

Van Lanschot NV Financial report

2018 HALF-YEAR RESULTS

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KEY DATA¹

Deviating from their recognition in our (IFRS) financial statements, non-strategic investments, costs related to our strategic investment programme, amortisation of intangible assets as a result of acquisitions and the derivatives recovery framework are shown separately here. Van Lanschot NV is hereafter called Van Lanschot Kempen.

<i>x € m</i>	H1 2018	H2 2017		H1 2017	
Statement of income					
Net result	39.3	32.7	20%	62.3	-37%
Underlying net result	47.2	42.7	10%	69.6	-32%
Efficiency ratio excluding special items (%) ²	81.1	81.8		71.1	

<i>x € bn</i>	30/06/2018	31/12/2017		30/06/2017	
Client assets³	83.7	83.6	0%	72.0	16%
- Assets under management	69.1	69.0	0%	57.1	21%
- Assets under monitoring & guidance	3.4	3.5	-2%	3.0	13%
- Assets under administration	1.9	2.0	-6%	2.5	-25%
- Savings and deposits	9.3	9.1	1%	9.4	-1%

<i>x € m</i>	30/06/2018	31/12/2017		30/06/2017	
Statement of financial position and capital management					
Equity attributable to shareholder	1,284	1,333	-4%	1,350	-5%
Equity attributable to non-controlling interests	11	16	-31%	15	-26%
Savings and deposits	9,281	9,145	1%	9,387	-1%
Loans and advances to clients	8,958	9,103	-2%	9,470	-5%
Total assets	14,512	14,659	-1%	14,952	-3%
Funding ratio (%)	103.6	100.5		99.1	5%
Risk-weighted assets	4,798	4,979	-4%	5,359	-10%
Common Equity Tier 1 ratio (fully loaded) (%) ⁴	21.4	20.3		19.6	
Tier 1 ratio (fully loaded) (%) ⁴	21.4	20.3		19.7	
Total capital ratio (fully loaded) (%) ⁴	24.7	23.4		20.6	

	H1 2018	H2 2017		H1 2017	
Other key data					
Weighted average outstanding ordinary shares (x 1,000)	400	400		400	
Underlying earnings per share (€)	110.77	100.17	11%	167.05	-34%
Return on average Common Equity Tier 1 capital (%) ⁵	8.7	7.8		12.5	
Number of staff (FTEs at period end)	1,640	1,658	-1%	1,647	0%

¹ Total figures may not add up due to rounding. Percentages are calculated based on unrounded figures.

² Operating expenses (and thus the efficiency ratio) exclude costs incurred for our strategic investment programme, the amortisation of intangible assets arising from acquisitions, and a one-off charge for the derivatives recovery framework.

³ As of 01/01/2018, €0.2 billion of AuM has been transferred to AuA. The comparative figures for 31/12/2017 have been adjusted accordingly.

⁴ Full-year 2017 including retained earnings; half-year 2017 and half-year 2018 excluding retained earnings.

⁵ Based on the (annualised) underlying net result.

RESULTS

<i>x € m</i>	H1 2018	H2 2017		H1 2017	
Commission	149.9	134.7	11%	132.3	13%
- Of which securities commissions	120.9	118.3	2%	112.3	8%
- Of which other commissions	29.0	16.4	77%	19.9	45%
Interest	90.0	93.0	-3%	103.6	-13%
Income from securities and associates	16.6	7.4		29.7	-44%
Result on financial transactions	1.7	6.9		7.2	-77%
Income from operating activities	258.2	242.0	7%	272.7	-5%
Staff costs	125.2	120.7	4%	115.4	9%
Other administrative expenses	80.6	74.9	8%	75.3	7%
Depreciation and amortisation	3.5	2.4	41%	3.3	4%
Operating expenses	209.3	198.0	6%	194.0	8%
Gross result	48.9	44.0	11%	78.7	-38%
Addition to loan loss provision	-3.5	-9.9	-65%	-1.9	82%
Other impairments	-1.1	-3.0		0.5	
Impairments	-4.6	-13.0	-65%	-1.5	
Operating profit before tax of non-strategic investments	8.8	5.6	58%	7.0	
Operating profit before special items and tax	62.3	62.6	0%	87.2	26%
Strategic investment programme	10.5	11.7		9.7	
Derivatives recovery framework	-	1.7		-	-29%
Amortisation of intangible assets arising from acquisitions	4.2	3.4		2.7	
Operating profit before tax	47.6	45.8	4%	74.7	
Income tax	8.3	13.1	-37%	12.4	
Net result	39.3	32.7	20%	62.3	
Underlying net result	47.2	42.7	10%	69.6	-32%

UNDERLYING NET RESULT

<i>x € m</i>	H1 2018	H2 2017		H1 2017	
Net result	39.3	32.7	20%	62.3	-37%
Strategic investment programme	10.5	11.7		9.7	8%
Derivatives recovery framework	-	1.7		-	
Tax effects	-2.6	-3.4		-2.4	8%
Underlying net result	47.2	42.7	10%	69.6	-32%

MARKET DEVELOPMENTS

In the first half of 2018, equity markets were affected by geopolitical unrest, US trade disputes and market expectations that economic growth is currently at its peak. At the same time, favourable economic conditions fuelled the real estate and housing markets. Current interest rates remain at low levels and are unlikely to rise in the short term.

INCOME FROM OPERATING ACTIVITIES

Total operating income increased by 7% to €258.2 million, up from €242.0 million in H2 2017. Compared with the first half of 2017, total operating income was down by 5%, mainly due to the sale of a minority stake in one of our equity investments and of positions in our own investment funds in H1 2017.

Private Banking, Evi, Asset Management and Merchant Banking together generated 86% of total income from operating activities. These four segments accounted for 99% of commission income (on a par with H1 2017) and 80% of interest income (H1 2017: 83%).

Income from operating activities by segment

x € m



All operating activities made a positive contribution to the underlying net result, with the exception of Evi. The underlying net result for H1 2018 is the net result adjusted for costs associated with the strategic investment programme (total €10.5 million gross).

Underlying net result by segment

x € m



H1 2018 (€ m)	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other	Total
Commission	64.6	2.1	50.4	30.9	0.9	0.9	149.9
Interest	70.2	1.3	0.0	0.0	11.7	6.7	90.0
Other income	0.5	0.0	0.2	2.5	0.0	15.2	18.3
Income from operating activities	135.4	3.4	50.6	33.4	12.6	22.8	258.2
Staff costs	50.2	2.1	22.2	13.6	0.4	36.7	125.2
Other administrative expenses	25.1	5.5	12.2	4.1	0.4	33.2	80.6
Indirect costs	30.8	1.4	6.4	4.9	5.0	-48.5	0.0
Depreciation and amortisation	0.5	0.0	0.1	0.0	0.0	2.8	3.5
Operating expenses	106.7	9.1	40.9	22.7	5.7	24.2	209.3
Gross result	28.7	-5.7	9.7	10.7	6.9	-1.4	48.9
Impairments	0.4			0.0	-3.2	-1.8	-4.6
Operating profit before tax of NSIs						8.8	8.8
Operating profit before special items and tax	28.3	-5.7	9.7	10.7	10.0	9.2	62.3
Strategic investment programme	10.5						10.5
Amortisation of intangible assets arising from acquisitions	2.5		0.4			1.3	4.2
Operating profit before tax	15.3	-5.7	9.2	10.7	10.0	8.0	47.6
Income tax	3.8	-1.5	2.3	2.8	2.5	-1.6	8.3
Net result	11.5	-4.2	6.9	8.0	7.5	9.6	39.3
Underlying net result H1 2018	19.4	-4.2	6.9	8.0	7.5	9.6	47.2

H1 2017 (€ m)	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other	Total
Commission	61.1	2.0	44.9	22.3	1.6	0.3	132.3
Interest	71.6	1.6	0.0	0.0	17.1	13.2	103.6
Other income	0.6	0.0	-2.1	1.9	0.0	36.4	36.9
Income from operating activities	133.3	3.6	42.9	24.3	18.8	49.9	272.7
Staff costs	47.3	2.1	18.7	10.9	4.8	31.6	115.4
Other administrative expenses	26.1	4.0	10.0	4.1	0.2	31.0	75.4
Indirect costs	29.5	3.4	5.5	4.6	5.8	-48.9	0.0
Depreciation and amortisation	0.7	0.0	0.1	0.0	0.0	2.5	3.3
Operating expenses	103.6	9.5	34.3	19.6	10.8	16.2	194.0
Gross result	29.7	-5.9	8.6	4.6	8.0	33.7	78.7
Impairments	0.9				-3.0	0.6	-1.5
Operating profit before tax of NSIs						7.0	7.0
Operating profit before special items and tax	28.7	-5.9	8.6	4.6	11.0	40.1	87.2
Strategic investment programme	9.7						9.7
Amortisation of intangible assets arising from acquisitions	1.3		0.2			1.3	2.7
Operating profit before tax	17.8	-5.9	8.4	4.6	11.0	38.9	74.7
Income tax	4.5	-1.6	2.6	1.2	2.7	2.9	12.4
Net result	13.2	-4.4	5.8	3.4	8.2	36.0	62.3
Underlying net result H1 2017	20.5	-4.4	5.8	3.4	8.2	36.0	69.6

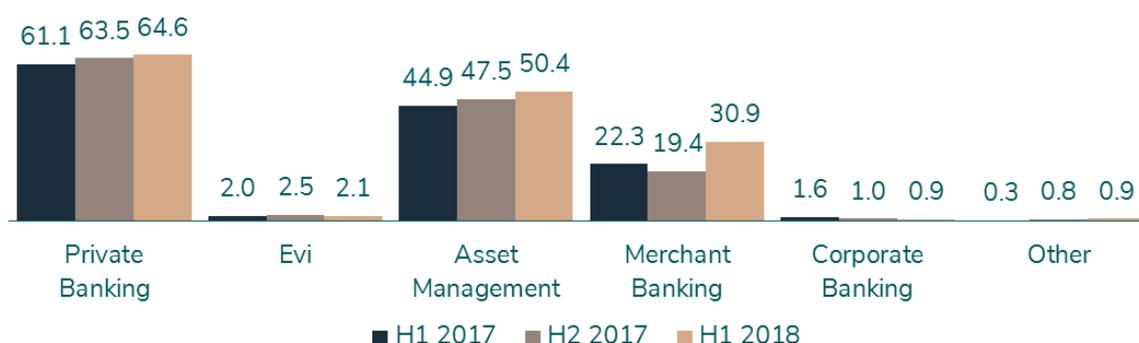
COMMISSION

x € m	H1 2018	H2 2017		H1 2017	
Securities commissions	120.9	118.3	2%	112.3	8%
- Management fees	108.2	103.6	4%	96.2	12%
- Transaction fees	12.8	14.7	-13%	16.2	-21%
Other commissions	29.0	16.4	77%	19.9	45%
Commission	149.9	134.7	11%	132.3	13%

Commission income accounts for 58% of our total operating income. Total commissions rose 13% to €149.9 million in H1 2018, mainly driven by higher management fees and other commission income. The 12% increase in management fees was the result of an increase in assets under management (AuM) thanks to inflows, market performance and AuM arising from the acquisition of the wealth management activities of UBS in the Netherlands (hereafter called 'UBS Netherlands' in this report). Other commissions was also up on H1 2017, due to increased activity at Merchant Banking. Transaction fees declined by 21% owing to a reduction in the exceptionally high transaction volume seen in H1 2017.

Commission income by segment

x € m



Private Banking's total commission income recorded a €3.5 million rise on H1 2017. Management fees were up by €4.8 million due to AuM inflows and the acquisition of UBS Netherlands. This increase was partly offset by a decrease in transaction fees due to lower client trading activity compared with the first half of 2017.

Evi's commission income was relatively stable at €2.1 million (H1 2017: €2.0 million). The decrease compared with H2 2017 was mainly due to non-recurring cash incentives for new clients.

At Asset Management, new fiduciary mandates and the acquisition of UBS Netherlands led to a €5.5 million rise in commission income on H1 2017. The average margin decreased slightly, mainly due to a change in the composition of AuM.

Commission income at Merchant Banking increased by €8.6 million in H1 2018, to €30.9 million (H1 2017: €22.3 million). This was mainly driven by higher advisory income from M&A and capital market transactions. Mainly our Real Estate and Life Sciences teams were involved in several successful transactions.

INTEREST

<i>x € m</i>	H1 2018	H2 2017		H1 2017	
Gross interest margin	93.6	101.8	-8%	110.9	-16%
Interest equalisation	-5.7	-6.1	6%	-4.8	-18%
Miscellaneous interest income and charges	0.5	-4.5		-4.2	
Loan commission	1.6	1.9	-16%	1.8	-11%
Interest	90.0	93.0	-3%	103.6	-13%

The current interest rate climate continues to put pressure on our interest income. Our H1 2018 interest income of €90.0 million was 13% down on the €103.6 million recorded in H1 2017, mostly due to margin pressure and a smaller loan portfolio. The loan portfolio contracted by €0.1 billion to €9.0 billion. The smaller loan portfolio – largely reflecting the run-off at Corporate Banking – led to a decline in interest income, while interest margins on the total loan portfolio continued to trend down. This mix of downward effects was very slightly offset by further cuts in savings rates to 0% by the end of 2017 and reduced costs of wholesale funding.

The interest margin fell 11 basis points to an average of 126 basis points. The “clean” interest margin⁶ declined by 10 basis points compared with its level at the end of H1 2017, to 120 basis points.

Miscellaneous interest income and charges went up from a negative - €4.2 million to €0.5 million, chiefly driven by income from penalty interest. Amortisation on previously discontinued interest rate hedges was €2.6 million down on H1 2017, which also benefited miscellaneous interest income and charges.

INCOME FROM SECURITIES AND ASSOCIATES

<i>x € m</i>	H1 2018	H2 2017		H1 2017	
Dividend	1.6	0.6		4.0	-59%
Capital gains	1.2	-2.2		19.3	-94%
Valuation gains and losses	13.7	9.0	53%	6.4	
Income from securities and associates	16.6	7.4		29.7	-44%

Income from securities and associates relates to investments of our equity investment company Van Lanschot Participaties and investments in Bolster Investments BV which was launched in 2017. We occasionally also take positions in our own investment funds, for instance by supporting their start-ups or to demonstrate our confidence in these funds.

Valuation gains and losses were up by €7.3 million to €13.7 million, reflecting the increased value of the companies in which we hold minority interests and the investment funds in which we hold positions.

The H1 2018 capital gain of €1.2 million shows a decrease compared with H1 2017. The capital gains in H1 2017 mainly related to the sale of a minority stake in TechAccess (€11.1 million), which was part of the Van Lanschot Participaties portfolio, and the sale of positions in our own investment funds (€6.5 million). In August 2018, we agreed to sell a part of our minority stake in Ploeger Oxbo. This transaction is expected to generate a capital gain of around €10 million.

Dividend receipts decreased to €1.6 million, from €4.0 million in H1 2017.

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

⁶ 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

<i>x € m</i>	H1 2018	H2 2017	H1 2017	
Result on securities trading	-0.3	0.2	-0.7	-57%
Result on currency trading	4.2	3.4	4.5	-7%
Result on investment portfolio	2.3	4.9	2.0	13%
Result on interest rate hedges	-2.1	-1.1	2.9	
Other income	-2.4	-0.5	-1.5	55%
Result on financial transactions	1.7	6.9	7.2	-77%

The €0.3 million negative recorded on securities trading reflects the negative result on positions in our own issued debt securities, partly compensated by positive results on the trading book. The result on currency trading declined 7% compared with H1 2017, but rose 23% compared with H2 2017.

