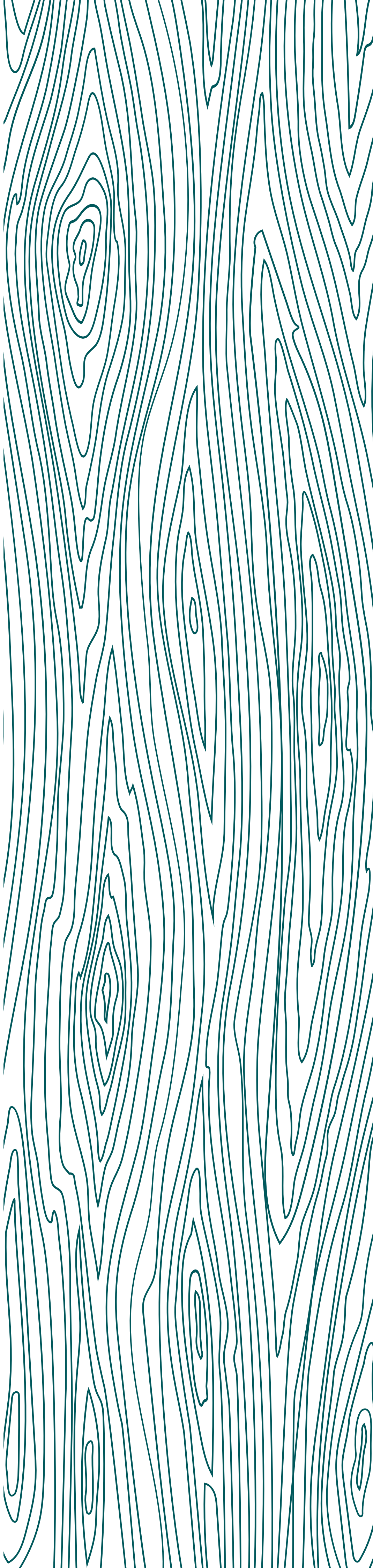
2017
Annual Report

VAN LANSCHOT
KEMPEN

Specialised
in the future
since 1737



Contents

About Van Lanschot Kempen
4 Key data
8 Chairman's message
10 Who we are
11 Our strategy
20 Stakeholders' expectations

Report of the Executive Board
25 Financial performance
37 Van Lanschot Private Banking
42 Evi van Lanschot
45 Kempen Asset Management
53 Kempen Merchant Banking
57 Our private equity investments
60 The people behind Van Lanschot Kempen
63 Remuneration
68 Risk and capital management
77 Personal details of members of the Executive Board

80 **Report of the Supervisory Board**
86 Personal details of members of the Supervisory Board

88 **Corporate governance**

95 **Van Lanschot Kempen shares**

98 **Reconciliation of IFRS and management reporting**

Financial statements
100 Consolidated statement of financial position at 31 December 2017
101 Consolidated statement of income for 2017
102 Consolidated statement of comprehensive income for 2017
103 Consolidated statement of changes in equity in 2017
104 Consolidated statement of changes in equity in 2016
105 Consolidated statement of cash flows for 2017

Notes
107 Summary of significant accounting principles
112 Basis of consolidation
113 Summary of significant accounting policies
122 Risk management
167 Notes to the consolidated statement of financial position
190 Notes to the consolidated statement of income

Supplementary notes
197 Business combinations in 2017
198 Consolidated statement of financial position by category at 31 December 2017
199 Consolidated statement of financial position by category at 31 December 2016
200 Related parties
203 Disclosure of interests in other entities
212 Commitments
214 Segment information

Company financial statements
218 Company statement of financial position at 31 December 2017
218 Company statement of income for 2017
218 Accounting policies governing company financial statements
219 Notes to the company financial statements
221 Profit appropriation

222 **Remuneration of the Statutory and Supervisory Boards**

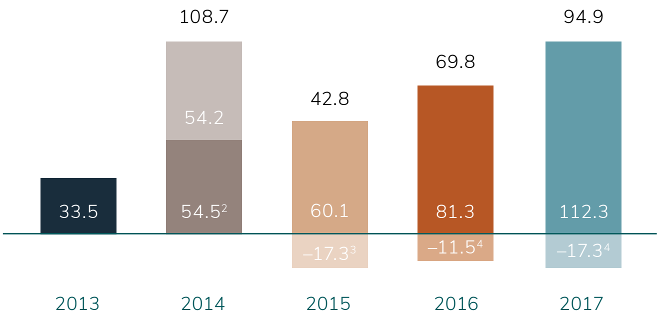
226 Events after the reporting period

Other information
228 Independent auditor's report
234 Appendix to the auditor's report on the financial statements 2017
235 Assurance report of the independent auditor
237 Profit appropriation
238 Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen
239 Stichting Preferente aandelen C Van Lanschot Kempen
240 Glossary
245 Ten-year figures

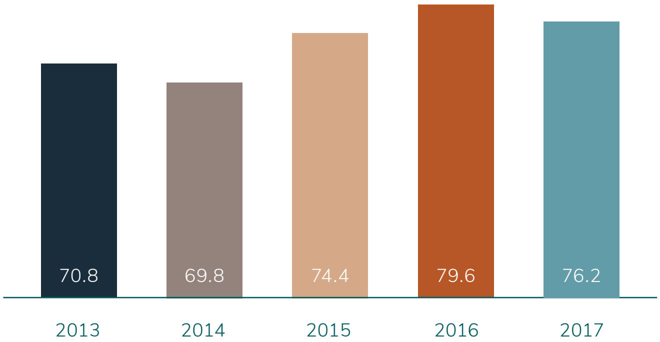
KEY DATA[1]

1. Results

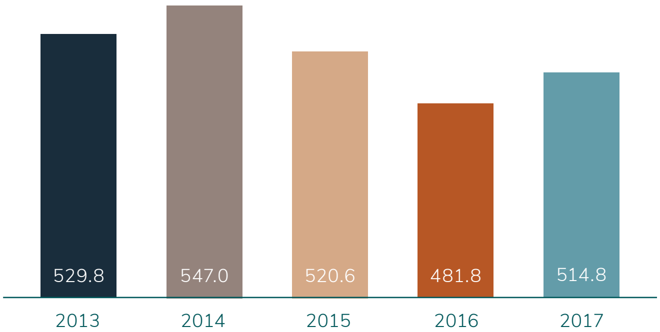
Net result, including NSIs (x € million)



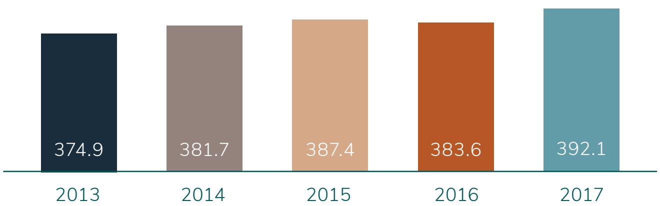
Efficiency ratio, excluding special items[5] (%)



