

# Van Lanschot Kempen Financial report

2017 HALF-YEAR RESULTS



**VAN LANSCHOT  
KEMPEN**

*CONTENTS*

|   | Page |
|---|------|
| KEY DATA  | 2    |
| RESULTS   | 3    |
| STATEMENT OF FINANCIAL POSITION                           | 12   |
| CLIENT ASSETS   | 18   |
| RECONCILIATION OF IFRS AND MANAGEMENT REPORTING           | 20   |
| <br><i>HALF-YEAR FINANCIAL STATEMENTS</i>                 |      |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION              | 22   |
| CONSOLIDATED STATEMENT OF INCOME                          | 23   |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME            | 24   |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY               | 25   |
| CONSOLIDATED STATEMENT OF CASH FLOWS                      | 26   |
| NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS       | 28   |
| NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 30   |
| NOTES TO THE CONSOLIDATED STATEMENT OF INCOME             | 34   |
| ADDITIONAL NOTES  | 37   |
| SEGMENT INFORMATION                                       | 45   |
| EVENTS AFTER THE REPORTING PERIOD                         | 47   |
| OTHER INFORMATION   | 48   |

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

Deviating from their recognition in our (IFRS) interim financial statements, non-strategic investments, one-off gains/charges and costs related to our Strategy 2020 investment programme are shown separately.

| <i>(x € m)</i>                                 | H1 2017 | H2 2016 |     | H1 2016 |     |
|--|---------|---------|-----|---------|-----|
| <b>Statement of income</b>                     |         |         |     |         |     |
| Net result                                     | 62.3    | 38.3    | 62% | 31.5    | 98% |
| Underlying net result                          | 69.6    | 43.6    | 60% | 37.7    | 85% |
| Efficiency ratio excluding one-off charges (%) | 72.1    | 79.5    |     | 81.1    |     |

| <i>(x € m)</i>  | 30/06/2017 | 31/12/2016 |     | 30/06/2016 |      |
|---|------------|------------|-----|------------|------|
| <b>Statement of financial position and capital management</b> |            |            |     |            |      |
| Equity attributable to shareholders                           | 1,350      | 1,340      | 1%  | 1,301      | 4%   |
| Equity attributable to non-controlling interests              | 15         | 13         | 13% | 13         | 19%  |
| Savings and deposits  | 9,387      | 9,680      | -3% | 9,686      | -3%  |
| Loans and advances to clients                                 | 9,470      | 9,624      | -2% | 10,305     | -8%  |
| Total assets  | 14,952     | 14,877     | 1%  | 15,433     | -3%  |
| Funding ratio (%)   | 99.1       | 100.6      |     | 94.0       |      |
| Risk-weighted assets  | 5,359      | 5,623      | -5% | 6,091      | -12% |
| Common Equity Tier I ratio (%) <sup>2</sup>                   | 19.9       | 19.0       |     | 17.3       |      |
| Tier I ratio (%) <sup>2</sup>                                 | 19.9       | 19.0       |     | 17.3       |      |
| Total capital ratio (%) <sup>2</sup>                          | 21.8       | 20.9       |     | 18.2       |      |
| <b>Basel III</b>  |            |            |     |            |      |
| Common Equity Tier I ratio (%) (fully loaded) <sup>3</sup>    | 19.6       | 18.6       |     | 16.9       |      |
| Liquidity coverage ratio (%)                                  | 177.0      | 156.6      |     | 140.2      |      |
| Net stable funding ratio (%)                                  | 129.3      | 130.6      |     | 121.2      |      |
| Leverage ratio (%) (fully loaded) <sup>3</sup>                | 7.0        | 6.9        |     | 6.4        |      |

| <i>(x € bn)</i>               | 30/06/2017 | 31/12/2016 |     | 30/06/2016 |     |
|-------------------------------|------------|------------|-----|------------|-----|
| <b>Client assets</b>          | 72.0       | 69.4       | 4%  | 66.2       | 9%  |
| - Assets under management     | 60.1       | 57.5       | 4%  | 54.3       | 11% |
| - Assets under administration | 2.5        | 2.1        | 19% | 2.2        | 16% |
| - Savings and deposits        | 9.4        | 9.7        | -3% | 9.7        | -3% |

|   | H1 2017 | H2 2016 |     | H1 2016 |     |
|---|---------|---------|-----|---------|-----|
| <b>Key figures</b>  |         |         |     |         |     |
| Weighted average of outstanding ordinary shares (x 1,000)       | 40,976  | 40,925  |     | 40,959  |     |
| Underlying earnings per share (€)                               | 1.63    | 1.01    | 61% | 0.88    | 85% |
| Return on average Common Equity Tier I capital (%) <sup>4</sup> | 12.5    | 7.8     |     | 6.8     |     |
| Number of staff (FTEs at period end)                            | 1,647   | 1,670   | -1% | 1,646   | 0%  |

<sup>1</sup> Total figures may not add up due to rounding.

<sup>2</sup> At 31 December 2016 based on phase-in and including retained earnings. At 30 June 2016 and 2017 based on phase-in and excluding retained earnings.

<sup>3</sup> At 31 December 2016 including retained earnings. At 30 June 2016 and 2017 excluding retained earnings.

<sup>4</sup> Based on underlying net result (annualised).

## RESULTS

| <i>(x € m)</i>   | H1 2017      | H2 2016      |             | H1 2016      |            |
|--|--------------|--------------|-------------|--------------|------------|
| Commission   | 132.3        | 126.3        | 5%          | 117.4        | 13%        |
| - Of which securities commissions                        | 112.3        | 100.2        | 12%         | 100.3        | 12%        |
| - Of which other commissions                             | 19.9         | 26.1         | -24%        | 17.1         | 16%        |
| Interest   | 103.6        | 102.6        | 1%          | 110.3        | -6%        |
| Income from securities and associates                    | 29.7         | 20.7         | 43%         | 8.5          |            |
| Result on financial transactions                         | 7.2          | -8.0         |             | 4.0          | 79%        |
| <b>Income from operating activities</b>                  | <b>272.7</b> | <b>241.6</b> | <b>13%</b>  | <b>240.2</b> | <b>14%</b> |
| Staff costs <sup>5</sup>                                 | 115.4        | 116.5        | -1%         | 110.9        | 4%         |
| Other administrative expenses                            | 75.3         | 69.1         | 9%          | 77.4         | -3%        |
| Depreciation and amortisation                            | 6.1          | 6.4          | -5%         | 6.5          | -7%        |
| <b>Operating expenses</b>                                | <b>196.8</b> | <b>192.0</b> | <b>2%</b>   | <b>194.8</b> | <b>1%</b>  |
| <b>Gross result</b>                                      | <b>76.0</b>  | <b>49.6</b>  | <b>53%</b>  | <b>45.4</b>  | <b>67%</b> |
| Addition to loan loss provision                          | -1.9         | -5.1         |             | -1.7         |            |
| Other impairments  | 0.5          | 0.6          | -23%        | 0.5          | 1%         |
| <b>Impairments</b>                                       | <b>-1.5</b>  | <b>-4.5</b>  | <b>-68%</b> | <b>-1.3</b>  | <b>15%</b> |
| Operating profit before tax of non-strategic investments | 7.0          | 4.3          | 64%         | 3.1          | 124%       |
| <b>Operating profit before one-off charges and tax</b>   | <b>84.5</b>  | <b>58.4</b>  | <b>45%</b>  | <b>49.8</b>  | <b>70%</b> |
| Derivatives recovery framework                           | -            | -            |             | 8.0          | -100%      |
| Other one-off charges                                    | -            | 5.1          | -100%       | 2.0          | -100%      |
| Strategy 2020 investment programme                       | 9.7          | 7.0          | 39%         | 0.3          |            |
| <b>Operating profit before tax</b>                       | <b>74.7</b>  | <b>46.3</b>  | <b>61%</b>  | <b>39.5</b>  | <b>89%</b> |
| Income tax   | 12.4         | 8.0          | 56%         | 8.0          | 55%        |
| <b>Net result</b>  | <b>62.3</b>  | <b>38.3</b>  | <b>62%</b>  | <b>31.5</b>  | <b>98%</b> |
| <b>Underlying net result</b>                             | <b>69.6</b>  | <b>43.6</b>  | <b>60%</b>  | <b>37.7</b>  | <b>85%</b> |

## UNDERLYING NET RESULT

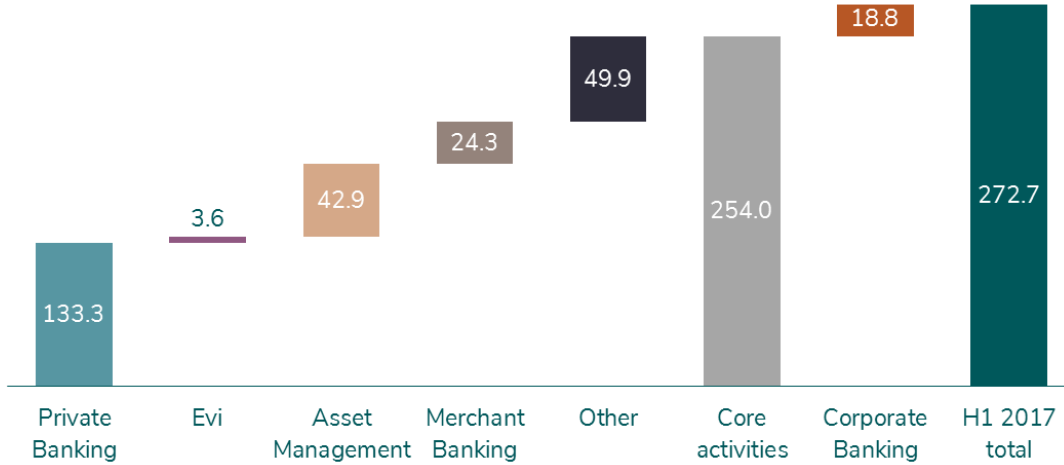
| <i>(x € m)</i>   | H1 2017     | H2 2016     |            | H1 2016     |            |
|--|-------------|-------------|------------|-------------|------------|
| <b>Net result</b>  | <b>62.3</b> | <b>38.3</b> | <b>62%</b> | <b>31.5</b> | <b>98%</b> |
| One-off charge related to derivatives recovery framework | -           | -           |            | 8.0         |            |
| Cost of Strategy 2020 investment programme               | 9.7         | 7.0         |            | 0.3         |            |
| Tax effects  | -2.4        | -1.7        |            | -2.1        |            |
| <b>Underlying net result</b>                             | <b>69.6</b> | <b>43.6</b> | <b>60%</b> | <b>37.7</b> | <b>85%</b> |

<sup>5</sup> As per 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 of 2016 have been adjusted for the mentioned change in presentation.

## INCOME FROM OPERATING ACTIVITIES

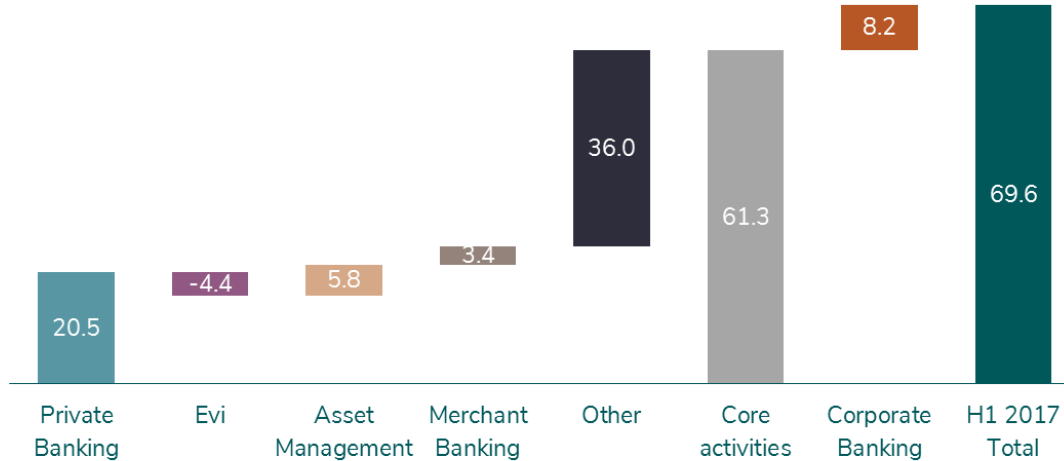
Private Banking, Evi<sup>6</sup>, Asset Management and Merchant Banking generated 75% of total income, with Van Lanschot Kempfen's core activities accounting for 99% of commission income (at par with 2016) and 83% of interest income (2016: 73%).

**Income from operating activities by segment**  
x € m



All operating activities made positive contributions, except for Evi. The strong net result of Other was mainly driven by income from securities and associates of €31.7 million. The underlying net result is the H1 2017 net result adjusted for the costs related to the Strategy 2020 investment programme (€9.7 million gross).

**Underlying net result**  
x € m



<sup>6</sup> From H2 2016, we report on Evi as a separate segment, whereas these activities were previously part of Private Banking. Comparative figures for H1 2016 have been adjusted accordingly.

| H1 2017 ( <i>x € m</i> )                               | Private Banking | Evi         | Asset Mgt   | Merchant Banking | Other       | Core activities | Corporate Banking | Total        |
|--|-----------------|-------------|-------------|------------------|-------------|-----------------|-------------------|--------------|
| Commission   | 61.1            | 2.0         | 44.9        | 22.3             | 0.3         | 130.7           | 1.6               | 132.3        |
| Interest   | 71.6            | 1.6         | 0.0         | 0.0              | 13.2        | 86.4            | 17.1              | 103.6        |
| Other income   | 0.6             | 0.0         | -2.1        | 1.9              | 36.4        | 36.9            | 0.0               | 36.9         |
| <b>Income from operating activities</b>                | <b>133.3</b>    | <b>3.6</b>  | <b>42.9</b> | <b>24.3</b>      | <b>49.9</b> | <b>254.0</b>    | <b>18.8</b>       | <b>272.7</b> |
| Staff costs  | 47.3            | 2.1         | 18.7        | 10.9             | 31.6        | 110.6           | 4.8               | 115.4        |
| Other administrative expenses                          | 26.1            | 4.0         | 10.0        | 4.1              | 31.0        | 75.2            | 0.2               | 75.3         |
| Indirect costs   | 29.5            | 3.4         | 5.5         | 4.6              | -48.9       | -5.9            | 5.8               | 0.0          |
| Depreciation and amortisation                          | 2.0             | 0.0         | 0.2         | 0.0              | 3.8         | 6.1             | 0.0               | 6.1          |
| <b>Operating expenses</b>                              | <b>104.9</b>    | <b>9.5</b>  | <b>34.5</b> | <b>19.6</b>      | <b>17.5</b> | <b>186.0</b>    | <b>10.8</b>       | <b>196.8</b> |
| <b>Gross result</b>                                    | <b>28.4</b>     | <b>-5.9</b> | <b>8.4</b>  | <b>4.6</b>       | <b>32.4</b> | <b>68.0</b>     | <b>8.0</b>        | <b>76.0</b>  |
| Impairments  | 0.9             |             |             |                  | 0.6         | 1.5             | -3.0              | -1.5         |
| Operating profit before tax of NSIs                    |                 |             |             |                  | 7.0         | 7.0             |                   | 7.0          |
| <b>Operating profit before one-off charges and tax</b> | <b>27.5</b>     | <b>-5.9</b> | <b>8.4</b>  | <b>4.6</b>       | <b>38.9</b> | <b>73.5</b>     | <b>11.0</b>       | <b>84.5</b>  |
| Strategy 2020 investment programme                     | 9.7             |             |             |                  |             | 9.7             |                   | 9.7          |
| <b>Operating profit before tax</b>                     | <b>17.8</b>     | <b>-5.9</b> | <b>8.4</b>  | <b>4.6</b>       | <b>38.9</b> | <b>63.7</b>     | <b>11.0</b>       | <b>74.7</b>  |
| Income tax   | 4.5             | -1.6        | 2.6         | 1.2              | 2.9         | 9.7             | 2.7               | 12.4         |
| <b>Net result</b>                                      | <b>13.2</b>     | <b>-4.4</b> | <b>5.8</b>  | <b>3.4</b>       | <b>36.0</b> | <b>54.0</b>     | <b>8.2</b>        | <b>62.3</b>  |
| <b>Underlying net result</b>                           | <b>20.5</b>     | <b>-4.4</b> | <b>5.8</b>  | <b>3.4</b>       | <b>36.0</b> | <b>61.3</b>     | <b>8.2</b>        | <b>69.6</b>  |

| H1 2016 ( <i>x € m</i> )                               | Private Banking | Evi         | Asset Mgt   | Merchant Banking | Other       | Core activities | Corporate Banking | Total        |
|--|-----------------|-------------|-------------|------------------|-------------|-----------------|-------------------|--------------|
| Commission   | 50.7            | 1.7         | 43.4        | 19.3             | 0.7         | 115.8           | 1.5               | 117.4        |
| Interest <sup>7</sup>                                  | 76.4            | 1.9         | 0.0         | 0.0              | 7.4         | 85.7            | 24.6              | 110.3        |
| Other income   | 0.6             | 0.0         | 0.0         | 1.9              | 10.0        | 12.5            | 0.0               | 12.5         |
| <b>Income from operating activities</b>                | <b>127.7</b>    | <b>3.6</b>  | <b>43.4</b> | <b>21.3</b>      | <b>18.0</b> | <b>214.0</b>    | <b>26.2</b>       | <b>240.2</b> |
| Staff costs  | 44.6            | 1.7         | 17.8        | 10.3             | 33.7        | 108.2           | 2.7               | 110.9        |
| Other administrative expenses                          | 26.4            | 3.9         | 10.8        | 3.2              | 32.7        | 76.9            | 0.5               | 77.4         |
| Indirect costs   | 27.5            | 3.9         | 7.2         | 4.8              | -52.1       | -8.8            | 8.8               | 0.0          |
| Depreciation and amortisation                          | 1.1             | 0.1         | 0.2         | 0.0              | 5.1         | 6.5             | 0.0               | 6.5          |
| <b>Operating expenses</b>                              | <b>99.6</b>     | <b>9.5</b>  | <b>36.0</b> | <b>18.4</b>      | <b>19.4</b> | <b>182.8</b>    | <b>12.0</b>       | <b>194.8</b> |
| <b>Gross result</b>                                    | <b>28.2</b>     | <b>-5.9</b> | <b>7.5</b>  | <b>2.9</b>       | <b>-1.4</b> | <b>31.2</b>     | <b>14.2</b>       | <b>45.4</b>  |
| Impairments  | 2.4             |             |             |                  | -4.6        | -2.3            | 1.0               | -1.3         |
| Operating profit before tax of NSIs                    |                 |             |             |                  | 3.1         | 3.1             |                   | 3.1          |
| <b>Operating profit before one-off charges and tax</b> | <b>25.8</b>     | <b>-5.9</b> | <b>7.5</b>  | <b>2.9</b>       | <b>6.4</b>  | <b>36.6</b>     | <b>13.2</b>       | <b>49.8</b>  |
| Derivatives recovery framework                         | 0.9             |             |             |                  |             | 0.9             | 7.1               | 8.0          |
| One-off charges  | 1.1             |             |             |                  | 0.9         | 2.0             |                   | 2.0          |
| Strategy 2020 investment programme                     | 0.3             |             |             |                  |             | 0.3             |                   | 0.3          |
| <b>Operating profit before tax</b>                     | <b>23.5</b>     | <b>-5.9</b> | <b>7.5</b>  | <b>2.9</b>       | <b>5.5</b>  | <b>33.4</b>     | <b>6.1</b>        | <b>39.5</b>  |
| Income tax   | 6.7             | -1.5        | 1.9         | 0.8              | -1.6        | 6.3             | 1.7               | 8.0          |
| <b>Net result</b>                                      | <b>16.8</b>     | <b>-4.4</b> | <b>5.5</b>  | <b>2.1</b>       | <b>7.0</b>  | <b>27.1</b>     | <b>4.5</b>        | <b>31.5</b>  |
| <b>Underlying net result</b>                           | <b>17.7</b>     | <b>-4.4</b> | <b>5.5</b>  | <b>2.1</b>       | <b>7.0</b>  | <b>27.9</b>     | <b>9.8</b>        | <b>37.7</b>  |