The €2.3 million profit on the investment portfolio breaks down into two separate parts: realised gains on the hold to collect and sale portfolio and results on the mark-to-market portfolio.

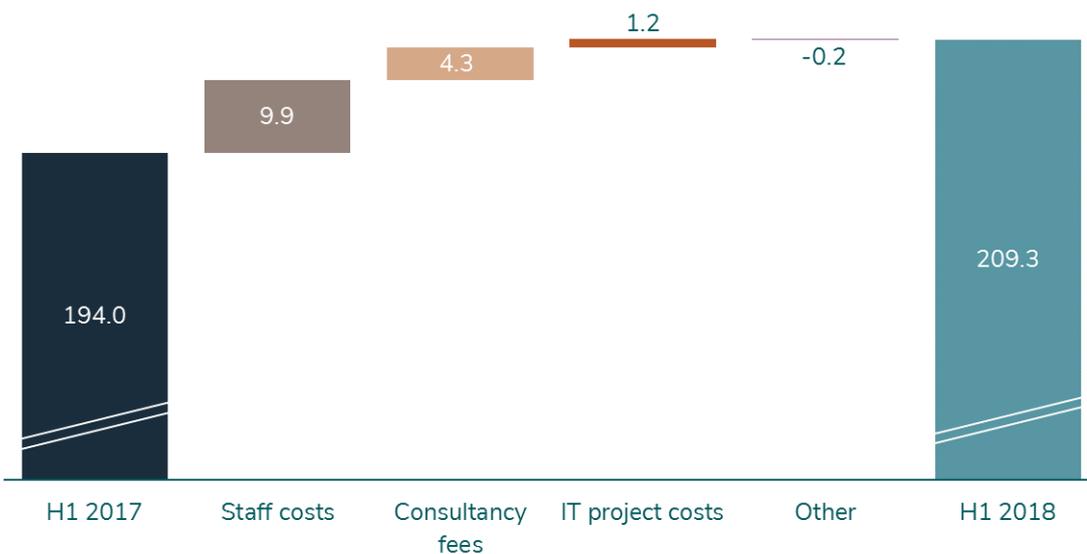
Other income mainly relates to the result on our own issued medium-term notes.

OPERATING EXPENSES

Total operating expenses rose by 8% to €209.3 million (H1 2017: €194.0 million and H2 2017: €198.0 million), reflecting higher staff costs and increased project and consultancy costs related to the implementation of our strategy. Across 2018, the larger proportion of costs are expected to be recorded in the first six months of the year. Private Banking, Evi, Asset Management and Merchant Banking together generated 86% of total costs.

Operating expenses

x € m



<i>x € m</i>	H1 2018	H2 2017		H1 2017	
Staff costs	125.2	120.7	4%	115.4	9%
Other administrative expenses	80.6	74.9	8%	75.3	7%
Depreciation and amortisation	3.5	2.4	44%	3.3	4%
Operating expenses	209.3	198.0	6%	194.0	8%

STAFF COSTS

At €125.2 million, staff costs were 9% up on H1 2017 (€115.4 million), mainly due to costs associated with the acquisition of UBS Netherlands, salary increases and a higher contribution to the Dutch government's sector fund (to cover social security costs). At the end of H1 2018, we employed 1,640 full-time equivalent staff (FTEs), excluding employees of our non-strategic investments. This was 17 FTEs fewer than at year-end 2017 (1,658) and was largely the result of reductions in group functions staff.

OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses amounted to €80.6 million in H1 2018, 7% above the figure for H1 2017 (€75.3 million). This increase was driven mainly by the implementation of our wealth management strategy, leading to higher consultancy fees and IT project costs.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation was relatively stable at €3.5 million (H1 2017: €3.3 million). The lower figure of €2.4 million for H2 2017 was attributable mainly to the sale of office buildings.

EFFICIENCY RATIO

The efficiency ratio, i.e. the ratio of operating expenses – excluding costs incurred for our strategic investment programme, amortisation of intangible assets arising from acquisitions and a one-off charge for the derivatives recovery framework – to income from operating activities, deteriorated to 81.1% in H1 2018 from 71.1% in H1 2017. This increase was mainly due to lower income from securities and associates, the impact of the current low interest rates on our income and higher costs related to staff and projects.

IMPAIRMENTS

<i>x € m</i>	H1 2018	H2 2017	H1 2017
Private Banking	0.4	-4.1	0.8
Corporate Banking	-3.2	-3.0	-3.0
Other	-0.8	-2.8	0.2
Addition to loan loss provision	-3.5	-9.9	-1.9
Impairment on investments and participating interests	-1.1	-3.1	0.4
Impairment on assets obtained through the seizure of collateral	0.0	0.0	0.1
Other impairments	-1.1	-3.0	0.5
Impairments	-4.6	-13.0	-1.5

ADDITION TO LOAN LOSS PROVISION

A total of €3.5 million was released from loan loss provisions in H1 2018, with Corporate Banking accounting for €3.2 million deriving from both the SME and real estate loan portfolios. As in 2017, the favourable economic climate contributed to the release from loan loss provisions.

In H1 2018, the release from loan loss provisions relative to average risk-weighted assets worked out at 15 basis points (H1 2017: 7 basis points).

OTHER IMPAIRMENTS

Other impairments totalling €1.1 million negative relate to an increase in the fair value of the minority holding in some of our private equity investments to which impairments had been applied previously.

NON-STRATEGIC INVESTMENTS

We currently have majority stakes in three non-strategic investments, Medsen (AIO II BV), Holonite (Holowell BV) and Allshare. The operating profit (before tax) from non-strategic investments amounted to €8.8 million in H1 2018 against €7.0 million in H1 2017, mainly thanks to the improved operating result at Medsen. Our aim is to divest our shareholdings in these non-strategic investments over time and we currently expect to divest our 72% stake in Medsen within one year.

SPECIAL ITEMS

We recognised €14.7 million in special items in H1 2018 compared with €12.5 million in H1 2017; the following table gives a breakdown.

<i>x € m</i>	H1 2018	H2 2017	H1 2017
Strategic investment programme	10.5	11.7	9.7
Derivatives recovery framework	-	1.7	-
Amortisation of intangible assets arising from acquisitions	4.2	3.4	2.7
Special Items	14.7	16.8	12.5

When releasing our strategy update in April 2016, we launched our strategic investment programme. Between mid-2016 and the end of 2019 we plan to invest €60 million in developing an omni-channel private banking model, outsourcing our mortgage business and payment services, and completing the transformation of our IT landscape. Over the course of 2016, 2017 and H1 2018, total investments under the programme amounted €39.2 million, charged directly to profit and loss. A total of €10.5 million was invested in H1 2018. Good progress was made on the development of our omni-channel service for our clients. In addition, we are working on the outsourcing of our payment service activities to Fidor. The outsourcing of the mortgage administration to Stater also formed part of the strategic investment programme and was completed on schedule in September 2017.

Amortisation of intangible assets arising from acquisitions rose by €1.5 million as a result of the acquisition of UBS Netherlands.

INCOME TAX

Income tax for H1 2018 amounted to €8.3 million (H1 2017: €12.4 million), which translates into an effective tax rate of 17.4% compared with 16.7% in H1 2017. The main reason for the higher effective tax rate in H1 2018 was the tax-exempt gain on the sale of TechAcces in H1 2017. Our effective tax rate is lower than the general Dutch tax rate of 25% due to income covered by equity exemption rules.

EARNINGS PER SHARE

<i>x € m</i>	H1 2018	H2 2017	H1 2017
Net result	39.3	32.7	62.3
Share of non-controlling interests	-2.9	-2.7	-2.8
Net result for calculation of earnings per share	36.4	30.0	59.5
Earnings per share (€)	91.10	74.97	148.79
Underlying net result for calculation of earnings per share	44.3	40.1	66.8
Underlying earnings per share (€)	110.77	100.17	167.05
Weighted number of outstanding shares (x 1,000)	400	400	400

Profit attributable to non-controlling interests of €2.9 million in H1 2018 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).

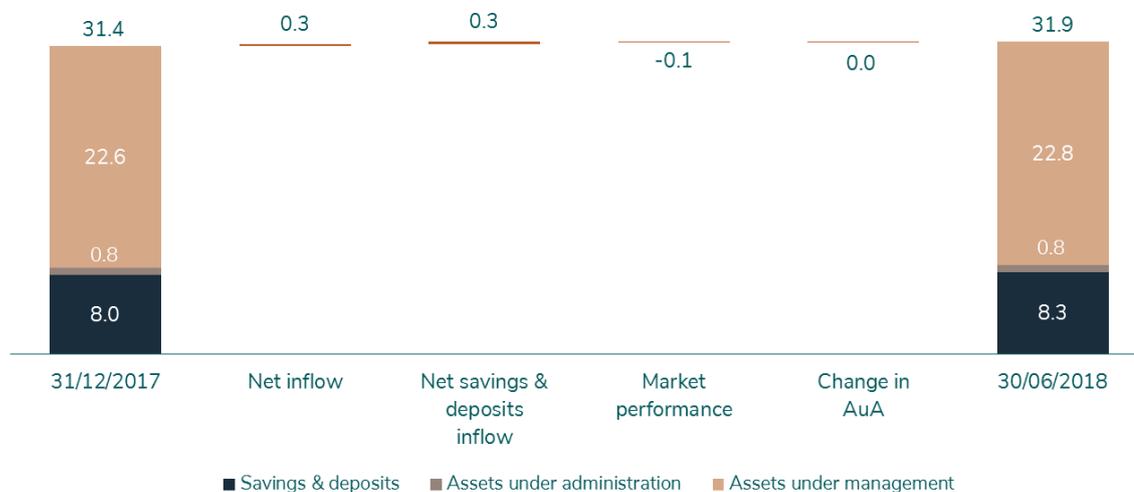
CLIENT ASSETS

<i>x € bn</i>	30/06/2018	31/12/2017		30/06/2017	
Client assets	83.7	83.6	0%	72.0	16%
Assets under management	69.1	69.0	0%	57.1	21%
Assets under monitoring and guidance	3.4	3.5	-2%	3.0	13%
Assets under administration	1.9	2.0	4%	2.5	-25%
Savings and deposits	9.3	9.1	1%	9.4	-1%
Client assets	83.7	83.6	0%	72.0	16%
Private Banking	31.9	31.4	1%	28.9	10%
Evi	1.5	1.5	0%	1.5	1%
Asset Management	48.8	49.0	0%	39.6	23%
Other	1.4	1.7	-17%	2.0	-29%

<i>x € bn</i>	Private Banking	Evi	Asset Management	Other ⁷	Total
Client assets at 31/12/2017	31.4	1.5	49.0	1.7	83.6
Assets under management in/outflow	0.3	0.1	-0.3	0.0	0.0
Market performance of assets under management	-0.1	0.0	0.2	0.0	0.1
Change in assets under monitoring and guidance	-	-	-0.1	-	-0.1
Change in assets under administration	0.0	-	-	-0.2	-0.1
Change in savings and deposits	0.3	0.0	0.1	-0.1	0.1
Client assets at 30/06/2018	31.9	1.5	48.8	1.4	83.7

VAN LANSCHOT PRIVATE BANKING

Total client assets grew by €0.4 billion in H1 2018 to €31.9 billion. We saw growth in Private Banking AuM of €0.2 billion to €22.8 billion. Net inflows amounted to €0.3 billion, of which €0.2 billion was discretionary and €0.1 billion non-discretionary. Total discretionary AuM rose to €12.6 billion (year-end 2017: €12.5 billion) and total non-discretionary AuM grew to €10.2 billion (year-end 2017: €10.1 billion). At the end of H1 2018, assets under discretionary management made up 55% of total AuM (year-end 2017: 55%).

Client assets at Private Banking
x € bn


⁷ In this table, Other also includes Corporate Banking clients assets.

Assets under administration remain relatively stable during H1 2018. These assets are partly administered by Van Lanschot Private Banking; we have little or no control over them and their earnings are relatively limited.

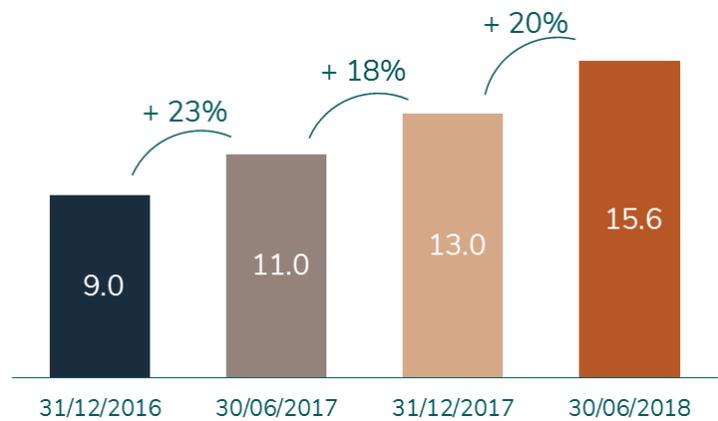
EVI VAN LANSCHOT

AuM grew by 5% to €1.0 billion in H1 2018 and the client base expanded by 20% to almost 15,600 clients. The volume of savings declined at about the same rate, which means that total client assets held by Evi van Lanschot remained stable at €1.5 billion, while AuM as a percentage of total client assets increased to 63% (2017: 60%). The average AuM volume decreased from almost €70,000 to just over €61,000 per client, due to inflow of new clients with a relatively lower AuM volume.

Shift from savings to AuM



Development of Evi's AuM client base (x 1000)

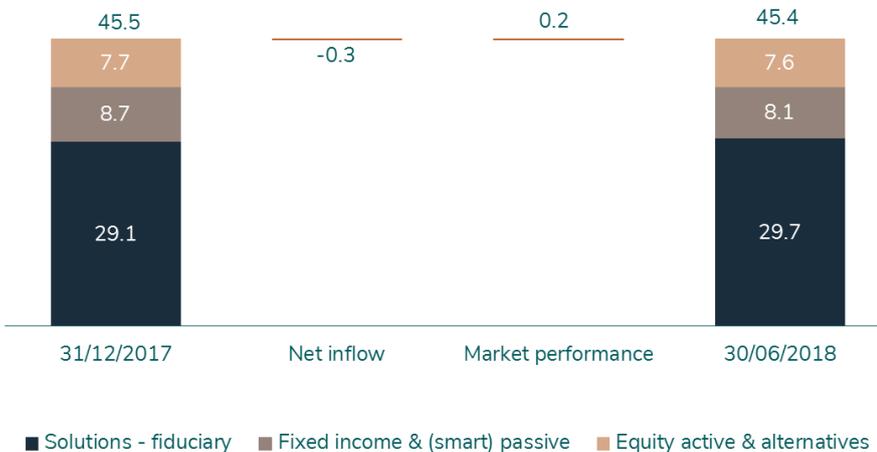


KEMPEN ASSET MANAGEMENT

AuM at Asset Management was stable at €45.4 billion. We saw an increase in fiduciary mandates, but an outflow in investment strategies as a proportion of our clients rebalanced their portfolios. In H1 2018, we extended our investment strategies offering with the addition of the Private Market Fund and the Global Impact Fund. Total client assets at Asset Management stood at €48.8 billion (2017: €49.0 billion).