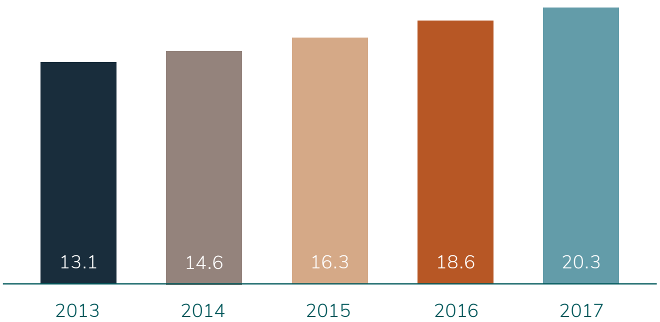
Operating income (x € million)



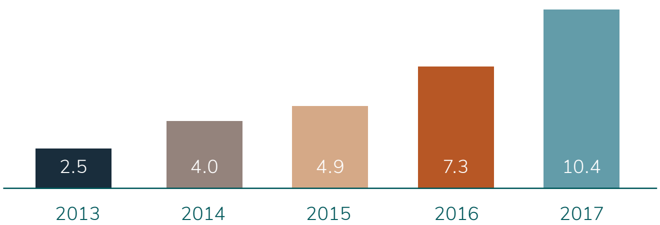
Operating expenses[5] (x € million)



Common Equity Tier I ratio, including NSIs[6] (%)



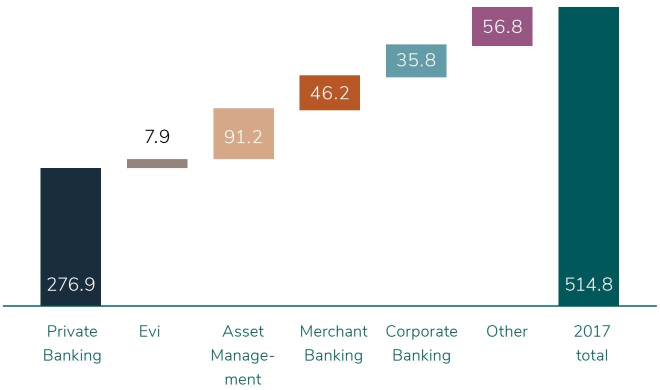
Return on average Common Equity Tier I based on underlying net result, including NSIs[6] (%)



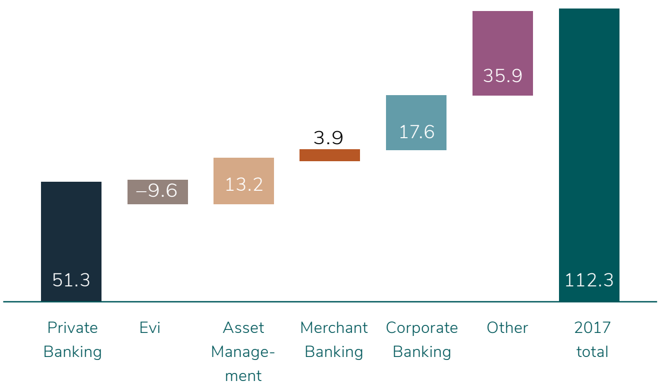
The management report uses unrounded figures and total amount may deviate from the sum of the parts.
Percentage changes are based on these unrounded figures.

1 Excluding non-strategic investments (NSIs), unless stated otherwise.
2 One-off net gain resulting from changes in pension scheme.
3 One-off charge resulting from changes to non-performing real estate loans.
4 Charges resulting from derivatives recovery framework and Strategy 2020 investment programme.
5 Operating expenses (and so the efficiency ratio) in 2017 and 2016 exclude costs incurred for our Strategy 2020 investment programme, the amortisation of intangible assets arising from acquisitions and a one-off charge for the derivatives recovery framework. For 2015, the figure excludes a one-off charge arising from the sale of non-performing real estate loans and for 2014 a pension scheme gain.
6 Figures for 2013 are based on compliance with Basel II. Those for 2014 and 2015 are in compliance with the Basel III regulatory framework, based on phase-in and including retained earnings. From 2016, figures are fully loaded and include retained earnings.

Income from operating activities, by segment (x € million)

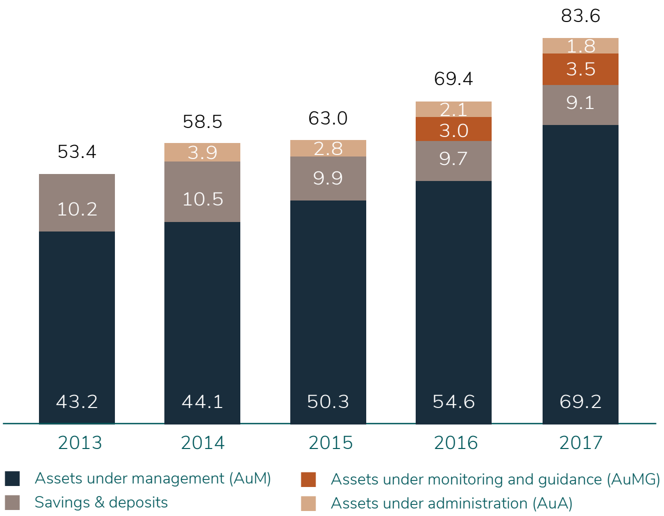


Underlying net result[7] (x € million)

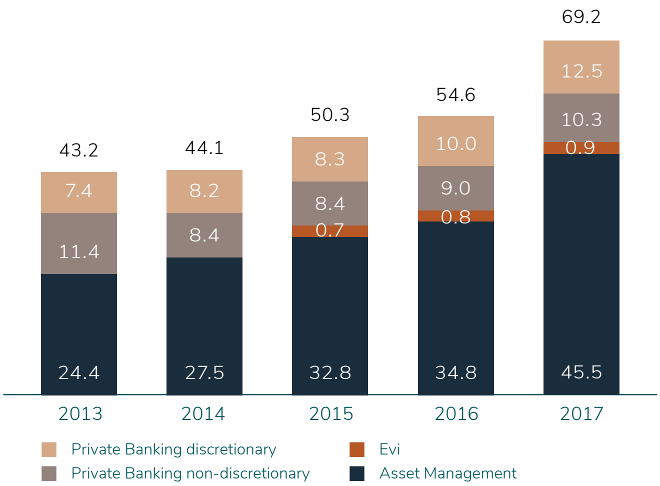


2. Client assets

Client assets (x € billion, at year-end)[8,9,10]



Assets under management[8,10,11,12] (x € billion, at year-end)



7 Underlying net result is the net profit adjusted for the one-off charge related to the derivatives recovery framework and the costs incurred for the Strategy 2020 investment programme.

