

Van Lanschot Kempfen Performance report

2019 HALF-YEAR RESULTS



VAN LANSCHOT
KEMPEN

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NOTES TO THE READER

Deviating from their recognition in our (IFRS) financial statements, non-strategic investments, costs related to our strategic investment programme, amortisation of intangible assets arising from acquisitions, and restructuring charges are shown separately in our managerial reporting.

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

FINANCIAL AND NON-FINANCIAL KPIS

During 2018, a new set of key performance indicators (KPIs) was developed in addition to our existing KPIs, focusing on long-term value creation. These financial and non-financial KPIs reflect both the interests of our stakeholders and our ambitions as a wealth manager. Please note that new Net Promoter Scores (NPS) for Evi and Asset Management and scores for decrease in carbon emissions are only available at year-end. Please refer to pages 19-20 of our annual report 2018 for additional background information on our KPIs. An overview of our performance on the KPIs that we report externally is shown in the table below. See next page for more information.

Themes and mission	KPI	Annual target		Score H1 2019	Score 2018
Financial and risk management	1. CET 1 ratio (fully loaded)	15-17%	●	22.7%	21.4%
	2. Return on equity (CET 1)	10-12%	●	12.9%	9.8%
	3. Efficiency ratio	70-72%	●	75.5%	79.4%
Ethics and integrity	4. Percentage of employees who feel the responsibility to act and behave ethically	> industry average	●	77%	N.A.
Client relations	5. Net Promoter Score (NPS):				
	a. Private Banking	PB: 10	●	21	2
	b. Evi	Evi: 10	●	N.A.	-20
	c. Asset Management	AM: 20	●	N.A.	44 ¹
Responsibility and sustainability	6. Private Banking: AuM invested in sustainable and/or impact investment wealth management solutions	> last year	●	2019: €1,564m 2018: €1,318m	2018: €1,318m 2017: €1,138m
	7. Engaging with companies in which our funds invest	80-100 engagements	●	81 engagements	91 engagements
	8. Asset Management: percentage increase in (internal and external) fund managers on our approved list that are scored on their overall sustainability profile	> last year	●	+52%	+100%
	9. Decrease in carbon emissions:				
	a. Direct emissions of our own organisation	- 2.5%/FTE per year	●	N.A.	-8.1%
b. Indirect emissions via our balance sheet (mortgage portfolio)	- CO ₂ /EUR < last year	●	N.A.	-7.4%	
Employees	10. Employee engagement score	> 80%	●	82%	81%
	11. Employer Net Promoter Score (eNPS) ²	> 10 / > 80%	●	N.A. / 83%	N.A.
	12. Gender balance in management positions	> 30% female and > 30% male	●	22% female and 78% male	20% female and 80% male
Mission: Preservation and creation of wealth	13. Private Banking: 3-year relative performance of discretionary management mandates	> benchmark	●	-0.1%	-0.1%
	14. Evi: 3-year relative performance of discretionary management mandates	> benchmark	●	-0.5%	-0.4%
	15. Asset Management: average Morningstar rating of investment strategies (institutional share class)	> 3.5	●	3.8	4.0

● KPI more than achieved
 ● KPI achieved
 ● KPI almost achieved
 ● KPI not achieved
 ● KPI far from achieved
Based on most recent score

¹ Measured once every two years, score for 2017.

² In 2019, no official eNPS is measured. Instead of this, the employee engagement survey included a question on recommending Van Lanschot Kempfen as a good place to work (with a norm of 80%).

FINANCIAL AND RISK MANAGEMENT

Financial performance and risk management are key to our organisation, as all direct stakeholders benefit from a solid capital position and sustainable performance. In H1 2019, our CET 1 fully loaded ratio increased to 22.7% and our return on CET 1 rose to 12.9%. Our efficiency ratio amounted to 75.5%. As of 2019, we have adjusted our target for the efficiency ratio to 70-72%. We believe this target aligns with our profile as a wealth manager and with the economic environment in which we operate. More information on the developments underlying these ratios is provided on pages 11 and 19.

ETHICS AND INTEGRITY

We strive to operate in an ethical manner and we encourage our employees to behave ethically and with integrity. We monitor the ethical behaviour of our employees by focusing on this in our employee engagement survey. In 2019, an employee engagement survey was conducted with questions on standards of ethical behaviour, operating with integrity in internal dealings, and reporting dishonest or unethical practices without fear of reprisal. The outcome is benchmarked against other financial services firms and shows a marginal negative deviation from the industry average. The employee engagement survey is conducted every other year.

CLIENT RELATIONS

The relationship with our clients is one of our most important assets. To measure the satisfaction and loyalty of our clients, we use NPS, which gives insight into client loyalty and the number of promoters of the organisation. The score lies within a range of -100 to 100 points, the higher the better. The formula is as follows: $NPS = \% \text{ promoters} - \% \text{ detractors}$. Promoters give the organisation a score of 9 or 10, whereas detractors award a score of between 0 and 6. The NPS that we measure is also known as Relationship NPS. Relationship NPS differs from Transactional NPS, which is also commonly used. Transactional NPS measures client satisfaction after a single transaction and tends to lead to a higher score than Relationship NPS. We measure Relationship NPS four times a year for Private Banking and once a year for Evi.

In the first half of 2019, our Private Banking clients awarded us an NPS of 21, well above our target of 10. Compared with 2018, clients are experiencing more and better personal contact, better (investment) advice and more expertise. Our NPS of -20 for Evi in 2018 was below our target of 10, impacted by disappointing absolute results on clients' investment portfolios. For Asset Management, we measure NPS once every two years, as the relationship with and the solutions provided to institutional clients do not change as quickly as can be the case with private clients. The NPS of 44 awarded by clients of Asset Management in 2017 was above our target of 20. This year we will conduct a survey to measure the 2019 NPS score for Asset Management.

RESPONSIBILITY AND SUSTAINABILITY

We can achieve the most significant economic, environmental and social impact by investing the wealth of our clients in a responsible and sustainable manner. Private Banking assets under management (AuM) invested in sustainable and impact investment rose to €1,564 million in H1 2019, from €1,318 million in 2018. In H1 2019, we undertook 81 engagements for change and awareness, which means we are on track to reach our annual target of 80-100 cases. In 2018, we also started rating external fund managers on ESG criteria. In H1 2019, we were able to rate 76 fund managers, an increase of 52% compared with year-end 2018.

EMPLOYEES

As a wealth manager, Van Lanschot Kempfen is dependent on hiring and retaining knowledgeable, experienced and professional staff. That means we are highly motivated to create an attractive work environment for our workforce and to invest in our people. In 2019, an employee engagement survey was conducted that showed an employee engagement score of 82%. This survey did not measure an official eNPS. Instead, there was a question on recommending Van Lanschot Kempfen as a good place to work, with a norm of > 80%, on which we scored 83%. In H1 2019, the percentage of female employees in management positions increased to 22%. Internally we have developed and are monitoring KPIs that reflect our ambition of encouraging aspects of diversity within our organisation that go beyond gender alone (including background, for example).

MISSION: PRESERVATION AND CREATION OF WEALTH

As our mission is to preserve and create wealth for our clients, our wealth management solutions should deliver positive performance in the long term, and our investment strategies should perform well against their benchmarks. In H1 2019, the three-year performances of Private Banking and Evi discretionary management mandates relative to their benchmarks stood at -0.1% and -0.5% respectively. At Asset Management the average Morningstar rating of our investment strategies is 3.8, above our target of 3.5.

KEY DATA

€ m	H1 2019	H2 2018	H1 2018		
Statement of income					
Net result	83.6	41.0		39.3	
Underlying net result	92.5	55.8	66%	47.2	96%
Efficiency ratio excluding one-off charges (%) ³	75.5	77.6		81.1	
€ bn	30/06/2019	31/12/2018		30/06/2018	
Client assets					
- Assets under management	82.6	67.0	23%	69.1	20%
- Assets under monitoring & guidance	3.3	3.4	-2%	3.4	-2%
- Assets under administration	1.8	1.7	5%	1.9	-6%
- Savings and deposits	9.6	9.1	5%	9.3	3%
€ m	30/06/2019	31/12/2018		30/06/2018	
Statement of financial position and capital management					
Equity attributable to shareholders	1,275	1,256	2%	1,284	-1%
Equity attributable to AT1 capital securities	102	-		-	
Equity attributable to other non-controlling interests	4	12	-70%	11	-67%
Savings and deposits	9,582	9,091	5%	9,281	3%
Loans and advances to clients	8,783	8,561	3%	8,958	-2%
Total assets	14,537	13,980	4%	14,512	0%
Funding ratio (%)	109.1	106.2		103.6	
Risk-weighted assets	4,454	4,580	-3%	4,798	-7%
Common Equity Tier 1 ratio (fully loaded) (%) ⁴	22.7	21.4		21.4	
Tier 1 ratio (fully loaded) (%) ⁴	23.9	21.4		21.4	
Total capital ratio (fully loaded) (%) ⁴	25.8	23.5		23.3	
	H1 2019	H2 2018		H1 2018	
Other key data					
Weighted average of outstanding ordinary shares (x 1,000)	41,037			41,002	
Underlying earnings per share (€)	2.21	1.29	71%	1.08	
Return on average Common Equity Tier 1 (%) ⁵	12.9	10.5		8.7	
Number of staff (FTEs at period end)	1,594	1,621	-2%	1,640	-3%

³ Operating expenses (and thus the efficiency ratio) exclude costs incurred for our strategic investment programme, the amortisation of intangible assets arising from acquisitions and restructuring charges.

⁴ Full-year 2018 including retained earnings; half-year 2018 and half-year 2019 excluding retained earnings.

⁵ Based on the (annualised) underlying net result attributable to shareholders. Book profits on VLC & Partners and AIO II have not been annualised.

RESULTS

€ m	H1 2019	H2 2018		H1 2018	
Commission	142.2	143.3	-1%	149.9	-5%
- Of which securities commissions	116.5	117.6	-1%	120.9	-4%
- Of which other commissions	25.7	25.7	0%	29.0	-11%
Interest	84.7	85.6	-1%	90.0	-6%
Income from securities and associates	33.4	14.5		16.6	
Result on financial transactions	-8.1	-2.5		1.7	
Income from operating activities	252.1	241.0	5%	258.2	-2%
Staff costs	118.4	119.1	-1%	125.2	-5%
Other administrative expenses	63.0	66.3	-5%	80.6	-22%
- Of which regulatory levies and charges	8.8	2.5		8.0	9%
Depreciation and amortisation	9.0	1.7		3.5	
Operating expenses	190.4	187.1	2%	209.3	-9%
Gross result	61.7	53.9	15%	48.9	26%
Addition to loan loss provision	-7.5	-9.2	-19%	-3.5	
Other impairments	0.1	0.1	-57%	-1.1	
Impairments	-7.5	-9.1	-18%	-4.6	62%
Operating profit before tax of non-strategic investments	37.0	9.0		8.8	
Operating profit before special items and tax	106.2	72.0	48%	62.3	70%
Strategic investment programme	9.4	11.5	-18%	10.5	-10%
Amortisation of intangible assets arising from acquisitions	3.1	4.0	-22%	4.2	-27%
Restructuring charges	2.5	8.3	-70%	-	
Operating profit before tax	91.2	48.2	89%	47.6	92%
Income tax	7.7	7.2	6%	8.3	-7%
Net result	83.6	41.0		39.3	
Underlying net result	92.5	55.8	66%	47.2	96%

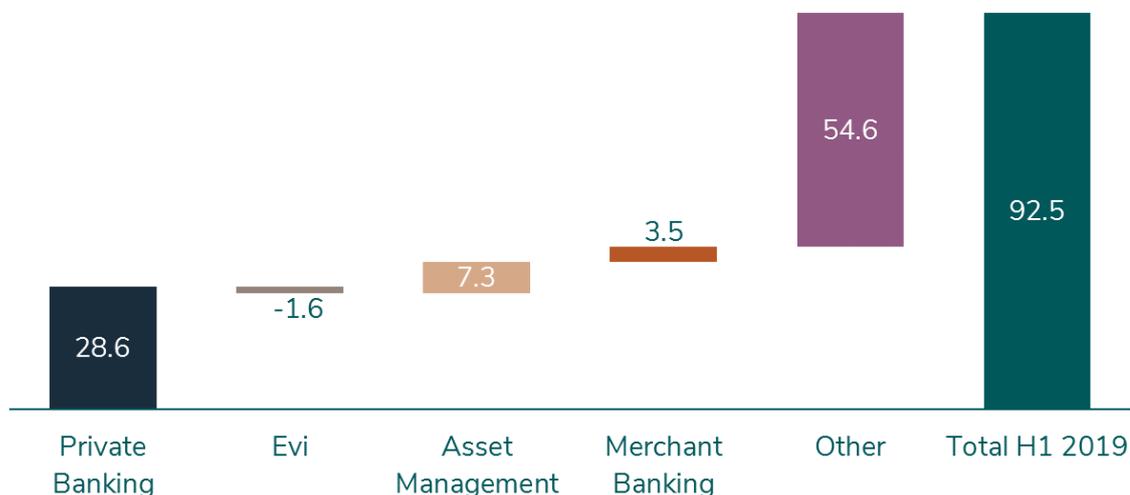
UNDERLYING NET RESULT

€ m	H1 2019	H2 2018		H1 2018	
Net result	83.6	41.0		39.3	
Strategic investment programme	9.4	11.5	-18%	10.5	-10%
Restructuring charges	2.5	8.3	-70%	-	
Tax effects	-3.0	-4.9	-40%	-2.6	13%
Underlying net result	92.5	55.8	66%	47.2	96%

All operating activities made a positive contribution to the underlying net result, with the exception of Evi. The underlying net result for H1 2019 is the net result adjusted for costs associated with the strategic investment programme and restructuring charges (respectively €9.4 million and €2.5 million gross).