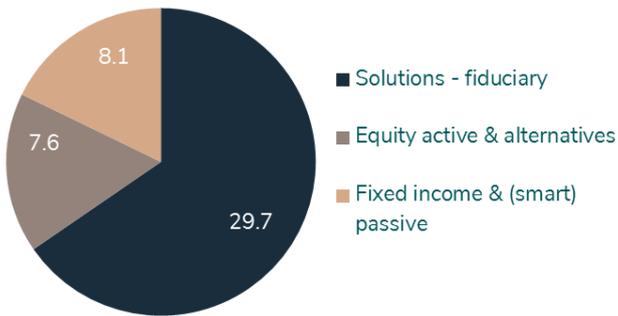
AuM Asset Management

Total = €45.4bn



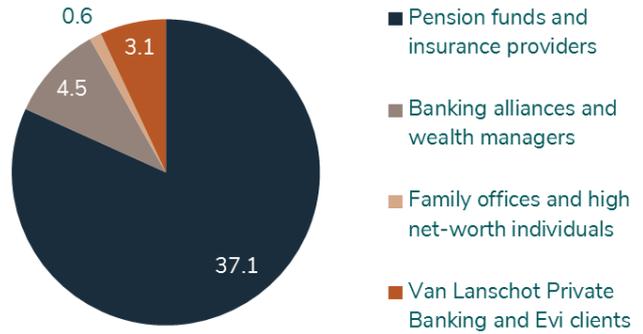
AuM breakdown by type of service

Total = €45.4bn



AuM breakdown by client type

Total = €45.4bn



In addition to third-party funds, Kempen Asset Management also manages our Private Banking discretionary management mandates and the Evi Beleggen products, with total AuM of €11.1 billion at the end of H1 2018 (this amount is not included in Asset Management's total AuM of €45.4 billion).

STATEMENT OF FINANCIAL POSITION

<i>x € m</i>	30/06/2018	31/12/2017		30/06/2017	
Statement of financial position and capital management					
Equity attributable to shareholder	1,284	1,333	-4%	1,350	-5%
Equity attributable to non-controlling interests	11	16	-31%	15	-26%
Savings & deposits	9,281	9,145	1%	9,387	-1%
Loans and advances to clients	8,958	9,103	-2%	9,470	-5%
Total assets	14,512	14,659	-1%	14,952	-3%
Funding ratio (%)	103.6	100.5		99.1	
Return on assets (%)	0.65	0.77		0.93	

LOAN PORTFOLIO

<i>x € m</i>	30/06/2018	31/12/2017		30/06/2017	
Mortgages	5,776	5,712	1%	5,814	-1%
Other loans	2,015	2,045	-1%	2,149	-6%
Private Banking⁸	7,791	7,756	0%	7,962	-2%
Loans to SMEs	345	457	-24%	577	-40%
Real estate financing	341	411	-17%	557	-39%
Corporate Banking	686	868	-21%	1,134	-40%
Mortgages distributed by third parties	610	600	2%	525	16%
Total	9,086	9,224	-1%	9,622	-6%
Impairments	-128	-120	-206%	-152	-184%
Total	8,958	9,103	-2%	9,470	-5%

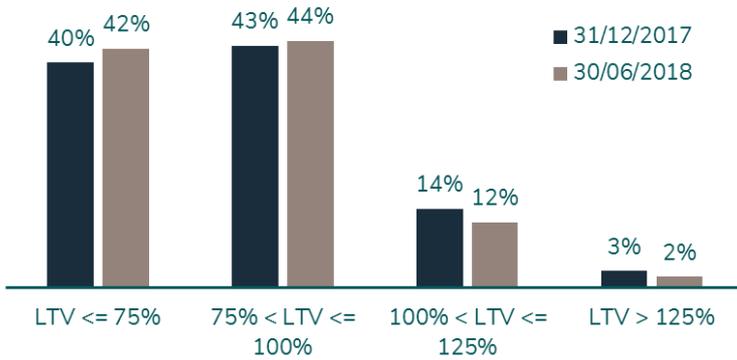
Our loan portfolio contracted by 2% to €9.0 billion in H1 2018, mainly due to the Corporate Banking run-off (-21%). Our Private Banking loan book remains stable at €7.8 billion.

VAN LANSCHOT PRIVATE BANKING

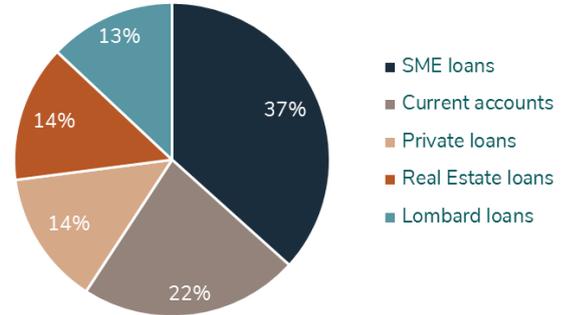
The Private Banking loan portfolio breaks down into mortgages and other loans. Other Private Banking loans were relatively stable at €2.0 billion. These comprise loans to high net worth individuals as well as business loans that fit into the Private Banking relationship model. Almost 64% of our loan portfolio consists of Private Banking mortgages, primarily to high net-worth individuals. In H1 2018, the mortgage portfolio increased slightly, to €5.8 billion. The weighted average loan-to-value (LTV) ratio improved further to 78% (year-end 2017: 81%), which was a result of prepayments and rising house prices.

⁸ From 2017, the value adjustment fair value hedge accounting is included in Private Banking mortgages rather than Private Banking other loans. The comparative figures have been adjusted accordingly

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



Private Banking: other loans
 % type of loan

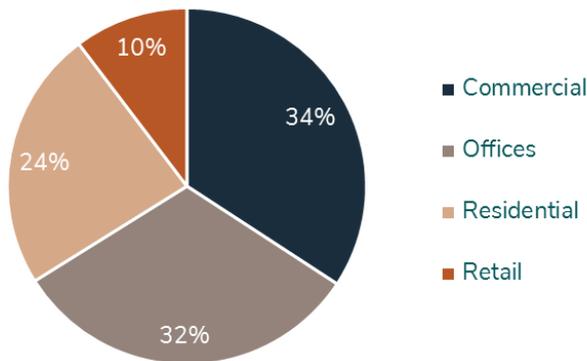


VAN LANSCHOT CORPORATE BANKING

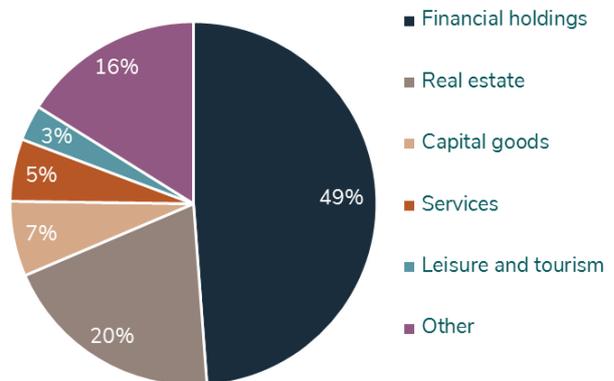
At the end of H1 2018, the commercial real estate loan portfolio and SME loans totalled €0.7 billion (year-end 2017: €0.9 billion). Risk-weighted assets came down by €0.1 billion and worked out at €0.6 billion (year-end 2017: €0.7 billion).

SME loans at Corporate Banking were 24% lower at €0.3 billion at the end of H1 2018 and accounted for 4% of our total loan portfolio. This portfolio is well diversified across sectors. The real estate loan portfolio (€0.3 billion), which is well diversified in terms of collateral, contracted by 17%. The collateral assets against which the loans are secured are typically located in the Randstad conurbation comprising the cities of Amsterdam, Rotterdam, Utrecht and The Hague.

Corporate Banking : real estate financing
 % type of collateral



Corporate Banking: SME loans
 % type of counterparty



MORTGAGES DISTRIBUTED BY THIRD PARTIES

In April 2015, we started providing mortgages through a network of mortgage brokers as part of our liquidity management optimisation. This portfolio of regular Dutch mortgages is meant to supplement our investment portfolio and enable us to generate attractive returns on available liquidity. It accounts for 7% of our total loan portfolio with an amount of €0.6 billion.

PROVISIONS

We take provisions for the impaired loans in our loan book. Impaired loans totalled at €405 million at the end of H1 2018. The provisions for these loans amounted to €114 million, working out at a coverage ratio of 28% (year-end 2017: 31%). As of 1 January 2018, we implemented the accounting standard IFRS 9 – Financial Instruments. As a result total impairments are not fully comparable with those reported in previous periods. The tables below break down the total loan portfolio and provisions.

The total impaired ratio increased to 4.5% from 4.0% at the end of H1 2018. The proportion of impaired loans at Private Banking increased to 2.7% (year-end 2017: 2.5%). The coverage ratio for mortgages decreased to 14%, while for other loans it increased slightly to 54% (year-end 2017: 50%). The impaired ratio at Corporate Banking rose to 28.8% (year-end 2017: 20.2%), primarily as a result of the portfolio's run-off. Our Corporate Banking coverage ratio decreased to 15% (year-end 2017: 19%). The relatively low coverage ratio is explained by the sufficiently high quality of the collateral pledged to secure these loans.

30/06/2018 (x € m)	Loan portfolio	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,776	71	10	1.2%	14%
Other loans	2,015	137	73	6.8%	54%
Private Banking	7,791	208	83	2.7%	40%
Loans to SMEs	345	143	27	41.6%	19%
Real estate financing	341	54	4	15.8%	7%
Corporate Banking	686	197	30	28.8%	15%
Mortgages distributed by third parties	610	0	0	0.0%	12%
Total	9,086	405	114	4.5%	28%
Provision	128				
Total	8,958		114		
ECL stage 1 and 2 (IFRS 9)			15		
Total ECL (IFRS 9)			128		

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

CAPITAL AND LIQUIDITY MANAGEMENT

Our fully loaded Common Equity Tier 1 ratio (CET1 ratio) improved from 20.3% to 21.4% in H1 2018, reflecting our robust capital position. Thanks to our strong capital base we are proposing a special capital return of c. €60 million in total. If approved, this payment will take the total capital returned thus far to €210 million. After the return of capital, the CET1 ratio will still be well ahead of Van Lanschot Kempfen's capital objective of 15 – 17%.

x € m	30-06-2018	31-12-2017		30-06-2017	
Risk-weighted assets	4,798	4,979	-4%	5,359	-10%
Common Equity Tier 1 ratio, fully loaded (%) ⁹	21.4	20.3		19.6	
Common Equity Tier 1 ratio, phase-in (%) ⁹	21.4	20.5		19.9	
Tier 1 ratio, fully loaded (%) ⁹	21.4	20.3		19.7	
Tier 1 ratio, phase-in (%) ⁹	21.4	20.5		19.9	
Total capital ratio, fully loaded (%) ⁹	24.7	23.4		20.6	
Total capital ratio, phase-in (%) ⁹	24.9	23.6		21.8	
Leverage ratio, fully loaded (%) ⁹	7.2	6.7		7.0	
Leverage ratio, phase-in (%) ⁹	7.2	6.7		7.0	

CAPITAL MANAGEMENT

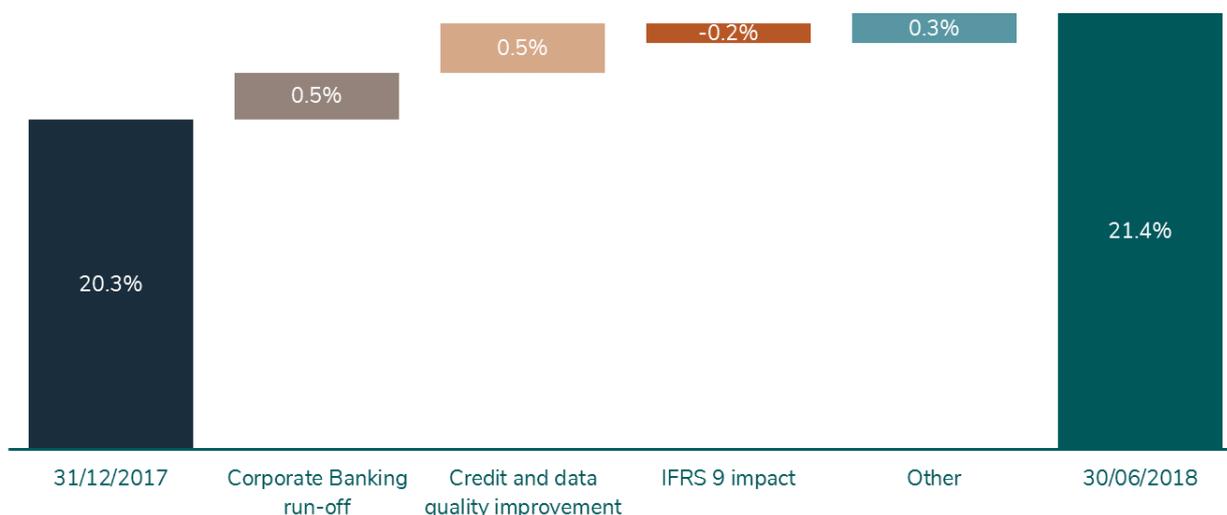
Our CET1 fully loaded ratio improved once again, to 21.4% at 30 June 2018, mainly due to the run-off at Corporate Banking and an improvement in the credit and data quality of the loan book.

The total capital ratio strengthened to 24.7% (year-end 2017: 23.4%).

Risk-weighted assets declined by 4% to €4.8 billion in H1 2018 (year-end 2017: €5.0 billion). The €0.1 billion reduction in risk-weighted assets at Corporate Banking due to run-off had a positive impact on the CET1 ratio of 0.5 percentage points. The ratio also gained 0.5 percentage points from an improvement in credit and data quality. As expected, the CET1 ratio decreased by 0.2 percentage points due to the impact of IFRS 9.

CET1 ratio (fully loaded)

%



⁹ Full year 2017 including retained earnings; half-year 2017 and half-year 2018 excluding retained earnings.

