit obligation of the jubilee benefits scheme	2008	2007
<i>Benefit obligations at 1 January</i>	4,229	4,894
<i>Annual costs</i>	408	481
<i>Interest costs</i>	237	237
<i>Actuarial (gains)/losses</i>	- 18	- 546
<i>Gross benefits</i>	- 437	- 376
<i>Discontinuation</i>	- 419	-
<i>Changed assumptions</i>	- 79	-
<i>Deconsolidation of Van Lanschot Assurantiën Holding bv</i>	-	- 461
<i>Benefit obligations at 31 December</i>	3,921	4,229

Movements in the fair value of pension plan assets	2008	2007
Fair value at 1 January	487,380	478,880
Expected return on plan assets	25,775	24,604
Actuarial gains/(losses)	- 43,769	- 33,095
Employer's contribution	24,171	28,505
Employees' contribution	1,797	-
Gross benefits	- 9,982	- 9,451
Transfers	- 1,279	- 2,063
Fair value at 31 December	484,093	487,380
Actual return on plan assets	- 17,994	- 8,491

The annual costs as included in the income statement by scheme are as follows:

Annual costs of pension scheme included in the income statement	2008	2007
Annual costs	14,980	26,093
Interest	26,078	23,989
Expected return	- 25,775	- 24,604
Discontinuation, restriction of benefits	- 3,292	-
Deconsolidation of Van Lanschot Assurantiën Holding bv	-	- 2,309
Amortisation	18	- 119
Net costs	12,010	23,050

Annual costs of healthcare costs compensation scheme included in the income statement	2008	2007
Annual costs	-	273
Interest	-	176
Discontinuation, restriction of benefits	- 5,192	- 30
Deconsolidation of Van Lanschot Assurantiën Holding bv	-	325
Net costs	- 5,192	744

Annual costs of early retirement scheme included in the income statement	2008	2007
Annual costs	23	45
Interest	120	194
Amortisation	595	700
Discontinuation, restriction of benefits	- 36	-
Deconsolidation of Van Lanschot Assurantiën Holding bv	-	- 53
Net costs	702	886

Annual costs of employee rebates included in the income statement	2008	2007
Annual costs	352	307
Interest	124	102
Amortisation	–	19
Discontinuation, restriction of benefits	– 72	–
Deconsolidation of Van Lanschot Assurantiën Holding bv	–	118
Net costs	404	546

Annual costs of jubilee benefits scheme included in the income statement	2008	2007
Annual costs	408	481
Interest	237	237
Amortisation	– 97	– 546
Discontinuation, restriction of benefits	– 418	–
Deconsolidation of Van Lanschot Assurantiën Holding bv	–	– 461
Net costs	130	– 289

Investment categories of pension fund plan assets	Expected investment allocation	Expected return
Total	100%	5.40%
Fixed-income securities	76.0%	4.50%
Long duration (25% of fixed-income portfolio)	25.0%	
Government and credits	70.0%	
Government bonds	45.0%	
Credits	20.0%	
Investment grade	5.0%	
High Yield	5.0%	
Shares	24.0%	8.25%

The expected return on investments is the expected long-term return. The expected return is based on the investment strategies and the expected return on the different investment categories. Return expectations have been defined for each investment category based on assumptions for the long-term risk as well as historical data. The total expected return is the weighted average of the expected return of each investment category. The pension fund does not hold any investments in Van Lanschot shares or funds.

The most significant actuarial assumptions made on the balance sheet date are as follows:

Assumptions	2008	2007
Actuarial interest pension	5.80%	5.4% - 5.5%
Actuarial interest early retirement	4.30%	4.80%
Actuarial interest jubilee benefits	5.50%	4.80%
Actuarial interest employee rebates	5.60%	4.80%
Expected return on investments	5.0% - 5.4%	5.0% - 5.4%
General salary increase	2.0% - 2.4%	2.0% - 2.4%
Career promotions (up to age of 50)	1.80% - 2.25%	2.25%
Medical costs	3.90%	3.90%
Pension increase	1.0% - 2.0%	1.0% - 2.0%
Healthcare premiums	3.90%	3.90%
Retirement age	65 year	65 year

History of movements in pension scheme gains and losses

	2008	2007	2006	2005
Defined benefit obligations	473,435	459,233	469,976	480,845
Fair value of plan assets	484,093	487,380	441,238	409,678
Surplus/deficit	10,658	28,147	- 28,738	- 71,167
Actuarial gains/(losses) on obligations	1,547	67,133	45,162	- 26,237
Actuarial gains/(losses) on investments	- 43,769	- 33,095	2,267	10,726

Expected contribution in 2009 by type

	Pension obligations	Healthcare costs obligations	Early retirement scheme	Employee rebates	Jubilee benefits scheme
Total	22,880	-	900	94	377
Expected employer's contribution	20,822	-	900	94	377
Expected employees' contribution	2,058	-	-	-	-

Other provisions

	2008	2007
Balance at 1 January	7,019	2,163
Withdrawal	- 104	- 352
Release	- 1,977	-
Additions	929	5,208
Balance at 31 December	5,867	7,019

22 Current tax liabilities

By type	31 12 2008	31 12 2007
Total	10,467	2,933
<i>Tax payable</i>	10,467	2,933

23 Deferred tax liabilities

	2008	2007
<i>Balance at 1 January</i>	55,754	17,705
<i>Withdrawal</i>	- 16,245	- 5,558
<i>Additions</i>	5,401	42,938
<i>Inclusion of Kempen at 1 January 2007</i>	-	669
<i>Rate adjustments</i>	-	-
Balance at 31 December	44,910	55,754

For further details, reference is made to note 38.

24 Accruals and deferred income

This item consists of income received to be credited to future periods and amounts payable such as accrued interest.

By type	31 12 2008	31 12 2007
Total	557,418	450,018
<i>Interest payable</i>	503,922	391,388
<i>Other accruals and deferred income</i>	53,496	58,630

25 Other liabilities

By type	31 12 2008	31 12 2007
Total	63,291	64,529
<i>Other</i>	63,291	64,529

26 Subordinated loans

By type	31 12 2008	31 12 2007
Total	630,306	465,451
<i>Certificates of indebtedness</i>	400,699	363,213
<i>Preference shares</i>	150,000	–
<i>Other subordinated loans</i>	79,607	102,238

Amortised cost versus carrying amount

The value adjustment of the subordinated loans used as hedge items is recognised under the balance sheet item 'Subordinated loans'.

Amortised cost versus carrying amount at 31 December 2008 by type	Amortised cost	Value adjustment fair value hedge accounting	Carrying amount
Total	625,312	4,994	630,306
<i>5.75% certificates of indebtedness 2001-2011, maturing on 8 April 2011</i>	164,501	2,328	166,829
<i>4.748% subordinated FRN 2005-2016, maturing on 17 October 2016</i>	133,870	–	133,870
<i>6.873% subordinated bond loan 08/33</i>	25,000	–	25,000
<i>6.822% subordinated bond loan 08/38</i>	25,000	–	25,000
<i>6.771% subordinated bond loan 08/43</i>	50,000	–	50,000
<i>7.5% preference shares, convertible from 2012, after publication of annual results for 2011</i>	150,000	–	150,000
<i>Other subordinated loans</i>	76,941	2,666	79,607

The average coupon on the other subordinated loans is 6.11% in 2008.

Amortised cost versus carrying amount at 31 December 2007 by type	Amortised cost	Value adjustment fair value hedge accounting	Carrying amount
Total	461,986	3,465	465,451
<i>5.75% certificates of indebtedness 2001-2011, maturing on 8 April 2011</i>	162,597	666	163,263
<i>3.99% subordinated FRN 2005-2016, maturing on 17 October 2016</i>	199,950	–	199,950
<i>Other subordinated loans</i>	99,439	2,799	102,238

The average coupon on the other subordinated loans is 6.18% in 2007.

The fair value of the subordinated loans is € 588.5 million (2007 € 464.9 million).

Preference shares

On 29 December 2008, 3,448,276 preference shares in Van Lanschot NV were issued with a nominal value of € 1 each. The issue price was € 43.50 per share. This involved a total amount of € 150 million. The preference shares are not listed on the Euronext Amsterdam stock exchange or any other exchange. The dividend is 7.5% per year and is distributable subject to the following conditions:

- Distribution only takes place from net profit and/or the distributable part of shareholders' funds;
- Distribution of ordinary dividend in the financial year concerned;
- Approval of the full dividend proposal by the Annual General Meeting of Shareholders;
- Dividend payment may not lead to a deficient solvency as per the Basel II capital adequacy requirements, as agreed upon between Van Lanschot and the Dutch Central Bank.

The preference shares can be repurchased at the earliest in the two-week period after publication of the annual results for 2011 of Van Lanschot NV. The preference shares will be repurchased at 115% plus accrued dividend rights.

Holders of preference shares have the right to convert the preference shares into depositary receipts for ordinary A shares in Van Lanschot at the earliest in the two-week period after publication of the annual results for 2011 of Van Lanschot. The issue price for the depositary receipts for ordinary A shares is the 60-day VWAP of depositary receipts for ordinary A shares in Van Lanschot NV prior to the day of notification; the day on which the shareholder announces that the conversion right is used.

The preference shares were issued in order to reinforce Van Lanschot NV's shareholders' funds. For the calculation of the qualifying capital and the solvency under the Basel II requirements, the preference shares qualify as hybrid Tier I capital.

27 Shareholders' funds

	31 12 2008	31 12 2007
Total	1,544,110	1,686,599
<i>Issued share capital</i>	35,190	34,921
<i>Repurchased shares</i>	– 21,854	– 27,833
<i>Share premium</i>	315,293	310,217
<i>Revaluation reserve</i>	5,405	34,974
<i>Currency translation differences</i>	46	193
<i>Other equity components</i>	– 18,273	18,810
<i>Other reserves</i>	891,274	790,831
<i>Minority interests (perpetual loans)</i>	305,193	307,393
<i>Minority interests (other shareholdings)</i>	1,745	1,724
<i>Undistributed profit (attributable to shareholders of Van Lanschot NV)</i>	19,266	204,608
<i>Undistributed profit (attributable to holders of perpetual loans)</i>	10,858	10,740
<i>Undistributed profit (attributable to other minority interests)</i>	– 33	21

Issued share capital

The authorised share capital consists of 135 million shares of € 1.- nominal value each, of which 35,190,177 ordinary shares (2007: 34,920,669) and 3,448,276 preference shares (2007: zero) had been issued and paid up at 31 December 2008 (reference is made to note 26).

