F. van Lanschot Bankiers NV Financial report

2017 HALF-YEAR RESULTS

1737

VAN LANSCHOT KEMPEN

VAN LANSCHOT KEMPEN

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This document presents the semiannual financial report and accounts of F. van Lanschot Bankiers NV, drawn up in compliance with prevailing legislation and regulations. F. van Lanschot Bankiers NV (also referred to in this document as 'Van Lanschot Kempen') is a 100% subsidiary of Van Lanschot Kempen NV.

KEY DATA[1]

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

(x € m)	H1 2017	H2 2016		H1 2016	
Statement of income					
Net result	62.3	38.3	62%	31.5	98%
Underlying net result	69.6	43.6	60%	37.7	85%
Efficiency ratio excluding one-off charges (%)	72.1	79.5		81.1	
(x € m)	**30/06/2017**	**31/12/2016**		**30/06/2016**	
Statement of financial position and capital management					
Equity attributable to shareholder	1,350	1,340	1%	1,301	4%
Equity attributable to non-controlling interests	15	13	13%	13	19%
Savings and deposits	9,387	9,680	-3%	9,686	-3%
Loans and advances to clients	9,470	9,624	-2%	10,305	-8%
Total assets	14,952	14,877	1%	15,433	-3%
Funding ratio (%)	99.1	100.6		94.0	
Risk-weighted assets	5,359	5,623	-5%	6,091	-12%
Common Equity Tier I ratio (%)[2]	19.9	19.0		17.3	
Tier I ratio (%)[2]	19.9	19.0		17.3	
Total capital ratio (%)[2]	21.8	20.9		18.2	
Basel III					
Common Equity Tier I ratio (%) (fully loaded)[3]	19.6	18.6		16.9	
Liquidity coverage ratio (%)	177.0	156.6		140.2	
Net stable funding ratio (%)	129.3	130.6		121.2	
Leverage ratio (%) (fully loaded)[3]	7.0	6.9		6.4	
(x € bn)	**30/06/2017**	**31/12/2016**		**30/06/2016**	
Client assets	72.0	69.4	4%	66.2	9%
- Assets under management	60.1	57.5	4%	54.3	11%
- Assets under administration	2.5	2.1	19%	2.2	16%
- Savings and deposits	9.4	9.7	-3%	9.7	-3%
	H1 2017	**H2 2016**		**H1 2016**	
Key figures					
Weighted average of outstanding shares (x 1,000)	400	400		400	
Underlying earnings per share (€)	167.05	103.26	62%	89.73	86%
Return on average Common Equity Tier I capital (%)[4]	12.5	7.8		6.8	
Number of staff (FTEs at period end)	1,647	1,670	-1%	1,646	0%

[1] Total figures may not add up due to rounding.
[2] At 31 December 2016 based on phase-in and including retained earnings. At 30 June 2016 and 2017 based on phase-in and excluding retained earnings.
[3] At 31 December 2016 including retained earnings. At 30 June 2016 and 2017 excluding retained earnings.
[4] Based on underlying net result (annualised).

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RESULTS

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

UNDERLYING NET RESULT

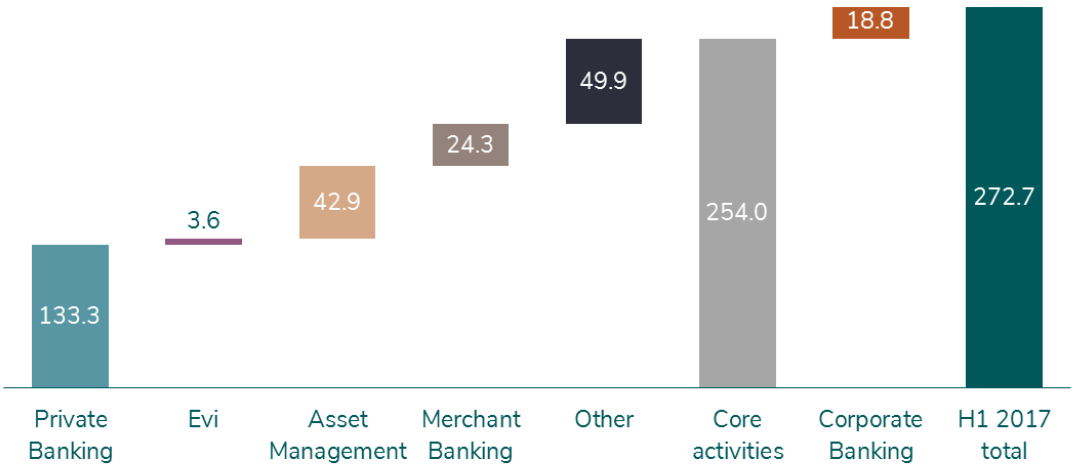
(x € m)	H1 2017	H2 2016		H1 2016	
Net result	**62.3**	**38.3**	**62%**	**31.5**	**98%**
One-off charge related to derivatives recovery framework	-	-		8.0	
Cost of Strategy 2020 investment programme	9.7	7.0		0.3	
Tax effects	-2.4	-1.7		-2.1	
Underlying net result	**69.6**	**43.6**	**60%**	**37.7**	**85%**

[5] As per 2017 the presentation of travelling expenses for staff travelling to their place of work is included in Staff costs instead of Other administrative expenses. The comparative figures of 2016 have been adjusted for the mentioned change in presentation.

INCOME FROM OPERATING ACTIVITIES

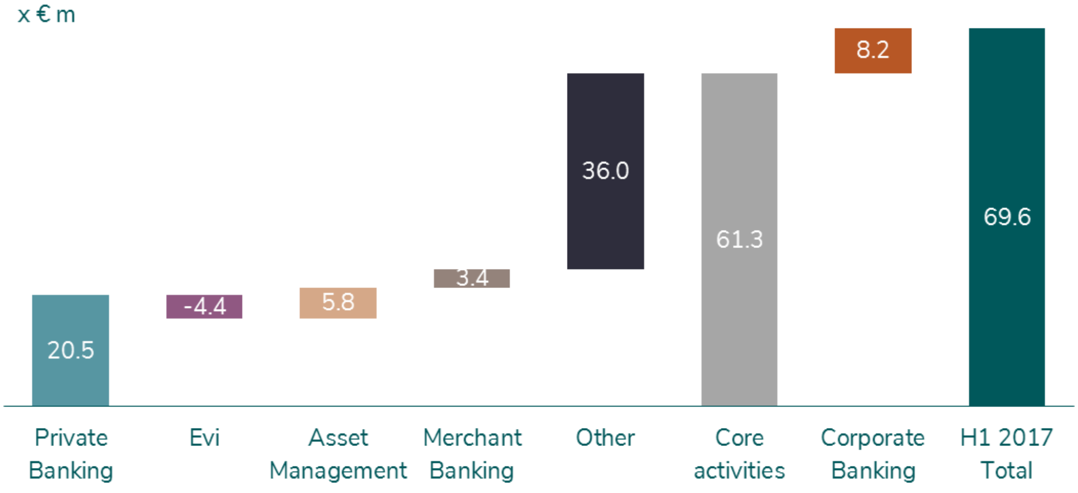
Private Banking, Evi[6], Asset Management and Merchant Banking generated 75% of total income, with Van Lanschot Kempen's core activities accounting for 99% of commission income (at par with 2016) and 83% of interest income (2016: 73%).