<i>x € 1,000</i>	30-06-2018	31-12-2017
Risk-weighted assets	4,797,574	4,979,120
Common Equity Tier 1, fully loaded	1,028,446	1,014,425
Common Equity Tier 1, phase in	1,028,446	1,021,773
Tier 1, fully loaded	1,028,446	1,014,425
Tier 1, phase in	1,028,446	1,021,773
Total capital, fully loaded	1,185,074	1,164,427
Total capital, phase in	1,193,185	1,173,738

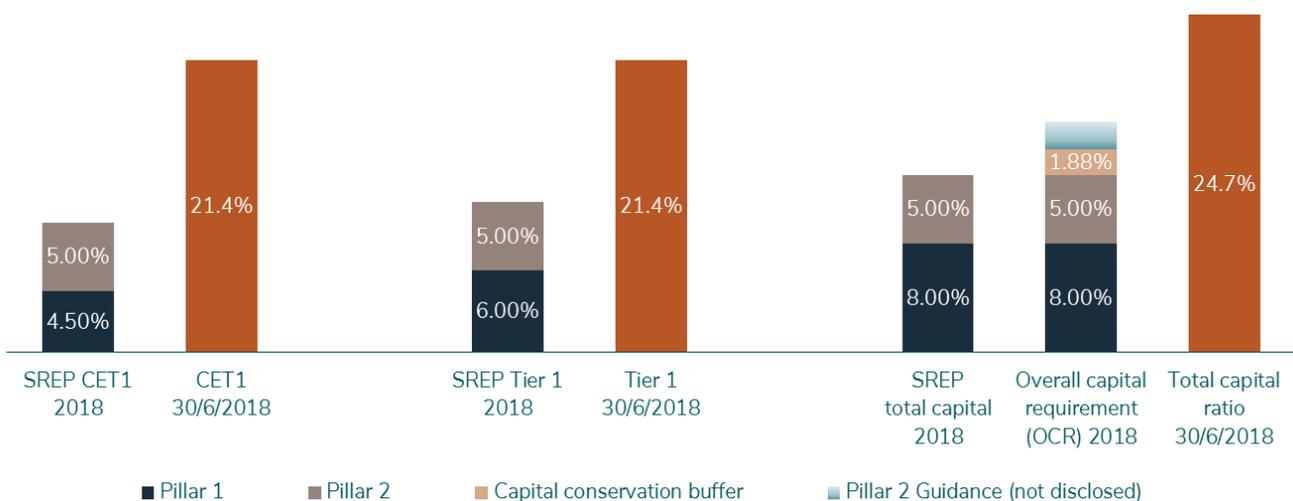
SREP REQUIREMENT

Following the annual Supervisory Review Evaluation Process (SREP), the Dutch Central Bank (De Nederlandsche Bank – DNB) informed us about the capital requirements we will have to meet as from June 2018. The minimum capital requirements comprise a CET1 ratio of 9.5%, a Tier 1 ratio of 11.0% and a total capital ratio of 13.0%. The SREP requirements cover both Pillar 1 and Pillar 2 risks.

In addition to the 9.5% CET1 requirement, we need to comply with the combined buffer requirements, which must be met by CET1 capital. The capital conservation buffer stands at 1.875% in 2018 and will reach its fully phased-in level of 2.5% in 2019. The countercyclical buffer for the Netherlands is currently set at 0%. As the systemic risk buffer does not apply to us, the total CET1 requirement for 2018 adds up to 11.38% and the total capital ratio to 14.88%. This requirement excludes “Pillar 2 guidance” (P2G). Institutions are expected to comply with P2G by holding CET1 capital, but P2G is not binding and does not automatically restrict dividend distributions in the event of a breach.

With a June 2018 CET1 ratio of 21.4% and a total capital ratio of 24.7%, we meet all capital requirements, including P2G.

SREP requirement for 2018



BASEL IV

In December 2017, the long-awaited package of new Basel IV rules was released. Their impact would appear to be more limited than initially expected. Our expectation for the Basel IV impact remains unchanged. Based on our current balance sheet and credit models, provisional calculations suggest that our risk-weighted assets should increase by no more than 10% on the implementation of Basel IV. Our provisional calculations are based on assumptions about the actual implementation of the Basel IV proposals in legislation.

Basel IV will have no impact on our CET1 target of 15-17%.

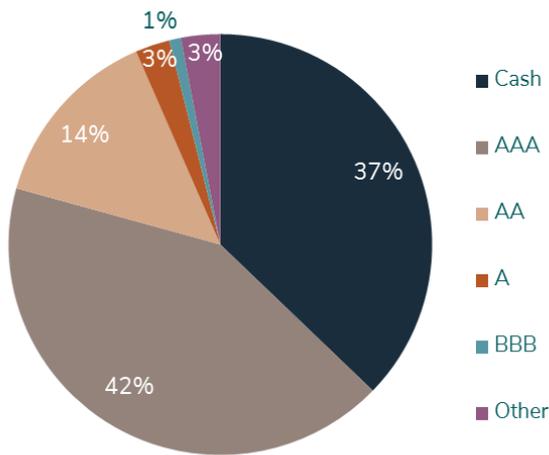
INVESTMENT PORTFOLIO AND CASH

The total investment portfolio and cash¹⁰ amounted to €4.1 billion at the end of H1 2018 (year-end 2017: €4.4 billion). The investment portfolio fell by €0.3 billion in H1 2018. The held-to-collect portfolio stood at €0.5 billion at the end of 2017 and had hardly changed in size or composition. Relative to its end-2017 level, cash held with central banks stood stable at €1.8 billion.

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

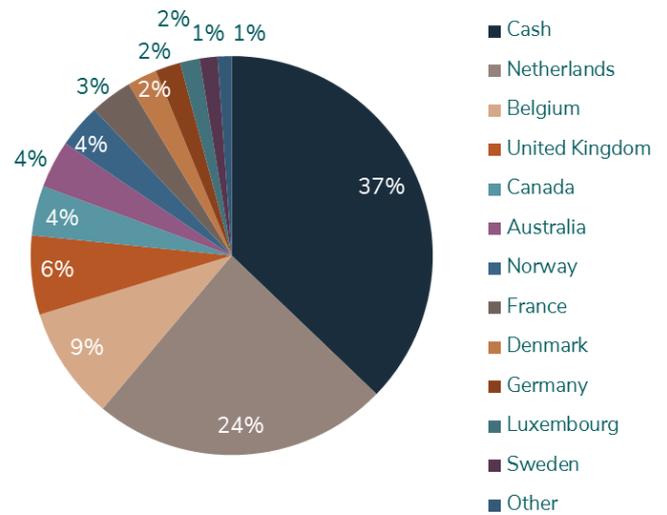
Investment portfolio and cash by rating at 30/06/2018

100% = €4.1bn



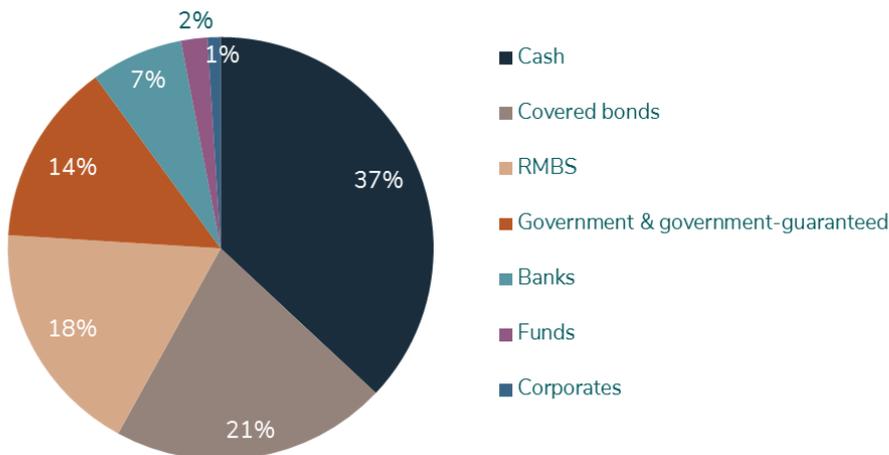
Investment portfolio and cash by country at 30/06/2018

100% = €4.1bn



Investment portfolio and cash by counterparty at 30/06/2018

100% = €4.1bn



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

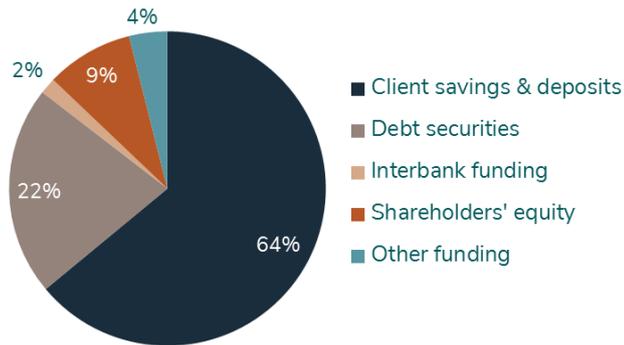
FUNDING

We aim to retain access to both retail and wholesale markets through diversified funding. At the end of June 2018, our funding ratio had increased by 3.1 percentage points to 103.6% (year-end 2017: 100.5%) in the wake of a decline in loans and advances to clients (- 2%) and a small increase in savings and deposits (+ 1%).

In June 2018, a senior unsecured bond was redeemed. Overall issued debt securities decreased by €0.4 billion in H1 2018.

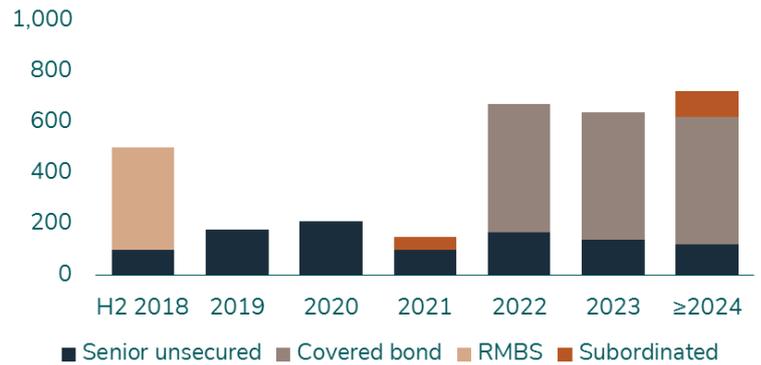
Funding mix at 30/06/2018

100% = €14.5bn



Redemption profile

x € m



RATIOS

At the end of 2018 our liquidity ratios based on Basel III rules as currently known were as follows:

	30/06/2018	Requirement	31/12/2017	30/06/2017
Liquidity coverage ratio (%)	152.8	> 100	163.6	177.0
Net stable funding ratio (%)	126.0	> 100	129.2	129.3

EVENTS AFTER THE REPORTING PERIOD

In August 2018, we agreed to sell a part of our minority stake in Ploeger Oxbo. This transaction is expected to generate a capital gain of around €10 million.

RECONCILIATION OF IFRS AND MANAGEMENT REPORTING

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

2017 (x € m)					
	IFRS	Non-strategic investments	Investment programme	Amortisation of intangible assets arising from acquisitions	Managerial P&L
Commission	149.9	-	-	-	149.9
Interest	89.8	0.2	-	-	90.0
Income from securities and associates	16.8	-0.2	-	-	16.6
Result on financial transactions	1.7	-	-	-	1.7
Other income	3.5	-3.5	-	-	-
Income from operating activities	261.7	-3.5	-	-	258.2
Staff costs	130.6	-3.7	-1.7	-	125.2
Other administrative expenses	88.5	0.9	-8.8	-	80.6
Depreciation and amortisation	8.2	-0.5	-0.0	-4.2	3.5
Operating expenses	227.3	-3.3	-10.5	-4.2	209.3
Gross result	34.4	-0.3	10.5	4.2	48.9
Impairments	-4.6	-	-	-	-4.6
Operating profit before tax of non-strategic investments	-	8.8	-	-	8.8
Operating profit before special items and tax	39.0	8.6	10.5	4.2	62.3
Strategic investment programme	-	-	10.5	-	10.5
Amortisation of intangible assets arising from acquisitions	-	-	-	4.2	4.2
Operating profit before tax	39.0	8.6	-	-	47.6
Income tax	6.4	1.9	-	-	8.3
Discontinued activities	6.7	-6.7	-	-	-
Net profit	39.3	-	-	-	39.3

GLOSSARY

Assets under administration (AuA)

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

Assets under discretionary management

Client assets entrusted to Van Lanschot Kempen under a discretionary management agreement, irrespective of whether these assets are held in investment funds, deposits, structured products (Van Lanschot Kempen index guarantee contracts) or cash.

Assets under management (AuM)

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

Assets under monitoring and guidance (AuMG)

Client assets that are only subject to monitoring, plus minor advisory and related services. Clients make their own investment decisions and Van Lanschot Kempen has little or no influence on the management of these assets.

Assets under non-discretionary management

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

Consolidated statement of financial position

At 30 June 2018

(x €1,000)

		30/06/2018	01/01/2018	31/12/2017*
Assets				
Cash and cash equivalents and balances at central banks	1	1,793,979	1,832,751	1,832,751
Financial assets held for trading		48,977	38,234	38,234
Due from banks		221,737	186,459	186,459
Derivatives	2	336,186	322,258	322,258
Financial assets designated at fair value through profit or loss	3	293,281	416,899	394,898
Financial assets at fair value through other comprehensive income	4	1,788,601	1,716,354	-
Available-for-sale investments	5	-	-	1,738,355
Held-to-maturity investments	6	-	-	521,349
Loans and advances to the public and private sectors	7	8,958,482	9,092,207	9,103,327
Other financial assets at amortised cost	8	516,995	521,321	-
Investments in associates using the equity method		78,783	70,390	70,390
Property and equipment	9	51,133	63,468	63,468
Goodwill and other intangible assets	10	187,540	218,389	218,389
Tax assets	28	32,775	31,669	26,719
Assets classified as held for sale	11	58,010	-	-
Other assets		145,500	142,277	142,277
Total assets		14,511,979	14,652,676	14,658,875
Equity and liabilities				
Financial liabilities from trading activities		1,722	1,899	1,899
Due to banks	12	241,846	101,645	101,645
Public and private sector liabilities	13	9,281,164	9,145,119	9,145,119
Derivatives	2	383,713	318,417	318,417
Financial liabilities designated at fair value through profit or loss	14	987,716	971,453	971,453
Issued debt securities	15	1,965,251	2,411,671	2,411,671
Provisions	16	20,682	24,284	23,085
Tax liabilities	28	8,887	13,007	12,841
Liabilities classified as held for sale	17	25,527	-	-
Other liabilities		126,574	156,820	156,820
Subordinated loans	18	173,532	173,620	166,802
Total liabilities		13,216,614	13,317,935	13,309,752
Issued share capital		40,000	40,000	40,000
Share premium reserve		277,674	277,674	277,674
Other reserves	19	929,990	911,296	925,678
Undistributed profit attributable to shareholder		36,451	89,508	89,508
Equity attributable to shareholder		1,284,116	1,318,478	1,332,860
Non-controlling interests		8,380	10,827	10,827
Undistributed profit attributable to non-controlling interests		2,869	5,437	5,437
Equity attributable to non-controlling interests		11,249	16,264	16,264
Total equity		1,295,365	1,334,742	1,349,124
Total equity and liabilities		14,511,979	14,652,676	14,658,875
Contingent liabilities		79,977	65,578	65,578
Irrevocable commitments		858,674	861,342	861,342
		938,651	926,919	926,919

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

* The consolidated statement of financial position reflects new presentation requirements related to the application of IFRS 9 from 1 January 2018.