In the reporting year, 269,508 (2007: 2,509,488) new ordinary shares were issued, resulting in an issued and paid-up capital of 35,190,177 ordinary shares at year-end 2008. Owing to option rights outstanding at 31 December 2008, the number of ordinary shares could increase by 508,127 or by 1.5% of the number of shares outstanding at year-end 2008. Furthermore, during the financial year, the bank conditionally granted rights to acquire 79,937 depositary receipts for ordinary shares for no consideration. The company acquired 351,504 depositary receipts for shares to meet the open option position (2007: 447,934).

The costs of the share issue are not material, and have been included in Other administrative expenses.

Conditional and unconditional share and option plans	2008 Number	2008 Average exercise price (in euros)	2007 Number	2007 Average exercise price (in euros)
Unconditional options	474,742	57.32	772,419	43.40
Conditional options	33,385	65.78	105,902	60.05
	508,127	57.88	878,321	45.41
Conditional shares	245,871	n.a.	226,595	n.a.

During the year under review, no option rights were granted.

The managing directors held a total of 309,782 shares and depositary receipts for shares in the company at year-end 2008. In addition, they hold conditional and unconditional option rights, which entitle them to purchase 68,880 depositary receipts for ordinary A shares in the company at an average price of € 58.18 and with an exercise period ending in March 2014 at the latest.

Further details on the stock (option) plan for employees and members of the Board of Managing Directors are provided on page 146 of this report.

Nature and purpose of other reserves

Repurchased shares; this item includes the cost price of 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.

Currency translation differences; this reserve 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.

Other equity components; this reserve includes the share in the gain or loss on hedging instruments in a cash flow hedge that has been ruled to be an effective hedge.

Other reserves; this reserve includes past profits added to shareholders' funds and the costs of the share option plan.

Minority interest (perpetual loans)

On 29 October 2004, Van Lanschot issued Perpetual Capital Securities for an amount of € 165 million at an issue price of 100%. 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%. 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.

Other minority interests

Under this line item, the minority interest is disclosed in entities that are fully consolidated by Van Lanschot.

28 Contingent liabilities

This item consists of all commitments arising from transactions for which the bank has given a guarantee to third parties.

By type	31 12 2008	31 12 2007
Total	408,677	435,717
<i>Guarantees and such</i>	322,061	355,492
<i>Irrevocable documentary letters of credit</i>	71,139	69,248
<i>Other</i>	15,477	10,977

For several group companies, guarantees have been issued for an amount of € 172.4 million (2007: € 58.6 million). The date on which these contingent liabilities will be claimed cannot be predicted.

29 Irrevocable commitments

This item consists of all obligations resulting from irrevocable commitments that could give rise to the issue of loans.

By type	31 12 2008	31 12 2007
Total	505,811	337,607
<i>Unused credit facilities</i>	496,661	336,847
<i>Sale and repurchase commitments</i>	1,166	760
<i>Other</i>	7,984	–

Notes to the consolidated income statement

In thousands of euros

30 Interest

Interest income	2008	2007
Total	1,347,639	1,244,604
<i>Interest income on cash equivalents</i>	11,265	9,542
<i>Interest income on banks and private sector</i>	1,000,871	875,969
<i>Other interest income</i>	- 18	1,600
<i>Interest income on amortisation of acquired (discount)/surplus of CenE Bankiers</i>	- 16,158	- 10,970
<i>Interest income on items not recognised at fair value</i>	995,960	876,141
<i>Interest income on available-for-sale investments</i>	28,843	31,659
<i>Interest income on financial receivables from trading activities</i>	23,631	1,182
<i>Interest income on derivatives</i>	299,205	335,622
Total	1,053,513	968,244
Total	1,053,513	968,244
<i>Interest expense on banks and private sector</i>	645,852	442,894
<i>Interest expense on issued debt securities</i>	101,150	160,598
<i>Interest expense on subordinated loans</i>	23,902	25,276
<i>Other interest expense</i>	- 254	3,295
<i>Interest expense on preference shares</i>	63	-
<i>Interest expense on amortisation of acquired (discount)/surplus of CenE Bankiers</i>	- 15,266	- 6,439
<i>Interest expense on items not recognised at fair value</i>	755,447	625,624
<i>Interest expense on loans at fair value</i>	5,531	- 4,330
<i>Interest expense on derivatives</i>	292,535	346,950

The interest result on impaired assets is € 10.0 million (2007: € 9.5 million).

In 2008, the average expected term of the lending portfolio and thus the amortisation period of the lending commission increased. As a result, an expense of € 1.8 million is included under interest income on banks and private sector.

31 Income from securities and associates

By type	2008	2007
Total	- 17,320	27,489
<i>Dividend and fees</i>	22,948	11,186
<i>Impairments investment portfolio shares and shareholdings</i>	- 471	460
<i>Movements in value of investments at fair value</i>	- 13,079	- 5,165
<i>Gains on sale of available-for-sale investments in shares</i>	- 31,840	17,314
<i>Gains on sale of available-for-sale other investments</i>	-	-
<i>Equity-accounted investments</i>	5,122	3,694

32 Commission

By type	2008	2007
Total	217,673	295,388
<i>Securities commission</i>	81,764	136,673
<i>Management commission</i>	88,190	115,732
<i>Cash transactions and funds transfers</i>	23,000	21,753
<i>Insurance</i>	621	329
<i>Other</i>	24,098	20,901

33 Profit on financial transactions

By type	2008	2007
Total	- 883	48,759
<i>Profit on securities trading</i>	1,261	10,868
<i>Profit on currency trading</i>	11,533	10,153
<i>Unrealised gains/losses on derivatives under hedge accounting</i>	3,221	1,790
<i>Realised/unrealised gains/losses on trading derivatives</i>	149	- 332
<i>Realised gains on available-for-sale interest-earning securities</i>	-	42
<i>Profit on economic hedges</i>	- 15,886	12,180
<i>Other gains and losses</i>	- 1,161	14,058

34 Staff costs

By type	2008	2007
Total	224,928	248,573
Salaries and wages	180,102	192,033
Pension and early retirement costs	14,280	25,479
Other social security costs	20,207	18,410
Share-based payments	4,022	4,348
Other staff costs	6,317	8,303

The pension costs declined substantially due to an increase in the discount rate and the outsourcing of IT and facility activities.

The average number of staff employed in 2008 was 2,489 (2007: 2,655). Expressed in full-time equivalents, the average number of staff was 2,278 (2007: 2,473), which can be broken as follows:

Average number of FTEs	2008	2007
Total	2,278	2,473
The Netherlands	2,051	2,253
Belgium	139	137
Other	88	83

Conditional share and option plans have been set up for the Board of Managing Directors and the general managers.

The pension charges comprise an expense of € 1.6 million (2007: € 1.9 million) for defined contribution schemes. Of this amount, € 0.5 million (2007: € 0.4 million) concerns members of the Board of Managing Directors.

Unconditional options granted to staff and members of the Board of Managing Directors	2008	2008	2007	2007
	Number of options	Average exercise price (in euros)	Number of options	Average exercise price (in euros)
Balance at 1 January	772,419	43.40	636,509	55.45
Options granted	51,987	51.04	369,641	17.38
Options exercised	- 328,323	22.60	- 210,084	30.89
Expired and forfeited options	- 21,341	72.27	- 23,647	73.53
Balance at 31 December	474,742	57.32	772,419	43.40

The unconditional options can be exercised twice a year during the open period after publication of the interim or full-year figures.

Conditional options granted to members of the Board of Managing Directors	2008	2008	2007	2007
	Number of options	Average exercise price (in euros)	Number of options	Average exercise price (in euros)
Balance at 1 January	105,902	60.05	74,075	57.27
Commitments	–	–	33,385	65.78
Granted	– 51,987	51.04	–	–
Expired options	– 20,530	73.53	– 1,558	51.04
Balance at 31 December	33,385	65.78	105,902	60.05

If the targets are met, the conditional options are converted into unconditional options after a 3-year period. These options have a term of seven years (at the moment of being granted).

At 1 January 2008, the option schemes for the Board of Managing Directors and general managers were cancelled. Those for the other staff were already cancelled at 1 January 2007.

Conditional depositary receipts for shares granted to the members of the Board of Managing Directors	2008	2007
	Balance at 1 January	21,558
Commitments	18,976	6,463
Granted	– 9,089	– 25,000
Expired and forfeited rights	– 5,287	–
Balance at 31 December	26,158	21,558

Conditional depositary receipts for shares granted to staff and general managers	2008	2007
	Balance at 31 January	205,037
Commitments	60,961	166,986
Granted	– 34,946	–
Expired rights	– 11,339	–
Balance at 31 December	219,713	205,037

The fair value is determined based on the volume weighted price for the day of the depositary receipts for ordinary A shares on the 2nd trading day after publication of the annual figures of Van Lanschot NV.

The depositary receipts granted in 2008 had a fair value of € 66.25.

Dividend is not taken into account here.

35 Other administrative expenses

By type	2008	2007
Total	162,321	129,762
<i>Accommodation expenses</i>	20,057	18,634
<i>Marketing and communication</i>	17,427	13,725
<i>Office expenses</i>	15,882	14,616
<i>IT expenses</i>	58,633	42,329
<i>External accountant</i>	1,391	1,600
<i>Consultancy fees</i>	13,158	11,310
<i>Other administrative expenses</i>	35,773	27,548

The consultancy fees related to, among other things, advisory services purchased and the implementation and maintenance of software and hardware.

The fees paid to the external accountant (and its network of offices) have been included in the Other administrative expenses under the item External auditor and partially under the item Consultancy fees.

The fees paid to the external auditor can be broken down as follows:

By type	2008	2007
Total	1,764	1,820
<i>Fee for audit of financial statements</i>	1,133	1,348
<i>Fee for other audit services</i>	189	153
<i>Fee for tax services</i>	129	133
<i>Other fees</i>	313	186

36 Depreciation and amortisation

	2008	2007
Total	34,869	36,411
<i>Buildings</i>	8,241	7,928
<i>IT, software and communication equipment</i>	5,313	5,542
<i>Application software</i>	5,962	2,884
<i>Intangible assets by virtue of acquisitions</i>	12,803	15,397
<i>Other depreciation and amortisation</i>	2,550	4,660

37 Impairments

By type	2008	2007
Total	50,290	71
<i>Loans and advances to the private sector</i>	20,139	1,304
<i>Available-for-sale investments</i>	9,651	- 1,583
<i>Intangible assets</i>	20,500	350

This item consists of the balance of the required adjustments for impairments and reversals of such impairments.

The item '*available-for-sale investments*' comprises the impairments deemed to be required, as a result of the fact that the fair value of the investments concerned is significantly or permanently below cost, as laid down in the relevant policy. For more details about the impairments and the intangible assets, reference is made to note 10.

38 Income tax

This item consists of the tax expense for the financial year on the profit on ordinary activities disclosed in the income statement. Tax relief facilities are taken into account in determining the tax expense. The tax burden differs from the standard tax rate owing to the participation exemption in particular.