<sup>7</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)                        | H1 2017      | H2 2016      |           | H1 2016      |            |
|--------------------------------|--------------|--------------|-----------|--------------|------------|
| Securities commissions         | 112.3        | 100.2        | 12%       | 100.3        | 12%        |
| - Management fees <sup>8</sup> | 96.2         | 87.6         | 10%       | 86.2         | 12%        |
| - Transaction fees             | 16.2         | 12.6         | 28%       | 14.0         | 15%        |
| Other commissions              | 19.9         | 26.1         | -24%      | 17.1         | 16%        |
| <b>Commission</b>              | <b>132.3</b> | <b>126.3</b> | <b>5%</b> | <b>117.4</b> | <b>13%</b> |

Commissions, our main source of income, increased 13% to €132.3 million in H1 2017. Securities commissions were up 12% compared with H1 2016. This increase was mainly driven by inflows, AuM from the Staalbankiers acquisition and the market performance of assets under management. Other commissions grew by 16% compared with H1 2016, mainly due to increased activity at Merchant Banking. Recurring securities commission as a proportion of total securities commission remained stable at 86% (H1 2016: 86%).

**Commission income by segment**

x € m



Private Banking's commission income recorded a €10.4 million increase on H1 2016, chiefly due to higher management fees but helped also by strong growth in transaction fees on the back of higher client trading activity compared with the first half of 2016.

Evi's H1 2017 securities commissions were up by €0.3 million on H1 2016, mainly driven by growth in assets under management to €868 million at the end of H1 2017.

At Asset Management, new mandates and market performance led to an increase in commission income of €1.5 million on H1 2016. Average margins contracted on H1 2016 as a result of a changing composition of mandates and slight fee pressure. Fiduciary mandates accounted for 60.4% of assets under management in the segment (H1 2016: 60.4%), while equity funds and mandates saw their share rise slightly to 17.1% (H1 2016: 14.6%) and fixed income funds and mandates saw their share decline to 22.5% (H1 2016: 25.0%) .

Commission income at Merchant Banking rose by €3.0 million compared with H1 2016, to €22.3 million – an increase of 15%. This was mainly down to higher advisory income from M&A and capital market transactions. Compared to H2 2016, commission income declined by €5.0 million, as the second half of 2016 ended quite strongly.

<sup>8</sup> Management fees include advisory and services fees.

**INTEREST**

| (x € m)                                   | H1 2017      | H2 2016      |           | H1 2016      |            |
|---|--------------|--------------|-----------|--------------|------------|
| Gross interest margin                     | 110.9        | 121.2        | -8%       | 132.1        | -16%       |
| Interest equalisation                     | -4.8         | -11.6        |           | -14.8        |            |
| Miscellaneous interest income and charges | -4.2         | -9.1         |           | -11.1        |            |
| Loan commission                           | 1.8          | 2.1          | -16%      | 4.0          | -55%       |
| <b>Interest</b>                           | <b>103.6</b> | <b>102.6</b> | <b>1%</b> | <b>110.3</b> | <b>-6%</b> |

Our H1 2017 interest income of €103.6 million was 6% below the €110.3 million recorded in H1 2016, mostly due to a smaller loan portfolio. At €9.5 billion the loan portfolio contracted by €0.8 billion versus June 2016. During H1 2017 the interest margin<sup>9</sup> declined by two basis points to an average of 137 basis points. The 'clean' interest margin<sup>9</sup> remained stable compared with the end of 2016, at 130 basis points.

Falling interest equalisation charges reflect the reduction in investment portfolio securities purchased above par. Amortisation on previously discontinued interest rate hedges was €7.3 million down compared with H1 2016, which benefited interest result and shows up in Miscellaneous interest income and charges.

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 H1 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 saving and deposits at non-core clients.

**INCOME FROM SECURITIES AND ASSOCIATES**

| (x € m)                                      | H1 2017     | H2 2016     |            | H1 2016    |             |
|--|-------------|-------------|------------|------------|-------------|
| Dividend                                     | 4.0         | 1.3         |            | 2.3        | 70%         |
| Capital gains                                | 19.3        | 8.5         | 126%       | 0.9        |             |
| Valuation gains and losses                   | 6.4         | 10.9        | -41%       | 5.3        | 21%         |
| <b>Income from securities and associates</b> | <b>29.7</b> | <b>20.7</b> | <b>43%</b> | <b>8.5</b> | <b>248%</b> |

Income from securities and associates relates to investments of our equity investment company Van Lanschot Participaties and stakes in our own investment funds. We occasionally also take stakes in our own investment funds, for instance by supporting their start-ups.

The H1 2017 capital gain of €19.3 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.

Our dividend receipts grew to €4.0 million in H1 2017, from €2.3 million in H1 2016.

Valuation gains rose by 21% to €6.4 million (H1 2016: €5.3 million), reflecting the increased value of the Van Lanschot Participaties investments.

<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)                                 | H1 2017    | H2 2016     |     | H1 2016    |            |
|---|------------|-------------|-----|------------|------------|
| Result on securities trading            | -0.7       | -1.3        |     | -1.7       |            |
| Result on currency trading              | 4.5        | 3.4         | 30% | 3.5        | 29%        |
| Result on investment portfolio          | 2.0        | 1.8         | 13% | 6.1        | -67%       |
| Result on interest rate hedges          | 2.9        | -4.4        |     | -3.3       |            |
| Other income                            | -1.5       | -7.5        |     | -0.5       |            |
| <b>Result on financial transactions</b> | <b>7.2</b> | <b>-8.0</b> |     | <b>4.0</b> | <b>79%</b> |

The negative €0.7 million figure for Results on securities trading primarily reflects the result from positions in our own issued debt securities. Results on currency trading rose 29% compared with H1 2016, to €4.5 million, mainly due to a higher volume of securities transactions and payment services in foreign currency.

Our €2.0 million profit on the investment portfolio breaks down into two separate parts: we realised profits of €1.6 million on the sale of bonds in the investment portfolio (H1 2016: €7.0 million) and notched up €0.4 million on our mark-to-market portfolio (H1 2016: €0.9 million negative).

The gain on interest rate hedges (€2.9 million) largely relates to the Kempfen Dutch Inflation Fund I NV structured product on our own books (€1.4 million).

At a negative €1.5 million, Other income comprises charges on debt securities (medium-term notes) issued by Van Lanschot Kempfen (- €3.3 million) as well as the €1.9 million positive result generated by Merchant Banking's structured products and a negative €0.1 million from other financial derivatives.

## OPERATING EXPENSES

| (x € m)                       | H1 2017      | H2 2016      |           | H1 2016      |           |
|-------------------------------|--------------|--------------|-----------|--------------|-----------|
| Staff costs                   | 115.4        | 116.5        | -1%       | 110.9        | 4%        |
| Other administrative expenses | 75.3         | 69.1         | 9%        | 77.4         | -3%       |
| Depreciation and amortisation | 6.1          | 6.4          | -5%       | 6.5          | -7%       |
| <b>Operating expenses</b>     | <b>196.8</b> | <b>192.0</b> | <b>2%</b> | <b>194.8</b> | <b>1%</b> |

### STAFF COSTS

At €115.4 million, staff costs were 4% up on H1 2016 (€110.9 million), partly due to higher costs associated with the acquisition of Staalbankiers' private banking activities (an effect to the tune of €2.2 million), higher variable remuneration (€1.6 million) and charges related to employees (e.g. redundancy). At the end of H1 2017 we employed 1,647 full-time equivalent staff (FTEs), not including non-strategic investments. This was 23 FTEs fewer than at the end of 2016 (1,670), largely the result of reductions at our staff departments and at Corporate Banking.

### OTHER ADMINISTRATIVE EXPENSES

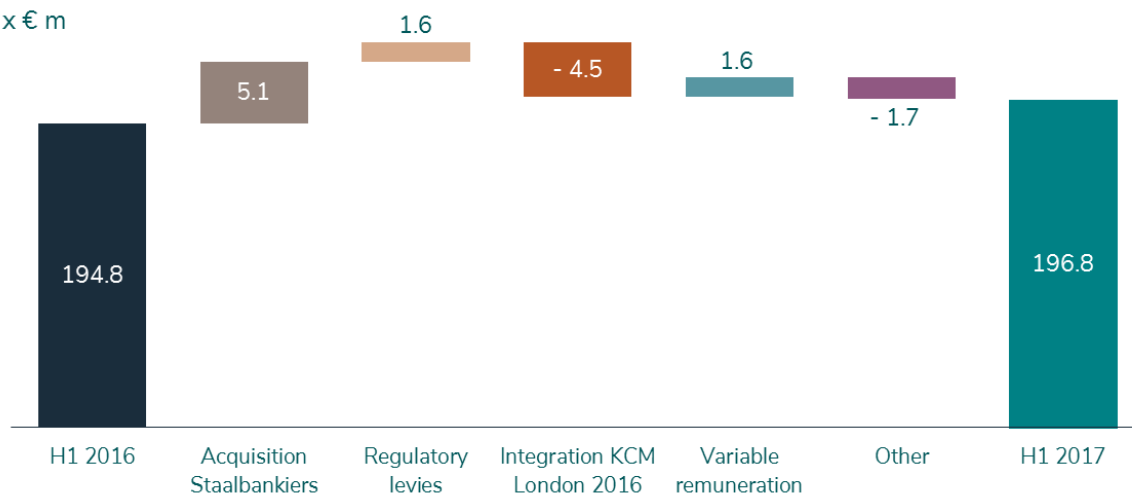
Other administrative expenses amounted to €75.3 million in H1 2017, 3% below H1 2016 (€77.4 million). The most significant cost reduction (€4.5 million) was realised at KCM London, as the H1 2016 figures included the integration costs after the acquisition. The acquisition of Staalbankiers' private banking activities added costs of €1.6 million due to the transition activities, in addition to a €2.2 million increase in staff costs. Regulatory levies also exceeded their H1 2016 figure (by €1.6 million) and comprised contributions to the deposit guarantee scheme, the single resolution fund and Belgium's savings tax.

## DEPRECIATION AND AMORTISATION

At €6.1 million, depreciation and amortisation in H1 2017 decreased by €0.4 million (7%) versus H1 2016 (€6.5 million). Amortisation of intangible assets rose as a result of the acquisition of Staalbankiers' private banking activities (by €1.3 million), while gains on the sale of office buildings had a downward influence.

### Operating expenses

x € m



## EFFICIENCY RATIO

The efficiency ratio – i.e. the ratio of operating expenses (excluding one-off charges and expenses in relation to our Strategy 2020 investment programme) to income from operating activities – improved to 72.1% in H1 2017 from 81.1% in H1 2016. This improvement was partly attributable to higher Income from securities and associates, which added €21.2 million on H1 2016. Operating expenses in H1 2017 were comparable to H1 2016 (+1%).

## IMPAIRMENTS

| (x € m)   | H1 2017     | H2 2016     | H1 2016     |           |
|---|-------------|-------------|-------------|-----------|
| Private Banking   | 0.8         | -1.1        | 2.4         | -65%      |
| Corporate Banking   | -3.0        | -1.0        | 1.0         |           |
| Other   | 0.2         | -3.0        | -5.1        |           |
| <b>Addition to loan loss provision</b>                          | <b>-1.9</b> | <b>-5.1</b> | <b>-1.7</b> |           |
| Impairment on investments and participating interests           | 0.4         | 0.5         | 0.4         |           |
| Impairment on assets obtained through the seizure of collateral | 0.1         | 0.1         | 0.1         |           |
| <b>Other impairments</b>  | <b>0.5</b>  | <b>0.6</b>  | <b>0.5</b>  | <b>1%</b> |
| <b>Impairments</b>  | <b>-1.5</b> | <b>-4.5</b> | <b>-1.3</b> |           |

## ADDITION TO LOAN LOSS PROVISION

In H1 2017, €1.9 million was released from loan loss provisions, similar to the amount released in H1 2016 (€1.7 million). The release at Corporate Banking (€3.0 million) was from both the SME and Real estate loan portfolios. The modest €0.8 million addition at Private Banking was 65% less than in H1 2016.

In H1 2017 the release from loan loss provisions relative to average risk-weighted assets worked out at 7 basis points (H1 2016: 5 basis points).

## NON-STRATEGIC INVESTMENT

Van Lanschot Kempen currently has majority ownership stakes in three non-strategic investments.<sup>10</sup> In H1 2017 the operating profit (before tax) from non-strategic investments amounted to €7.0 million compared with €3.1 million in H1 2016. This increase was mainly driven by the improved operating result at Medsen.

## ONE-OFF CHARGES

From H1 2017 we only record material items as one-off charges, with one-time FTE reduction charges now included in staff costs. We will continue to recognise major one-off items separately, but in H1 2017 there were no such items to report. In H1 2016 one-off charges mostly related to a provision for the implementation of the uniform recovery framework for SME clients with interest rate derivatives (€8.0 million). We expect to start distributing courtesy payments to clients in the second half of 2017.

| <i>(x € m)</i>                            | H1 2017 | H2 2016    | H1 2016     |
|---|---------|------------|-------------|
| Derivatives recovery framework            | -       | -          | 8.0         |
| One-off charges related to FTE reductions | -       | 2.3        | 1.6         |
| Termination of contract with IT suppliers | -       | -0.2       |             |
| Gains and impairments on office buildings | -       | 3.0        | 0.4         |
| <b>Other one-off charges</b>              | -       | <b>5.1</b> | <b>2.0</b>  |
| <b>One-off charges</b>                    | -       | <b>5.1</b> | <b>10.0</b> |

## STRATEGY 2020 INVESTMENT PROGRAMME

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 omnichannel private banking model and completing the transformation of our IT landscape. In H1 2017 a total €9.7 million was invested under the programme, of which the largest proportion was spent on the development of our omnichannel service to our clients. In addition, a part was spent on preparations to transfer our mortgage back-office to Stater in H2 2017 and on outsourcing payment services to Fidor. Over the course of 2016 and 2017, the total investment under the programme has amounted to € 17.0 million.

## INCOME TAX

Income tax for H1 2017 amounted to €12.4 million (H1 2016: €8.0 million), which works out at an effective tax rate of 16.7% compared with 20.3% in H1 2016. Our effective tax rate is relatively low due to income covered by equity exemption rules.

<sup>10</sup> The non-strategic investments are Medsen (AIO II BV), Holonite (Holowell BV) and Allshare.

**EARNINGS PER SHARE**

Consolidated earnings break down as follows:

| <i>(x € m)</i>  | H1 2017     | H2 2016     | H1 2016     |
|---|-------------|-------------|-------------|
| <b>Net result</b>   | <b>62.3</b> | <b>38.3</b> | <b>31.5</b> |
| Share of non-controlling interests  | -2.8        | -2.3        | -1.8        |
| <b>Net result for calculation of earnings per ordinary share</b>            | <b>59.5</b> | <b>36.1</b> | <b>29.7</b> |
| <b>Earnings per ordinary share (€)</b>                                      | <b>1.45</b> | <b>0.88</b> | <b>0.73</b> |
| <b>Underlying net result for calculation of earnings per ordinary share</b> | <b>66.8</b> | <b>41.3</b> | <b>35.9</b> |
| <b>Underlying earnings per ordinary share (€)</b>                           | <b>1.63</b> | <b>1.01</b> | <b>0.88</b> |
| Weighted number of outstanding ordinary shares (x 1,000)                    | 40,976      | 40,925      | 40,959      |

Profit attributable to non-controlling interests of €2.8 million in H1 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).