Unaudited

Consolidated statement of income
For the six months ended 30 June 2018
(x €1,000)

	H1 2018	H1 2017
Income from operating activities		
Interest income calculated using the effective interest method	127,733	143,805
Other interest income	30,535	31,981
Interest expense calculated using the effective interest method	34,115	38,635
Other interest expense	34,390	34,211
Net interest income	20 89,764	102,940
Income from associates using the equity method	10,025	18,654
Other income from securities and associates	6,792	10,999
Income from securities and associates	21 16,817	29,653
Commission income	157,537	139,477
Commission expense	7,629	7,197
Net commission income	22 149,907	132,281
Result on financial transactions	23 1,664	7,202
Net sales	5,408	6,253
Cost of sales	1,860	2,015
Other income	24 3,548	4,238
Total income from operating activities	261,701	276,313
Expenses		
Staff costs	25 130,643	120,111
Other administrative expenses	26 88,470	83,632
Staff costs and other administrative expenses	219,114	203,743
Depreciation and amortisation	8,191	7,114
Operating expenses	227,305	210,858
Release of loan loss provision	-	-1,929
Impairments of financial instruments	-3,525	-
Other impairments	-1,075	460
Impairments	27 -4,600	-1,470
Total expenses	222,705	209,388
Operating profit before tax	38,996	66,925
Income tax	28 6,407	10,735
Net profit from continuing operations	32,588	56,190
Discontinued operations	29 6,732	6,091
Net result	39,320	62,281
Of which attributable to shareholder	36,451	59,522
Of which attributable to non-controlling interests	2,869	2,758
Earnings per ordinary share (€)	30 91.13	148.81

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 2018

(x €1,000)

		H1 2018	H1 2017
Net result (as per income statement)		39,320	62,281
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Other comprehensive income through revaluation reserve			
Revaluation of financial assets at fair value through other comprehensive income		-2,541	-
Revaluation of available-for-sale equity instruments		-	-7,235
Revaluation of available-for-sale debt instruments		-	4,874
Realised return on financial assets at fair value through other comprehensive income	23	-3,500	-
Realised return on available-for-sale equity instruments		-	-911
Realised return on available-for-sale debt instruments	23	-	-1,553
Impairments of financial assets at fair value through other comprehensive income		61	-
Income tax effect		1,495	-862
Total other comprehensive income through revaluation reserve	19	-4,485	-5,687
Other comprehensive income from value changes of derivatives (cash flow hedges)			
Decrease in value of derivatives directly subtracted from equity		-2,062	-84
Income tax effect		515	21
Total other comprehensive income from value changes of derivatives (cash flow hedges)	19	-1,546	-63
Other comprehensive income from currency translation differences			
Income tax effect		-	-
Total other comprehensive income from currency translation differences	19	-1,294	-232
Total other comprehensive income to be reclassified in subsequent periods to profit or loss		-7,326	-5,982
Other comprehensive income not to be reclassified in subsequent periods to profit or loss			
Change in fair value attributable to change in credit risk of financial liability as at fair value through profit and loss			
Change in fair value attributable to change in credit risk of financial liability as at fair value through profit and loss		-7,446	-
Income tax effect		1,861	-
Total change in fair value attributable to change in credit risk of financial liability as at fair value through profit and loss		-5,584	-
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans		-15	632
Income tax effect		3	-157
Total remeasurement of defined benefit plans	19	-12	475
Total other comprehensive income not to be reclassified in subsequent periods to profit or loss		-5,597	475
Total other comprehensive income		-12,922	-5,507
Total comprehensive income		26,398	56,774
Of which attributable to shareholder		23,529	54,015
Of which attributable to non-controlling interests		2,869	2,758

Unaudited

Consolidated statement of changes in equity

For the six months ended 30 June 2018

(x €1,000)

	Share capital	Share premium reserve	Other reserves	Undistributed profit	Total equity attributable to shareholder	Equity attributable to non-controlling interests	Total equity
At 31 December 2017	40,000	277,674	925,678	89,508	1,332,860	16,264	1,349,124
Impact of adopting IFRS 9	-	-	-14,382	-	-14,382	-	-14,382
At 1 January 2018	40,000	277,674	911,296	89,508	1,318,478	16,264	1,334,742
Net result (as per income statement)	-	-	-	36,451	36,451	2,869	39,320
Total other comprehensive income	-	-	-12,922	-	-12,922	-	-12,922
Total comprehensive income	-	-	-12,922	36,451	23,529	2,869	26,398
Share plans	-	-	3,091	-	3,091	-	3,091
To other reserves	-	-	29,845	-29,845	-	-	-
Dividends	-	-	-	-59,663	-59,663	-895	-60,558
Other changes	-	-	-1,320	-	-1,320	-	-1,320
Change in non-controlling interests	-	-	-	-	-	-6,989	-6,989
At 30 June 2018	40,000	277,674	929,990	36,451	1,284,116	11,249	1,295,365

Consolidated statement of changes in equity

For the six months ended 30 June 2017

(x €1,000)

	Share capital	Share premium	Other reserves	Undistributed profit	Total equity attributable to shareholder	Equity attributable to non-controlling interests	Total equity
At 1 January 2017	40,000	318,521	916,214	65,735	1,340,470	13,456	1,353,925
Net result (as per income statement)	-	-	-	59,522	59,522	2,758	62,281
Total other comprehensive income	-	-	-5,507	-	-5,507	-	-5,507
Total comprehensive income	-	-	-5,507	59,522	54,015	2,758	56,774
Share plans	-	-	3,874	-	3,874	-	3,874
To other reserves	-	-	16,380	-16,380	-	-	-
Dividends	-	-	-	-49,355	-49,355	-672	-50,027
Other changes	-	-	654	-	654	-	654
Change in non-controlling interests	-	-	-	-	-	-277	-277
At 30 June 2017	40,000	318,521	931,615	59,522	1,349,659	15,264	1,364,923

Consolidated statement of cash flows

For the six months ended 30 June 2018

(x €1,000)

	H1 2018	H1 2017
Cash flow from operating activities		
Operating profit before tax	38,996	66,925
Adjustments for		
- Depreciation and amortisation	8,579	7,694
- Cost of share plans	1,672	1,757
- Results on associates using the equity method	-9,695	-7,599
- Valuation results on financial assets designated at fair value through profit or loss	-2,127	3,677
- Valuation results on financial liabilities designated at fair value through profit or loss	6,366	2,328
- Valuation results on derivatives	-2,565	-19,605
- Impairments	-4,600	-1,470
- Changes in provisions	-2,143	-4,423
Cash flow from operating activities	34,483	49,284
Net movement in operating assets and liabilities		
- Financial assets/liabilities held for trading	-10,921	-14,583
- Due from/to banks	27,935	26,620
- Loans and advances to public and private sectors/public and private sector liabilities	285,503	-38,699
- Derivatives	43,780	16,746
- Withdrawals from restructuring provision and other provisions	-1,076	-3,173
- Other assets and liabilities	-39,088	-29,252
- Current tax assets/liabilities	1,571	-297
- Income taxes paid	-7,948	-5,247
- Dividends received	1,644	3,962
Total net movement in operating assets and liabilities	301,400	-43,924
Net cash flow from operating activities	335,883	5,361
Net cash flow from discontinued operations	-5,018	-88
Cash flow from investing activities		
Investments and acquisitions		
- Investments in debt instruments	-651,579	-827,062
- Investments in equity instruments	-35,981	-8,462
- Investments in associates using the equity method	-3,091	13,188
- Property and equipment	-3,437	-9,020
- Goodwill and other intangible assets	-429	-224
Divestments, redemptions and sales		
- Investments in debt instruments	662,383	439,881
- Investments in equity investments	79,684	13,359
- Investments in group companies (exclusive of cash acquired)	2,060	-
- Property and equipment	3,941	9,140
- Goodwill and other intangible assets	1,719	700
Dividends received	2,840	1,858
Net cash flow from investing activities	58,110	-366,643

Continued on the next page.

Consolidated statement of cash flows

Unaudited

For the six months ended 30 June 2018

(x €1,000)

	H1 2018	H1 2017
Cash flow from financing activities		
Share plans	1,419	1,670
Non-controlling interests	-7,077	-861
Redemption of subordinated loans	-113	-113
Receipts on debt securities	-	500,000
Redemption of debt securities	-454,341	-112,072
Receipts on financial liabilities designated at fair value through profit or loss	77,722	139,381
Redemption of financial liabilities designated at fair value through profit or loss	-75,270	-118,689
Dividends paid	-60,576	-50,027
Net cash flow from financing activities	-518,237	359,289
Net change in cash and cash equivalents and balances at central banks	-129,261	-2,081
Cash and cash equivalents and balances at central banks at 1 January *	1,826,733	1,550,100
Cash and cash equivalents and balances at central banks at 30 June *	1,697,473	1,548,020
Additional disclosure		
Cash flows from interest received	159,442	175,402
Cash flows from interest paid	77,610	81,521

* 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 NV (formerly F. van Lanschot Bankiers NV) is an independent wealth manager specialising in the preservation and creation of wealth for its clients and for society. Van Lanschot NV ("Van Lanschot") is a 100% subsidiary of Van Lanschot Kempen NV. The company has its registered office at Hooge Steenweg 29, 5211 JN 's- Hertogenbosch, the Netherlands. Van Lanschot is a public limited company incorporated under Dutch law and registered under number 16038212 at the Chamber of Commerce.

Basis of preparation

The condensed interim consolidated financial statements of Van Lanschot 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 NV as at 31 December 2017. 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 our annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective from 1 January 2018.

Changes in presentation

During 2018, AIO II was classified as held for sale. In the balance sheet, the assets and liabilities of AIO II are recognised under Assets and liabilities classified as held for sale. In the income statement, the result of AIO II is included under Discontinued operations. The cash flow statement and the income statement for 2017 were adjusted accordingly.

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 NV as at 31 December 2017. 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 on 1 January 2018 and have an impact on these condensed interim consolidated financial statements. Unless stated otherwise, application of these standards had no impact on Van Lanschot's equity or result.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.

Annual Improvements to 2014-2016 Cycle

Changes to standards concern:

IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that measuring investees at fair value through profit or loss is an investment-by-investment choice.

IAS 1 Presentation of interest revenue calculated using the effective interest method

By the adoption of IFRS 9 a consequential amendment to paragraph 82(a) of IAS 1 is introduced. Under this amendment, interest revenue calculated using the effective interest method for financial instruments measured at amortised costs should be separately presented as a component of revenue on the face of the balance sheet. As a result, we have made changes in our consolidated statement of income. The line item Interest income is split between Interest income calculated using the effective interest method and Other interest income. The line item Interest expense is split between Interest expense calculated using the effective interest method and Other interest expense. The comparative figures have been adjusted accordingly.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all previous revenue requirements in IFRS. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 9 Financial instruments

Van Lanschot adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 January 2018. This adoption resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. We did not early adopt any of IFRS 9 in previous periods. Comparative figures in our financial statements are not restated as permitted by the transitional provisions of IFRS 9. Any adjustments to the carrying amounts of financial assets and financial liabilities at 1 January 2018, the transition date, are recognised in the opening balance of retained earnings and other reserves. We have prepared and present transition disclosures at the end of this section, and have provided an opening consolidated statement of the financial position as at 1 January 2018.

Recognition and derecognition of financial asset and liabilities

Van Lanschot recognises a financial asset or financial liability in the statement of financial position when it becomes party to a contractual provision of the instrument. At origination, the financial asset or financial liability is recognised at fair value plus or minus transaction costs directly attributable to the acquisition or issue. After initial recognition, we measure financial assets at amortised cost and fair value through other comprehensive income, or at fair value through profit and loss. Financial liabilities are measured at amortised cost or fair value through profit and loss. Interest revenues on financial assets are calculated using the effective interest method. The effective interest method is calculated for all financial assets except for financial assets that should be classified as impaired assets.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the rights to receive cash flows are transferred. When the cash flows of the financial asset are transferred we evaluate the extent to which we retain the risks and rewards of ownership of the financial asset. A financial asset is only derecognised when substantially all of the risks and rewards of the ownership of the financial asset are transferred. The partial sale of our mortgages to the structured entities Courtine RMBS 2013-I BV, Lunet RMBS 2013-I BV and Van Lanschot Conditional Pass-Through Covered Bond Company BV does not qualify as a transfer of financial assets because Van Lanschot retains the risks and rewards of the ownership of the mortgage loans. Therefore the mortgage loans are not derecognised from the statement of financial position of Van Lanschot.

A financial liability is derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. A substantial modification or exchange at substantially different terms results in a derecognition of the financial liability and a recognition of a new financial liability. The difference between the carrying amount of the modified or exchanged financial liability and the consideration paid is recognised in profit or loss. In 2017, we modified the terms of the certificates of indebtedness with a nominal value of €100.0 million. IAS 39 describes a modification of the terms as substantially different if the present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. We calculate the difference between the present values at €6.8 million. This difference is less than the 10% and therefore there is no substantial modification that would result in a derecognition of the financial liability and a recognition of a new financial liability. Under IFRS 9 there is now a minimum requirement for a substantial modification, and any difference is directly recognised in profit and loss. As a result of adopting IFRS 9 the modification loss of €6.8 million is recognised in retained earnings for an amount of € 5.1 million and a tax asset of €1.7 million is recognised.

Modifications

If the contractual cash flows on a financial asset have been renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of the financial asset, we recalculate the carrying amount of the financial asset and recognise a modification gain or loss. The following changes qualify as modifications but do not result in a derecognition:

- Changes in the prepayment terms of a loan at the request of a customer in prepayment terms of the loan;
- A switch from a fixed to a variable interest rate during a pre-agreed interest rate period;
- A switch to a current market interest rate with compensation paid; and
- Interest rate averaging, which although qualifying as modification does not lead to a modification gain or loss.

A prepayment (or part prepayment) clause and the possibility to switch to the current interest rate in return for the payment of a compensation fee are included in the contract. These options are an embedded derivative in the contract of the financial asset. The embedded derivative is not separate from but is part of the financial asset and is included in the fair value of the contract. Execution of the option does not therefore result in a modification gain or loss.

The following changes at the request of a client are significant changes to the agreement and therefore do not qualify as modification:

- Switching to a different redemption period;
- Postponing the final repayment.

These changes lead to the financial asset being derecognised and a new financial asset recognised.

Classification and measurement

We have made two assessments to determine the classification and measurement category of debt instruments under IFRS 9: a business model assessment and an assessment of the contractual cash flows. The new categories under IFRS 9 are:

- Financial assets at fair value through other comprehensive income (FVOCI);
- Financial assets at fair value through profit and loss (FVPL);
- Financial assets at amortised cost (AC).

These replace the categories under IAS 39: financial assets at fair value through profit and loss (FVPL), financial assets held-to-maturity (HTM), loans and receivables (L&R), and financial assets available-for-sale (AFS).

Business model assessment

The business model assessment is carried out at portfolio level. We assess the following factors within a portfolio: the objective of the portfolio, the performance evaluation and reporting to key management, the management of risk within the portfolio, the compensation of portfolio managers and the frequency, volume, timing and purpose for sales. Based on these factors, we recognise three types of portfolio:

- Hold to collect (HTC) portfolio;
- Hold to collect and sale (HTCS) portfolio;
- Fair value through profit and loss (FVPL) portfolio.

These three portfolio types are all designed to collect contractual cashflows, and key management is not evaluated on the portfolios' performance. The difference between the three portfolio types is based on the sales frequency of the financial assets within the portfolios. Our Asset & Liability

Committee (ALCO) sets restrictions for buying and selling in the hold to collect portfolio. Changes in the credit risk and liquidity of the financial asset resulting in a sale are not considered to change the hold to collect classification. The sales frequency in the hold to collect portfolio is expected to be low, and this portfolio is classified in the AC category.

The financial assets in the hold to collect and sale portfolio are governed by ALCO and sales need to be approved by ALCO. Sales as a result of managing everyday liquidity needs, maintaining a particular interest yield profile on the secondary market, or to match the duration and sales required by regulators are consistent with the objective of the hold to collect and sell portfolio. The sales frequency in the hold to collect and sale portfolio is expected to be infrequent. This portfolio is classified in the FVOCI category.

No restrictions are set for sales within the fair value through profit and loss portfolio, so there can be an unlimited frequency of sales. The FVPL portfolio is therefore managed on a fair value basis. This portfolio is classified in the FVPL category.