Income tax	2008	2007
<i>Operating profit before tax</i>	21,188	233,179
<i>Gross profit from discontinued operations</i>	-	27,923
Total gross profit	21,188	261,102
<i>Prevailing tax rate in the Netherlands</i>	25.5%	25.5%
<i>Tax on continuing operations</i>	- 8,903	43,828
<i>Tax on discontinued operations</i>	-	1,905
Total	- 8,903	45,733
<i>Expected tax payable</i>	5,403	66,581
Increase/decrease in tax payable due to:		
<i>Tax-free interest</i>	1,496	- 8,035
<i>Tax-free income from securities and associates</i>	- 14,117	- 7,597
<i>Tax-free income from sale of Van Lanschot Assurantiën Holding bv</i>	-	- 5,307
<i>Non-deductible expenses</i>	1,498	785
<i>Adjustments to taxes of prior years</i>	- 440	-
<i>Impact of foreign tax rate differences</i>	- 2,701	- 1,947
<i>Changes in deferred taxes</i>	- 15	50
<i>Other changes</i>	- 27	1,203

The change in the deferral concerns deferred tax liabilities.

Important components of income tax	2008	2007
Total	- 8,903	45,733
<i>Standard income tax</i>	- 5,747	45,725
<i>Income tax on discontinued operations</i>	-	1,905
<i>Income/expense by virtue of foreign tax rate differences</i>	- 2,701	- 1,947
<i>Income/expense by virtue of changes in deferred tax</i>	- 15	50
<i>Income/expense by virtue of prior-year adjustments</i>	- 440	-

The breakdown by components of the deferred tax assets and liabilities is as follows:

Deferred tax assets	2008	2007
Total	4,128	7,120
<i>Employee benefits</i>	1,998	5,256
<i>Commission</i>	1,398	1,302
<i>Other</i>	732	562

Deferred tax liabilities	2008	2007
Total	44,910	55,754
<i>Property, plant and equipment</i>	12,312	10,014
<i>Intangible assets</i>	40,012	40,789
<i>Derivatives</i>	- 6,254	6,439
<i>Investment portfolio</i>	- 4,052	- 2,630
<i>Other</i>	2,892	1,142

39 Earnings per ordinary share in euros

To calculate earnings per share, the number of ordinary shares consists solely of the weighted average number of shares outstanding. The repurchased shares held by the company are not included in the number of shares outstanding.

Earnings per ordinary share	2008	2007
Net profit	30,091	215,369
Interest on perpetual loan	- 10,858	- 10,740
Minority interests	33	- 21
Profit attributable to shareholders of Van Lanschot NV	19,266	204,608
Weighted average number of ordinary shares outstanding	34,772,039	34,421,945
Earnings per ordinary share (in euros)	0.55	5.94
Dividend per ordinary share (in euros)*	0.28	3.00

40 Diluted earnings per ordinary share in euros

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 ordinary shares that will lead to dilution. 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.

On 29 December 2008, 3.4 million preference shares were issued, which can be converted into depositary receipts for ordinary A shares subject to certain conditions being satisfied. At present, these preference shares do not lead to dilution since the amount of the dividend on these preference shares per share to be acquired upon conversion exceeds the earnings per ordinary share.

Diluted earnings per ordinary share	2008	2007
Profit attributable to shareholders of Van Lanschot NV	19,266	204,608
Weighted average number of ordinary shares outstanding	34,772,039	34,421,945
Potential ordinary shares	410,044	359,631
Weighted average number of ordinary shares outstanding fully diluted	35,182,083	34,781,576
Diluted earnings per ordinary share (in euros)	0.55	5.88

* The dividend per share for 2008 of € 0.28 will be presented to the shareholders for approval on 11 May 2009.

41 Earnings per ordinary share from continuing operations in euros

To calculate earnings per ordinary share, the number of ordinary shares consists solely of the weighted average number of ordinary shares outstanding. The repurchased shares held by the company are not included in the number of shares outstanding.

Earnings per ordinary share (from continuing operations)	2008	2007
<i>Net profit</i>	30,091	189,351
<i>Interest on perpetual loan</i>	- 10,858	- 10,740
<i>Minority interests</i>	33	- 21
<i>Profit attributable to shareholders of Van Lanschot nv</i>	19,266	178,590
<i>Weighted average number of ordinary shares outstanding</i>	34,772,039	34,421,945
<i>Earnings per ordinary share (in euros)</i>	0.55	5.19

42 Diluted earnings per ordinary share from continuing operations in euros

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 share are based on the weighted average number of ordinary shares that would be in issue upon conversion into ordinary shares of all potential ordinary shares that will lead to dilution. 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.

On 29 December 2008, 3.4 million preference shares were issued, which can be converted into depositary receipts for ordinary A shares subject to certain conditions being satisfied. At present, these preference shares do not lead to dilution since the amount of the dividend on these preference shares per share to be acquired upon conversion exceeds the earnings per ordinary share.

Diluted earnings per ordinary share (from continuing operations)	2008	2007
<i>Profit attributable to shareholders of Van Lanschot nv</i>	19,266	178,590
<i>Weighted average number of ordinary shares outstanding</i>	34,772,039	34,421,945
<i>Potential ordinary shares</i>	410,044	359,631
<i>Weighted average number of ordinary shares outstanding fully diluted</i>	35,182,083	34,781,576
<i>Diluted earnings per ordinary share (in euros)</i>	0.55	5.13

Acquisitions in 2008

During the reporting year, Van Lanschot acquired the following companies:

Westerzee

On 1 January 2008, Van Lanschot took over Westerzee through acquisition of 100% of the shares from Westerzee France SARL. The acquisition was made in order to reinforce Van Lanschot's position as a bank for high net-worth individuals living in the Netherlands and abroad. Westerzee is a well-known name among Dutch high net-worth individuals in the South of France and specialises in the sale of insurance products and focuses on the same target group as Van Lanschot.

Buttonwood

On 1 October 2008, Van Lanschot Bankiers België NV took over Buttonwood through acquisition of 100% of the shares in Buttonwood, vermogensbeheerders NV. With this acquisition, Van Lanschot intends to strengthen the leading position of Van Lanschot België as a bank for high net-worth individuals in Belgium.

ING Private Banking Curaçao

On 31 December 2008, Van Lanschot Bankiers (Curaçao) NV took over ING Private Banking Curaçao through acquisition of the Private Banking operations of ING Bank NV at Curaçao. The acquisition was made in order to expand the client base and increase the Assets under Management at Van Lanschot Curaçao.

Strategic key issues

- Expanding the client base, product range and service independence;
- Reinforcing the distribution capability and network;
- Offering solutions to clients in need of international asset planning services, through global structuring and investing capital.

Purchase price and financing

The acquisitions of Westerzee, Buttonwood and ING Private Banking Curaçao have been disclosed according to IFRS 3 'Business Combinations'. The total takeover sum is € 14.8 million, including costs directly attributable to the takeover of € 0.4 million. The payment is made in cash, i.e. one part (€ 8.6 million) is paid immediately, another part (an expected € 2.1 million) in 2009, and the remainder (an expected € 4.1 million) in 2010. The acquisition is financed from internal funds.

The allocation of the acquisition price to the acquired assets (including identifiable intangible assets) and the conditional and other liabilities taken over, based on their fair values on the takeover date, and the goodwill that arose, are represented in the table on page 155.

Acquisitions in 2008

In thousands of euros

	<i>Fair value of acquisitions</i>	<i>Carrying amount of acquisitions</i>
<i>Cash and cash equivalents</i>	46,285	46,285
<i>Other financial assets</i>	46,506	46,506
<i>Property, plant and equipment</i>	18	18
<i>Intangible assets</i>	11,348	–
<i>Other assets</i>	17	17
Total identifiable assets	104,174	92,826
<i>Deferred tax liabilities</i>	–	–
<i>Other liabilities</i>	91,831	91,831
Total identifiable liabilities	91,831	91,831
Total net assets	12,343	995
<i>Costs directly attributable</i>	407	
<i>Goodwill</i>	2,466	
Purchase price exclusive of attributable costs	14,402	
<i>Purchase price</i>	– 14,809	
<i>Deferred payment</i>	6,201	
Gross cash payment	– 8,608	
<i>Total cash and cash equivalents taken over</i>	46,285	
Net cash payment	37,677	

Allocation of goodwill to cgus

The goodwill by virtue of these acquisitions is fully attributed to Private Banking.

Consolidated balance sheet by accounting policy at 31 December 2008

In thousands of euros

	For trading purposes	Designated at fair value through profit or loss	Held to maturity	Loans and advances	Available-for-sale	Financial assets or liabilities at amortised cost	Derivatives for hedge accounting	Total
Assets								
Cash and cash equivalents	–	–	–	–	–	584,215	–	584,215
Financial receivables from trading activities	62,716	–	–	–	–	–	–	62,716
Banks	–	–	–	902,081	–	–	–	902,081
Available-for-sale investments	–	–	–	–	894,639	–	–	894,639
Loans and advances to the public and private sectors	–	–	–	17,072,490	–	–	–	17,072,490
Financial assets designated at fair value through profit or loss	–	52,381	–	–	–	–	–	52,381
Derivatives	9,030	176,718	–	–	–	–	23,952	209,700
Investments in associates using the equity method	–	–	–	–	10,052	–	–	10,052
Current tax assets	–	–	–	–	–	79,610	–	79,610
Deferred tax assets	–	–	–	–	–	4,128	–	4,128
Prepayments and accrued income	–	–	–	–	–	217,975	–	217,975
Other assets	–	–	–	–	–	30,245	–	30,245
Total financial assets	71,746	229,099	–	17,974,571	904,691	916,173	23,952	20,120,232
Non-financial assets								571,664
Total assets	71,746	229,099	–	17,974,571	904,691	916,173	23,952	20,691,896
Liabilities								
Financial liabilities from trading activities	14,113	–	–	–	–	–	–	14,113
Banks	–	–	–	391,474	–	–	–	391,474
Public and private sector liabilities	–	–	–	15,318,420	–	–	–	15,318,420
Financial liabilities designated at fair value through profit or loss	–	22,452	–	–	–	–	–	22,452
Derivatives	9,884	171,671	–	–	–	–	132,066	313,621
Issued debt securities	–	–	–	–	–	1,761,142	–	1,761,142
Provisions	–	–	–	–	–	20,172	–	20,172
Current tax liabilities	–	–	–	–	–	10,467	–	10,467
Deferred tax liabilities	–	–	–	–	–	44,910	–	44,910
Accruals and deferred income	–	–	–	–	–	557,418	–	557,418
Other liabilities	–	–	–	–	–	63,291	–	63,291
Subordinated loans	–	–	–	–	–	630,306	–	630,306
Total financial liabilities	23,997	194,123	–	15,709,894	–	3,087,706	132,066	19,147,786
Non-financial liabilities								1,544,110
Total liabilities	23,997	194,123	–	15,709,894	–	3,087,706	132,066	20,691,896