8 AuA was introduced in 2015. This item reflects portfolios merely administered by Van Lanschot Kempen, over which we have little or no control, and on which earnings are relatively limited. As a result, some portfolios were moved from AuM to AuA. Comparative figures for 2014 have been adjusted accordingly.

9 As a result of modified IFRS interpretations, from 2016 we no longer net current account balances at individual client level. Comparative figures for 2015 have been adjusted accordingly.

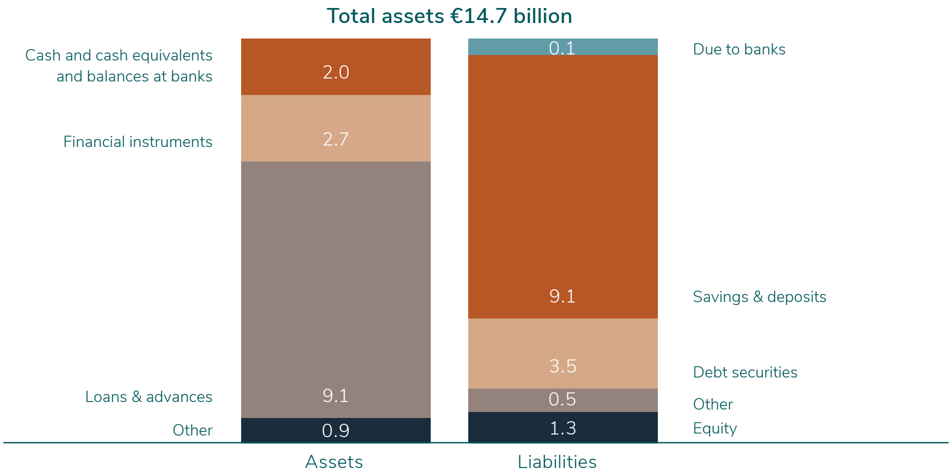
10 In 2017, within Asset Management we introduced AuMG as a new asset category. AuMG refers to portfolios that are only subject to monitoring, plus minor advisory and related services. Clients make their own investment decisions and Van Lanschot Kempen has little or no influence on the management of these assets. As a result, some portfolios were moved from AuM to AuMG. Comparative figures for 2016 have been adjusted accordingly.

11 From 2016, we have reported on Evi as a separate segment, whereas these activities were previously part of Private Banking. Comparative figures for 2015 have been adjusted accordingly.

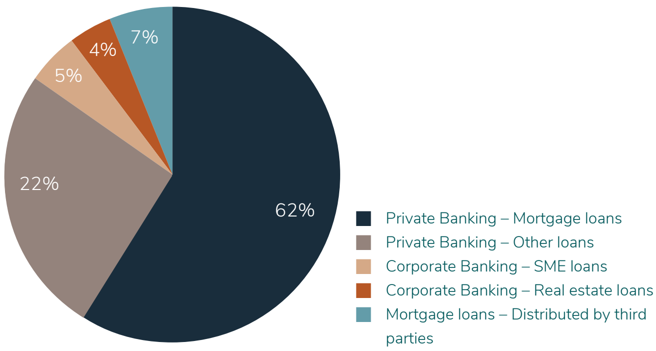
12 AuM screened for non-financial criteria was 75% in 2017.

3. Statement of financial position

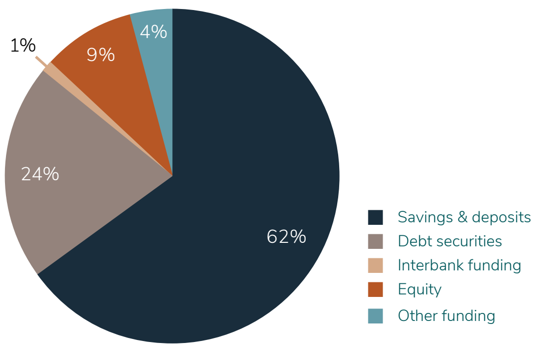
Statement of financial position at 31 December 2017 (x € billion)[13]



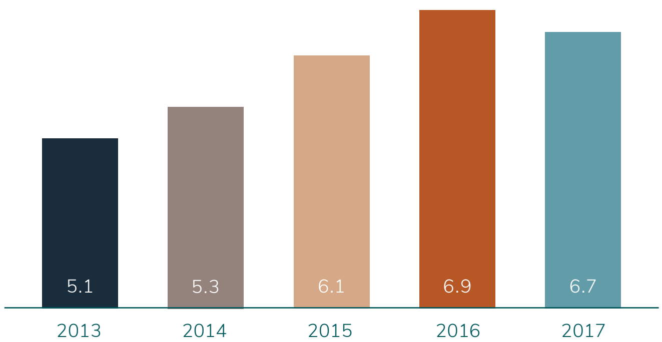
Loan portfolio, excluding provision (100% = €9.2 billion)



Funding mix (100% = €14.7 billion)



Leverage ratio (fully loaded) (%)



13 Assets are screened for sustainability.

Key data (x € million, unless stated otherwise)	2017	2016	Notes
Including non-strategic investments (NSIs), unless otherwise indicated			
Results			
Income from operating activities (excluding NSIs)	514.8	481.8	Private Banking, Evi, Asset Management and Merchant Banking generated 82% of operating income
Operating expenses (excluding NSIs)	392.1	383.6	Higher staff costs due to the acquisition of Staalbankiers and UBS in the Netherlands, and different workforce composition
Addition to loan loss provision	–11.9	–6.9	Release of provisions thanks to improved quality of loans and lower provisions for incurred but not reported (IBNR)
Net result	94.9	69.8	Including charges for derivatives recovery framework (€1.3 million net) and costs related to Strategy 2020 investment programme (€16.1 million net)
Underlying result[14]	112.3	81.3	All activities made positive contributions. Due to required capital spending on technology, product development and marketing, Evi is still loss-making
Statement of financial position			
Loans	9,103	9,624	Mainly down due to further Corporate Banking portfolio run-off
Savings & deposits	9,145	9,680	Reduction reflects funding strategy
Total assets	14,659	14,877	
Equity	1,349	1,354	
Risk-weighted assets	4,979	5,623	Down due to Corporate Banking portfolio run-off and improved credit quality
Common Equity Tier I ratio (%)[15]	20.3	18.6	Ratio well ahead of 15-17% target . Complying with Basel III capital requirements
Tier I ratio (%)[15]	20.3	18.6	
Total capital ratio (%)[15]	22.1	19.5	
Basel III			
Liquidity coverage ratio (%)	163.6	156.6	Comfortable liquidity position
Net stable funding ratio (%)	129.2	130.6	Well-diversified funding profile
Leverage ratio (%)[15]	6.7	6.9	
Client assets (x € billion)[10]	83.6	69.4	
– Assets under management	69.2	54.6	Growth on inflows at Asset Management, Private Banking and Evi, acquisition and favourable market performance
– Assets under monitoring and guidance	3.5	3.0	
– Assets under administration	1.8	2.1	
– Savings & deposits	9.1	9.7	Reduction reflects funding strategy
Other financial data			
Interest margin (%)	1.32	1.39	Low interest rate environment causes pressure
Addition to/release from loan loss provision as a % of average RWA	–0.22	–0.11	Release of provisions thanks to improved quality of loans and lower provisions to IBNR
Efficiency ratio excluding special items (%)[5]	76.2	79.6	Higher commission income and income from securities and associates lead to improved efficiency ratio, 2017 operating expenses comparable to those for 2016
Underlying earnings per share (€)	2.61	1.89	
Return on average Common Equity Tier I (%)	10.4	7.3	Return based on underlying net result
Funding ratio (%)	100.5	100.6	
Staff			
Number of FTEs (at year-end, excluding NSIs)	1,658	1,670	

