Van Lanschot Kempen Performance report

2018 ANNUAL RESULTS

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FINANCIAL AND NON-FINANCIAL KPIS

During 2018, a new set of Key Performance Indicators (KPIs) was developed in addition to the existing KPIs, focusing on long-term value creation. These financial and non-financial KPIs reflect both the interests of our stakeholders and our ambitions as a wealth manager. Please note that Van Lanschot Kempen did not conduct an engagement survey in 2018. For this reason no scores are reported within the theme ethics and integrity (KPI 4) and for KPI 11. For more information on the development of our KPIs, please refer to page 19-20 of our annual report 2018.

An overview of our performance on the KPIs that we report externally is shown in the table below.

Themes and mission	KPI	Target	Score 2018	
Financial and risk management	1. CET 1 ratio (fully loaded)	15-17%[1]	21.4%	
	2. Return on equity (CET 1)	10-12%[1]	9.8%	
	3. Efficiency ratio	60-65%[1]	79.4%	
Ethics and integrity	4. Percentage of employees who feel the responsibility to act and behave ethically	> industry average	N.A.	N.A.
Client relations	5. Net promoter score (NPS):			
	a. Private Banking	PB: 10	2	
	b. Evi	Evi: 10	-20	
	c. Asset Management	AM: 20	44[2]	
Responsibility and sustainability	6. Private Banking: AuM invested in sustainable and/or impact investment wealth management solutions	> last year	2018: €1,318m 2017: €1,138m	
	7. Engaging with companies in which our funds invest	80-100 engagements	91 engagements	
	8. Asset Management: percentage increase in (internal and external) fund managers on our approved list that are scored on their overall sustainability profile	> last year	2018: 53 funds 2017: 0 funds	
	9. Decrease in carbon emissions:			
	a. Direct emissions of our own organisation	- 2.5%/FTE per year	-8.1%	
	b. Indirect emissions via our balance sheet (mortgage portfolio)	- CO_2/EUR < last year	-7.4%	
Employees	10. Employee engagement score	> 80%	81%[2]	
	11. Employer Net Promoter Score (eNPS)	> 10	-	-
	12. Gender balance in management positions	> 30% female and > 30% male	20% female and 80% male	
Mission: Preservation and creation of wealth	13. Private Banking: 3-year performance of discretionary management mandates	> benchmark	-0.1%	
	14. Evi: 3-year performance of discretionary management mandates	> benchmark	-0.4%	
	15. Asset Management: average Morningstar rating of investment strategies (institutional share class)	> 3.5	4.0	

[1] Our 2020 targets applied to 2018. As of 2019, we set targets for 2023 (please refer to page 28)

[2] Score for 2017

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Financial and risk management

Financial performance and risk management are key to our organisation, as all direct stakeholders benefit from a solid capital position and sustainable performance. In 2018, our CET 1 fully loaded ratio increased to 21.4% and our return on CET 1 decreased to 9.8%. The efficiency ratio amounted to 79.4%. As of 2019, we have adjusted our target for the efficiency ratio from 60-65% to 70-72%. We believe this target aligns with our profile as a wealth manager and with the economic environment in which we operate. More information on the developments underlying these ratios is provided on pages 14 and 24.

Ethics and integrity

We operate in an ethical manner, and we encourage our employees to behave ethically and with integrity. We monitor ethical behaviour of our employees by focusing on this item in our employee engagement survey. In 2018, no employee engagement survey was conducted so no score is reported this time. Our next employee engagement survey will take place in the first half of 2019 and will be conducted every second year.

Client relations

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

Our Private Banking clients awarded us an NPS of 2, below our target of 10. Evi clients awarded an NPS of – 20, below our target of 10. Both NPS scores were impacted by disappointing absolute results on clients' investment portfolios. For Asset Management we measure the NPS once every two years as the relationship with and the solutions provided to institutional clients do not change as quickly as can be the case with private clients. The NPS of 44 awarded by clients of Asset Management in 2017 was above our target of 20.

Responsibility and sustainability

We can achieve the most significant economic, environmental and social impact by investing the wealth of our clients in a responsible and sustainable manner. The Private Banking Assets under Management (AuM) invested in sustainable and impact investment rose to €1,318 million in 2018, from €1,138 million in 2017. Over the year, we undertook 91 engagements for change and awareness, well within our target of 80 – 100 cases. In 2018, we also started rating external fund managers on ESG criteria and were able to score 53 fund managers. In addition, we decreased the carbon emissions caused by our mortgage portfolio by 7.4% and those caused by our own organisation by 8.1% per FTE.

Employees

As a professional services company, Van Lanschot Kempen is dependent on hiring and retaining knowledgeable, experienced and professional staff. That means we are highly motivated to create an attractive work environment for our workforce and to invest in our people. At year-end 2018 20% of the employees in management positions were female. We are also focusing on developing an additional KPI to reflect our ambition of encouraging diversity within our organisation (e.g. in terms of background). As mentioned above, no employee engagement survey was conducted in 2018, which is why the 2017 employee engagement score is reported and no Employer Net Promoter Score is provided for 2018. Our next employee engagement survey will take place in the first half of 2019 and will be conducted every second year.

MISSION: PRESERVATION AND CREATION OF WEALTH

As our mission is to preserve and create wealth for our clients, our wealth management solutions should deliver a positive performance in the long term, and our investment strategies should perform well compared to their benchmarks. At year-end 2018, the three-year performances of Private Banking and Evi discretionary management mandates relative to their benchmarks stood at –0.1% and –0.4% respectively. In 2018, performance was slightly below the benchmark due to the decision to take less interest rate risk than the benchmark by investing in credits and liquidity funds and due to the underperformance of the external equity funds selected. 2016 and 2017 showed outperformances compared to the benchmark. At Asset Management the average Morningstar rating of our investment strategies is 4.0, well above our target of 3.5.

For more information on our KPIs, please refer to our CSR supplement page 4 – 7.

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KEY DATA[3]

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

€ m	2018	2017		H2 2018	H1 2018
Statement of income					
Net result	80.3	94.9	-15%	41.0	39.3
Underlying net result	103.0	112.3	-8%	55.8	47.2
Efficiency ratio excluding special items (%)[4]	79.4	76.2		77.6	81.1

€ bn	31/12/2018	31/12/2017		30/06/2018	
Client assets[5]	81.2	83.6	-3%	83.7	-3%
- Assets under management	67.0	69.0	-3%	69.1	-3%
- Assets under monitoring & guidance	3.4	3.5	-3%	3.4	0%
- Assets under administration	1.7	2.0	-16%	1.9	-10%
- Savings and deposits	9.1	9.1	-1%	9.3	-2%

€ m	31/12/2018	31/12/2017		30/06/2018	
Statement of financial position and capital management					
Equity attributable to shareholders	1,256	1,333	-6%	1,284	-2%
Equity attributable to non-controlling interests	12	16	-25%	11	9%
Savings and deposits	9,091	9,145	-1%	9,281	-2%
Loans and advances to clients	8,561	9,103	-6%	8,958	-4%
Total assets	13,980	14,659	-5%	14,512	-4%
Funding ratio (%)	106.2	100.5		103.6	
Risk-weighted assets	4,580	4,979	-8%	4,798	-5%
Common Equity Tier 1 ratio (fully loaded) (%)[6]	21.4	20.3		21.4	
Tier 1 ratio (fully loaded) (%)[6]	21.4	20.3		21.4	
Total capital ratio (fully loaded) (%)[6]	23.5	22.1		23.3	

	2018	2017		H1 2018	
Other key data					
Weighted average outstanding ordinary shares (x 1,000)	41,005	40,960		41,002	
Underlying earnings per share (€)	2.37	2.61	-9%	1.08	
Return on average Common Equity Tier 1 (%)[7]	9.8	10.4		8.7	
Number of employees (FTEs at period end)	1,621	1,658	-2%	1,640	-1%

[3] Total figures may not add up due to rounding. Percentages are calculated based on unrounded figures.
[4] Operating expenses (and thus the efficiency ratio) exclude costs incurred for our strategic investment programme, the amortisation of intangible assets arising from acquisitions, restructuring charges and a one-off charge for the derivatives recovery framework.
[5] As of 1 January 2018, €0.2 billion of AuM has been transferred to AuA. The comparative figures for 31/12/2017 have been adjusted accordingly.
[6] Full-year 2018 and 2017 including retained earnings; half-year 2018 excluding retained earnings.
[7] Based on the (annualised) underlying net result.

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RESULTS

€ m	2018	2017		H2 2018	H1 2018
Commission	293.2	267.0	10%	143.3	149.9
- Of which securities commissions	*238.5*	*230.6*	*3%*	*117.6*	*120.9*
- Of which other commissions	*54.7*	*36.3*	*50%*	*25.7*	*29.0*
Interest	175.6	196.6	-11%	85.6	90.0
Income from securities and associates	31.1	37.0	-16%	14.5	16.6
Result on financial transactions	-0.8	14.1		-2.5	1.7
Income from operating activities	499.2	**514.8**	-3%	**241.0**	**258.2**
Staff costs	244.4	236.0	4%	119.1	125.2
Other administrative expenses	146.8	150.2	-2%	66.3	80.6
- Of which regulatory levies and charges	*10.5*	*10.9*	*-4%*	*2.5*	*8.0*
Depreciation and amortisation	5.2	5.8	-11%	1.7	3.5
Operating expenses	396.4	**392.1**	1%	**187.1**	**209.3**
Gross result	102.8	**122.7**	-16%	**53.9**	**48.9**
Addition to loan loss provision	-12.7	-11.9	7%	-9.2	-3.5
Other impairments	-0.9	-2.6	-63%	0.1	-1.1
Impairments	-13.7	**-14.4**	**-5%**	**-9.1**	**-4.6**
Operating profit before tax of non-strategic investments	17.8	12.6	41%	9.0	8.8
Operating profit before special items and tax	134.3	**149.8**	-10%	**72.0**	**62.3**
Strategic investment programme	22.0	21.4	2%	11.5	10.5
Derivatives recovery framework	-	1.7		-	-
Amortisation of intangible assets arising from acquisitions	8.3	6.1	36%	4.0	4.2
Restructuring charges	8.3	-		8.3	-
Operating profit before tax	95.8	**120.5**	-21%	**48.2**	**47.6**
Income tax	15.5	25.6	-40%	7.2	8.3
Net result	80.3	**94.9**	-15%	**41.0**	**39.3**
Underlying net result	103.0	**112.3**	-8%	**55.8**	**47.2**

UNDERLYING NET RESULT

€ m	2018	2017		H2 2018	H1 2018
Net result	80.3	**94.9**	-15%	**41.0**	**39.3**
Strategic investment programme	22.0	21.4	2%	11.5	10.5
Derivatives recovery framework	-	1.7		-	-
Restructuring charges	8.3	-		8.3	-
Tax effects	-7.6	-5.8	30%	-4.9	-2.6
Underlying net result	103.0	**112.3**	**-8%**	**55.8**	**47.2**