Consolidated balance sheet by accounting policy at 31 December 2007

In thousands of euros

	For trading purposes	Designated at fair value through profit or loss	Held to maturity	Loans and advances	Available-for-sale	Financial assets or liabilities at amortised cost	Derivatives for hedge accounting	Total
Assets								
Cash and cash equivalents	–	–	–	–	–	525,480	–	525,480
Financial receivables from trading activities	83,666	–	–	–	–	–	–	83,666
Banks	–	–	–	2,884,995	–	–	–	2,884,995
Available-for-sale investments	–	–	–	–	839,512	–	–	839,512
Loans and advances to the public and private sectors	–	–	–	16,006,235	–	–	–	16,006,235
Financial assets designated at fair value through profit or loss	–	63,468	–	–	–	–	–	63,468
Derivatives	18,932	384,701	–	–	–	–	68,239	471,872
Investments in associates using the equity method	–	–	–	–	9,496	–	–	9,496
Current tax assets	–	–	–	–	–	2,287	–	2,287
Deferred tax assets	–	–	–	–	–	7,120	–	7,120
Prepayments and accrued income	–	–	–	–	–	211,450	–	211,450
Other assets	–	–	–	–	–	38,667	–	38,667
Total financial assets	102,598	448,169	–	18,891,230	849,008	785,004	68,239	21,144,248
Non-financial assets								574,586
Total assets	102,598	448,169	–	18,891,230	849,008	785,004	68,239	21,718,834
Liabilities								
Financial liabilities from trading activities	35,583	–	–	–	–	–	–	35,583
Banks	–	–	–	904,407	–	–	–	904,407
Public and private sector liabilities	–	–	–	14,596,804	–	–	–	14,596,804
Financial liabilities designated at fair value through profit or loss	–	18,243	–	–	–	–	–	18,243
Derivatives	16,373	345,760	–	–	–	–	25,510	387,643
Issued debt securities	–	–	–	–	–	3,015,960	–	3,015,960
Provisions	–	–	–	–	–	34,910	–	34,910
Current tax liabilities	–	–	–	–	–	2,933	–	2,933
Deferred tax liabilities	–	–	–	–	–	55,754	–	55,754
Accruals and deferred income	–	–	–	–	–	450,018	–	450,018
Other liabilities	–	–	–	–	–	64,529	–	64,529
Subordinated loans	–	–	–	–	–	465,451	–	465,451
Total financial liabilities	51,956	364,003	–	15,501,211	–	4,089,555	25,510	20,032,235
Non-financial liabilities								1,686,599
Total liabilities	51,956	364,003	–	15,501,211	–	4,089,555	25,510	21,718,834

Remuneration of the Board of Managing Directors and Supervisory Board

The amounts set out in the column 'Value of options and Depositary Receipts for Shares' in the table below relate to the options and depositary receipts for shares (for ordinary A shares) granted conditionally in the years 2006, 2007 and 2008. The trend in the earnings per share (an average growth of 10% per year over a 3-year period) determines whether they become unconditional. In 2008, none of the aforementioned options and depositary receipts for shares became unconditional (the options and depositary receipts for shares from 2006 were forfeited in view of the earnings per share in 2008). Under IFRS a reservation should be made for the options and depositary receipts for shares that were granted conditionally, which reservation is disclosed under staff costs.

For the amounts received in 2008 and other details, reference is made to the section on the Remuneration policy for members of the Board of Managing Directors, page 51 of the annual report.

Remuneration of the Board of Managing Directors in 2008

	Salary	Pension contributions	Variable income **	Total remuneration in cash	Value of options and depositary receipts for shares	Total
Total	1,795	704	413	2,912	235	3,147
<i>F.G.H. Deckers</i>	550	167	176	893	87	980
<i>H.H. Idzerda *</i>	255	237	51	543	- 7	536
<i>P.A.M. Loven</i>	330	100	55	485	9	494
<i>I.A. Sevinga</i>	330	100	79	509	137	646
<i>P.R. Zwart</i>	330	100	52	482	9	491

Remuneration of the Board of Managing Directors in 2007

	Salary	Pension contributions	Variable income ***	Total remuneration in cash	Value of options and depositary receipts for shares	Total
Totaal	1,769	650	1,245	3,664	935	4,599
<i>F.G.H. Deckers</i>	500	134	338	972	378	1,350
<i>H.H. Idzerda</i>	340	242	255	837	201	1,038
<i>P.A.M. Loven</i>	304	85	213	602	133	735
<i>I.A. Sevinga</i>	325	98	244	667	54	721
<i>P.R. Zwart</i>	300	91	195	586	169	755

* Mr H.H. Idzerda stepped down as member of the Board of Managing Directors on 1 October 2008, on account of reaching retirement age.

** This variable income will be paid in May 2009 after adoption of the financial statements 2008 by the Annual General Meeting of Shareholders.

*** This variable income was be paid in May 2008 after adoption of the financial statements for 2007 by the Annual General Meeting of Shareholders.

Number of options for depositary receipts for shares in 2008

	<i>Exercise price in euros</i>	<i>Balance 01 01 2008</i>	<i>Options granted</i>	<i>Options exercised</i>	<i>Balance 31 12 2008</i>
Total		138,733	29,088	98,941	68,880
<i>F.G.H. Deckers</i>					
<i>Unconditional options</i>	40.15	15,600	–	15,600	–
	51.04	–	23,230	–	23,230
<i>Conditional options</i>	51.04	23,230	–	23,230	–
	73.53	8,251	– 8,251	–	–
	65.77	11,040	–	–	11,040
			14,979	38,830	34,270
<i>H.H. Idzerda</i>					
<i>Unconditional options</i>	51.04	–	12,265	–	12,265
<i>Conditional options</i>	51.04	12,265	–	12,265	–
	73.53	4,357	– 4,357	–	–
	65.77	6,006	–	–	6,006
			7,908	12,265	18,271
<i>P.A.M. Loven</i>					
<i>Unconditional options</i>	51.04	–	4,645	4,645	–
<i>Conditional options</i>	51.04	4,645	–	4,645	–
	73.53	3,961	– 3,961	–	–
	65.77	5,299	–	–	5,299
			684	9,290	5,299
<i>I.A. Sevinga</i>					
<i>Conditional options</i>	65.77	5,741	–	–	5,741
			–	–	5,741
<i>P.R. Zwart</i>					
<i>Unconditional options</i>	30.14	9,800	–	9,800	–
	40.15	9,800	–	9,800	–
	51.04	–	9,478	9,478	–
<i>Conditional options</i>	51.04	9,478	–	9,478	–
	73.53	3,961	– 3,961	–	–
	65.77	5,299	–	–	5,299
			5,517	38,556	5,299

In addition to options for depositary receipts for shares in Van Lanschot, the members of the Board of Managing Directors also hold depositary receipts for shares in Van Lanschot.

Number of depositary receipts for shares held by the members of the Board of Managing Directors in 2008

	Balance 01 01 2008	Purchases	Sales	Balance 31 12 2008
Total	285,593	61,412	- 37,223	309,782
<i>F.G.H. Deckers</i>	43,000	22,855	- 3,500	62,355
<i>H.H. Idzerda</i>	-	2,247	-	2,247
<i>P.A.M. Loven</i>	1,885	5,496	- 4,645	2,736
<i>I.A. Sevinga *</i>	180,562	-	-	180,562
<i>P.R. Zwart</i>	60,146	30,814	- 29,078	61,882

Number of conditional depositary receipts for shares held by the members of the Board of Managing Directors in 2008

	Balance 01 01 2008	Commitments	Expired	Granted	Balance 31 12 2008
Total	21,558	18,976	- 5,287	- 9,089	26,158
<i>F.G.H. Deckers</i>	8,755	8,302	- 2,125	- 4,255	10,677
<i>H.H. Idzerda</i>	4,661	1,925	- 1,122	- 2,247	3,217
<i>P.A.M. Loven</i>	3,011	2,522	- 1,020	- 851	3,662
<i>I.A. Sevinga</i>	1,235	3,736	-	-	4,971
<i>P.R. Zwart</i>	3,896	2,491	- 1,020	- 1,736	3,631

In addition to conditional depositary receipts for shares granted to the members of the Board of Managing Directors, 14,289 conditional depositary receipts for shares were awarded to general managers in 2008 (2007: 18,434).

The following loans and advances were granted to members of the Board of Managing Directors at 31 December 2008:

Loans and advances to members of the Board of Managing Directors in 2008

	Balance 31 12 2008	Repayment in 2008	Interest	Term	Comments
Total	6,166	-			
<i>F.G.H. Deckers</i>	974	-	3.60%	20	mortgage
	976	-	3.25%	10	mortgage
	972	-	5.22%	3	DRs Van Lanschot/options
	350	-	6.15%	3	securities-based loan
<i>P.A.M. Loven</i>	600	-	3.25%	15	mortgage
	605	-	3.00%	10	mortgage
<i>P.R. Zwart</i>	491	-	4.57%	5	DRs Van Lanschot/options
	290	-	4.70%	10	mortgage
	908	-	3.00%	10	mortgage

* These are shares and depositary receipt for shares issued to Mr Sevinga on 2 January 2007 as consideration for selling his shares in Kempen & Co to Van Lanschot on the acquisition of Kempen & Co. These shares and depositary receipts for shares are subject to a lock-up period that ends on 1 January 2010.

The loans were granted in accordance with the regulation on credit facilities to directors and the employee banking services regulation. Loans and advances to members of the Board of Managing Directors and staff are subject to the same conditions and criteria. No guarantees were issued on behalf of members of the Board of Managing Directors at the balance sheet date.

Remuneration of the Supervisory Board

	Loans	2008	2007
Total	736	293	311
<i>B. de Vries (to 8-5-2008)</i>	none	18	44
<i>T. de Swaan (from 10-5-2007)</i>	none	48	29
<i>H.J. Bierma (to 8-5-2008)</i>	none	13	32
<i>M.W. Dekker (to 10-5-2007)</i>	none	–	19
<i>W.W. Duron (from 10-5-2007)</i>	none	34	23
<i>G.P. van Lanschot</i>	286	35	28
<i>Mevrouw T.M. Lodder</i>	450	35	32
<i>C.W. de Monchy</i>	none	34	36
<i>T.J. Peeters (to 10-5-2007)</i>	none	–	13
<i>A.J.L. Slippens (from 10-5-2007)</i>	none	36	21
<i>J.B.M. Streppel</i>	none	40	34

Related parties

The consolidated balance sheet and consolidated income statement include the subsidiaries mentioned below, excluding those of relatively minor significance.

