

# Van Lanschot Kempen Financial report

2017 ANNUAL RESULTS

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**KEY DATA<sup>1</sup>**

Deviating from their recognition in our (IFRS) financial statements, non-strategic investments, costs related to our Strategy 2020 investment programme, amortisation of intangible assets as a result of acquisitions and the derivatives recovery framework are shown separately.

<i>(x € m)</i>	2017	2016		H2 2017	H1 2017
<b>Statement of income</b>					
Net result	94.9	69.8	36%	32.7	62.3
Underlying net result	112.3	81.3	38%	42.7	69.6
Efficiency ratio excluding special items (%) <sup>2</sup>	76.2	79.6		81.8	71.1

<i>(x € m)</i>	31/12/2017	31/12/2016		30/6/2017	
<b>Statement of financial position and capital management</b>					
Equity attributable to shareholders	1,333	1,340	-1%	1,350	-1%
Equity attributable to non-controlling interests	16	13	21%	15	7%
Savings and deposits	9,145	9,680	-6%	9,387	-3%
Loans and advances to clients	9,103	9,624	-5%	9,470	-4%
Total assets	14,659	14,877	-1%	14,952	-2%
Funding ratio (%)	100.5	100.6		99.1	
Risk-weighted assets	4,979	5,623	-11%	5,359	-7%
Common Equity Tier I ratio (fully loaded) (%) <sup>3</sup>	20.3	18.6		19.6	
Common Equity Tier I ratio (phase-in) (%) <sup>3</sup>	20.5	19.0		19.9	
Tier I ratio (fully loaded) (%) <sup>3</sup>	20.3	18.6		19.7	
Total capital ratio (fully loaded) (%) <sup>3</sup>	22.1	19.5		20.6	
<b>Basel III</b>					
Liquidity coverage ratio (%)	163.6	156.6		177.0	
Net stable funding ratio (%)	129.2	130.6		129.3	
Leverage ratio (fully loaded) (%) <sup>3</sup>	6.7	6.9		7.0	

<i>(x € bn)</i>	31/12/2017	31/12/2016		30/6/2017	
<b>Client assets</b>	83.6	69.4	21%	72.0	16%
- Assets under management	69.2	54.6	27%	57.1	21%
- Assets under monitoring and guidance <sup>4</sup>	3.5	3.0	16%	3.0	16%
- Assets under administration	1.8	2.1	-14%	2.5	-28%
- Savings and deposits	9.1	9.7	-5%	9.4	-3%

	2017	2016		H1 2017
<b>Key figures</b>				
Weighted average of outstanding ordinary shares (x 1,000)	40,960	40,908		40,976
Underlying earnings per share (€)	2.61	1.89	38%	1.63
Return on average Common Equity Tier I capital (%) <sup>5</sup>	10.4	7.3		12.5
Number of staff (FTEs at period end)	1,658	1,670	-1%	1,647

<sup>1</sup> Total figures may not add up due to rounding. Percentages are calculated from unrounded figures.

<sup>2</sup> Operating expenses (and so the efficiency ratio) in 2017 and 2016 exclude costs incurred for our Strategy 2020 investment programme, the amortisation of intangible assets arising from acquisitions, and a one-off charge for the derivatives recovery framework.

<sup>3</sup> Full-year (2016 and 2017) including retained earnings; half-year 2017 excluding retained earnings.

<sup>4</sup> In 2017, within Asset Management we introduced AuMG as a new asset category. AuMG refers to portfolios that are only subject to monitoring, plus minor advisory and related services. Clients make their own decisions and Asset Management has little or no influence in their running. As a result, some portfolios were moved from AuM to AuMG. Comparative figures for 2016 have been adjusted accordingly.

<sup>5</sup> Based on the underlying net result.

**RESULTS**

<i>(x € m)</i>	2017	2016		H2 2017	H1 2017
Commission	267.0	243.7	10%	134.7	132.3
- Of which securities commissions	230.6	200.5	15%	118.3	112.3
- Of which other commissions	36.3	43.2	-16%	16.4	19.9
Interest	196.6	212.9	-8%	93.0	103.6
Income from securities and associates	37.0	29.2	27%	7.4	29.7
Result on financial transactions	14.1	-3.9		6.9	7.2
<b>Income from operating activities</b>	<b>514.8</b>	<b>481.8</b>	<b>7%</b>	<b>242.0</b>	<b>272.7</b>
Staff costs <sup>6</sup>	236.0	227.4	4%	120.7	115.4
Other administrative expenses	150.2	146.5	3%	74.9	75.3
Depreciation and amortisation <sup>7</sup>	5.8	9.8	-41%	2.4	3.3
<b>Operating expenses</b>	<b>392.1</b>	<b>383.6</b>	<b>2%</b>	<b>198.0</b>	<b>194.0</b>
<b>Gross result</b>	<b>122.7</b>	<b>98.2</b>	<b>25%</b>	<b>44.0</b>	<b>78.7</b>
Addition to loan loss provision	-11.9	-6.9	73%	-9.9	-1.9
Other impairments	-2.6	1.1		-3.0	0.5
<b>Impairments</b>	<b>-14.4</b>	<b>-5.8</b>	<b>148%</b>	<b>-13.0</b>	<b>-1.5</b>
Operating profit before tax of non-strategic investments	12.6	7.4	70%	5.6	7.0
<b>Operating profit before special items and tax</b>	<b>149.8</b>	<b>111.4</b>	<b>34%</b>	<b>62.6</b>	<b>87.2</b>
Strategy 2020 investment programme	21.4	7.3	196%	11.7	9.7
Derivatives recovery framework	1.7	8.0	-78%	1.7	-
Amortisation of intangible assets arising from acquisitions	6.1	3.1	93%	3.4	2.7
Other one-off charges	-	7.2	-100%	-	-
<b>Operating profit before tax</b>	<b>120.5</b>	<b>85.8</b>	<b>40%</b>	<b>45.8</b>	<b>74.7</b>
Income tax	25.6	16.0	60%	13.1	12.4
<b>Net result</b>	<b>94.9</b>	<b>69.8</b>	<b>36%</b>	<b>32.7</b>	<b>62.3</b>
<b>Underlying net result</b>	<b>112.3</b>	<b>81.3</b>	<b>38%</b>	<b>42.7</b>	<b>69.6</b>

**UNDERLYING NET RESULT**

<i>(x € m)</i>	2017	2016		H2 2017	H1 2017
<b>Net result</b>	<b>94.9</b>	<b>69.8</b>	<b>36%</b>	<b>32.7</b>	<b>62.3</b>
Strategy 2020 investment programme	21.4	7.3		11.7	9.7
Derivatives recovery framework	1.7	8.0		1.7	-
Tax effects	-5.8	-3.8		-3.4	-2.4
<b>Underlying net result</b>	<b>112.3</b>	<b>81.3</b>	<b>38%</b>	<b>42.7</b>	<b>69.6</b>

<sup>6</sup> From 2017, the presentation of travelling expenses for staff travelling to their place of work is included in Staff costs instead of Other administrative expenses. The comparative figures for 2016 have been adjusted accordingly.

<sup>7</sup> In the figures for 2016, amortisation of intangible assets arising from acquisitions is treated as a special item rather than as part of Depreciation and amortisation.

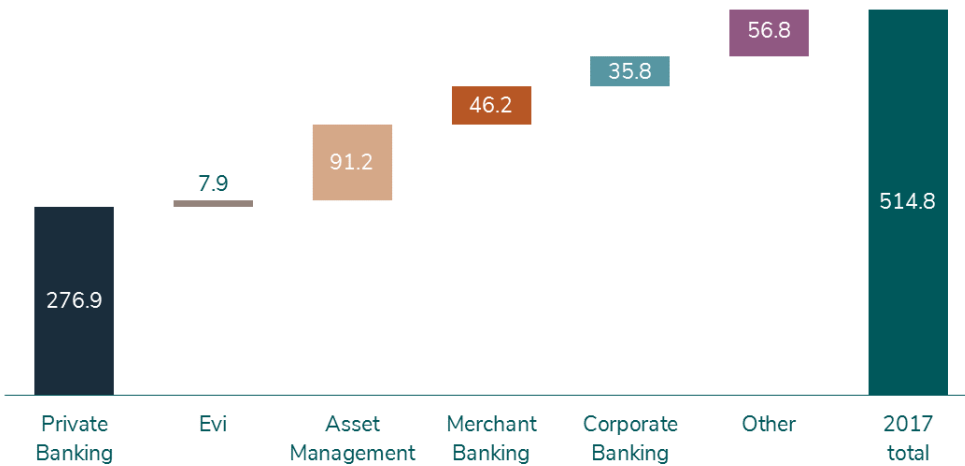
## INCOME FROM OPERATING ACTIVITIES

Total income from operating activities rose by 7% to €514.8 million. This was mainly as a result of growth in securities commissions (up by 15%) and the result on financial transactions (+ €18.1 million). Interest income was lower due to margin pressure and a smaller loan portfolio.

Private Banking, Evi, Asset Management and Merchant Banking generated 82% of total income, with Van Lanschot Kempfen's core activities accounting for 99% of commission income (at par with 2016) and 83% of interest income (2016: 79%).

### Income from operating activities by segment

x € m



All operating activities made positive contributions, except for Evi. As expected, Evi did not yet record a positive net result in 2017, due to its capital spend charged directly to profit and loss. The strong net result for Other was mainly driven by income from securities and associates of €38.3 million. The underlying net result is the 2017 net result adjusted for the costs related to the Strategy 2020 investment programme and the derivatives recovery framework (total €23.1 million gross).