MARKET DEVELOPMENTS

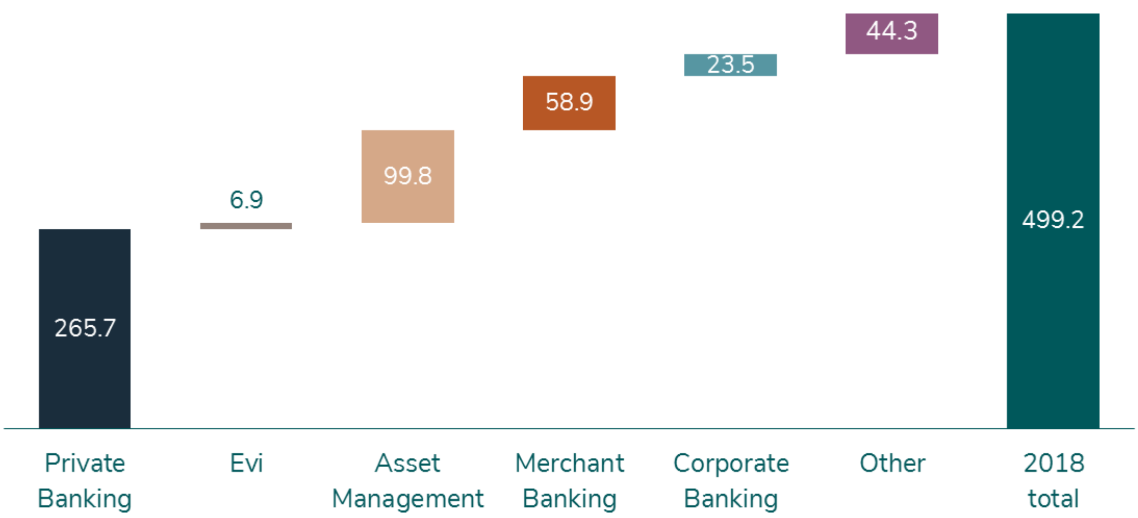
The global economy in 2018 was relatively strong, but this was not always reflected in the performance of equity markets, especially in Q4. Equity markets declined on the back of the trade tensions between the US and China and uncertainty around Brexit. At the same time, favourable economic conditions fuelled the real estate and housing markets. Current interest rates remain low as inflation rates remain below the European Central Bank's targets.

INCOME FROM OPERATING ACTIVITIES

Total operating income decreased by 3% from € 514.8 million in 2017 to €499.2 million in 2018. Commission income showed an increase of 10% to €293.2 million. Interest income decreased by 11% and other sources of income were down by 41%.

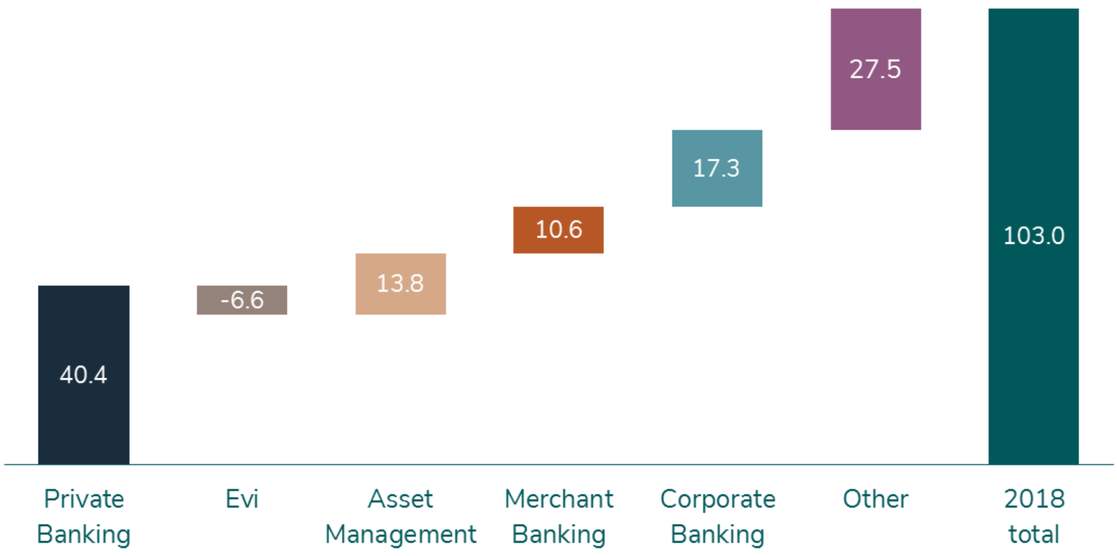
Private Banking, Evi, Asset Management and Merchant Banking together generated 86% of total income from operating activities. These four segments accounted for 99% of commission income (on a par with 2017) and 80% of interest income (2017: 79%).

Income from operating activities by segment
€ m



All operating activities made a positive contribution to the underlying net result, with the exception of Evi. The underlying net result for 2018 is the net result adjusted for costs associated with the strategic investment programme and restructuring charges (respectively €22.0 million and €8.3 million gross).

Underlying net result by segment
€ m



As of 2019, we will integrate our Corporate Banking activities into our Private Banking segment. In line with our strategy we successfully reduced the Corporate Banking loan portfolio, which stood at €0.5 billion at the end of 2018 (year-end 2017: €0.9 billion).

2018 € m	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other	Total
Commission	127.0	4.4	100.0	58.0	1.9	1.9	293.2
Interest	137.7	2.5	-0.0	-0.0	21.6	13.8	175.6
Other income	1.1	-	-0.2	1.0	-	28.5	30.3
Income from operating activities	**265.7**	**6.9**	**99.8**	**58.9**	**23.5**	**44.3**	**499.2**
Staff costs	99.4	4.2	43.6	26.2	0.6	70.4	244.4
Other administrative expenses	48.0	9.1	23.5	9.1	0.5	56.7	146.8
Indirect costs	61.5	2.9	12.8	9.9	9.9	-97.1	-
Depreciation and amortisation	1.0	0.0	0.1	0.0	-	4.0	5.2
Operating expenses	**209.9**	**16.1**	**80.1**	**45.2**	**11.0**	**34.1**	**396.4**
Gross result	**55.9**	**-9.2**	**19.7**	**13.7**	**12.5**	**10.3**	**102.8**
Impairments	-3.2	0.0	-	-0.0	-10.6	0.1	-13.7
Operating profit before tax of NSIs	-	-	-	-	-	17.8	17.8
Operating profit before special items and tax	**59.0**	**-9.2**	**19.7**	**13.7**	**23.1**	**28.0**	**134.3**
Strategic investment programme	22.0	-	-	-	-	-	22.0
Amortisation of intangible assets arising from acquisitions	4.8	-	0.8	-	-	2.6	8.3
Derivatives recovery framework	-	-	-	-	-	-	-
Restructuring charges	3.8	0.1	2.5	0.1	0.4	1.4	8.3
Operating profit before tax	**28.4**	**-9.3**	**16.3**	**13.6**	**22.7**	**24.0**	**95.8**
Income tax	7.4	-2.6	4.4	3.1	5.7	-2.5	15.5
Net result	**21.0**	**-6.7**	**11.9**	**10.5**	**17.0**	**26.5**	**80.3**
Underlying net result	**40.4**	**-6.6**	**13.8**	**10.6**	**17.3**	**27.5**	**103.0**

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2017 € m	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other	Total
Commission	124.5	4.5	92.5	41.7	2.6	1.1	267.0
Interest	151.4	3.3	-0.0	0.0	33.1	8.8	196.6
Other income	1.0	-	-1.3	4.5	-	46.9	51.2
Income from operating activities	**276.9**	**7.9**	**91.2**	**46.2**	**35.8**	**56.8**	**514.8**
Staff costs	96.5	4.6	39.6	23.4	5.7	66.2	236.0
Other administrative expenses	51.3	7.9	21.9	8.0	0.5	60.8	150.2
Indirect costs	57.9	7.0	10.9	9.2	12.1	-97.0	-
Depreciation and amortisation	1.3	0.0	0.1	0.0	-	4.3	5.8
Operating expenses	**207.0**	**19.5**	**72.5**	**40.6**	**18.3**	**34.1**	**392.1**
Gross result	**69.9**	**-11.6**	**18.7**	**5.6**	**17.5**	**22.7**	**122.7**
Impairments	-3.2	-	-	-	-6.0	-5.2	-14.4
Operating profit before tax of NSIs	-	-	-	-	-	12.6	12.6
Operating profit before special items and tax	**73.1**	**-11.6**	**18.7**	**5.6**	**23.5**	**40.6**	**149.8**
Strategic investment programme	21.4	-	-	-	-	-	21.4
Amortisation of intangible assets arising from acquisitions	3.0	-	0.5	-	-	2.6	6.1
Derivatives recovery framework	-	-	-	-	1.7	-	1.7
Restructuring charges	-	-	-	-	-	-	-
Operating profit before tax	**48.6**	**-11.6**	**18.2**	**5.6**	**21..7**	**38.0**	**120.5**
Income tax	13.4	-2.0	5.0	1.7	5.4	2.0	25.6
Net result	**35.2**	**-9.6**	**13.2**	**3.9**	**16.3**	**35.9**	**94.9**
Underlying net result	**51.3**	**-9.6**	**13.2**	**3.9**	**17.6**	**35.9**	**112.3**

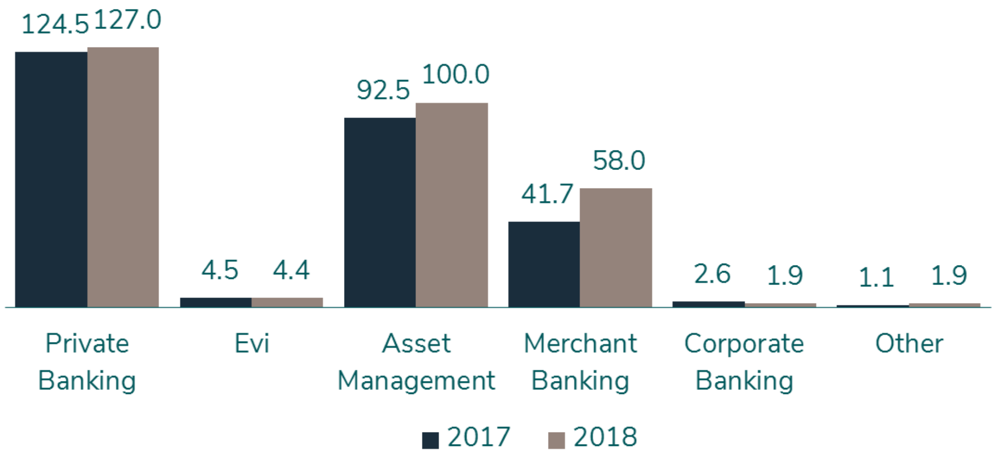
COMMISSION

€ m	2018	2017		H2 2018	H1 2018
Securities commissions	238.5	230.6	3%	117.6	120.9
- Management fees	*215.2*	*199.8*	*8%*	*107.0*	*108.2*
- Transaction fees	*23.4*	*30.8*	*-24%*	*10.6*	*12.8*
Other commissions	54.7	36.3	50%	25.7	29.0
Commission	293.2	**267.0**	10%	**143.3**	**149.9**

Commission income accounted for 59% of our total operating income. Total commission rose 10% to €293.2 million in 2018, driven by higher management fees and other commission income. The net increase in management fees of 8% was the result of a higher average volume of AuM and a slightly lower margin due to the AuM composition. Compared with 2017, transaction fees were down by 24%. This was the result of lower transaction volumes due to less favourable market conditions. Other commissions were up by 50% on the back of high deal flow at Merchant Banking. Compared with the first half of 2018, commission income in H2 2018 showed a decline. This was visible in all commission items.