Subsidiaries

Interest as a %	2008	2007
<i>F. van Lanschot Bankiers NV</i>	100%	100%
<i>Kempen & Co NV</i>	100%	100%
<i>Van Lanschot Bankiers België NV</i>	100%	100%
<i>Van Lanschot Bankiers (Luxembourg) SA</i>	100%	100%
<i>F. van Lanschot Bankiers (Schweiz) AG</i>	100%	100%
<i>Van Lanschot Bankiers (Curaçao) NV</i>	100%	100%
<i>F. van Lanschot Participaties I BV</i>	100%	100%
<i>Van Lanschot Mezzaninefonds BV</i>	100%	100%
<i>F. van Lanschot Trust Company BV</i>	100%	100%

Entities in which Van Lanschot has significant influence

Interest as a %	2008	2007
<i>Citadel 2007-I BV</i>	100%	100%
<i>Lancelot 2006 BV</i>	100%	100%

Affiliated parties

	Income	Expenses
<i>Stichting Pensioenfonds F. van Lanschot</i>	547	30

Related parties in 2008

	Income	Expense	Amounts Receivable	Amounts Payable
<i>Parties with a shareholding in Van Lanschot of at least 5%</i>				
Delta Lloyd	–	–	–	–
Friesland Bank	–	118	–	3,503
LDDM Holding	–	–	–	3,747
Pref B Van Lanschot Participatie	–	–	–	–
sns Reaal	–	–	75	–
Stichting Administratiekantoor van gewone aandelen A Van Lanschot	–	–	–	34
Stichting Pensioenfonds ABP	–	773	–	11,475
<i>Associates</i>				
Ducatus	–	–	–	–
<i>Shareholdings in which Van Lanschot is a participant</i>				
Van Lanschot Chabot	–	437	–	10,864
Instituut voor Ziekenhuis Financiering (IZF)	–	1,710	–	42,491
Impact Holding	1	–	–	30
Movares (formerly: Holland Rail Consult)	981	868	8,461	1,422
Heijmans	4	26	–	567

Parties with significant influence in Van Lanschot:

On 29 December 2008, Friesland Bank (through Vereniging Friesland Bank) reported a 24.60% interest in Van Lanschot by virtue of Article 5.3.3 of the Financial Supervision Act. This interest comprises both B shares and depositary receipts for A shares.

On 31 December 2008, LDDM Holding took over the interest held by La Dou du Midi bv in Van Lanschot. On 31 December 2008, LDDM Holding reported an 11.25% interest in Van Lanschot. This interest comprises both ordinary B shares and depositary receipts for ordinary A shares.

On 29 December 2008, Stichting Pensioenfonds ABP reported a 12.06% interest in Van Lanschot. This interest comprises ordinary B shares, preference A shares and depositary receipts for ordinary A shares.

On 3 August 2007, Stichting Administratiekantoor van gewone aandelen A Van Lanschot reported a 52.42% interest in Van Lanschot. This interest solely comprises ordinary A shares.

On 29 December 2008, Pref B Van Lanschot Participatie reported a 5.35% interest in Van Lanschot. This interest solely comprises preference B shares.

On 5 July 2007, Delta Lloyd (through Aviva plc) reported a 30.81% interest in Van Lanschot. At the moment on which it was reported, the interest comprised depositary receipts for ordinary A shares and ordinary B 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 at the moment of reporting.

Joint ventures in which Van Lanschot is a venturer

Van Lanschot does not have any joint ventures.

The loans to related parties were granted at market conditions and collateral was provided. No guarantees were issued for related parties. No impairments were recognised in the value of receivables from related parties (2007: nil).

Non-current liabilities

Lease agreements

Van Lanschot has included the following operating lease payments in the income statement under Other administrative expenses.

Lease agreements

By type	2008	2007
Total	19,918	19,096
<i>Minimum lease payments</i>	13,744	12,444
<i>Contingent rent</i>	6,174	6,652

Van Lanschot expects to include the following minimum payments concerning uncancellable lease and rental agreements in the years to come.

Expected payments for lease agreements

	31 12 2008	31 12 2007
Total	57,356	66,995
< 1 year	20,095	17,140
≥ 1 year < 5 years	30,720	38,197
≥ 5 years	6,541	11,658

Future liabilities

In millions of euros	31 12 2008	31 12 2007
<i>Contingent rent</i>		
<i>Rent for buildings (including service costs as well as rent for parking spaces)</i>	32.8	48.3
<i>Expected lease payments</i>		
<i>Car lease costs</i>	8.0	5.5
<i>Computer lease costs</i>	14.8	10.6
<i>Lease costs for copying equipment</i>	1.7	2.6

Other non-current liabilities

In 2008, an outsourcing contract was concluded for facility services. Under this contract, Van Lanschot committed itself for the period up to 2013 inclusive for an amount of € 41.2 million for the transfer of 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.

In the year under review, Van Lanschot also concluded an IT outsourcing contract for the management and maintenance of the IT infrastructures (servers, workplaces, network and telephony environment). In addition, this concerns the management, maintenance and development of all software applications in use within the bank. Under this contract, Van Lanschot committed itself for the period up to 2015 inclusive for an amount of € 212.0 million.

Segment information

The primary segment reporting format is based on business 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 segments.

Secondary information is reported geographically based on where the business segment is located. Intra-segment transactions do not occur.

- **Private Banking:** Van Lanschot offers high-income or high net-worth private individuals a broad range of products in the private banking market.
- **Asset Management:** The asset management services focus on high net-worth private individuals, institutions and the in-house funds.
- **Business Banking:** As an independent business bank Van Lanschot mainly focuses on medium-sized businesses in the corporate market, with a special interest in family businesses. Business Banking also comprises the activities of CenE Bankiers (healthcare).
- **Corporate Finance and Securities:** 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 the other activities in the field of interest rate, market and liquidity risk management and proceeds income and/or expenses that cannot be allocated to other segments.

Business segments 2008

In millions of euros	Private Banking	Asset Management	Business Banking	Corporate Finance and Securities	Other activities	Total
Income statement						
<i>Interest income</i>	674.0	0.8	374.8	0.6	297.4	1,347.6
<i>Interest expense</i>	470.2	–	255.4	–	327.9	1,053.5
<i>Interest</i>	203.8	0.8	119.4	0.6	– 30.5	294.1
<i>Income from securities and associates</i>	–	–	16.9	1.6	– 35.8	– 17.3
<i>Commission income</i>	114.3	38.6	19.0	48.3	4.5	224.7
<i>Commission expense</i>	1.5	0.3	–	4.4	0.8	7.0
<i>Commission</i>	112.8	38.3	19.0	43.9	3.7	217.7
<i>Profit on financial transactions</i>	1.6	0.7	6.5	3.7	– 13.4	– 0.9
Total income from operating activities	318.2	39.8	161.8	49.8	– 76.0	493.6
<i>Staff costs</i>	135.3	18.3	40.0	25.0	6.3	224.9
<i>Other administrative expenses</i>	99.4	7.3	34.6	10.6	10.4	162.3
<i>Depreciation and amortisation</i>	17.5	0.4	5.8	0.2	11.0	34.9
<i>Impairments</i>	6.7	0.5	12.0	–	31.1	50.3
Total expenses	258.9	26.5	92.4	35.8	58.8	472.4
<i>Operating profit before tax</i>	59.3	13.3	69.4	14.0	– 134.8	21.2
Balance sheet						
<i>Total assets</i>	10,958	139	7,192	166	2,237	20,692
<i>Total liabilities</i>	12,066	214	4,683	37	2,148	19,148

Business segments 2007

In millions of euros	Private Banking	Asset Management	Business Banking	Corporate Finance and Securities	Other activities	Total
Income statement						
<i>Interest income</i>	640.2	1.6	373.7	0.5	228.6	1,244.6
<i>Interest expense</i>	440.8	–	271.8	–	255.6	968.2
<i>Interest</i>	199.4	1.6	101.9	0.5	– 27.0	276.4
<i>Income from securities and associates</i>	–	–	8.5	–	19.0	27.5
<i>Commission income</i>	151.9	64.4	21.5	70.1	1.1	309.0
<i>Commission expense</i>	2.2	3.7	0.1	5.1	2.5	13.6
<i>Commission</i>	149.7	60.7	21.4	65.0	– 1.4	295.4
<i>Profit on financial transactions</i>	2.0	0.6	8.4	7.0	30.8	48.8
Total income from operating activities	351.1	62.9	140.2	72.5	21.4	648.1
<i>Staff costs</i>	131.4	27.9	43.8	33.7	11.8	248.6
<i>Other administrative expenses</i>	72.3	7.4	27.0	13.7	9.4	129.8
<i>Depreciation and amortisation</i>	14.9	0.3	5.2	0.1	15.9	36.4
<i>Impairments</i>	2.6	–	– 3.1	–	0.6	0.1
Total expenses	221.2	35.6	72.9	47.5	37.7	414.9
<i>Operating profit before tax</i>	129.9	27.3	67.3	25.0	– 16.3	233.2
Balance sheet						
<i>Total assets</i>	10,373	304	6,494	222	4,326	21,719
<i>Total liabilities</i>	10,479	592	4,580	79	4,302	20,032

Geographical segments 2008

In millions of euros	The Netherlands	Belgium	Other	Total
Income statement				
<i>Interest income</i>	1,216.7	88.1	42.8	1,347.6
<i>Interest expense</i>	957.0	74.3	22.2	1,053.5
<i>Interest</i>	259.7	13.8	20.6	294.1
<i>Income from securities and associates</i>	- 17.3	-	-	- 17.3
<i>Commission income</i>	197.6	13.6	13.5	224.7
<i>Commission expense</i>	5.7	0.8	0.5	7.0
<i>Commission</i>	191.9	12.8	13.0	217.7
<i>Profit on financial transactions</i>	- 2.0	0.3	0.8	- 0.9
Total income from operating activities	432.3	26.9	34.4	493.6
<i>Staff costs</i>	200.1	15.8	9.0	224.9
<i>Other administrative expenses</i>	149.6	7.5	5.2	162.3
<i>Depreciation and amortisation</i>	32.7	1.4	0.8	34.9
<i>Impairments</i>	48.1	2.2	-	50.3
Total expenses	430.5	26.9	15.0	472.4
<i>Operating profit before tax</i>	1.8	-	19.4	21.2
Balance sheet				
<i>Total assets</i>	18,382.7	155.1	2,154.2	20,692.0
<i>Total liabilities</i>	16,170.1	802.3	2,175.6	19,148.0