Solely payment of principal and interest test

To assess the contractual cash flow characteristics of financial instruments, we have designed a solely payments of principal and interest (SPPI) test. To pass the SPPI test, the contractual terms of the debt instruments need to lead to future payments that solely comprise payment of principal and interest. A key element of the SPPI criteria is that the contractual cash flows of the instrument should be consistent with the basic lending agreement. In a basic lending agreement, the contractual cash flows may include compensation for the time value of money, credit risk, liquidity risk, administrative costs and a profit margin. When the cash flows of an instrument do not give rise to only a straightforward repayment of principal and interest, the SPPI test is failed and the instrument is mandatorily classified and measured at fair value through profit or loss.

New classifications under IFRS 9

This section describes the outcome of our business model assessment and SPPI test. In general:

- Debt instruments from the AFS category have been reclassified to the FVOCI category;
- Debt instruments from the HTM and L&R categories have been reclassified to the AC category;
- Debt instruments from the FVPL category have been reclassified to the FVPL category.

Debt instruments previously classified as AFS that fail the SPPI test

We hold cumulative preference shares that failed to meet the SPPI test. These instruments have no reasonable penalty to compensate the missing future cash flows in the event of prepayments. As a result, these instruments, which amounted to €10.9 million, have been reclassified (mandatory) as FVPL from the date of initial application.

Equity instruments

The equity instruments previously in the AFS category, amounting to €11.1 million, have been reclassified to the FVPL category from the date of initial application. The revaluation reserve for these equity instruments has been reclassified as retained earnings. We have not used the option to make an irrevocable decision at initial recognition to measure equity instruments at fair value with results through other comprehensive income.

Financial liabilities

The classification and measurement of financial liabilities remain unchanged under IFRS 9. Changes in fair value of financial liabilities at fair value through profit and loss due to changes in Van Lanschot's own credit risk are recognised in other comprehensive income. The cumulative change in the fair value of financial liabilities through profit and loss which can be allocated to changes in own credit risk – amounting to €13.3 million at 31 December 2017 – has been reclassified, for an amount of €10.0 million, from retained earnings to the own credit risk reserve in other comprehensive income. In addition, a negative tax asset and a deferred tax asset have been recognised for an amount of €3.3 million.

Impairments

We recognise a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost or fair value through profit and loss, as well as for loan commitments and financial guarantees. When there is no significant deterioration in credit risk since initial recognition, ECL is recognised based on a 12-month expected credit loss (Stage 1). When a significant increase in credit risk has occurred, ECL is recognised based on a lifetime expected credit loss (Stage 2). For impaired loans (Stage 3), a lifetime ECL is recognised and, in addition, interest income is calculated on the amortised cost net of allowances.

To determine the deterioration in credit risk of a financial instrument since initial recognition, we compare the current risk of default at the reporting date with the risk of default at initial recognition. To be called "significant", a larger absolute increase in the risk of default will be required for an asset with a higher risk of default at initial recognition than for an asset with a low risk of default at initial recognition.

Expected loss measurement

We measure expected credit losses by using a sophisticated approach and an alternative approach. In both these approaches, ECL reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and verifiable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Both approaches calculate a 12-month and a lifetime ECL for the exposures of all three stages. After the risk stage determination in the stage calculation, the relevant ECL is assigned:

- 12-months ECL for Stage 1;
- Lifetime ECL for Stage 2 and Stage 3.

The key elements of the ECL calculation are:

- PD: The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
- EAD: The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD: The loss given default is an estimate of the loss arising in the event of a default occurring at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of EAD.

In addition to these three key elements, we incorporate forward-looking information for the sophisticated approach. We identify macroeconomic variables and consider three macroeconomic scenarios in calculating ECL:

- A base-case scenario;
- An upside scenario;
- A downside scenario.

These scenarios are associated with different PDs, EADs and loss given non-cures (LGNs). Macroeconomic scenarios are generated based on inputs from CBS, DNB and Van Lanschot's economic experts. The reported ECL (12-month or lifetime, depending on the stage) is a weighted average of ECLs per macroeconomic scenario. The table below shows the macroeconomic variables used for the sophisticated approach:

Model	Macroeconomic variables
PD calibration	- Gross domestic product (GDP) - Volume of exports (EXP)
Cure rate	- Total investments (TI) - Private consumption (PC) - Residential real estate price (RREP) - Government consumption (GC)
LGN	- Gross domestic product (GDP) - Residential real estate price (RREP)

Financial instruments following sophisticated approach

For the majority of financial instruments included in the line item Loans and advances to the public and private sectors, including mortgage loans, loans, current accounts, subordinated loans and financial guarantees, a sophisticated approach is applied to calculate ECL. This approach uses an umbrella model that combines the following submodels:

- Various models that provide the expected flow of exposures to the default state;
- A probability of default (PD) calibration model giving the flow from performing to default;
- A full prepayment model and amortisation model giving the outflow from the portfolio of an entire exposure due to prepayment or contract expiration;
- A migration model providing flows from performing rating classes to other performing rating classes;
- A cure rate model giving the flow from default to performing classes and the non-cure state;
- Various product-level models that give the expected exposure at the moment a client goes into default;
- An amortisation model showing the contractual payments during the lifetime of a product and the part of the exposure flowing out of the portfolio due to partial prepayments;
- An exposure at default (EAD) model giving the exposure as a function of the limit or outstanding amount just before default;
- A product-level model evaluating the part of EAD that may be lost – the loss given loss (LGL) model;
- A discount factor to discount the loss from the moment of default moment to the moment of reporting.

Financial instruments following alternative approach

We apply an alternative approach for cash and cash equivalents, due from banks, debt instruments at amortised cost, debt instruments at fair value through other comprehensive income, and loans and security-backed loans issued by the Belgian branch and F. van Lanschot Bankiers (Schweiz) AG. The alternative approach comprises an investments model and a foreign loan model.

Investments model

The investments model is applied to calculate the ECL for cash and cash equivalents, due from banks, debt instruments at amortised cost, and debt instruments at fair value through other comprehensive income. These financial instruments all have a low risk profile and can thus be categorised as low credit risk. All such exposures are assigned to Stage 1 as long as their external rating is investment grade or better. We use a simplified model to calculate 12-month ECL, using publicly available data for PD and LGD based on external ratings.

Foreign loans model

For the loans and securitised loans issued by the Belgian branch and F. van Lanschot Bankiers (Schweiz) AG, we have developed a foreign loans model. These two portfolios fall outside the scope of the IRB models and no requirements on historical data have been set. The foreign loan model calculates ECL as the sum of future exposure discounted at the effective interest rate at recognition for non-revolving products and the current effective interest rate for revolving products.

Hedge accounting

We have opted to continue to apply IAS 39 for hedge accounting.

Transition disclosures

The tables below provide information on the impact of adopting IFRS 9 as at 1 January 2018.

The following table shows the changes in classifications of financial assets and liabilities.

	IAS 39 measurement			IFRS 9 measurement		
	Category	Carrying amount	Reclassifications	Remeasurements	Category	Carrying amount
Assets						
Cash and cash equivalents and balances at central banks	AC	1,832,751	-	-0	AC	1,832,751
Financial assets held for trading – equity instruments	FVPL	35,673	-	-	FVPL	35,673
Financial assets held for trading – debt instruments	FVPL	2,561	-	-	FVPL	2,561
Due from banks	AC	186,459	-	-0	AC	186,459
Derivatives	FVPL	322,258	-	-	FVPL	322,258
Financial assets designated at fair value through profit or loss	FVPL	394,898	22,001	-	FVPL	416,899
Financial assets at fair value through other comprehensive income	n/a	-	1,716,354	-	FVOCI	1,716,354
Available-for-sale equity investments	FVOCI	11,151	-11,151	-	n/a	-
Available-for-sale debt investments	FVOCI	1,727,204	-1,727,204	-	n/a	-
Held-to-maturity investments	AC	521,349	-521,349	-	n/a	-
Loans and advances to the public and private sectors	AC	9,103,327	-	-11,121	AC	9,092,207
Other financial assets at amortised cost	n/a	-	521,349	-28	AC	521,321
Investments in associates using the equity method		70,390	-	-		70,390
Property and equipment		63,468	-	-		63,468
Goodwill and other intangible assets		218,389	-	-		218,389
Tax assets		26,719	-	4,950		31,669
Other assets		142,277	-	-		142,277
Total assets		14,658,875	-	-6,199		14,652,676
Equity and liabilities						
Financial liabilities from trading activities	FVPL	1,899	-	-	FVPL	1,899
Due to banks	AC	101,645	-	-	AC	101,645
Public and private sector liabilities	AC	9,145,119	-	-	AC	9,145,119
Derivatives	FVPL	318,417	-	-	FVPL	318,417
Financial liabilities designated at fair value through profit or loss	FVPL	971,453	-	-	FVPL	971,453
Issued debt securities	AC	2,411,671	-	-	AC	2,411,671
Provisions		23,085	-	1,200		24,284
Tax liabilities		12,841	-	166		13,007
Other liabilities		156,820	-	-		156,820
Subordinated loans	AC	166,802	-	6,818	AC	173,620
Total liabilities		13,309,752		8,183		13,317,935
Issued share capital		40,000	-	-		41,147
Share premium reserve		277,674	-	-		277,674
Other reserves		925,678	-	-14,382		911,296
Undistributed profit attributable to shareholder		89,508	-	-		89,508
Equity attributable to shareholder		1,332,860	-	-14,382		1,318,478
Non-controlling interests		10,827	-	-		10,827
Undistributed profit attributable to non-controlling interests		5,437	-	-		5,437
Equity attributable to non-controlling interests		16,264	-	-		16,264
Total equity and liabilities		14,658,875	-	-6,199		14,652,676

The following table shows the impact on equity of adopting IFRS 9.

Revaluation reserve available-for-sale investments	-
Closing balance under IAS 39 (31 December 2017)	14,013
Reclassification of equity instruments from available-for-sale to retained earnings	-4,828
Reclassification of debt instruments from available-for-sale to financial assets at fair value through other comprehensive income	-9,185
Opening balance under IFRS 9 (1 January 2018)	-
Revaluation reserve financial assets at fair value through other comprehensive income	-
Closing balance under IAS 39 (31 December 2017)	-
Reclassification of debt instruments from available-for-sale to fair value through financial assets at fair value through other comprehensive income	9,185
Recognition of expected credit losses under IFRS 9 for financial assets at fair value through other comprehensive income	663
Deferred tax effect	-166
Opening balance under IFRS 9 (1 January 2018)	9,682
Own credit risk reserve	-
Closing balance under IAS 39 (31 December 2017)	-
Impact of recognising credit risk on financial liabilities designated at fair value through profit and loss in own credit risk reserve	-13,288
Deferred tax effect	3,322
Opening balance under IFRS 9 (1 January 2018)	-9,966
Retained earnings	-
Closing balance under IAS 39 (31 December 2017)	780,711
Impact of recognising credit risk on financial liabilities designated at fair value through profit and loss in own credit risk reserve	13,288
Tax effect relating to own credit risk reserve	-3,322
Reclassification of equity instruments from available-for-sale to retained earnings	4,828
Recognition of expected credit losses under IFRS 9	-13,012
Tax effect relating to expected credit losses under IFRS 9	3,247
Recognition of modification loss on certificates of indebtedness	-6,818
Tax effect relating to modification loss on certificates of indebtedness	1,704
Opening balance under IFRS 9 (1 January 2018)	780,626
Total change in equity due to adopting IFRS 9	-14,382

The table below provides a reconciliation of the impairment allowances in accordance with IAS 39 and the provisions in accordance with IAS 37 to the opening loss allowances determined in accordance with IFRS 9.

<i>Measurement category</i>	IAS 39		IFRS 9 Loan loss allowance 1 January 2018
	Loan loss allowance 31 December 2017	Remeasurements	
Cash and cash equivalents and balances at central banks	-	0	0
Due from banks	-	0	0
Financial assets at fair value through other comprehensive income	-	663	663
Other financial assets at amortised cost	-	28	28
Loans and advances to the public and private sectors	120,400	11,121	131,520
Provision for financial guarantees	-	1,200	1,200
Total	120,400	13,012	133,412

The loss allowance for financial assets at fair value through other comprehensive income is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset.

Notes to the consolidated statement of financial position

(x €1,000)

1 Cash and cash equivalents and balances at central banks	30/06/2018	01/01/2018	31/12/2017
Total	1,793,979	1,832,751	1,832,751
Cash	50	43	43
Balances at central banks	1,540,149	1,724,927	1,724,927
Statutory reserve deposits at central banks	12,760	12,877	12,877
Amounts due from banks	241,021	94,903	94,903
Impairments	-0	-0	-

Reconciliation with consolidated statement of cash flows	30/06/2018	31/12/2017	Movements
Cash and cash equivalents	1,793,979	1,832,751	-38,772
Due from banks, available on demand	47,232	40,145	7,087
Due to banks, available on demand	-143,738	-46,163	-97,575
Due from/to banks available on demand, net	-96,506	-6,018	-90,488
Total	1,697,473	1,826,733	-129,260

2 Derivatives	30/06/2018			01/01/2018			31/12/2017		
	Asset	Liability	Contract amount	Asset	Liability	Contract amount	Asset	Liability	Contract amount
Total	336,186	383,713	10,840,789	322,258	318,417	10,055,326	322,258	318,417	10,055,326
Derivatives used for trading purposes	37,537	36,092	43,485	35,320	34,159	135,407	35,320	34,159	135,407
Derivatives used for hedge accounting purposes	49,142	95,380	5,421,525	64,316	87,421	5,061,905	64,316	87,421	5,061,905
Other derivatives	249,507	252,241	5,375,779	222,622	196,837	4,858,014	222,622	196,837	4,858,014

3 Financial assets designated at fair value through profit or loss	30/06/2018	01/01/2018	31/12/2017
Total	293,281	416,899	394,898
Debt instruments			
Government paper and government-guaranteed paper	-	33,299	33,299
Banks and financial institutions, listed	6,019	6,035	6,035
Covered bonds	163,076	211,035	211,035
Company cumprefs (shareholdings) (FVPL mandatory)	10,237	10,850	-
Total debt instruments	179,331	261,218	250,368
Equity instruments			
Shares, listed	67,858	63,769	61,905
Shares, unlisted	46,092	91,911	82,625
Total equity instruments	113,950	155,680	144,530

Financial assets designated at fair value through profit or loss - debt instruments by external rating *	30/06/2018	%	01/01/2018	%	31/12/2017	%
Total	179,331	100%	261,218	100%	250,368	100%
AAA	163,076	91%	211,035	81%	211,035	85%
AA	-	0%	33,299	13%	33,299	13%
A	-	0%	-	0%	-	0%
Other	16,255	9%	16,885	6%	6,035	2%

* Most recent ratings as known to Van Lanschot.

4 Financial assets at fair value through other comprehensive income	30/06/2018		01/01/2018		31/12/2017	
	Fair value	Face value	Fair value	Face value	Fair value	Face value
Total	1,788,601	1,777,472	1,716,354	1,703,564	-	-
Debt instruments						
Government paper and government-guaranteed paper	246,836	244,500	233,271	229,854	-	-
Sovereign, supranationals and agencies (SSA) bonds	44,144	44,000	68,819	69,000	-	-
Banks and financial institutions, listed	36,792	36,000	142,865	141,000	-	-
Covered bonds	703,746	701,613	570,938	568,828	-	-
Asset-backed securities	745,808	740,109	668,105	662,377	-	-
Companies, listed	11,276	11,250	32,357	32,505	-	-
Total debt instruments	1,788,601	1,777,472	1,716,354	1,703,564	-	-

Movements in impairments of Financial assets designated at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
At 1 January 2018	663	-	-	663
Additions or releases without transfer	28	-	-	28
New financial assets originated or purchased	109	-	-	109
Financial assets derecognised during period	-76	-	-	-76
Total through profit and loss	61	-	-	61
At 30 June 2018	724	-	-	724

The loss allowance for financial assets at fair value through other comprehensive income is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset.