### Underlying net result

x € m



2017 (x € m)	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other	Total
Commission	124.5	4.5	92.5	41.7	2.6	1.1	267.0
Interest	151.4	3.3	0.0	0.0	33.1	8.8	196.6
Other income	1.0	0.0	-1.3	4.5	0.0	46.9	51.2
<b>Income from operating activities</b>	<b>276.9</b>	<b>7.9</b>	<b>91.2</b>	<b>46.2</b>	<b>35.8</b>	<b>56.8</b>	<b>514.8</b>
Staff costs	96.5	4.6	39.6	23.4	5.7	66.2	236.0
Other administrative expenses	51.3	7.9	21.9	8.0	0.5	60.8	150.2
Allocated internal expenses	57.9	7.0	10.9	9.2	12.1	-97.0	0.0
Depreciation and amortisation	1.3	0.0	0.1	0.0	0.0	4.3	5.8
<b>Operating expenses</b>	<b>207.0</b>	<b>19.5</b>	<b>72.5</b>	<b>40.6</b>	<b>18.3</b>	<b>34.1</b>	<b>392.1</b>
<b>Gross result</b>	<b>69.9</b>	<b>-11.6</b>	<b>18.7</b>	<b>5.6</b>	<b>17.5</b>	<b>22.7</b>	<b>122.7</b>
Impairments	-3.2	0.0	0.0	0.0	-6.0	-5.2	-14.4
Operating profit before tax of NSIs	0.0	0.0	0.0	0.0	0.0	12.6	12.6
<b>Operating profit before special items and tax</b>	<b>73.1</b>	<b>-11.6</b>	<b>18.7</b>	<b>5.6</b>	<b>23.5</b>	<b>40.6</b>	<b>149.8</b>
Strategy 2020 investment programme	21.4	0.0	0.0	0.0	0.0	0.0	21.4
Amortisation of intangible assets arising from acquisitions	3.0	0.0	0.5	0.0	0.0	2.6	6.1
Derivatives recovery framework	0.0	0.0	0.0	0.0	1.7	0.0	1.7
<b>Operating profit before tax</b>	<b>48.6</b>	<b>-11.6</b>	<b>18.2</b>	<b>5.6</b>	<b>21.7</b>	<b>38.0</b>	<b>120.5</b>
Income tax	13.4	-2.0	5.0	1.7	5.4	2.0	25.6
<b>Net result</b>	<b>35.2</b>	<b>-9.6</b>	<b>13.2</b>	<b>3.9</b>	<b>16.3</b>	<b>35.9</b>	<b>94.9</b>
<b>Underlying net result 2017</b>	<b>51.3</b>	<b>-9.6</b>	<b>13.2</b>	<b>3.9</b>	<b>17.6</b>	<b>35.9</b>	<b>112.3</b>

2016 ( <i>x € m</i> )	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other	Total
Commission	104.0	3.6	86.2	46.7	3.0	0.1	243.7
Interest <sup>8</sup>	145.4	3.9	0.0	0.0	44.0	19.5	212.9
Other income	1.3	0.0	-0.2	1.8	0.0	22.4	25.2
<b>Income from operating activities</b>	<b>250.7</b>	<b>7.6</b>	<b>86.0</b>	<b>48.5</b>	<b>46.9</b>	<b>42.0</b>	<b>481.8</b>
Staff costs <sup>6</sup>	87.9	3.3	37.1	23.1	5.1	70.9	227.4
Other administrative expenses	56.8	7.0	20.2	6.7	0.8	55.0	146.5
Allocated internal expenses	56.0	7.8	14.8	9.9	17.6	-106.1	0.0
Depreciation and amortisation	2.0	0.1	0.1	0.1	0.0	7.5	9.8
<b>Operating expenses</b>	<b>202.7</b>	<b>18.2</b>	<b>72.1</b>	<b>39.8</b>	<b>23.6</b>	<b>27.2</b>	<b>383.6</b>
<b>Gross result</b>	<b>48.0</b>	<b>-10.6</b>	<b>13.9</b>	<b>8.7</b>	<b>23.4</b>	<b>14.8</b>	<b>98.2</b>
Impairments	1.2	0.0	0.0	0.0	0.0	-7.1	-5.8
Operating profit before tax of NSIs	0.0	0.0	0.0	0.0	0.0	7.4	7.4
<b>Operating profit before special items and tax</b>	<b>46.7</b>	<b>-10.6</b>	<b>13.9</b>	<b>8.7</b>	<b>23.3</b>	<b>29.3</b>	<b>111.4</b>
Strategy 2020 investment programme	5.4	1.8	0.0	0.0	0.0	0.0	7.3
Amortisation of intangible assets arising from acquisitions	0.2	0.0	0.4	0.0	0.0	2.6	3.1
Derivatives recovery framework	0.9	0.0	0.0	0.0	7.1	0.0	8.0
Other one-off charges	3.2	0.0	0.0	0.0	0.0	4.0	7.2
<b>Operating profit before tax</b>	<b>37.0</b>	<b>-12.5</b>	<b>13.6</b>	<b>8.7</b>	<b>16.3</b>	<b>22.7</b>	<b>85.8</b>
Income tax	10.0	-2.9	3.5	2.5	4.3	-1.4	16.0
<b>Net result</b>	<b>27.0</b>	<b>-9.5</b>	<b>10.0</b>	<b>6.2</b>	<b>8.0</b>	<b>28.1</b>	<b>69.8</b>
<b>Underlying net result 2016</b>	<b>31.8</b>	<b>-8.2</b>	<b>10.0</b>	<b>6.2</b>	<b>17.3</b>	<b>24.1</b>	<b>81.3</b>

<sup>8</sup> Comparative figures for Private Banking, Other and Corporate Banking have been adjusted for a more accurate allocation of the interest result to these operating segments.

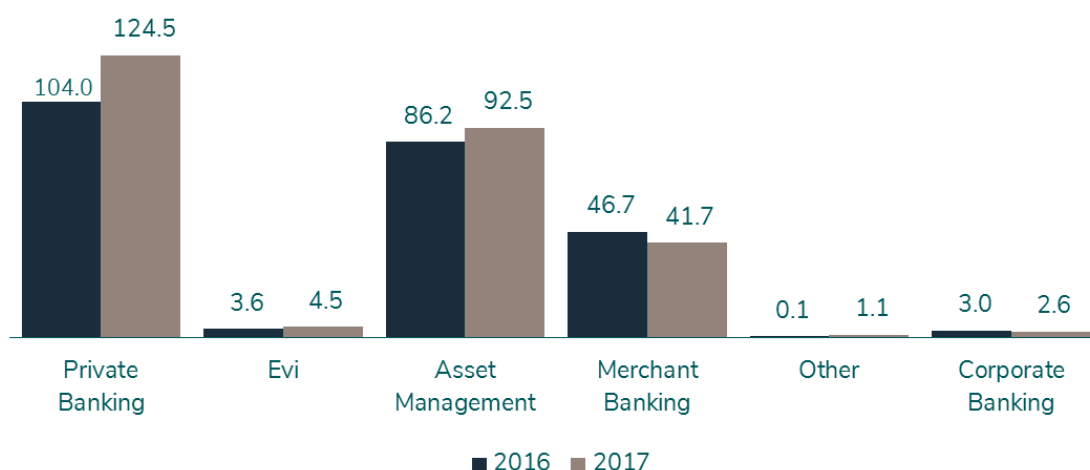
## COMMISSION

(x € m)	2017	2016		H2 2017	H1 2017
Securities commissions	230.6	200.5	15%	118.3	112.3
- Management fees	199.8	173.8	15%	103.6	96.2
- Transaction fees	30.8	26.7	16%	14.7	16.2
Other commissions	36.3	43.2	-16%	16.4	19.9
<b>Commission</b>	<b>267.0</b>	<b>243.7</b>	<b>10%</b>	<b>134.7</b>	<b>132.3</b>

Commissions, our main source of income, rose 10% to €267.0 million in 2017. Securities commissions were up 15% compared with 2016. This increase was mainly driven by inflows, assets under management (AuM) from the acquisition of the wealth management activities of UBS in the Netherlands (hereafter called UBS Nederland in this report), the full-year effect of the acquisition of Staalbankiers, and market performance. Other commissions decreased by 16% compared with 2016, mainly due to lower fee income at Merchant Banking. Recurring securities commission as a proportion of total securities commission remained stable at 87% (2016: 87%).

### Commission income by segment

x € m



Private Banking's commission income recorded a €20.5 million rise on 2016, chiefly due to an increase in AuM which led to an increase in management fees, the acquisition of Staalbankiers (+ €7.5 million), and the acquisition of UBS Nederland (+ €2.5 million), but also supported by strong growth in transaction fees (+ €4.0 million) on the back of higher client trading activity compared with 2016.

Evi's 2017 securities commissions were up by 25% to €4.5 million (2016: €3.6 million), mainly driven by growth in AuM to €0.9 billion at the end of 2017.

At Asset Management, new fiduciary mandates and inflow into niche products led to a €6.2 million rise in commission income on 2016. The average margin decreased, mainly due to the inflow of one large fiduciary mandate during 2017 (Stichting Pensioenfonds UWV). Fiduciary mandates accounted for 64.1% of AuM in the segment (2016: 56.2%). Equity funds and mandates saw their share go down slightly, to 16.9% (2016: 17.2%), and fixed-income funds and mandates saw their share decline to 19.0% (2016: 26.7%).

Commission income at Merchant Banking decreased by €5.0 million, to €41.7 million (2016: €46.7 million). This was mainly down to lower advisory income from M&A and capital market transactions, although this effect was partly offset by higher income on structured products.



## INTEREST

(x € m)	2017	2016		H2 2017	H1 2017
Gross interest margin	212.6	253.3	-16%	101.8	110.9
Interest equalisation	-11.0	-26.4		-6.1	-4.8
Miscellaneous interest income and charges	-8.7	-20.2		-4.5	-4.2
Loan commission	3.7	6.2	-40%	1.9	1.8
Interest	196.6	212.9	-8%	93.0	103.6

Our 2017 interest income of €196.6 million was 8% below the €212.9 million recorded in 2016, mostly due to margin pressure and a smaller loan portfolio. At €9.1 billion, the loan portfolio contracted by €0.5 billion. The smaller loan portfolio – mainly due to the run-off at Corporate Banking – caused a decline in interest income, while interest income generated by our investment portfolio was also down on 2016. Average mortgage interest rates continue to trend down. This mix of downward effects was offset in part by further cuts in savings rates, reduced costs of wholesale funding and a decrease in savings and deposits at non-core clients.

The interest margin fell by seven basis points to an average of 132 basis points. The “clean” interest margin<sup>9</sup> declined by three basis points compared with its level at the end of 2016, to 127 basis points.

Falling interest equalisation charges reflect the reduction in investment portfolio securities purchased above par. Amortisation on previously discontinued interest rate hedges was €14.6 million down on 2016, which benefited interest result and shows up in Miscellaneous interest income and charges.

## INCOME FROM SECURITIES AND ASSOCIATES

(x € m)	2017	2016		H2 2017	H1 2017
Dividend	4.6	3.6	28%	0.6	4.0
Capital gains	17.1	9.4	81%	-2.2	19.3
Valuation gains and losses	15.4	16.1	-5%	9.0	6.4
<b>Income from securities and associates</b>	<b>37.0</b>	<b>29.2</b>	<b>27%</b>	<b>7.4</b>	<b>29.7</b>

Income from securities and associates relates to investments of our equity investment company Van Lanschot Participaties. We occasionally also take stakes in our own investment funds, for instance by supporting their start-ups or to demonstrate our confidence in these funds. In December 2017, the management company of Van Lanschot Participaties was spun off under the new name Bolster Investment Partners. Since 1 December 2017, this company has been managing a newly established fund. Van Lanschot Kempen obtained a significant minority interest as a cornerstone investor in this new fund, and continues to own the Van Lanschot Participaties portfolio (comprising all interests acquired prior to 2016).