Geographical segments 2007

In millions of euros	The Netherlands	Belgium	Other	Total
Income statement				
<i>Interest income</i>	1,127.7	83.7	33.2	1,244.6
<i>Interest expense</i>	877.2	68.7	22.3	968.2
<i>Interest</i>	250.5	15.0	10.9	276.4
<i>Securities and associates</i>	27.5	-	-	27.5
<i>Commission income</i>	274.2	18.2	16.6	309.0
<i>Commission expense</i>	11.5	1.3	0.8	13.6
<i>Commission</i>	262.7	16.9	15.8	295.4
<i>Profit on financial transactions</i>	47.3	0.4	1.1	48.8
Total income from operating activities	588.0	32.3	27.8	648.1
<i>Staff costs</i>	225.4	15.2	8.0	248.6
<i>Other administrative expenses</i>	118.4	7.5	3.9	129.8
<i>Depreciation and amortisation</i>	34.6	1.2	0.6	36.4
<i>Impairments</i>	- 0.2	0.4	- 0.1	0.1
Total expenses	378.2	24.3	12.4	414.9
<i>Operating profit before tax</i>	209.8	8.0	15.4	233.2
Balance sheet				
<i>Total assets</i>	19,078.2	502.6	2,138.2	21,719.0
<i>Total liabilities</i>	18,236.5	1,131.1	664.4	20,032.0

Company balance sheet at 31 December 2008

*In thousands of euros***Assets**

	31 12 2008	31 12 2007
<i>Banks</i> ^a	150,796	–
<i>Investments in associates</i> ^b	1,225,659	1,372,932
<i>Other assets</i> ^c	22	–
Total assets	1,376,477	1,372,932

Equity and liabilities

	31 12 2008	31 12 2007
<i>Other current liabilities</i> ^d	130	6,211
<i>Subordinated loans</i> ^e	150,000	–
<i>Shareholders' funds</i> ^f	1,226,347	1,366,721
Total equity and liabilities	1,376,477	1,372,932

The letter beside each item refers to the relevant note to the company financial statements.

Company income statement for 2008

In thousands of euros

	2008	2007
Share of profit of associates	19,392	204,448
Other income	- 126	160
Net profit	19,266	204,608

Accounting policies for the company financial statements

The company financial statements of Van Lanschot are 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.

Notes to the company financial statements

a Banks

This item includes the receivables from group companies available on demand.

b Investments in associates

The consolidated associate, F. van Lanschot Bankiers NV, is carried at net asset value. The share of profit of this associate is recognised in the income statement under 'share of profit of associates'.

c Other assets

This item consists of items that cannot be included under any other balance sheet heading, such as the profit of associates still to be distributed and corporate income tax receivable.

d Other current liabilities

This item consists of income received to be credited to future periods, payroll tax payable, accrued interest and amounts to be settled with group companies.

e Subordinated loans

This includes the issue of € 150 million preference A and B shares in 2008. For more details, reference is made to note 26 of the consolidated financial statements.

f Shareholders' funds

Shareholders' funds	31 12 2008	31 12 2007
Total	1,226,347	1,366,721
Issued share capital	35,190	34,921
Repurchased shares	- 21,854	- 27,833
Share premium	315,293	310,217
Revaluation reserve	5,405	34,974
Currency translation differences	46	193
Other equity components	- 18,273	18,810
Other reserves	891,274	790,831
Undistributed profit	19,266	204,608

For the movements in shareholders' funds, reference is made to page 140 of the consolidated financial statements.

Remuneration of members 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, 19 March 2009

Supervisory Board

- T. de Swaan, *chairman*
- J.B.M. Streppel, *deputy chairman*
- W.W. Duron
- G.P. van Lanschot
- Ms T.M. Lodder
- C.W. de Monchy
- A.J.L. Slippens

Board of Managing Directors

- F.G.H. Deckers, *chairman*
- P.A.M. Loven
- I.A. Sevinga
- P.R. Zwart

To: the shareholders, the Supervisory Board and the Board of Managing Directors of Van Lanschot NV

Auditor's report

Report on the financial statements

Introduction

We have audited the accompanying financial statements 2008 of Van Lanschot NV, 's-Hertogenbosch. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company income statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 company'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 2008, 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 Netherlands 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 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 19 March 2009

Ernst & Young Accountants LLP

signed by M.A. van Loo

Profit appropriation

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 said transfer to the reserves is at the disposal of the General Meeting of Shareholders, on the understanding that distributions shall only be made on preference A shares and preference B shares if distributions are made on the ordinary shares as well. No further distributions shall be made on the preference C shares.

If the General Meeting of Shareholders resolves to distribute profit, a dividend of 7.5% will be distributed on the preference A shares and preference B shares, which is calculated annually based on an amount of € 43.50.

If the first issue of preference A shares and preference B shares takes place during the course of a financial year, the dividend for that financial year on those preference A shares and preference B shares will be reduced proportionately to the first day of issue (Article 32(5) and (6)).

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(11)).

If the General Meeting of Shareholders approves the dividend proposal set out in this annual report, the profit appropriation will be as follows:

In thousands of euros	2008	2007
Total	19,266	204,608
Addition to reserves	9,511	100,126
Dividend on ordinary A and B shares	9,755	104,482

The dividend on the preference shares is classified as interest under IFRS. In 2008, an amount of € 62,500 was recognised as an interest charge (see note 30).

* No Preference C shares are outstanding.

Events after the balance sheet date

Cost-cutting measures

The current economic trend, and in particular the negative sentiment on the stock exchanges, have resulted in a structurally lower income for Van Lanschot. For this reason, Van Lanschot will shortly take cost-cutting measures, such as the centralisation of a number of mid-office activities and a reduction in salaries.

The aggregate of efficiency measures taken will affect the jobs of about 150 FTEs. Expectations are that part of the employees involved will be re-employed within the bank. A number of jobs will be eliminated through attrition, but forced lay-offs for several dozen employees cannot be ruled out. Consultations are being held with the trade unions about a redundancy plan.

Stichting Pensioenfonds F. van Lanschot

Similar to other pension funds, Van Lanschot's pension fund has to submit a recovery plan to the Dutch Central Bank prior to 1 April 2009. The employer estimates that the additional charges resulting from this recovery plan will involve about € 10 million in 2009.

Stichting Administratiekantoor van gewone aandelen A Van Lanschot

In accordance with the provisions of Article 12 of the trust conditions of Stichting Administratiekantoor van gewone aandelen A Van Lanschot ('the trust office') as drawn up on 16 May 2006, we hereby report on our activities in 2008.

The Board met on six occasions in the reporting year. In addition to the developments on the financial markets and Van Lanschot's position, the Board discussed the composition of the Board of the trust office in its meeting of January.

Since Mr A.P.H. van Baardewijk and Mr J.D.R.A. Bax decided to step down and were not available for re-appointment, two vacancies on the Board arose in 2008. In its meeting of January, the Board decided that it intended to appoint Mr H.G. Van Everdingen as the successor for Mr van Baardewijk and to appoint Mr F.C.W. Briët as the successor of Mr Bax. These intended appointments were subsequently set out by the Board in the meeting of the holders of depositary receipts on 4 March 2008. The Board also afforded the meeting of holders of depositary receipts the opportunity to make a recommendation to fill said vacancies on the Board. The VEB, the Dutch Association of Shareholders, took this opportunity. A representative of the VEB explained the recommendation. Consultation of the holders of depositary receipts showed that the holders supported the Board's intention to appoint Mr van Everdingen as the successor of Mr van Baardewijk and Mr Briët as the successor of Mr Bax. At www.vanlanschot.nl the minutes of this meeting are available.

In its meeting of April, the Board appointed Mr van Everdingen as member of the Board of the trust office and as its chairman, and appointed Mr Briët as member of the Board of the trust office. Both were appointed for a period of four years. In this meeting, the Board discussed, among other things, the annual figures for 2007 of Van Lanschot and the way in which the voting rights attaching to the shares in the Company held by the trust office should be exercised at the General Meeting of Shareholders. The Board especially paid attention to the proposed adjustment of the remuneration policy. The Board subsequently attended the Annual Meeting of Shareholders of Van Lanschot on 8 May 2008. The meeting was attended by 38 holders of depositary receipts who had been issued a proxy by the trust office to exercise voting rights on behalf of 15,616,186 shares. This means that the trust office itself exercised voting rights on behalf of 3,374,289 shares, representing a total of 18% of the total number of votes exercised in respect of depositary receipts. After careful consideration, the Board decided to vote in favour of the items on the agenda put to the vote.

In its meeting of October, the Board discussed the 2008 half-year figures of Van Lanschot. The developments on the financial markets in general, and more specifically Van Lanschot's position were also discussed extensively. In addition, the Board also discussed the annual meeting of holders of depositary receipts. In prior years, the Board convened a meeting for these holders each year, in order to afford them the opportunity to make a recommendation for the appointment of a board member. In 2009, there will not be any retirements by rotation on the Board of the trust office. The Board therefore decide not to convene a meeting for the holders of depositary receipts in 2009. The next meeting of holders of depositary receipts for ordinary A shares in Van Lanschot NV will be held in 2010.

The holders of depositary receipts have been informed about this decision not to hold a meeting for the holders of depositary receipts in 2009 through an advertisement in het Financieele Dagblad and in the Official List of 6 February 2009. Furthermore, it was decided to restrict the activities of ANT Trust & Corporate Services NV ('ANT') to attending the meeting of the holders of depositary receipts and the General Meeting of Shareholders of Van Lanschot NV, where ANT will act as proxy for those holders that cannot attend the meeting and instead issue a voting instruction. With effect from 2009, the annual fee for the activities of ANT will be reduced substantially. Finally, in December, the Board talked about the intended issue of preference shares by Van Lanschot in order to strengthen its capital position. The Board also discussed the way in which the voting rights attaching to the shares in the Company held by the trust office should be exercised at the Extraordinary Meeting of Shareholders on 17 December 2008. The Board was subsequently present at this Extraordinary Meeting of Shareholders of Van Lanschot. This meeting was attended by 24 holders of depositary receipts, who had been issued a proxy by the trust office to exercise voting rights on behalf of 15,535,946 shares. This means that the trust office itself exercised voting rights on behalf of 4,925,724 shares, representing 24% of the total number of votes exercised in respect of depositary receipts. After careful consideration, the Board decided to vote in favour of the items on the agenda put to the vote.

The current members of the Board are:
 H.G. van Everdingen, *chairman*
 O.L.O. de Witt Wijnen, *deputy chairman*
 A.L.M. Nelissen
 F.C.W. Briët

The Chairman of the Board received remuneration of € 10,000 excluding VAT from the trust office in 2008; the other Board members received remuneration of € 7,500 excluding VAT. The other costs incurred by the trust office, chiefly administrative and legal costs, amounted to €11,603 in 2008.

On 31 December 2008, trust office held 20,461,670 ordinary A shares with a nominal value of € 1 each for which depositary receipts representing the same nominal value had been issued.

The administrative activities in connection with the meetings of holders of depositary receipts and the meetings of the General Meeting of Shareholders are conducted by ANT Trust & Corporate Services NV in 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.