Underlying net result by segment

€ m



As of 2019, we have integrated our remaining corporate banking activities into our Private Banking segment. The underlying net result of the Other segment includes the book profits of AIO II (€36.0 million) and VLC & Partners (€16.1 million).

H1 2019 (€ m)	Private Banking	Evi	Asset Mgt	Merchant Banking	Other	Total
Commission	62.9	2.5	48.4	27.4	1.0	142.2
Interest	77.0	1.4	0.0	-0.1	6.3	84.7
Other income	0.6	0.0	0.1	-1.3	25.9	25.2
Income from operating activities	140.5	3.9	48.5	26.0	33.2	252.1
Staff costs	46.2	1.9	24.0	12.7	33.6	118.4
Other administrative expenses	25.6	3.1	7.6	3.4	23.2	63.0
Indirect costs	34.9	1.1	6.6	5.1	-47.7	0.0
Depreciation and amortisation	0.4	0.0	0.1	0.0	8.5	9.0
Operating expenses	107.2	6.1	38.3	21.3	17.6	190.4
Gross result	33.3	-2.2	10.2	4.8	15.6	61.7
Impairments	-7.4	-	-	-	-0.1	-7.5
Operating profit before tax of non-strategic investments	-	-	-	-	37.0	37.0
Operating profit before one-off charges and tax	40.7	-2.2	10.2	4.8	52.7	106.2
Strategic investment programme	9.4	-	-	-	-	9.4
Amortisation of intangible assets arising from acquisitions	2.3	-	0.4	-	0.4	3.1
Restructuring charges	2.4	-	-	-	0.0	2.5
Operating profit before tax	26.6	-2.2	9.8	4.8	52.3	91.2
Income tax	6.8	-0.6	2.5	1.3	-2.3	7.7
Net result	19.8	-1.6	7.3	3.5	54.6	83.6
Underlying net result	28.6	-1.6	7.3	3.5	54.6	92.5

H1 2018 (€ m)	Private Banking	Evi	Asset Mgt	Merchant Banking	Other	Total
Commission	65.5	2.1	50.4	30.9	0.9	149.9
Interest	82.0	1.3	0.0	0.0	6.7	90.0
Other income	0.5	0.0	0.2	2.5	15.2	18.3
Income from operating activities	148.0	3.4	50.6	33.4	22.8	258.2
Staff costs	50.6	2.1	22.2	13.6	36.7	125.2
Other administrative expenses	25.5	5.5	12.2	4.1	33.2	80.6
Indirect costs	35.7	1.4	6.4	4.9	-48.5	0.0
Depreciation and amortisation	0.5	0.0	0.1	0.0	2.8	3.5
Operating expenses	112.4	9.1	40.9	22.7	24.2	209.3
Gross result	35.6	-5.7	9.7	10.7	-1.4	48.9
Impairments	-2.7	-	-	0.0	-1.8	-4.6
Operating profit before tax of non-strategic investments	-	-	-	-	8.8	8.8
Operating profit before one-off charges and tax	38.3	-5.7	9.7	10.7	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	25.3	-5.7	9.2	10.7	8.0	47.6
Income tax	6.3	-1.5	2.3	2.8	-1.6	8.3
Net result	19.0	-4.2	6.9	8.0	9.6	39.3
Underlying net result	26.9	-4.2	6.9	8.0	9.6	47.2

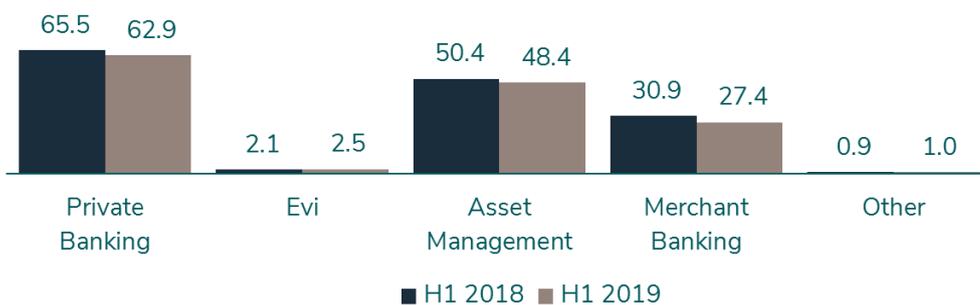
COMMISSION

€ m	H1 2019	H2 2018		H1 2018	
Securities commissions	116.5	117.6	-1%	120.9	-4%
- Management fees	105.2	107.0	-2%	108.2	-3%
- Transaction fees	11.3	10.6	6%	12.8	-11%
Other commissions	25.7	25.7	0%	29.0	-11%
Commission	142.2	143.3	-1%	149.9	-5%

Commission income accounted for 56% of our total operating income. Total commission fell 5% compared with H1 2018 to €142.2 million in H1 2019, and this was visible in all commission items. The decrease in management fees was mainly due to a lower average volume of AuM and a change in the AuM composition at Asset Management. Other commissions were down by 11%, mainly due to lower commissions at Merchant Banking.

Commission income by segment

€ m



AuM margin – Private Banking

bps


AuM margin – Asset Management

bps



Private Banking's total commission income fell by €2.6 million compared with H1 2018. As of 1 October 2018, we increased our non-discretionary management fees. However, this increase was offset by a slightly lower average AuM volume. Private Banking's margins on AuM are fairly stable, with relatively high margins in 2017, thanks to high transaction commission. Commission income on payments went down mainly as a result of the further run-off of our corporate banking activities.

Asset Management's H1 2019 commissions were down by €2.0 million compared with H1 2018. The fall in management fees was the result of a lower average volume of AuM at investment strategies, partly offset by increased commissions from new fiduciary mandates. Average margins fell from 22 basis points in 2018 to 19 basis points in H1 2019, due to a change in the AuM composition, as inflow was mainly realised in fiduciary management (€9.1 billion).

Merchant Banking performed well in the first half of 2019, but commission income declined by €3.5 million (H1 2019: €27.4 million; H1 2018: €30.9 million), reflecting the fairly high level of commission income in H1 2018. The first half of 2019 has seen a slight decrease in all types of commissions, despite several successful ECM and corporate finance transactions such as that for Round Hill Capital.

INTEREST

€ m	H1 2019	H2 2018		H1 2018	
Gross interest margin	91.5	93.3	-2%	93.6	-2%
Interest income and charges on hedge derivatives	-0.9	-2.6	65%	-3.4	73%
Interest equalisation	-7.4	-8.1	8%	-5.7	-30%
Clean interest margin	83.2	82.6	1%	84.4	-2%
Miscellaneous interest income and charges	0.5	2.0	-74%	3.9	-87%
Loan commission	1.0	1.0	-2%	1.6	-37%
Interest	84.7	85.6	-1%	90.0	-6%

The current interest rate climate continues to put pressure on our interest income. Our H1 2019 interest income of €84.7 million was 6% down on the €90.0 million recorded in H1 2018, mostly due to margin pressures and the run-off of corporate banking loans. The corporate banking loan portfolio contracted by €0.1 billion to €0.4 billion. Compared with H2 2018, however, interest income was only marginally lower (-1%). This was partly due to the growth of the mortgage portfolio and relatively stable margins on mortgages.

The interest margin⁶ fell in comparison with H1 2018 by six basis points to an average of 118 basis points (H2 2018: 121 basis points). The "clean" interest margin declined by three basis points compared with its level at the end of H1 2018, to 115 basis points, equal to year-end 2018.

⁶ The interest margin is calculated on the basis of a 12-month moving average.

The balance of interest income and charges on hedge derivatives improved from a negative €3.4 million in H1 2018 to a negative €0.9 million. As of Q4 2018, some previously discontinued interest rate hedges are fully amortised. Miscellaneous interest income and charges went down from €3.9 million to €0.5 million. This was the result of reduced compensation for prepayments in H1 2019. Implementation of IFRS 16 Leases has impacted interest income in H1 2019, by –€0.4 million, as it requires almost all leases to be recognised on the balance sheet.

INCOME FROM SECURITIES AND ASSOCIATES

€ m	H1 2019	H2 2018	H1 2018
Dividend	4.1	1.5	1.6
Capital gains	16.1	14.2	1.2
Valuation gains and losses	13.2	-1.3	13.7
Income from securities and associates	33.4	14.5	16.6

Income from securities and associates relates to investments of our equity investment company Van Lanschot Participaties and investments in Bolster Investments Coöperatief UA. We occasionally also take positions in our own investment funds, for instance by providing seed capital or in order to be aligned with our clients' interests.

The H1 2019 capital gains of €16.1 million show an increase compared with H1 2018. They were related to the sale of our 49% stake in VLC & Partners and generated a book profit of €16.1 million. This book profit includes the expected value of the agreed earn-out. The total earn-out can be a maximum of €2.0 million at the end of the year.

Dividend income rose to €4.1 million, from €1.6 million in H1 2018. Valuation gains and losses remained stable relative to H1 2018, with positions in our own investment funds in positive territory.

Over the last decade, income from securities and associates has, on average, amounted to around €25 million a year.

RESULT ON FINANCIAL TRANSACTIONS

€ m	H1 2019	H2 2018	H1 2018
Result on securities trading	1.7	-0.4	-0.3
Result on currency trading	4.2	3.8	4.2
Result on investment portfolio	0.4	-0.3	2.3
Result on interest rate hedges	-7.3	-0.5	-2.1
Other income	-7.1	-5.1	-2.4
Result on financial transactions	-8.1	-2.5	1.7

In H1 2019, a couple of bonds from the hold-to-collect-and-sell portfolio were sold, with a positive result that is reflected in the result on securities trading. The result on currency trading was relatively stable compared with H1 2018. The €0.4 million profit on the investment portfolio breaks down into two separate parts: realised gains on the financial assets at fair value through other comprehensive income portfolio and results on the mark-to-market portfolio.

The result on interest rate hedges fell in comparison with H1 2018 by €5.2 million to a negative €7.3 million, mainly due to adverse results on futures – which hedge the positions in our own investment funds (the income from which is reported in income from securities and associates) – and on the hedge of our Kempen Dutch Inflation Fund. This is an alternative fund that invests in Dutch leasehold contracts, primarily in connection with residential real estate, to create an investment in long-term inflation-linked cash flows. Also, we have chosen to apply a more prudent valuation on one of the commercial contracts in this fund, resulting in a charge of €2.1 million in H1 2019.