Income from operating activities by segment
x € m



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

Underlying net result
x € m



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

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

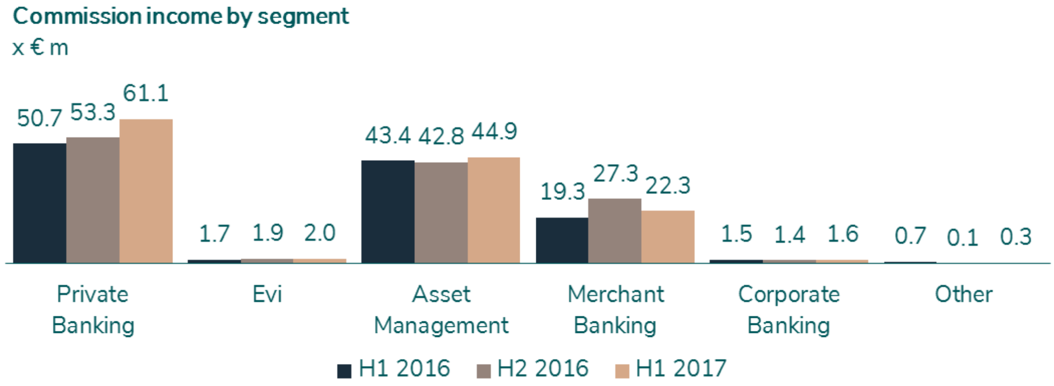
H1 2016 *(x € m)*	Private Banking	Evi	Asset Mgt	Merchant Banking	Other	Core activities	Corporate Banking	Total
Commission	50.7	1.7	43.4	19.3	0.7	115.8	1.5	117.4
Interest [7]	76.4	1.9	0.0	0.0	7.4	85.7	24.6	110.3
Other income	0.6	0.0	0.0	1.9	10.0	12.5	0.0	12.5
Income from operating activities	**127.7**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

[7] Comparative figures for Private Banking, Other and Corporate Banking have been adjusted for a more accurate allocation of the interest result to these operating segments.

Commission

(x € m)	H1 2017	H2 2016		H1 2016	
Securities commissions	112.3	100.2	12%	100.3	12%
- Management fees[8]	*96.2*	*87.6*	*10%*	*86.2*	*12%*
- Transaction fees	*16.2*	*12.6*	*28%*	*14.0*	*15%*
Other commissions	19.9	26.1	-24%	17.1	16%
Commission	132.3	**126.3**	**5%**	**117.4**	**13%**

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



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

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

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

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

[8] Management fees include advisory and services fees.

INTEREST

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

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

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

The smaller loan portfolio – mainly due to the run-off at Corporate Banking – caused a decline in interest income, while interest income generated by our investment portfolio was also down on H1 2016. Average mortgage interest rates continue to trend down. This mix of downward effects was offset in part by further cuts in savings rates, reduced costs of wholesale funding and a decrease in saving and deposits at non-core clients.

INCOME FROM SECURITIES AND ASSOCIATES

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

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

The H1 2017 capital gain of €19.3 million mainly relates to the sale of a minority stake in TechAccess (€11.1 million), which was part of the Van Lanschot Participaties portfolio, and the sale of positions in our own investment funds.

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

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

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

RESULT ON FINANCIAL TRANSACTIONS

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

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

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

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

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

OPERATING EXPENSES

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

STAFF COSTS

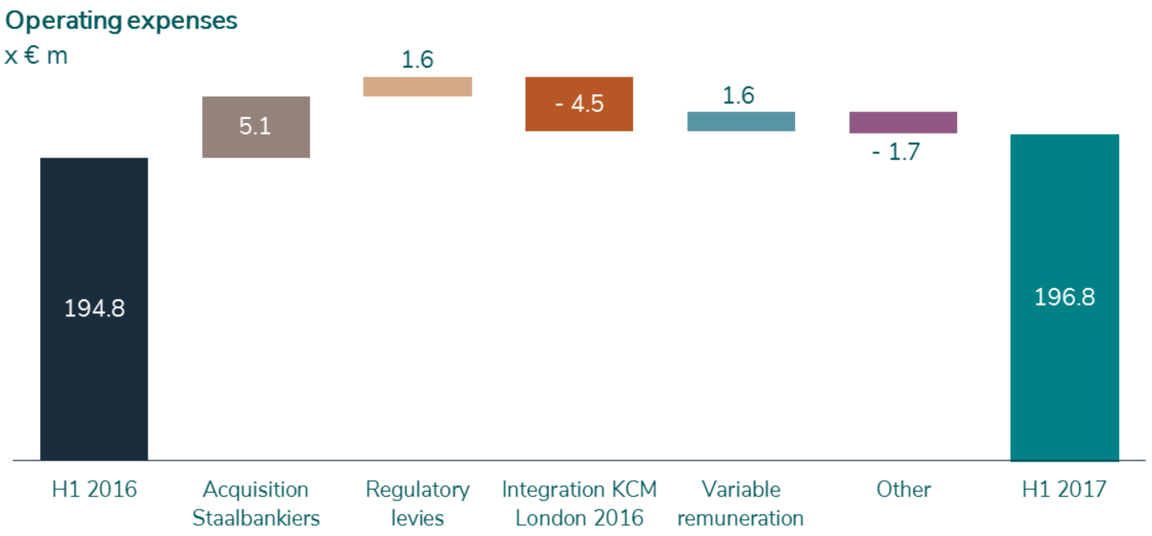
At €115.4 million, staff costs were 4% up on H1 2016 (€110.9 million), partly due to higher costs associated with the acquisition of Staalbankiers' private banking activities (an effect to the tune of €2.2 million), higher variable remuneration (€1.6 million) and charges related to employees (e.g. redundancy).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

OTHER ADMINISTRATIVE EXPENSES

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

DEPRECIATION AND AMORTISATION

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



EFFICIENCY RATIO

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

IMPAIRMENTS

(x € m)	H1 2017	H2 2016		H1 2016	
Private Banking	0.8	-1.1		2.4	-65%
Corporate Banking	-3.0	-1.0		1.0	
Other	0.2	-3.0		-5.1	
Addition to loan loss provision	**-1.9**	**-5.1**		**-1.7**	
Impairment on investments and participating interests	0.4	0.5		0.4	
Impairment on assets obtained through the seizure of collateral	0.1	0.1		0.1	
Other impairments	**0.5**	**0.6**	**-23%**	**0.5**	**1%**
Impairments	**-1.5**	**-4.5**		**-1.3**	

ADDITION TO LOAN LOSS PROVISION

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

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

NON-STRATEGIC INVESTMENT

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

ONE-OFF CHARGES

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

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

STRATEGY 2020 INVESTMENT PROGRAMME

When releasing our strategy update in April 2016, we launched our Strategy 2020 investment programme. Between mid-2016 and the end of 2019 we will invest €60 million in developing an omnichannel private banking model and completing the transformation of our IT landscape. In H1 2017 a total €9.7 million was invested under the programme, of which the largest proportion was spent on the development of our omnichannel service to our clients. In addition, a part was spent on preparations to transfer our mortgage back-office to Stater in H2 2017 and on outsourcing payment services to Fidor. Over the course of 2016 and 2017, the total investment under the programme has amounted to € 17.0 million.