The Board

's-Hertogenbosch, 8 February 2009

Information on the Board members

Mr van Everdingen is a former partner of Nauta Dutilh nv

Mr de Witt Wijnen is a former partner of Nauta Dutilh nv

Mr Nelissen is a former member of the Board of Management of
Dura Vermeer Groep nv

Mr Briët is Chairman of the Board of De Goudse nv

The Board of the trust office can be contacted through the
company's office:

Stichting Administratiekantoor voor gewone aandelen A

Van Lanschot

c/o Van Lanschot nv

Secretariat to the Board of Managing Directors

po Box 1021

5200 HC 's-Hertogenbosch

Telephone +31 73 548 30 49

Fax +31 73 548 35 20

Stichting Preferente aandelen C Van Lanschot

The Stichting Preferente aandelen C Van Lanschot ('the Stichting'), which has its seat in 's-Hertogenbosch, was founded on 28 December 1999.

A call-option agreement was signed by the Stichting and Van Lanschot nv, granting the Stichting 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. Upon Van Lanschot nv's issue of the preference C shares, the Stichting must pay up at least 25% of the nominal value of said shares upon their acquisition. Van Lanschot nv believes that the period during which preference C shares are outstanding should not take longer than necessary. In connection with this, the period within which Van Lanschot nv tables a motion at the General Meeting of Shareholders proposing the redemption of the preference C shares is one year maximum.

The Board appoints its own board members. The current members of the Board of the Stichting are:

A.A.M. Deterink, *chairman*
 J.V.H. Pennings, *deputy chairman*
 F.H.J. Boons
 P.J.J.M. Swinkels

The Board of the Stichting met on one occasion, in June 2008. In addition to the general course of affairs at Van Lanschot, the Board discussed the following subjects during its meeting: the annual figures for 2007, the negative sentiment on the stock exchanges, as well as Van Lanschot's risk profile.

The chairman of the Board received remuneration of € 10,000 excluding VAT from the Stichting in 2008; the other Board members received remuneration of € 7,500 excluding VAT. The other costs incurred by the Stichting, chiefly charges incurred in relation to its stand-by credit facility, amounted to € 20,514 in 2008.

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.

Information on the Board members

Mr Deterink is an attorney and a partner at the law firm Holland Van Gijzen

Mr Pennings is a former Chairman of the Board of Executive Directors of Océ nv

Mr Boons is a former President of the Board of Directors of Vado Beheer bv

Mr Swinkels is former Chairman of the Board of Directors of Bavaria nv

The Board

's-Hertogenbosch, 27 February 2009

Information by virtue of the Decree implementing Article 10 of the Takeover Directive

In 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), further regulations are formulated about the content of the annual report. In the list below, the required information and the place where this information can be found in the Financial Review 2008 are set out:

- a. The structure of the capital of Van Lanschot nv, the indication of different classes of shares, and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents. Refer to page 9, 'Information for shareholders', the section 'Capital structure and shares'.
- b. Any restrictions by Van Lanschot nv on the transfer of shares or depositary receipts for shares issued with the concurrence of Van Lanschot nv. Refer to page 11, 'Information for shareholders', the section 'Transfer of shares and depositary receipts for shares'.
- c. Shareholdings in Van Lanschot nv to which a disclosure obligation applies as per section 5.3.3 of the Financial Supervision Act (Wft). Refer to page 8, 'Information for shareholders'.
- d. Any special control rights attaching to shares and the name of the person entitled. Refer to page 9, 'Information for shareholders', the section 'Large shareholders'.
- e. The system of control of any employee share scheme where the control rights are not exercised directly by the employees. Refer to page 51, 'Remuneration policy for members of the Board of Managing Directors' and page 11 'Information for shareholders', the section 'Share plans'.
- f. Any restrictions on voting rights, deadlines for exercising voting rights and the issue of depositary receipts for shares issued with the concurrence of Van Lanschot nv. Refer to page 49, 'Corporate Governance', the section 'Capital and shares' and page 179, 'Stichting Administratiekantor van gewone aandelen A Van Lanschot'.
- g. Any agreements between shareholders which are known to Van Lanschot nv and may result in restrictions (i) on the transfer of securities or of depositary receipts for shares issued with the concurrence of the Company, or (ii) on the voting rights. Insofar as is known to Van Lanschot nv, no agreements were concluded between shareholders within the meaning of this provision.
- h. The rules governing the appointment and dismissal of board members and supervisory directors and the amendment of the Articles of Association. Refer to page 13, 'Information for shareholders', the section 'Amendment of the Articles of Association' and page 49, 'Corporate Governance', the sections 'Board of Managing Directors' and 'Supervisory Board'.
- i. The powers of board members, and in particular the power to issue shares in the company and to repurchase shares. Refer to page 11, 'Information for shareholders', the section 'Issue of shares' and page 11 'Information for shareholders', the section 'Repurchase of shares'.
- j. Any significant agreements to which Van Lanschot nv is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, within the meaning of section 5:70 of the Financial Supervision Act (Wft). The shareholders' agreement concluded by F. van Lanschot Bankiers nv with De Goudse nv, within the scope 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, under certain circumstances, the right 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).
- k. Any agreements between Van Lanschot nv and one of its board members or an employee providing for compensation upon termination of the employment because of a takeover bid within the meaning of Section 5:70 of the Financial Supervision Act (Wft). Van Lanschot nv has not concluded any agreements with one of its board members or an employee providing for compensation upon termination of the employment because of a takeover bid within the meaning of Section 5:70 of the Financial Supervision Act (Wft).

Personal details of members of the Supervisory Board

T. de Swaan (1946) *Chairman*

Nationality: Dutch

Appointed on 10 May 2007; due to step down in 2011

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

Other supervisory directorships: Koninklijke DSM, Koninklijke Ahold

Other positions: Member of the Board of Zurich Financial Services, member of the Board of GlaxoSmithKline Plc, treasurer of the Board of Koninklijk Concertgebouworkest, chairman of the Board of Van Leer Jerusalem Institute, chairman of the Advisory Council of Rotterdam School of Management Erasmus University, treasurer of the Board of Antoni van Leeuwenhoek Hospital/ Netherlands Cancer Institute, member of the Advisory Council of MS Centre Amsterdam, member of the Board of International Franz Liszt Piano Concours

J.B.M. Streppel (1949) *Deputy chairman*

Nationality: Dutch

Appointed on 11 May 2005; due to step down in 2009.

Member of the Executive Board of Aegon NV

Other supervisory directorships: KPN NV and EFRAG

Other positions: Member of the Board of Pantar Group, member of the Committee of Listed Companies of Euronext Exchanges, chairman of the Financial Affairs Committee of the Association of Insurers, chairman of CEA ECOFIN, chairman of Stichting Stemmen bij Volmacht, member of the Corporate Governance Code Monitoring Committee, chair of the board of the Duisenberg School of Finance

W.W. Duron (1945)

Nationality: Belgian

Appointed on 10 May 2007; due to step down in 2011.

Honorary Chairman of KBC Group NV

Other positions: Member of the Board of Ravago Plastics, member of the Board of Van Breda Risk & Benefits, member of the Board of Tigenix, member of the Board of Katholieke Universiteit Leuven, chairman of the Audit Committee of Katholieke Universiteit Leuven, member of the Board of University Centre Kortenberg, member of the Board of W&K (a consortium of five colleges of advanced education), member of the Board of University Hospitals Leuven, member of the board of Agfa-Gevaert

G.P. van Lanschot (1964)

Nationality: Dutch

Appointed on 10 May 2006; due to step down in 2010.

Previously employed in various positions at ABN AMRO Bank

Ms T.M. Lodder (1948)

Nationality: Dutch

Appointed on 11 May 2005; due to step down in 2009.

Director of De Nederlandse Opera and chairperson of the Board of Stichting Het Muziektheater, Amsterdam

Other supervisory directorships: NV Nederlandse Spoorwegen, I Care Productions

Other positions: Member of the Supervisory Committee of Maastricht University, member of the General Council of Stichting Praemium Erasmianum, member of the Board of SLAA, member of the Board of vsb Fonds, member of the board of yo! International Youth Opera Festival

C.W. de Monchy (1950)

Nationality: Dutch

Appointed on 10 December 1998; due to step down in 2011.

Attorney and civil-law notary, former member of the Board of Management of De Brauw Blackstone Westbroek NV

Other positions: Various directorships in Rotterdam

A.J.L. Slippens (1951)

Nationality: Dutch

Appointed on 10 May 2007; due to step down in 2011

Chairman of the Executive Board of Sligro Food Group NV

Other supervisory directorships: Stiho Groep BV, Groeneveld Intersafe BV, Simac Techniek NV, Pacombi Beheer BV, Cooperatieve Bloemenveiling Flora Holland U.A., Siebel Beheer BV

Other positions: Member of the Board of Stichting Administratiekantoor Exa Holding, member of the Board of Stichting Administratiekantoor Beccus

Personal details of members of the Board of Managing Directors

F.G.H. Deckers (1950) *Chairman*

Nationality: Dutch

Appointed on 1 January 2004. Term of office expires on 1 January 2012.

Areas of responsibility: Secretariat to the Board of Managing Directors (Legal Affairs/Compliance/Corporate Communication), Human Resources Management, Strategy, Group Audit, Van Lanschot Belgium

Other positions: Member of the Supervisory Board of IBM Nederland NV, member of the Supervisory Board of Springpaardenfonds Nederland BV, member of the Supervisory Board of SBM Offshore NV, member of the Board of the Netherlands Bankers' Association, member of the Supervisory Committee of Siebold Huis, member of the Supervisory Committee of Stichting Alzheimer Nederland, member of the Advisory Council for Active Issuers of Euronext Amsterdam NV and member of the Advisory Council of Woman Capital

P.A.M. Loven (1956)

Nationality: Dutch

Appointed on 1 August 2005. Term of office expires on 1 August 2009.

Areas of responsibility: Operations, Corporate Facility Management, Corporate Purchasing Management, Financial Control, Tax Affairs, Treasury, Information Technology Management, Drive! project, Van Lanschot Curacao

Other position: Member of the Supervisory Board of Van Lanschot Chabot Holding BV

I.A. Sevinga (1966)

Nationality: Dutch

Appointed on 22 January 2007. Term of office expires on 1 January 2011.

Areas of responsibility: Risk Management, Marketing & Product Management, Kempen & Co

Other position: Treasurer of the KNHS (Royal Dutch Equine Sports Federation)

P.R. Zwart (1954)

Nationality: Dutch

Appointed on 12 June 1998. Term of office expires on 1 January 2010.