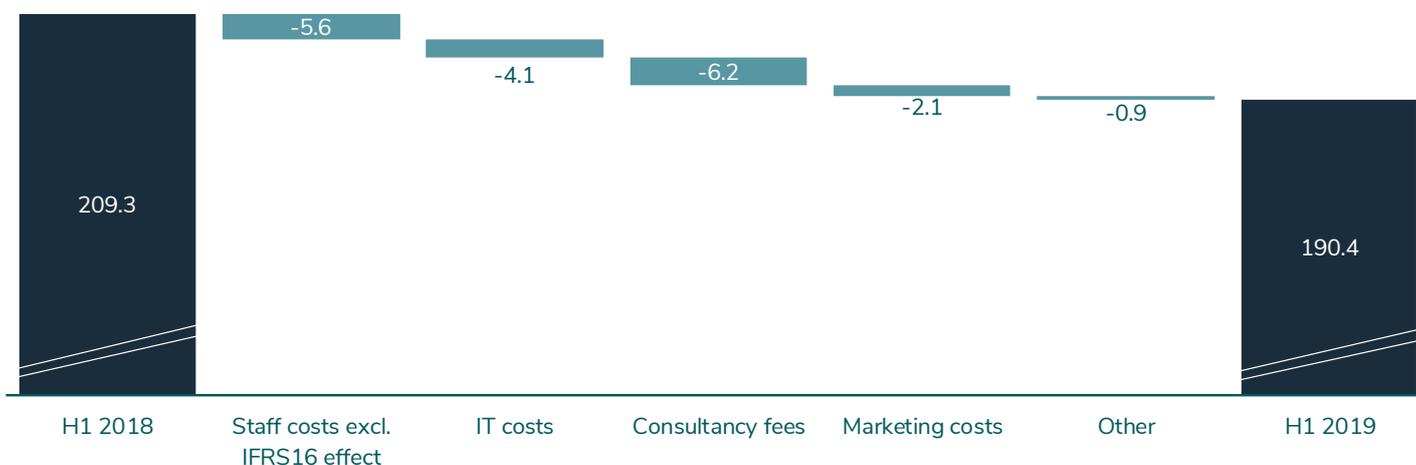
In H1 2019, our valuation model for structured products was found to contain an inaccuracy, with H1 2019 seeing a negative adjustment of €2.7 million, recognised under Other income. The interest charges on medium-term notes are also included in Other income.

OPERATING EXPENSES

Total operating expenses were down 9% to €190.4 million (H1 2018: €209.3 million), thanks to lower consultancy fees, IT change costs and staff costs. IT change expenses were relatively low in H1 2019, because our focus was primarily on the projects in the strategic investment programme. As communicated at our 2018 results presentation, Van Lanschot Kempen aims for a net cost level of around €390 million in 2019, taking into account possible investments and indexation. We are currently on track to deliver on this.

Operating expenses

€ m



€ m	H1 2019	H2 2018		H1 2018	
Staff costs	118.4	119.1	-1%	125.2	-5%
Other administrative expenses	63.0	66.3	-5%	80.6	-22%
- Of which regulatory levies and charges	8.8	2.5		8.0	
Depreciation and amortisation	9.0	1.7		3.5	
Operating expenses	190.4	187.1	2%	209.3	-9%

STAFF COSTS

At €118.4 million, staff costs were 5% down (H1 2018 €125.2 million). Lower training costs reflected the expense of a leadership programme in 2018, while variable remuneration and redundancy costs also decreased. Implementation of IFRS 16 Leases for car leases led to €1.3 million being shifted from staff costs to depreciation.

Staff reductions were offset by salary increases, partly as a result of indexation. At the end of H1 2019, we employed 1,594 full-time equivalent staff (FTEs), excluding employees at our non-strategic investments. This was 27 FTEs fewer than at year-end 2018 (1,621) and was largely the result of staff reductions in group functions and Private Banking.

OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses amounted to €63.0 million in H1 2019, 22% below the figure for H1 2018 (€80.6 million). Implementation of IFRS 16 Leases for rental property led to €4.7 million being shifted from other administrative expenses to depreciation.

The decrease was mainly related to lower consultancy fees, as well as lower IT costs – both IT change costs and IT running costs. IT change expenses, excluding our strategic investment programme, stems at €8.2 million (H1 2018 €11.1 million).

DEPRECIATION AND AMORTISATION

Depreciation and amortisation was up by €5.5 million, mainly as a result of the implementation of IFRS 16 Leases. Costs shifted to this item from staff costs (€1.3 million) and other administrative expenses (€4.4 million).

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 restructuring charges) to income from operating activities, improved to 75.5% in H1 2019 from 81.1% in H1 2018 (H2 2018: 77.6%). This was driven by a book profit from our stake in VLC & Partners. Excluding this book profit, the efficiency ratio would be 80.7%.

IMPAIRMENTS

€ m	H1 2019	H2 2018	H1 2018
Private Banking	-7.4	-11.0	-2.7
- Of which corporate banking impairments	-3.1	-7.4	-3.2
Other	-0.1	1.8	-0.8
Addition to loan loss provision	-7.5	-9.2	-3.5
Impairment on investments and participating interests	0.1	0.1	-1.1
Impairment on assets obtained through the seizure of collateral	-	-	-
Other impairments	0.1	0.1	-1.1
Impairments	-7.5	-9.1	-4.6

ADDITION TO LOAN LOSS PROVISION

A total of €7.5 million was released from loan loss provisions in H1 2019, with corporate banking loans – deriving from both the SME and real estate loan portfolios – accounting for €3.1 million of this. Private Banking loans accounted for a release of €4.3 million. As in 2018, the favourable economic climate contributed to the release from loan loss provisions and a few large files have developed positively.

In H1 2019, the release from loan loss provisions relative to average risk-weighted assets worked out at 33 basis points (annualised) (H1 2018: 14 basis points).

NON-STRATEGIC INVESTMENTS

We currently have majority stakes in two non-strategic financial investments, Holonite (Holowell BV) and Allshare. Our aim is to divest our shareholdings in these non-strategic investments over time. Our stake in AIO II was sold in the first quarter of this year for a book profit of €36.0 million. The operating profit (before tax) from non-strategic investments amounted to €37.0 million in H1 2019, up from €8.8 million in H1 2018 (of which €6.7 million related to AIO II). Excluding the book profit and operating result of AIO II, the non-strategic investments in H1 2019 amounted to €1.0 million as against €2.1 million in H1 2018.

SPECIAL ITEMS

We recognised €15.0 million in special items in H1 2019 compared with €14.7 million in H1 2018. The table below gives a breakdown.

€ m	H1 2019	H2 2018	H1 2018
Strategic investment programme	9.4	11.5	10.5
Amortisation of intangible assets arising from acquisitions	3.1	4.0	4.2
Restructuring charges	2.5	8.3	-
Special Items	15.0	23.8	14.7

STRATEGIC INVESTMENT PROGRAMME

As part of our strategy update, we launched our strategic investment programme in April 2016. Between mid-2016 and the end of 2019, we planned 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. In the period from 2016 to the end of H1 2019, total investments under the programme amounted to €60.1 million, charged directly to profit and loss. A total of €9.4 million was invested in H1 2019.

Good progress has been made on the development of our omni-channel service for our clients: we have continued to expand client functionality in the client portal and investments app, merged two investment apps into one, launched a significant upgrade of our log-in app and rolled out digital tooling to a wider audience within Private Banking. In addition, we have outsourced our payment services to Fidor. All clients have now been migrated to the new platform and can use the payments app.

The outsourcing of the mortgage administration to Stater also formed part of the strategic investment programme and was completed on schedule in September 2017. Our investment programme will be completed over the course of 2019, and we expect to spend an additional several million in H2 2019. As of 2020, IT investments are included in our regular operational cost base.

OTHER SPECIAL ITEMS

Amortisation of intangible assets arising from acquisitions came down by €1.1 million, as a proportion of this is now fully amortised.

In the course of 2018, management took several cost-saving measures. These measures led to a restructuring charge in 2018 and to an additional restructuring charge of €2.5 million in H1 2019 due to higher than expected redundancy charges.

INCOME TAX

Income tax for H1 2019 amounted to €7.7 million (H1 2018: €8.3 million), which translates into an effective tax rate of 8.4% compared with 17.4% in H1 2018. Our effective tax rate is lower than the general Dutch tax rate of 25% due to income covered by equity exemption rules. The main reason for the lower effective tax rate in H1 2019 was the tax-exempt gain on the sale of our stakes in VLC & Partners and AIO II.

EARNINGS PER SHARE

€ m	H1 2019	H2 2018	H1 2018
Net result	83.6	41.0	39.3
Share of non-controlling interests	-0.2	-2.8	-2.9
Share of holders AT1 capital securities	-1.7	-	-
Net result for calculation of earnings per ordinary share	81.7	38.2	36.4
Earnings per ordinary share (€)	1.99	0.93	0.89
Underlying net result for calculation of earnings per ordinary share	90.6	53.0	44.3
Underlying earnings per ordinary share (€)	2.21	1.29	1.08
Weighted number of outstanding ordinary shares (x 1,000)	41,037		41,002

Share of holders AT1 capital securities relates to the coupon of the €100 million additional Tier 1 bond we issued in March. The coupon on this bond is 6.75%. These securities count as Tier 1 qualifying capital when determining capital adequacy. Profit attributable to non-controlling interests of €0.2 million in 2019 largely relates to non-controlling interests in our non-strategic investments, while also including the management investment plan for selected staff at Kempfen & Co (Kempfen MIP). The decrease relative to H1 and H2 2018 is due to the sale of our 72% stake in AIO II.

CLIENT ASSETS

€ bn	30/06/2019	31/12/2018		30/06/2018	
Client assets	97.3	81.2	20%	83.7	16%
Assets under management	82.6	67.0	23%	69.1	20%
Assets under monitoring and guidance	3.3	3.4	-2%	3.4	-2%
Assets under administration	1.8	1.7	5%	1.9	-6%
Savings and deposits	9.6	9.1	5%	9.3	3%
Client assets	97.3	81.2	20%	83.7	16%
Private Banking	33.1	30.6	8%	32.2	3%
Evi	1.5	1.4	8%	1.5	1%
Asset Management	61.8	48.2	28%	48.8	26%
Other	0.9	0.9	-8%	1.1	-21%

€ bn	Private Banking	Evi	Asset Mgt	Other	Total
Client assets at 31/12/2018	30.6	1.4	48.2	0.9	81.2
Assets under management in/outflow	-0.1	-0.0	8.8	-	8.7
Market performance of assets under management	2.1	0.1	4.7	-	6.9
Change in assets under monitoring and guidance	-	-	-0.1	-	-0.1
Change in assets under administration	0.2	-	-	-0.1	0.1
Change in savings and deposits	0.4	0.0	0.1	-	0.5
Client assets at 30/06/2019	33.1	1.5	61.8	0.9	97.3

VAN LANSCHOT PRIVATE BANKING

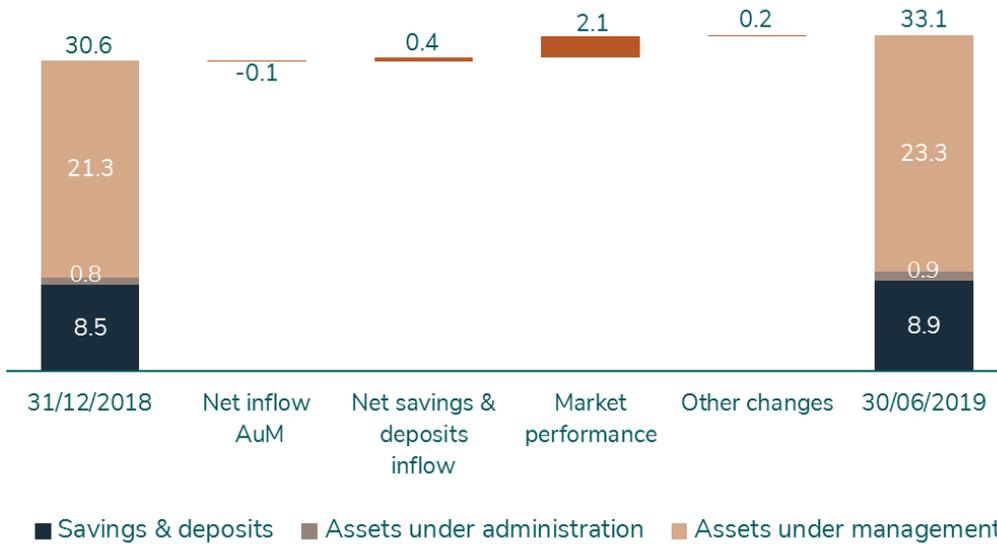
Client assets at Private Banking grew by €2.6 billion, mainly due to positive market performance and net inflow of savings and deposits. Our Private Banking clients showed some reluctance to invest in the wake of the adverse stock

market climate in the fourth quarter of 2018 and political and economic uncertainty throughout H1 2019, while a number of clients also took profits after the steep price rises of the previous few months. As a result, savings and deposits showed a net inflow of €0.4 billion and there was a net outflow of €0.1 billion in assets under management.

At the end of H1 2019, assets under discretionary management made up 55% of total AuM (year-end 2018: 56%). Total discretionary AuM stood at €12.8 billion (year-end 2018: €11.8 billion) and total non-discretionary AuM amounted to €10.5 billion (year-end 2018: €9.4 billion).