Commission income by segment

€ m



Private Banking's total commission income was up by €2.5 million compared with 2017. Securities commissions were up by €4.2 million thanks to AuM net inflows and the acquisition of UBS Netherlands, with management fees up by €6.7 million and transaction fees down by €3.3 million. During the second half of 2018, commission income was negatively impacted by a decrease in AuM as a result of negative market performance.

Evi's commission income came in slightly lower (2018: €4.4 million, 2017: €4.5 million), due to cash incentives for new clients offered as part of a marketing campaign.

At Asset Management, new fiduciary mandates and the acquisition of UBS Netherlands led to a €7.5 million rise in commission income on 2017. The average margin decreased slightly, mainly due to a change in the composition of AuM; see 'Client Assets', page 19-20 for more information.

Commission income at Merchant Banking rose by €16.3 million in 2018, to €58.0 million (2017: €41.7 million). This was mainly driven by higher advisory income from M&A and capital market transactions. Our Real Estate and Life Sciences teams were involved in several successful transactions in Europe and the US. The increase driven by higher advisory income was partly offset by the introduction of MiFID II, which impacted commissions earned by our securities team.

INTEREST

€ m	2018	2017		H2 2018	H1 2018
Gross interest margin	186.9	212.6	-12%	93.3	93.6
Interest equalisation	-13.8	-11.0	26%	-8.1	-5.7
Miscellaneous interest income and charges	-0.1	-8.7		-0.6	0.5
Loan commission	2.6	3.7	-29%	1.0	1.6
Interest	175.6	**196.6**	-11%	**85.6**	**90.0**

The current interest rate climate continues to put pressure on our interest income. Our 2018 interest income of €175.6 million was 11% down on the €196.6 million recorded in 2017, mostly due to margin pressure. This was the combined result of the issuance of new loans and repricing of current Private Banking loans against a lower interest rate and a smaller loan portfolio. The loan portfolio declined by €0.5 billion to €8.6 billion. In 2018, we did not reduce the interest rates on savings and deposits further, as the "natural floor" in client rates of 0% had already been reached by the end of 2017. Furthermore, during 2018 wholesale funding was reduced as a senior unsecured bond (€0.4 billion) and a RMBS (€0.4 billion) were redeemed.

The interest margin fell by 11 basis points to an average of 121 basis points. The "clean" interest margin[8] declined by 12 basis points compared with its level at the end of 2017, to 115 basis points.

Miscellaneous interest income and charges went up from a negative - €8.7 million to - €0.1 million, driven by lower amortisation on previously discontinued interest rate hedges (€6.0 million down on 2017) and income from penalty interest.

INCOME FROM SECURITIES AND ASSOCIATES

€ m	2018	2017		H2 2018	H1 2018
Dividend	3.2	4.6	-31%	1.5	1.6
Capital gains	15.5	17.1	-9%	14.2	1.2
Valuation gains and losses	12.5	15.4	-19%	-1.3	13.7
Income from securities and associates	31.1	**37.0**	-16%	**14.5**	**16.6**

Income from securities and associates relates to investments of our equity investment company Van Lanschot Participaties and investments in Bolster Investments Coöperatief U.A. which was launched in 2017. We occasionally also take positions in our own investment funds, for instance by providing seed capital or to be aligned with our clients' interests.

Capital gains were down by €1.6 million to €15.5 million in 2018. The capital gain of €14.2 million in H2 2018 includes the sale of part of our minority stake in Ploeger Oxbo of €10.4 million and the sale of our stake in Ormit Holding.

Valuation gains and losses were down to €12.5 million, from €15.4 million in 2017. H2 2018 valuation gains and losses showed a negative figure of - €1.3 million, reflecting the lower value of the companies in which we hold minority interest and the investment funds in which we hold positions. The reduced value of these investment funds reflects less favourable market conditions.

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

[8] 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

€ m	2018	2017		H2 2018	H1 2018
Securities trading	-0.7	-0.4	62%	-0.4	-0.3
Currency trading	8.0	7.9	2%	3.8	4.2
Investment portfolio	1.9	6.9	-72%	-0.3	2.3
Interest rate hedges	-2.6	1.8		-0.5	-2.1
Other income	-7.5	-2.1		-5.1	-2.4
Result on financial transactions	-0.8	**14.1**		**-2.5**	**1.7**

The - €0.7 million recorded on securities trading reflects the negative result on positions in our own issued debt securities, partly offset by positive results on the trading book.

Result on currency trading was relatively stable compared with 2017.

The €1.9 million profit on the investment portfolio breaks down into two separate parts: realised gains on the Financial assets at fair value through other comprehensive income portfolio and results on the mark-to-market portfolio. The 2017 result of €6.9 million included more realised gains on the Financial assets at fair value through other comprehensive income portfolio.

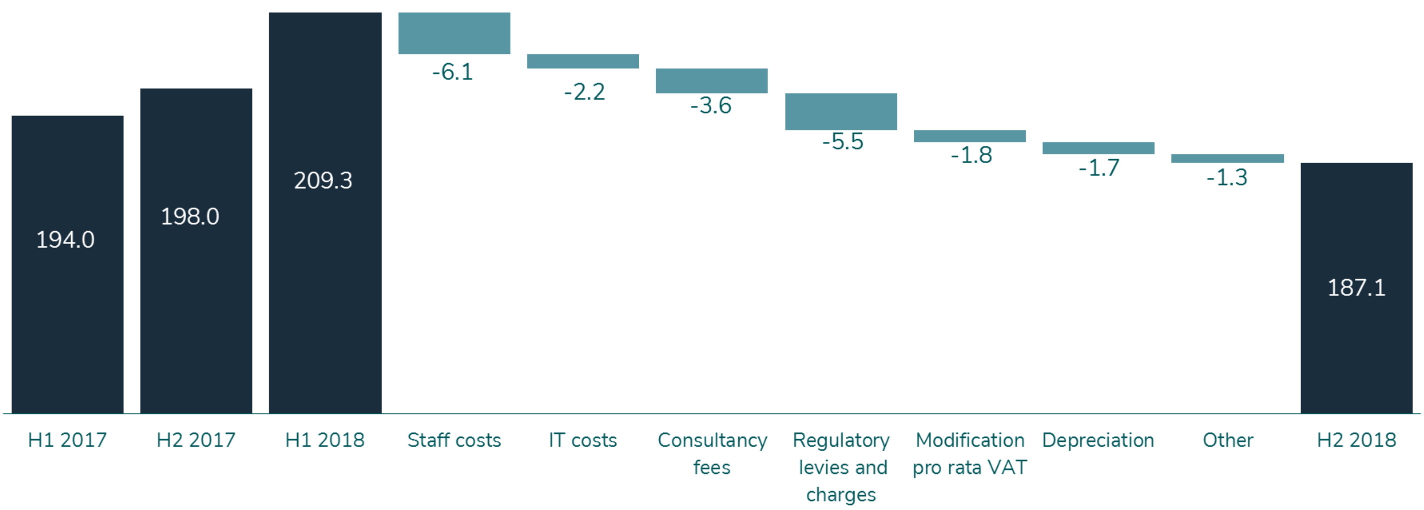
The result on interest rate hedges decreased by €4.4 million to - €2.6 million, mainly due to the negative result of the hedge on our Kempen Dutch Inflation Fund. This is an alternative fund that invests in Dutch leasehold contracts primarily in connection with residential real estate to create an investment in long term inflation-linked cash flows.

Other income decreased as a result of lower gains on our structured products, due to a lower volume issued.

Operating expenses

Total operating expenses rose by 1% to €396.4 million (2017: €392.1 million), mainly reflecting higher staff costs. As expected, the larger proportion of costs was recorded in the first half of 2018 (H1 2018: €209.3 million; H2 2018: €187.1 million). The lower cost level in H2 2018 reflects lower regulatory levies and charges together with our focus on cost-saving measures. As part of these measures, a restructuring charge of €8.3 million has been incurred.

Operating expenses
€ m



€ m	2018	2017		H2 2018	H1 2018
Staff costs	244.4	236.0	4%	119.1	125.2
Other administrative expenses	146.8	150.2	-2%	66.3	80.6
- Of which regulatory levies and charges	*10.5*	*10.9*	*-4%*	*2.5*	*8.0*
Depreciation and amortisation	5.2	5.8	-11%	1.7	3.5
Operating expenses	**396.4**	**392.1**	**1%**	**187.1**	**209.3**

STAFF COSTS

At €244.4 million, staff costs were 4% up on 2017 (€236.0 million). This increase is driven by factors including salary increases (mainly as a result of the competitive labour market), costs associated with the acquisition of UBS Netherlands and a higher contribution to the Dutch government's sector fund (to cover social security costs).

At the end of 2018, we employed 1,621 full-time equivalent staff (FTEs), excluding employees of our non-strategic investments. This was 37 FTEs fewer than at year-end 2017 (1,658) and was largely the result of staff reductions in group functions and Private Banking.

OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses amounted to €146.8 million in 2018, 2% below the figure for 2017 (€150.2 million). As expected, the larger proportion of the costs was recorded in the first half of the year (€80.6 million in H1 2018 vs. €66.3 million in H2 2018). The decrease in the second half of 2018 was mainly related to lower regulatory levies and charges and lower consultancy fees, as well as a lower cost resulting from changes in the pro rata VAT percentage. As of 2018, regulatory levies and charges are shown separately and amounted to €10.5 million.

IT change expenses, excluding our strategic investment programme, amounted to €21.8 million. Given the upward pressure related to technological developments such as digitalisation and data analytics and our regulatory environment, we expect a normalised annual level of IT change costs between €20 - €25 million.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation was down by 11% to €5.2 million. The lower figure of €1.7 million for H2 2018 was attributable mainly to the profit from the sale of office buildings that we accounted for as an adjustment on depreciation.

EFFICIENCY RATIO

The efficiency ratio, i.e. the ratio of operating expenses (excluding costs incurred for our strategic investment programme, amortisation of intangible assets arising from acquisitions, restructuring charges and a one-off charge for the derivatives recovery framework) to income from operating activities, deteriorated to 79.4% in 2018 from 76.2% in 2017. This increase was driven by lower interest income, a lower result on financial transactions and higher costs related to staff. We have set our financial targets for 2023 and as a result we have redefined our efficiency target to 70-72% to reflect both our wealth management profile and the economic environment in which we operate.

VAN LANSCHOT KEMPEN

IMPAIRMENTS

€ m	2018	2017		H2 2018	H1 2018
Private Banking	-3.2	-3.3	-3%	-3.6	0.4
Corporate Banking	-10.6	-6.0	76%	-7.4	-3.2
Other	1.0	-2.6		1.8	-0.8
Addition to loan loss provision	**-12.7**	**-11.9**	7%	**-9.2**	**-3.5**
Impairment on investments and participating interests	-0.9	-2.7	-65%	0.1	-1.1
Impairment on assets obtained through the seizure of collateral	-	0.1		-	-
Other impairments	-0.9	**-2.6**	-63%	**0.1**	**-1.1**
Impairments	-13.7	**-14.4**	-5%	**-9.1**	**-4.6**

ADDITION TO LOAN LOSS PROVISION

A total of €12.7 million was released from loan loss provisions in 2018, with Corporate Banking accounting for €10.6 million deriving from both the SME and real estate loan portfolios. Private Banking accounted for a release of €3.2 million. As in 2017, the favourable economic climate contributed to the release from loan loss provisions.