Underlying earnings rose substantially, to €1.63 per ordinary share. This was partly driven by strong growth in income from securities and associates compared with H1 2016.

**STATEMENT OF FINANCIAL POSITION**

| <i>(x € m)</i>  | 30/06/2017 | 31/12/2016 |     | 30/06/2016 |     |
|---|------------|------------|-----|------------|-----|
| <b>Statement of financial position and capital management</b> |            |            |     |            |     |
| Equity attributable to shareholders                           | 1,350      | 1,340      | 1%  | 1,301      | 4%  |
| Equity attributable to other non-controlling interests        | 15         | 13         | 13% | 13         | 19% |
| Savings & deposits  | 9,387      | 9,680      | -3% | 9,686      | -3% |
| Loans and advances to clients                                 | 9,470      | 9,624      | -2% | 10,305     | -8% |
| Total assets  | 14,952     | 14,877     | 1%  | 15,433     | -3% |
| Funding ratio (%)   | 99.1       | 100.6      |     | 94.0       |     |
| Return on assets (%) <sup>11</sup>                            | 0.93       | 0.55       |     | 0.49       |     |

**LOAN PORTFOLIO**

| <i>(x € m)</i>                         | 30/06/2017   | 31/12/2016   |             | 30/06/2016    |             |
|--|--------------|--------------|-------------|---------------|-------------|
| Mortgages                              | 5,740        | 5,718        | 0%          | 5,940         | -3%         |
| Other loans                            | 2,223        | 2,200        | 1%          | 2,393         | -7%         |
| <b>Private Banking</b>                 | <b>7,962</b> | <b>7,917</b> | <b>1%</b>   | <b>8,333</b>  | <b>-4%</b>  |
| Loans to SMEs                          | 577          | 679          | -15%        | 809           | -29%        |
| Real estate financing                  | 557          | 705          | -21%        | 918           | -39%        |
| <b>Corporate Banking</b>               | <b>1,134</b> | <b>1,384</b> | <b>-18%</b> | <b>1,727</b>  | <b>-34%</b> |
| Mortgages distributed by third parties | 525          | 485          | 8%          | 416           | 26%         |
| <b>Total</b>                           | <b>9,622</b> | <b>9,786</b> | <b>-2%</b>  | <b>10,476</b> | <b>-8%</b>  |
| Impairments                            | -152         | -162         | -6%         | -171          | -11%        |
| <b>Total</b>                           | <b>9,470</b> | <b>9,624</b> | <b>-2%</b>  | <b>10,305</b> | <b>-8%</b>  |

During H1 2017 our loan portfolio contracted by 2% to €9.5 billion due to the Corporate Banking run-off (-18%), while the loan book at Private Banking increased slightly, by 1%. Van Lanschot Kempen's loan portfolio is concentrated in the Netherlands (96% in H1 2017).

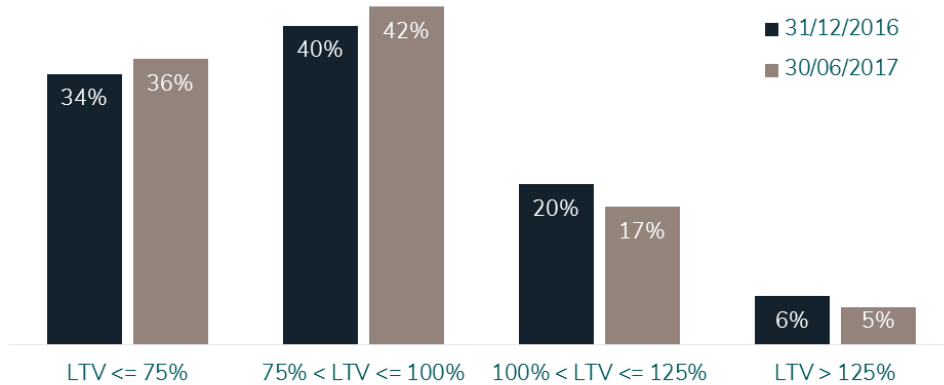
**PRIVATE BANKING**

Private Banking's loan portfolio breaks down into mortgages and other loans. In 2016, the mortgage portfolio grew slightly, as new business exceeded repayments and early repayment. The relative share of Private Banking-provided residential mortgages in the total loan portfolio stood at 60% in H1 2017 (year-end 2016: 58%). The mortgage portfolio is marked by limited losses and a low number of foreclosures.

Other loans comprises loans to wealthy private individuals and also includes business loans that fit into the Private Banking relationship model. These loans inched up 1% to the €2.2 billion recorded in H1 2017.

<sup>11</sup> Return on assets is based on underlying net result and total assets.

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

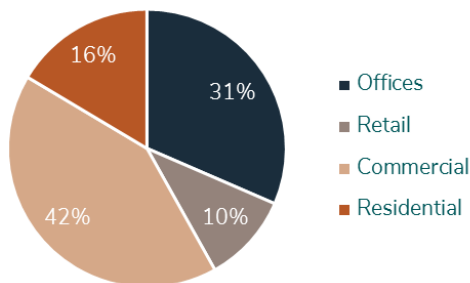


**CORPORATE BANKING**

At the end of H1 2017, the commercial real estate loan portfolio and SME loans totalled €1.1 billion (end-2016: €1.4 billion). Risk-weighted assets came down by €0.3 billion<sup>12</sup> and worked out at €0.9 billion (year-end 2016: €1.2 billion).

Corporate Banking's SME loans came down by 15% to €0.6 billion at the end of H1 2017 and accounted for 6% of our total loan portfolio. The real estate loan portfolio (€0.6 billion), which is well-spread across types of collateral, contracted by 21%. 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



**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 modestly during H1 2017 (+ 8%) and accounts for 5% of our total loan portfolio.

<sup>12</sup> The €0.3 billion reduction in risk-weighted Corporate Banking assets includes clients transferred to Private Banking (effect: €0.1 billion). The decline in loan exposure reduced risk-weighted assets by another €0.1 billion, while the remainder of the change in RWA resulted from rating changes.

## PROVISION

We provide for the impaired loans in our loan book. Impaired loans stood at €459 million at the end of H1 2017, which is 8% lower than year-end 2016 (€500 million). Related provisions amounted to €145 million, working out at a coverage ratio of 32% (year-end 2016: 31%). The tables below break down the total loan portfolio and provision.

The total impaired ratio improved to 4.8% from 5.1% at the end of H1 2017. The proportion of impaired loans at Private Banking came down slightly to 2.9% (year-end 2016: 3.2%). For mortgages, the coverage ratio came down to 28% (year-end 2016: 31%), while for other loans it increased to 53% (year-end 2016: 49%).<sup>13</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.

| 30/06/2017<br>(x € m)                  | Loan portfolio | Impaired loans | Provision  | Impaired ratio | Coverage ratio |
|--|----------------|----------------|------------|----------------|----------------|
| Mortgages                              | 5,740          | 77             | 21         | 1.3%           | 28%            |
| Other loans                            | 2,223          | 152            | 81         | 6.9%           | 53%            |
| <b>Private Banking</b>                 | <b>7,962</b>   | <b>229</b>     | <b>102</b> | <b>2.9%</b>    | <b>45%</b>     |
| Loans to SMEs                          | 577            | 172            | 32         | 29.7%          | 19%            |
| Real estate financing                  | 557            | 57             | 10         | 10.2%          | 18%            |
| <b>Corporate Banking</b>               | <b>1,134</b>   | <b>229</b>     | <b>42</b>  | <b>20.2%</b>   | <b>19%</b>     |
| Mortgages distributed by third parties | 525            | 1              | 0          | 0.2%           | 19%            |
| <b>Total</b>                           | <b>9,622</b>   | <b>459</b>     | <b>145</b> | <b>4.8%</b>    | <b>32%</b>     |
| Impairments                            | -152           |                |            |                |                |
| <b>Total</b>                           | <b>9,470</b>   |                | <b>145</b> |                |                |
| Incurring but not reported (IBNR)      |                |                | 7          |                |                |
| <b>Provision including IBNR</b>        |                |                | <b>152</b> |                |                |

| 31/12/2016<br>(x € m)                  | Loan portfolio | Impaired loans | Provision  | Impaired ratio | Coverage ratio |
|--|----------------|----------------|------------|----------------|----------------|
| Mortgages                              | 5,718          | 80             | 25         | 1.4%           | 31%            |
| Other loans                            | 2,200          | 172            | 84         | 7.8%           | 49%            |
| <b>Private Banking</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          |                |                |
| <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>13</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, based on H1 2017 figures. 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.

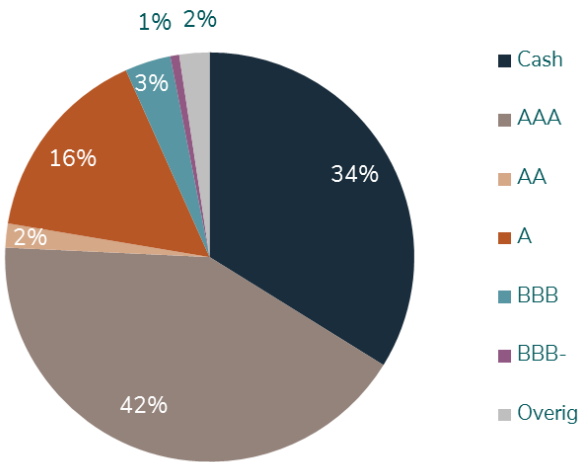
### INVESTMENT PORTFOLIO AND CASH

The total investment portfolio and cash<sup>14</sup> amounted to €4.4 billion at H1 2017 (year-end 2016: €3.9 billion). The investment portfolio saw an increase of €0.5 billion in H1, of which €0.2 billion was invested in government paper. The held-to-maturity portfolio stood at €0.5 billion at the end of H1 2017 and hardly changed in size or composition. Cash held with central banks added €0.1 billion relative to its end-2016 level.

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

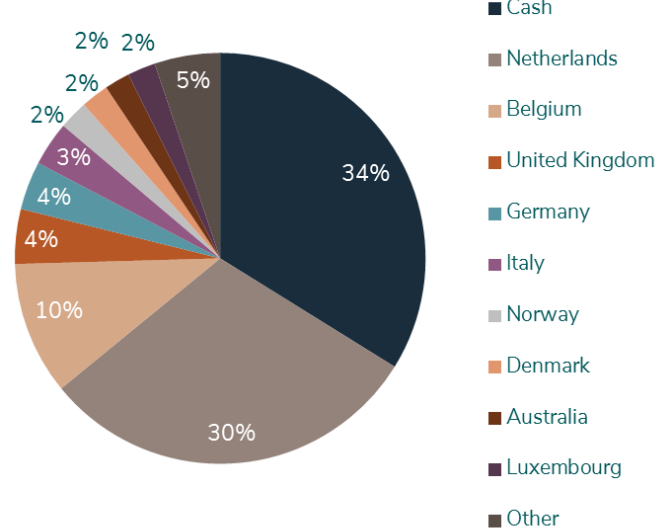
**Investment portfolio and cash  
by rating at 30/06/2017**

100% = €4.4bn



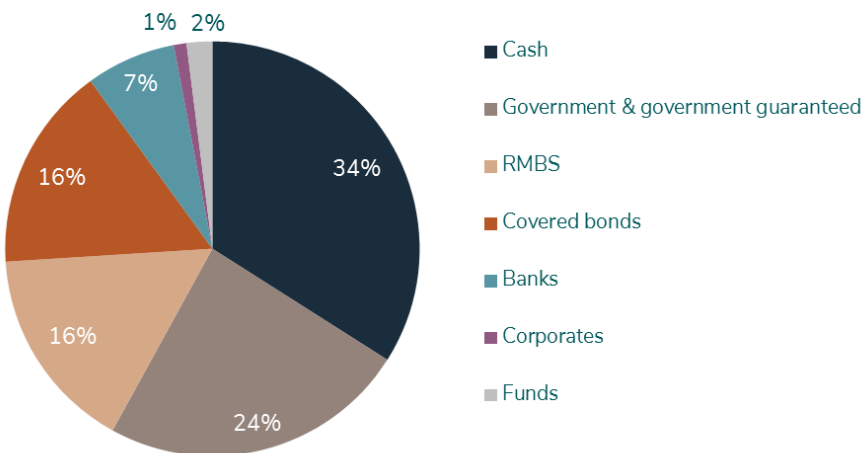
**Investment portfolio and cash  
by country at 30/06/2017**

100% = €4.4bn



**Investment portfolio and cash  
by counterparty at 30/06/2017**

100% = €4.4bn



<sup>14</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 H1 2017 our capital base again improved significantly compared with year-end 2016.

### PROPOSED RETURN OF CAPITAL TO SHAREHOLDERS OF €1 PER SHARE

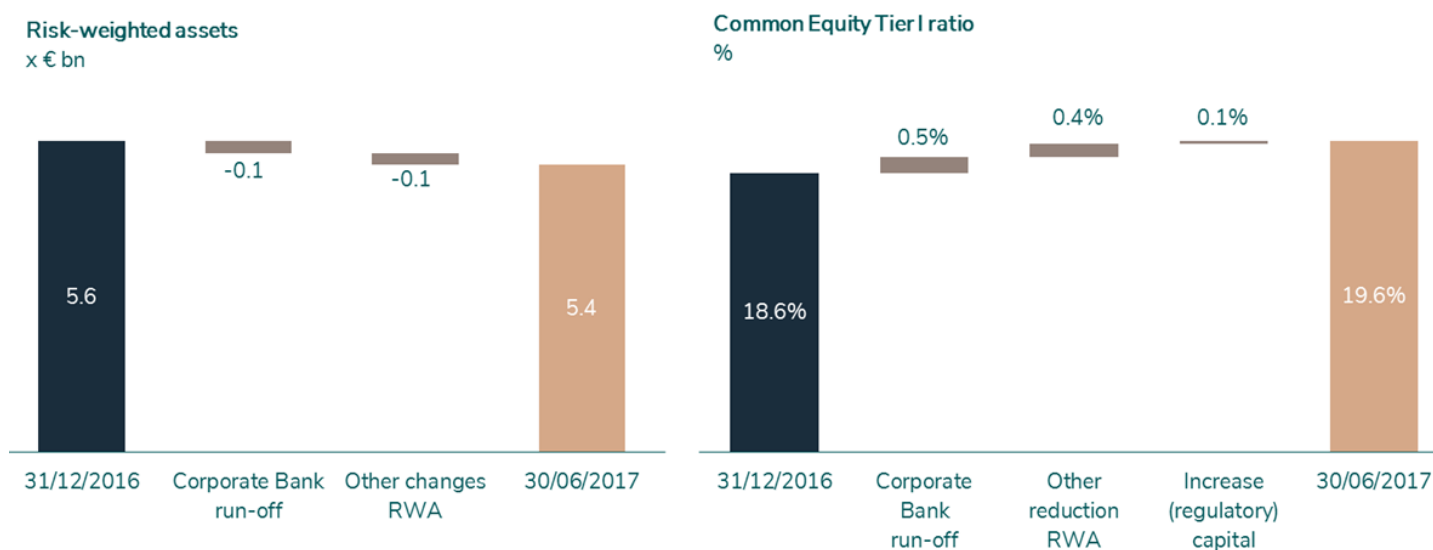
Thanks to our strong capital base and the development of our underlying result, we are able to make a next step in the ongoing implementation of our capital strategy: to return at least €250 million to our shareholders in the period up to and including 2020 (subject to approval of the regulators). We are proposing a capital return payment of €1 per share.

The proposal will be put to a vote at the Extraordinary General Meeting of Shareholders on 11 October 2017. As it entails a return of capital, the payment will not be subject to dividend tax. The return of €1 per share in issue will be charged to the proportion of the share premium reserve available for distribution. Total share capital in issue will be unchanged and our CET 1 ratio should remain well ahead of our capital objectives of 15–17% even after the return of capital.

| (x € m)                                      | 30-06-2017 | 31-12-2016 |     | 30-06-2016 |      |
|--|------------|------------|-----|------------|------|
| Risk-weighted assets                         | 5,355      | 5,623      | -5% | 6,091      | -12% |
| Common Equity Tier I ratio, phase in (%)     | 19.9       | 19.0       |     | 17.3       |      |
| Common Equity Tier I ratio, fully loaded (%) | 19.6       | 18.6       |     | 16.9       |      |
| Tier I ratio (%)                             | 19.9       | 19.0       |     | 17.3       |      |
| Total capital ratio (%)                      | 21.8       | 20.9       |     | 18.2       |      |

### CAPITAL MANAGEMENT

Risk-weighted assets declined by 5% to €5.4 billion in H1 2016 (year-end 2016: €5.6 billion). At 19.6%, our fully loaded Common Equity Tier I ratio improved again during H1 2017 (year-end 2016: 18.6%), reflecting our robust capital position. The €0.1 billion reduction in risk-weighted assets at Corporate Banking due to run-off had a positive impact on the CET I ratio of 0.5 percentage points. The ratio also gained 0.4 percentage points from additional decline in RWA, helped in part by the sale of the Belgian mortgage portfolio. Lastly, the movement in the Common Equity Tier I ratio was also slightly affected by a limited improvement in (regulatory) capital of 0.1 percentage points, partly due to a lower amount in shortfall.