Client assets at Private Banking

€ bn



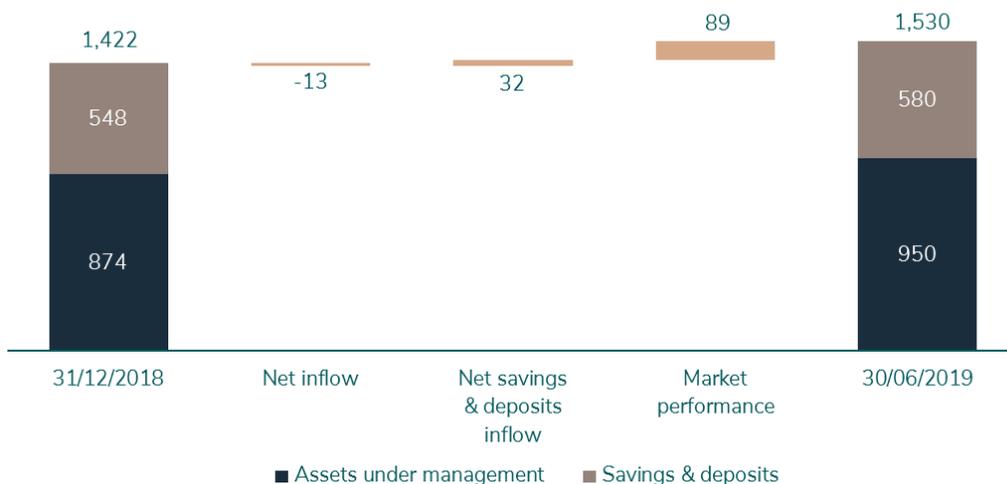
Assets under administration rose to €0.9 billion in H1 2019 (year-end 2018: €0.8 billion).

EVI VAN LANSCHOT

AuM grew by €0.1 to €1.0 billion in H1 2019, on the back of positive market performance. We are currently working on several initiatives to support the next phase of growth for Evi. Our focus will be on mass-affluent clients and we will be making use of financial planning knowledge and experience at Private Banking to further strengthen the proposition and increase efficiency.

Client assets at Evi

€ m

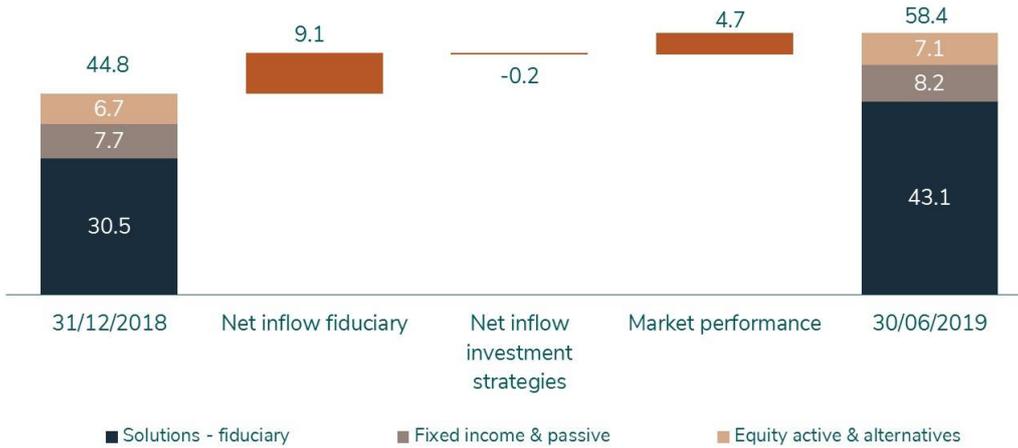


KEMPEN ASSET MANAGEMENT

AuM at Asset Management rose to €58.4 billion, with positive market performance of €4.7 billion. Fiduciary mandates showed a strong inflow, thanks to the €9.0 billion mandate for Stichting Pensioenfonds PostNL. We saw an outflow from investment strategies, mostly as a result of the decision to centralise the small-cap strategies in Amsterdam. In 2019, the newly launched European Private Equity Fund and Global Listed Infrastructure Fund showed promising growth. Total client assets at Asset Management stood at €61.8 billion (H1 2018: €48.2 billion).

AuM Asset Management

€ bn



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 €11.0 billion at the end of H1 2019 (this amount is not included in Asset Management's total AuM of €58.4 billion).

STATEMENT OF FINANCIAL POSITION

€ m	30/06/2019	31/12/2018		30/06/2018	
Statement of financial position and capital management					
Equity attributable to shareholders	1,275	1,256	2%	1,284	-1%
Equity attributable to AT1 capital securities	102	-		-	
Equity attributable to other non-controlling interests	4	12	-70%	11	-67%
Savings & deposits	9,582	9,091	5%	9,281	3%
Loans and advances to clients	8,783	8,561	3%	8,958	-2%
Total assets	14,537	13,980	4%	14,512	0%
Funding ratio (%)	109.1	106.2		103.6	
Return on assets (%) ⁷	0.91	0.74	73%	0.65	96%

LOAN PORTFOLIO

€ m	30/06/2019	31/12/2018		30/06/2018	
Mortgages	5,916	5,756	3%	5,776	2%
Other loans	1,992	1,793	11%	2,015	-1%
Private Banking loans	7,908	7,550	5%	7,791	1%
Loans to SMEs	160	251	-36%	345	-53%
Real estate financing	238	271	-12%	341	-30%
Corporate Banking loans	399	523	-24%	686	-42%
Mortgages distributed by third parties	578	602	-4%	610	-5%
Total	8,885	8,674	2%	9,086	-2%
Impairments	-101	-114	-11%	-128	-21%
Total	8,783	8,561	3%	8,958	-2%

Our loan portfolio grew by 3% to €8.8 billion in H1 2019, driven by an increase in private banking loans. The run-off of corporate banking loans resulted in a decrease of €0.1 billion in this portfolio.

VAN LANSCHOT PRIVATE BANKING LOANS

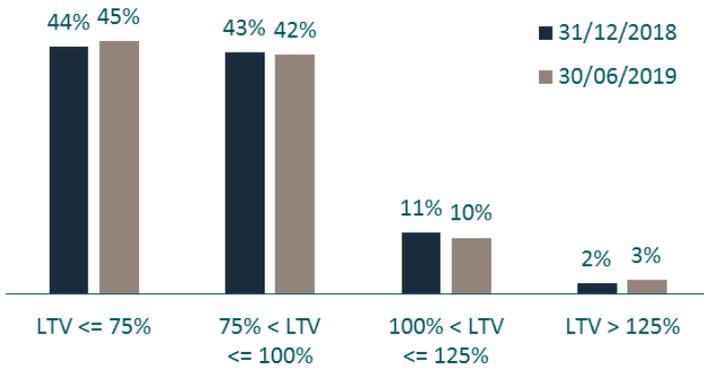
The Private Banking loan portfolio breaks down into mortgages and other loans. Private Banking mortgages increased to €5.9 billion. 67% of our loan portfolio consists of these Private Banking mortgages, primarily to high net-worth individuals. Part of the mortgages item comprises a value adjustment fair value hedge accounting, which increased by €88 million.

The weighted average loan-to-value (LTV) ratio improved further to 73% (year-end 2018: 76%), on the back of prepayments and rising house prices.

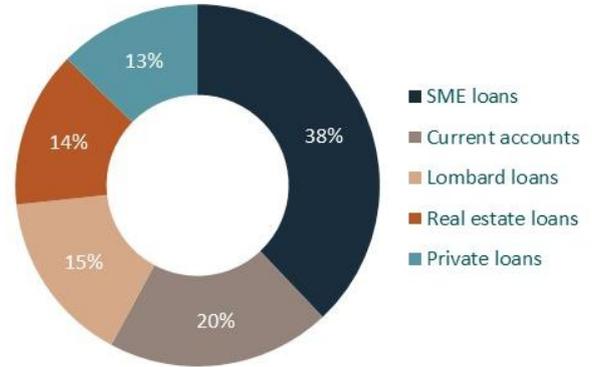
Other Private Banking loans comprise loans to high net-worth individuals as well as business loans that fit into the Private Banking relationship model. These other loans increased to €2.0 billion (year-end 2018: €1.8 billion), mainly driven by an increase in Lombard loans and temporary receivables in respect of securities transactions.

⁷ Based on the (annualised) underlying net result. Book profits on VLC & Partners and AIO II have not been annualised.

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



Private Banking loans: other loans
 % type of loan

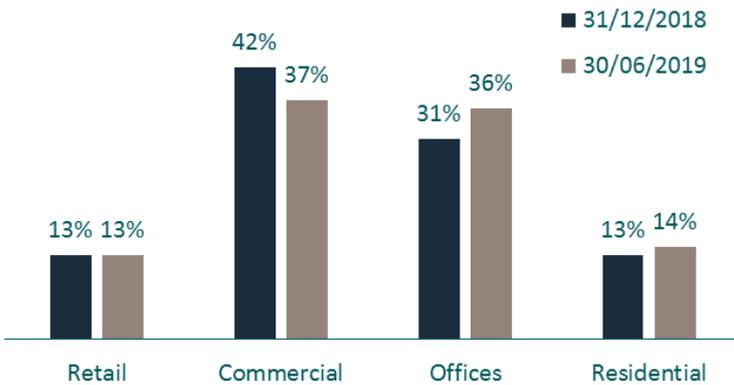


VAN LANSCHOT CORPORATE BANKING LOANS

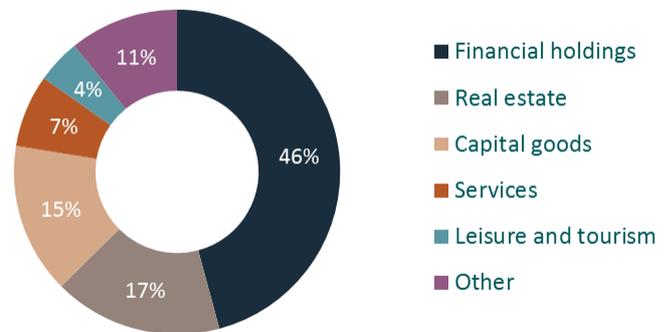
At the end of H1 2019, the commercial real estate loan portfolio and SME loans totalled €0.4 billion (year-end 2018: €0.5 billion). Risk-weighted assets came down by €0.1 billion and worked out at €0.4 billion.

SME corporate banking loans account for 3% of our total loan portfolio, which is well diversified across sectors. The real estate loan portfolio amounts to €0.2 billion and is well diversified in terms of collateral. 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 loans: real estate financing
 % type of collateral



Corporate banking loans: SME loans
 % type of counterparty



MORTGAGES DISTRIBUTED BY THIRD PARTIES

The portfolio of mortgages distributed by third parties consists of regular Dutch mortgages and is intended 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 a volume of €0.6 billion.

PROVISIONS

We take provisions for the impaired loans in our loan book. Impaired loans totalled €299 million at the end of H1 2019. The Stage 3 provisions for these loans amounted to €89 million, working out at a coverage ratio of 30%.

The total impaired ratio decreased from 3.8% to 3.4% at the end of H1 2019 and the total coverage ratio was stable at 30%. The proportion of impaired Private Banking loans remained stable at 2.3%. The coverage ratio for mortgages

decreased to 10%, driven by rising house prices. The coverage ratio for other Private Banking loans rose to 63% (year-end 2018: 62%). The impaired ratio for corporate banking loans fell to 29.3% (year-end 2018: 29.8%). The coverage ratio of corporate banking loans fell to 10% (year-end 2018: 15%). The relatively low coverage ratio is explained by the sufficiently high quality of the collateral pledged to secure these loans.

30/06/2019 € m	Loan portfolio	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,916	69	7	1.2%	10%
Other loans	1,992	112	70	5.6%	63%
Private Banking loans	7,908	181	77	2.3%	43%
Loans to SMEs	160	90	9	55.9%	11%
Real estate financing	238	27	2	11.4%	8%
Corporate banking loans	399	117	12	29.3%	10%
Mortgages distributed by third parties	578	1	0	0.1%	0%
Total	8,885	299	89	3.4%	30%
Provision	-101				
Total	8,783		89		
ECL stage 1 and 2 (IFRS 9)			13		
Total ECL (IFRS9)			101		

31/12/2018 € m	Loan portfolio	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,756	63	8	1.1%	12%
Other loans	1,793	112	69	6.2%	62%
Private Banking	7,550	175	77	2.3%	44%
Loans to SMEs	251	125	22	49.9%	17%
Real estate financing	271	31	2	11.3%	8%
Corporate Banking	523	156	24	29.8%	15%
Mortgages distributed by third parties	602	0	0	0.0%	3%
Total	8,674	331	101	3.8%	30%
Provision	-114				
Total	8,561		101		
ECL stage 1 and 2 (IFRS 9)			13		
Total ECL (IFRS9)			114		

CAPITAL AND LIQUIDITY MANAGEMENT

Our fully loaded Common Equity Tier 1 ratio (CET 1 ratio) recorded a strong increase to 22.7% from 21.4% in H1 2019. The robust capital position enables us to propose a capital return to shareholders of €1.50 per share. If approved, over €60 million will be paid to shareholders. This will take the total payment to shareholders – in the shape of both dividends and capital returns – to over €330 million since 2016. After the return of capital, the CET 1 ratio will still be well ahead of our capital objective of 15–17%. In the future, we will continue to optimise our capital base, while leaving room for potential acquisitions. If possible, we will also consider paying out excess capital to shareholders, subject to approval by the regulator.