The 2017 capital gain of €17.1 million mainly relates to the sale of a minority stake in TechAccess (€11.1 million), which was part of the Van Lanschot Participaties portfolio, and the sale of positions in our own investment funds (€6.5 million).

Our dividend receipts grew to €4.6 million in 2017, from €3.6 million in 2016.

Over the last ten years, income from securities and associates on average consisted of a core amount of €20-25 million.

<sup>9</sup> The interest margin is calculated on the basis of a 12-month moving average. The clean interest margin equals the gross interest margin adjusted for interest equalisation and interest-related derivatives amortisation.

## RESULT ON FINANCIAL TRANSACTIONS

(x € m)	2017	2016	H2 2017	H1 2017
Result on securities trading	-0.4	-3.0	0.2	-0.7
Result on currency trading	7.9	6.9	3.4	4.5
Result on investment portfolio	6.9	7.8	4.9	2.0
Result on interest rate hedges	1.8	-7.7	-1.1	2.9
Other income	-2.1	-8.0	-0.5	-1.5
<b>Result on financial transactions</b>	<b>14.1</b>	<b>-3.9</b>	<b>6.9</b>	<b>7.2</b>

The €0.4 million negative figure for Result on securities trading primarily reflects the result from positions in our own issued debt securities. In comparison to 2016 the result achieved on the trading book increased by €3.7 million to €2.5 million. Result on currency trading rose 14% compared with 2016, to €7.9 million, mainly due to a higher volume of securities transactions and payment services in foreign currency.

Our €6.9 million profit on the investment portfolio breaks down into two separate parts: we realised profits of €6.4 million on the sale of bonds in the investment portfolio (2016: €8.5 million) and notched up €0.5 million on our mark-to-market portfolio (2016: €0.7 million negative).

The gain on interest rate hedges (€1.8 million) largely relates to the result on economic hedges (€2.2 million).

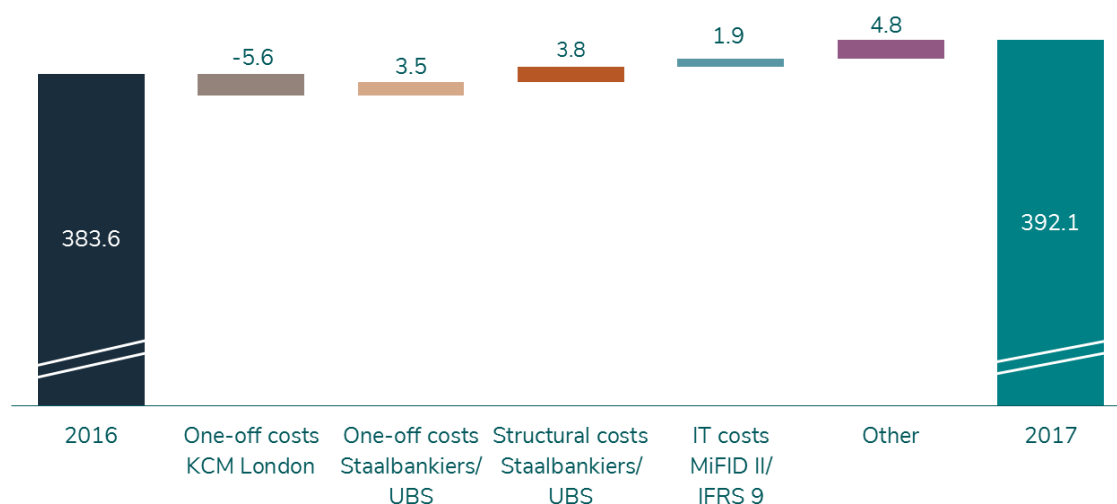
At a negative €2.1 million, other income comprises charges on debt securities (medium-term notes) issued by Van Lanschot Kempfen (- €5.2 million) as well as the €3.3 million positive result generated by Merchant Banking's structured products.

## OPERATING EXPENSES

Total operating expenses rose by 2% to €392.1 million, partly due to higher costs associated with the acquisition of Staalbankiers and UBS Nederland, a wage increase, and IT costs related to the implementation of MiFID II and IFRS 9. Private Banking, Evi, Asset Management and Merchant Banking generated 87% of total costs.

### Operating expenses

x € m



(x € m)	2017	2016		H2 2017	H1 2017
Staff costs <sup>6</sup>	236.0	227.4	4%	120.7	115.4
Other administrative expenses <sup>6</sup>	150.2	146.5	3%	74.9	75.3
Depreciation and amortisation	5.8	9.8	-41%	2.4	3.3
<b>Operating expenses</b>	<b>392.1</b>	<b>383.6</b>	<b>2%</b>	<b>198.0</b>	<b>194.0</b>

### STAFF COSTS

At €236.0 million, staff costs were 4% up on 2016 (€227.4 million), partly due to higher costs associated with the acquisition of Staalbankiers' private banking activities and UBS's wealth management activities (to the tune of €4.4 million), wage increases, and charges related to employees. At the end of 2017, we employed 1,657.5 full-time equivalent staff (FTEs), excluding the employees of our non-strategic investments. This was 13 FTEs lower than at the end of 2016 (1,670.4) and was largely the result of reductions at our group functions, at Private Banking and at Corporate Banking.

### OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses amounted to €150.2 million in 2017, 3% above the figure for 2016 (€146.5 million). The acquisition of Staalbankiers' private banking activities and the wealth management activities of UBS Nederland added transition costs of €2.9 million, in addition to a €4.4 million increase in staff costs. Costs related to the spin-off of Van Lanschot Participaties amounted to €2.8 million. IT costs rose by €1.1 million on 2016.

### DEPRECIATION AND AMORTISATION

At €5.8 million, depreciation and amortisation fell by €4.0 million (2016: €9.8 million). This was mainly driven by profit on the sale of office buildings (€1.7 million), lower depreciation charges on software, and the conversion of own office buildings to client reception sites.

### EFFICIENCY RATIO

The efficiency ratio, i.e. the ratio of operating expenses – excluding costs incurred for our Strategy 2020 investment programme, the amortisation of intangible assets arising from acquisitions and a one-off charge for the derivatives recovery framework – to income from operating activities, improved to 76.2% in 2017 from 79.6% in 2016. This improvement was partly attributable to higher commission income and income from securities and associates, which together added €31.2 million. Operating expenses in 2017 were comparable to those in 2016 (+2%).

### IMPAIRMENTS

(x € m)	2017	2016		H2 2017	H1 2017
Private Banking	-3.3	1.2		-4.1	0.8
Corporate Banking	-6.0	0.0		-3.0	-3.0
Other	-2.6	-8.1		-2.8	0.2
<b>Addition to loan loss provision</b>	<b>-11.9</b>	<b>-6.9</b>		<b>-9.9</b>	<b>-1.9</b>
Impairment on investments and participating interests	-2.7	0.8		-3.1	0.4
Impairment on assets obtained through the seizure of collateral	0.1	0.2		0.0	0.1
<b>Other impairments</b>	<b>-2.6</b>	<b>1.1</b>		<b>-3.0</b>	<b>0.5</b>
<b>Impairments</b>	<b>-14.4</b>	<b>-5.8</b>		<b>-13.0</b>	<b>-1.5</b>

The €2.6 million negative figure in Other impairments mainly relates to an increase in the fair value of the cumulative preference shares that led to a reversal of the impairment.

### ADDITION TO LOAN LOSS PROVISION

In 2017, €11.9 million was released from loan loss provisions, with the release at Corporate Banking (€6.0 million) deriving from both the SME and real estate loan portfolios. The €3.3 million release at Private Banking contrasted with an addition of €1.2 million in 2016, thanks to an improvement of the credit quality that was helped by the positive economic climate.

In 2017, the release from loan loss provisions relative to average risk-weighted assets worked out at 22 basis points (2016: 11 basis points).

### NON-STRATEGIC INVESTMENT

We currently have majority ownership stakes in three non-strategic investments, Medsen (AIO II BV), Holonite (Holowell BV) and Allshare. In 2017, the operating profit (before tax) from non-strategic investments amounted to €12.6 million, compared with €7.4 million in 2016. This increase was mainly driven by the improved operating result at Medsen. Our aim is to divest our shareholdings in such non-strategic investments over time and we will explore opportunities to divest our stake in Medsen in 2018.

### SPECIAL ITEMS

In 2017, we recognised €29.3 million in special items compared with €25.6 million in 2016; see table below for a breakdown.

(x € m)	2017	2016	H2 2017	H1 2017
Strategy 2020 investment programme	21.4	7.3	11.7	9.7
Derivatives recovery framework	1.7	8.0	1.7	-
Amortisation of intangible assets arising from acquisitions	6.1	3.1	3.4	2.7
Other one-off charges	0.0	7.2	0.0	-
<b>Special Items</b>	<b>29.3</b>	<b>25.6</b>	<b>16.8</b>	<b>12.5</b>

When releasing our strategy update in April 2016, we launched our Strategy 2020 investment programme. Between mid-2016 and the end of 2019 we will invest €60 million in developing an omni-channel private banking model, outsourcing our mortgages and payment services, and completing the transformation of our IT landscape. In 2017, a total €21.4 million was invested under the programme, of which the largest proportion was spent on the development of our omni-channel service to our clients. In addition, a part was spent to transfer our mortgage servicing to Stater in H2 2017 and on preparing the outsourcing of payment services to Fidor. Over the course of 2016 and 2017, total investment under the programme amounted to €28.7 million.

An additional provision of €1.7 million has been created for the uniform recovery framework for SME clients with interest rate derivatives. This additional provision is mainly to cover higher implementation costs. In 2017 we sent a proposal for compensation to all our affected clients. Almost all agreed to the proposed compensation; of those, the vast majority have already received payment.

Amortisation of intangible assets arising from acquisitions rose as a result of the acquisition of Staalbankiers and UBS's wealth management activities in the Netherlands, by €3.0 million.

### INCOME TAX

Income tax for 2017 amounted to €25.6 million (2016: €16.0 million), which works out at an effective tax rate of 21.2% compared with 18.6% in 2016. Our effective tax rate is lower than the Dutch tax rate of 25% due to income covered by equity exemption rules. A release of deferred tax assets to reflect a reduction in the corporate tax rate in Belgium had an opposite effect.

**EARNINGS PER SHARE**

<i>(x € m)</i>	2017	2016	H2 2017	H1 2017
<b>Net result</b>	<b>94.9</b>	<b>69.8</b>	<b>32.7</b>	<b>62.3</b>
Share of non-controlling interests	-5.4	-4.1	-2.7	-2.8
<b>Net result for calculation of earnings per ordinary share</b>	<b>89.5</b>	<b>65.7</b>	<b>30.0</b>	<b>59.5</b>
<b>Earnings per ordinary share (€)</b>	<b>2.19</b>	<b>1.61</b>	<b>0.74</b>	<b>1.45</b>
<b>Underlying net result for calculation of earnings per ordinary share</b>	<b>106.9</b>	<b>77.2</b>	<b>40.1</b>	<b>66.8</b>
<b>Underlying earnings per ordinary share (€)</b>	<b>2.61</b>	<b>1.89</b>	<b>0.98</b>	<b>1.63</b>
Weighted number of outstanding ordinary shares (x 1,000)	40,960	40,908	40,960	40,976

Profit attributable to non-controlling interests of €5.4 million in 2017 largely relates to non-controlling interests in our non-strategic investments, while also including the management investment plan launched in 2010 for selected staff at Kempen & Co (Kempen MIP).