INCOME TAX

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

[10] The non-strategic investments are Medsen (AIO II BV), Holonite (Holowell BV) and Allshare.

EARNINGS PER SHARE

Consolidated earnings break down as follows:

(x € m)	H1 2017	H2 2016	H1 2016
Net result	62.3	**38.3**	**31.5**
Share of non-controlling interests	-2.8	-2.3	-1.8
Net result for calculation of earnings per share	59.5	**36.1**	**29.7**
Earnings per share (€)	148.79	**90.15**	**74.20**
Underlying net result for calculation of earnings per share	66.8	**41.3**	**35.9**
Underlying earnings per share (€)	167.05	**103.26**	**89.73**
Weighted number of outstanding shares (x 1,000)	400	400	400

Profit attributable to non-controlling interests of €2.8 million in H1 2017 largely relates to non-controlling interests in our non-strategic investments, while also including the management investment plan launched in 2010 for selected staff at Kempen & Co (Kempen MIP).

Underlying earnings rose substantially, to €167.05 per share. This was partly driven by strong growth in income from securities and associates compared with H1 2016.

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STATEMENT OF FINANCIAL POSITION

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

LOAN PORTFOLIO

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

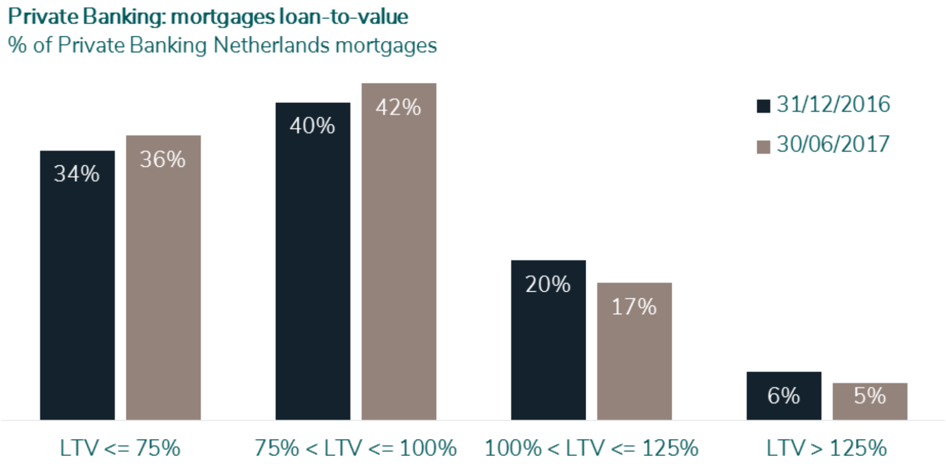
During H1 2017 our loan portfolio contracted by 2% to €9.5 billion due to the Corporate Banking run-off (-18%), while the loan book at Private Banking increased slightly, by 1%. Van Lanschot Kempen's loan portfolio is concentrated in the Netherlands (96% in H1 2017).

PRIVATE BANKING

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

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

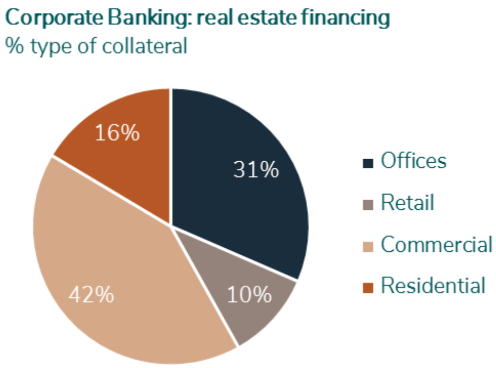
[11] Return on assets is based on underlying net result and total assets.



CORPORATE BANKING

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

Corporate Banking's SME loans came down by 15% to €0.6 billion at the end of H1 2017 and accounted for 6% of our total loan portfolio. The real estate loan portfolio (€0.6 billion), which is well-spread across types of collateral, contracted by 21%. The collateral assets against which the loans are secured are typically located in the Randstad conurbation comprising the cities of Amsterdam, Rotterdam, Utrecht and The Hague.



MORTGAGES DISTRIBUTED BY THIRD PARTIES

In April 2015 we started providing mortgages through a network of mortgage brokers, as part of our liquidity management optimisation. This portfolio of regular Dutch mortgages is meant to supplement our investment portfolio and enable us to generate attractive returns on available liquidity. It grew modestly during H1 2017 (+ 8%) and accounts for 5% of our total loan portfolio.

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

Provision

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

The total impaired ratio improved to 4.8% from 5.1% at the end of H1 2017. The proportion of impaired loans at Private Banking came down slightly to 2.9% (year-end 2016: 3.2%). For mortgages, the coverage ratio came down to 28% (year-end 2016: 31%), while for other loans it increased to 53% (year-end 2016: 49%).[13] At Corporate Banking the impaired ratio rose to 20.2% (year-end 2016: 17.9%), although impaired loans fell in absolute terms, primarily as a result of the portfolio's run-off.

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

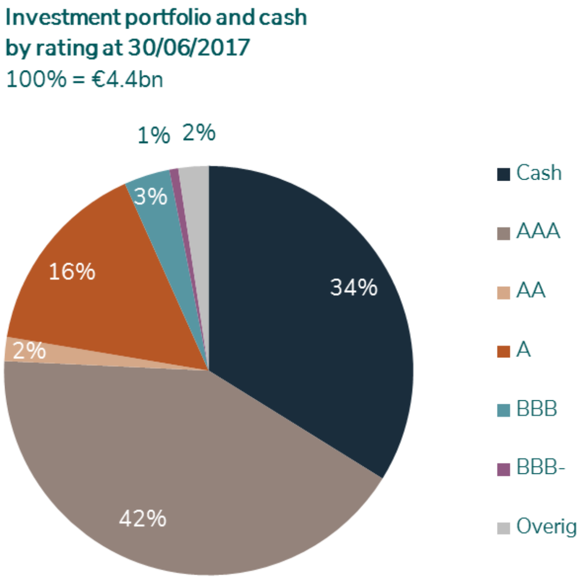
31/12/2016 *(x € m)*	Loan portfolio	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,718	80	25	1.4%	31%
Other loans	2,200	172	84	7.8%	49%
Private Banking	**7,917**	**252**	**108**	**3.2%**	**43%**
Loans to SMEs	679	178	35	26.2%	20%
Real estate financing	705	70	11	9.9%	16%
Corporate Banking	**1,384**	**248**	**47**	**17.9%**	**19%**
Mortgages distributed by third parties	485	0	0		
Total	**9,786**	**500**	**155**	**5.1%**	**31%**
Impairments	-162				
Total	**9,624**		**155**		
Incurred but not reported (IBNR)			7		
Provision including IBNR			**162**		