In 2018, the release from loan loss provisions relative to average risk-weighted assets worked out at 27 basis points (2017: 22 basis points).

OTHER IMPAIRMENTS

Other impairments show a release of €0.9 million. This amount is a combined effect of impairments and reversal of impairments on our investments and participating interests. Reverse impairments were the result of the increase in the fair value of the minority holdings in some of our private equity investments to which impairments had been applied previously.

NON-STRATEGIC INVESTMENTS

During 2018, we held majority stakes in three non-strategic investments, AIO II (Medsen), Holonite (Holowell BV) and Allshare. Operating profit before tax from non-strategic investments amounted to €17.8 million in 2018 against €12.6 million in 2017, mainly thanks to the improved operating result at Medsen. In December 2018, we announced the sale of our stake in Medsen. The transaction was closed in February 2019 and will generate a book profit of around €35 million (net) in 2019. Our aim is to divest our shareholdings in these non-strategic investments over time.

SPECIAL ITEMS

We recognised €38.5 million in special items in 2018 compared with €29.3 million in 2017; the following table gives a breakdown.

€ m	2018	2017		H2 2018	H1 2018
Strategic investment programme	22.0	21.4	2%	11.5	10.5
Derivatives recovery framework	-	1.7		-	-
Amortisation of intangible assets arising from acquisitions	8.3	6.1	36%	4.0	4.2
Restructuring charges	8.3	-		8.3	-
Special Items	38.5	**29.3**	32%	**23.8**	**14.7**

Strategic investment programme

As part of our strategy update, we launched our strategic investment programme in April 2016. Between mid-2016 and the end of 2019, we plan to invest €60 million in developing an omni-channel private banking model, outsourcing our mortgage business and payment services, and completing the transformation of our IT landscape. Over the course of 2016 – 2018, total investments under the programme amounted to €50.7 million, charged directly to profit and loss. A total of €22.0 million was invested in 2018. Good progress was made on the development of our omni-channel service for our clients, as we launched our new website and the new client portal together with the introduction of new digital tools for our investment advisors and private bankers. In addition, we are working on the outsourcing of our payment service activities to Fidor. We will be rolling out the new platform and payment app to our clients in the course of 2019. The outsourcing of the mortgage administration to Stater also formed part of the strategic investment programme and was completed on schedule in September 2017. Our investment programme is scheduled for completion over the course of 2019. As of 2020, IT investments are included in our regular IT costs.

Other special items

Amortisation of intangible assets arising from acquisitions rose by €2.2 million as a result of the acquisition of UBS Netherlands.

In the course of 2018, management took several cost-saving measures, such as:

- Migrating the Belgian IT activities to the IT infrastructure in the Netherlands;
- Restructuring various departments, including pooling all investment expertise in a single Kempen Asset Management investment office;
- Centralising small cap strategies in Amsterdam, and the resultant closure of the Edinburgh office.

These measures have led to a one-time restructuring charge of €8.3 million, which also includes the outsourcing of payments announced previously as well as switching off the mainframe, both of which should generate cost savings. These cost-saving measures were initiated in 2018 and will be further implemented in 2019, leading to lower operating expenses. Taking into account possible investments and indexation, Van Lanschot Kempen aims for a net cost level of around €390 million.

Income tax

Income tax for 2018 amounted to €15.5 million (2017: €25.6 million), which translates into an effective tax rate of 16.1% compared with 21.2% in 2017. The main reason for the lower effective tax rate in 2018 was the tax-exempt gain on two sales in our participation portfolio combined with a lower operating profit before tax. Our effective tax rate is lower than the general Dutch tax rate of 25% due to income covered by equity exemption rules.

Earnings per share

€ m	2018	2017	H2 2018	H1 2018
Net result	80.3	**94.9**	**41.0**	**39.3**
Share of non-controlling interests	-5.7	-5.4	-2.8	-2.9
Net result for calculation of earnings per ordinary share	74.6	**89.5**	**38.2**	**36.4**
Earnings per ordinary share (€)	1.82	**2.19**	**0.95**	**0.89**
Underlying net result for calculation of earnings per ordinary share	97.3	**106.9**	**53.0**	**44.3**
Underlying earnings per ordinary share (€)	2.37	**2.61**	**1.31**	**1.08**
Weighted number of outstanding ordinary shares (x 1,000)	41,005	40,960		41,002

Profit attributable to non-controlling interests of €5.7 million in 2018 largely relates to non-controlling interests in our non-strategic investments, while also including the management investment plan launched in 2010 for selected staff at Kempen & Co (Kempen MIP). In the first half of 2018, Van Lanschot Kempen offered participants in Kempen MIP the opportunity to exchange certificates in the MIP for shares in Van Lanschot Kempen. As a result, the share of non-controlling interests related to Kempen MIP decreased.

We will propose to pay a 2018 cash dividend to Van Lanschot Kempen shareholders of €1.45 per share, corresponding to a pay-out ratio of 61% based on the underlying net result attributable to shareholders (2017: €1.45, pay-out ratio of 56%). The pay-out ratio based on the net result amounts to 80%.

CLIENT ASSETS

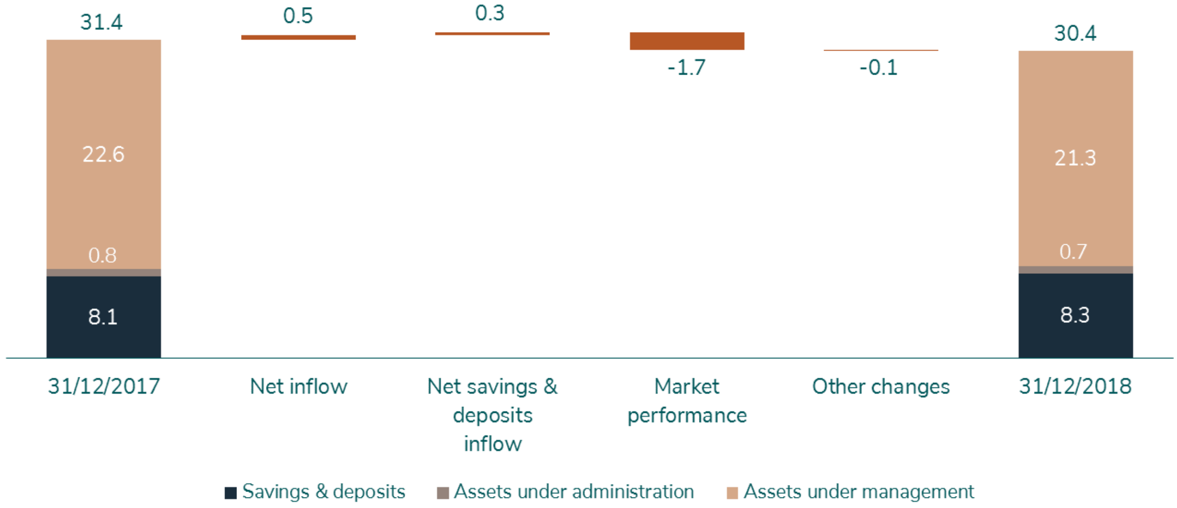
€ bn	31/12/2018	31/12/2017		30/06/2018	
Client assets	81.2	**83.6**	**-3%**	**83.7**	**-3%**
Assets under management	67.0	69.0	-3%	69.1	-3%
Assets under monitoring and guidance	3.4	3.5	-3%	3.4	0%
Assets under administration	1.7	2.0	-16%	1.9	-10%
Savings and deposits	9.1	9.1	-1%	9.3	-2%
Client assets	81.2	**83.6**	**-3%**	**83.7**	**-3%**
Private Banking	30.4	31.4	-3%	31.9	-5%
Evi	1.4	1.5	-6%	1.5	-6%
Asset Management	48.2	49.0	-1%	48.8	-1%
Other	1.2	1.7	-34%	1.4	-20%

€ bn	Private Banking	Evi	Asset Management	Other	Total
Client assets at 31/12/2017	**31.4**	**1.5**	**49.0**	**1.7**	83.6
Assets under management in/outflow	0.5	0.0	0.4	0.0	1.0
Market performance of assets under management	-1.7	-0.1	-1.2	0.0	- 3.0
Change in assets under monitoring and guidance	-	-	-0.1	-	- 0.1
Change in assets under administration	0.0	-	-	-0.3	- 0.3
Internal AuM transfer	-0.1	0.0	0.1	0.0	0.0
Change in savings and deposits	0.3	0.0	0.0	-0.3	- 0.0
Client assets at 31/12/2018	**30.4**	**1.4**	**48.2**	**1.2**	81.2

VAN LANSCHOT PRIVATE BANKING

The negative market performance of - €1.7 billion impacted client assets at Private Banking. However, total client assets decreased by only €1.1 billion in 2018 to €30.4 billion. Net inflows amounted to €0.5 billion, of which €0.2 billion was discretionary and €0.4 billion non-discretionary. At the end of 2018, assets under discretionary management made up 56% of total AuM (year-end 2017: 55%). Total discretionary AuM stood at €11.8 billion (year-end 2017: €12.5 billion) and total non-discretionary AuM was €9.4 billion (year-end 2017: €10.1 billion).

Client assets at Private Banking
€ bn

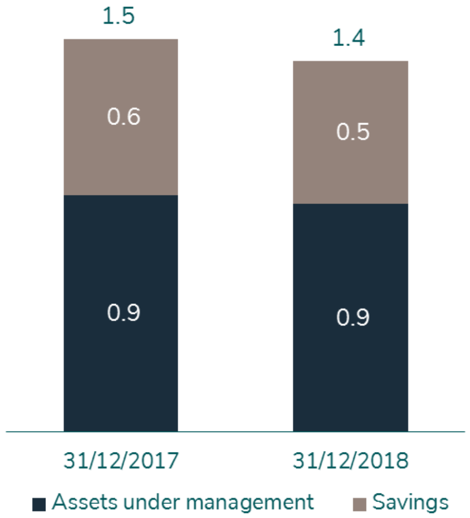


Assets under administration decreased slightly during 2018 to €0.7 billion (year-end 2017: €0.8 billion). These assets are partly administered by Van Lanschot Private Banking; we have little or no control over them and their earnings are relatively limited.

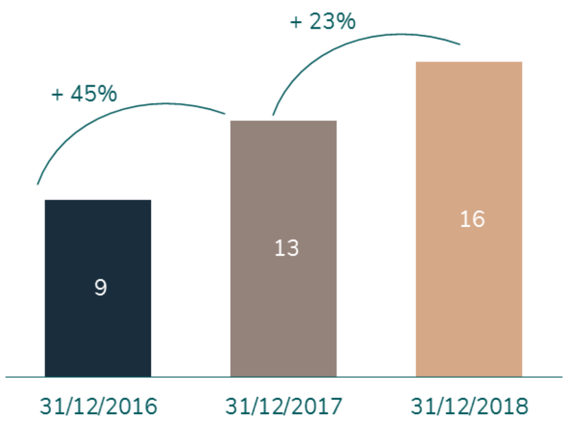
Evi van Lanschot

AuM decreased sligtly and stood at €0.9 billion per year-end 2018, despite the challenging market conditions that led to negative market performance. Evi's AuM client base expanded further by 23% to over 16,000 clients, although AuM growth was less strong. The volume of savings declined by €0.1 billion, which means that total client assets decreased by €0.1 billion from €1.5 billion to €1.4 billion.