€ m	30/06/2019	31/12/2018		30/06/2018	
Risk-weighted assets	4,454	4,580	-3%	4,798	-7%
Common Equity Tier 1 ratio, fully loaded (%)	22.7	21.4		21.4	
Common Equity Tier 1 ratio, phase-in (%)	22.7	21.4		21.4	
Tier 1 ratio, fully loaded (%)	23.9	21.4		21.4	
Tier 1 ratio, phase-in (%)	23.9	21.4		21.4	
Total capital ratio, fully loaded (%)	25.8	23.5		23.3	
Total capital ratio, phase-in (%)	25.8	23.6		23.4	
Leverage ratio, fully loaded (%)	7.4	6.9		7.2	
Leverage ratio, phase-in (%)	7.4	6.9		7.2	

CAPITAL MANAGEMENT

Our CET 1 fully loaded ratio improved again in H1 2019, to 22.7%. Because of the sale of our stake in AIO II, goodwill will no longer be deducted from CET 1 capital (a change that impacts the CET 1 ratio by 45 basis points). Risk-weighted assets declined by 3% to €4.5 billion in H1 2019 (year-end 2018: €4.6 billion) as a result of changes in market risk and the run-off of corporate banking loans. The changes in market risk stem from improved netting of hedges related to structured products. The implementation of IFRS 16 led to a slight increase in risk-weighted assets.

The total capital ratio strengthened to 25.8% (year-end 2018: 23.5%), mainly due to our successful placement of a €100 million additional Tier 1 security in March.

CET 1 ratio (fully loaded)

%



€ 1,000	30/06/2019	31/12/2018	30/06/2018
Risk-weighted assets	4,454,224	4,580,083	4,797,574
Common Equity Tier 1, fully loaded	1,011,134	982,058	1,028,446
Common Equity Tier 1, phase-in	1,011,134	982,058	1,028,446
Tier 1, fully loaded	1,065,252	982,058	1,028,446
Tier 1, phase-in	1,065,252	982,058	1,028,446
Total capital, fully loaded	1,147,056	1,075,123	1,120,226
Total capital, phase-in	1,149,691	1,078,984	1,124,980

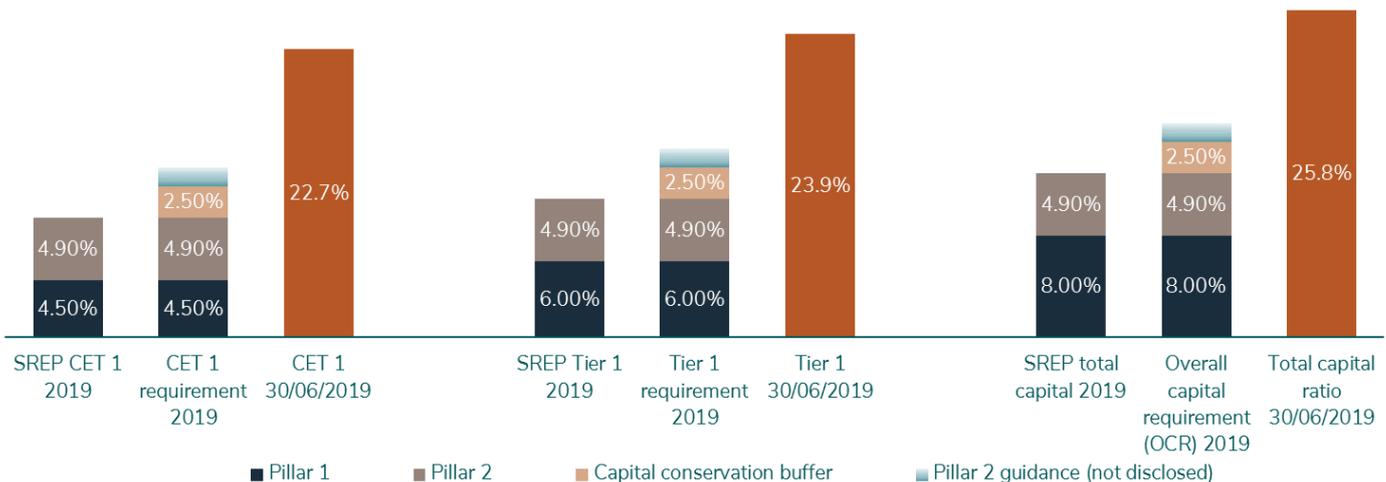
SREP REQUIREMENT

Following the annual supervisory review evaluation process (SREP), the Dutch Central Bank (De Nederlandsche Bank – DNB) informed us of the capital requirements we will have to meet as from June 2019. The minimum capital requirements comprise a CET 1 ratio of 9.4%, a Tier 1 ratio of 10.9% and a total capital ratio of 12.9%. SREP requirements cover both Pillar 1 and Pillar 2 risks.

In addition to the 9.4% CET 1 requirement, we have to comply with the combined buffer requirements, which must be met by CET 1 capital. The buffer consists of several elements. In 2019, the capital conservation buffer has reached its fully phased-in level of 2.5%. The countercyclical buffer for the Netherlands is currently set at 0%. As the systemic risk buffer does not apply to us, the total CET 1 requirement for 2019 adds up to 11.9% and the total capital ratio to 15.4%. This requirement excludes “Pillar 2 guidance” (P2G). Institutions are expected to comply with P2G by holding CET 1 capital, but P2G is not binding and does not automatically restrict dividend distributions in the event of a breach.

With a CET 1 ratio of 22.7% and a total capital ratio of 25.8% at the end of H1 2019, we comfortably meet all capital requirements, including P2G.

SREP requirement for 2019



IFRS 16

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and will result in almost all leases being recognised on the balance sheet. The ultimate impact of applying IFRS 16 as of 1 January 2019 is lower than expected: a decrease of 0.1 percentage points on our CET 1 ratio.

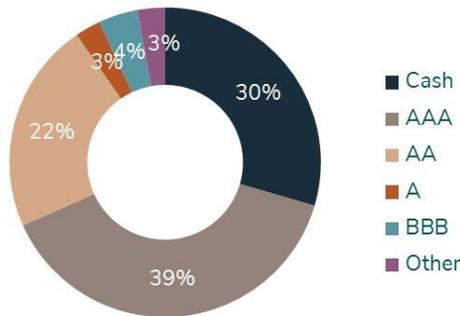
INVESTMENT PORTFOLIO AND CASH

The total investment portfolio and cash⁸ amounted to €4.4 billion at the end of H1 2019 (year-end 2018: €3.9 billion). Relative to its end-2018 level, cash held with central banks stayed stable at €1.3 billion. Financial assets at fair value through other comprehensive income increased by €0.4 million to €1.8 million.

The investment portfolio is primarily held for asset and liability management purposes, and mainly comprises low-risk and highly liquid instruments.

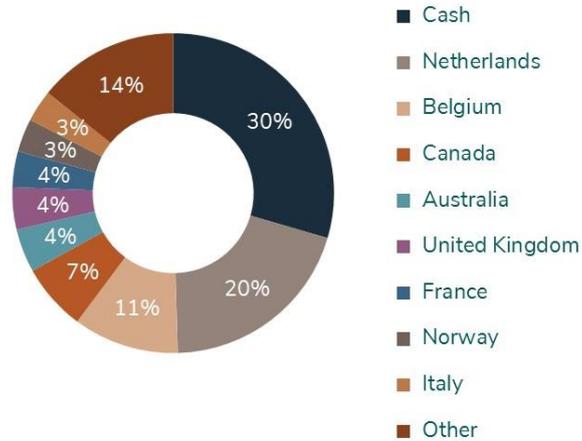
**Investment portfolio and cash
 by rating at 30/06/2019**

100% = €4.4bn



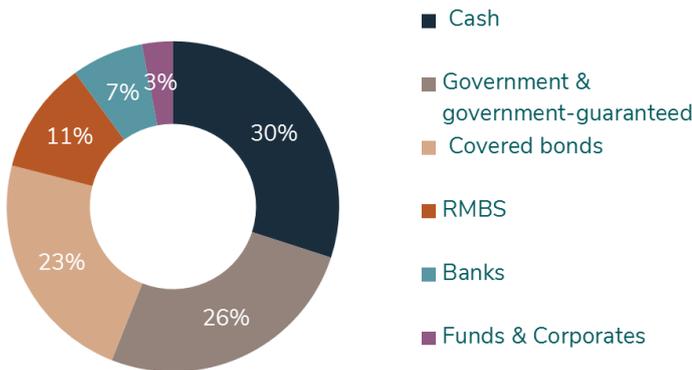
**Investment portfolio and cash
 by country at 30/06/2019**

100% = €4.4bn



**Investment portfolio and cash
 by counterparty at 30/06/2019**

100% = €4.4bn



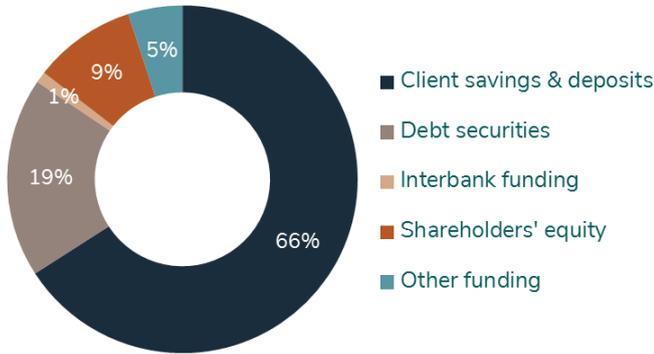
⁸ Investment portfolio and cash comprises the balance of financial assets at fair value through other comprehensive income, other financial assets at amortised cost, financial assets designated at fair value through profit or loss, cash withdrawable on demand from central banks, and highly liquid (cash) investments.

FUNDING

We aim to retain access to both retail and wholesale markets through diversified funding. At the end of H1 2019, our funding ratio had increased by 2.9 percentage points to 109.1% (year-end 2018: 106.2%).

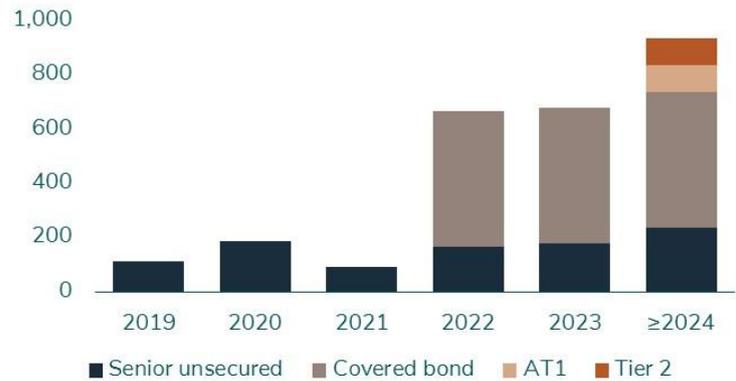
Funding mix at 30/06/2019

100% = €14.5bn



Redemption profile⁹

€ m



RATIOS

At the end of H1 2019, our liquidity ratios based on Basel III rules as currently known were as follows:

	30/06/2019	Requirement	31/12/2018	30/06/2018
Liquidity coverage ratio (%)	155.5	> 100	140.6	152.8
Net stable funding ratio (%)	131.3	> 100	129.8	126.0

EVENT AFTER THE REPORTING PERIOD

In July 2019, we agreed to sell our minority stake in Marfo Food Group. This transaction is expected to generate a capital gain of around €6 million.

⁹ Breakdown by years is based on the first call dates of the instruments.