DNB periodically rates the institutions it regulates on their supervisory review and evaluation process (SREP). It has set our SREP requirement at a Total Capital ratio of 12.7%, which is determined to cover both the Pillar I and Pillar II capital requirements as well as supervisory add-ons. This minimum requirement is based on the balance sheet as at 31 December 2016 and does not include additional capital buffers such as the capital conservation buffer that will be

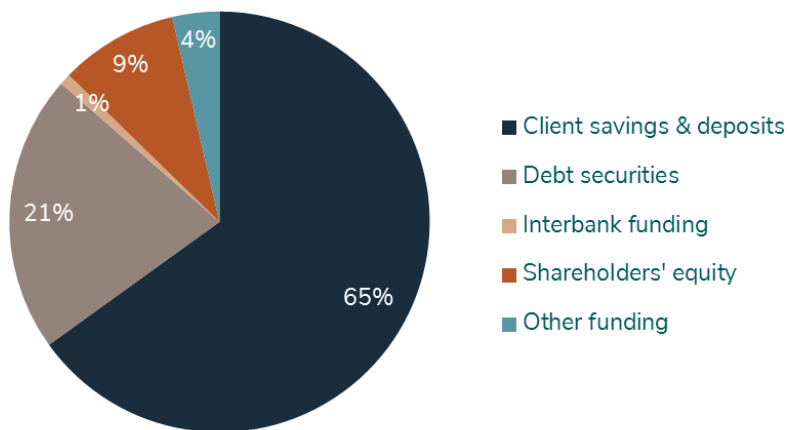
gradually phased-in as of 2016. The SREP formula is used to indicate the total capital requirement for Pillar I and Pillar II and is expressed as the total risk exposure amount. Van Lanschot is comfortably above the 12.7% minimum Total Capital ratio, with a CET1 ratio (fully loaded, excluding retained earnings) of 19.6% as at 30 June 2017.

## FUNDING

We aim to retain access to both retail and wholesale markets through diversified funding. By the end of H1 2017 our funding ratio had decreased slightly to 99.1% (year-end 2016: 100.6%) in the wake of a larger decline in savings and deposits (-3%) relative to loans and advances to clients (-2%).

In February 2017 we issued €500m under our Conditional Pass-Through Covered Bond Programme. Overall issued debt securities increased by €0.4 billion during H1 2017.

**Funding mix at 30/06/2017**  
100% = €15.0bn



## BASEL III

At the end of H1 2017 our ratios based on Basel III rules as currently known were as follows:

|   | 30/06/2017 | Norm  |
|---|------------|-------|
| Common Equity Tier I ratio (fully loaded) (%) <sup>15</sup> | 19.6       | > 9.5 |
| Leverage ratio (fully loaded) (%)                           | 7.0        | > 3   |
| Liquidity coverage ratio (%) <sup>16</sup>                  | 177.0      | > 100 |
| Net stable funding ratio (%) <sup>17</sup>                  | 129.3      | > 100 |

<sup>15</sup> The norm breaks down as follows: standard buffer 4.5%, conservation buffer 2.5%, countercyclical buffer between 0% and 2.5%.

<sup>16</sup> Based on LCR Delegated Act.

<sup>17</sup> Based on Basel III: net stable funding ratio (BCBS 295).

## CLIENT ASSETS

| (x € bn)                    | 30/06/2016  | 31/12/2016  |           | 30/06/2016  |           |
|-----------------------------|-------------|-------------|-----------|-------------|-----------|
| <b>Client assets</b>        | <b>72.0</b> | <b>69.4</b> | <b>4%</b> | <b>66.2</b> | <b>9%</b> |
| Assets under management     | 60.1        | 57.5        | 4%        | 54.3        | 11%       |
| Assets under administration | 2.5         | 2.1         | 19%       | 2.2         | 16%       |
| Savings and deposits        | 9.4         | 9.7         | -3%       | 9.7         | -3%       |
| <b>Client assets</b>        | <b>72.0</b> | <b>69.4</b> | <b>4%</b> | <b>66.2</b> | <b>9%</b> |
| Private Banking             | 28.9        | 28.3        | 2%        | 25.6        | 13%       |
| Evi                         | 1.5         | 1.5         | 2%        | 1.4         | 4%        |
| Asset Management            | 39.6        | 37.8        | 5%        | 37.2        | 7%        |
| Other                       | 2.0         | 1.8         | 10%       | 2.0         | 3%        |

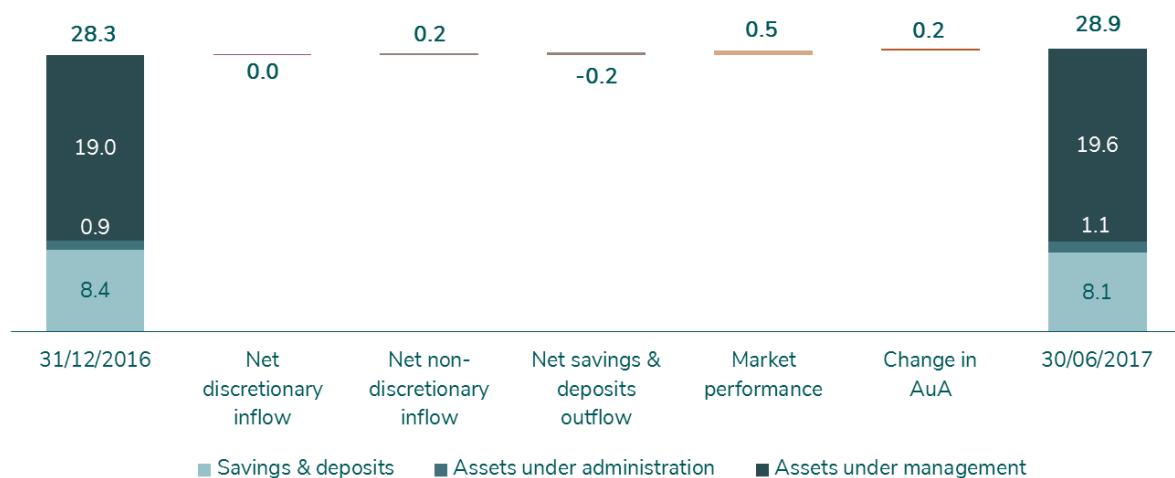
| (x € bn)                                      | Private Banking | Evi        | Asset Mgt   | Other      | Total       |
|---|-----------------|------------|-------------|------------|-------------|
| <b>Client assets at 31/12/2016</b>            | <b>28.3</b>     | <b>1.5</b> | <b>37.8</b> | <b>1.8</b> | <b>69.4</b> |
| Assets under management in/outflow            | 0.2             | 0.1        | 1.3         | 0.0        | 1.6         |
| Market performance of assets under management | 0.5             | 0.0        | 0.4         | 0.0        | 0.9         |
| Change in assets under administration         | 0.2             |            |             | 0.2        | 0.4         |
| Savings and deposits in/outflow               | -0.2            | -0.1       | 0.0         | 0.0        | -0.3        |
| <b>Client assets at 30/06/2017</b>            | <b>28.9</b>     | <b>1.5</b> | <b>39.6</b> | <b>2.0</b> | <b>72.0</b> |

## PRIVATE BANKING

In H1 2017 total client assets grew by €0.6 billion to €28.9 billion. This was primarily driven by inflow of non-discretionary volume (€0.2 billion) and market performance (€0.5 billion). As from April 2017 the former Staalbankiers' private banking clients are serviced from the Van Lanschot platform, with the transition process having caused limited attrition of client assets (less than 5%). Excluding this attrition the inflow of assets under management at Private Banking was € 0.3 million in H1 2017. At the end of H1 2017 the share of assets under discretionary management was 52% of total assets under management.

### Client Assets at Private Banking

x € bn

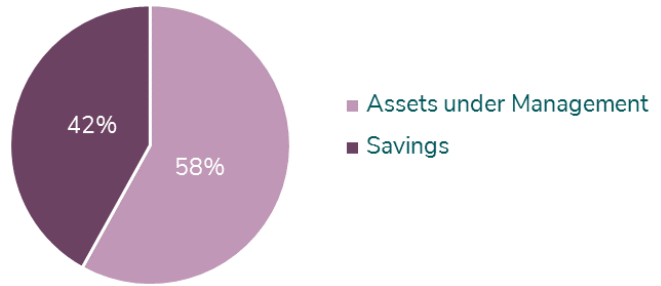


Assets under administration increased by €0.2 billion over the course of H1 2017. These investment portfolios are merely administered by Van Lanschot; we have little or no control over them and their earnings are relatively limited. Savings and deposits were down by €0.2 billion in H1 2017. This decrease was partly due to a continued reduction of institutional savings and deposits in Belgium, in line with our funding strategy.

**EVI**

Client assets held by Evi van Lanschot have remained stable and totalled €1.5 billion in H1 2017. This reflected growth in inflow of AuM of almost €70 million during the first six months, while savings declined at about the same rate. As a result, AuM as a percentage of total client assets increased to 58% (H2 2016: 55%).

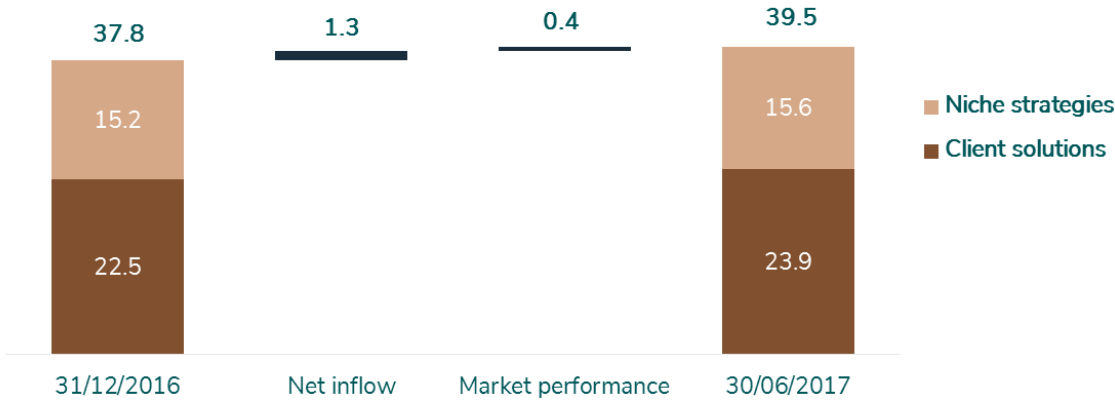
**Breakdown of Evi Client Assets**  
100% = €1,5bn



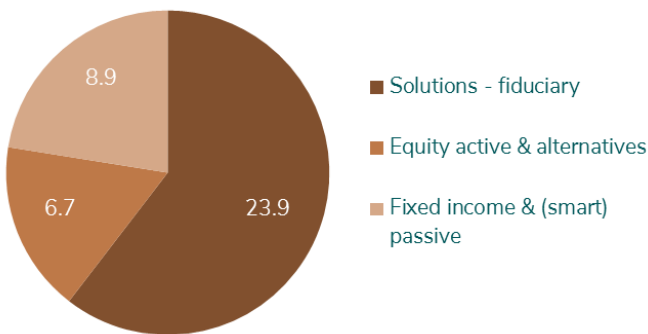
**ASSET MANAGEMENT**

Assets under management at Asset Management were up by 5% to €39.5 billion from €37.8 billion. Asset Management recorded net inflows of €1.3 billion in H1 2017, mainly on the back of new pension fund mandates 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. Positive value trends, mainly in equity strategies, underpinned a market performance of €0.4 billion.

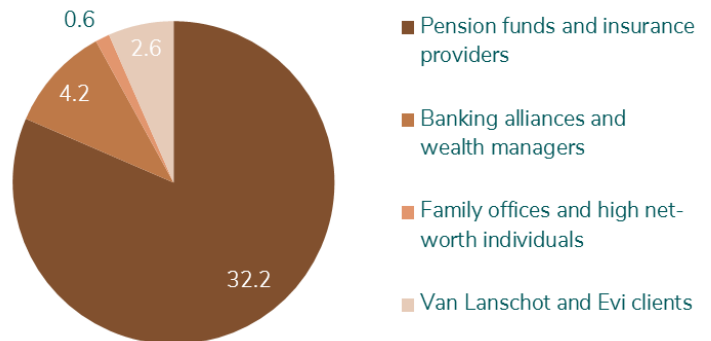
**AuM at Asset Management**  
x € bn



**AuM breakdown by type of service**  
Total = €39.5bn



**AuM breakdown by client type**  
Total = €39.5bn



In addition to third party funds, Kempen Capital Management also manages our private banking discretionary management mandates and Evi Beleggen products, amounting to total assets under management of €9.5 billion at the end of H1 2017.

## New name

From 30 June 2017, Van Lanschot's name is Van Lanschot Kempen. Its Van Lanschot, Kempen and Evi brands will continue to be the names by which clients know the company.

## RECONCILIATION OF IFRS AND MANAGEMENT REPORTING

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

| <i>(x € m)</i>   | H1 2017      |                           |                      |                |
|--|--------------|---------------------------|----------------------|----------------|
|  | IFRS         | Non-strategic investments | Investment programme | Managerial P&L |
| Commission   | 132.3        | -                         | -                    | 132.3          |
| Interest   | 102.9        | 0.7                       | -                    | 103.6          |
| Income from securities and associates                    | 29.8         | -0.1                      | -                    | 29.7           |
| Result on financial transactions                         | 7.2          | -                         | -                    | 7.2            |
| Other income   | 26.2         | -26.2                     | -                    | -              |
| <b>Income from operating activities</b>                  | <b>298.4</b> | <b>-25.6</b>              | <b>-</b>             | <b>272.7</b>   |
| Staff costs  | 128.5        | -12.2                     | -1.0                 | 115.4          |
| Other administrative expenses                            | 88.5         | -4.5                      | -8.7                 | 75.3           |
| Depreciation and amortisation                            | 8.0          | -2.0                      | -                    | 6.1            |
| <b>Operating expenses</b>                                | <b>225.1</b> | <b>-18.6</b>              | <b>-9.7</b>          | <b>196.8</b>   |
| <b>Gross result</b>                                      | <b>73.3</b>  | <b>-7.0</b>               | <b>9.7</b>           | <b>76.0</b>    |
| Impairments  | -1.5         | -                         | -                    | -1.5           |
| Operating profit before tax of non-strategic investments | 0.0          | 7.0                       | -                    | 7.0            |
| <b>Operating profit before one-off losses and tax</b>    | <b>74.7</b>  | <b>-</b>                  | <b>9.7</b>           | <b>84.5</b>    |
| Strategy 2020 investment programme                       | -            | -                         | 9.7                  | 9.7            |
| <b>Operating profit before tax</b>                       | <b>74.7</b>  | <b>-</b>                  | <b>-</b>             | <b>74.7</b>    |
| Income tax   | 12.4         | -                         | -                    | 12.4           |
| <b>Net profit</b>  | <b>62.3</b>  | <b>-</b>                  | <b>-</b>             | <b>62.3</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 30 June 2017

(x €1,000)

|   |    | 30/06/2017        | 31/12/2016        |
|---|----|-------------------|-------------------|
| <b>Assets</b>   |    |                   |                   |
| Cash and cash equivalents and balances at central banks               | 1  | 1,577,706         | 1,585,473         |
| Financial assets held for trading                                     |    | 36,228            | 16,913            |
| Due from banks  |    | 165,257           | 188,748           |
| Derivatives   | 2  | 306,133           | 307,320           |
| Financial assets designated at fair value through profit or loss      | 3  | 327,925           | 336,238           |
| Available-for-sale investments  | 4  | 2,052,543         | 1,680,036         |
| Held-to-maturity investments  | 5  | 511,049           | 513,438           |
| Loans and advances to the public and private sectors                  | 6  | 9,470,330         | 9,624,048         |
| Investments in associates using the equity method                     |    | 68,125            | 75,559            |
| Property and equipment  | 7  | 67,079            | 72,003            |
| Goodwill and other intangible assets                                  | 8  | 190,584           | 194,453           |
| Tax assets  | 24 | 34,874            | 41,687            |
| Assets classified as held for sale                                    |    | -                 | 103,639           |
| Other assets  |    | 144,284           | 137,856           |
| <b>Total assets</b>   |    | <b>14,952,117</b> | <b>14,877,411</b> |
| <b>Equity and liabilities</b>   |    |                   |                   |
| Financial liabilities from trading activities                         |    | 4,736             | 5                 |
| Due to banks  | 9  | 142,470           | 128,696           |
| Public and private sector liabilities                                 | 10 | 9,386,515         | 9,679,764         |
| Derivatives   | 2  | 319,796           | 338,851           |
| Financial liabilities designated at fair value through profit or loss | 11 | 917,275           | 894,255           |
| Issued debt securities  | 12 | 2,484,370         | 2,116,094         |
| Provisions  | 13 | 25,819            | 34,047            |
| Tax liabilities   |    | 7,675             | 7,073             |
| Other liabilities   |    | 131,772           | 157,482           |
| Subordinated loans  | 14 | 166,766           | 167,218           |
| <b>Total liabilities</b>  |    | <b>13,587,194</b> | <b>13,523,485</b> |
| Issued share capital  |    | 41,147            | 41,092            |
| Treasury shares   |    | -894              | -4,059            |
| Share premium reserve   |    | 482,605           | 481,258           |
| Other reserves  | 15 | 767,278           | 756,445           |
| Undistributed profit attributable to shareholders                     |    | 59,522            | 65,735            |
| <b>Equity attributable to shareholders</b>                            |    | <b>1,349,659</b>  | <b>1,340,470</b>  |
| Non-controlling interests   |    | 12,506            | 9,391             |
| Undistributed profit attributable to non-controlling interests        |    | 2,758             | 4,065             |
| <b>Equity attributable to non-controlling interests</b>               |    | <b>15,264</b>     | <b>13,456</b>     |
| <b>Total equity</b>   |    | <b>1,364,923</b>  | <b>1,353,926</b>  |
| <b>Total equity and liabilities</b>                                   |    | <b>14,952,117</b> | <b>14,877,411</b> |
| Contingent liabilities  |    | 64,913            | 68,024            |
| Irrevocable commitments   |    | 148,626           | 145,918           |
|   |    | <b>213,539</b>    | <b>213,943</b>    |

The number beside an item refers to the Notes to the consolidated statement of financial position.