We will propose to pay a 2017 cash dividend to Van Lanschot Kempen shareholders of €1.45 per share, a pay-out ratio of 55% based on the underlying net result (2016: €1.20, pay-out ratio of 64%). The pay-out ratio based on the net result amounts to 66%.

**STATEMENT OF FINANCIAL POSITION**

<i>(x € m)</i>	31/12/2017	31/12/2016		30/06/2017	
<b>Statement of financial position and capital management</b>					
Equity attributable to shareholders	1,333	1,340	-1%	1,350	-1%
Equity attributable to other non-controlling interests	16	13	21%	15	7%
Savings & deposits	9,145	9,680	-6%	9,387	-3%
Loans and advances to clients	9,103	9,624	-5%	9,470	-4%
Total assets	14,659	14,877	-1%	14,952	-2%
Funding ratio (%)	100.5	100.6		99.1	
Return on assets (%)	0.77	0.55		0.93	

**LOAN PORTFOLIO**

<i>(x € m)</i>	31/12/2017	31/12/2016		30/06/2017	
Mortgages	5,712	5,826	-2%	5,814	-2%
Other loans	2,045	2,092	-2%	2,149	-5%
<b>Private Banking<sup>10</sup></b>	<b>7,756</b>	<b>7,917</b>	<b>-2%</b>	<b>7,962</b>	<b>-3%</b>
Loans to SMEs	457	679	-33%	577	-21%
Real estate financing	411	705	-42%	557	-26%
<b>Corporate Banking</b>	<b>868</b>	<b>1,384</b>	<b>-37%</b>	<b>1,134</b>	<b>-23%</b>
Mortgages distributed by third parties	600	485	24%	525	14%
<b>Total</b>	<b>9,224</b>	<b>9,786</b>	<b>-6%</b>	<b>9,622</b>	<b>-4%</b>
Impairments	-120	-162	-26%	-152	-21%
<b>Total</b>	<b>9,103</b>	<b>9,624</b>	<b>-5%</b>	<b>9,470</b>	<b>-4%</b>

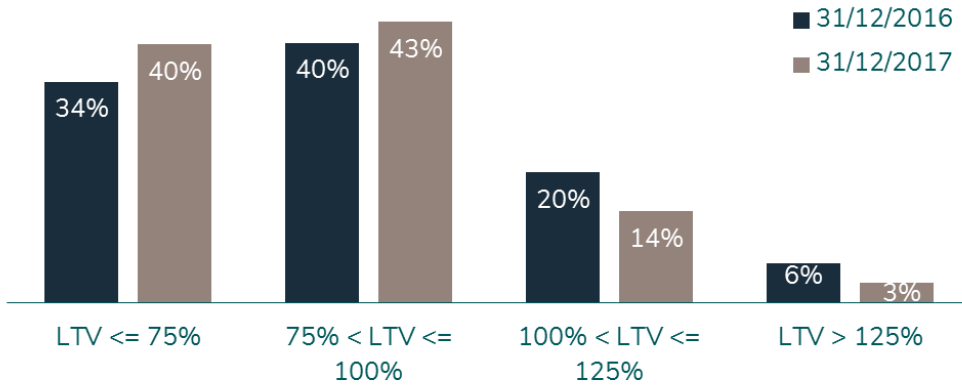
In 2017, our loan portfolio contracted by 5% to €9.1 billion, mainly due to the Corporate Banking run-off (-37%). Our loan book at Private Banking decreased slightly, by 2%.

**VAN LANSCHOT PRIVATE BANKING**

Private Banking's loan portfolio breaks down into mortgages and other loans. In 2017, the mortgage portfolio decreased slightly, to €5.7 billion. The relative share of Private Banking-provided residential mortgages in the total loan portfolio increased to 62% in 2017 (year-end 2016: 60%). The mortgage portfolio is marked by limited losses and a low number of foreclosures. In 2017, the portfolio's weighted average loan-to-value (LTV) ratio improved to 81% at year-end (year-end 2016: 87%). Other loans of Private Banking decreased to €2.0 billion (2016: €2.1 billion). These comprise loans to wealthy private individuals and also include business loans that fit into the Private Banking relationship model.

<sup>10</sup> From 2017, the value adjustment fair value hedge accounting is included in Private Banking mortgages instead of Private Banking other loans. The comparative figures have been adjusted accordingly

**Private Banking: mortgages loan-to-value**  
% of Private Banking Netherlands mortgages

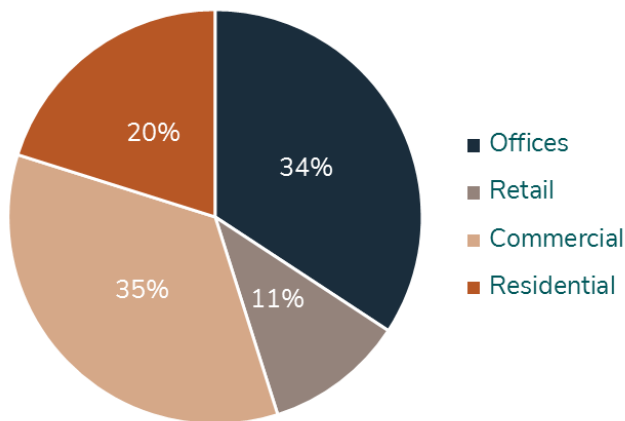


**VAN LANSCHOT CORPORATE BANKING**

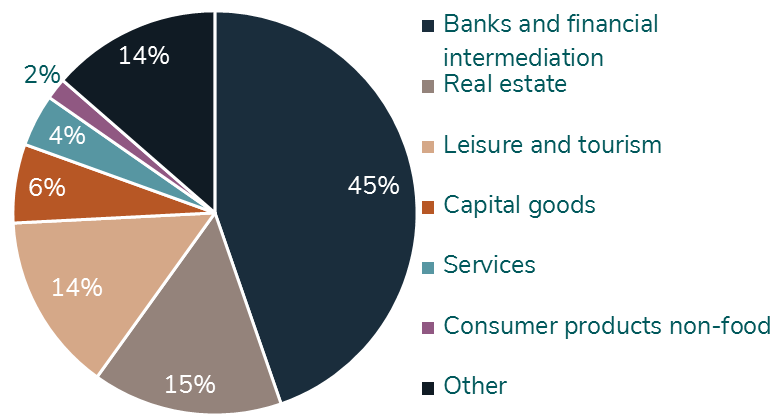
At the end of 2017, the commercial real estate loan portfolio and SME loans totalled €0.9 billion (end-2016: €1.4 billion). Risk-weighted assets came down by €0.5 billion<sup>11</sup> and worked out at €0.7 billion (year-end 2016: €1.2 billion).

Corporate Banking's SME loans came down by 33% to €0.5 billion at the end of 2017 and accounted for 5% of our total loan portfolio. This portfolio is well diversified across sectors. The real estate loan portfolio (€0.4 billion), which is well spread across types of collateral, contracted by 42%. The collateral assets against which the loans are secured are typically located in the Randstad conurbation comprising the cities of Amsterdam, Rotterdam, Utrecht and The Hague.

**Corporate Banking: real estate financing**  
% type of collateral



**Corporate Banking: SME loans**  
% type of counterparty



**MORTGAGES DISTRIBUTED BY THIRD PARTIES**

In April 2015, we started providing mortgages through a network of mortgage brokers as part of our liquidity management optimisation. This portfolio of regular Dutch mortgages is meant to supplement our investment portfolio and enable us to generate attractive returns on available liquidity. It grew during 2017 (+ €115 million) and accounts for 7% of our total loan portfolio.

<sup>11</sup> The €0.5 billion reduction in risk-weighted Corporate Banking assets includes clients transferred to Private Banking (effect: €0.2 billion).

## PROVISIONS

We provide for the impaired loans in our loan book. Impaired loans stood at €371 million at the end of 2017, 26% lower than year-end 2016 (€500 million). Related provisions amounted to €155 million, working out at a coverage ratio of 31% (year-end 2016: 31%). The tables below break down the total loan portfolio and provision.

The total impaired ratio improved to 4.0% from 5.1% at the end of 2017. The proportion of impaired loans at Private Banking came down to 2.5% (year-end 2016: 3.2%). For mortgages, the coverage ratio came down to 20% (year-end 2016: 31%), while for other loans it increased slightly to 50% (year-end 2016: 49%).<sup>12</sup> At Corporate Banking the impaired ratio rose to 20.2% (year-end 2016: 17.9%), although impaired loans fell in absolute terms, primarily as a result of the portfolio's run-off.

31/12/2017 (x € m)	Loan portfolio	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,712	55	11	1.0%	20%
Other loans	2,045	140	69	6.8%	50%
<b>Private Banking</b>	<b>7,756</b>	<b>195</b>	<b>81</b>	<b>2.5%</b>	<b>41%</b>
Loans to SMEs	457	133	28	29.2%	21%
Real estate financing	411	42	7	10.3%	16%
<b>Corporate Banking</b>	<b>868</b>	<b>175</b>	<b>34</b>	<b>20.2%</b>	<b>19%</b>
Mortgages distributed by third parties	600	0	0	0.0%	15%
<b>Total</b>	<b>9,224</b>	<b>371</b>	<b>115</b>	<b>4.0%</b>	<b>31%</b>
Impairments	-120				
<b>Total</b>	<b>9,103</b>		<b>115</b>		
Incurring but not reported (IBNR)			6		
<b>Provision including IBNR</b>			<b>120</b>		

31/12/2016 (x € m)	Loan portfolio	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,826	80	25	1.4%	31%
Other loans	2,092	172	84	8.2%	49%
<b>Private Banking<sup>10</sup></b>	<b>7,917</b>	<b>252</b>	<b>108</b>	<b>3.2%</b>	<b>43%</b>
Loans to SMEs	679	178	35	26.2%	20%
Real estate financing	705	70	11	9.9%	16%
<b>Corporate Banking</b>	<b>1,384</b>	<b>248</b>	<b>47</b>	<b>17.9%</b>	<b>19%</b>
Mortgages distributed by third parties	485	0	0	0.0%	20%
<b>Total</b>	<b>9,786</b>	<b>500</b>	<b>155</b>	<b>5.1%</b>	<b>31%</b>
Impairments	-162				
<b>Total</b>	<b>9,624</b>		<b>155</b>		
Incurring but not reported (IBNR)			7		
<b>Provision including IBNR</b>			<b>162</b>		

<sup>12</sup> The split of the provision between mortgages and other loans at Private Banking has been adjusted compared with the published figures of 2016. In total, €22 million of provisions have shifted from mortgages to other loans. This provision amount relates to loan exposure of past mortgages which were not repaid in full when the underlying asset was sold. The related current exposure is reported under Other loans. Due to this adjustment, the coverage ratio now gives a more accurate insight. The comparative figures for year-end 2016 have been adjusted in the table presented here.