RECONCILIATION OF IFRS AND MANAGEMENT REPORTING

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

	IFRS	Non-strategic investments	Investment programme	Amortisation of intangible assets arising from acquisitions	One-off reorganisation costs	Managerial
<i>H1 2019 € m</i>						
Commission	142.2	-	-	-	-	142.2
Interest	84.5	0.2	-	-	-	84.7
Income from securities and associates	69.4	-36.0	-	-	-	33.4
Result on financial transactions	-8.1	-	-	-	-	-8.1
Other income	4.6	-4.6	-	-	-	-
Income from operating activities	292.5	-40.4	-	-	-	252.1
Staff costs	126.3	-4.0	-1.4	-	-2.5	118.4
Other administrative expenses	69.7	1.3	-8.0	-	-	63.0
Depreciation and amortisation	12.7	-0.6	-	-3.1	-	9.0
Operating expenses	208.7	-3.3	-9.4	-3.1	-2.5	190.4
Gross result	83.8	-37.0	9.4	3.1	2.5	61.7
Impairments	-7.5	-	-	-	-	-7.5
Operating profit before tax of non-strategic investments	-	37.0	-	-	-	37.0
Operating profit before special items and tax	91.2	-	9.4	3.1	2.5	106.2
Strategic investment programme	-	-	9.4	-	-	9.4
Amortisation of intangible assets arising from acquisitions	-	-	-	3.1	-	3.1
Restructuring charges	-	-	-	-	2.5	2.5
Operating profit before tax	91.2	-	-	-	-	91.2
Income tax	7.7	-	-	-	-	7.7
Discontinued activities	-	-	-	-	-	-
Net profit	83.6	-	-	-	-	83.6

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.

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 Kempfen'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 which by their very nature fall outside the control of Van Lanschot Kempfen and its management.

Actual results, performances and circumstances may differ considerably from these forward-looking statements as a result of risks, developments and uncertainties relating to, but not limited to, (a) estimates of income growth, (b) costs, (c) the macroeconomic and business climate, (d) political and market trends, (e) interest rates and currency exchange rates, (f) behaviour of clients, competitors, investors and counterparties, (g) the implementation of Van Lanschot Kempfen's strategy, (h) actions taken by supervisory and regulatory authorities and private entities, (i) changes in law and taxation, (j) changes in ownership that could affect the future availability of capital, and (k) changes in credit ratings.

Van Lanschot Kempfen 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, whether as a result of new information or for any other reason.

Van Lanschot Kempfen's semi-annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2018 Van Lanschot Kempfen consolidated annual accounts.

The financial data in this document have not been audited, unless specifically stated otherwise.

Small differences in tables may be the result of rounding.

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

Consolidated statement of financial position

At 30 June 2019

(x €1,000)

		30/06/2019	31/12/2018
Assets			
Cash and cash equivalents and balances at central banks	1	1,409,084	1,406,864
Financial assets from trading activities		68,779	62,468
Due from banks		308,595	539,180
Derivatives	2	374,233	332,719
Financial assets at fair value through profit or loss	3	294,450	218,583
Financial assets at fair value through other comprehensive income	4	2,225,486	1,803,584
Loans and advances to the public and private sectors	5	8,783,363	8,561,497
Other financial assets at amortised cost	6	549,466	554,209
Investments in associates using the equity method		57,404	54,071
Property and equipment	7	107,659	48,238
Goodwill and other intangible assets	8	179,665	183,083
Tax assets	24	27,291	25,941
Assets classified as held for sale		-	68,058
Other assets		151,261	121,513
Total assets		14,536,735	13,980,007
Equity and liabilities			
Financial liabilities from trading activities		2,060	333
Due to banks	9	150,489	334,902
Public and private sector liabilities	10	9,582,398	9,090,939
Derivatives	2	501,649	469,316
Financial liabilities at fair value through profit or loss	11	972,621	940,361
Issued debt securities	12	1,556,386	1,521,504
Provisions	13	22,557	28,965
Tax liabilities	24	3,854	5,764
Liabilities classified as held for sale		-	20,871
Other liabilities		190,794	125,383
Subordinated loans	14	173,478	173,473
Total liabilities		13,156,285	12,711,812
Issued share capital		41,362	41,362
Treasury shares		-10,751	-8,678
Share premium reserve		385,115	385,115
Other reserves	15	777,699	763,553
Undistributed profit attributable to shareholders		81,666	74,631
Equity attributable to shareholders		1,275,091	1,255,982
AT1 capital securities		100,000	-
Undistributed profit attributable to holders of AT1 capital securities		1,688	-
Equity attributable to AT1 capital securities¹		101,688	-
Other non-controlling interests		3,434	6,529
Undistributed profit attributable to other non-controlling interests		238	5,684
Equity attributable to other non-controlling interests		3,672	12,213
Total equity		1,380,450	1,268,195
Total equity and liabilities		14,536,735	13,980,007
Contingent liabilities		113,885	134,449
Irrevocable commitments		794,593	853,276
Total contingent liabilities and irrevocable commitments		908,478	987,725

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

1 This relates to capital securities issued by Van Lanschot NV.

Consolidated statement of income

For the six months ended 30 June 2019

(x €1,000)

		H1 2019	H1 2018
Income from operating activities			
Interest income calculated using the effective interest method		116,412	127,733
Other interest income		18,427	30,535
Interest expense calculated using the effective interest method		26,150	34,115
Other interest expense		24,222	34,390
Net interest income	16	84,468	89,764
Income from associates using the equity method		21,052	10,025
Other income from securities and associates		48,363	6,792
Income from securities and associates	17	69,415	16,817
Commission income		149,669	157,537
Commission expense		7,487	7,629
Net commission income	18	142,183	149,907
Result on financial transactions	19	-8,127	1,664
Net sales		6,718	5,408
Cost of sales		2,150	1,860
Other income	20	4,569	3,548
Total income from operating activities		292,507	261,701
Expenses			
Staff costs	21	126,275	130,643
Other administrative expenses	22	69,732	88,470
Staff costs and other administrative expenses		196,007	219,114
Depreciation and amortisation		12,706	8,191
Operating expenses		208,713	227,305
Impairments of financial instruments		-7,510	-3,525
Other impairments		59	-1,075
Impairments	23	-7,451	-4,600
Total expenses		201,262	222,705
Operating profit before tax		91,245	38,996
Income tax	24	7,654	6,407
Net profit from continuing operations		83,592	32,588
Net profit from discontinued operations		-	6,732
Net result		83,592	39,320
Of which attributable to shareholders		81,666	36,451
Of which attributable to holders of AT1 capital securities		1,688	-
Of which attributable to other non-controlling interests		238	2,869
Earnings per ordinary share (€)	25	1.99	0.89
Earnings per ordinary share from continuing operations (€)	25	1.99	0.72
Diluted earnings per ordinary share (€)	26	1.98	0.88
Diluted earnings per ordinary share from continuing operations (€)	26	1.98	0.72

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

Consolidated statement of comprehensive income

For the six months ended 30 June 2019

(x €1,000)

		H1 2019	H1 2018
Net result (as per income statement)		83,592	39,320
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		9,657	-2,541
Realised return on financial assets at fair value through other comprehensive income	19	-181	-3,500
Impairments of financial assets at fair value through other comprehensive income		58	61
Income tax effect		-1,866	1,495
Total other comprehensive income through revaluation reserve	15	7,668	-4,485
Other comprehensive income from value changes of derivatives (cash flow hedges)			
Decrease in value of derivatives directly subtracted from equity		-6,360	-2,062
Income tax effect		1,304	515
Total other comprehensive income from value changes of derivatives (cash flow hedges)	15	-5,056	-1,546
Other comprehensive income from currency translation differences		91	-1,294
Total other comprehensive income from currency translation differences	15	91	-1,294
Total other comprehensive income to be reclassified in subsequent periods to profit or loss		2,703	-7,326
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		3,244	-7,446
Income tax effect		-665	1,861
Total change in fair value attributable to change in credit risk of financial liability as at fair value through profit and loss		2,579	-5,584
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans		-843	-15
Income tax effect		209	3
Total remeasurement of defined benefit plans	15	-634	-12
Total other comprehensive income not to be reclassified in subsequent periods to profit or loss		1,945	-5,596
Total other comprehensive income		4,648	-12,922
Total comprehensive income		88,239	26,398
Of which attributable to shareholders		86,314	23,529
Of which attributable to holders of AT1 capital securities		1,688	-
Of which attributable to other non-controlling interests		238	2,869

Consolidated statement of changes in equity

For the six months ended 30 June 2019

(x €1,000)

	Share capital	Treasury shares	Share premium reserve	Other reserves	Undistributed profit	Total equity attributable to shareholders	Equity attributable to AT1 capital securities	Equity attributable to other non-controlling interests	Total equity
At 1 January 2019	41,362	-8,678	385,115	763,553	74,631	1,255,982	-	12,213	1,268,196
Net result (as per income statement)	-	-	-	-	81,666	81,666	1,688	238	83,592
Total other comprehensive income	-	-	-	4,648	-	4,648	-	-	4,648
Total comprehensive income	-	-	-	4,648	81,666	86,314	1,688	238	88,239
Share plans	-	5,879	-	-4,742	-	1,137	-	-	1,137
To other reserves	-	-	-	15,194	-15,194	-	-	-	-
Repurchased equity instruments	-	-7,952	-	-	-	-7,952	-	-	-7,952
Dividends	-	-	-	-	-59,437	-59,437	-	-309	-59,746
Other changes	-	-	-	-954	-	-954	100,000	-	99,046
Change in other non-controlling interests	-	-	-	-	-	-	-	-8,470	-8,470
At 30 June 2019	41,362	-10,751	385,115	777,699	81,666	1,275,091	101,688	3,672	1,380,450

Consolidated statement of changes in equity

For the six months ended 30 June 2018

(x €1,000)

	Share capital	Treasury shares	Share premium reserve	Other reserves	Undistributed profit	Total equity attributable to shareholders	Equity attributable to AT1 capital securities	Equity attributable to other non-controlling interests	Total equity
At 1 January 2018	41,147	-7,869	441,459	754,234	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
Shares issued	215	-5,397	5,182	-	-	-	-	-	-
Share plans	-	14,273	-	-1,858	-	12,415	-	-	12,415
To other reserves	-	-	-	29,827	-29,827	-	-	-	-
Repurchased equity instruments	-	-9,324	-	-	-	-9,324	-	-	-9,324
Dividends	-	-	-	-	-59,681	-59,681	-	-895	-60,576
Other changes	-	-	-	-1,302	-	-1,302	-	-	-1,302
Change in other non-controlling interests	-	-	-	-	-	-	-	-6,989	-6,989
At 30 June 2018	41,362	-8,317	446,640	767,979	36,451	1,284,116	-	11,249	1,295,365

Consolidated statement of cash flows

For the six months ended 30 June 2019

(x €1,000)

	H1 2019	H1 2018
Cash flow from operating activities		
Operating profit before tax	91,245	38,996
Adjustments for		
- Depreciation and amortisation	12,982	8,579
- Cost of share plans	1,306	1,672
- Results on associates using the equity method	-5,000	-9,695
- Valuation results on financial assets at fair value through profit or loss	-10,171	-2,127
- Valuation results on financial liabilities at fair value through profit or loss	50,160	6,366
- Valuation results on derivatives	1,124	-2,565
- Impairments	-7,452	-4,600
- Changes in provisions	-764	-2,143
Cash flow from operating activities	133,430	34,483
Net movement in operating assets and liabilities		
- Financial assets/liabilities from trading activities	-4,584	-10,921
- Due from/to banks	-18,005	27,935
- Loans and advances to public and private sectors/public and private sector liabilities	365,138	285,503
- Derivatives	-88,631	43,780
- Withdrawals from restructuring provision and other provisions	-6,089	-1,076
- Other assets and liabilities	31,823	-39,088
- Current tax assets/liabilities	-1,996	1,571
- Income taxes paid	-8,654	-7,948
- Dividends received	4,109	1,644
Total net movement in operating assets and liabilities	273,111	301,400
Net cash flow from operating activities	406,541	335,883
Net cash flow from discontinued operations	27,475	-5,018
Cash flow from investing activities		
Investments and acquisitions		
- Investments in debt instruments	-684,198	-651,579
- Investments in equity instruments	-5,907	-35,981
- Investments in associates using the equity method	-1,041	-3,091
- Property and equipment	-69,712	-3,437
- Goodwill and other intangible assets	-98	-429
Divestments, redemptions and sales		
- Investments in debt instruments	236,575	662,383
- Investments in equity investments	-3,538	79,684
- Investments in associates using the equity method	714	2,060
- Property and equipment	826	3,941
- Goodwill and other intangible assets	-	1,719
Dividends received	1,740	2,840
Net cash flow from investing activities of continuing operations	-524,639	58,110
Net cash flow from investing activities of discontinued operations	-154	-

Continued on the next page.