Unaudited

**Consolidated statement of income**  
**For the six months ended 30 June 2017**  
*(x €1,000)*

|  |    | H1 2017        | H1 2016        |
|--|----|----------------|----------------|
| <b>Income from operating activities</b>              |    |                |                |
| Interest income                                      |    | 175,786        | 209,056        |
| Interest expense                                     |    | 72,889         | 100,869        |
| <b>Net interest income</b>                           | 16 | <b>102,898</b> | <b>108,187</b> |
| Income from associates using the equity method       |    | 18,794         | 6,277          |
| Other income from securities and associates          |    | 10,999         | 2,349          |
| <b>Income from securities and associates</b>         | 17 | <b>29,793</b>  | <b>8,626</b>   |
| Commission income                                    |    | 139,477        | 120,511        |
| Commission expense                                   |    | 7,197          | 3,121          |
| <b>Net commission income</b>                         | 18 | <b>132,281</b> | <b>117,390</b> |
| <b>Result on financial transactions</b>              | 19 | <b>7,202</b>   | <b>4,035</b>   |
| Net sales  |    | 52,966         | 48,256         |
| Cost of sales  |    | 26,782         | 27,162         |
| <b>Other income</b>                                  | 20 | <b>26,184</b>  | <b>21,094</b>  |
| <b>Total income from operating activities</b>        |    | <b>298,357</b> | <b>259,332</b> |
| <b>Expenses</b>                                      |    |                |                |
| Staff costs  | 21 | 128,532        | 122,721        |
| Other administrative expenses                        | 22 | 88,540         | 90,040         |
| <b>Staff costs and other administrative expenses</b> |    | <b>217,072</b> | <b>212,761</b> |
| Depreciation and amortisation                        |    | 8,024          | 7,707          |
| <b>Operating expenses</b>                            |    | <b>225,097</b> | <b>220,469</b> |
| Release of loan loss provision                       |    | -1,929         | -1,735         |
| Other impairments                                    |    | 460            | 1,086          |
| <b>Impairments</b>                                   | 23 | <b>-1,470</b>  | <b>-649</b>    |
| <b>Total expenses</b>                                |    | <b>223,627</b> | <b>219,819</b> |
| <b>Operating profit before tax</b>                   |    | <b>74,730</b>  | <b>39,512</b>  |
| <b>Income tax</b>                                    | 24 | <b>12,449</b>  | <b>8,016</b>   |
| <b>Net result</b>                                    |    | <b>62,281</b>  | <b>31,496</b>  |
| Of which attributable to shareholders                |    | 59,522         | 29,707         |
| Of which attributable to non-controlling interests   |    | 2,758          | 1,789          |
| Earnings per ordinary share (€)                      | 25 | 1.45           | 0.73           |
| Diluted earnings per ordinary share (€)              | 26 | 1.44           | 0.72           |

The number beside an item refers to the Notes to the consolidated statement of income.



## Consolidated statement of comprehensive income

For the six months ended 30 June 2017

(x €1,000)

|  | H1 2017       | H1 2016       |
|--|---------------|---------------|
| Net result (as per income statement)   | 62,281        | 31,496        |
| Other comprehensive income   |               |               |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods                  |               |               |
| <b>Other comprehensive income through revaluation reserve</b>  |               |               |
| Revaluation of equity instruments  | -7,235        | 276           |
| Revaluation of debt instruments  | 4,874         | 5,853         |
| Realised return on equity instruments  | -911          | -911          |
| Realised return on debt instruments  | 19            | -7,021        |
| Income tax effect  | -862          | 292           |
| <b>Total other comprehensive income through revaluation reserve</b>                                    | 15            | <b>-1,511</b> |
| <b>Other comprehensive income from value changes of derivatives (cash flow hedges)</b>                 |               |               |
| Decrease in value of derivatives directly subtracted from equity                                       | -84           | -5,147        |
| Income tax effect  | 21            | 1,287         |
| <b>Total other comprehensive income from value changes of derivatives (cash flow hedges)</b>           | 15            | <b>-3,860</b> |
| <b>Other comprehensive income from currency translation differences</b>                                |               |               |
| Income tax effect  | -             | -             |
| <b>Total other comprehensive income from currency translation differences</b>                          | 15            | <b>16</b>     |
| <b>Total other comprehensive income to be reclassified in subsequent periods to profit or loss</b>     |               | <b>-5,355</b> |
| Other comprehensive income not to be reclassified in subsequent periods to profit or loss              |               |               |
| <b>Remeasurement of defined benefit plans</b>  |               |               |
| Remeasurement of defined benefit plans   | 632           | -             |
| Income tax effect  | -157          | -             |
| <b>Total remeasurement of defined benefit plans</b>  | 15            | <b>-</b>      |
| <b>Total other comprehensive income not to be reclassified in subsequent periods to profit or loss</b> |               | <b>-</b>      |
| <b>Total other comprehensive income</b>  | <b>-5,507</b> | <b>-5,355</b> |
| <b>Total comprehensive income</b>  | <b>56,774</b> | <b>26,141</b> |
| Of which attributable to shareholders  | 54,015        | 24,352        |
| Of which attributable to non-controlling interests   | 2,758         | 1,789         |

## Consolidated statement of changes in equity

For the six months ended 30 June 2017

(x €1,000)

|                                      | Share capital | Treasury shares | Share premium reserve | Other reserves | Undistributed profit | Total equity attributable to share-holders | Equity attributable to non-controlling interests | Total equity     |
|--------------------------------------|---------------|-----------------|-----------------------|----------------|----------------------|--|--|------------------|
| <b>At 1 January 2017</b>             | <b>41,092</b> | <b>-4,059</b>   | <b>481,258</b>        | <b>756,445</b> | <b>65,735</b>        | <b>1,340,470</b>                           | <b>13,456</b>                                    | <b>1,353,926</b> |
| Net result (as per income statement) | -             | -               | -                     | -              | 59,522               | <b>59,522</b>                              | 2,758  | 62,281           |
| Total other comprehensive income     | -             | -               | -                     | -5,507         | -                    | <b>-5,507</b>                              | -  | -5,507           |
| <b>Total comprehensive income</b>    | -             | -               | -                     | <b>-5,507</b>  | <b>59,522</b>        | <b>54,015</b>                              | <b>2,758</b>                                     | <b>56,774</b>    |
| Shares issued                        | 55            | -               | 1,348                 | -              | -                    | <b>1,403</b>                               | -  | 1,403            |
| Share plans                          | -             | 5,091           | -                     | -693           | -                    | <b>4,398</b>                               | -  | 4,398            |
| To other reserves                    | -             | -               | -                     | 16,380         | -16,380              | -  | -  | -                |
| Repurchased equity instruments       | -             | -1,926          | -                     | -              | -                    | <b>-1,926</b>                              | -  | -1,926           |
| Dividends                            | -             | -               | -                     | -              | -49,355              | <b>-49,355</b>                             | -672   | -50,027          |
| Other changes                        | -             | -               | -                     | 653            | -                    | <b>653</b>                                 | -  | 653              |
| Change in non-controlling interests  | -             | -               | -                     | -              | -                    | -  | -277   | -277             |
| <b>At 30 June 2017</b>               | <b>41,147</b> | <b>-894</b>     | <b>482,605</b>        | <b>767,278</b> | <b>59,522</b>        | <b>1,349,659</b>                           | <b>15,264</b>                                    | <b>1,364,923</b> |

## Consolidated statement of changes in equity

For the six months ended 30 June 2016

(x €1,000)

|                                      | Share capital | Treasury shares | Share premium  | Other reserves | Undistributed profit | Total equity attributable to share-holders | Equity attributable to non-controlling interests | Total equity     |
|--------------------------------------|---------------|-----------------|----------------|----------------|----------------------|--|--|------------------|
| <b>At 1 January 2016</b>             | <b>41,017</b> | <b>-1,058</b>   | <b>479,914</b> | <b>745,322</b> | <b>34,163</b>        | <b>1,299,358</b>                           | <b>20,576</b>                                    | <b>1,319,934</b> |
| Net result (as per income statement) | -             | -               | -              | -              | 29,707               | <b>29,707</b>                              | 1,789  | 31,496           |
| Total other comprehensive income     | -             | -               | -              | -5,355         | -                    | <b>-5,355</b>                              | -  | -5,355           |
| <b>Total comprehensive income</b>    | -             | -               | -              | <b>-5,355</b>  | <b>29,707</b>        | <b>24,352</b>                              | <b>1,789</b>                                     | <b>26,141</b>    |
| Shares issued                        | 75            | -               | 1,344          | -              | -                    | <b>1,419</b>                               | -  | 1,419            |
| Share plans                          | -             | 3,036           | -              | -2,277         | -                    | <b>759</b>                                 | -  | 759              |
| To other reserves                    | -             | -               | -              | 15,771         | -15,771              | -  | -  | -                |
| Repurchased equity instruments       | -             | -6,091          | -              | -              | -                    | <b>-6,091</b>                              | -  | -6,091           |
| Dividends                            | -             | -               | -              | -              | -18,392              | <b>-18,392</b>                             | -6,788   | -25,180          |
| Other changes                        | -             | -               | -              | -4             | -                    | <b>-4</b>                                  | -  | -4               |
| Change in non-controlling interests  | -             | -               | -              | -              | -                    | -  | -2,711   | -2,711           |
| <b>At 30 June 2016</b>               | <b>41,092</b> | <b>-4,113</b>   | <b>481,258</b> | <b>753,457</b> | <b>29,707</b>        | <b>1,301,401</b>                           | <b>12,866</b>                                    | <b>1,314,267</b> |

## Consolidated statement of cash flows

For the six months ended 30 June 2017

(x €1,000)

|  | H1 2017         | H1 2016         |
|--|-----------------|-----------------|
| <b>Cash flow from operating activities</b>   |                 |                 |
| Operating profit before tax  | 74,730          | 39,512          |
| Adjustments for  |                 |                 |
| - Depreciation and amortisation  | 8,768           | 7,988           |
| - Cost of share plans  | 1,757           | 1,476           |
| - Results on associates using the equity method  | -7,739          | -6,276          |
| - Valuation results on financial assets designated at fair value through profit or loss      | 3,677           | -4,185          |
| - Valuation results on financial liabilities designated at fair value through profit or loss | 2,328           | -9,453          |
| - Valuation results on derivatives   | -19,605         | 15,036          |
| - Impairments  | -1,470          | -649            |
| - Changes in provisions  | -4,423          | 10,611          |
| <b>Cash flow from operating activities</b>   | <b>58,023</b>   | <b>54,060</b>   |
| Net movement in operating assets and liabilities   |                 |                 |
| - Financial assets/liabilities held for trading  | -14,583         | -3,975          |
| - Due from/to banks  | 42,950          | -698,285        |
| - Loans and advances to public and private sectors/public and private sector liabilities     | -61,610         | 20,998          |
| - Derivatives  | 16,746          | 41,502          |
| - Withdrawals from restructuring provision and other provisions                              | -3,173          | -2,577          |
| - Other assets and liabilities   | -30,435         | -14,143         |
| - Income taxes paid  | -6,115          | -1,335          |
| - Dividends received   | 3,962           | 2,332           |
| <b>Total net movement in operating assets and liabilities</b>                                | <b>-52,258</b>  | <b>-655,483</b> |
| <b>Net cash flow from operating activities</b>   | <b>5,766</b>    | <b>-601,423</b> |
| <b>Cash flow from investing activities</b>   |                 |                 |
| Investments and acquisitions   |                 |                 |
| - Investments in debt instruments  | -827,062        | -550,900        |
| - Investments in equity instruments  | -8,462          | -10,945         |
| - Investments in associates using the equity method  | 13,318          | -10,075         |
| - Property and equipment   | -9,870          | -5,144          |
| - Goodwill and other intangible assets   | -224            | -56             |
| Divestments, redemptions and sales   |                 |                 |
| - Investments in debt instruments  | 439,881         | 904,974         |
| - Investments in equity investments  | 13,359          | 12,538          |
| - Investments in group companies (exclusive of cash acquired)                                |                 |                 |
| - Investments in associates using the equity method  | -               | -               |
| - Property and equipment   | 9,418           | 1,836           |
| - Goodwill and other intangible assets   | 700             | -               |
| Dividends received   | 1,938           | 2,837           |
| <b>Net cash flow from investing activities</b>   | <b>-367,005</b> | <b>345,065</b>  |

Continued on the next page.

## Consolidated statement of cash flows

For the six months ended 30 June 2017

(x €1,000)

|   | H1 2017        | H1 2016        |
|---|----------------|----------------|
| <b>Cash flow from financing activities</b>  |                |                |
| Share plans   | 2,194          | -662           |
| Repurchased equity instruments *  | -523           | -4,672         |
| Non-controlling interests   | -992           | -2,634         |
| Redemption of subordinated loans  | -113           | -113           |
| Receipts on debt securities   | 500,000        | 500,000        |
| Redemption of debt securities   | -112,072       | -296,632       |
| Receipts on financial liabilities designated at fair value through profit or loss   | 139,381        | 84,879         |
| Redemption of financial liabilities designated at fair value through profit or loss | -118,689       | -48,738        |
| Dividends paid  | -50,027        | -25,180        |
| <b>Net cash flow from financing activities</b>                                      | <b>359,159</b> | <b>206,248</b> |
| <b>Net change in cash and cash equivalents and balances at central banks</b>        | <b>-2,080</b>  | <b>-50,110</b> |
| Cash and cash equivalents and balances at central banks at 1 January **             | 1,550,100      | 868,662        |
| Cash and cash equivalents and balances at central banks at 30 June **               | 1,548,020      | 818,552        |
| <b>Additional disclosure</b>  |                |                |
| Cash flows from interest received   | 175,402        | 220,058        |
| Cash flows from interest paid   | 81,521         | 112,658        |

\* In the first half of 2017 Van Lanschot Kempen granted unconditional and conditional rights to acquire depositary receipts for Class A ordinary shares for no consideration. To meet open positions Van Lanschot Kempen holds depositary receipts for Class A ordinary shares, and in the first half of 2017 it also repurchased such depositary receipts.

\*\* Cash and cash equivalents and balances at central banks also includes amounts due from/to banks available on demand.

## Notes to the condensed interim financial statements

### General

Van Lanschot Kempen NV (formerly Van Lanschot NV) is an independent wealth manager specialising in the preservation and creation of wealth for its clients. Van Lanschot Kempen NV ('Van Lanschot Kempen') is the holding company of F. van Lanschot Bankiers NV. The company has its registered office at Hooge Steenweg 29, 5211 JN 's- Hertogenbosch, the Netherlands. Van Lanschot Kempen is a public limited company incorporated under Dutch law and registered under number 16014051 at the Chamber of Commerce. Depositary receipts for Class A ordinary shares are publicly traded on the Official Market of the Euronext Amsterdam Stock Exchange.

### Basis of preparation

The condensed interim consolidated financial statements of Van Lanschot Kempen and its subsidiaries have been prepared in accordance with IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all financial information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of Van Lanschot Kempen NV as at 31 December 2016. The condensed interim consolidated financial statements have not been audited. All amounts are denominated in thousands of euros, unless stated otherwise. The totals may not always match the sum of the individual values due to rounding.

## Summary of significant accounting policies

### Accounting policies

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of Van Lanschot Kempen's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective from 1 January 2017.

### Changes in presentation

The presentation of travelling expenses for staff travelling to their place of work is included in Staff costs instead of Other administrative expenses. Other income in the consolidated statement of income is broken down as from 1 January 2017 into Net sales and Costs of sales. Comparative figures for the first half of 2016 have been adjusted to reflect the Van Lanschot Kempen NV accounts at 30 June 2016.

### Significant accounting judgements and estimates

In the process of applying our accounting policies, we use estimates and assumptions which can have a significant impact on the amounts recognised in the condensed interim consolidated financial statements. For more information, see 'Significant accounting judgements and estimates' in the annual consolidated financial statements of Van Lanschot Kempen NV as at 31 December 2016. These estimates and assumptions are based on the most recent information available and the actual amounts may differ in the future.

### Changes in IFRS standards already effective

The following new or revised standards or interpretations became effective as from 1 January 2017 and have an impact on this condensed interim report. Application of these standards had no impact on Van Lanschot Kempen's equity or result.

#### IAS 7 Disclosure Initiative

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in the debt position of the entity. Changes in liabilities arising from financing activities have to include both changes arising from cash flows and non-cash changes.

#### IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which deferred tax assets can be recovered, and also give guidance on determination of future taxable profits.

#### Annual Improvements to 2014-2016 Cycle

Changes to standard concern:

#### IFRS 12 Disclosure of Interests in Other Entities

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, also apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

#### IFRS 9 Financial instruments

The IASB published a final version of IFRS 9 Financial Instruments in July 2014, incorporating all phases of the financial instruments project and replacing IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 applies for annual periods beginning on or after 1 January 2018. The EU has endorsed this standard. We intend to apply the new standard with effect from the required effective date.

We began an IFRS 9 implementation project in 2015, in which the Group Risk Management department is working closely with the Finance, Reporting & Control department. A steering committee and technical board have been established. The steering committee consists of senior management from Group Risk Management, Service Centre Data Management, Restructuring & Recovery and Finance, Reporting & Control. The technical board has an advisory role to the steering committee and consists of senior Van Lanschot Kempen specialists and consultants. Finance, Reporting & Control is responsible for the new requirements for classification and measurement, hedge accounting and the accounting policies for impairment.

Group Risk Management and Restructuring & Recovery are responsible for the new impairment models. Service Centre Data Management is leading on implementation of the designed changes into the operational systems. Group Audit is monitoring the project. The external auditors are kept informed of the project's key deliverables and progress made. Significant legal entities within Van Lanschot Kempen are engaged but are not themselves responsible for the implementation activities. The project is currently at the end of the test phase and we are finalising the process architecture. We have evaluated the existing governance framework and adjusted it where necessary to ensure that validations and controls are in place.