14 The underlying result reflects the net result adjusted for charges arising from the derivatives recovery framework and costs related to the Strategy 2020 investment programme.
15 Fully loaded and including retained earnings.

CHAIRMAN'S MESSAGE

Dear shareholder and other stakeholders,

Allow me to begin by thanking you for your support during the course of the year.

We began the year with a degree of trepidation of what may follow after the referendum in the UK, the turbulent election process in the US and the rising tide of populism in Europe and elsewhere. The outcome of the election process in the Netherlands, France and Germany were both reassuring and sobering. The big challenges of our time - climate change, social justice and the fight for a more equitable world - remain and with it the need and necessity for all to work hard for a better world. Economically, it was a good year; the global and European economy have certainly changed gear for the better.

A relatively good year but no room for complacency
Our performance reflects these developments. We had a relatively good year in terms of our overall financial performance. All of our operating divisions have performed reasonably well. The turnaround process and the work that goes with it were very much the central themes for us during 2017. Notwithstanding the work that still needs to be done, we are quietly satisfied with the progress we have made so far and we are confident that we will get the job done.

Separate and apart from the day-to-day performance management of our businesses, we were able to attract new assets from organic and inorganic sources. We have successfully closed two bolt-on acquisitions during the course of the year with a high retention rate of clients. As such, the acquisitions were also significant in enhancing our capabilities to serve certain clients segments better, in particular family offices.

Strong fundamentals but vigilance is warranted
Economically speaking, the overarching narrative for 2018 is more or less the same as the previous year. The fundamentals are strong and therefore we expect the economic trajectory to be positive, however, risks remain. We are acutely aware of geopolitical events that could easily derail the economic picture. With respect to the markets - notwithstanding some of the more recent corrections, the frothiness of equity markets is a matter of concern. The discernible signs of inflation are evident, but whether they will materialise into something sinister we do not know yet. We will therefore continue to monitor the development of rates and the bond market very closely. Given our twin objectives of creation and preservation of wealth for our clients, we see this vigilance as an essential part of our responsibility.

I would like to address two of areas of stakeholder concern - diversity and climate change - from our perspective.

Diversity
As a firm, we believe that diversity is an essential piece of the jigsaw puzzle that ensures our success on a sustainable basis. The case for diversity is often made as a moral imperative; our approach is much more prosaic. We believe that diversity specifically leads to better decision-making, a better work environment and fewer blind spots. We also believe that it ensures access to a much bigger talent pool, thereby ensuring that meritocracy truly prevails in the firm. The conscious and deliberate pursuit of diversity, we believe, also leads to a significant reduction in conformation bias - the great scourge of our times.

We believe that choice between meritocracy and diversity is a false one. Both are essential elements to the pursuit of sustainable success. As a firm, we believe in the role and the power of an individual to transform a company or a nation, we therefore eschew the notion that people must be clustered into groups with singularly common features. This approach, in our view, undermines the various facets of the individual; as such, it lends itself to a process of de-humanisation. Groups do not define individuals, an individual defines an individual. This is an important point of departure for us - relative to approaches at other firms.

In short, diversity means looking for the attributes present in the individual to ensure that the values and goals of the firm adhered to all times. We do not want to restrict ourselves to any one dimension of diversity - be it gender-, colour- or race-based classification. We believe that several factors, including gender, race, economic and social background form the basis of diversity in the company - all factors that contribute to independent thinking. We also believe that meritocracy must not be undermined in the pursuit of diversity, but rather reconciled as part of meritocracy.

We believe, quite strongly, that the pursuit of diversity is not a singular objective but rather an important component of our purpose as a firm and our values. This distinction is important to ensure that we find the right balance between our objectives as a firm.

Climate change
As citizens of a country that has long eked out a living from the sea, we may be more aware than most of the devastating impact of climate change and global warming, one of the most important challenges of our time. Without a more sustainable pattern of production and consumption, we cannot sustain our way of living. For us, it is an overwhelming part of our daily lives and therefore entirely reasonable that our stakeholders demand a better understanding of our views and policies on climate change.

In essence, the real question is what we do to make a difference to society with respect to climate change. We aim to mitigate this threat via our activities, and to work towards a low-carbon economy. Increasingly, we encourage investee companies to adopt sustainable practices, to produce in a sustainable manner, and to report on sustainability.

In 2017, we further enhanced our policies focusing on the climate impact of the assets on our balance sheet, our investments on behalf of clients, and our own organisation. By the end of 2017, we had integrated climate risks into our overall risk management processes for our on-balance sheet activities and found such climate risks to be low: our internal assessment pointed out that our balance sheet does not include material climate-sensitive assets.

We also started an initial pilot project to make mortgage clients more aware of energy savings and energy production, and of the growing possibilities to finance measures such as insulation and solar panels. Following a positive response, we expanded the pilot to all mortgage clients. We enhanced our climate policy for client investments and improved its integration into our responsible investment policies. We also engaged with companies that were lagging behind in terms of climate policies and performance, and encouraged them to take concrete measures to reduce their carbon emissions.

We have selected five of the United Nations Sustainable Development Goals (SDGs), which serve as a sustainable development agenda for the 2015-30 period. In addition, at the start of 2018 KCM launched the Global Impact Pool, which is investing across listed and non-listed asset classes, with the dual objectives of achieving financial returns and positive social and environmental impact. Four themes were selected for the fund: basic needs and well-being, circular economy, climate and energy, and SME development and decent work.

Thank you
Reconciling the interests of our clients, shareholders, employees and society at large is the best contribution we can make to sustainable long-term value creation. This is the central belief that guides us in how we manage our company, and how we make the fundamental choices for our future. I would like to conclude this message by thanking our employees for their continued hard work and commitment to create value for our clients, whose long-standing trust we value every day.

‘s-Hertogenbosch, the Netherlands, 21 February 2018

Karl Guha
Chairman of the Statutory Board

WHO WE ARE

Van Lanschot Kempen, a union of two specialist financial boutiques, is the oldest independent financial institution in the Netherlands.