Consolidated statement of cash flows

For the six months ended 30 June 2019

(x €1,000)

	H1 2019	H1 2018
Cash flow from financing activities		
Share plans	-168	10,743
Repurchased equity instruments ¹	-7,952	-9,324
AT1 capital securities	100,000	-
Other non-controlling interests	-908	-7,077
Redemption of subordinated loans	-113	-113
Redemption of debt securities	-1,135	-454,341
Receipts on financial liabilities at fair value through profit or loss	-14,410	77,722
Redemption of financial liabilities at fair value through profit or loss	-247	-75,270
Dividends paid	-59,746	-60,576
Net cash flow from financing activities of continuing operations	15,320	-518,237
Net cash flow from financing activities of discontinued operations	-	-
Net change in cash and cash equivalents and balances at central banks	-75,456	-129,261
Cash and cash equivalents and balances at central banks at 1 January ²	1,473,572	1,826,733
Cash and cash equivalents and balances at central banks at 30 June ²	1,398,114	1,697,473
Additional disclosure		
Cash flows from interest received	131,400	159,442
Cash flows from interest paid	51,665	77,610

1 Van Lanschot Kempen grants unconditional and conditional rights to acquire depositary receipts for Class A ordinary shares for no consideration. To meet open positions Van Lanschot Kempen holds depositary receipts for Class A ordinary shares. In 2019 and 2018, Van Lanschot Kempen carried out a share buy-back programme.

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

Notes to the condensed interim financial statements

General

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

Basis of preparation

The condensed interim consolidated financial statements of Van Lanschot Kempen and its subsidiaries have been prepared in accordance with IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all financial information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of Van Lanschot Kempen NV as at 31 December 2018. 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 2018, except for the adoption of new standards and interpretations effective from 1 January 2019.

Equity

On 25 March 2019, Van Lanschot issued €100 million in AT1 capital securities at an issue price of 100%. The securities have a coupon of 6.75%. These securities count as Tier I qualifying capital when determining capital adequacy.

The AT1 capital securities included under equity are carried at cost.

Significant accounting judgements and estimates

In the process of applying our accounting policies, we use estimates and assumptions which can have a significant impact on the amounts recognised in the condensed interim consolidated financial statements. For more information, see "Significant accounting judgements and estimates" in the annual consolidated financial statements of Van Lanschot Kempen NV as at 31 December 2018. 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 2019 and have an impact on these condensed interim consolidated financial statements. Unless stated otherwise, application of these standards had no impact on Van Lanschot Kempen's equity or result.

IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and will result in almost all leases being recognised on the balance sheet, similar to the accounting for finance leases under IAS 17. We have used the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. Van Lanschot Kempen has leases on certain office equipment (i.e., printing and photocopying machines) that are considered of low value.

On adoption of IFRS 16, Van Lanschot Kempen recognised lease liabilities. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 1.19%.

The recognized right-of-use assets as at 1 January 2019 relate to the following types of assets:

	Total
Right-of-use assets – buildings	59,108
Right-of-use assets – transport equipment	7,752
	66,860

The change in accounting policy had a negative impact of €0.2 million on the half-year result for 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how the recognition and measurement requirements of IAS 12 Income Taxes are applied for income tax treatments that have yet to be accepted by the tax authorities. The standard has no material impact on group results.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Notes to the consolidated statement of financial position

(x €1,000)

1	Cash and cash equivalents and balances at central banks	30/06/2019	31/12/2018
	Total	1,409,084	1,406,864
	Cash	35	38
	Balances at central banks	1,286,155	1,283,903
	Statutory reserve deposits at central banks	14,411	12,783
	Amounts due from banks	108,483	110,139
	Impairments	-0	-0

Reconciliation with consolidated statement of cash flows	30/06/2019	31/12/2018	Movements
Cash and cash equivalents	1,409,084	1,406,864	2,220
Due from banks, available on demand	56,035	104,659	-48,625
Due to banks, available on demand	-67,004	-37,951	-29,053
Due from/to banks available on demand, net	-10,970	66,708	-77,678
Total	1,398,114	1,473,572	-75,458

2	Derivatives	30/06/2019			31/12/2018		
		Asset	Liability	Contract amount	Asset	Liability	Contract amount
	Total	374,233	501,649	10,899,178	332,719	469,316	12,026,497
	Derivatives used for trading purposes	30,378	29,513	35,578	42,949	39,986	57,701
	Derivatives used for hedge accounting purposes	110,270	245,479	5,368,610	57,881	111,168	5,324,430
	Other derivatives	233,585	226,657	5,494,991	231,888	318,161	6,644,365

3	Financial assets at fair value through profit or loss	30/06/2019	31/12/2018
	Total	294,450	218,583
	Debt instruments		
	Government paper and government-guaranteed paper	5,661	2,513
	Sovereign, supranationals and agencies (SSA) bonds	2,510	-
	Banks and financial institutions, listed	25,473	10,933
	Covered bonds	125,444	94,922
	Companies, listed	10,013	-
	Puttable investment funds	82,743	70,281
	Company cumprefs (shareholdings) (FVPL mandatory)	7,505	7,042
	Total debt instruments	259,350	185,691
	Equity instruments (FVPL mandatory)		
	Shares, unlisted	35,100	32,892
	Total equity instruments	35,100	32,892

4 Financial assets at fair value through other comprehensive income	30/06/2019		31/12/2018	
	Fair value	Face value	Fair value	Face value
Total	2,225,486	2,172,163	1,803,584	1,798,601
Debt instruments				
Government paper and government-guaranteed paper	603,412	584,500	372,453	369,943
Sovereign, supranationals and agencies (SSA) bonds	213,310	203,444	44,205	44,000
Banks and financial institutions, listed	61,385	60,700	36,332	36,000
Covered bonds	869,496	851,211	843,168	842,281
Asset-backed securities	463,374	458,188	497,760	496,727
Companies, listed	14,508	14,120	9,666	9,650

5 Loans and advances to the public and private sectors	30/06/2019	31/12/2018
Total	8,783,363	8,561,497
Mortgage loans	6,321,886	6,289,139
Loans	1,416,122	1,447,782
Current accounts	566,964	578,442
Securities-backed loans and settlement claims	400,114	267,221
Subordinated loans	1,320	1,510
Value adjustment, fair value hedge accounting	178,189	90,212
Impairments	-101,232	-112,811

6 Other financial assets at amortised cost	30/06/2019		31/12/2018	
	Carrying value	Face value	Carrying value	Face value
Total	549,466	532,000	554,209	532,000
Debt instruments				
Government paper and government-guaranteed paper	314,574	300,000	318,043	300,000
Banks and financial institutions, listed	234,923	232,000	236,200	232,000
Impairments	-31	-	-34	-

7 Property and equipment	30/06/2019	31/12/2018
Total	107,659	48,238
Buildings	33,768	35,465
Right-of-use assets – buildings	54,748	-
Right-of-use assets – transport equipment	6,435	-
IT, operating system software and communications equipment	5,600	5,453
Other assets	6,968	7,214
Work in progress	139	106

8 Goodwill and other intangible assets	30/06/2019	31/12/2018
Total	179,665	183,083
Goodwill	130,247	130,247
Other intangible assets	49,418	52,836

9 Due to banks	30/06/2019	31/12/2018
Total	150,489	334,902
Deposits	83,485	46,951
Repo transactions	-	250,000
Payables arising from unsettled securities transactions	65,597	35,798
Loans and advances drawn	1,407	2,153

10 Public and private sector liabilities	30/06/2019	31/12/2018
Total	9,582,398	9,090,939
Savings	3,230,353	3,362,404
Deposits	211,398	231,472
Current accounts	5,718,397	5,130,131
Other client assets	420,055	365,808
Value adjustments fair value hedge accounting	2,194	1,123

11 Financial liabilities at fair value through profit or loss	30/06/2019	31/12/2018
Total	972,621	940,361
Unstructured debt instruments	124,483	142,021
Structured debt instruments	848,137	798,340

12 Issued debt securities	30/06/2019	31/12/2018
Total	1,556,386	1,521,504
Covered bonds	1,493,829	1,493,179
Senior unsecured bonds	17,733	18,898
Value adjustments fair value hedge accounting	44,824	9,427

13 Provisions	30/06/2019	31/12/2018
Total	22,557	28,965
Provisions for pensions	15,116	15,313
Provision for long-service benefits	2,387	2,352
Provision for restructuring	1,732	6,356
Provision for interest rate derivatives recovery framework	228	1,025
Provision for financial guarantees	352	286
Other provisions	2,742	3,632

14 Subordinated loans	30/06/2019	31/12/2018
Total	173,478	173,473
Certificates of indebtedness	156,194	156,402
Other subordinated loans	16,449	16,563
Value adjustments fair value hedge accounting	835	509

15 Other reserves	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
At 1 January 2019	-3,064	-17,591	104	-13,509	-11,394	809,008	763,553
Net changes in fair value	7,766	-	-	-5,056	-	-	2,710
Realised gains/losses through profit or loss	-144	-	-	-	-	-	-144
Net impairment (to profit or loss)	46	-	-	-	-	-	46
Value change in own credit risk	-	-	-	-	2,579	-	2,579
Profit appropriation	-	-	-	-	-	15,194	15,194
Share plans	-	-	-	-	-	-4,742	-4,742
Actuarial results	-	-634	-	-	-	-	-634
Other changes	-	-	91	-	-	-954	-863
At 30 June 2019	4,604	-18,224	194	-18,565	-8,815	818,506	777,699
Tax effects	-1,866	209	-	1,304	-665	-	-1,017

Notes to the consolidated statement of income

(x €1,000)

16 Net interest income	H1 2019	H1 2018
Total interest income	134,840	158,269
Interest income on cash equivalents	35	83
Interest income on banks and private sector	109,978	120,953
Interest income on financial assets at fair value through other comprehensive income	2,560	2,284
Interest income on other financial assets at amortised cost	3,839	4,414
Interest income calculated using the effective interest method	116,412	127,733
Interest income on financial assets at fair value through profit or loss	672	2,355
Interest income on derivatives	12,815	25,899
Other interest income	4,940	2,282
Other interest income	18,427	30,535
Total interest expense	50,371	68,505
Interest expense on balances at central banks	2,474	3,015
Interest expense on banks and private sector	13,361	13,593
Interest expense on issued debt securities	5,275	13,039
Interest expense on subordinated loans	5,040	4,467
Interest expense calculated using the effective interest method	26,150	34,115
Interest expense on derivatives	21,371	33,445
Other interest expense	2,851	945
Other interest expense	24,222	34,390
Net interest income	84,468	89,764

17 Income from securities and associates	H1 2019	H1 2018
Total	69,415	16,817
Income from associates using the equity method	5,006	9,695
Realised result of associates using the equity method	16,046	330
Realised and unrealised gains/losses on investments at fair value through profit or loss	12,321	6,608
Other gains on sales	36,042	184

Income from securities and associates includes an earn-out gain based on a fair value calculation, the maximum cash consideration of this earn-out is €2m. The other gains on sales are mainly related to the sale of our majority stake in non-strategic interests.

18 Net commission income	H1 2019	H1 2018
Total	142,183	149,907
Securities commissions	12,473	13,887
Management commissions	103,991	107,029
Cash transactions and funds transfer commissions	3,038	4,117
Corporate Finance and Equity Capital Markets commissions	18,600	20,615
Other commissions	4,082	4,259

19 Result on financial transactions	H1 2019	H1 2018
Total	-8,127	1,664
Gains/losses on securities trading	1,677	-284
Gains/losses on currency trading	4,227	4,172
Gains/losses on derivatives under hedge accounting	-3,986	-1,267
Gains/losses on trading derivatives	-	1,853
Realised gains on financial assets at fair value through other comprehensive income	181	3,500
Gains/losses on economic hedges/hedge accounting not applied	51,549	1,979
Gains/losses on financial assets and liabilities at fair value through profit or loss	-61,774	-8,289

20	Other income	H1 2019	H1 2018
	Total	4,569	3,548
	Net sales	6,718	5,408
	Cost of sales	-2,150	-1,860

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

21	Staff costs	H1 2019	H1 2018
	Total	126,275	130,643
	Salaries and wages	94,991	95,207
	Pension costs for defined contribution schemes	9,155	9,251
	Pension costs for defined benefit schemes	3,048	3,461
	Other social security costs	10,852	11,045
	Share-based payments for variable remuneration	1,099	1,378
	Other staff costs	7,129	10,301

22	Other administrative expenses	H1 2019	H1 2018
	Total	69,732	88,470
	Accommodation expenses	4,849	10,209
	Marketing and communications	4,656	6,808
	Office expenses	2,406	3,413
	IT expenses	27,623	33,042
	External auditors' fees	1,410	1,537
	Consultancy fees	4,993	11,094
	Travel and hotel fees	1,731	1,762
	Information providers' fees	7,075	6,481
	External service provider charges	3,279	2,780
	Other	11,710	11,343

23	Impairments	H1 2019	H1 2018
	Total impairments	-7,451	-4,600
	Cash and cash equivalents and balances at central banks	0	-
	Due from banks	4	-
	Financial assets at fair value through other comprehensive income	58	61
	Loans and advances to the public and private sectors	-7,635	-3,014
	Other financial assets at amortised cost	-3	-
	Financial guarantees	66	-572
	Impairment of financial instruments	-7,510	-3,525
	Investments in associates using the equity method	59	-1,075
	Other impairments	59	-1,075

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

24 Income tax

Tax assets

The increase in tax assets is mainly due to the impact of IFRS 16.