Areas of responsibility: Private Banking (including International Private Banking and Trust), Business Banking (including Healthcare CenE Bankiers), Van Lanschot Luxembourg, Van Lanschot Switzerland

Other positions: Member of the Supervisory Board of Handelonderneming Rob Reigwein BV, member of the Supervisory Board of Riemersma Leasing BV, member of the Supervisory Board of P&O Groep BV, member of the Supervisory Board of Kempen & Co NV, member of the Supervisory Board of Van Lanschot Chabot Holding BV and treasurer of the Dutch Bridge Federation

Overview of general managers, members of the Employees' Council and Advisory Councils

General managers

H.J. Agterberg
 K.H. Aulman
 P.M. Bakker
 A.J.J. Barends
 H.J.J. Debrauwer
 M. Elsinghorst
 C.M. den Engelsen
 P.W.A. van Galen
 Ms C.E. Habes
 J. Hak
 A.T.M. Huigen
 J.J.M. Jacobs
 C.H.A. Kuijpers
 F.P. Mannaerts
 W. Meiss
 Ms T.L. Nagel
 J.C. Rietvelt
 A.C. Smits
 P.A.J. Verbaas
 G. Verlodt
 S.G. van de Vusse

Members of the Employees' Council

R.C. Labadie, *chairman*
 W.P.J. Kuppens, *deputy chairman*
 R. Geel, *secretary*
 Ms C.A.M. Bicané – Doomernik
 J.W. Bok
 J.A.H. Bosman
 B.L.M. Jansen
 A.J. van Luijk
 R.H.M. van Rijen
 Ms A.A.V. van Rossum
 J.A. Sanders
 P.R.J.M. Tijhuis

Members of the Advisory Council

A.F.A.J. Wigmans, *chairman*
 J.H.A. Bolhuis
 W.H. Gispen
 B. Groenhof
 A. Schouwenaar

Members of the Advisory Council Healthcare

F.J.M. Werner, *chairman*
 A.J. Adriaansen
 G.H.B. Blijham
 M. Dutrée
 M.A.M. Leers
 E.A.R.J. Lohman
 J. Maljers
 A.J. Modderkolk
 Ms J. Schraeverus

Principal subsidiaries

F. van Lanschot Bankiers nv

Hooge Steenweg 27-31
5211 JN 's-Hertogenbosch
Telephone +31 73 548 35 48
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Kempen & Co nv

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1077 wz Amsterdam
Telephone +31 20 348 80 00
www.kempen.nl

Management:

J.W. Meeuwis
M.C.T. van de Coevering
P.A.M. Gerla
F.J.S.M. Verhees

Van Lanschot Bankiers België nv

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Belgium
Telephone +32 3 286 78 00
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Management Committee:

G. Verlodt
F. Laureyssens
L. Wouters

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Willemstad, Curaçao
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Management:

W.Th. van Ewijk
R.S. Mijnheer

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Luxembourg
Telephone +352 3 19 91 11
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Management:

Ms J.C.M. Nijsen
P.J.H. Hermse

F. van Lanschot Bankiers (Schweiz) ag

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Switzerland
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Management:

J.J. Vink
A.A. Frei

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Management:

Ms M. Gholghesaei

Branches in the Netherlands

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E. Meiring, *Director of Private Banking*

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Management:
J.J. Ammerdorffer

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Ms F.E. van Citters

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S.J. Koetzier, *Director of Private Banking*

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G.J. Vink

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R.C.K. Schoutens, *Director of Private Banking*

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3311 LP Dordrecht
Telephone: +31 78 632 14 14

Management:
R.C.K. Schoutens

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M. Rosendaal, *Director of Private Banking*

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Hogelandsingel 9
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J.H.J. van Aken, *Regional director of Business Banking*
G.J. Vink, *acting Director of Private Banking*

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W.N.M. Aarts

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Ms A.E.W. Huitink-Jacobs

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's-Hertogenbosch

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J.J.F. Mannaerts, *Director of Private Banking*
J.A.C. Horsten, *Director of Private Banking*

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Management:
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B.L.J.M. Noy, *Director of Private Banking*

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Ms W.B.E.P. Janssen Duighuizen,
Director of Private Banking

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Management:

R.J.T. van den Wildenberg, *Regional director of Business Banking*
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R.F.M. Ruijgrok

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Management:

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P. Cranshoff

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Management:
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Management:
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Management:
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Management:
R. Flipse

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Management:
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Institutional Clients

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Management:
P. Versaen

Glossary

Amortised cost The amount for which financial assets or liabilities are initially recognised minus instalment, 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 management contract, irrespective of whether these assets are held in funds, deposits or cash, inclusive of Index Guarantee Contracts (IGCs) and structured products.

Assets under management Assets deposited with Van Lanschot by business relations for custody. 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 advised assets under the agreement concluded, for which the investment consultant of Van Lanschot advises the client relative to the investment policy, irrespective of whether these assets are held in funds.

Basel III The new framework drawn up by the Basel Committee on Banking Supervision which sets minimum capital requirements for banks.

bis core Tier I ratio The Tier I capital of the bank as a percentage of risk-weighted assets. The bank's Tier I capital is share capital, share premium account and other reserves.

bis Tier I ratio The ratio between Tier I capital including perpetual loans and risk-weighted assets.

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).

Capital adequacy The financial resilience of a bank expressed as a percentage of risk-weighted assets.

Cash flow hedges (hedge accounting) Van Lanschot has issued a number of debt securities with a variable interest rate based on a long-term interest rate (interest is for instance based on the 10-year interest rate and is re-priced every six months). In order to cover part of the risk on such debt securities, swaps are concluded. These swaps are included in a one-on-one relation in a hedge accounting relation. Upon conclusion of these swaps, the margin between the long-term variable interest and the short-term variable interest is fixed. This means that on balance Van Lanschot pays the variable interest plus a fixed mark-up. These swaps have the same term and in general the same interest characteristics as the issued debt securities, which means that the ineffectiveness within a hedge relation is minor.

Closely related derivative A derivative embedded in a contract, i.e. an embedded derivative, is separately measured if there is no close connection between the economic properties of the embedded derivative and the financial contract of which it forms

part. 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 a not closely related embedded derivative is when interest payment and redemption are linked to a share index.

Credit derivatives Credit default swaps, for which 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 relative to, for instance, securities transactions.

Cross currency swaps A Cross Currency Swap is 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 options 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.

Derivative A derivative is 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 (fair value), conditions and price are determined between Van Lanschot and the counterparties (OTC derivatives), as well as standardised derivatives negotiable on organised markets.

Derivatives structured products Derivatives structured products are options acquired by Van Lanschot to hedge structured products sold to clients.

Duration of shareholders' funds This represents the interest sensitivity of shareholders' funds and it indicates the effect of a 1% interest change on shareholders' funds.

Economic hedges Economic hedges are derivatives to manage risks without applying hedge accounting. Economic hedges are carried at fair value and mostly concern interest rate derivatives.

Efficiency ratio Operating expenses as a percentage of total income.

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,

i.e. 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.

f-irb Foundation Internal Ratings Based approach; an advanced approach for determining the minimum capital requirement to cover credit risks.

Forward Rate Agreement (fRa) A FRA is an agreement between two parties, a buyer and a seller. They agree to settle in the future the difference between an interest rate level set in advance and an interest rate level set in the future. The agreement has a predetermined term. A buyer of a FRA fixes the interest for a certain term in the future.

Forwards Forwards are 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.

Funding ratio The funding ratio represents the ratio between public and private sector liabilities and total loans and advances (excluding bank borrowing and lending).

Futures Futures are contractual obligations to purchase or sell goods or financial instruments at a future date at a pre-determined 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 realised on the market.

Hedge Protecting a financial position against certain risks 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 property, plant or equipment has to be valued lower, because the fair value is lower than the carrying amount.

Interest rate options An interest rate option is an agreement between a buyer and a seller, under which the seller guarantees the buyer a cap or floor interest rate for a certain term.

Interest rate risk The risk that the profit and shareholders' funds 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 swap is a contract in which two parties exchange interest payments during a pre-agreed term and principal amount. The face value itself is not exchanged. All swaps in the records of Van Lanschot are OTC derivatives. 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 on the basis of a benchmark interest rate (usually Euribor). In addition, Van Lanschot has a number of swaps in its accounts, where variable cash flows are exchanged for cash flows

for which the 10-year swap interest rate is determined every six months.

International Financial Reporting Standards (ifrs) Accounting and reporting standards drawn up by the International Accounting Standards Board. These standards have been adopted by the EU which has determined that they must be applied by all listed companies in the EU from the financial year 2005.

Liquidity risk Testing liquidity requirements focuses on ensuring that there are sufficient liquid assets available to meet current liabilities on time and without major losses.

Long 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. Amounts receivable on the stock exchange are disclosed under Financial assets designated at fair value through profit or loss and are exactly equal to the liabilities vis-à-vis clients which are disclosed under Financial liabilities designated at fair value through profit or loss.

Market risk The risk that the value of a financial position changes as a result of stock exchange price, foreign exchange or interest rate movements.

mifideu Markets in Financial Instruments Directive; this Directive introduces new legislation for investment companies and financial markets, and came into effect on 1 November 2007.

Non-performing loans Loans on which interest and/or repayments have not been made for more than ninety days and where there is inadequate security in the form of collateral.

Operational risk Possible losses as a result of inadequate or defective internal processes, people or systems or external events.

Perpetual loan A loan with no maturity date that counts as Tier I capital when determining capital adequacy.

Portfolio fair value hedges (hedge accounting) A portfolio fair value hedge comprises one or more caps (interest-rate options) jointly concluded in order to cover the interest rate risk of a portfolio of mortgages with an embedded cap. The fair value of these guaranteed mortgages is affected by the interest rate level, similar to the valuation of caps concluded by Van Lanschot. The guaranteed mortgages are divided into term buckets and within these term buckets the expected early repayment of mortgages is taken into account. Since the actual early repayment differs from the expected repayment, the strike rates of the guaranteed mortgages are not exactly the same as the strike rates of the caps purchased by Van Lanschot and the guaranteed mortgages are not always divided equally over the term bucket, minor ineffectiveness occurs within the various portfolios.

Qualifying capital The total of Tier I capital (including perpetual loans) and Tier II capital (revaluation reserves and certain subordinated loans less deductible items in accordance with the guidelines of the Dutch Central Bank).

raroc (Risk Adjusted Return on Capital) The risk-weighted return divided by BIS capital. This ratio gives good insight into the profitability of the operating activities.

Return on shareholders' funds Net profit as a percentage of shareholders' funds, excluding the effect of perpetual loans.

Solvency The bank's buffer capital expressed as a percentage of risk-weighted assets.

Strategic risk The existing or future threat to the bank's result or shareholders' funds resulting from not or inadequately anticipating changes in the environment and/or from taking incorrect strategic decisions.

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.

wacc (Weighted Average Cost of Capital) The wacc is 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. It came into effect on 1 January 2007 and replaces eight existing supervisory laws, such as the Financial Services Act (Wfd).