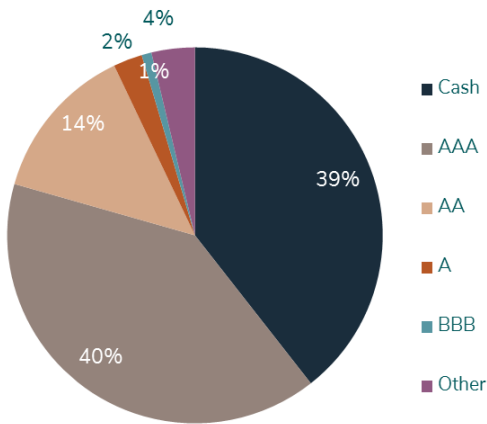
### INVESTMENT PORTFOLIO AND CASH

The total investment portfolio and cash<sup>13</sup> amounted to €4.4 billion at 2017 (year-end 2016: €3.9 billion). The investment portfolio saw an increase of €0.5 billion in 2017. The held-to-maturity portfolio stood at €0.5 billion at the end of 2017 and had hardly changed in size or composition. Relative to its end-2016 level, cash held with central banks added €0.4 billion (+31%).

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

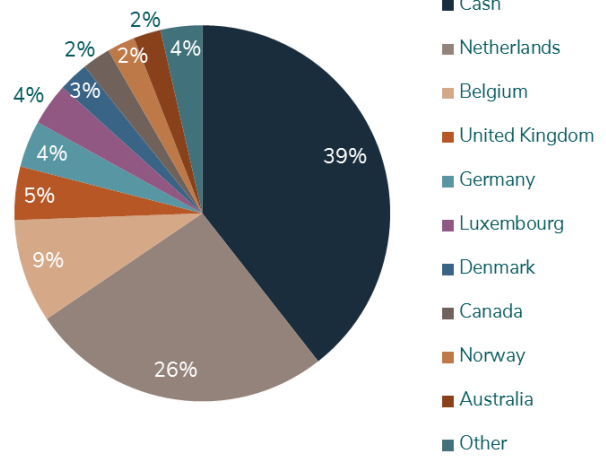
#### Investment portfolio and cash by rating at 31/12/2017

100% = €4.4bn



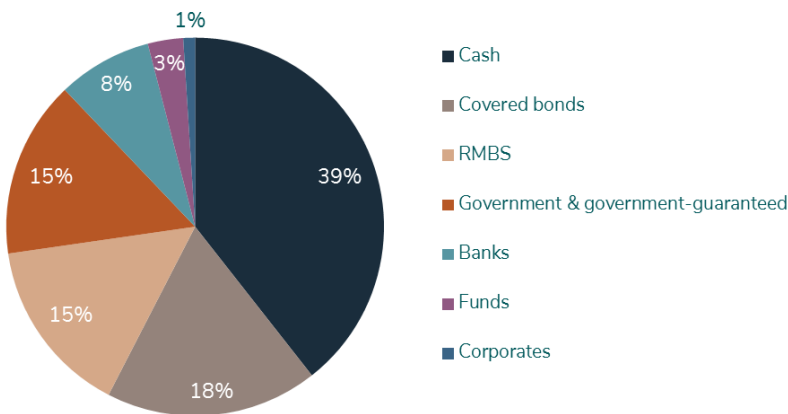
#### Investment portfolio and cash by country at 31/12/2017

100% = €4.4bn



#### Investment portfolio and cash by counterparty at 31/12/2017

100% = €4.4bn



<sup>13</sup> Investment portfolio and cash comprises the balance of available-for-sale investments, financial assets held to maturity, financial assets designated at fair value through profit or loss, cash withdrawable on demand from central banks, and highly liquid (cash) investments.

## CAPITAL AND LIQUIDITY MANAGEMENT

In 2017, our fully loaded Common Equity Tier I ratio improved from 18.6% to 20.3%, reflecting our robust capital position. In 2017, our capital base also improved further, despite the dividend pay-out of €49 million (€1.20 per share) and capital return of €41 million (€1 per share) to our shareholders.

(x € m)	31-12-2017	31-12-2016		30-06-2017	
Risk-weighted assets	4,979	5,623	-11%	5,359	-7%
Common Equity Tier I ratio, fully loaded (%) <sup>14</sup>	20.3	18.6		19.6	
Common Equity Tier I ratio, phase-in (%) <sup>14</sup>	20.5	19.0		19.9	
Tier I ratio, fully loaded (%) <sup>14</sup>	20.3	18.6		19.7	
Tier I ratio, phase-in (%) <sup>14</sup>	20.5	19.0		19.9	
Total capital ratio, fully loaded (%) <sup>14</sup>	22.1	19.5		20.6	
Total capital ratio, phase-in (%) <sup>14</sup>	22.3	20.9		21.8	

## CAPITAL MANAGEMENT

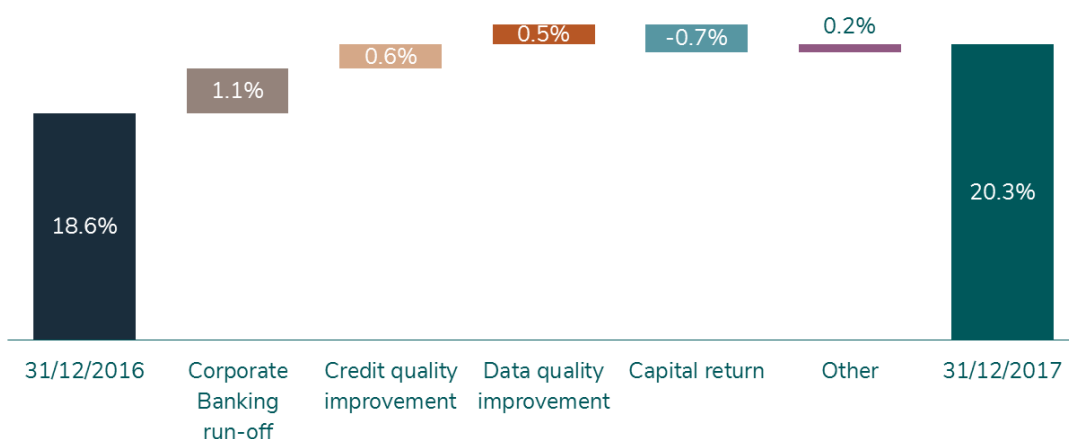
At 20.3%, our CET I fully loaded ratio improved once again in 2017 (year-end 2016: 18.6%), mainly driven by the run-off at Corporate Banking and an improvement in the credit quality of the loan book.

The total capital ratio strengthened to 22.1%<sup>15</sup> (year-end 2016: 19.5%). An adjustment to the characteristics of our Tier II notes resulted in an optimisation of this ratio, as these Tier II notes are now fully eligible. The F. van Lanschot Bankiers total capital ratio (fully loaded) stood at 23.4% at year-end 2017.

Risk-weighted assets declined by 12% to €5.0 billion in 2017 (year-end 2016: €5.6 billion). The €0.3 billion reduction in risk-weighted assets at Corporate Banking due to run-off had a positive impact on the CET I ratio of 1.1 percentage points. The ratio also gained 1.1 percentage points from an improvement in credit ratings and data quality. Lastly, the movement in the CET I ratio was affected by a decrease in (regulatory) capital of 0.7 percentage points, due to the capital return of €41 million.

### Common Equity Tier I ratio (fully loaded)

%

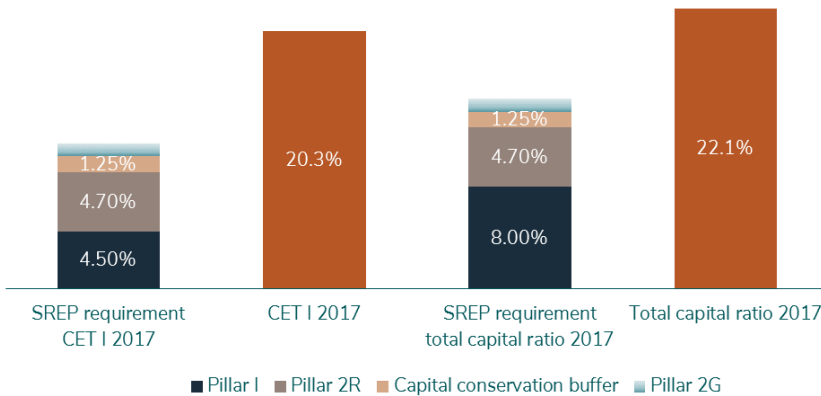


<sup>14</sup> Full year (2016 and 2017) including retained earnings; half year excluding retained earnings.

<sup>15</sup> This ratio includes the impact resulting from the European Banking Authority's interpretation of capital regulations applicable to European banks. It implies that the portion of outstanding T2 instruments issued by F. van Lanschot Bankiers (single subsidiary) exceeding the minimum own funds requirement can no longer fully contribute to the consolidated capital ratios of Van Lanschot Kempfen.

## SREP REQUIREMENT

### SREP requirement for 2017



Following the annual supervisory review evaluation process (SREP), DNB informed us about the capital requirements that we have to meet as from June 2017. The minimum capital requirements comprise a Common Equity Tier I ratio of 9.2%, a Tier I ratio of 10.7% and a total capital ratio of 12.7%. The SREP requirements cover both Pillar I and Pillar II risks.

In addition to the 9.2% CET I requirement, we need to comply with the combined buffer requirements, which must be met by CET I capital. The capital conservation buffer stood at 1.25% in 2017, 1.875% in 2018 and will reach its fully phased-in level of 2.5% in 2019. The countercyclical buffer for the Netherlands is currently set at 0%. As the systemic risk buffer does not apply to us, for 2017 the total CET I requirement adds up to 10.45% and the total capital ratio to 13.95% (until new SREP requirements are set). This requirement excludes "Pillar II guidance" (P2G), a new concept introduced in the recent SREP. Institutions are expected to comply with P2G by holding CET I capital, but P2G does not have binding status and does not automatically restrict dividend distributions in the event of a breach.

With a December 2017 CET I ratio of 20.3% and a total capital ratio of 22.1%, we meet all capital requirements, including P2G.