Tax liabilities

The decrease in tax liabilities is due to netting of deferred tax assets and liabilities.

Income tax recognised in the statement of income

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

	H1 2019	H1 2018
Operating profit before tax from continuing operations	91,245	38,996
Profit before tax from discontinued operations	-	8,582
Total gross result	91,245	47,578
Prevailing tax rate in the Netherlands	25%	25%
Tax on continuing operations	7,654	6,407
Tax on discontinued operations	-	1,850
Total tax	7,654	8,256
Expected tax	22,811	11,894
Increase/decrease in tax payable due to		
Tax-free income from securities and associates	-15,704	-4,313
Non-deductible impairments	-	-129
Non-deductible costs	625	1,050
Non-deductible losses	-164	-
Adjustments to taxes for prior financial years	4	-181
Impact of foreign tax rate differences	-98	-276
Movements in deferred taxes	177	123
Other changes	1	88
Total increase/decrease	-15,158	-3,638
Total tax	7,654	8,256

Additional notes

(x €1,000)

25 Earnings per ordinary share	H1 2019	H1 2018
Net result	83,592	39,320
AT1 capital securities	-1,688	-
Other non-controlling interests	-238	-2,869
Net result for calculation of earnings per share	81,666	36,451
Net result for calculation of earnings per share from continuing operations	81,666	29,719
Net result for calculation of earnings per share from discontinued operations	-	6,732
Weighted average number of ordinary shares in issue	41,037,039	41,001,579
Earnings per ordinary share (€)	1.99	0.89
Earnings per ordinary share from continuing operations (€)	1.99	0.72
Earnings per ordinary share from discontinued operations (€)	-	0.16

26 Diluted earnings per ordinary share	H1 2019	H1 2018
Net result for calculation of diluted earnings per share	81,666	36,451
Net result for calculation of diluted earnings per share from continuing operations	81,666	29,719
Net result for calculation of diluted earnings per share from discontinued operations	-	6,732
Weighted average number of ordinary shares in issue	41,037,039	41,001,579
Potential ordinary shares	274,032	324,861
Weighted average number of ordinary shares in issue, fully diluted	41,311,071	41,326,439
Diluted earnings per ordinary share (€)	1.98	0.88
Diluted earnings per ordinary share from continuing operations (€)	1.98	0.72
Diluted earnings per ordinary share from discontinued operations (€)	-	0.16

27 Fair value

Financial instruments at fair value

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

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

Level 1: Quoted prices in active markets

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

Level 2: Inputs observable in the markets

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

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

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

Level 3: Significance of unobservable market data

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

Financial instruments at fair value				30/06/2019
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading	64,622	3,690	467	68,779
Derivatives	30,211	334,728	9,295	374,233
Financial assets at fair value through profit or loss	229,736	41,274	23,440	294,450
Financial assets at fair value through other comprehensive income	2,225,486	-	-	2,225,486
Total assets	2,550,055	379,692	33,201	2,962,948
Liabilities				
Financial liabilities held for trading	2,060	-	-	2,060
Derivatives	30,208	464,369	7,072	501,649
Financial liabilities at fair value through profit or loss	-	960,718	11,903	972,621
Total liabilities	32,268	1,425,086	18,975	1,476,329

Financial instruments at fair value				31/12/2018
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading	58,119	3,877	472	62,468
Derivatives	42,640	279,941	10,138	332,719
Financial assets at fair value through profit or loss	156,658	40,782	21,143	218,583
Financial assets at fair value through other comprehensive income	1,803,584	-	-	1,803,584
Total assets	2,061,001	324,600	31,753	2,417,354
Liabilities				
Financial liabilities held for trading	333	-	-	333
Derivatives	39,879	420,796	8,641	469,316
Financial liabilities at fair value through profit or loss	-	912,465	27,896	940,361
Total liabilities	40,212	1,333,261	36,537	1,410,010

Breakdown of movements in financial assets classified as Level 3 in H1 2019

	At 1 January	To statement of income	To equity	Purchases	Sales	Transfers	At 30 June
Assets							
Financial assets held for trading	472	-5	-	-	-	-	467
Derivatives	10,138	539	-	1,325	-1,581	-1,126	9,295
Financial assets at fair value through profit or loss	21,143	2,237	-	-	60	-	23,440
Total assets	31,753	2,771	-	1,325	-1,521	-1,126	33,201
Liabilities							
Derivatives	8,641	653	-	949	-2	-3,169	7,072
Financial liabilities at fair value through profit or loss	27,896	-1,062	-	-	-10,620	-4,311	11,903
Total liabilities	36,537	-408	-	949	-10,622	-7,480	18,975
Total assets - liabilities	-4,784	3,179	-	376	9,101	6,354	14,226

Breakdown of movements in financial assets classified as Level 3 in H1 2018

	At 1 January	To statement of income	To equity	Purchases	Sales	Transfers	At 30 June
Assets							
Financial assets held for trading	119	2	-	213	-	-	334
Derivatives	3,254	-224	-	5,248	-	-176	8,101
Financial assets 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
Liabilities							
Financial liabilities held for trading	17	-	-	-	-17	-	-
Derivatives	375	-47	-	3,602	-	2,856	6,786
Financial liabilities at fair value through profit or loss	23,912	-134	-	-	-	-	23,778
Total liabilities	24,303	-180	-	3,602	-17	2,856	30,564
Total assets - liabilities	53,642	3,474	-	11,701	-50,734	-3,032	15,052

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

	H1 2019			H1 2018		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net interest income	-	-	-	517	-	517
Income from securities and associates	-5	1,774	1,769	37	2,964	3,001
Result on financial transactions	-	1,410	1,410	-	-44	-44
Total	-5	3,184	3,179	554	2,920	3,474

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

	Fair value		Valuation method	Significance of non-observable market inputs
	30/06/2019	31/12/2018		
Assets				
Financial assets held for trading	467	472	- Net asset value	- Net asset value - Face value
Derivatives ¹	9,295	10,138	- Discounted cash flow - Option model	- Volatility - Correlation
Financial assets at fair value through profit or loss ¹	23,440	21,143	- Discounted cash flow - Net asset value	- Interest rates - Discount rates - Most recent published net asset values of the underlying assets - Kempen: Cost or lower market value - Net Asset value - Market value - 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	33,201	31,753		
Liabilities				
Derivatives ¹	7,072	8,641	- Discounted cash flow - Option model	- Volatility - Correlation
Financial liabilities at fair value through profit or loss ¹	11,903	27,896	- Discounted cash flow - Option model	- Volatility - Correlation
Total liabilities	18,975	36,537		

1 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) at H1 2019

	Significant non-observable market inputs	Range	Sensitivity
Assets			
Derivatives			
Structured products derivatives			
- Options	- Correlation	-19.2% - 22.3% (0.8%)	Total impact -€0.4m
- Equity swaps	- Volatility	11.8% - 14.1% (12.9%)	Total impact € 1.0m
	- Correlation	-19.2% - 22.3% (1.4%)	Total impact -€0.1m
Financial assets at fair value through profit or loss			
Debt instruments: company cumprefs (shareholdings)	- Interest rates	7% - 12% (9%)	Total impact -€0.1m
	- Discount rates	7% - 12% (9%)	Total impact -€0.1m
Liabilities			
Derivatives			
Structured products derivatives			
- Options	- Correlation	-21.5% - 26.5% (1.2%)	Total impact €1.8 mln

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							
	30/06/2019		31/12/2018		Level	Valuation method	Significant observable and non-observable market inputs
	Fair value	Carrying amount	Fair value	Carrying amount			
Assets							
Due from banks	308,172	308,595	538,910	539,180	2	Discounted cash flows using applicable money market rates	Interest rate and discount rate
Loans and advances to the public and private sectors	8,834,756	8,783,363	8,794,997	8,561,497	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	571,485	549,466	576,970	554,209	1	Quoted prices in active markets	-
Liabilities							
Due to banks	150,489	150,489	334,902	334,902	2	Discounted cash flows using applicable money market rates for liabilities	Interest rate and discount rate
Public and private sector liabilities	9,636,108	9,582,398	9,165,416	9,090,939	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	1,563,717	1,556,386	1,532,823	1,521,504	1	Quoted prices in active markets	Interest rate and discount rate
Subordinated loans	211,103	173,478	184,108	173,473	3	Discounted cash flows using applicable money market rates for debt instruments with a comparable term to maturity, taking account of own credit risk	Interest rate, discount rate and own credit risk

28 Netting of financial assets and financial liabilities

Netting of financial assets and liabilities at 30/06/2019					
	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)	420,184	45,951	374,233	10,296	363,938
Derivatives (liabilities)	547,600	45,951	501,649	10,296	491,353

Netting of financial assets and liabilities at 31/12/2018					
	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)	378,730	46,011	332,719	7,279	325,440
Derivatives (liabilities)	515,327	46,011	469,316	7,279	462,037

29 Related parties

H1 2019					
	Income	Expenses	Amounts receivable	Amounts payable	Guarantees
Total	16	-	898	2,567	-
Parties with a shareholding in Van Lanschot Kempen of at least 5%	0	-	-	1,297	-
Associates	-	-	-	-	-
Investments in associates using the equity method	16	-	898	1,269	-

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

For further information on related party transactions, see our 2018 annual report (from page 188).

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 Kempen'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.

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 in H1 2019 (€ million)						
	Private Banking	Evi	Asset Management	Merchant Banking	Other activities	Total
Statement of income						
Net interest income	77.0	1.4	0.0	-0.1	6.1	84.5
Income from securities and associates	-	-	0.1	-	69.3	69.4
Net commission income	62.9	2.5	48.4	27.4	1.0	142.2
Result on financial transactions	0.6	-	-0.0	-1.3	-7.4	-8.1
Other income	-	-	-	-	4.6	4.6
Total income from operating activities	140.5	3.9	48.5	26.0	73.5	292.5
Statement of expenses						
Staff costs	49.6	1.9	24.0	12.7	38.1	126.3
Other administrative expenses	33.4	3.1	7.6	3.4	22.1	69.7
Allocated internal expenses	35.5	1.1	6.6	5.1	-48.4	-
Depreciation and amortisation	2.8	0.0	0.5	0.0	9.5	12.7
Impairments	-7.4	-	-	-	-0.1	-7.5
Total expenses	113.9	6.1	38.7	21.3	21.3	201.3
Operating result before tax	26.6	-2.2	9.8	4.8	52.3	91.2
Operating segments in H1 2018 (€ million)						
	Private Banking	Evi	Asset Management	Merchant Banking	Other activities	Total
Statement of income						
Net interest income	82.0	1.3	-0.0	-0.0	6.5	89.8
Income from securities and associates	-	-	0.2	-	16.6	16.8
Net commission income	65.5	2.1	50.4	30.9	0.9	149.9
Result on financial transactions	0.5	-	-0.0	2.5	-1.3	1.7
Other income	-	-	-	-	3.5	3.6
Total income from operating activities	148.0	3.4	50.6	33.4	26.4	261.7
Statement of expenses						
Staff costs	51.7	2.1	22.2	13.6	41.0	130.6
Other administrative expenses	35.0	5.5	12.2	4.1	31.7	88.5
Allocated internal expenses	35.7	1.4	6.4	4.9	-48.5	-
Depreciation and amortisation	3.0	0.0	0.5	0.0	4.6	8.2
Impairments	-2.7	-0.0	-	-0.0	-1.8	-4.6
Total expenses	122.7	9.1	41.4	22.7	26.9	222.7
Operating result before tax	25.3	-5.7	9.2	10.7	-0.6	39.0
Operating result of discontinued operations before tax	-	-	-	-	8.6	8.6

Event after the reporting period

In July 2019, we agreed to sell our minority stake in Marfo. This transaction is expected to generate a capital gain of around €6 million.

Other information

Statutory Board Responsibility Statement

The members of the Statutory Board hereby declare, to the best of their knowledge, that the 2019 condensed interim consolidated financial statements, which have been prepared in accordance with IAS 34 (Interim Financial Reporting), give a true and fair view of the assets, liabilities, financial position and profit or loss of Van Lanschot Kempen NV and its consolidated entities, and that the interim report of 30 June 2019 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, 27 August 2019

Statutory Board

Karl Guha, Chairman

Constant Korthout

Richard Bruens

Arjan Huisman