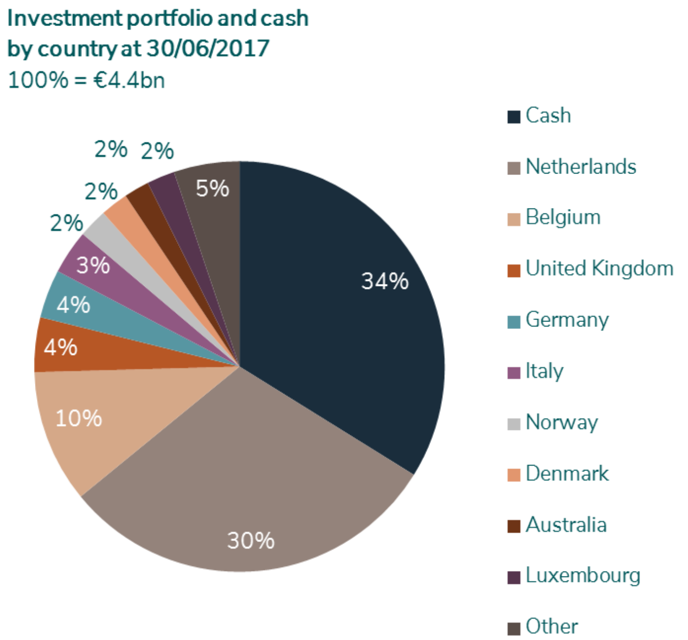
[13] The split of the provision between mortgages and other loans at Private Banking has been adjusted compared with the published figures of 2016. In total, €22 million of provisions have shifted from mortgages to other loans, based on H1 2017 figures. This provision amount relates to loan exposure of past mortgages which were not repaid in full when the underlying asset was sold. The related current exposure is reported under Other loans. Due to this adjustment, the coverage ratio now gives a more accurate insight. The comparative figures for year-end 2016 have been adjusted in the table presented here.

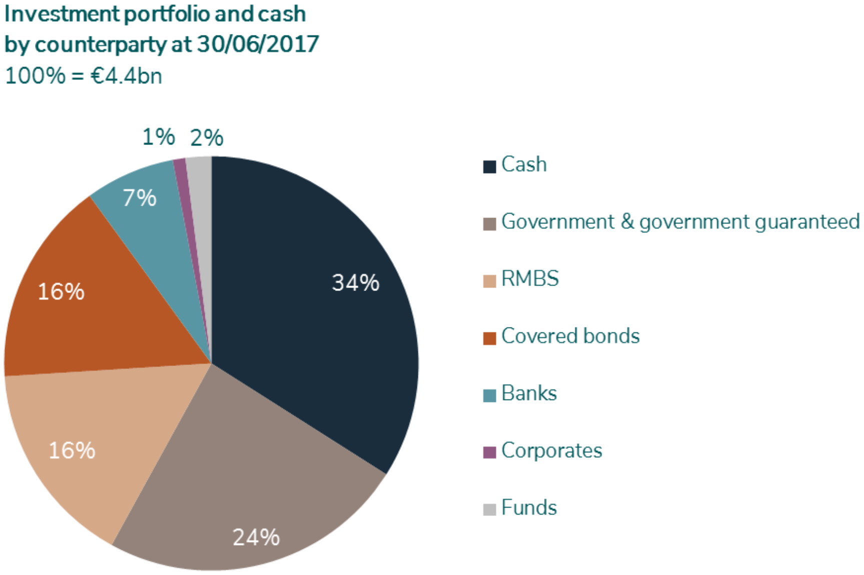
INVESTMENT PORTFOLIO AND CASH

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

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







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

CAPITAL AND LIQUIDITY MANAGEMENT

In H1 2017 our capital base again improved significantly compared with year-end 2016.

PROPOSED RETURN OF CAPITAL TO SHAREHOLDERS OF €1 PER SHARE

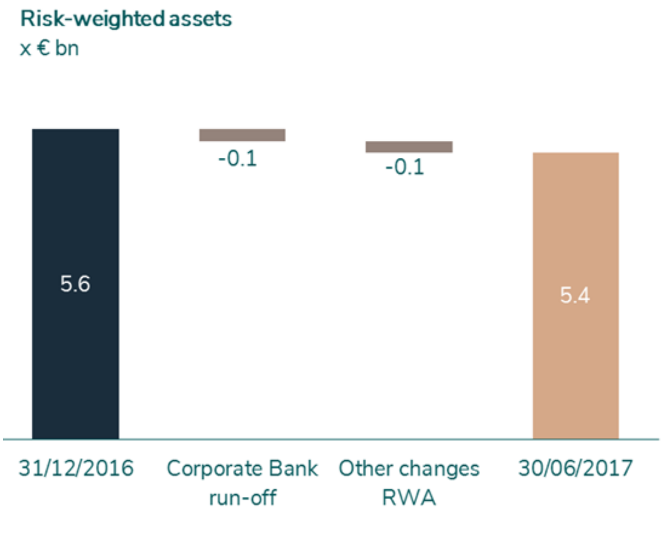
Thanks to our strong capital base and the development of our underlying result, we are able to make a next step in the ongoing implementation of our capital strategy: to return at least €250 million to our shareholders in the period up to and including 2020 (subject to approval of the regulators). We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

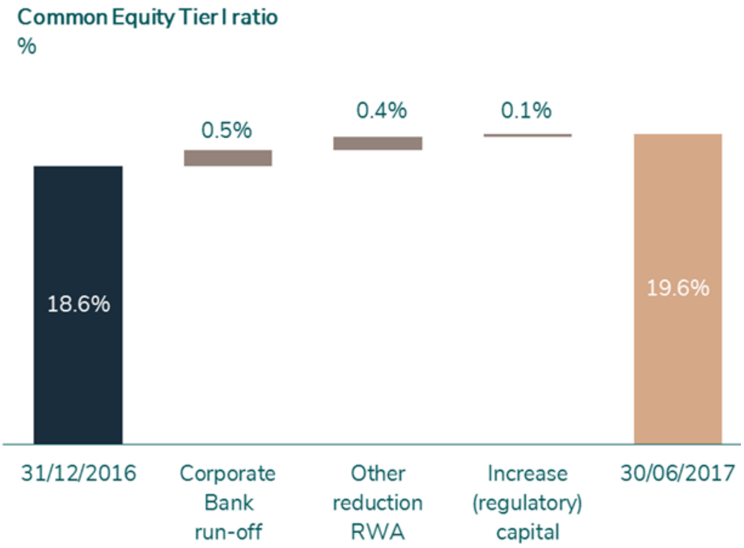
The proposal will be put to a vote at the Extraordinary General Meeting of Shareholders on 11 October 2017. As it entails a return of capital, the payment will not be subject to dividend tax. The return of €1 per share in issue will be charged to the proportion of the share premium reserve available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