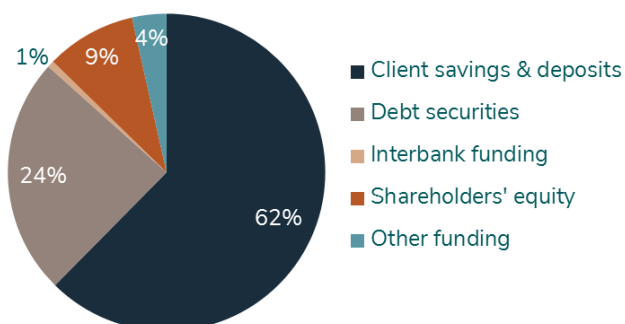
## FUNDING

We aim to retain access to both retail and wholesale markets through diversified funding. At the end of 2017, our funding ratio had remained stable at 100.5% (year-end 2016: 100.6%) in the wake of a decline in both savings and deposits (-6%) and loans and advances to clients (-5%).

In February 2017, we issued a ten-year €500 million bond under our Conditional Pass-Through Covered Bond programme. Overall issued debt securities increased by €0.4 billion in 2017.

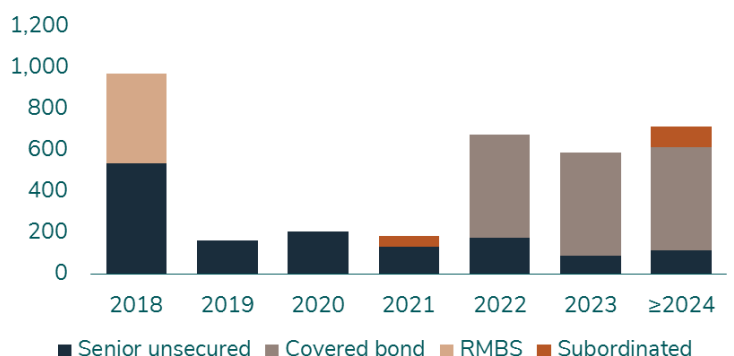
### Funding mix at 31/12/2017

100% = €14.7bn



### Redemption profile

x € m



### BASEL III

At the end of 2017 our ratios based on Basel III rules as currently known were as follows:

	31/12/2017	Norm
Common Equity Tier I ratio, fully loaded (%)	20.3	> 11.7 <sup>16</sup>
Total capital ratio, fully loaded (%)	22.1	> 15.2 <sup>17</sup>
Leverage ratio, fully loaded (%)	6.7	> 3
Liquidity coverage ratio (%)	163.6	> 100
Net stable funding ratio (%)	129.2	> 100

### BASEL IV

In December, the long-awaited package of new Basel IV rules was released – their impact would appear to be more limited than initially expected. On the basis of our current balance sheet and credit models, provisional calculations suggest that our risk-weighted assets should increase by no more than 10% on the implementation of Basel IV. Our provisional calculations are based on assumptions about the actual implementation of the Basel IV proposals in legislation.

### IMPLEMENTATION OF IFRS 9

In 2014, the International Accounting Standards Board published the IFRS 9 standard, replacing IAS 39. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. On 1 January 2018, the transition from IAS 39 to IFRS 9 became effective. The impact of applying IFRS 9 as of 1 January 2018 is expected to result in an equity deduction of €14.7 million related to loss allowances. The effect of this deduction on our CET I ratio is limited to around five basis points. In addition, changes in the accounting for modification of financial instruments under IFRS 9 is expected to lead to a change in the measurement of subordinated loans of €6.8 million. This is related to the adjustment to our Tier II notes, which are now fully eligible. The estimated combined impact of IFRS 9 is a decrease of 0.2 percentage points in our capital ratio.

Neither Basel IV nor IFRS 9 will have an impact on our CET I target of 15-17%.

<sup>16</sup> The norm breaks down as follows: standard buffer 4.5%, Pillar II buffer 4.7% and conservation buffer 2.5%.

<sup>17</sup> The norm breaks down as follows: standard buffer 8%, Pillar II buffer 4.7% and conservation buffer 2.5%.

**CLIENT ASSETS**

<i>(x € bn)</i>	31/12/2017	31/12/2016		30/06/2017	
<b>Client assets</b>	<b>83.6</b>	<b>69.4</b>	<b>21%</b>	<b>72.0</b>	<b>16%</b>
Assets under management	69.2	54.6	27%	57.1	21%
Assets under monitoring and guidance	3.5	3.0	16%	3.0	16%
Assets under administration	1.8	2.1	-14%	2.5	-28%
Savings and deposits	9.1	9.7	-5%	9.4	-3%
<b>Client assets</b>	<b>83.6</b>	<b>69.4</b>	<b>21%</b>	<b>72.0</b>	<b>16%</b>
Private Banking	31.4	28.3	11%	28.9	9%
Evi	1.5	1.5	3%	1.5	1%
Asset Management	49.0	37.8	29%	39.6	24%
Other	1.7	1.8	-5%	2.0	-14%

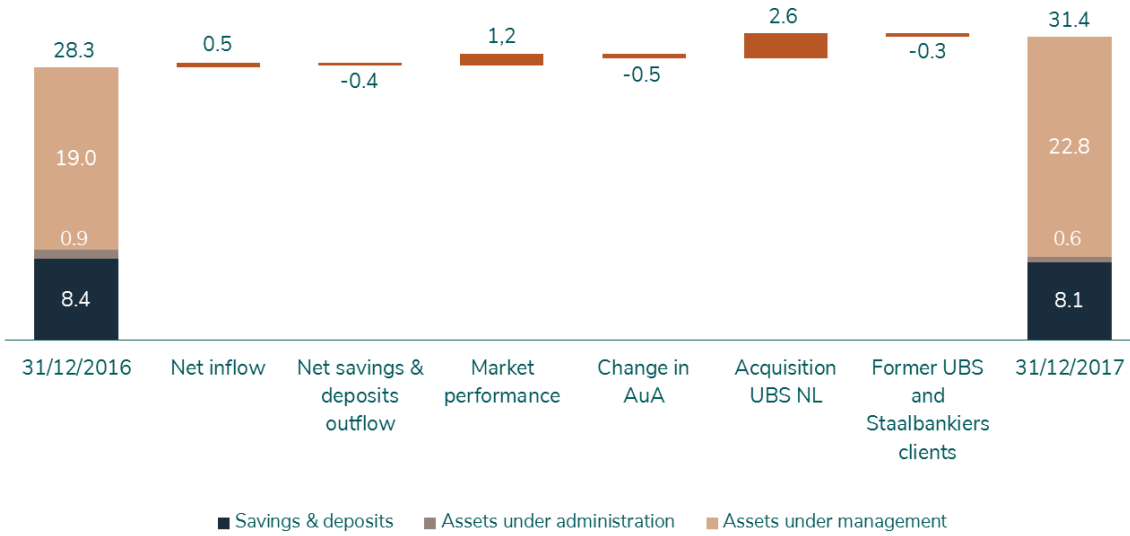
<i>(x € bn)</i>	Private Banking	Evi	Asset Management	Other	Total
<b>Client assets at 31/12/2016</b>	<b>28.3</b>	<b>1.5</b>	<b>37.8</b>	<b>1.8</b>	<b>69.4</b>
Assets under management in/outflow	0.5	0.1	9.0	0.0	9.6
Former Staalbankiers and UBS clients	-0.3	-	-	-	-0.3
Market performance of assets under management	1.2	0.0	1.7	0.0	2.9
Client assets of UBS private banking clients	2.6	-	-	-	2.6
Change in assets under monitoring and guidance	-	-	0.5	-	0.5
Change in assets under administration	-0.5	-	-	0.0	-0.4
Change in savings and deposits	-0.3	-0.1	0.0	-0.1	-0.5
<b>Client assets at 31/12/2017</b>	<b>31.4</b>	<b>1.5</b>	<b>49.0</b>	<b>1.7</b>	<b>83.6</b>

**VAN LANSCHOT PRIVATE BANKING**

In 2017, total client assets grew by €3.2 billion to €31.4 billion. This was primarily due to the acquisition of UBS's wealth management activities in the Netherlands, which saw €2.6 billion in client assets transfer to Van Lanschot Kempen (€2.5 billion in AuM and €0.1 billion in assets under administration). From April 2017, former Staalbankiers clients have been served from the Van Lanschot Kempen platform, and from November 2017 former UBS clients as well. This transition process caused limited loss of client assets: for both acquisitions, over 90% of AuM were retained. Ignoring this, the inflow of AuM at Private Banking came in at €0.5 million in 2017. At the end of 2017, assets under discretionary management made up 55% of total AuM (2016: 53%).

### Client assets at Private Banking

x € bn



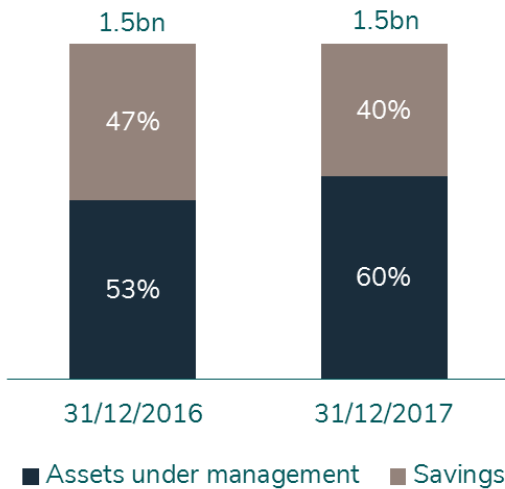
Assets under administration decreased by €0.5 billion in 2017, primarily due to the spin-off of the trading platform Captin. Assets under administration are merely administered by Van Lanschot Private Banking; we have little or no control over them and their earnings are relatively limited.

Savings and deposits fell by €0.3 billion, partly due to a continued reduction in savings as a result of lower savings rates and active balance sheet management.

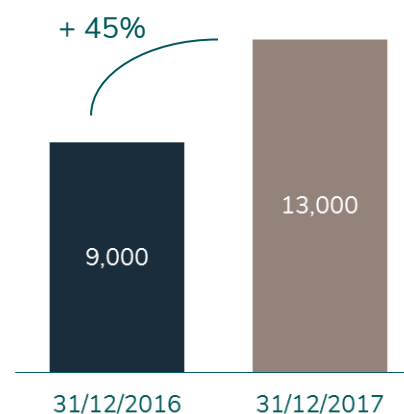
### EVI VAN LANSCHOT

AuM grew by 17% to €0.9 billion in 2017 and the client base expanded by 45% to almost 13,000 clients. The volume of savings declined at about the same rate, which means that total client assets held by Evi van Lanschot remained stable at €1.5 billion, while AuM as a percentage of total client assets increased to 60% (2016: 53%).