### **Classification and measurement of financial instruments**

Within the Classification and Measurement work stream, the accounting policies, the business model test and the solely payment of principal and interest (SPPI) test are designed and approved by the steering committee. A high-level impact assessment has been prepared on the statement of financial position in order to determine the financial effects due to the accounting change from IAS 39 to IFRS 9. Based on the business model assessments and the SPPI test, we do not expect significant adjustments in the measurement of financial instruments. Loans and advances to the public and private sectors classified as loans and receivables, and debt securities classified as held-to-maturity investments under IAS 39, will be measured at amortised cost under IFRS 9. Debt securities classified as available-for-sale investments under IAS 39 will be measured at fair value through Other comprehensive income under IFRS 9. Financial assets designated at fair value through profit or loss will continue to be measured at fair value through profit or loss, either because this is required under IFRS 9 or because this designation will continue. All equity securities will continue to be measured at fair value, with fair value movements through profit or loss. For the financial liabilities designated at fair value through profit or loss, gains or losses relating to changes in Van Lanschot Kempen's own credit risk will be included in Other comprehensive income. We have not opted for early adoption of this recognition of fair value movements due to own credit risk in Other comprehensive income.

### **Impairments**

Under IFRS 9, the new impairment requirements are based on an expected credit loss model rather than the incurred credit loss model used under IAS 39. For financial assets where there is no significant deterioration in credit quality since initial recognition, a provision is recognised based on a 12-month expected credit loss (Stage 1). When a significant increase in credit risk has occurred on an individual or collective basis, a provision is recognised based on a lifetime expected credit loss (Stages 2 and 3). For financial assets in Stage 2 a lifetime expected credit loss is recognised. For impaired loans (Stage 3) a lifetime expected credit loss is recognized and in addition interest income is calculated on the amortised cost net of allowances.

We are looking to quantify the potential impact of IFRS 9 once it is practicable to provide reasonable estimates, which should be no later than in the 2017 annual report. Until the majority of the models have been tested and validated, we will not have a reasonable quantification of the potential impact on our financial statements.

#### *Stages 1 and 2*

The Modelling work stream has focused on the design, development and validation of the impairment models. We intend to perform a parallel run during the second half of 2017 to gain a better understanding of the potential effects of the new standard.

An expert panel will be established to govern the setting of forward-looking economic assumptions used in the process. Governance of the impairment process is the responsibility of the Finance, Reporting & Control, Group Risk Management and Restructuring & Recovery departments.

#### *Stage 3*

For the Stage 3 impairment model the discounted cash flow calculations will continue to apply for credit-impaired exposures. Impairment losses will be measured as stated in Section 2.3.2 of Van Lanschot's 2016 annual report, 'Impaired loans', to ensure that all IFRS 9 requirements are met, except for the following changes:

- the period over which the loss allowance is measured will be adjusted to the 'lifetime' of the exposure;
- the interest rate at which the cash flows will be discounted will be changed to the 'effective interest rate';
- a macroeconomic overlay will be added, using probability-weighted scenarios.

The policy on the write-off of loans and advances included in Section 2.3.2 of Van Lanschot's 2016 annual report, 'Impaired loans', is expected to remain unchanged. In the case of forborne exposure for which the probation period has not yet started, we consider the exposure as defaulted. Under IFRS 9 this approach will not change, and all forborne exposures for which the probation period has not yet started will be considered Stage 3 exposures. For these exposures, a credit-impaired provision is calculated.

### **Hedge accounting**

IFRS 9 provides the option of continuing to apply IAS 39 for hedge accounting. We intend to make use of this option. The new standard on hedge accounting is expected to have only impact on the disclosures for Van Lanschot Kempen.

## Notes to the consolidated statement of financial position

(x €1,000)

| 1 Cash and cash equivalents and balances at central banks | 30/06/2017       | 31/12/2016       |
|---|------------------|------------------|
| <b>Total</b>  | <b>1,577,706</b> | <b>1,585,473</b> |
| Cash  | 97               | 190              |
| Balances at central banks                                 | 1,379,180        | 1,313,714        |
| Statutory reserve deposits at central banks               | 14,400           | 17,698           |
| Amounts due from banks                                    | 84,029           | 153,871          |
| Highly liquid investments                                 | 100,000          | 100,000          |

| Reconciliation with consolidated statement of cash flows | 30/06/2017       | 31/12/2016       | Movements     |
|--|------------------|------------------|---------------|
| Cash and cash equivalents                                | 1,577,706        | 1,585,473        | -7,766        |
| Due from banks, available on demand                      | 45,691           | 36,427           | 9,265         |
| Due to banks, available on demand                        | -75,378          | -71,799          | -3,579        |
| Due from/to banks available on demand, net               | -29,687          | -35,372          | 5,686         |
| <b>Total</b>   | <b>1,548,020</b> | <b>1,550,100</b> | <b>-2,080</b> |

| 2 Derivatives                                  | 30/06/2017     |                |                  | 31/12/2016     |                |                  |
|--|----------------|----------------|------------------|----------------|----------------|------------------|
|  | Asset          | Liability      | Contract amount  | Asset          | Liability      | Contract amount  |
| <b>Total</b>                                   | <b>306,133</b> | <b>319,796</b> | <b>9,539,356</b> | <b>307,320</b> | <b>338,851</b> | <b>7,825,988</b> |
| Derivatives used for trading purposes          | 23,964         | 22,178         | 54,964           | 22,838         | 22,880         | 267,951          |
| Derivatives used for hedge accounting purposes | 61,810         | 94,006         | 4,930,520        | 66,805         | 110,835        | 3,305,720        |
| Other derivatives                              | 220,359        | 203,612        | 4,553,871        | 217,677        | 205,135        | 4,252,317        |

| 3 Financial assets designated at fair value through profit or loss | 30/06/2017     | 31/12/2016     |
|--|----------------|----------------|
| <b>Total</b>   | <b>327,925</b> | <b>336,238</b> |
| <b>Debt instruments</b>  |                |                |
| Government paper and government-guaranteed paper                   | 33,285         | 14,198         |
| Banks and financial institutions, listed                           | 6,015          | -              |
| Covered bonds  | 217,746        | 246,338        |
| <b>Total debt instruments</b>                                      | <b>257,046</b> | <b>260,536</b> |
| <b>Equity instruments</b>  |                |                |
| Shares, listed   | 49,527         | 50,377         |
| Shares, unlisted   | 21,351         | 25,325         |
| <b>Total equity instruments</b>                                    | <b>70,878</b>  | <b>75,702</b>  |

| Financial assets designated at fair value through profit or loss - debt instruments by external rating * | 30/06/2017     | %           | 31/12/2016     | %           |
|--|----------------|-------------|----------------|-------------|
| <b>Total</b>   | <b>257,046</b> | <b>100%</b> | <b>260,536</b> | <b>100%</b> |
| AAA  | 217,746        | 85%         | 253,433        | 97%         |
| AA   | 24,147         | 9%          | 7,103          | 3%          |
| A  | 9,139          | 4%          | -              | 0%          |
| Other  | 6,015          | 2%          | -              | 0%          |

\* Most recent Fitch ratings as known to Van Lanschot Kempen.

| 4 Available-for-sale investments                 | 30/06/2017       |                  | 31/12/2016       |                  |
|--|------------------|------------------|------------------|------------------|
|  | Fair value       | Face value       | Fair value       | Face value       |
| <b>Total</b>                                     | <b>2,052,543</b> | <b>2,029,964</b> | <b>1,680,036</b> | <b>1,642,986</b> |
| <b>Debt instruments</b>                          |                  |                  |                  |                  |
| Government paper and government-guaranteed paper | 678,935          | 673,000          | 483,802          | 477,500          |
| Banks and financial institutions, listed         | 126,432          | 125,000          | 104,322          | 102,000          |
| Covered bonds                                    | 482,039          | 481,614          | 372,110          | 368,144          |
| Asset-backed securities                          | 698,881          | 692,525          | 666,251          | 661,303          |
| Companies, listed                                | 33,065           | 33,388           | 14,128           | 13,909           |
| Company cumprefs (shareholdings)                 | 21,466           | 24,437           | 16,387           | 20,130           |
| <b>Total debt instruments</b>                    | <b>2,040,818</b> | <b>2,029,964</b> | <b>1,657,000</b> | <b>1,642,986</b> |
| <b>Equity instruments</b>                        |                  |                  |                  |                  |
| Shares, unlisted                                 | 1,771            |                  | 11,296           |                  |
| Shareholdings                                    | 9,954            |                  | 11,740           |                  |
| <b>Total equity instruments</b>                  | <b>11,726</b>    |                  | <b>23,036</b>    |                  |

| Available-for-sale investments - debt instruments by external rating * | 30/06/2017       |             | 31/12/2016       |             |
|--|------------------|-------------|------------------|-------------|
|  |                  | %           |                  | %           |
| <b>Total</b>   | <b>2,040,818</b> | <b>100%</b> | <b>1,657,000</b> | <b>100%</b> |
| AAA  | 1,613,448        | 79%         | 1,483,468        | 89%         |
| AA   | 58,877           | 3%          | 63,701           | 4%          |
| A  | 163,901          | 8%          | 62,244           | 4%          |
| Other  | 204,592          | 10%         | 47,587           | 3%          |

\* Most recent Fitch ratings as known to Van Lanschot Kempen.

| 5 Held-to-maturity investments                   | 30/06/2017     |                | 31/12/2016     |                |
|--|----------------|----------------|----------------|----------------|
|  | Carrying value | Face value     | Carrying value | Face value     |
| <b>Total</b>                                     | <b>511,049</b> | <b>475,000</b> | <b>513,438</b> | <b>475,000</b> |
| <b>Debt instruments</b>                          |                |                |                |                |
| Government paper and government-guaranteed paper | 328,155        | 300,000        | 329,308        | 300,000        |
| Banks and financial institutions, listed         | 182,894        | 175,000        | 184,130        | 175,000        |

| Held-to-maturity investments by external rating * | 30/06/2017     |             | 31/12/2016     |             |
|---|----------------|-------------|----------------|-------------|
|   |                | %           |                | %           |
| <b>Total</b>                                      | <b>511,049</b> | <b>100%</b> | <b>513,438</b> | <b>100%</b> |
| A   | 511,049        | 100%        | 513,438        | 100%        |

\* Most recent Fitch ratings as known to Van Lanschot Kempen.

| 6 Loans and advances to the public and private sectors | 30/06/2017       | 31/12/2016       |
|--|------------------|------------------|
| <b>Total</b>   | <b>9,470,330</b> | <b>9,624,048</b> |
| Mortgage loans   | 6,290,136        | 6,235,581        |
| Loans  | 1,871,640        | 2,057,255        |
| Current accounts                                       | 1,077,136        | 1,100,740        |
| Securities-backed loans and settlement claims          | 304,251          | 272,991          |
| Subordinated loans                                     | 5,067            | 11,698           |
| Value adjustment, fair value hedge accounting          | 73,883           | 107,829          |
| Impairments  | -151,783         | -162,047         |



| Movements in impairments             | Specific       | IBNR         | Total          |
|--------------------------------------|----------------|--------------|----------------|
| <b>At 1 January 2017</b>             | <b>155,004</b> | <b>7,043</b> | <b>162,047</b> |
| Loans written off                    | -9,026         | -            | -9,026         |
| Additions to or release of provision | -1,937         | 8            | -1,929         |
| Interest charged                     | 691            | -            | 691            |
| <b>At 30 June 2017</b>               | <b>144,732</b> | <b>7,051</b> | <b>151,783</b> |

| 7 Property and equipment                                   | 30/06/2017    | 31/12/2016    |
|--|---------------|---------------|
| <b>Total</b>   | <b>67,079</b> | <b>72,003</b> |
| Buildings  | 45,216        | 47,239        |
| IT, operating system software and communications equipment | 5,756         | 5,837         |
| Other assets   | 16,067        | 17,866        |
| Work in progress   | 40            | 1,061         |

The carrying amount of buildings not in use amounted to €3.5 million (year-end 2016: €3.9 million).

| 8 Goodwill and other intangible assets | 30/06/2017     | 31/12/2016     |
|--|----------------|----------------|
| <b>Total</b>                           | <b>190,584</b> | <b>194,453</b> |
| Goodwill                               | 155,081        | 155,747        |
| Other intangible assets                | 35,504         | 38,706         |

| 9 Due to banks  | 30/06/2017     | 31/12/2016     |
|---|----------------|----------------|
| <b>Total</b>  | <b>142,470</b> | <b>128,696</b> |
| Deposits  | 52,336         | 56,680         |
| Payables arising from unsettled securities transactions | 67,723         | 63,197         |
| Loans and advances drawn                                | 22,411         | 8,820          |

| 10 Public and private sector liabilities      | 30/06/2017       | 31/12/2016       |
|---|------------------|------------------|
| <b>Total</b>                                  | <b>9,386,515</b> | <b>9,679,764</b> |
| Savings                                       | 4,060,672        | 4,375,686        |
| Deposits                                      | 237,950          | 293,798          |
| Other client assets                           | 5,087,138        | 5,003,226        |
| Value adjustments fair value hedge accounting | 756              | 7,055            |

| 11 Financial liabilities designated at fair value through profit or loss | 30/06/2017     | 31/12/2016     |
|--|----------------|----------------|
| <b>Total</b>   | <b>917,275</b> | <b>894,255</b> |
| Unstructured debt instruments  | 236,526        | 253,096        |
| Structured debt instruments  | 680,749        | 641,160        |

| 12 Issued debt securities                     | 30/06/2017       | 31/12/2016       |
|---|------------------|------------------|
| <b>Total</b>                                  | <b>2,484,370</b> | <b>2,116,094</b> |
| Bond loans and notes                          | 477,606          | 509,505          |
| Covered bonds                                 | 1,491,200        | 994,636          |
| Notes as part of securitisation transactions  | 481,056          | 537,182          |
| Floating-rate notes                           | 25,334           | 48,972           |
| Medium-term notes                             | 12,500           | 12,500           |
| Value adjustments fair value hedge accounting | -3,327           | 13,299           |

In February 2017 we launched a €500 million 10-year conditional pass-through covered bond with a 0.875% coupon.

The bonds are rated AAA by both S&P and Fitch rating agencies. The Van Lanschot Conditional Pass-Through Covered Bond Programme is Dutch law-based and backed by a pool of Dutch residential mortgage loans. It is registered with De Nederlandsche Bank (DNB).

This transaction, which forms part of our general funding activities, has helped us attract new external long-term funding, and brings a further strengthening and diversification of our funding profile.

| 13 Provisions  | 30/06/2017    | 31/12/2016    |
|--|---------------|---------------|
| <b>Total</b>   | <b>25,819</b> | <b>34,047</b> |
| Provisions for pensions                                    | 10,841        | 12,303        |
| Provision for long-service benefits                        | 2,334         | 2,317         |
| Provision for employee discounts                           | 266           | 4,100         |
| Provision for restructuring                                | 248           | 630           |
| Provision for interest rate derivatives recovery framework | 7,954         | 8,853         |
| Other provisions   | 4,176         | 5,844         |

Provision for employee discounts fell by €3.8 million compared with 2016 due to amendment of the staff arrangement for mortgages. Because of settlements, Other provisions decreased by €1.4 million.

| 14 Subordinated loans                         | 30/06/2017     | 31/12/2016     |
|---|----------------|----------------|
| <b>Total</b>                                  | <b>166,766</b> | <b>167,218</b> |
| Certificates of indebtedness                  | 100,000        | 100,000        |
| Other subordinated loans                      | 66,676         | 66,790         |
| Value adjustments fair value hedge accounting | 90             | 428            |

| 15 Other reserves                            | Revaluation reserve available-for-sale investments |                  | Actuarial results on defined benefit schemes | Currency translation reserve | Cash flow hedge reserve | Retained earnings | Total          |
|--|--|------------------|--|------------------------------|-------------------------|-------------------|----------------|
|  | Equity instruments                                 | Debt investments |  |                              |                         |                   |                |
| <b>At 1 January 2017</b>                     | <b>13,517</b>                                      | <b>6,732</b>     | <b>-16,625</b>                               | <b>2,257</b>                 | <b>-10,883</b>          | <b>761,447</b>    | <b>756,445</b> |
| Net changes in fair value                    | -7,235   | 3,624            | -  | -                            | -63                     | -                 | -3,675         |
| Realised gains/losses through profit or loss | -911   | -1,164           | -  | -                            | -                       | -                 | -2,076         |
| Profit appropriation                         | -  | -                | -  | -                            | -                       | 16,380            | 16,380         |
| Share plans                                  | -  | -                | -  | -                            | -                       | -693              | -693           |
| Actuarial results                            | -  | -                | 475  | -                            | -                       | -                 | 475            |
| To retained earnings                         | -  | -                | -718   | -                            | -                       | 718               | -              |
| Other changes                                | -  | -                | -  | -232                         | -                       | 653               | 422            |
| <b>At 30 June 2017</b>                       | <b>5,371</b>                                       | <b>9,191</b>     | <b>-16,868</b>                               | <b>2,025</b>                 | <b>-10,946</b>          | <b>778,504</b>    | <b>767,278</b> |
| Tax effects                                  | -  | -862             | -157   | -                            | 21                      | -                 | -998           |

## Notes to the consolidated statement of income

(x €1,000)

| 16 Net interest income   | H1 2017        | H1 2016        |
|--|----------------|----------------|
| <b>Total interest income</b>   | <b>175,786</b> | <b>209,056</b> |
| Interest income on cash equivalents                                      | 56             | 50             |
| Interest income on banks and private sector                              | 133,759        | 153,386        |
| Interest income on held-to-maturity investments                          | 6,147          | 3,506          |
| Other interest income  | 1,119          | 1,319          |
| <b>Interest income on items not recognised at fair value</b>             | <b>141,082</b> | <b>158,260</b> |
| Interest income on available-for-sale investments                        | 3,843          | 6,380          |
| Interest income on financial assets at fair value through profit or loss | 2,272          | 4,958          |
| Interest income on derivatives   | 28,590         | 39,458         |
| <b>Total interest expense</b>  | <b>72,889</b>  | <b>100,869</b> |
| Interest expense on banks and private sector                             | 17,058         | 27,820         |
| Interest expense on issued debt securities                               | 14,792         | 22,600         |
| Interest expense on subordinated loans                                   | 4,114          | 2,481          |
| Other interest expense   | 182            | 241            |
| <b>Interest expense on items not recognised at fair value</b>            | <b>36,146</b>  | <b>53,142</b>  |
| Interest expense on balances at central banks                            | 2,713          | 1,159          |
| Interest expense on derivatives  | 34,029         | 46,567         |