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

CAPITAL MANAGEMENT

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



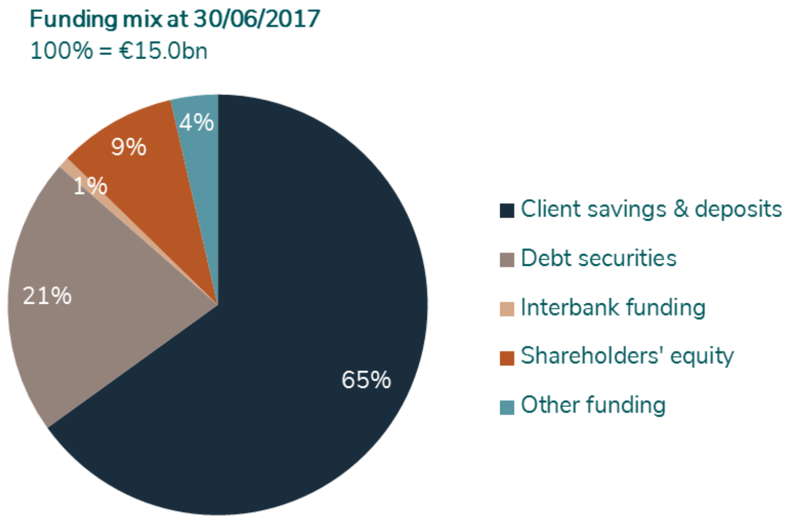


DNB periodically rates the institutions it regulates on their supervisory review and evaluation process (SREP). It has set our SREP requirement at a Total Capital ratio of 12.7%, which is determined to cover both the Pillar I and Pillar II capital requirements as well as supervisory add-ons. This minimum requirement is based on the balance sheet as at 31 December 2016 and does not include additional capital buffers such as the capital conservation buffer that will be gradually phased-in as of 2016. The SREP formula is used to indicate the total capital requirement for Pillar I and Pillar II and is expressed as the total risk exposure amount. Van Lanschot is comfortably above the 12.7% minimum Total Capital ratio, with a CET1 ratio (fully loaded, excluding retained earnings) of 19.6% as at 30 June 2017.

FUNDING

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

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



BASEL III

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

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

[15] The norm breaks down as follows: standard buffer 4.5%, conservation buffer 2.5%, countercyclical buffer between 0% and 2.5%.
[16] Based on LCR Delegated Act.
[17] Based on Basel III: net stable funding ratio (BCBS 295).

CLIENT ASSETS

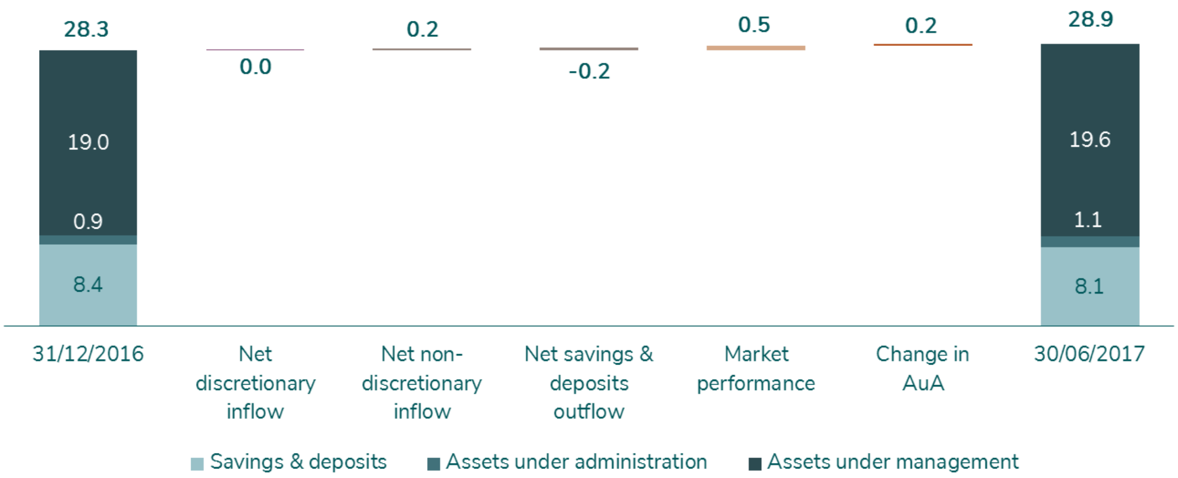
(x € bn)	30/06/2016	31/12/2016		30/06/2016	
Client assets	**72.0**	**69.4**	**4%**	**66.2**	**9%**
Assets under management	60.1	57.5	4%	54.3	11%
Assets under administration	2.5	2.1	19%	2.2	16%
Savings and deposits	9.4	9.7	-3%	9.7	-3%
Client assets	**72.0**	**69.4**	**4%**	**66.2**	**9%**
Private Banking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