#### Shift from savings to AuM



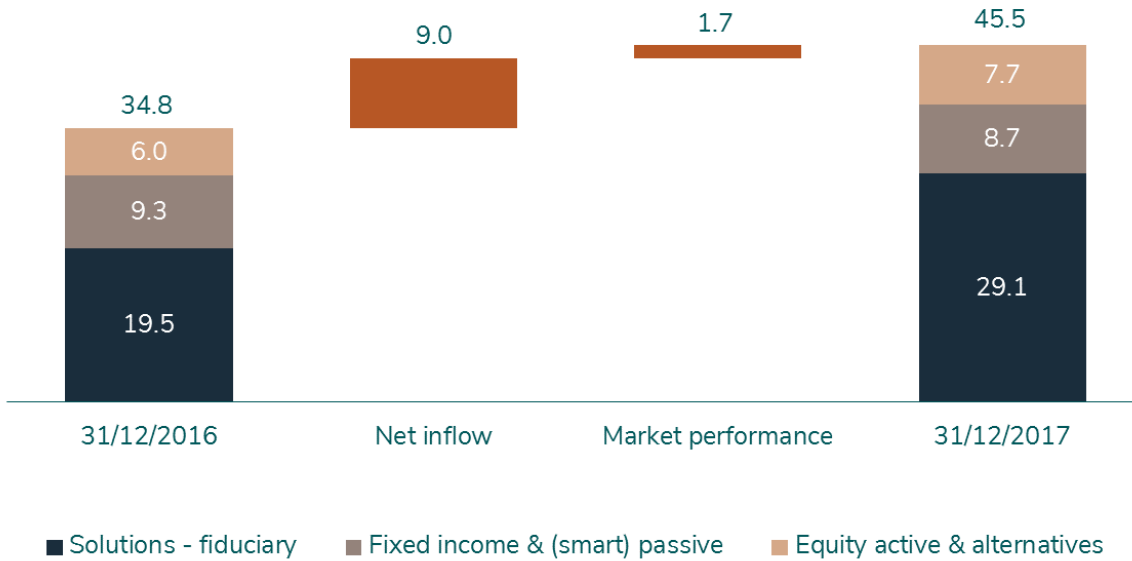
#### Development of Evi's AuM client base



### KEMPEN ASSET MANAGEMENT

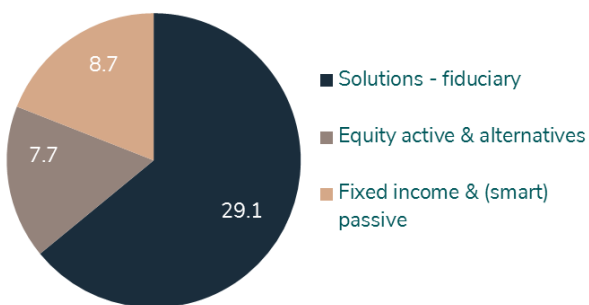
AuM at Asset Management were up by 31% to €45.5 billion, from €34.8 billion in 2016. Asset Management recorded net inflows of €9.0 billion, mainly on the back of the new mandate for Stichting Pensioenfonds UWV (a pension fund for an employee insurance agency pension fund) at Fiduciary Management. The activities acquired in the UK in 2015 also contributed to this inflow in the shape of the Mencap Pension Plan mandate in 2017. Positive value trends, mainly in equity strategies, underpinned a market performance of €1.7 billion. Total client assets at Asset Management amount to €49.0 billion (2016: €37.8 billion).

#### AuM Asset Management € bn



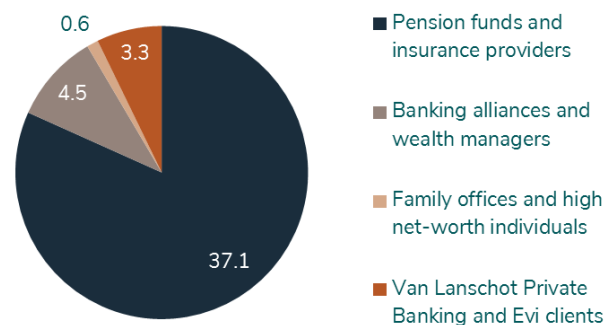
#### AuM breakdown by type of service

Total = €45.5bn



#### AuM breakdown by client type

Total = €45.5bn



In addition to third-party funds, Kempen Asset Management also manages our Private Banking discretionary management mandates and Evi Beleggen products, amounting to total AuM of €10.9 billion at the end of 2017 (this amount of €10.9 billion is not included in Asset Management's total AuM of €45.5 billion).

## NEW NAME

On 30 June 2017, Van Lanschot NV changed its name to Van Lanschot Kempen NV. Our Van Lanschot, Kempen and Evi brands will continue to be the names by which clients know our businesses.

## EVENTS AFTER THE REPORTING PERIOD

On 5 February 2018, Paul Gerla, a member of Van Lanschot Kempen's Executive Board, resigned from his various posts within the group. On the same day, Leni Boeren was appointed as a member of the Executive Board. She will be responsible for Asset Management and will also take on the chair of the Kempen & Co board.

## RECONCILIATION OF IFRS AND MANAGEMENT REPORTING

The table below shows the adjustments that need to be made from IFRS to management reporting.

2017 ( <i>x € m</i> )						
	IFRS	Non-strategic investments	Investment programme	Derivatives recovery framework	Amortisation of intangible assets arising from acquisitions	Managerial P&L
Commission	267.0	-	-	-	-	267.0
Interest	195.4	1.2	-	-	-	196.6
Income from securities and associates	37.7	0.7	-	-	-	37.0
Result on financial transactions	14.1	-	-	-	-	14.1
Other income	53.1	-53.1	-	-	-	-
<b>Income from operating activities</b>	<b>567.3</b>	<b>-52.5</b>	-	-	-	<b>514.8</b>
Staff costs	263.0	24.4	-2.5	-	-	236.0
Other administrative expenses	178.5	7.6	18.9	1.7	-	150.2
Depreciation and amortisation	16.0	-4.1	-	-	-6.1	5.8
<b>Operating expenses</b>	<b>457.5</b>	<b>-36.2</b>	<b>-21.4</b>	<b>-1.7</b>	<b>-6.1</b>	<b>392.1</b>
<b>Gross result</b>	<b>109.8</b>	<b>-16.4</b>	<b>21.4</b>	<b>1.7</b>	<b>6.1</b>	<b>122.7</b>
Impairments	-10.7	-3.8	-	-	-	-14.4
Operating profit before tax of non-strategic investments	-	12.6	-	-	-	12.6
<b>Operating profit before special items and tax</b>	<b>120.5</b>					<b>149.8</b>
Strategy 2020 investment programme	-	-	21.4	-	-	9.7
Derivatives recovery framework	-	-	-	1.7	-	1.7
Amortisation of intangible assets arising from acquisitions	-	-	-	-	6.1	6.1
<b>Operating profit before tax</b>	<b>120.5</b>					<b>120.5</b>
Income tax	25.6	-	-	-	-	25.6
<b>Net profit</b>	<b>94.9</b>					<b>94.9</b>



#### **DISCLAIMER AND CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS**

This document may contain forward-looking statements on future events and developments. These forward-looking statements are based on the current insights, information and assumptions of Van Lanschot Kempen's management about known and unknown risks, developments and uncertainties. Forward-looking statements do not relate strictly to historical or current facts and are subject to such risks, developments and uncertainties that by their very nature fall outside the control of Van Lanschot Kempen and its management.

Actual results and circumstances may differ considerably as a result of risks, developments and uncertainties relating to Van Lanschot Kempen's expectations regarding, but not limited to, estimates of income growth, costs, the macroeconomic and business climate, political and market trends, interest rates and currency exchange rates, behaviour of clients, competitors, investors and counterparties, actions taken by supervisory and regulatory authorities and private entities, and changes in law and taxation.

Van Lanschot Kempen cautions that forward-looking statements are only valid on the specific dates on which they are expressed, and accepts no responsibility or obligation to revise or update any information following new information or changes in policy, developments, expectations or other such factors.

The financial data in this document have not been audited. This document does not constitute an offer or solicitation for the sale, purchase or acquisition in any other way or subscription to any financial instrument and is not an opinion or a recommendation to perform or refrain from performing any action.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017**

BEFORE PROFIT APPROPRIATION

(x €1,000)	31/12/2017	31/12/2016
<b>Assets</b>		
Cash and cash equivalents and balances at central banks	1,832,751	1,585,473
Financial assets held for trading	38,234	16,913
Due from banks	186,459	188,748
Derivatives	322,258	307,320
Financial assets designated at fair value through profit or loss	394,898	336,238
Available-for-sale investments	1,738,355	1,680,036
Held-to-maturity investments	521,349	513,438
Loans and advances to the public and private sectors	9,103,327	9,624,048
Investments in associates using the equity method	70,390	75,559
Property and equipment	63,468	72,003
Goodwill and other intangible assets	218,389	194,453
Tax assets	26,719	41,687
Assets classified as held for sale	-	103,639
Other assets	142,277	137,856
<b>Total assets</b>	<b>14,658,875</b>	<b>14,877,411</b>
<b>Equity and liabilities</b>		
Financial liabilities from trading activities	1,899	5
Due to banks	101,645	128,696
Public and private sector liabilities	9,145,119	9,679,764
Derivatives	318,417	338,851
Financial liabilities designated at fair value through profit or loss	971,453	894,255
Issued debt securities	2,411,671	2,116,094
Provisions	23,085	34,047
Tax liabilities	12,841	7,073
Other liabilities	156,820	157,482
Subordinated loans	166,802	167,218
<b>Total liabilities</b>	<b>13,309,752</b>	<b>13,523,485</b>
Issued share capital	41,147	41,092
Treasury shares	-7,869	-4,059
Share premium reserve	441,459	481,258
Other reserves	768,616	756,445
Undistributed profit attributable to shareholders	89,508	65,735
<b>Equity attributable to shareholders</b>	<b>1,332,860</b>	<b>1,340,470</b>
Non-controlling interests	10,827	9,391
Undistributed profit attributable to non-controlling interests	5,437	4,065
<b>Equity attributable to non-controlling interests</b>	<b>16,264</b>	<b>13,456</b>
<b>Total equity</b>	<b>1,349,124</b>	<b>1,353,926</b>
<b>Total equity and liabilities</b>	<b>14,658,875</b>	<b>14,877,411</b>
Contingent liabilities	65,578	68,024
Irrevocable commitments	861,342	830,937
	<b>926,919</b>	<b>898,961</b>