As a wealth manager, Van Lanschot Kempen[1] builds on the experience of its core activities, operating under the strong brand names of Van Lanschot, Evi van Lanschot (Evi) and Kempen.

Wealth powers progress. It is one of the key drivers of our society. The individual need and desire to create wealth propels stability, prosperity and happiness. Preserving and creating wealth requires specific knowledge, experience and astute long-term solutions. Van Lanschot Kempen is uniquely placed to support individual and institutional clients in achieving their long-term goals through wealth.

Our knowledge and experience, our track record and our personal approach set us apart from our competitors in our selected market segments and offer exciting growth opportunities. We strive to achieve our objectives in harmony with all our stakeholders, and thus to make a contribution to society.

Van Lanschot Private Banking

- Guiding clients in achieving their goals
- Responsive, transparent and tailored personal service
- Specialist services for entrepreneurs, family businesses, high net-worth individuals, business professionals and executives, healthcare professionals, foundations and associations
- AuM of €22.8 billion
- Savings & deposits of €8.1 billion, loan book of €7.8 billion
- Strong network and local presence in 37 offices – 27 in the Netherlands, eight in Belgium and two in Switzerland

Evi van Lanschot

- Digital savings and investment service to preserve and build wealth, with an online coach
- Focus on new entrants to the wealth market and clients who make a conscious choice for online service delivery
- In tune with the trend towards increasing individual responsibility in areas such as pensions and healthcare
- AuM of €0.9 billion, savings of €0.6 billion
- Active in the Netherlands and Belgium

Kempen Asset Management

- Specialist European asset manager with a sharp focus and a clear investment philosophy
- Focusing on a number of investment strategies: small caps, real estate, high-dividend equities, fixed-income securities and funds of hedge funds
- Offering fiduciary services, with fully comprehensive asset management solutions
- Targeting open architecture-based banks and asset managers, pension funds, insurers, foundations and associations, and family offices
- AuM of €45.5 billion, AuMG of €3.5 billion
- Offices in Amsterdam, London, Edinburgh and Paris

Kempen Merchant Banking

- Niche player combining equities research and trading with mergers & acquisitions services, capital market transactions and debt advisory services
- Focusing on institutional investors, corporates, financial institutions and public/semi-public entities
- Pursuing a niche strategy in the European market for real estate, life sciences, infrastructure, financial institutions & fintech, and the Benelux market
- Successful structured products franchise and global property index product offering
- Offices in Amsterdam, Antwerp, London and New York

1 For a visual representation of our operational group structure in 2017, see vanlanschotkempen.com/strategy.

OUR STRATEGY

How we create value in the long term

To enable us to help our clients achieve their business, personal and social goals, we have opted to position ourselves as a specialist, independent wealth manager. Our mission is to create and preserve wealth for our clients and for society. Wealth generation is essential to create and maintain stability in our society. This requires a long-term focus in which economic, social and environmental aspects all need to be taken into account.

Our value creation model[1] on page 12 gives an overview of our impact and the value we create in the long term. The model we have chosen centres around four elements: input, business model, output/outcomes and relevance.

Our business model of a specialist, independent wealth manager results in direct outcomes. We enable our clients to preserve and create wealth, and we fund them or help them obtain funding or capital. As well as financial remuneration, we offer our employees personal development, while our shareholders receive dividends and capital growth. We also provide sustainability feedback to the companies and the managers of the funds in which we invest, so they can improve their performance. Likewise, we nurture long-term, stable relationships with other stakeholders – civil society organisations, regulators and other financial institutions.

The last column of our value creation model captures our societal relevance in the short and long terms. Wealth gives people the opportunity to achieve their business, personal and social objectives. We contribute to a positive business climate by enabling entrepreneurs to invest and to take risks. By engaging with companies and fund managers we contribute to more sustainable business and financial sectors. The way we deploy our financial resources, employees and network means we can help address a range of social challenges, particularly in the arts, the preservation of cultural heritage and in nurturing social entrepreneurship. And lastly, for many years we have been offering our people high-quality employment and opportunities for development.

Being socially relevant also means that we contribute to the United Nations Sustainable Development Goals (SDGs). This is shown in the last column of our value creation model, which highlights the five SDGs to which we contribute specifically via our core activities.

OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

A long-term focus on a sustainable society is what the SDGs are all about. As a wealth manager with a focus on the long term, we support and encourage these sustainability goals. Of the 17 SDGs, there are five to which we currently contribute specifically via our core activities. These are set out on the next page.

Sustainable growth is essential to create wealth and value for all our stakeholders, and we promote sustainable economic growth (SDG 8) in various business roles. Another essential condition for a sustainable society is a sustainable environment. Climate change is one of the most important challenges of our time, and we aim to mitigate this threat via our activities and to work towards a low-carbon economy (SDG 7). We also encourage investee companies to adopt sustainable practices, produce in a sustainable manner and report on sustainability – as without a more sustainable pattern of production and consumption we cannot sustain our way of living (SDG 12).

For sustainable development, robust institutions and organisations are essential. In our various business roles, we take international guidelines into account and engage with companies to encourage good governance and anti-corruption (SDG 16). To achieve the worldwide SDGs and overcome global challenges, collaboration and partnerships are vital, which is why we participate in sustainable organisations and initiatives, such as the UN Global Compact, Principles for Responsible Investment and CDP (SDG 17).

For more information on our current contribution to these SDGs, see vanlanschotkempen.com/responsible.

1 This model is in line with international annual reporting guidelines such as those of the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI).

HOW WE CREATE VALUE

INPUT

People and knowledge

Knowledge of
- Economies and capital markets
- Sectors
- Clients

1,747 employees (at year-end)

36% 64%

Brand, values, reputation and relationships

- Rich history
- Values: entrepreneurial spirit, craftsmanship, dedication and specialisation
- Stable stakeholder relationships focused on mutual interest
- Leading sustainability benchmarks

Financial assets

Client assets: €83.6bn, of which:
- AuM €69.2bn
- Savings & deposits €9.1bn

Capital base and funding
- Share capital €1.3bn
- Wholesale funding €3.6bn

Materials and resources

Investment in and maintenance of IT, materials and office accommodation
Averaging €130m a year

BUSINESS MODEL

Specialist, independent wealth manager

Private Banking | Evi van Lanschot | Van Lanschot Kempen | Asset Management | Merchant Banking

Approach

- Client-centricity
- Handling client assets responsibly and transparently
- Continuous improvement and innovation
- Focus on differentiating activities, non-core processes outsourced

Earnings model

+ Commission
+ Interest

- Costs
- Provisions
- Taxation

OUTPUT/OUTCOMES

Investing in development and vitality
- On-the-job training and education
- €4.3m training spent p.61
- Vitality initiatives p.60