Client assets at Evi
€ bn



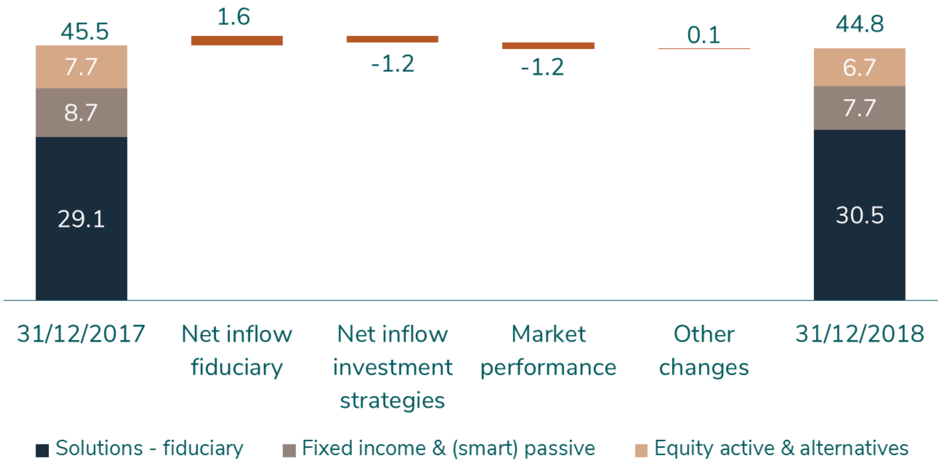
Development of Evi's AuM client base
1,000



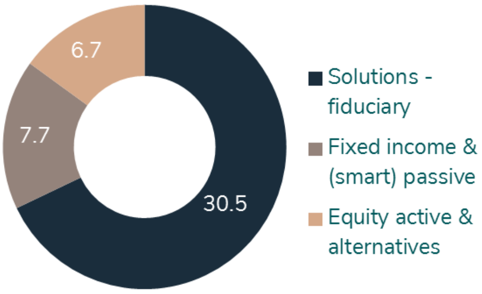
Kempen Asset Management

AuM at Asset Management declined to €44.8 billion, driven by a negative market performance of €1.2 billion. Fiduciary mandates showed an inflow, thanks to a.o. Stichting Pensioenfonds Arcadis Nederland (via Het nederlandse pensioenfonds) of €1.1 billion and Covra. We saw an outflow from investment strategies, partly as a result of the discontinuation of our Fundamental Index Strategy and as a result of rebalancing of clients' portfolios. In 2018, we extended our investment strategies offering with the addition of the Private Market Fund, the Global Impact Fund and the Global Value Fund. Total client assets at Asset Management stood at €48.2 billion (2017: €49.0 billion).

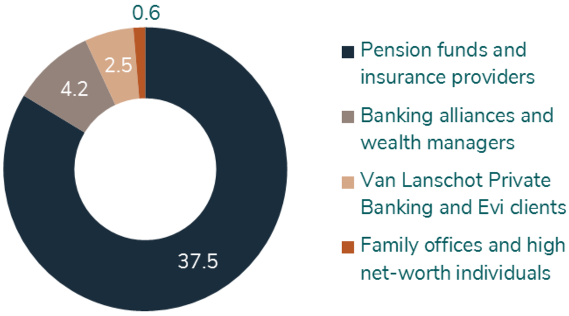
AuM Asset Management
€ bn



AuM breakdown by type of service
Total = €44.8bn



AuM breakdown by client type
Total = €44.8bn



In addition to third-party funds, Kempen Asset Management also manages our Private Banking discretionary management mandates and the Evi Beleggen products, with total AuM of €10.7 billion at the end of 2018 (this amount is not included in Asset Management's total AuM of €44.8 billion).

STATEMENT OF FINANCIAL POSITION

€ m	31/12/2018	31/12/2017		30/06/2018	
Statement of financial position					
Equity attributable to shareholders	1,256	1,333	-6%	1,284	-2%
Equity attributable to non-controlling interests	12	16	-25%	11	9%
Savings & deposits	9,091	9,145	-1%	9,281	-2%
Loans and advances to clients	8,561	9,103	-6%	8,958	-4%
Total assets	13,980	14,659	-5%	14,512	-4%
Funding ratio (%)	106.2	100.5		103.6	
Return on assets (%)	0.74	0.77		0.65	

LOAN PORTFOLIO

€ m	31/12/2018	31/12/2017		30/06/2018	
Mortgages	5,756	5,712	1%	5,776	0%
Other loans	1,793	2,045	-12%	2,015	-11%
Private Banking	**7,550**	**7,756**	**-3%**	**7,791**	**-3%**
Loans to SMEs	251	457	-45%	345	-27%
Real estate financing	271	411	-34%	341	-20%
Corporate Banking	**523**	**868**	**-40%**	**686**	**-24%**
Mortgages distributed by third parties	602	600	0%	610	-1%
Total	**8,674**	**9,224**	**-6%**	**9,086**	**-5%**
Impairments	-114	-120	-6%	-128	-11%
Total	**8,561**	**9,103**	**-6%**	**8,958**	**-4%**

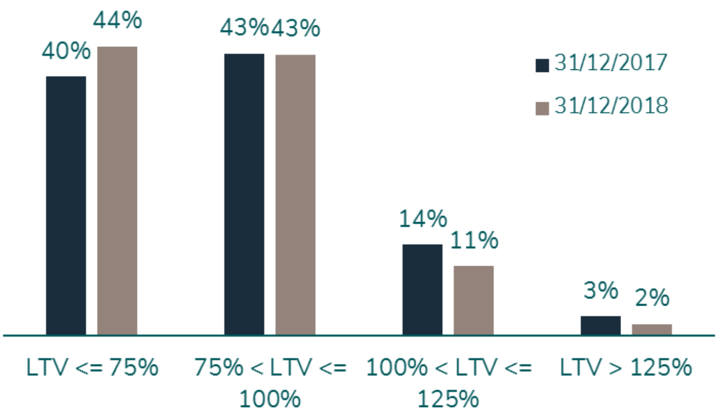
Our loan portfolio contracted by 6% to €8.6 billion in 2018, due to the Corporate Banking run-off (-40%) and the Private Banking Other loans (-12%). Our mortgages portfolio remained stable at €5.8 billion.

VAN LANSCHOT PRIVATE BANKING

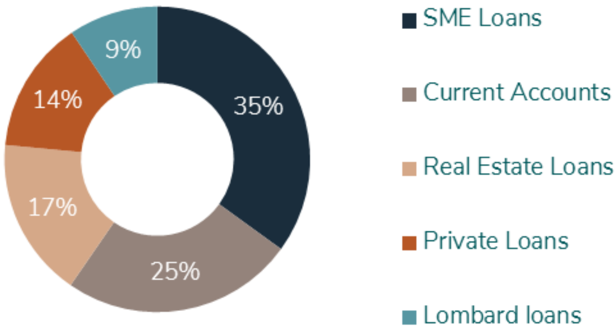
The Private Banking loan portfolio breaks down into mortgages and other loans. Private Banking mortgages increased marginally to €5.8 billion. Over 66% of our loan portfolio consists of these Private Banking mortgages, primarily to high net-worth individuals. The weighted average loan-to-value (LTV) ratio, improved further to 76% (year-end 2017: 81%), on the back of prepayments and rising house prices.

Other Private Banking loans comprise loans to high net worth individuals as well as business loans that fit into the Private Banking relationship model. These other loans decreased to €1.8 billion (year-end 2017: €2.0 billion), mainly driven by prepayments as we no longer offer interest compensation as of Q4 2018 and as a result of low client rates on savings combined with the unfavourable market conditions for investing. Also general repayments are a cause of the decline in other loans.

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



Private Banking: other loans
% type of loan

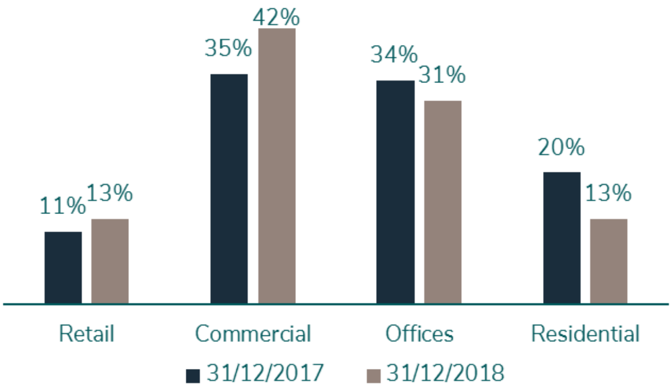


VAN LANSCHOT CORPORATE BANKING

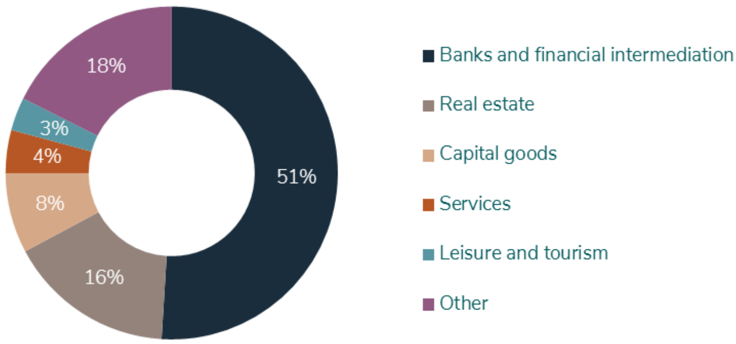
At the end of 2018, the commercial real estate loan portfolio and SME loans totalled €0.5 billion (year-end 2017: €0.9 billion). Risk-weighted assets came down by €0.2 billion and worked out at €0.5 billion (year-end 2017: €0.7 billion).

SME loans at Corporate Banking were 45% lower at €0.3 billion at the end of 2018 accounting for 3% of our total loan portfolio. This portfolio is well diversified across sectors. The real estate loan portfolio (€0.3 billion), which is well diversified in terms of collateral, contracted by 34%. The collateral assets against which the loans are secured are typically located in the Randstad conurbation comprising the cities of Amsterdam, Rotterdam, Utrecht and The Hague.

Corporate Banking: real estate financing
% type of collateral



Corporate Banking: SME loans
% type of counterparty



MORTGAGES DISTRIBUTED BY THIRD PARTIES

The portfolio with mortgages distributed by third parties consists of regular Dutch mortgages and is intended to supplement our investment portfolio and enable us to generate attractive returns on available liquidity. It accounts for 7% of our total loan portfolio with a volume of €0.6 billion.

VAN LANSCHOT KEMPEN

PROVISIONS

We take provisions for the impaired loans in our loan book. Impaired loans totalled €331 million at the end of 2018. The provisions for these loans amounted to €101 million, working out at a coverage ratio of 30%. As of 1 January 2018, we implemented the accounting standard IFRS 9 – Financial Instruments. As a result, total impairments are not fully comparable with those reported in previous periods. The tables below break down the total loan portfolio and provisions.

The total impaired ratio decreased from 4.0% to 3.8% at the end of 2018 and the total coverage ratio was relatively stable at 30% (year-end 2017: 31%). The proportion of impaired loans at Private Banking decreased to 2.3% (year-end 2017: 2.5%). The coverage ratio for mortgages decreased to 12%, driven by rising house prices. The coverage ratio for other loans increased to 62%. The impaired ratio at Corporate Banking rose to 29.8% (year-end 2017: 20.2%), primarily as a result of the portfolio's run-off. Our Corporate Banking coverage ratio decreased to 15% (year-end 2017: 19%). The relatively low coverage ratio is explained by the sufficiently high quality of the collateral pledged to secure these loans.