The interest result was €5.3 million down compared with the first half of 2016. The decrease was the net outcome of lower interest income mainly driven by the smaller Corporate Banking loan portfolio, as well as reduced interest income on the investment portfolio, with these factors partly offset by a reduction in interest expense on savings and deposits due to lower volumes and interest rates.

| 17 Income from securities and associates                               | H1 2017       | H1 2016      |
|--|---------------|--------------|
| <b>Total</b>   | <b>29,793</b> | <b>8,626</b> |
| Income from associates using the equity method                         | 18,794        | 6,277        |
| Dividends and fees   | 3,962         | 2,332        |
| Movements in value of investments at fair value through profit or loss | -1,200        | -894         |
| Realised result of available-for-sale equity investments               | 7,135         | 911          |
| Other gains on sales   | 1,102         | -            |

Income from securities and associates was up by €21.1 million, mainly because of the result on the sale of our stake in TechAccess and partial sale of our stake in own investment funds.

| 18 Net commission income                                 | H1 2017        | H1 2016        |
|--|----------------|----------------|
| <b>Total</b>   | <b>132,281</b> | <b>117,390</b> |
| Securities commissions                                   | 17,191         | 15,177         |
| Management commissions                                   | 95,146         | 85,079         |
| Cash transactions and funds transfer commissions         | 4,697          | 5,020          |
| Corporate Finance and Equity Capital Markets commissions | 10,831         | 8,107          |
| Other commissions  | 4,415          | 4,006          |

Commission income was up by €14.9 million. Primarily due to higher management commissions as a result of a larger volume of assets under management and increased advisory income from M&A and capital market transactions.

| 19 Result on financial transactions  | H1 2017      | H1 2016      |
|--|--------------|--------------|
| <b>Total</b>   | <b>7,202</b> | <b>4,035</b> |
| Gains/losses on securities trading   | -650         | -1,663       |
| Gains/losses on currency trading   | 4,463        | 3,469        |
| Unrealised gains/losses on derivatives under hedge accounting                    | 1,808        | -3,233       |
| Realised and unrealised gains/losses on trading derivatives                      | 1,769        | 4,037        |
| Realised gains on available-for-sale debt instruments                            | 1,553        | 7,021        |
| Gains/losses on economic hedges - hedge accounting not applied                   | 12,710       | -16,640      |
| Gains/losses on financial assets designated at fair value through profit or loss | -14,452      | 11,044       |

The result on financial transactions was ahead by €3.2 million on the first half of 2016. Higher gains on economic hedges and the loss on financial assets designated at fair value through profit or loss together reflect the revaluation effect of changes in capital market yields in the marked-to-market portfolio and a number of derivatives positions. Gains due from government bonds sold in the available-for-sale investment portfolio were €5.4 million lower because of less sales.

| 20 Other income | H1 2017       | H1 2016       |
|-----------------|---------------|---------------|
| <b>Total</b>    | <b>26,184</b> | <b>21,094</b> |
| Net sales       | 52,966        | 48,256        |
| Cost of sales   | -26,782       | -27,162       |

Other income comprises income from non-strategic investments arising from debt conversion. This involves loans that companies were unable to repay to Van Lanschot Kempen and that were converted into shareholdings to give these companies time to recover. We aim to sell any shares in non-strategic investments in due course.

| 21 Staff costs                                 | H1 2017        | H1 2016        |
|--|----------------|----------------|
| <b>Total</b>                                   | <b>128,532</b> | <b>122,721</b> |
| Salaries and wages                             | 95,679         | 89,139         |
| Pension costs for defined contribution schemes | 9,328          | 9,203          |
| Pension costs for defined benefit schemes      | 2,870          | 2,617          |
| Other social security costs                    | 10,507         | 10,189         |
| Share-based payments for variable remuneration | 3,004          | 1,549          |
| Other staff costs                              | 7,144          | 10,023         |

Staff costs were up €5.8 million on the first half of 2016. This was the net result of the acquisition of Staalbankiers' private banking activities, higher redundancy payments and higher share-based payments resulting from a higher Van Lanschot Kempen share price. Changes to staff mortgage arrangement resulted in a one-off positive effect.

| 22 Other administrative expenses | H1 2017       | H1 2016       |
|----------------------------------|---------------|---------------|
| <b>Total</b>                     | <b>88,540</b> | <b>90,040</b> |
| Accommodation expenses           | 12,244        | 11,945        |
| Marketing and communication      | 6,715         | 5,142         |
| Office expenses                  | 3,749         | 4,114         |
| IT expenses                      | 33,164        | 28,407        |
| External auditors' fees          | 1,528         | 1,496         |
| Consultancy fees                 | 7,591         | 7,656         |
| Travel and hotel fees            | 2,519         | 2,670         |
| Information providers' fees      | 6,355         | 5,379         |
| Payment charges                  | 1,846         | 1,810         |
| Other                            | 12,828        | 21,421        |

Other administrative expenses in the first half of 2017 were €1.5 million lower than the year-earlier figure. In the first half of 2016 €9.3 million was added to other provisions. This addition included the ex-gratia payment to SME clients of €6.8 million under the recovery framework for interest rate derivatives. In the first half of 2017 the rebranding of the company led to higher marketing and communications expenses and the Strategy 2020 investment programme resulted in increased IT expenses, partly offset by lower regular IT expenses.

| 23 Impairments                                       | H1 2017       | H1 2016     |
|--|---------------|-------------|
| <b>Total</b>   | <b>-1,470</b> | <b>-649</b> |
| Loans and advances to the public and private sectors | -1,929        | -1,735      |
| Available-for-sale investments                       | 33            | 15          |
| Investments in associates using the equity method    | 335           | 370         |
| Property and equipment                               | -             | 627         |
| Assets acquired through foreclosures                 | 92            | 73          |

Impairments represent the balance of the required impairments and the release of such impairments.

## 24 Income tax

### Deferred tax assets

The decrease in deferred tax assets is due to the taxable profit achieved in the first half of 2017.

### Income tax recognised in the statement of income

The following table sets out the principal components of the income tax calculation.

|  | H1 2017       | H1 2016       |
|--|---------------|---------------|
| Operating profit before tax from continuing operations | 74,730        | 39,512        |
| <b>Total gross result</b>                              | <b>74,730</b> | <b>39,512</b> |
| Prevailing tax rate in the Netherlands                 | 25%           | 25%           |
| Expected tax   | 18,683        | 9,878         |
| <b>Increase/decrease in tax payable due to:</b>        |               |               |
| Tax-free income from securities and associates         | -7,187        | -2,257        |
| Taxed release of tax reserves                          | -             | -             |
| Non-deductible impairments                             | -             | -             |
| Non-deductible costs                                   | 1,074         | 797           |
| Non-deductible losses                                  | 91            | -47           |
| Adjustments to taxes for prior financial years         | -57           | 202           |
| Impact of foreign tax rate differences                 | -92           | -358          |
| Other changes  | -63           | -199          |
|  | <b>-6,234</b> | <b>-1,862</b> |
| <b>Total tax</b>                                       | <b>12,449</b> | <b>8,016</b>  |

## Additional notes

(x €1,000)

| 25 Earnings per ordinary share                      | H1 2017       | H1 2016       |
|---|---------------|---------------|
| Net result  | 62,281        | 31,496        |
| Non-controlling interests                           | -2,758        | -1,789        |
| <b>Net result attributable to shareholders</b>      | <b>59,522</b> | <b>29,707</b> |
| Weighted average number of ordinary shares in issue | 40,976,253    | 40,958,650    |
| Earnings per ordinary share (€)                     | 1.45          | 0.73          |

| 26 Diluted earnings per ordinary share                                    | H1 2017           | H1 2016           |
|---|-------------------|-------------------|
| Net result attributable to shareholders                                   | 59,522            | 29,707            |
| Weighted average number of ordinary shares in issue                       | 40,976,253        | 40,958,650        |
| Potential ordinary shares   | 492,577           | 539,280           |
| <b>Weighted average number of ordinary shares in issue, fully diluted</b> | <b>41,468,829</b> | <b>41,497,930</b> |
| Diluted earnings per ordinary share (€)                                   | 1.44              | 0.72              |

## 27 Fair value

### Financial instruments at fair value

A portion of the financial instruments are measured at fair value in the statement of financial position. The fair value is based either on quoted prices in active markets, inputs other than quoted prices that are observable in the market, or inputs based on data not observable in the market.

We have developed a policy on the criteria for allocating financial instruments recognised in the statement of financial position at fair value to each of the three levels. A review is carried out at the end of each reporting period to determine whether any changes have taken place in the hierarchy between the levels.

#### Level 1: Quoted prices in active markets

The fair value of financial instruments traded in an active market is based on the price at the reporting date (market price). The bid price is applied for financial assets and the offer price for financial liabilities. Since these instruments are traded in an active market, their prices adequately reflect current and frequent market transactions between unrelated parties.

#### Level 2: Inputs observable in the markets

The fair value of financial instruments not traded in an active market (e.g. over-the-counter financial derivatives) is established using cash flow and option valuation models. Based on estimates, we make assumptions based on the market conditions (observable data) at the reporting date. The estimated present value of future cash flows is used to determine the fair value of the other financial instruments. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The discount rate is the same as the market interest rate at the reporting date for a similar instrument subject to the same conditions, taking into account collateral furnished under credit support annexes (CSAs).

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

Estimates and judgements made are based on past experience as well as other factors, including expectations with respect to future events that could reasonably occur given current circumstances. Estimates and judgements are assessed on an ongoing basis.

#### Level 3: Significance of unobservable market data

The financial instruments in this category are assessed on an individual basis. Their valuation is based on the best estimate of management by reference to the most recent prices, prices of similar instruments and, to a not insignificant extent, information not observable in the market. Unobservable inputs may include volatility, correlation, seasonality and credit spreads. A valuation technique is used in which at least one input that has a significant effect on the instrument's valuation is not based on observable market data. A significant effect on the instrument's valuation is considered to be present when the unobservable input accounts for at least 10% of the total instrument's fair value and exceeds a threshold of €50,000. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

| Financial instruments at fair value                                   |                  |                  |               | 30/06/2017       |
|---|------------------|------------------|---------------|------------------|
|   | Level 1          | Level 2          | Level 3       | Total            |
| <b>Assets</b>   |                  |                  |               |                  |
| Financial assets held for trading                                     | 34,595           | 1,558            | 75            | 36,228           |
| Derivatives   | 23,108           | 279,449          | 3,577         | 306,133          |
| Financial assets designated at fair value through profit or loss      | 285,387          | 40,853           | 1,685         | 327,925          |
| Available-for-sale investments  | 2,019,352        | -                | 33,191        | 2,052,543        |
| <b>Total assets</b>   | <b>2,362,442</b> | <b>321,860</b>   | <b>38,527</b> | <b>2,722,829</b> |
| <b>Liabilities</b>  |                  |                  |               |                  |
| Financial liabilities held for trading                                | 4,538            | 199              | -             | 4,736            |
| Derivatives   | 21,828           | 296,431          | 1,537         | 319,796          |
| Financial liabilities designated at fair value through profit or loss | -                | 883,457          | 33,818        | 917,275          |
| <b>Total liabilities</b>  | <b>26,366</b>    | <b>1,180,086</b> | <b>35,355</b> | <b>1,241,807</b> |

| Financial instruments at fair value                                   |                  |                  |               | 31/12/2016       |
|---|------------------|------------------|---------------|------------------|
|   | Level 1          | Level 2          | Level 3       | Total            |
| <b>Assets</b>   |                  |                  |               |                  |
| Financial assets held for trading                                     | 15,298           | 1,582            | 33            | 16,913           |
| Derivatives   | 19,062           | 284,172          | 4,085         | 307,320          |
| Financial assets designated at fair value through profit or loss      | 291,375          | 39,552           | 5,311         | 336,238          |
| Available-for-sale investments  | 1,640,613        | -                | 39,423        | 1,680,036        |
| <b>Total assets</b>   | <b>1,966,349</b> | <b>325,307</b>   | <b>48,852</b> | <b>2,340,507</b> |
| <b>Liabilities</b>  |                  |                  |               |                  |
| Financial liabilities held for trading                                | -                | -                | 5             | 5                |
| Derivatives   | 20,015           | 317,594          | 1,242         | 338,851          |
| Financial liabilities designated at fair value through profit or loss | -                | 861,431          | 32,825        | 894,255          |
| <b>Total liabilities</b>  | <b>20,015</b>    | <b>1,179,025</b> | <b>34,072</b> | <b>1,233,111</b> |

During the first half of 2017, the valuation technique remained unchanged, with non-observable input variables being assessed on significance. As a result of this assessment some financial instruments included in Derivatives (assets and liabilities) and in Financial liabilities designated at fair value through profit or loss have been transferred from Level 2 to Level 3 and vice versa. In the case of Derivatives (assets), this entailed a transfer of nil from Level 2 to Level 3 and a transfer of €3.1 million from Level 3 to Level 2. In the case of Financial liabilities designated at fair value through profit or loss, it involved a transfer of €9.2 million from Level 2 to Level 3 and a transfer of €9.7 million from Level 3 to Level 2. The transfer of Derivatives (liabilities) breaks down into a €1.0 million shift from Level 2 to Level 3 and a €0.6 million shift from Level 3 to Level 2.

| Breakdown of movements in financial assets classified as Level 3 |                      |                           |               |              |                |               |                    |
|--|----------------------|---------------------------|---------------|--------------|----------------|---------------|--------------------|
|  | At<br>1 January 2017 | To statement<br>of income | To equity     | Purchases    | Sales          | Transfers     | At<br>30 June 2017 |
| <b>Assets</b>  |                      |                           |               |              |                |               |                    |
| Financial assets held for trading                                | 33                   | 3                         | -             | 50           | -11            | -             | 75                 |
| Derivatives  | 4,085                | 2,632                     | -             | -            | -66            | -3,075        | 3,577              |
| Financial assets designated at fair value through profit or loss | 5,311                | -3,626                    | -             | -            | -              | -             | 1,685              |
| Available-for-sale investments                                   | 39,423               | 7,355                     | -4,866        | 4,718        | -13,440        | -             | 33,191             |
| <b>Total assets</b>  | <b>48,852</b>        | <b>6,364</b>              | <b>-4,866</b> | <b>4,768</b> | <b>-13,517</b> | <b>-3,075</b> | <b>38,527</b>      |

**Breakdown of movements in financial liabilities classified as Level 3**

|   | At<br>1 January 2017 | To statement<br>of income | To equity | Issues     | Settlements | Transfers   | At<br>30 June 2017 |
|---|----------------------|---------------------------|-----------|------------|-------------|-------------|--------------------|
| <b>Liabilities</b>  |                      |                           |           |            |             |             |                    |
| Financial liabilities held for trading                                | 5                    | -                         | -         | -          | -5          | -           | -                  |
| Derivatives   | 1,242                | -392                      | -         | 341        | -1          | 346         | 1,537              |
| Financial liabilities designated at fair value through profit or loss | 32,825               | 1,466                     | -         | -          | -           | -473        | 33,818             |
| <b>Total liabilities</b>  | <b>34,073</b>        | <b>1,074</b>              | <b>-</b>  | <b>341</b> | <b>-6</b>   | <b>-127</b> | <b>35,355</b>      |

**Breakdown of movements in financial assets classified as Level 3**

|  | At<br>1 January 2016 | To statement<br>of income | To equity  | Purchases    | Sales          | Transfers   | At<br>30 June 2016 |
|--|----------------------|---------------------------|------------|--------------|----------------|-------------|--------------------|
| <b>Assets</b>  |                      |                           |            |              |                |             |                    |
| Financial assets held for trading                                | 520                  | 17                        | -          | -            | -217           | -           | 320                |
| Derivatives  | 9,891                | 2,268                     | -          | 3,352        | -              | -639        | 14,872             |
| Financial assets designated at fair value through profit or loss | 14,156               | -334                      | -          | -            | -8,067         | -           | 5,755              |
| Available-for-sale investments                                   | 40,033               | 435                       | 400        | 216          | -2,184         | -           | 38,900             |
| <b>Total assets</b>  | <b>64,600</b>        | <b>2,386</b>              | <b>400</b> | <b>3,568</b> | <b>-10,468</b> | <b>-639</b> | <b>59,847</b>      |

**Breakdown of movements in financial liabilities classified as Level 3**

|   | At<br>1 January 2016 | To statement<br>of income | To equity | Issues     | Settlements   | Transfers      | At<br>30 June 2016 |
|---|----------------------|---------------------------|-----------|------------|---------------|----------------|--------------------|
| <b>Liabilities</b>  |                      |                           |           |            |               |                |                    |
| Financial liabilities held for trading                                | 330                  | -                         | -         | -          | -10           | -              | 320                |
| Derivatives   | 4,271                | 1,459                     | -         | 531        | -             | -3,044         | 3,217              |
| Financial liabilities designated at fair value through profit or loss | 73,720               | 38                        | -         | -          | -7,539        | -8,326         | 57,893             |
| <b>Total liabilities</b>  | <b>78,321</b>        | <b>1,497</b>              | <b>-</b>  | <b>531</b> | <b>-7,549</b> | <b>-11,369</b> | <b>61,431</b>      |