Stakeholder relationships

Client satisfaction (NPS)
Private Banking: -4 Evi: -3
Asset Management: 44 p.15

Shareholder base
Ongoing long-term relationships p.95

Employee engagement
Score: 81% p.60

Preserving and creating wealth for clients
36% return on AuM
(neutral profile, 5 years) p.33

AuM
370 engagements; 75% screened p.48
3.9m tonnes carbon emissions* p.50

Lending
€9.1bn of which
€6.3bn in mortgages
99,660 tonnes carbon emissions* p.26

Capital raised for our clients
- European real estate €2.7bn
- Life sciences and healthcare €0.5bn
- Benelux corporates €0.8bn p.55

Net result €94.9m
Dividend €59.2m
Capital return €41.0m p.25

Carbon emissions own organisation 5,257 tonnes p.26

RELEVANCE**

Contribution to achievement of clients' business, personal and social goals

Positive business environment

More responsible companies and financial sector

Social engagement

High-quality employment and development opportunities

7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

* Our carbon measurement covers about two-thirds of our balance sheet assets and around half of our AuM. The figures are best estimates and will be further refined next year; for more information, see pages 26, 35 and 50.
** For examples see vanlanschotkempen.com/responsible/policy.

2017 figures.

SWOT analysis

To identify the strengths and weaknesses of our core activities and operating model, and the threats and opportunities presented by the markets in which we are active, we have carried out a SWOT analysis. Its main findings are set out in the table below.

Strengths	Weaknesses
– Strong brand names, reliable reputation, long history – Size, flexibility and independence make for swift and agile action – Clear wealth management proposition for each client segment – Multiple differentiating investment strategies – Strong capital position and balance sheet – Strong management track record in transformation processes and de-risking – Acting on strong belief in corporate social responsibility and responsible investing	– Relatively high fixed costs – Limited geographical diversification
Opportunities	**Threats**
– Economic and social conditions generate additional demand for wealth management solutions – Investments in omni-channel service model provide opportunities to enhance client experience – Developments in the field of data management and analytics, artificial intelligence and robotics create possibilities to increase revenues and reduce costs – Investing in a strong and differentiated proposition for family offices, foundations and associations, and ultra-high net-worth individuals creates platform for growth – Evi platform offers opportunities to further broaden the client base and could serve as a feeder for Private Banking – Growing demand for sustainable investment products and impact investing	– Geopolitical risks can impact markets, putting pressure on ability to grow – Continuing low interest rate environment – Regulation drives up costs – Competition from passive investment strategies – Pressure on margins from new, technology-driven market entrants with lower fixed costs – Rapid developments in IT require significant capital spending – Cybercrime

Strategy 2020

Our transformation into a specialist, independent wealth manager began in 2013 and our wealth management strategy was updated in April 2016. Our mission and approach remain unchanged, and we are building further on our strong foundation. The next phase entails responding to the changing needs of our clients, and to trends and developments within our sector.

Society and the sector in which we operate are changing drastically. The shift in responsibility for building a pension from the collective to the individual is just one example of this. Technological advances and digitalisation are also changing client expectations.

These developments present opportunities for Van Lanschot Kempen. To leverage them, we are taking steps in each core activity, as shown in the table below.

We will continue to wind down Corporate Banking's loan portfolio and to simplify our processes and organisation. We seek external partnerships for the provision of more universal, standardised banking services such as payments and mortgage servicing, allowing us to further focus on activities in which we excel and create value for our clients.

Van Lanschot Private Banking	Evi van Lanschot
– Improve client experience with omni-channel service model – Grow assets under management by further strengthening propositions for target segments and reinforcing frontline effectiveness	– Offer accessible, high-quality online services backed by the know-how of a private bank – Play into the trend towards more individual responsibility, for example in pensions
Kempen Asset Management	**Kempen Merchant Banking**
– Expand distribution to new markets and client segments – Launch new investment strategies – Continue developing UK as a second home market	– Continue employing capital-light business model – Build on solid, sustainable position in selected niches

Investing in client experience, people, growth and cost reduction

The services we provide reflect the greater independence of many of our clients, though we believe that digital service delivery must always go hand in hand with personal contact. To reinforce our position and further improve client experience, we are investing €60 million in IT resources between mid-2016 and 2019, in addition to what we consider a normalised annual level of change costs of around €20 million. This investment programme will finance the introduction of our omni-channel private banking model and enable us to complete the transformation of our IT landscape. These in turn should improve the efficiency of our mid- and back-office, leading to reductions in our operating expenses. Costs are likely to increase in the short term, mainly due to the integration of UBS's wealth management activities in the Netherlands.

The growing trend towards process automation means we need fewer people, but with more specific expertise and skills. We will therefore continue to invest in our staff. Our goal is an entrepreneurial and personal culture in which people are able to develop their talents, feel engaged and are conscious of the dynamic social environment in which Van Lanschot Kempen operates.

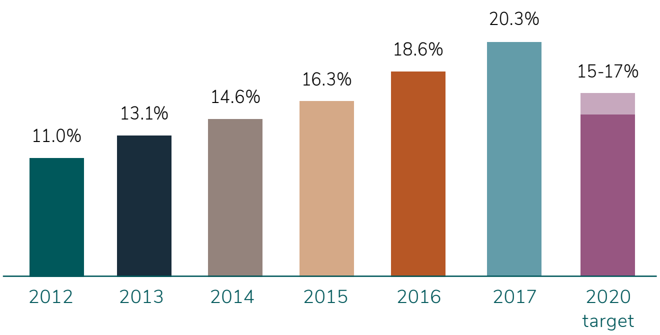
Capital management policy

Since the start of our transformation into a specialist, independent wealth manager in 2013, we have successfully scaled back our corporate loan portfolio. Our capital ratio currently stands at 20.3%, and will rise further as we continue to reduce our corporate lending. We expect that this will offset the limited impact from Basel IV. In addition to these high capital ratios, we also want to offer our shareholders attractive returns.

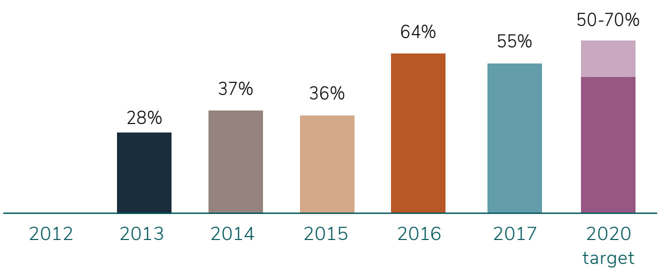
Based on our current plans and current legislation, we aim to return at least €250 million to our shareholders in the period up to and including 2020, subject to the approval of our regulator. With this in mind, starting from the 2016 financial year we have raised our target pay-out ratio from 40-50% to 50-70%. In December 2017, we returned a total of over €41 million in capital to our shareholders, taking the total amount returned, including the 2016 dividend, to over €90 million.