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

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

CAPITAL AND LIQUIDITY MANAGEMENT

Our fully loaded Common Equity Tier 1 ratio (CET 1 ratio) improved from 20.3% to 21.4% in 2018, reflecting our robust capital position. In 2016, we announced our ambition to distribute at least €250 million to shareholders in the period up to and including 2020. A total of over €210 million has now been paid out, in the form of both dividends and capital returns. Including the proposed 2018 dividend, a total of over €270 million will have been returned in 2019. This means that we have already achieved this ambition. In the future, we will continue to optimise our capital base in terms of level and type of instrument, while leaving room for possible acquisitions. If possible, we will also consider paying out excess capital to shareholders, subject to approval by the regulator.

€ m	31/12/2018	31/12/2017		30/06/2018	
Risk-weighted assets	4,580	4,979	-8%	4,798	-5%
Common Equity Tier 1 ratio, fully loaded (%)[9]	21.4	20.3		21.4	
Common Equity Tier 1 ratio, phase-in (%)[9]	21.4	20.5		21.4	
Tier 1 ratio, fully loaded (%)[9]	21.4	20.3		21.4	
Tier 1 ratio, phase-in (%)[9]	21.4	20.5		21.4	
Total capital ratio, fully loaded (%)[9]	23.5	22.1		23.3	
Total capital ratio, phase-in (%)[9]	23.6	22.3		23.4	
Leverage ratio, fully loaded (%)[9]	6.9	6.7		7.2	
Leverage ratio, phase-in (%)[9]	6.9	6.7		7.2	

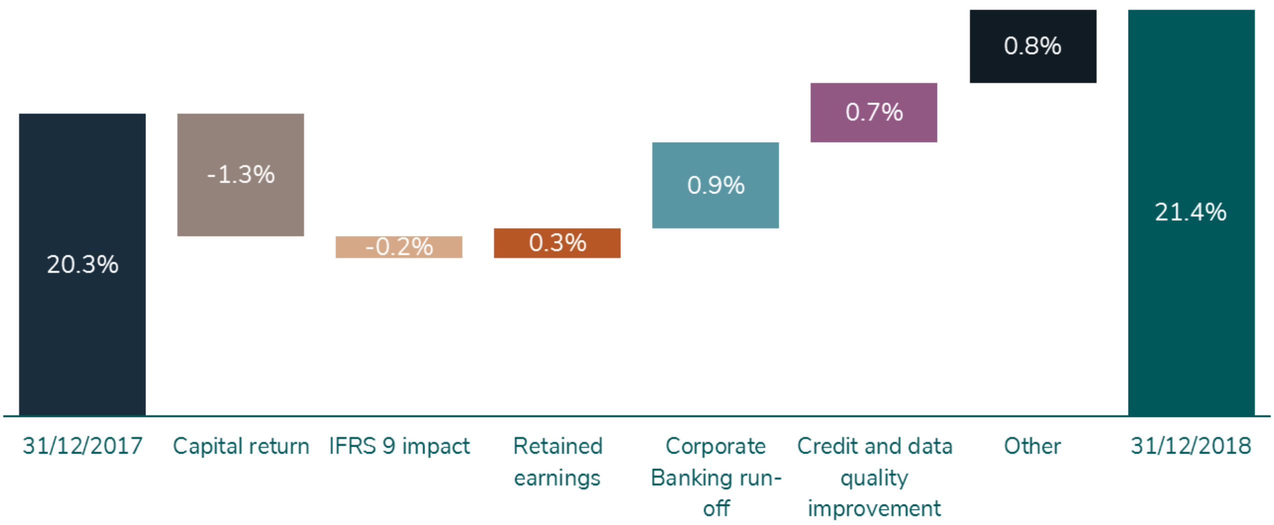
CAPITAL MANAGEMENT

Our CET 1 fully loaded ratio improved once again, to 21.4% at the end of 2018, mainly driven by an 8% decline in risk-weighted assets to €4.6 billion (year-end 2017: €5.0 billion).

The total capital ratio strengthened to 23.5% (year-end 2017: 22.1%).

As expected, the CET 1 ratio decreased by 1.3 percentage points due to the capital return and by 0.2 percentage points due to the impact of IFRS 9. The €0.2 billion reduction in risk-weighted assets at Corporate Banking due to run-off had a positive impact on the CET 1 ratio of 0.9 percentage points. The ratio also gained 0.7 percentage points from an improvement in credit and data quality.

CET 1 ratio (fully loaded)
%



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

€ '000	31/12/2018	31/12/2017	30/06/2018
Risk-weighted assets	4,580,083	4,979,120	4,797,574
Common Equity Tier 1, fully loaded	982,135	1,014,425	1,028,446
Common Equity Tier 1, phase in	982,135	1,021,773	1,028,446
Tier 1, fully loaded	982,135	1,014,425	1,028,446
Tier 1, phase in	982,135	1,021,773	1,028,446
Total capital, fully loaded	1,074,539	1,102,599	1,120,226
Total capital, phase in	1,078,373	1,108,678	1,124,980

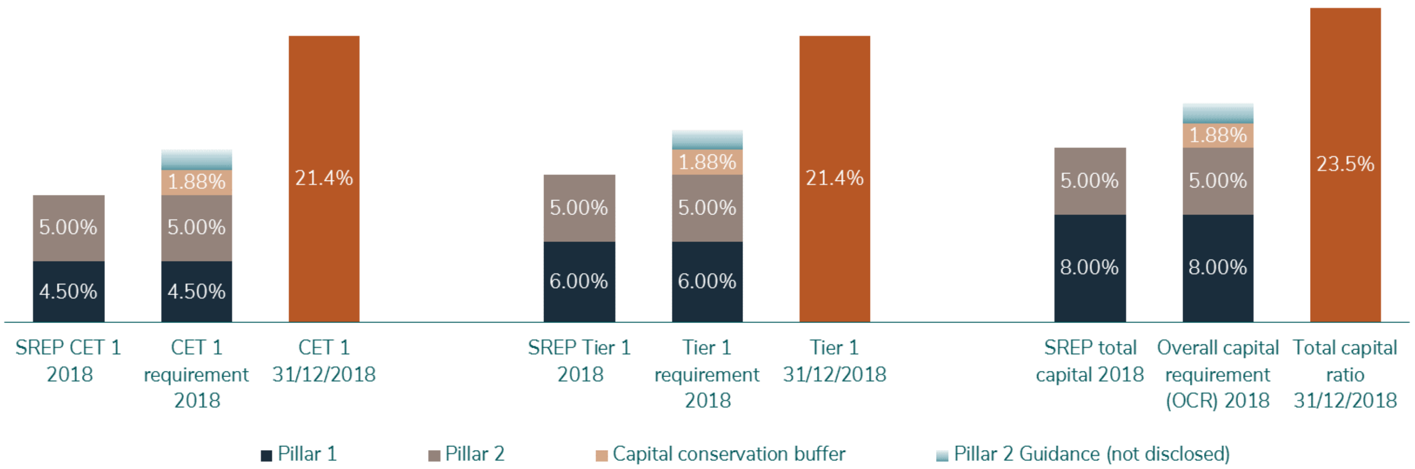
SREP REQUIREMENT

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

In addition to the 9.5% CET 1 requirement, we have to comply with the combined buffer requirements, which must be met by CET 1 capital. The buffer consists of several elements. The capital conservation buffer stood at 1.875% in 2018 and will reach its fully phased-in level of 2.5% in 2019. The countercyclical buffer for the Netherlands is currently set at 0%. As the systemic risk buffer does not apply to us, the total CET 1 requirement for 2018 adds up to 11.38% and the total capital ratio to 14.88%. This requirement excludes "Pillar 2 guidance" (P2G). Institutions are expected to comply with P2G by holding CET 1 capital, but P2G is not binding and does not automatically restrict dividend distributions in the event of a breach.

With a year-end 2018 CET 1 ratio of 21.4% and a total capital ratio of 23.5%, we meet all capital requirements, including P2G.

SREP requirement for 2018



BASEL IV

In December 2017, the Basel Committee on Banking Supervision (BCBS) published the final instalments of its reforms for the calculation of risk weighted assets and capital floors. The finalised reforms are collectively referred to as 'Basel IV'. Assuming no delay in translating this into EU regulation, Basel IV will come into effect on 1 January 2022. Our expectation as to the impact of Basel IV remains unchanged. Based on our current balance sheet and credit models, provisional calculations suggest that our risk-weighted assets should increase by no more than 10% on the implementation of Basel IV. These calculations are based on assumptions about the actual implementation of the Basel IV proposals in legislation.

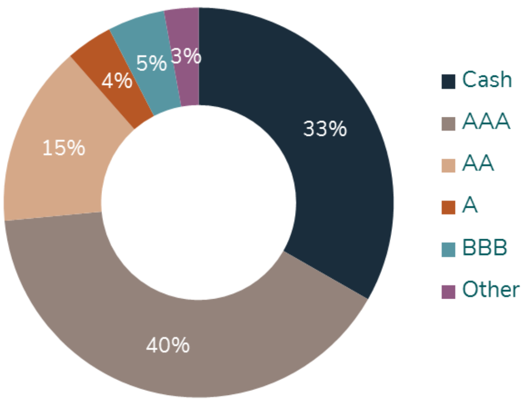
IFRS 16

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and will result in almost all leases being recognised on the balance sheet. The impact of applying IFRS 16 as of 1 January 2019 is expected to result in an increase in risk-weighted assets of €60 – 70 million. The effect of this increase in risk-weighted assets on our CET 1 ratio is a decrease of approximately 0.3 percentage points.

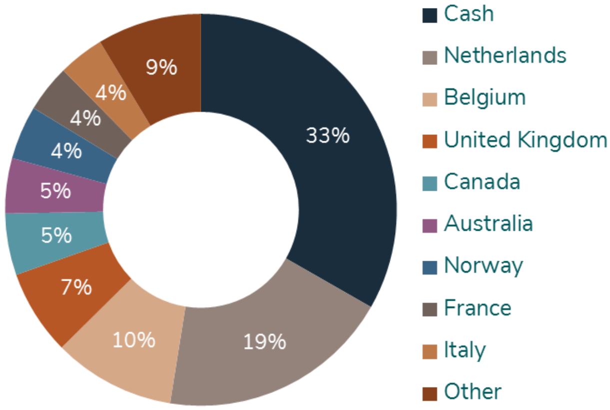
INVESTMENT PORTFOLIO AND CASH

The total investment portfolio and cash[10] amounted to €3.9 billion at the end of 2018 (year-end 2017: €4.4 billion). Relative to its end-2017 level, cash held with central banks decreased by €0.3 billion. Other financial assets at amortised cost portfolio[11] stood at €0.6 billion at the end of 2018 and had hardly changed in size or composition. The investment portfolio is primarily held for asset and liability management purposes, and mainly comprises low-risk and highly liquid instruments.