Financial assets at fair value through other comprehensive income - debt instruments by external rating *	30/06/2018	%	01/01/2018	%	31/12/2017	%
Total	1,788,601	100%	1,716,354	100%	-	0%
AAA	1,579,185	88%	1,500,713	87%	-	0%
AA	172,625	10%	140,280	8%	-	0%
A	6,007	0%	5,998	0%	-	0%
Other	30,785	2%	69,363	4%	-	0%

* Most recent ratings as known to Van Lanschot.

5 Available-for-sale investments	30/06/2018		01/01/2018		31/12/2017	
	Fair value	Face value	Fair value	Face value	Fair value	Face value
Total	-	-	-	-	1,738,355	1,715,453
Debt instruments						
Government paper and government-guaranteed paper	-	-	-	-	302,090	298,854
Banks and financial institutions, listed	-	-	-	-	142,865	141,000
Covered bonds	-	-	-	-	570,938	568,828
Asset-backed securities	-	-	-	-	668,105	662,377
Companies, listed	-	-	-	-	32,357	32,505
Company cumprefs (shareholdings)	-	-	-	-	10,850	11,889
Total debt instruments	-	-	-	-	1,727,204	1,715,453
Equity instruments						
Shares, unlisted	-	-	-	-	1,864	-
Shareholdings	-	-	-	-	9,287	-
Total equity instruments	-	-	-	-	11,151	-

Available-for-sale investments - debt instruments by external rating *	30/06/2018	%	01/01/2018	%	31/12/2017	%
Total	-	0%	-	0%	1,727,204	100%
AAA	-	0%	-	0%	1,500,713	87%
AA	-	0%	-	0%	140,280	8%
A	-	0%	-	0%	5,998	0%
Other	-	0%	-	0%	80,213	5%

* Most recent ratings as known to Van Lanschot.

6 Held-to-maturity investments	30/06/2018		01/01/2018		31/12/2017	
	Carrying value	Face value	Carrying value	Face value	Carrying value	Face value
Total	-	-	-	-	521,349	490,000
Debt instruments						
Government paper and government-guaranteed paper	-	-	-	-	324,723	300,000
Banks and financial institutions, listed	-	-	-	-	196,627	190,000

Held-to-maturity investments by external rating *	30/06/2018	%	01/01/2018	%	31/12/2017	%
Total	-	0%	-	0%	521,349	100%
AA	-	0%	-	0%	417,946	80%
A	-	0%	-	0%	103,403	20%

* Most recent ratings as known to Van Lanschot.

7 Loans and advances to the public and private sectors	30/06/2018	01/01/2018	31/12/2017
Total	8,958,482	9,092,207	9,103,327
Mortgage loans	6,298,101	6,267,532	6,267,532
Loans	1,561,309	1,710,486	1,710,486
Current accounts	859,690	962,916	962,916
Securities-backed loans and settlement claims	281,858	206,396	206,396
Subordinated loans	1,701	4,487	4,487
Value adjustment, fair value hedge accounting	83,821	71,911	71,911
Impairments	-127,997	-131,520	-120,400

Movements in impairments of Loans and advances to the public and private sectors	Stage 1	Stage 2	Stage 3	Total
At 1 January 2018	4,390	12,186	114,944	131,520
Additions or releases without transfer	-819	-1,440	-4,929	-7,188
Transfer to Stage 1	181	-2,530	-13	-2,362
Transfer to Stage 2	-295	3,770	-522	2,953
Transfer to Stage 3	-55	-1,184	4,554	3,315
New financial assets originated or purchased	268	-	-	268
Total through profit and loss	-720	-1,384	-910	-3,014
Interest and commission charged credit impaired loans	-	-	2,693	2,693
Amounts written off	-	-	-3,202	-3,202
At 30 June 2018	3,670	10,802	113,525	127,997

8 Other financial assets at amortised cost	30/06/2018		01/01/2018		31/12/2017	
	Carrying value	Face value	Carrying value	Face value	Carrying value	Face value
Total	516,995	490,000	521,321	490,000	-	-
Debt instruments						
Government paper and government-guaranteed paper	321,554	300,000	324,723	300,000	-	-
Banks and financial institutions, listed	195,469	190,000	196,627	190,000	-	-
Impairments	-28	-	-28	-	-	-

Other financial assets at amortised cost by external rating *	30/06/2018		01/01/2018		31/12/2017	
		%		%		%
Total	516,995	100%	521,321	100%	-	0%
AA	414,285	80%	417,946	80%	-	0%
A	102,710	20%	103,375	20%	-	0%

* Most recent ratings as known to Van Lanschot.

9 Property and equipment	30/06/2018	01/01/2018	31/12/2017
Total	51,133	63,468	63,468
Buildings	36,987	41,973	41,973
IT, operating system software and communications equipment	6,167	5,929	5,929
Other assets	7,838	15,335	15,335
Work in progress	140	231	231

The carrying amount of buildings not in use amounted to €3.5 million (year-end 2017: €3.5 million).

10 Goodwill and other intangible assets	30/06/2018	01/01/2018	31/12/2017
Total	187,540	218,389	218,389
Goodwill	130,247	154,981	154,981
Other intangible assets	57,293	63,408	63,408

11 Assets classified as held for sale	30/06/2018	01/01/2018	31/12/2017
Total	58,010	-	-
Loans and advances to the public and private sectors	1,430	-	-
Investments in associates using the equity method	632	-	-
Property and equipment	8,887	-	-
Goodwill and other intangible assets	29,470	-	-
Other assets	17,591	-	-

In 2018, we have committed to divest the non-strategic interest in AIO II. Active efforts to locate a buyer are underway and we expect the sale to be finalised within one year. For this reason, AIO II is included in the balance sheet under the line item Asset and liabilities classified as held for sale; the result is recognised in the income statement under Discontinued operations.

12 Due to banks	30/06/2018	01/01/2018	31/12/2017
Total	241,847	101,645	101,645
Deposits	79,202	55,482	55,482
Payables arising from unsettled securities transactions	63,621	23,134	23,134
Loans and advances drawn	99,024	23,029	23,029

13 Public and private sector liabilities	30/06/2018	01/01/2018	31/12/2017
Total	9,281,164	9,145,119	9,145,119
Savings	3,624,052	3,718,970	3,718,970
Deposits	226,401	228,567	228,567
Current accounts	5,004,139	4,831,497	4,831,497
Other client assets	425,598	365,239	365,239
Value adjustments fair value hedge accounting	975	845	845

14 Financial liabilities designated at fair value through profit or loss	30/06/2018	01/01/2018	31/12/2017
Total	987,716	971,453	971,453
Unstructured debt instruments	185,472	258,498	258,498
Structured debt instruments	802,245	712,955	712,955

15 Issued debt securities	30/06/2018	01/01/2018	31/12/2017
Total	1,965,251	2,411,671	2,411,671
Bond loans and notes	47,588	465,290	465,290
Covered bonds	1,492,521	1,491,850	1,491,850
Notes as part of securitisation transactions	402,677	436,467	436,467
Floating-rate notes	20,716	22,134	22,134
Value adjustments fair value hedge accounting	1,749	-4,069	-4,069

Issued debt securities fell by €446 million relative to 2017 following the redemption of a €500 million senior unsecured bond in the first half of 2018.

16 Provisions	30/06/2018	01/01/2018	31/12/2017
Total	20,682	24,284	23,084
Provisions for pensions	12,906	14,545	14,545
Provision for long-service benefits	181	177	177
Provision for employee discounts	2,334	2,322	2,322
Provision for restructuring	-	66	66
Provision for interest rate derivatives recovery framework	1,347	2,064	2,064
Provision for financial guarantees	628	1,200	-
Other provisions	3,287	3,910	3,910

17 Liabilities classified as held for sale	30/06/2018	01/01/2018	31/12/2017
Total	25,527	-	-
Due to banks	13,906	-	-
Provisions	469	-	-
Tax liabilities	908	-	-
Other liabilities	10,244	-	-

For more information, see Note 11.

18 Subordinated loans	30/06/2018	01/01/2018	31/12/2017
Total	173,532	173,620	166,802
Certificates of indebtedness	106,610	106,818	100,000
Other subordinated loans	66,563	66,676	66,676
Value adjustments fair value hedge accounting	360	126	126

19 Other reserves	Revaluation reserve available-for-sale investments		Revaluation reserve financial assets at fair value through other comprehensive income	Actuarial results on defined benefit schemes	Currency translation reserve	Cash flow hedge reserve	Own credit risk reserve	Retained earnings	Total
	Equity instruments	Debt investments							
At 31 December 2017	4,828	9,185	-	-17,885	1,602	-9,825	-	937,773	925,678
Impact of adopting IFRS 9	-4,828	-9,185	9,682	-	-	-	-9,966	-86	-14,382
At 1 January 2018	-	-	9,682	-17,885	1,602	-9,825	-9,966	937,687	911,296
Net changes in fair value	-	-	-1,906	-	-	-1,546	-	-	-3,452
Realised gains/losses through profit or loss	-	-	-2,625	-	-	-	-	-	-2,625
Net impairment (to profit or loss)	-	-	45	-	-	-	-	-	45
Change in own credit risk	-	-	-	-	-	-	-5,584	-	-5,584
Currency translation	-	-	-	-	-1,294	-	-	-	-1,294
Actuarial results	-	-	-	-12	-	-	-	-	-12
Total other comprehensive income for the year	-	-	-4,485	-12	-1,294	-1,546	-5,584	-	-12,922
Profit appropriation	-	-	-	-	-	-	-	29,845	29,845
Share plans	-	-	-	-	-	-	-	3,091	3,091
To retained earnings	-	-	-	-	-	-	701	-701	-
Other changes	-	-	-	-	-	-	-	-1,319	-1,319
At 30 June 2018	-	-	5,197	-17,897	308	11,371	14,849	968,603	929,990
Tax effects	-	-	1,495	3	-	515	-1,861	-	152

Notes to the consolidated statement of income

(x €1,000)

20 Net interest income	H1 2018	H1 2017
Total interest income	158,269	175,786
Interest income on cash equivalents	83	56
Interest income on banks and private sector	120,953	133,759
Interest income on financial assets at fair value through other comprehensive income	2,284	-
Interest income on other financial assets at amortised cost	4,414	-
Interest income on available-for-sale investments	-	3,843
Interest income on held-to-maturity investments	-	6,147
Interest income calculated using the effective interest method	127,733	143,805
Interest income on financial assets at fair value through profit or loss	2,355	2,272
Interest income on derivatives	25,899	28,590
Other interest income	2,282	1,119
Other interest income	30,535	31,981
Total interest expense	68,505	72,846
Interest expense on balances at central banks	3,015	2,713
Interest expense on banks and private sector	13,593	17,016
Interest expense on issued debt securities	13,039	14,792
Interest expense on subordinated loans	4,467	4,114
Interest expense calculated using the effective interest method	34,115	38,635
Interest expense on derivatives	33,445	34,029
Other interest expense	945	182
Other interest expense	34,390	34,211

The interest result was €13.2 million down on the first half of 2017. This 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 the interest expense on savings and deposits due to lower volumes and interest rates.

21 Income from securities and associates	H1 2018	H1 2017
Total	16,817	29,653
Income from associates using the equity method	10,025	18,654
Dividends and fees	1,644	3,962
Movements in value of investments at fair value through profit or loss	4,053	-1,200
Realised result of available-for-sale equity investments	-	7,135
Other gains on sales	1,095	1,102

Income from securities and associates was down by €12.8 million, mainly because of the result on the sale of our stake in TechAccess in the first half of 2017.

22 Net commission income	H1 2018	H1 2017
Total	149,907	132,281
Securities commissions	13,887	17,191
Management commissions	107,029	95,146
Cash transactions and funds transfer commissions	4,117	4,697
Corporate Finance and Equity Capital Markets commissions	20,615	10,831
Other commissions	4,259	4,415

Commission income was up by €17.6 million. This was 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.

23 Result on financial transactions	H1 2018	H1 2017
Total	1,664	7,202
Gains/losses on securities trading	-284	-650
Gains/losses on currency trading	4,172	4,463
Unrealised gains/losses on derivatives under hedge accounting	-1,267	1,808
Realised and unrealised gains/losses on trading derivatives	1,853	1,769
Realised gains on available-for-sale debt instruments	-	1,553
Realised gains on financial assets at fair value through other comprehensive income	3,500	-
Gains/losses on economic hedges - hedge accounting not applied	1,979	12,710
Gains/losses on financial assets designated at fair value through profit or loss	-8,289	-14,452

The result on financial transactions was down by €5.5 million compared with the first half of 2017. Lower gains on economic hedges, the loss on financial assets designated at fair value through profit or loss and the loss on derivatives under hedge accounting 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 were €1.9 million higher.

24 Other income	H1 2018	H1 2017
Total	3,548	4,238
Net sales	5,408	6,253
Cost of sales	-1,860	-2,015

Other income comprises income from non-strategic investments arising from debt conversion. This involves loans that companies were unable to repay to Van Lanschot and that were converted into shareholdings to give these companies time to recover.

25 Staff costs	H1 2018	H1 2017
Total	130,643	120,111
Salaries and wages	95,207	89,652
Pension costs for defined contribution schemes	9,251	8,845
Pension costs for defined benefit schemes	3,461	2,870
Other social security costs	11,045	9,580
Share-based payments for variable remuneration	1,378	3,004
Other staff costs	10,301	6,160

Staff costs were up €10.5 million on the first half of 2017, mainly due to higher costs associated with the acquisition of UBS Nederland, wage increases and higher contribution to the Dutch government's sector fund (to cover social security costs). Changes to staff mortgage arrangements had resulted in a one-off positive effect in the first half of 2017.

26 Other administrative expenses	H1 2018	H1 2017
Total	88,470	83,632
Accommodation expenses	10,209	10,717
Marketing and communications	6,808	6,692
Office expenses	3,413	3,146
IT expenses	33,042	32,260
External auditors' fees	1,537	1,528
Consultancy fees	11,094	7,048
Travel and hotel fees	1,762	1,860
Information providers' fees	6,481	6,355
External service provider charges	2,780	1,846
Other	11,343	12,179

27 Impairments	H1 2018	H1 2017
Total impairments	-4,600	-1,470
Release of loan loss provision	-	-1,929
Financial assets at fair value through other comprehensive income	61	-
Loans and advances to the public and private sectors	-3,014	-
Financial guarantees	-572	-
Impairment of financial instruments	-3,525	-
Available-for-sale investments	-	33
Investments in associates using the equity method	-1,075	335
Assets acquired through foreclosures	-	92
Other impairments	-1,075	460

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

28 Income tax

Tax assets

The increase in tax assets is mainly due to the taxable impact of IFRS 9.

Tax liabilities

The decrease in tax liabilities is due to paid preliminary tax assessments.