## CONSOLIDATED STATEMENT OF INCOME FOR 2017

(x €1,000)	2017	2016
<b>Income from operating activities</b>		
Interest income	340,051	395,880
Interest expense	144,671	186,064
<b>Net interest income</b>	<b>195,380</b>	<b>209,817</b>
Income from associates using the equity method	24,739	11,646
Other income from securities and associates	12,956	18,025
<b>Income from securities and associates</b>	<b>37,694</b>	<b>29,671</b>
Commission income	280,519	253,456
Commission expense	13,533	9,786
<b>Net commission income</b>	<b>266,986</b>	<b>243,670</b>
<b>Result on financial transactions</b>	<b>14,127</b>	<b>-3,938</b>
Net sales	105,794	97,496
Cost of sales	52,669	52,317
<b>Other income</b>	<b>53,125</b>	<b>45,180</b>
<b>Total income from operating activities</b>	<b>567,313</b>	<b>524,400</b>
—		
Staff costs	262,985	255,022
Other administrative expenses	178,526	169,111
<b>Staff costs and other administrative expenses</b>	<b>441,511</b>	<b>424,132</b>
Depreciation and amortisation	15,962	16,597
<b>Operating expenses</b>	<b>457,473</b>	<b>440,729</b>
Release of loan loss provision	-11,875	-6,862
Other impairments	1,201	4,747
<b>Impairments</b>	<b>-10,674</b>	<b>-2,115</b>
<b>Total expenses</b>	<b>446,798</b>	<b>438,614</b>
<b>Operating profit before tax</b>	<b>120,514</b>	<b>85,785</b>
Income tax	25,569	15,986
<b>Net result</b>	<b>94,945</b>	<b>69,800</b>
Of which attributable to shareholders	89,508	65,735
Of which attributable to non-controlling interests	5,437	4,065
Earnings per ordinary share (€)	2.19	1.61
Diluted earnings per ordinary share (€)	2.16	1.59
Proposed dividend per ordinary share (€)	1.45	1.20

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2017

(x €1,000)	2017	2016
<b>Net result (as per statement of income)</b>	<b>94,945</b>	<b>69,800</b>
<b>Other comprehensive income</b>		
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		
<b>Other comprehensive income through revaluation reserve</b>		
Revaluation of equity instruments	-7,778	-1,029
Revaluation of debt instruments	9,719	5,319
Realised return on equity instruments	-911	-922
Realised return on debt instruments	-6,407	-8,509
Income tax effect	-860	543
<b>Total other comprehensive income through revaluation reserve</b>	<b>-6,237</b>	<b>-4,599</b>
<b>Other comprehensive income from value changes of derivatives (cash flow hedges)</b>		
Increase in value of derivatives directly added to equity	1,410	3,717
Income tax effect	-352	-929
<b>Total other comprehensive income from value changes of derivatives (cash flow hedges)</b>	<b>1,057</b>	<b>2,788</b>
<b>Other comprehensive income from currency translation differences</b>		
Other comprehensive income from currency translation differences	-655	318
Income tax effect	-	-
<b>Total other comprehensive income from currency translation differences</b>	<b>-655</b>	<b>318</b>
<b>Total other comprehensive income to be reclassified in subsequent periods to profit or loss</b>	<b>-5,835</b>	<b>-1,493</b>
<b>Other comprehensive income not to be reclassified in subsequent periods to profit or loss</b>		
<b>Remeasurement of defined benefit plans</b>		
Remeasurement of defined benefit plans	-580	-1,924
Income tax effect	38	499
<b>Total remeasurement of defined benefit plans</b>	<b>-542</b>	<b>-1,424</b>
<b>Total other comprehensive income not to be reclassified in subsequent periods to profit or loss</b>	<b>-542</b>	<b>-1,424</b>
<b>Total other comprehensive income</b>	<b>-6,377</b>	<b>-2,917</b>
<b>Total comprehensive income</b>	<b>88,569</b>	<b>66,882</b>
Of which attributable to shareholders	83,131	62,817
Of which attributable to non-controlling interests	5,437	4,065

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2017**

(x €1,000)

	Share capital	Treasury shares	Share premium reserve	Other reserves	Undistributed profit	<b>Total equity attributable to shareholders</b>	Equity attributable to non-controlling interests	<b>Total equity</b>
At 1 January	41,092	-4,059	481,258	756,445	65,735	<b>1,340,471</b>	13,456	<b>1,353,926</b>
Net result (as per statement of income)	-	-	-	-	89,508	<b>89,508</b>	5,437	<b>94,945</b>
Total other comprehensive income	-	-	-	-6,377	-	<b>-6,377</b>	-	<b>-6,377</b>
<b>Total comprehensive income</b>	-	-	-	<b>-6,377</b>	<b>89,508</b>	<b>83,131</b>	<b>5,437</b>	<b>88,569</b>
Shares issued	55	-1,403	1,348	-	-	-	-	-
Share plans	-	5,091	-	988	-	<b>6,079</b>	-	<b>6,079</b>
To other reserves	-	-	-	16,380	-16,380	-	-	-
Repurchased equity instruments	-	-7,799	-	-	-	<b>-7,799</b>	-	<b>-7,799</b>
Dividends / Capital return	-41,147	300	-	-	-49,355	<b>-90,202</b>	-672	<b>-90,874</b>
To share capital	41,147	-	-41,147	-	-	-	-	-
Other changes	-	-	-	1,179	-	<b>1,179</b>	-	<b>1,179</b>
Change in non-controlling interests	-	-	-	-	-	-	-1,957	<b>-1,957</b>
<b>At 31 December</b>	<b>41,147</b>	<b>-7,869</b>	<b>441,459</b>	<b>768,616</b>	<b>89,508</b>	<b>1,332,860</b>	<b>16,264</b>	<b>1,349,124</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2017**

(x €1,000)	2017	2016
<b>Cash flow from operating activities</b>		
Operating profit before tax	120,514	85,785
Adjustments for		
- Depreciation and amortisation	18,131	16,598
- Costs of share plans	4,773	3,261
- Results on associates using the equity method	-13,129	-11,543
- Valuation results on financial assets designated at fair value through profit or loss	2,870	3,291
- Valuation results on financial liabilities designated at fair value through profit or loss	-7,399	11,508
- Valuation results on derivatives	-19,080	-15,661
- Impairments	-10,674	-2,115
- Changes in provisions	3,479	16,335
<b>Cash flow from operating activities</b>	<b>99,486</b>	<b>107,460</b>
<b>Net movement in operating assets and liabilities</b>		
- Financial assets/liabilities held for trading	-19,427	-10,463
- Due from/to banks	4,593	-581,114
- Loans and advances to public and private sectors / Public and private sector liabilities	71,881	560,418
- Derivatives	3,099	28,817
- Withdrawals from restructuring provision and other provisions	-15,021	-7,880
- Other assets and liabilities	-4,696	16,128
- Income taxes paid	-11,119	-3,515
- Dividends received	4,602	3,606
<b>Total net movement in operating assets and liabilities</b>	<b>33,912</b>	<b>5,997</b>
<b>Net cash flow from operating activities</b>	<b>133,398</b>	<b>113,456</b>
<b>Cash flow from investing activities</b>		
Investments and acquisitions		
- Investments in debt instruments	-973,327	-1,110,797
- Investments in equity instruments	-84,990	-11,104
- Acquisitions (excluding acquired cash and cash equivalents)	-28,700	-20,000
- Investments in associates using the equity method	-27,147	-15,856
- Property and equipment	-8,838	-10,303
- Goodwill and other intangible assets	-7,542	-1,864
Divestments, redemptions and sales		
- Investments in debt instruments	896,695	1,983,081
- Investments in equity investments	25,170	19,033
- Investments in associates using the equity method	41,277	528
- Property and equipment	7,044	3,295
- Goodwill and other intangible assets	678	1,854
Dividends received	3,833	7,325
<b>Net cash flow from investing activities</b>	<b>-155,847</b>	<b>845,193</b>

(x €1,000)	2017	2016
<b>Cash flow from financing activities</b>		
Share plans	2,255	-1,289
Repurchased equity instruments <sup>18</sup>	-7,499	-4,673
Change in other non-controlling interests	-1,956	-4,186
Receipts on issued subordinated loans	-	50,000
Redemption of subordinated loans	-113	-114
Receipts on issued debt securities	500,000	500,000
Redemption of debt securities	-187,027	-869,914
Receipts on financial liabilities designated at fair value through profit or loss	275,645	178,405
Redemption of financial liabilities designated at fair value through profit or loss	-191,048	-100,261
Dividends paid and return of capital	-91,174	-25,180
<b>Net cash flow from financing activities</b>	<b>299,082</b>	<b>-277,211</b>
<b>Net change in cash and cash equivalents and balances at central banks</b>	<b>276,632</b>	<b>681,438</b>
Cash and cash equivalents and balances at central banks at 1 January <sup>19</sup>	1,550,100	868,662
Cash and cash equivalents and balances at central banks at 31 December <sup>18</sup>	1,826,733	1,550,100
<b>Additional disclosure</b>		
Cash flows from interest received	341,695	417,890
Cash flows from interest paid	146,007	201,044

<sup>18</sup> Van Lanschot Kempfen grants unconditional and conditional rights to acquire depositary receipts for Class A ordinary shares for no consideration. To meet open positions Van Lanschot Kempfen holds depositary receipts for Class A ordinary shares. In 2017 and 2016, Van Lanschot Kempfen executed a share buy-back programme.

<sup>19</sup> Cash and cash equivalents and balances at central banks also includes amounts due from/to banks available on demand.

## SEGMENT INFORMATION

Operating segments in 2017 (x € million)							
	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other activities	Total
<b>Statement of income</b>							
Net interest income	151.4	3.3	-0.0	0.0	33.1	7.5	195.4
Income from securities and associates	-	-	-1.2	-	-	38.9	37.7
Net commission income	124.5	4.5	92.5	41.7	2.6	1.1	267.0
Profit on financial transactions	1.0	-	-0.1	4.5	-	8.7	14.1
Other income	-	-	-	-	-	53.1	53.1
<b>Total income from operating activities</b>	<b>276.9</b>	<b>7.9</b>	<b>91.2</b>	<b>46.2</b>	<b>35.8</b>	<b>109.4</b>	<b>567.3</b>
Staff costs	97.6	4.6	39.6	23.4	5.7	92.0	263.0
Other administrative expenses	71.6	7.9	21.9	8.0	2.3	66.9	178.5
Allocated internal expenses	57.9	7.0	10.9	9.2	12.1	-97.0	-
Depreciation and amortisation	4.4	0.0	0.6	0.0	-	10.9	16.0
Impairments	-3.2	0.0	-	-	-6.0	-1.5	-10.7
<b>Total expenses</b>	<b>228.3</b>	<b>19.5</b>	<b>73.0</b>	<b>40.6</b>	<b>14.0</b>	<b>71.4</b>	<b>446.8</b>
<b>Operating result before tax</b>	<b>48.6</b>	<b>-11.6</b>	<b>18.2</b>	<b>5.6</b>	<b>21.7</b>	<b>38.0</b>	<b>120.5</b>
Efficiency ratio (%)	84%	248%	80%	88%	56%	67%	81%