**Fair value changes recognised in profit or loss on financial instruments classified as Level 3**

|                                       | H1 2017      |               |              | H1 2016    |            |            |
|---------------------------------------|--------------|---------------|--------------|------------|------------|------------|
|                                       | Realised     | Unrealised    | Total        | Realised   | Unrealised | Total      |
| Net interest income                   | 952          | -             | 952          | 452        | -          | 452        |
| Income from securities and associates | 6,439        | -3,626        | 2,813        | 17         | -335       | -318       |
| Result on financial transactions      | -            | 1,558         | 1,558        | -          | 770        | 770        |
| Impairments                           | -            | -33           | -33          | -          | -15        | -15        |
| <b>Total</b>                          | <b>7,391</b> | <b>-2,101</b> | <b>5,290</b> | <b>469</b> | <b>420</b> | <b>889</b> |



Notes on fair value determination using significant observable market inputs (Level 2)

|   | Fair value       |                  | Valuation method                         | Significance of observable market inputs  |
|---|------------------|------------------|--|---|
|   | 30/06/2017       | 31/12/2016       |  |   |
| <b>Assets</b>   |                  |                  |  |   |
| Financial assets held for trading                                     | 1,558            | 1,582            | - Option model and discounted cash flow  | - Asset price<br>- Interest rate<br>- Dividend yield<br>- Volatility  |
| Derivatives   | 279,449          | 284,172          | - Discounted cash flow<br>- Option model | - Underlying value<br>- Interest rate<br>- Dividend yield<br>- Volatility<br>- Consumer price index (CPI)<br>- Seasonality<br>- Correlation<br>- FX rates<br>- CDS spread<br>- Recovery rate                                |
| Financial assets designated at fair value through profit or loss      | 40,853           | 39,552           | - Net asset value                        | - Most recently known (closing) price of the underlying assets<br>- Most recent published net asset value<br>- Market value on measurement date equals market price<br>- Fair value reflecting generally accepted standards |
| <b>Total assets</b>   | <b>321,860</b>   | <b>325,306</b>   |  |   |
| <b>Liabilities</b>  |                  |                  |  |   |
| Financial liabilities held for trading                                | 199              | -                | - Option model and discounted cash flow  | - Asset price<br>- Interest rate<br>- Dividend yield<br>- Volatility  |
| Derivatives   | 296,431          | 317,594          | - Discounted cash flow<br>- Option model | - Underlying value<br>- Interest rate<br>- Dividend yield<br>- Volatility<br>- Consumer price index (CPI)<br>- Seasonality<br>- Correlation<br>- FX rates<br>- CDS spread<br>- Recovery rate                                |
| Financial liabilities designated at fair value through profit or loss | 883,457          | 861,431          | - Discounted cash flow<br>- Option model | - Interest rate<br>- Underlying value<br>- Dividend yield<br>- Volatility<br>- Correlation<br>- FX rates  |
| <b>Total liabilities</b>  | <b>1,180,086</b> | <b>1,179,025</b> |  |   |

**Notes on fair value determination using non-observable inputs (Level 3)**

|   | Fair value    |               | Valuation method                            | Significance of non-observable market inputs  |
|---|---------------|---------------|---|---|
|   | 30/06/2017    | 31/12/2016    |   |   |
| <b>Assets</b>   |               |               |   |   |
| Financial assets held for trading                                       | 75            | 33            | - Net asset value                           | - Net asset value<br>- Face value   |
| Derivatives   | 3,577         | 4,085         | - Discounted cash flow<br>- Option model    | N/A   |
| Financial assets designated at fair value through profit or loss        | 1,685         | 5,311         | - Net asset value                           | - Most recent published net asset values of the underlying assets   |
| Available-for-sale investments*   | 33,191        | 39,423        | - Discounted cash flow<br>- Net asset value | - Interest rates<br>- Discount rates<br>- Most recent published net asset values of the underlying assets<br>- Multiple analyses of comparable companies less a discount of 20% for illiquidity and company size based on EVCA guidelines<br>- Most recently known share price<br>- EBITA<br>- Issue or transfer price<br>- Market price on final trading day<br>- Face value less provisions |
| <b>Total assets</b>   | <b>38,527</b> | <b>48,852</b> |   |   |
| <b>Liabilities</b>  |               |               |   |   |
| Financial liabilities held for trading                                  | -             | 5             | - Net asset value                           | - Net asset value<br>- Face value   |
| Derivatives *   | 1,537         | 1,242         | - Discounted cash flow<br>- Option model    | - Volatility<br>- Correlation   |
| Financial liabilities designated at fair value through profit or loss * | 33,818        | 32,825        | - Discounted cash flow<br>- Option model    | - Volatility<br>- Correlation   |
| <b>Total liabilities</b>  | <b>35,355</b> | <b>34,072</b> |   |   |

\* The range and sensitivity of these financial instruments are disclosed in the table Notes on range and sensitivity of non-observable market inputs (Level 3). No range or sensitivity information is available for the other financial instruments.

## Notes on range and sensitivity of non-observable market inputs (Level 3)

|  | Significant non-observable market inputs | Range            | Sensitivity                           |
|--|--|------------------|---------------------------------------|
| <b>Assets</b>                                      |  |                  |                                       |
| <b>Available-for-sale investments</b>              |  |                  |                                       |
| Debt instruments: company cumprefs (shareholdings) | - Interest rates                         | 6.5% - 12%       | Change of 1% - change of €0.2 million |
|  | - Discount rates                         | 6.5% - 12%       | Change of 1% - change of €0.2 million |
| <b>Derivatives</b>                                 |  |                  |                                       |
| Structured products derivatives                    |  |                  |                                       |
| - Options  | - Correlation                            | -17% - 19% (0%)  | Total impact: €0.3 million            |
| - Equity swaps                                     | - Correlation                            | -17% - 27% (22%) | Total impact: €0.4 million            |

### Financial instruments not recognised at fair value

The value of financial instruments not recognised at fair value is taken as the amount for which the instrument could be exchanged in a commercial transaction between willing parties, other than in a forced or liquidation sale. If there is an active market, we use the market value to determine the fair value. For financial instruments for which no market prices are available, the fair values are estimated on the basis of the present value or other estimation or valuation methods.

| Financial instruments not recognised at fair value   |            |                 |            |                 |       |  |   |
|--|------------|-----------------|------------|-----------------|-------|--|---|
|  | 30/06/2017 |                 | 31/12/2016 |                 |       |  |   |
|  | Fair value | Carrying amount | Fair value | Carrying amount | Level | Valuation method   | Significant observable and non-observable market inputs   |
| <b>Assets</b>  |            |                 |            |                 |       |  |   |
| Due from banks                                       | 165,259    | 165,257         | 189,459    | 188,748         | 2     | Discounted cash flows using applicable money market rates  | Interest rate and discount rate                           |
| Held-to-maturity investments                         | 544,286    | 511,049         | 556,464    | 513,438         | 1     | Quoted prices in active markets  | -   |
| Loans and advances to the public and private sectors | 9,733,017  | 9,470,330       | 9,943,350  | 9,624,048       | 3     | Discounted cash flows using current market fees for comparable loans and taking into account the creditworthiness of the counterparty                | Interest rate, discount rate and counterparty credit risk |
| <b>Liabilities</b>                                   |            |                 |            |                 |       |  |   |
| Due to banks   | 142,472    | 142,470         | 128,698    | 128,696         | 2     | Discounted cash flows using applicable money market rates for liabilities  | Interest rate and discount rate                           |
| Public and private sector liabilities                | 9,443,233  | 9,386,515       | 9,778,807  | 9,679,764       | 3     | Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk      | Interest rate, discount rate and own credit risk          |
| Issued debt securities                               | 2,520,496  | 2,484,370       | 2,146,318  | 2,116,094       | 2     | Discounted cash flows using applicable money market rates for debt instruments with a comparable term to maturity                                    | Interest rate and discount rate                           |
| Subordinated loans                                   | 203,111    | 166,766         | 181,169    | 167,218         | 3     | Discounted cash flows using applicable money market rates for debt instruments with a comparable term to maturity, taking account of own credit risk | Interest rate, discount rate and own credit risk          |

## 28 Netting of financial assets and financial liabilities

| Netting of financial assets and liabilities |         |  |  |   | 30/06/2017 |
|---|---------|--|--|---|------------|
|   | Gross   | Gross in the statement of financial position | Net presented in the statement of financial position | Related amounts not netted in the statement of financial position | Net        |
| Derivatives (assets)                        | 440,999 | 134,866                                      | 306,133  | 73,956  | 232,177    |
| Derivatives (liabilities)                   | 454,662 | 134,866                                      | 319,796  | 73,956  | 245,840    |

| Netting of financial assets and liabilities |         |  |  |   | 31/12/2016 |
|---|---------|--|--|---|------------|
|   | Gross   | Gross in the statement of financial position | Net presented in the statement of financial position | Related amounts not netted in the statement of financial position | Net        |
| Derivatives (assets)                        | 409,386 | 102,066                                      | 307,320  | 21,754  | 285,566    |
| Derivatives (liabilities)                   | 440,917 | 102,066                                      | 338,851  | 21,754  | 317,097    |

## 29 Related parties

| H1 2017   |              |              |                    |                 |            |
|---|--------------|--------------|--------------------|-----------------|------------|
|   | Income       | Expenses     | Amounts receivable | Amounts payable | Guarantees |
| <b>Total</b>  | <b>6,510</b> | <b>7,005</b> | <b>7,284</b>       | <b>3,745</b>    | <b>29</b>  |
| Parties with a shareholding in Van Lanschot Kempen of at least 5% | 6,462        | 7,005        | 5,426              | 1,156           | -          |
| Associates  | -            | -            | -                  | -               | -          |
| Investments in associates using the equity method                 | 48           | -            | 1,858              | 2,589           | 29         |

| H1 2016   |               |               |                    |                 |            |
|---|---------------|---------------|--------------------|-----------------|------------|
|   | Income        | Expenses      | Amounts receivable | Amounts payable | Guarantees |
| <b>Total</b>  | <b>10,747</b> | <b>11,369</b> | <b>21,697</b>      | <b>16,619</b>   | <b>183</b> |
| Parties with a shareholding in Van Lanschot Kempen of at least 5% | 10,700        | 11,369        | 18,794             | 15,511          | -          |
| Associates  | -             | -             | -                  | -               | -          |
| Investments in associates using the equity method                 | 47            | -             | 2,903              | 1,108           | 183        |

For further information on related party transactions, see Van Lanschot's annual report 2016 (from page 211).

## Segment information

Segmentation of our activities is based on operating segments, as our risk and return profile is chiefly affected by differences in our products and services. Internal cost allocation is based on use of services. Our activities break down into six operating segments, while intrasegment transactions are conducted on an arm's length basis. In 2017 management decided to adjust the interest result allocation to more accurately show the breakdown between operating segments. Comparative figures for the first half of 2016 have been adjusted accordingly, with a resulting movement of interest income from Private Banking and Corporate Banking to Other activities.

### Private Banking

Private Banking offers private clients and entrepreneurs a broad range of products in the private banking market, while also focusing on business professionals & executives, healthcare professionals and associations and charitable societies.

### Evi

Evi, Van Lanschot Kempen's online investments and savings platform, targets people just entering the wealth management market and Private Banking clients preferring an online service in the Netherlands and Belgium.

### Asset Management

A specialist asset manager, Asset Management focuses on a range of investment strategies while also offering fiduciary services to domestic and international institutional clients such as pension funds and insurers.

### Merchant Banking

Merchant Banking offers specialist services including equities research and trading, mergers & acquisitions services, capital market transactions and debt advisory services to institutional investors, corporates, financial institutions and public and semi-public entities.

### Corporate Banking

A team of experts within Corporate Banking is engaged in managing and winding down the real estate and SME loan portfolios not linked to Private Banking clients.

### Other activities

These comprise activities in the fields of interest rate, market and liquidity risk management, as well as the activities of Van Lanschot Participaties and consolidated investments.

| Operating segments<br>(x € million)           | H1 2017         |             |                  |                  |                   |                  | Total        |
|---|-----------------|-------------|------------------|------------------|-------------------|------------------|--------------|
|   | Private Banking | Evi         | Asset Management | Merchant Banking | Corporate Banking | Other activities |              |
| <b>Statement of income</b>                    |                 |             |                  |                  |                   |                  |              |
| Net interest income                           | 71.6            | 1.6         | -0.0             | 0.0              | 17.1              | 12.5             | 102.9        |
| Income from securities and associates         | -               | -           | -2.1             | -                | -                 | 31.9             | 29.8         |
| Net commission income                         | 61.1            | 2.0         | 44.9             | 22.3             | 1.6               | 0.3              | 132.3        |
| Profit on financial transactions              | 0.6             | -           | 0.0              | 1.9              | -                 | 4.7              | 7.2          |
| Other income                                  | -               | -           | -                | -                | -                 | 26.2             | 26.2         |
| <b>Total income from operating activities</b> | <b>133.3</b>    | <b>3.6</b>  | <b>42.9</b>      | <b>24.3</b>      | <b>18.8</b>       | <b>75.6</b>      | <b>298.4</b> |
| Staff costs                                   | 48.3            | 2.1         | 18.7             | 10.9             | 4.8               | 43.7             | 128.5        |
| Other administrative expenses                 | 34.9            | 4.0         | 10.0             | 4.1              | 0.2               | 35.4             | 88.6         |
| Allocated internal expenses                   | 29.5            | 3.4         | 5.5              | 4.6              | 5.8               | -48.9            | -0.0         |
| Depreciation and amortisation                 | 2.0             | 0.0         | 0.2              | 0.0              | -                 | 5.8              | 8.0          |
| Impairments                                   | 0.9             | 0.0         | -                | -                | -3.0              | 0.6              | -1.5         |
| <b>Total expenses</b>                         | <b>115.5</b>    | <b>9.5</b>  | <b>34.5</b>      | <b>19.6</b>      | <b>7.8</b>        | <b>36.7</b>      | <b>223.6</b> |
| <b>Operating result before tax</b>            | <b>17.8</b>     | <b>-5.9</b> | <b>8.4</b>       | <b>4.6</b>       | <b>11.0</b>       | <b>38.9</b>      | <b>74.7</b>  |
| Efficiency ratio (%)                          | 86%             | 264%        | 80%              | 81%              | 57%               | 48%              | 75%          |

| Operating segments<br>(x € million)           | H1 2016         |             |                  |                  |                   |                  | Total        |
|---|-----------------|-------------|------------------|------------------|-------------------|------------------|--------------|
|   | Private Banking | Evi         | Asset Management | Merchant Banking | Corporate Banking | Other activities |              |
| <b>Statement of income</b>                    |                 |             |                  |                  |                   |                  |              |
| Net interest income                           | 76.2            | 1.9         | -0.0             | 0.0              | 23.7              | 6.5              | 108.2        |
| Income from securities and associates         | -               | -           | -0.1             | -                | -                 | 8.7              | 8.6          |
| Net commission income                         | 50.7            | 1.7         | 43.4             | 19.3             | 1.5               | 0.7              | 117.4        |
| Profit on financial transactions              | 0.6             | -           | 0.1              | 1.9              | -                 | 1.4              | 4.0          |
| Other income                                  | -               | -           | -                | -                | -                 | 21.1             | 21.1         |
| <b>Total income from operating activities</b> | <b>127.5</b>    | <b>3.6</b>  | <b>43.4</b>      | <b>21.3</b>      | <b>25.2</b>       | <b>38.3</b>      | <b>259.3</b> |
| Staff costs                                   | 45.7            | 1.7         | 17.8             | 10.3             | 2.7               | 44.5             | 122.7        |
| Other administrative expenses                 | 27.4            | 3.9         | 10.8             | 3.2              | 6.6               | 38.2             | 90.0         |
| Allocated internal expenses                   | 27.5            | 3.9         | 7.2              | 4.8              | 8.8               | -52.2            | -0.0         |
| Depreciation and amortisation                 | 1.1             | 0.1         | 0.2              | 0.0              | -                 | 6.3              | 7.7          |
| Impairments                                   | 2.4             | -0.0        | -                | 0.0              | 1.0               | -4.0             | -0.6         |
| <b>Total expenses</b>                         | <b>104.0</b>    | <b>9.4</b>  | <b>36.0</b>      | <b>18.4</b>      | <b>19.1</b>       | <b>32.8</b>      | <b>219.8</b> |
| <b>Operating result before tax</b>            | <b>23.5</b>     | <b>-5.9</b> | <b>7.5</b>       | <b>2.9</b>       | <b>6.1</b>        | <b>5.5</b>       | <b>39.5</b>  |
| Efficiency ratio (%)                          | 80%             | 266%        | 83%              | 86%              | 72%               | 96%              | 85%          |

## Events after the reporting period

On 7 June 2017 Van Lanschot Kempen and UBS announced that they had reached agreement on the acquisition by Van Lanschot Kempen of UBS's domestic wealth management activities in the Netherlands. The transaction comprises the client relationships and employees of the wealth management activities of UBS Netherlands, a branch of UBS Europe SE, currently having Assets under Management (AuM) of around €2.6 billion. The transaction also comprises the products and services of the Netherlands branch of UBS Europe SE.

Van Lanschot Kempen will pay an initial acquisition price of €28 million for the activities to be acquired. The final price may be higher or lower depending on the AuM amount that will actually transfer to Van Lanschot Kempen. Van Lanschot Kempen and UBS completed the transaction on 25 August 2017.



## Other information

### Statutory Board Responsibility Statement

The members of the Statutory Board hereby declare, to the best of their knowledge, that the 2017 condensed interim consolidated financial statements, which have been prepared in accordance with IAS 34 (Interim Financial Reporting), give a true and fair view of the assets, liabilities, financial position and profit or loss of Van Lanschot Kempen NV and its consolidated entities, and that the interim report of 30 June 2017 gives a true and fair view of the information to be provided in accordance with Article 5 (25) (d) (8) (9) of the Dutch Financial Supervision Act ('Wft').

's-Hertogenbosch, the Netherlands, 29 August 2017

Statutory Board

Karl Guha, Chairman

Constant Korthout

Richard Bruens

Arjan Huisman