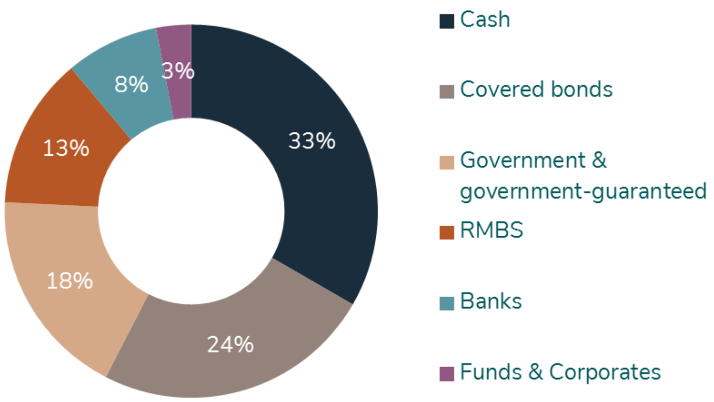
Investment portfolio and cash by rating at 31/12/2018
100% = €3.9bn



Investment portfolio and cash by country at 31/12/2018
100% = €3.9bn



Investment portfolio and cash by counterparty at 31/12/2018
100% = €3.9bn



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

[11] Previously known as held-to-maturity investments.

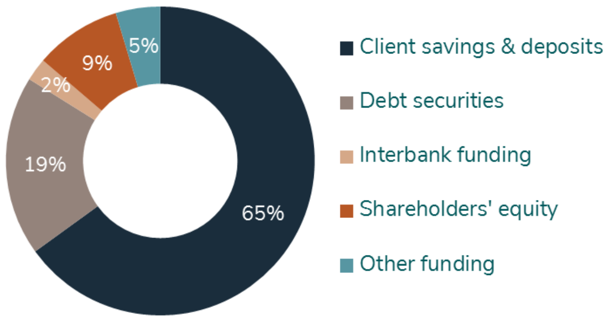
FUNDING

We aim to retain access to both retail and wholesale markets through diversified funding. At the end of 2018, our funding ratio had increased by 5.7 percentage points to 106.2% (year-end 2017: 100.5%) in the wake of a decline in loans and advances to clients (- 6%) and in savings and deposits (- 1%).

In June 2018, a senior unsecured bond was redeemed and in December 2018 a RMBS was redeemed. Overall issued debt securities fell by €0.9 billion in 2018. We no longer have RMBS and benchmark unsecured debt issuances placed with investors.

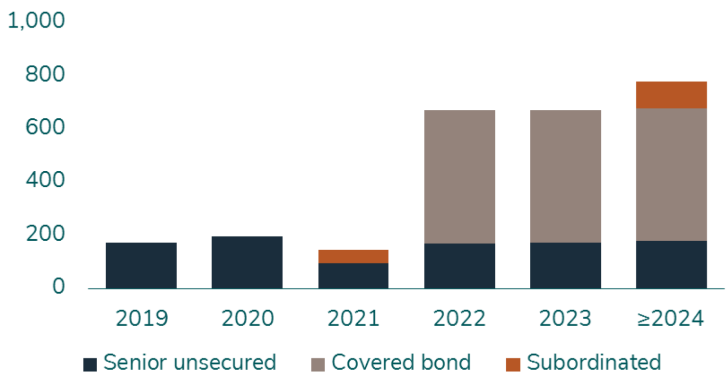
Funding mix at 31/12/2018

100% = €14.0bn



Redemption profile

€ m



RATIOS

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

	31/12/2018	Requirement	31/12/2017	30/06/2018
Liquidity coverage ratio (%)	140.6	> 100	163.6	152.8
Net stable funding ratio (%)	129.8	> 100	129.2	126.0

OUR FINANCIAL TARGETS FOR 2023

We have set our financial targets for 2023 and as a result we have redefined our efficiency target to 70-72%, to reflect both our wealth management profile and the economic environment in which we operate;

- CET 1 ratio: 15-17%;
- RoCET 1: 10-12%;
- Efficiency ratio: 70-72%;
- Dividend policy: 50-70% of underlying net result attributable to shareholders.

EVENTS AFTER THE REPORTING PERIOD

On 19 February 2019, Van Lanschot Kempen announced the sale to De Goudse Verzekeringen of its interest in Van Lanschot Chabot | Mandema & Partners. The proposed transaction is expected to be completed in the first half of 2019 and to generate a book profit of around €15 million (net), with possibly a minor earn-out in the first half of 2020.

RECONCILIATION OF IFRS AND MANAGEMENT REPORTING

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

2018 *€ m*	IFRS	Non-strategic investments	Strategic Investment programme	Amortisation of intangible assets arising from acquisitions	Restructuring charges	Managerial P&L
Commission	293.2	-	-	-	-	293.2
Interest	175.2	0.4	-	-	-	175.6
Income from securities and associates	31.3	-0.2	-	-	-	31.1
Result on financial transactions	-0.8	-	-	-	-	-0.8
Other income	7.3	-7.3	-	-	-	-
Income from operating activities	**506.3**	**-7.1**	**-**	**-**	**-**	**499.2**
Staff costs	263.7	-7.8	-3.9	-	-7.6	244.4
Other administrative expenses	162.0	3.2	-18.1	-	-0.4	146.8
Depreciation and amortisation	14.4	-1.0	-	-8.3	-0.0	5.2
Operating expenses	**440.2**	**-5.6**	**-22.0**	**-8.3**	**-8.0**	**396.4**
Gross result	**66.1**	**-1.5**	**22.0**	**8.3**	**8.0**	**102.8**
Impairments	-13.4	-	-	-	-0.3	-13.7
Operating profit before tax of non-strategic investments	-	17.8	-	-	-	17.8
Operating profit before special items and tax	**79.5**	**16.3**	**22.0**	**8.3**	**8.3**	**134.3**
Strategic investment programme	-	-	22.0	-	-	22.0
Amortisation of intangible assets arising from acquisitions	-	-	-	8.3	-	8.3
Restructuring charges	-	-	-	-	8.3	8.3
Operating profit before tax	**79.5**	**16.3**	**-**	**-**	**-**	**95.8**
Income tax	12.1	3.4	-	-	-	15.5
Discontinued activities	12.9	-12.9	-	-	-	-
Net profit	**80.3**	-	-	-	-	**80.3**

GLOSSARY

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

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

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

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

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

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

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

Van Lanschot Kempen cautions that forward-looking statements are only valid on the specific dates on which they are expressed, and accepts no responsibility or obligation to revise or update any information, whether as a result of new information or for any other reason.

Van Lanschot Kempen's annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2017 Van Lanschot Kempen consolidated annual accounts. The annual financial statements for 2018 are in progress and may be subject to adjustments from subsequent events.

The financial data in this document have not been audited, unless specifically stated otherwise. Small differences in tables may be the result of rounding.

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

VAN LANSCHOT KEMPEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

Before profit appropriation

x €1,000	31/12/2018	01/01/2018[1]	31/12/2017
Assets			
Cash and cash equivalents and balances at central banks	1,406,864	1,832,751	1,832,751
Financial assets from trading activities	62,468	38,234	38,234
Due from banks	539,180	186,459	186,459
Derivatives	332,719	322,258	322,258
Financial assets at fair value through profit or loss	218,583	416,899	394,898
Financial assets at fair value through other comprehensive income	1,803,584	1,716,354	-
Available-for-sale investments	-	-	1,738,355
Held-to-maturity investments	-	-	521,349
Loans and advances to the public and private sectors	8,561,497	9,092,207	9,103,327
Other financial assets at amortised cost	554,209	521,321	-
Investments in associates using the equity method	54,071	70,390	70,390
Property and equipment	48,238	63,468	63,468
Goodwill and other intangible assets	183,083	218,389	218,389
Tax assets	25,941	31,669	26,719
Assets classified as held for sale	68,058	-	-
Other assets	121,513	142,277	142,277
Total assets	**13,980,007**	**14,652,676**	**14,658,875**
Equity and liabilities			
Financial liabilities from trading activities	333	1,899	1,899
Due to banks	334,902	101,645	101,645
Public and private sector liabilities	9,090,939	9,145,119	9,145,119
Derivatives	469,316	318,417	318,417
Financial liabilities at fair value through profit or loss	940,361	971,453	971,453
Issued debt securities	1,521,504	2,411,671	2,411,671
Provisions	28,965	24,284	23,085
Tax liabilities	5,764	13,007	12,841
Liabilities classified as held for sale	20,871	-	-
Other liabilities	125,383	156,820	156,820
Subordinated loans	173,473	173,620	166,802
Total liabilities	**12,711,812**	**13,317,935**	**13,309,752**
Issued share capital	41,362	41,147	41,147
Treasury shares	-8,678	-7,869	-7,869
Share premium reserve	385,115	441,459	441,459
Other reserves	763,553	754,234	768,616
Undistributed profit attributable to shareholders	74,631	89,508	89,508
Equity attributable to shareholders	**1,255,982**	**1,318,478**	**1,332,860**
Non-controlling interests	6,529	10,827	10,827
Undistributed profit attributable to non-controlling interests	5,684	5,437	5,437
Equity attributable to non-controlling interests	**12,213**	**16,264**	**16,264**
Total equity	**1,268,195**	**1,334,742**	**1,349,124**
Total equity and liabilities	**13,980,007**	**14,652,676**	**14,658,875**

Contingent liabilities	134,449	122,189	122,189
Irrevocable commitments	853,276	861,342	861,342
	987,725	**983,530**	**983,530**

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

VAN LANSCHOT KEMPEN

CONSOLIDATED STATEMENT OF INCOME FOR 2018

x €1,000	2018	2017
Income from operating activities		
Interest income calculated using the effective interest method	251.985	275.893
Other interest income	52.359	64.158
Interest expense calculated using the effective interest method	66.518	76.319
Other interest expense	62.612	67.882
Net interest income	**175.213**	**195.849**
Income from associates using the equity method	28.728	24.074
Other income from securities and associates	2.594	12.956
Income from securities and associates	**31.323**	**37.029**
Commission income	307.714	280.519
Commission expense	14.467	13.533
Net commission income	**293.247**	**266.986**
Result on financial transactions	**-805**	**14.127**
Net sales	11.020	12.020
Cost of sales	3.716	3.472
Other income	**7.304**	**8.548**
Total income from operating activities	**506.282**	**522.539**
Expenses		
Staff costs	263.724	246.343
Other administrative expenses	162.043	168.481
Staff costs and other administrative expenses	**425.766**	**414.824**
Depreciation and amortisation	14.427	14.166
Operating expenses	**440.193**	**428.990**
Impairments of financial instruments	-12.737	-11.875
Other impairments	-679	414
Impairments	**-13.416**	**-11.461**
Total expenses	**426.778**	**417.529**
Operating profit before tax	**79.504**	**105.010**
Income tax	12.086	22.129
Net profit from continuing operations	**67.418**	**82.881**
Net profit from discontinued operations	12.897	12.064
Net result	**80.315**	**94.945**
Of which attributable to shareholders	74.631	89.508
Of which attributable to non-controlling interests	5.684	5.437
Earnings per ordinary share (€)	1,82	2,19
Earnings per ordinary share from continuing operations (€)	1,51	1,89
Diluted earnings per ordinary share (€)	1,81	2,16

Diluted earnings per ordinary share from continuing operations (€)	1,49	1,87
Proposed dividend per ordinary share (€)	1,45	1,45