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

PRIVATE BANKING

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

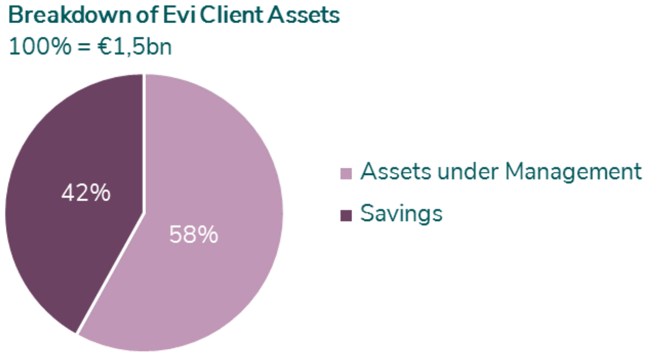
Client Assets at Private Banking
x € bn



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

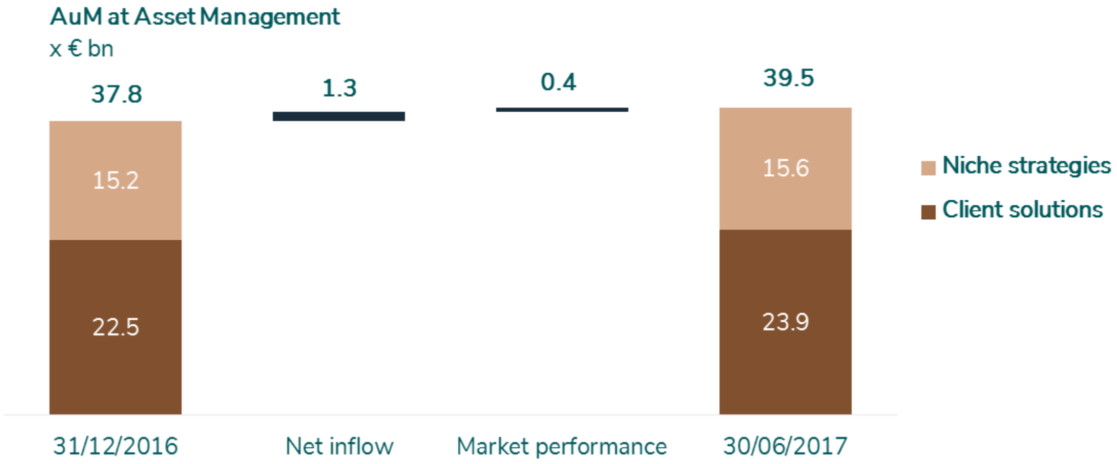
EVI

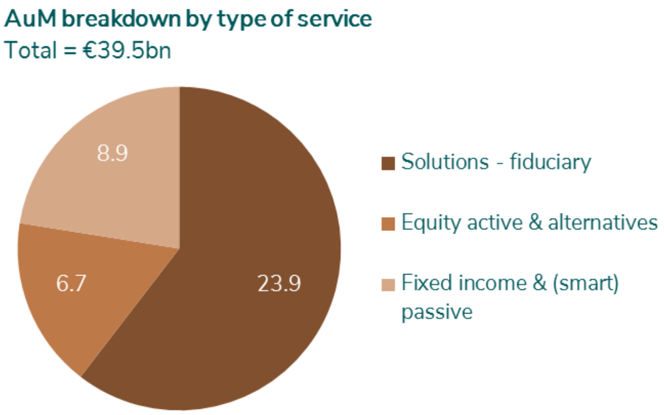
Client assets held by Evi van Lanschot have remained stable and totalled €1.5 billion in H1 2017. This reflected growth in inflow of AuM of almost €70 million during the first six months, while savings declined at about the same rate. As a result, AuM as a percentage of total client assets increased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

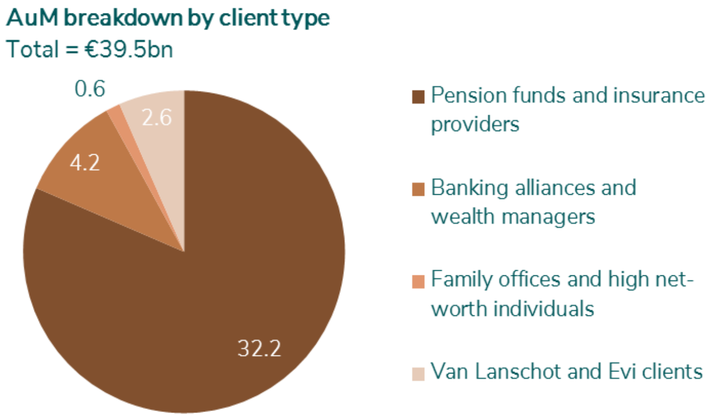


ASSET MANAGEMENT

Assets under management at Asset Management were up by 5% to €39.5 billion from €37.8 billion. Asset Management recorded net inflows of €1.3 billion in H1 2017, mainly on the back of new pension fund mandates at fiduciary management. The activities acquired in the UK in 2015 also contributed to this inflow in the shape of the Mencap pension plan mandate. Positive value trends, mainly in equity strategies, underpinned a market performance of €0.4 billion.







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

VAN LANSCHOT KEMPEN

New name

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

RECONCILIATION OF IFRS AND MANAGEMENT REPORTING

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

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

DISCLAIMER AND CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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

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

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

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

Consolidated statement of financial position

At 30 June 2017

(x €1,000)

		30/06/2017	31/12/2016
Assets			
Cash and cash equivalents and balances at central banks	*1*	1,577,706	1,585,473
Financial assets held for trading		36,228	16,913
Due from banks		165,257	188,748
Derivatives	*2*	306,133	307,320
Financial assets designated at fair value through profit or loss	*3*	327,925	336,238
Available-for-sale investments	*4*	2,052,543	1,680,036
Held-to-maturity investments	*5*	511,049	513,438
Loans and advances to the public and private sectors	*6*	9,470,330	9,624,048
Investments in associates using the equity method		68,125	75,559
Property and equipment	*7*	67,079	72,003
Goodwill and other intangible assets	*8*	190,584	194,453
Tax assets	*24*	34,874	41,687
Assets classified as held for sale		-	103,639
Other assets		144,284	137,856
Total assets		**14,952,117**	**14,877,411**
Equity and liabilities			
Financial liabilities from trading activities		4,736	5
Due to banks	*9*	142,470	128,696
Public and private sector liabilities	*10*	9,386,515	9,679,764
Derivatives	*2*	319,796	338,851
Financial liabilities designated at fair value through profit or loss	*11*	917,275	894,255
Issued debt securities	*12*	2,484,370	2,116,094
Provisions	*13*	25,819	34,047
Tax liabilities		7,675	7,073
Other liabilities		131,772	157,482
Subordinated loans	*14*	166,766	167,218
Total liabilities		**13,587,194**	**13,523,485**
Issued share capital		40,000	40,000
Share premium reserve		318,521	318,521
Other reserves	*15*	931,615	916,214
Undistributed profit attributable to shareholder		59,522	65,735
Equity attributable to shareholder		**1,349,659**	**1,340,470**
Non-controlling interests		12,506	9,391
Undistributed profit attributable to non-controlling interests		2,758	4,065
Equity attributable to non-controlling interests		**15,264**	**13,456**
Total equity		**1,364,923**	**1,353,926**
Total equity and liabilities		**14,952,117**	**14,877,411**
Contingent liabilities		64,913	68,024
Irrevocable commitments		148,626	145,918
		213,539	**213,943**

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

Consolidated statement of income

For the six months ended 30 June 2017

(x €1,000)

		H1 2017	H1 2016
Income from operating activities			
Interest income		175,786	209,056
Interest expense		72,889	100,869
Net interest income	*16*	**102,898**	**108,187**
Income from associates using the equity method		18,794	6,277
Other income from securities and associates		10,999	2,349
Income from securities and associates	*17*	**29,793**	**8,626**
Commission income		139,477	120,511
Commission expense		7,197	3,121
Net commission income	*18*	**132,281**	**117,390**
Result on financial transactions	*19*	**7,202**	**4,035**
Net sales		52,966	48,256
Cost of sales		26,782	27,162
Other income	*20*	**26,184**	**21,094**
Total income from operating activities		**298,357**	**259,332**
Expenses			
Staff costs	*21*	128,532	122,721
Other administrative expenses	*22*	88,540	90,040
Staff costs and other administrative expenses		**217,072**	**212,761**
Depreciation and amortisation		8,024	7,707
Operating expenses		**225,097**	**220,469**
Release of loan loss provision		-1,929	-1,735
Other impairments		460	1,086
Impairments	*23*	**-1,470**	**-649**
Total expenses		**223,627**	**219,819**
Operating profit before tax		**74,730**	**39,512**
Income tax	*24*	**12,449**	**8,016**
Net result		**62,281**	**31,496**
Of which attributable to shareholder		59,522	29,707
Of which attributable to non-controlling interests		2,758	1,789
Earnings per ordinary share (€)	*25*	148.81	74.27

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

Consolidated statement of comprehensive income

For the six months ended 30 June 2017

(x €1,000)