Income tax recognised in the statement of income

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

	H1 2018	H1 2017
Operating profit before tax from continuing operations	38,996	66,925
Profit before tax from discontinued operations	8,582	7,805
Total gross result	47,578	74,730
Prevailing tax rate in the Netherlands	25%	25%
Tax on continuing operations	6,407	10,735
Tax on discontinued operations	1,850	1,714
Total tax	8,256	12,449
Expected tax	11,894	18,683
Increase/decrease in tax payable due to:		
Tax-free income from securities and associates	-4,313	-7,187
Non-deductible impairments	-129	-
Non-deductible costs	1,050	1,074
Non-deductible losses	-	91
Adjustments to taxes for prior financial years	-181	-57
Impact of foreign tax rate differences	-276	-92
Movements in deferred taxes	123	-
Other changes	88	-63
	-3,638	-6,234
Total tax	8,256	12,449

29 Discontinued operations	H1 2018	H1 2017
Net interest income	-239	-42
Income from securities and associates	122	140
Other income	23,762	21,946
Total income from operating activities	23,645	22,044
Staff costs	8,898	8,421
Other administrative costs	5,154	4,908
Depreciation and amortisation	1,011	910
Total expenses	15,063	14,239
Operating profit before tax	8,582	7,805
Income tax	1,850	1,714
Net profit	6,732	6,091

For more information, see Note 11.

Additional notes

(x €1,000)

30 Earnings per ordinary share	H1 2018	H1 2017
Net result	39,320	62,281
Non-controlling interests	-2,869	-2,758
Net result attributable to shareholder	36,451	59,522
Weighted average number of ordinary shares in issue	400,000	400,000
Earnings per ordinary share (€)	91.13	148.81

31 Fairvalue

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				30/06/2018
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading	45,703	2,940	334	48,977
Derivatives	37,537	290,547	8,101	336,186
Financial assets designated at fair value through profit or loss	214,459	41,642	37,180	293,281
Financial assets designated at fair value through other comprehensive income	1,788,601	-	-	1,788,601
Total assets	2,086,300	335,129	45,616	2,467,045
Liabilities				
Financial liabilities held for trading	1,567	154	-	1,722
Derivatives	37,139	339,787	6,786	383,713
Financial liabilities designated at fair value through profit or loss	-	963,938	23,778	987,716
Total liabilities	38,706	1,303,880	30,564	1,373,150

Financial instruments at fair value				01/01/2018
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading	35,553	2,561	119	38,234
Derivatives	33,779	285,225	3,254	322,258
Financial assets designated at fair value through profit or loss	295,120	47,207	74,572	416,899
Financial assets designated at fair value through other comprehensive income	1,716,354	-	-	1,716,354
Total assets	2,080,807	334,993	77,945	2,493,745
Liabilities				
Financial liabilities held for trading	1,882	-	17	1,899
Derivatives	33,113	284,929	375	318,417
Financial liabilities designated at fair value through profit or loss	-	947,541	23,912	971,453
Total liabilities	34,995	1,232,471	24,303	1,291,769

Financial instruments at fair value				31/12/2017
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading	35,553	2,561	119	38,234
Derivatives	33,779	285,225	3,254	322,258
Financial assets designated at fair value through profit or loss	295,120	47,207	52,571	394,898
Available-for-sale investments	1,716,354	-	22,001	1,738,355
Total assets	2,080,807	334,993	77,945	2,493,745
Liabilities				
Financial liabilities held for trading	1,882	-	17	1,899
Derivatives	33,113	284,929	375	318,417
Financial liabilities designated at fair value through profit or loss	-	947,541	23,912	971,453
Total liabilities	34,995	1,232,471	24,303	1,291,769

We have developed a policy document for the fair value hierarchy. This divides the variables used into observable and unobservable market inputs. If the unobservable input variables are significant, the instrument is classified as Level 3. An unobservable input variable is significant if the change in the fair value due to the application of the variable is greater than the set threshold values. During the first half of 2018, 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 €0.2 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 nil from Level 2 to Level 3 and a transfer of nil from Level 3 to Level 2. The transfer of Derivatives (liabilities) breaks down into a € 2.9 million shift from Level 2 to Level 3 and nil shift from Level 3 to Level 2.

Breakdown of movements in financial assets classified as Level 3

	At 1 January 2018	To statement of income	To equity	Purchases	Sales	Transfers	At 30 June 2018
Assets							
Financial assets held for trading	119	2	-	213	-	-	334
Derivatives	3,254	-224	-	5,248	-	-176	8,101
Financial assets designated at fair value through profit or loss	74,572	3,517	-	9,841	-50,750	-	37,180
Total assets	77,945	3,294	-	15,302	-50,750	-176	45,616

Breakdown of movements in financial liabilities classified as Level 3

	At 1 January 2018	To statement of income	To equity	Issues	Settlements	Transfers	At 30 June 2018
Liabilities							
Financial liabilities held for trading	17	-	-	-	-17	-	-
Derivatives	375	-47	-	3,602	-	2,856	6,786
Financial liabilities designated at fair value through profit or loss	23,912	-134	-	-	-	-	23,778
Total liabilities	24,303	-180	-	3,602	-17	2,856	30,564

Breakdown of movements in financial assets classified as Level 3

	At 1 January 2017	To statement of income	To equity	Purchases	Sales	Transfers	At 30 June 2017
Assets							
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
Total assets	48,852	6,364	-4,866	4,768	-13,517	-3,075	38,527

Breakdown of movements in financial liabilities classified as Level 3

	At 1 January 2017	To statement of income	To equity	Issues	Settlements	Transfers	At 30 June 2017
Liabilities							
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
Total liabilities	34,073	1,074	-	341	-6	-127	35,355

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

	H1 2018			H1 2017		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net interest income	517	-	517	952	-	952
Income from securities and associates	37	2,964	3,001	6,439	-3,626	2,813
Result on financial transactions	-	-44	-44	-	1,558	1,558
Impairments	-	-	-	-	-33	-33
Total	554	2,920	3,474	7,391	-2,101	5,290

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

	Fair value			Valuation method	Significance of observable market inputs
	30/06/2018	01/01/2018	31/12/2017		
Assets					
Financial assets held for trading	2,940	2,561	2,561	- Option model and discounted cash flow	- Asset price - Interest rate - Dividend yield - Volatility
Derivatives	290,547	285,225	285,225	- Discounted cash flow - Option model	- Underlying value - Interest rate - Dividend yield - Volatility - Consumer price index (CPI) - Seasonality - Correlation - FX rates - CDS spread - Recovery rate
Financial assets designated at fair value through profit or loss	41,642	47,207	47,207	- Net asset value	- Most recently known (closing) price of the underlying assets - Most recent published net asset value - Market value on measurement date equals market price - Fair value reflecting generally accepted standards
Total assets	335,129	334,993	334,993		
Liabilities					
Financial liabilities held for trading	154	-	-	- Option model and discounted cash flow	- Asset price - Interest rate - Dividend yield - Volatility
Derivatives	339,787	284,929	284,929	- Discounted cash flow - Option model	- Underlying value - Interest rate - Dividend yield - Volatility - Consumer price index (CPI) - Seasonality - Correlation - FX rates - CDS spread - Recovery rate
Financial liabilities designated at fair value through profit or loss	963,938	947,541	947,541	- Discounted cash flow - Option model	- Interest rate - Underlying value - Dividend yield - Volatility - Correlation - FX rates
Total liabilities	1,303,880	1,232,471	1,232,471		

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

	Fair value			Valuation method	Significance of non-observable market inputs
	30/06/2018	01/01/2018	31/12/2017		
Assets					
Financial assets held for trading	334	119	119	- Net asset value	- Net asset value - Face value
Derivatives *	8,101	3,254	3,254	- Discounted cash flow - Option model	N/A
Financial assets designated at fair value through profit or loss *	37,180	74,572	52,571	- Discounted cash flow - Net asset value	- Interest rates - Discount rates - Most recent published net asset values of the underlying assets - Multiple analyses of comparable companies less a discount of 20% for illiquidity and company size based on EVCA guidelines - Most recently known share price - EBITA - Issue or transfer price - Market price on final trading day - Face value less provisions
Available-for-sale investments	-	-	22,001	- Discounted cash flow - Net asset value	- Interest rates - Discount rates - Most recent published net asset values of the underlying assets - Multiple analyses of comparable companies less a discount of 20% for illiquidity and company size based on EVCA guidelines - Most recently known share price - EBITA - Issue or transfer price - Market price on final trading day - Face value less provisions
Total assets	45,616	77,945	77,945		
Liabilities					
Financial liabilities held for trading	-	17	17	- Net asset value	- Net asset value - Face value
Derivatives *	6,786	375	375	- Discounted cash flow - Option model	- Volatility - Correlation
Financial liabilities designated at fair value through profit or loss *	23,778	23,912	23,912	- Discounted cash flow - Option model	- Volatility - Correlation
Total liabilities	30,564	24,303	24,303		

* 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
Assets			
Financial assets designated at fair value through profit or loss			
Debt instruments: company cumprefs (shareholdings)	- Interest rates	6.5% - 12%	Change of 1% - change of €0.1 million
	- Discount rates	6.5% - 12%	Change of 1% - change of €0.1 million
Derivatives			
Structured products derivatives			
- Options	- Correlation	-15% - 17% (0%)	Total impact €0.0 million
	- Volatility	10% - 12% (11%)	Total impact €0.7 million
- Equity swaps	- Correlation	-17% - 21% (0%)	Total impact -€0.1 million
	- Volatility	10% - 12% (11%)	Total impact €0.1 million
Liabilities			
Financial liabilities designated at fair value through profit or loss			
Structured debt instruments	- Correlation	-20% - 26% (3%)	Total impact: -€0.4 million
Derivatives			
Structured products derivatives			
- Options	- Correlation	-18% - 21% (0%)	Total impact €0.7 million
	- Volatility	-18% - 21% (0%)	Total impact €0.4 million
- Equity swaps	- Volatility	10% - 12% (11%)	Total impact: €0.8 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									
	30/06/2018		01/01/2018		31/12/2017				
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Level	Valuation method	Significant observable and non-observable market inputs
Assets									
Due from banks	221,740	221,737	186,461	186,459	186,461	186,459	2	Discounted cash flows using applicable money market rates	Interest rate and discount rate
Held-to-maturity investments	-	-	-	-	552,183	521,349	1	Quoted prices in active markets	-
Loans and advances to the public and private sectors	9,138,251	8,958,482	9,291,007	9,092,207	9,291,007	9,103,327	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
Other financial assets at amortised cost	544,985	516,995	552,183	521,349	-	-	1	Quoted prices in active markets	-
Liabilities									
Due to banks	241,846	241,846	101,084	101,645	101,084	101,645	3	Discounted cash flows using applicable money market rates for liabilities, taking account of own credit risk	Interest rate, discount rate and own credit risk
Public and private sector liabilities	9,321,906	9,281,164	9,196,050	9,145,119	9,196,050	9,145,119	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	1,984,425	1,965,251	2,445,114	2,411,671	2,445,114	2,411,671	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	198,904	173,532	225,634	173,620	225,634	166,802	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

32 Netting of financial assets and financial liabilities

Netting of financial assets and liabilities					30/06/2018
	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)	386,414	50,228	336,186	5,723	330,462
Derivatives (liabilities)	433,941	50,228	383,713	5,723	377,989

Netting of financial assets and liabilities					31/12/2017
	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)	490,222	167,964	322,258	48,441	273,817
Derivatives (liabilities)	486,380	167,964	318,417	48,441	269,976

33 Related parties

H1 2018					
	Income	Expenses	Amounts receivable	Amounts payable	Guarantees
Total	47	-	887	2,165	196
Parties with a shareholding in Van Lanschot of at least 5%	-	-	-	17	-
Associates	-	-	-	-	-
Investments in associates using the equity method	47	-	887	2,147	196

H1 2017					
	Income	Expenses	Amounts receivable	Amounts payable	Guarantees
Total	6,510	7,005	7,284	3,745	29
Parties with a shareholding in Van Lanschot 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

For further information on related party transactions, see our 2017 annual report (from page 182).

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.

Private Banking

Private Banking offers specialist services for entrepreneurs, family businesses, high net-worth individuals, business professionals and executives, healthcare professionals, foundations and associations.

Evi

Evi, Van Lanschot's online investments and savings coach, targets people just entering the wealth management market and experienced 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, structured investment activities, 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, the staff of the group (e.g. HR), as well as the activities of Van Lanschot Participaties and consolidated investments.

Operating segments (x € million)							H1 2018
	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other activities	Total
Statement of income							
Net interest income	70.2	1.3	-0.0	-0.0	11.7	6.5	89.8
Income from securities and associates	-	-	0.2	-	-	16.6	16.8
Net commission income	64.6	2.1	50.4	30.9	0.9	0.9	149.9
Profit on financial transactions	0.5	-	-0.0	2.5	-	-1.3	1.7
Other income	-	-	-	-	-	3.5	3.5
Total income from operating activities	135.4	3.4	50.6	33.4	12.6	26.4	261.7
Staff costs	51.3	2.1	22.2	13.6	0.4	41.0	130.6
Other administrative expenses	34.6	5.5	12.2	4.1	0.4	31.7	88.5
Allocated internal expenses	30.8	1.4	6.4	4.9	5.0	-48.5	-
Depreciation and amortisation	3.0	0.0	0.5	0.0	-	4.6	8.2
Impairments	0.4	-0.0	-	-0.0	-3.2	-1.8	-4.6
Total expenses	120.1	9.1	41.4	22.7	2.6	26.9	222.7
Operating result before tax	15.3	-5.7	9.2	10.7	10.0	-0.6	39.0
Operating result of discontinued operations before tax	-	-	-	-	-	8.6	8.6
Efficiency ratio (%)	88%	266%	82%	68%	46%	109%	87%

Operating segments							H1 2017
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(x € million)	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other activities	Total
Statement of income							
Net interest income	71.6	1.6	-0.0	0.0	17.1	12.5	102.9
Income from securities and associates	-	-	-2.1	-	-	31.7	29.7
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	-	-	-	-	-	4.2	4.2
Total income from operating activities	133.3	3.6	42.9	24.3	18.8	53.5	276.3
Staff costs	48.3	2.1	18.7	10.9	4.8	35.3	120.1
Other administrative expenses	34.9	4.0	10.0	4.1	0.2	30.5	83.7
Allocated internal expenses	29.5	3.4	5.5	4.6	5.8	-48.9	-
Depreciation and amortisation	2.0	0.0	0.2	0.0	-	4.9	7.1
Impairments	0.9	0.0	-	-	-3.0	0.6	-1.5
Total expenses	115.5	9.5	34.5	19.6	7.8	22.5	209.4
Operating result before tax	17.8	-5.9	8.4	4.6	11.0	31.0	66.9
Operating result of discontinued operations before tax	-	-	-	-	-	7.8	7.8
Efficiency ratio (%)	86%	264%	80%	81%	57%	41%	76%

Events after the reporting period

In August 2018, we agreed to sell a part of our minority stake in Ploeger Oxbo. This transaction is expected to generate a capital gain of around €10 million.

Other information

Statutory Board Responsibility Statement

The members of the Statutory Board hereby declare, to the best of their knowledge, that the 2018 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 NV and its consolidated entities, and that the interim report of 30 June 2018 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, 22 August 2018

Statutory Board

Karl Guha, Chairman

Constant Korthout

Richard Bruens

Arjan Huisman

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, the implementation of Van Lanschot Kempen's strategy, actions taken by supervisory and regulatory authorities and private entities, changes in law and taxation, changes in ownership that could affect the future availability of capital, and changes in credit ratings.

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, unless specifically stated otherwise. Small differences in tables may be the result of rounding.

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