VAN LANSCHOT KEMPEN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2018

x €1,000	2018	2017
Net result (as per statement of income)	80,315	**94,945**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Other comprehensive income through revaluation reserve		
Revaluation of financial assets at fair value through other comprehensive income	-12,881	-
Revaluation of available-for-sale equity instruments	-	-7,778
Revaluation of available-for-sale debt instruments	-	9,719
Realised return on financial assets at fair value through other comprehensive income	-3,764	-
Realised return on available-for-sale equity instruments	-	-911
Realised return on available-for-sale debt instruments	-	-6,407
Impairments of financial assets at fair value through other comprehensive income	-86	-
Income tax effect	3,985	-860
Total other comprehensive income through revaluation reserve	**-12,746**	**-6,237**
Other comprehensive income from value changes of derivatives (cash flow hedges)		
Increase in value of derivatives directly added to equity	-3,892	1,410
Income tax effect	208	-352
Total other comprehensive income from value changes of derivatives (cash flow hedges)	**-3,684**	**1,057**
Other comprehensive income from currency translation differences		
Other comprehensive income from currency translation differences	-1,499	-655
Income tax effect	-	-
Total other comprehensive income from currency translation differences	**-1,499**	**-655**
Total other comprehensive income to be reclassified in subsequent periods to profit or loss	**-17,929**	**-5,835**
Other comprehensive income not to be reclassified in subsequent periods to profit or loss		
Change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss		
Change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss	-2,931	-
Income tax effect	733	-
Total change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss	**-2,198**	**-**
Remeasurement of defined benefit plans		
Remeasurement of defined benefit plans	385	-580
Income tax effect	-91	38
Total remeasurement of defined benefit plans	**294**	**-542**
Total other comprehensive income not to be reclassified in subsequent periods to profit or loss	**-1,904**	**-542**
Total other comprehensive income	**-19,833**	**-6,377**
Total comprehensive income	**60,483**	**88,569**
Of which attributable to shareholders	54,798	83,131
Of which attributable to non-controlling interests	5,684	5,437

Total comprehensive income to shareholders		
Of which continuing operations	46,919	75,995
Of which discontinued operations	7,880	7,136
	54,798	**83,131**

Consolidated statement of changes in equity in 2018

Before profit appropriation

x €1,000	Share capital	Treasury shares	Share premium reserve[1]	Other reserves[1]	Undistri-buted profit	**Total equity attributable to shareholders**	Equity attributable to non-controlling interests	Total equity
At 31 December 2017	41,147	-7,869	441,459	768,616	89,508	**1,332,860**	16,264	1,349,124
Impact of adopting IFRS 9[2]	-	-	-	-14,382	-	**-14,382**	-	-14,382
At 1 January 2018	41,147	-7,869	441,459	754,234	89,508	**1,318,478**	16,264	1,334,742
Net result (as per statement of income)	-	-	-	-	74,631	**74,631**	5,684	80,315
Total other comprehensive income	-	-	-	-19,833	-	**-19,833**	-	-19,833
Total comprehensive income	**-**	**-**	**-**	**-19,833**	**74,631**	**54,798**	**5,684**	60,483
Shares issued	215	-5,397	5,182	-	-	**-**	-	-
Share plans	-	14,780	-	-445	-	**14,334**	-	14,334
To other reserves	-	-	-	30,139	-30,139	**-**	-	-
Repurchased equity instruments	-	-10,192		-	-	**-10,192**	-	-10,192
Dividends / Capital return	-61,526	-	-	-	-59,369	**-120,894**	-895	-121,789
To share capital	61,526	-	-61,526	-		**-**	-	-
Other changes	-	-	-	-542	-	**-542**	-	-542
Change in non-controlling interests	-	-	-	-	-	**-**	-8,840	-8,840
At 31 December 2018	**41,362**	**-8,678**	**385,115**	**763,553**	**74,631**	**1,255,983**	**12,213**	1,268,196

VAN LANSCHOT KEMPEN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN 2017

Before profit appropriation

x €1,000	Share capital	Treasury shares	Share premium reserve[1]	Other reserves[1]	Undistri-buted profit	**Total equity attributable to shareholders**	Equity attributable to non-controlling interests	Total equity
At 1 January	41.092	-4.059	481.258	756.445	65.735	**1.340.471**	13.456	1.353.926
Net result (as per statement of income)	-	-	-	-	89.508	**89.508**	5.437	94.945
Total other comprehensive income	-	-	-	-6.377	-	**-6.377**	-	-6.377
Total comprehensive income	**-**	**-**	**-**	**-6.377**	**89.508**	**83.131**	**5.437**	**88.569**
Shares issued	55	-1.403	1.348	-	-	**-**	-	-
Share plans	-	5.091	-	988	-	**6.079**	-	6.079
To other reserves	-	-	-	16.380	-16.380	**-**	-	-
Repurchased equity instruments	-	-7.799	-	-	-	**-7.799**	-	-7.799
Dividends / Capital return	-41.147	300	-	-	-49.355	**-90.202**	-672	-90.874
To share capital	41.147	-	-41.147	-	-	**-**	-	-
Other changes	-	-	-	1.179	-	**1.179**	-	1.179
Change in non-controlling interests	-	-	-	-	-	**-**	-1.957	-1.957
At 31 December	**41.147**	**-7.869**	**441.459**	**768.616**	**89.508**	**1.332.860**	**16.264**	**1.349.124**

VAN LANSCHOT KEMPEN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2018

x €1,000	2018	2017
Cash flow from operating activities		
Operating profit before tax	79,504	105,010
Adjustments for		
- Depreciation and amortisation	16,799	16,024
- Costs of share plans	2,989	4,773
- Results on associates using the equity method	-11,759	-12,949
- Valuation results on financial assets at fair value through profit or loss	19,803	2,870
- Valuation results on financial liabilities at fair value through profit or loss	-46,177	-7,399
- Valuation results on derivatives	-4,818	-19,080
- Impairments	-13,416	-11,460
- Changes in provisions	8,458	3,322
Cash flow from operating activities	**51,383**	**81,112**
Net movement in operating assets and liabilities		
- Financial assets/liabilities from trading activities	-25,800	-19,427
- Due from/to banks	-33,238	-8,907
- Loans and advances to public and private sectors/Public and private sector liabilities	506,713	72,455
- Derivatives	129,920	3,099
- Withdrawals from restructuring provision and other provisions	-2,931	-15,021
- Other assets and liabilities	-15,640	-2,554
- Tax assets and liabilities	1,382	-
- Income taxes paid	-9,523	-9,358
- Dividends received	3,192	4,602
Total net movement in operating assets and liabilities	**554,076**	**24,889**
Net cash flow from operating activities	**605,459**	**106,001**
Net cash flow from discontinued operations	**-6,027**	**28,856**
Cash flow from investing activities		
Investments and acquisitions		
- Investments in debt instruments	-1,302,486	-973,327
- Investments in equity instruments	-48,331	-84,990
- Acquisitions (excluding acquired cash and cash equivalents)	-	-28,700
- Investments in associates using the equity method	-9,609	-27,147
- Property and equipment	-5,016	-7,291
- Goodwill and other intangible assets	-878	-7,318
Divestments, redemptions and sales		
- Investments in debt instruments	1,307,076	896,695
- Investments in equity instruments	92,589	25,170
- Investments in associates using the equity method	27,115	40,983
- Property and equipment	4,686	6,671
- Goodwill and other intangible assets	1,873	678
Dividends received	3,473	3,753

Net cash flow from investing activities of continuing operations	**70,492**	**-154,823**
Net cash flow from investing activities of discontinued operations	**154**	**-799**
Cash flow from financing activities		
Share plans	11,345	2,255
Repurchased equity instruments[1]	-10,192	-7,499
Change in non-controlling interests	-8,133	-3,639
Redemption of subordinated loans	-113	-113
Receipts on issued debt securities	-	500,000
Redemption of issued debt securities	-907,256	-187,027
Receipts on financial liabilities at fair value through profit or loss	129,771	275,645
Redemption of financial liabilities at fair value through profit or loss	-116,872	-191,048
Dividends paid	-121,789	-91,174
Net cash flow from financing activities of continuing operations	**-1,023,239**	**297,399**
Net cash flow from financing activities of discontinued operations	**-**	**-**
Net change in cash and cash equivalents and balances at central banks	**-353,161**	**276,633**
Cash and cash equivalents and balances at central banks at 1 January[2]	1,826,733	1,550,100
Cash and cash equivalents and balances at central banks at 31 December[2]	1,473,572	1,826,733
Additional disclosure		
Cash flows from interest received	310,702	341,695
Cash flows from interest paid	135,195	146,007

[1] Van Lanschot Kempen grants unconditional and conditional rights to acquire depositary receipts for Class A ordinary shares for no consideration. To meet open positions, Van Lanschot Kempen holds depositary receipts for Class A ordinary shares. In 2018 and 2017, Van Lanschot Kempen carried out a share buy-back programme.
[2] Cash and cash equivalents and balances at central banks also includes amounts due from/to banks available on demand.

VAN LANSCHOT KEMPEN

Operating segments in 2018 (€ million)	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other activities	Total
Statement of income							
Net interest income	137.7	2.5	-0.0	-0.0	21.6	13.5	175.2
Income from securities and associates	-	-	-0.2	-	-	31.5	31.3
Net commission income	127.0	4.4	100.0	58.0	1.9	1.9	293.2
Profit on financial transactions	1.1	-	-0.0	1.0	-	-2.8	-0.8
Other income	-	-	-	-	-	7.3	7.3
Total income from operating activities	**265.7**	**6.9**	**99.8**	**58.9**	**23.5**	**51.4**	506.3
Staff costs	105.7	4.2	45.8	26.3	1.0	80.7	263.7
Other administrative expenses	67.2	9.1	23.8	9.1	0.5	52.3	162.0
Allocated internal expenses	61.5	2.9	12.8	9.9	9.9	-97.1	-
Depreciation and amortisation	5.8	0.0	1.0	0.0	-	7.6	14.4
Impairments	-2.9	0.0	-	-0.0	-10.6	0.1	-13.4
Total expenses	**237.4**	**16.2**	**83.4**	**45.3**	**0.8**	**43.7**	426.8
Operating result before tax	**28.4**	**-9.3**	**16.3**	**13.6**	**22.7**	**7.8**	79.5
Operating result of discontinued operations before tax	-	-	-	-	-	16.3	16.3

VAN LANSCHOT KEMPEN

Operating segments in 2017 (€ million)	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other activities	Total
Statement of income							
Net interest income	151.4	3.3	-0.0	0.0	33.1	8.0	195.9
Income from securities and associates	-	-	-1.2	-	-	38.3	37.0
Net commission income	124.5	4.5	92.5	41.7	2.6	1.1	267.0
Profit on financial transactions	1.0	-	-0.1	4.5	-	8.7	14.1
Other income	-	-	-	-	-	8.5	8.5
Total income from operating activities	**276.9**	**7.9**	**91.2**	**46.2**	**35.8**	**64.6**	**522.5**
Staff costs	97.6	4.6	39.6	23.4	5.7	75.4	246.3
Other administrative expenses	71.6	7.9	21.9	8.0	2.3	56.9	168.5
Allocated internal expenses	57.9	7.0	10.9	9.2	12.1	-97.0	-
Depreciation and amortisation	4.4	0.0	0.6	0.0	-	9.1	14.2
Impairments	-3.2	0.0	-	-	-6.0	-2.3	-11.5
Total expenses	**228.3**	**19.5**	**73.0**	**40.6**	**14.0**	**42.1**	**417.5**
Operating result before tax	**48.6**	**-11.6**	**18.2**	**5.6**	**21.7**	**22.5**	**105.0**
Operating result of discontinued operations before tax	-	-	-	-	-	15.5	15.5