		H1 2017	H1 2016
Net result (as per income statement)		**62,281**	**31,496**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Other comprehensive income through revaluation reserve			
Revaluation of equity instruments		-7,235	276
Revaluation of debt instruments		4,874	5,853
Realised return on equity instruments		-911	-911
Realised return on debt instruments	*19*	-1,553	-7,021
Income tax effect		-862	292
Total other comprehensive income through revaluation reserve	*15*	**-5,687**	**-1,511**
Other comprehensive income from value changes of derivatives (cash flow hedges)			
Decrease in value of derivatives directly subtracted from equity		-84	-5,147
Income tax effect		21	1,287
Total other comprehensive income from value changes of derivatives (cash flow hedges)	*15*	**-63**	**-3,860**
Other comprehensive income from currency translation differences		-232	16
Income tax effect		-	-
Total other comprehensive income from currency translation differences	*15*	**-232**	**16**
Total other comprehensive income to be reclassified in subsequent periods to profit or loss		**-5,982**	**-5,355**
Other comprehensive income not to be reclassified in subsequent periods to profit or loss			
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans		632	-
Income tax effect		-157	-
Total remeasurement of defined benefit plans	*15*	**475**	**-**
Total other comprehensive income not to be reclassified in subsequent periods to profit or loss		**475**	**-**
Total other comprehensive income		**-5,507**	**-5,355**
Total comprehensive income		**56,774**	**26,141**
Of which attributable to shareholder		54,015	24,352
Of which attributable to non-controlling interests		2,758	1,789

Consolidated statement of changes in equity

For the six months ended 30 June 2017

(x €1,000)

	Share capital	Share premium reserve	Other reserves	Undistributed profit	Total equity attributable to shareholder	Equity attribu-table to non-controlling interests	Total equity
At 1 January 2017	**40,000**	**318,521**	**916,214**	**65,735**	**1,340,470**	**13,456**	**1,353,926**
Net result (as per income statement)	-	-	-	59,522	**59,522**	2,758	62,281
Total other comprehensive income	-	-	-5,507	-	**-5,507**	-	-5,507
Total comprehensive income	-	-	**-5,507**	**59,522**	**54,015**	**2,758**	56,774
Shares issued	-	-	-	-	**-**	-	-
Share plans	-	-	3,874	-	**3,874**	-	3,874
To other reserves	-	-	16,380	-16,380	-	-	-
Repurchased equity instruments	-	-	-	-	**-**	-	-
Dividends	-	-	-	-49,355	**-49,355**	-672	-50,027
Other changes	-	-	654	-	**654**	-	654
Change in non-controlling interests	-	-	-	-	-	-277	-277
At 30 June 2017	**40,000**	**318,521**	**931,615**	**59,522**	**1,349,659**	**15,264**	**1,364,923**

Consolidated statement of changes in equity

For the six months ended 30 June 2016

(x €1,000)

	Share capital	Share premium	Other reserves	Undistributed profit	Total equity attributable to shareholder	Equity attributable to non-controlling interests	Total equity
At 1 January 2016	**40,000**	**318,481**	**906,714**	**34,163**	**1,299,358**	**20,576**	**1,319,934**
Net result (as per income statement)	-	-	-	29,707	**29,707**	1,789	31,496
Total other comprehensive income	-	-	-5,355	-	**-5,355**	-	-5,355
Total comprehensive income	-	-	**-5,355**	**29,707**	**24,352**	**1,789**	26,141
Share plans	-	-	-3,914	-	**-3,914**	-	-3,914
To other reserves	-	-	15,731	-15,731	-	-	-
Dividends	-	-	-	-18,432	**-18,432**	-6,788	-25,220
Other changes	-	-	-4	-	**-4**	-	-4
Change in non-controlling interests	-	-	-	-	-	-2,711	-2,711
At 30 June 2016	**40,000**	**318,481**	**913,172**	**29,707**	**1,301,360**	**12,866**	**1,314,226**

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

		H1 2017	H1 2016
Cash flow from operating activities			
Operating profit before tax		74,730	39,512
Adjustments for			
- Depreciation and amortisation		8,768	7,988
- Cost of share plans		1,757	1,476
- Results on associates using the equity method		-7,739	-6,276
- Valuation results on financial assets designated at fair value through profit or loss		3,677	-4,185
- Valuation results on financial liabilities designated at fair value through profit or loss		2,328	-9,453
- Valuation results on derivatives		-19,605	15,036
- Impairments	*23*	-1,470	-649
- Changes in provisions		-4,423	10,611
Cash flow from operating activities		**58,023**	**54,060**
Net movement in operating assets and liabilities			
- Financial assets/liabilities held for trading		-14,583	-3,975
- Due from/to banks		42,950	-698,285
- Loans and advances to public and private sectors/public and private sector liabilities		-61,610	20,998
- Derivatives		16,746	41,502
- Withdrawals from restructuring provision and other provisions		-3,173	-2,577
- Other assets and liabilities		-30,435	-14,143
- Income taxes paid		-6,115	-1,335
- Dividends received		3,962	2,332
Total net movement in operating assets and liabilities		**-52,258**	**-655,483**
Net cash flow from operating activities		**5,766**	**-601,423**
Cash flow from investing activities			
Investments and acquisitions			
- Investments in debt instruments		-827,062	-550,900
- Investments in equity instruments		-8,462	-10,945
- Investments in associates using the equity method		13,318	-10,075
- Property and equipment		-9,870	-5,144
- Goodwill and other intangible assets		-224	-56
Divestments, redemptions and sales			
- Investments in debt instruments		439,881	904,974
- Investments in equity investments		13,359	12,538
- Investments in group companies (exclusive of cash acquired)			
- Investments in associates using the equity method		-	-
- Property and equipment		9,418	1,836
- Goodwill and other intangible assets		700	-
Dividends received		1,938	2,837
Net cash flow from investing activities		**-367,005**	**345,065**

Continued on the next page.

Consolidated statement of cash flows

For the six months ended 30 June 2017

(x €1,000)

	H1 2017	H1 2016
Cash flow from financing activities		
Share plans	1,670	-5,335
Repurchased equity instruments *		
Non-controlling interests	-992	-2,634
Redemption of subordinated loans	-113	-113
Receipts on debt securities	500,000	500,000
Redemption of debt securities	-112,072	-296,632
Receipts on financial liabilities designated at fair value through profit or loss	139,381	84,879
Redemption of financial liabilities designated at fair value through profit or loss	-118,689	-48,738
Dividends paid	-50,027	-25,180
Net cash flow from financing activities	**359,159**	**206,248**
Net change in cash and cash equivalents and balances at central banks	**-2,080**	**-50,110**
Cash and cash equivalents and balances at central banks at 1 January *	1,550,100	868,662
Cash and cash equivalents and balances at central banks at 30 June *	1,548,020	818,552
Additional disclosure		
Cash flows from interest received	175,402	220,058
Cash flows from interest paid	81,521	112,658

* 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

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

Basis of preparation

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

Summary of significant accounting policies

Accounting policies

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

Changes in presentation

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

Significant accounting judgements and estimates

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

Changes in IFRS standards already effective

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

IAS 7 Disclosure Initiative

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

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

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

Annual Improvements to 2014-2016 Cycle

Changes to standard concern:

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 9 Financial instruments

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

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

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

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

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

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

Stages 1 and 2
The Modelling work stream has focused on the design, development and validation of the impairment models. We intend to perform a parallel run during the second half of 2017 to gain a better understanding of the potential effects of the new standard.