Financial objectives[2]

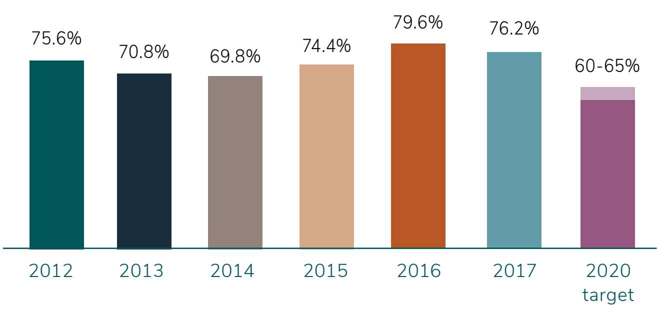
Common Equity Tier I ratio[3]



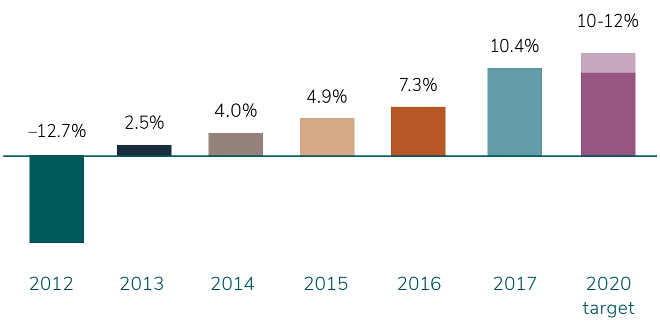
Dividend pay-out ratio[4]



Efficiency ratio, excluding NSIs[5]



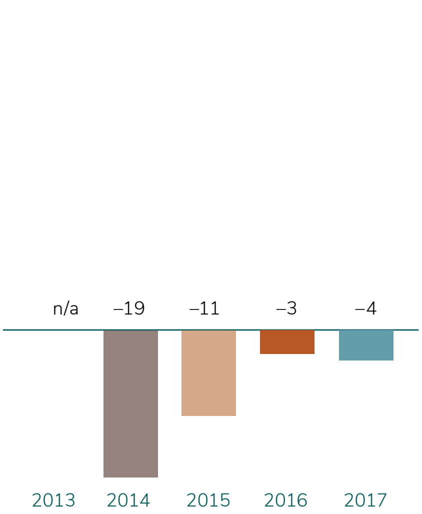
Return on Common Equity Tier I[6]



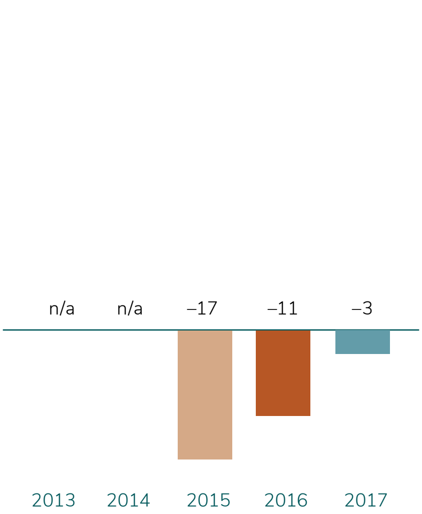
2 Including non-strategic investments (NSIs), unless stated otherwise.
3 The figures for the years 2017 and 2016 are based on the fully loaded Common Equity Tier I ratio. The figures for the previous years are based on the phase-in Common Equity Tier I ratio.
4 Based on underlying net profit attributable to shareholders.
5 The efficiency ratio in 2017 and 2016 excludes costs incurred for our Strategy 2020 investment programme, the amortisation of intangible assets arising from acquisitions and a one-off charge for the derivatives recovery framework. For 2015, the figure excludes a one-off charge arising from the sale of non-performing real estate loans, and for 2014 a pension scheme gain.
6 Return on average Common Equity Tier I based on underlying net profit.

Non-financial objectives

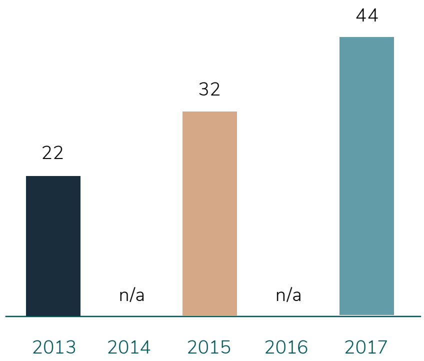
NPS Private Banking[7]



NPS Evi[7]



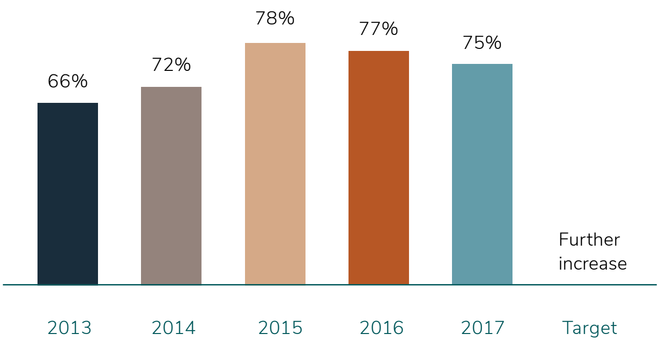
NPS Asset Management[8]



The Net Promoter Score (NPS) provides information on 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. Our target across all parts of Van Lanschot Kempen's business is to achieve a higher client loyalty score than in the previous year.

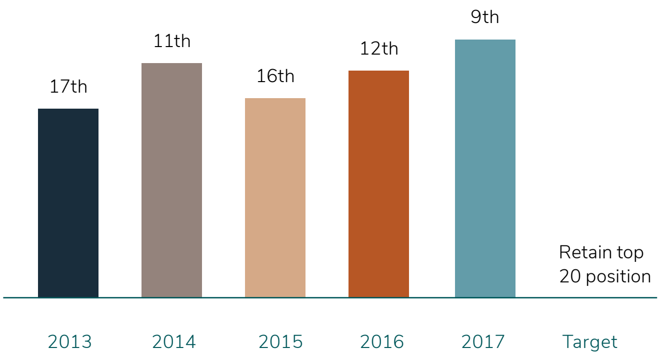
Assets under screening comprise client investments that are screened for sustainability as a percentage of total assets under management (AuM). Our targets also include subjecting the assets on our own balance sheet to sustainability screening, and obtaining a sustainability screening certificate for doing so. As a result, we have received an annual sustainability certificate from the Belgian research bureau Forum Ethibel every year since 2011.