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

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

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

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

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

Notes to the consolidated statement of financial position

(x €1,000)

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

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

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

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

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

* Most recent Fitch ratings as known to Van Lanschot.

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

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

* Most recent Fitch ratings as known to Van Lanschot.

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

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

* Most recent Fitch ratings as known to Van Lanschot.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 Other reserves	Revaluation reserve available-for-sale investments		Actuarial results on defined benefit schemes	Currency translation reserve	Cash flow hedge reserve	Retained earnings	Total
	Equity instruments	Debt investments					
At 1 January 2017	**13,517**	**6,732**	**-16,625**	**2,257**	**-10,883**	**921,216**	916,214
Net changes in fair value	-7,235	3,624	-	-	-63	-	-3,675
Realised gains/losses through profit or loss	-911	-1,164	-	-	-	-	-2,076
Profit appropriation	-	-	-	-	-	16,380	16,380
Share plans	-	-	-	-	-	3,874	3,874
Actuarial results	-	-	475	-	-	-	475
To retained earnings	-	-	-718	-	-	718	-
Other changes	-	-	-	-232	-	653	422
At 30 June 2017	**5,371**	**9,191**	**-16,868**	**2,025**	**-10,946**	**942,841**	931,615
Tax effects	-	-862	-157	-	21	-	-998

Notes to the consolidated statement of income

(x €1,000)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 Income tax

Deferred tax assets

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

Income tax recognised in the statement of income

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

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

(x €1,000)

25 Earnings per ordinary share	H1 2017	H1 2016
Net result	62,281	31,496
Non-controlling interests	-2,758	-1,789
Net result attributable to shareholder	**59,522**	**29,707**
Weighted average number of ordinary shares in issue	400,000	400,000
Earnings per ordinary share (€)	148.81	74.27

26 Fair value

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

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

Level 1: Quoted prices in active markets
The fair value of financial instruments traded in an active market is based on the price at the reporting date (market price). The bid price is applied for financial assets and the offer price for financial liabilities. Since these instruments are traded in an active market, their prices adequately reflect current and frequent market transactions between unrelated parties.

Level 2: Inputs observable in the markets
The fair value of financial instruments not traded in an active market (e.g. over-the-counter financial derivatives) is established using cash flow and option valuation models. Based on estimates, we make assumptions based on the market conditions (observable data) at the reporting date. The estimated present value of future cash flows is used to determine the fair value of the other financial instruments. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The discount rate is the same as the market interest rate at the reporting date for a similar instrument subject to the same conditions, taking into account collateral furnished under credit support annexes (CSAs).

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

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

Level 3: Significance of unobservable market data
The financial instruments in this category are assessed on an individual basis. Their valuation is based on the best estimate of management by reference to the most recent prices, prices of similar instruments and, to a not insignificant extent, information not observable in the market. Unobservable inputs may include volatility, correlation, seasonality and credit spreads. A valuation technique is used in which at least one input that has a significant effect on the instrument's valuation is not based on observable market data. A significant effect on the instrument's valuation is considered to be present when the unobservable input accounts for at least 10% of the total instrument's fair value and exceeds a threshold of €50,000. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

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

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

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

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

Breakdown of movements in financial liabilities classified as Level 3	At 1 January 2017	To statement of income	To equity	Issues	Settlements	Transfers	At 30 June 2017
Liabilities							
Financial liabilities held for trading	5	-	-	-	-5	-	-
Derivatives	1,242	-392	-	341	-1	346	1,537
Financial liabilities designated at fair value through profit or loss	32,825	1,466	-	-	-	-473	33,818
Total liabilities	**34,073**	**1,074**	**-**	**341**	**-6**	**-127**	**35,355**

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

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

Fair value changes recognised in profit or loss on financial instruments classified as Level 3	H1 2017			H1 2016		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net interest income	952	-	952	452	-	**452**
Income from securities and associates	6,439	-3,626	2,813	17	-335	**-318**
Result on financial transactions	-	1,558	1,558	-	770	**770**
Impairments	-	-33	-33	-	-15	**-15**
Total	7,391	-2,101	5,290	**469**	**420**	**889**

Notes on fair value determination using significant observable market inputs (Level 2)	Fair value		Valuation method	Significance of observable market inputs
	30/06/2017	31/12/2016		
Assets				
Financial assets held for trading	1,558	1,582	- Option model and discounted cash flow	- Asset price - Interest rate - Dividend yield - Volatility
Derivatives	279,449	284,172	- Discounted cash flow - Option model	- Underlying value - Interest rate - Dividend yield - Volatility - Consumer price index (CPI) - Seasonality - Correlation - FX rates - CDS spread - Recovery rate
Financial assets designated at fair value through profit or loss	40,853	39,552	- Net asset value	- Most recently known (closing) price of the underlying assets - Most recent published net asset value - Market value on measurement date equals market price - Fair value reflecting generally accepted standards
Total assets	321,860	325,306		
Liabilities				
Financial liabilities held for trading	199	-	- Option model and discounted cash flow	- Asset price - Interest rate - Dividend yield - Volatility
Derivatives	296,431	317,594	- Discounted cash flow - Option model	- Underlying value - Interest rate - Dividend yield - Volatility - Consumer price index (CPI) - Seasonality - Correlation - FX rates - CDS spread - Recovery rate
Financial liabilities designated at fair value through profit or loss	883,457	861,431	- Discounted cash flow - Option model	- Interest rate - Underlying value - Dividend yield - Volatility - Correlation - FX rates
Total liabilities	1,180,086	1,179,025		

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

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

Notes on range and sensitivity of non-observable market inputs (Level 3)			
	Significant non-observable market inputs	Range	Sensitivity
Assets **Available-for-sale investments** Debt instruments: company cumprefs (shareholdings)	- Interest rates - Discount rates	6.5% - 12% 6.5% - 12%	Change of 1% - change of €0.2 million Change of 1% - change of €0.2 million
Derivatives			
Structured products derivatives			
- Options	- Correlation	-17% - 19% (0%)	Total impact: €0.3 million
- Equity swaps	- Correlation	-17% - 27% (22%)	Total impact: €0.4 million

Financial instruments not recognised at fair value

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

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

28 Netting of financial assets and financial liabilities

Netting of financial assets and liabilities	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 30/06/2017
Derivatives (assets)	440,999	134,866	306,133	73,956	232,177
Derivatives (liabilities)	454,662	134,866	319,796	73,956	245,840

Netting of financial assets and liabilities	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 31/12/2016
Derivatives (assets)	409,386	102,066	307,320	21,754	285,566
Derivatives (liabilities)	440,917	102,066	338,851	21,754	317,097

29 Related parties

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

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

For further information on related party transactions, see Van Lanschot's annual report 2016 (from page 192).

Segment information

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

Private Banking

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

Evi

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

Asset Management

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

Merchant Banking

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

Corporate Banking

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

Other activities

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

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

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

Events after the reporting period

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

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

Other information

Statutory Board Responsibility Statement

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

's-Hertogenbosch, the Netherlands, 29 August 2017

Statutory Board

Karl Guha, Chairman

Constant Korthout

Richard Bruens

Arjan Huisman