Assets under screening Van Lanschot Kempen[9]

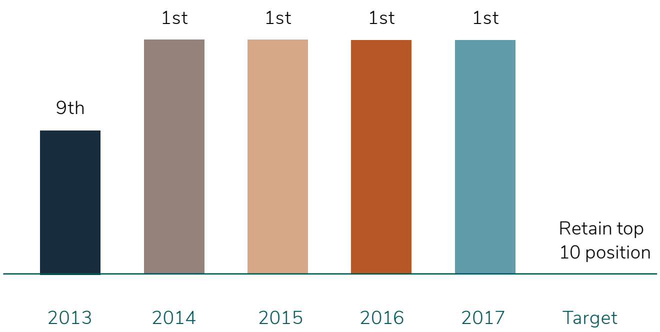


The Transparency Benchmark measures how Dutch businesses report their activities in relation to corporate social responsibility. The Sustainalytics agency carries out sustainability screening on companies worldwide, awarding a maximum score of 100 points. We top the rankings in our peer group.

Transparency Benchmark ranking



Sustainalytics peer group ranking



Employee engagement

A new engagement survey was carried out during the last quarter of 2017 for all Van Lanschot Kempen employees, in close cooperation with global advisory consultants Willis Towers Watson. Based on their definition, our overall employee engagement score was 81%, with a response rate of 82%. Both outcomes are on par with global financial services and global wealth management standards. We will be using the insights provided by the survey results – which became available in mid-December – to help boost our employee engagement. We plan to carry out a follow-up survey in the third quarter of 2018.

7 Dutch activities only.
8 Asset Management measures its NPS every two years. The 2017 measurement includes KCM London clients for the first time.
9 AuS was adjusted down for the 2013-16 period due to several changes in the screened assets, see page 48.

Progress in 2017

In our 2016 Annual Report we presented our priorities for 2017. Below, we report the progress we made on these priorities. The scores for each priority, based on a qualitative or quantitative assessment, should be read as follows:

KPI fully achieved | KPI largely achieved | KPI stable, partially achieved | KPI achieved to a small extent | KPI not achieved

Van Lanschot Private Banking

- Stable client satisfaction (NPS of –4 in 2017 vs –3 in 2016) and good progress in improving client experience
- Growth and profitability: Net AuM inflow of €0.5 billion[10] and stable profit development
- Further roll-out of omni-channel service concept: Client portal “Mijn Van Lanschot” implemented; continuous improvement of apps
- Continued developing investment services: Discretionary management renewed, product advice introduced and first “specials” offered to clients
- Outsourcing of mortgage servicing completed; on track to realise outsourcing of payment services
- Private banking clients from Staalbankiers successfully integrated, 90% of AuM retained. UBS’s high net-worth clients in the Netherlands migrated to Van Lanschot’s platform in November, over 90% of AuM retained
- Sustainable and impact investing: Over €1 billion invested in sustainable AuM; Duurzaam+ offering launched; impact investing extended

Evi

- Growth: Net AuM inflow of €83 million and increase in AuM client numbers by 45% to almost 13,000 clients
- Bolstered commercial skills: Continued developing and broadening the team and improved data analysis, sales funnel management and management information
- Preparing to optimise processes (e.g. mobile on-boarding, iDEAL transfer, sales and customer care)
- Invested further in infrastructure upgrades

Kempen Asset Management

- Supported Private Banking objectives through increased involvement in Private Banking client events and enhanced quality
- Achieved fresh growth in existing investment strategies (especially in real estate and small caps) with Dutch clients
- Continued developing the United Kingdom as a second home market: Enhanced brand awareness following an increase in PR and events efforts; healthy pipeline of opportunities. First new client on-boarded
- Built on fiduciary management activities in the Netherlands: Net AuM inflow of €8.6 billion including inflow in Het nederlandse pensioenfonds; developing additional services (e.g. ESG and illiquid solutions) for existing clients
- Introduced four new strategies: Structured Credit Fund, European High-yield Fund, Income Fund and Sustainable Value Creation Fund

Kempen Merchant Banking

- Invested in uniqueness of proposition and built further on position in existing niches: Strengthened teams with both experienced seniors and high-potential juniors; intensified client relationships
- Further developed new financial institutions & fintech and infrastructure niches: Several mandates won; research coverage and team expanded
- Implemented a data-driven approach to client intelligence and research: Initial steps taken by defining the data infrastructure
- Platforms: Innovative structured products and research distribution platforms successfully implemented

Group

- Invested in development and well-being of our staff (training, health, attracting new talent)
- Increased focus on core activities: Further reduction of Corporate Banking’s loan portfolio, spin-off of trading platform Captin, Van Lanschot Participaties spun off and opened up to clients
- Finalised preparations for new legislation and regulations (e.g. MiFID II, IFRS 9)
- Selective bolt-on acquisitions: Successfully acquired UBS's wealth management activities in the Netherlands
- Enhanced our position in society: Good start for Van Lanschot Kempen Foundation, with staff volunteering and contributions to several social projects
- Climate: Made good progress in refining methods to calculate carbon emissions for balance sheet and AuM
- Sustainable Development Goals (SDGs): Following an open dialogue with our stakeholders, five SDGs were determined to which we predominantly contribute as a wealth manager at this moment

10 Excluding clients who have decided not to transfer to Van Lanschot following the acquisitions of Staalbankiers and UBS's wealth management activities in the Netherlands.

Priorities for 2018

Drawing on our wealth management strategy as updated in April 2016 and taking into account market developments and opportunities, we have identified our 2018 priorities for our core activities. These should contribute to the achievement of our objectives by 2020.

Van Lanschot Private Banking

- Build on growth momentum by further optimising sales effectiveness and enhancing propositions for target segments
- Create differentiating proposition for ultra-high net-worth individuals (UHNWI) segment, following the acquisition of UBS's wealth management activities in the Netherlands
- Continuously improve client experience in every client contact across omni-channel offering, and by using data analytics to create a personalised offering
- Coach staff to adapt ways of working that embrace increasing technological support and possibilities
- Further prepare outsourcing of payment services
- Expand sustainable investment and impact investing proposition
- Start upgrading infrastructure for Van Lanschot Belgium

Evi

- Further increase client numbers and assets under management
- Enhance marketing strategy: data-driven approach to personalise offering and increase client interaction
- Further optimise processes (e.g. by introduction of profile funds, mobile first)

Kempen Asset Management

- Intensify partnership with Van Lanschot Private Banking: search for maximum investment alpha, create differentiating proposition for UHNWI segment, set up new product development process
- Accelerate international growth in the UK and in France
- Grow existing products (with a focus on global small cap and global real estate) and develop new products (e.g. long-term value creation) and new multi-management solutions (e.g. impact investing, private markets)
- Expand fiduciary management activities in the Netherlands, focusing on larger pension funds, developing Het nederlandse pensioenfonds and unbundling the fiduciary management value chain
- Innovate proactively to create solutions that anticipate individualisation
- Further develop new data infrastructure and data management organisation; further enhance risk management, systems and processes

Kempen Merchant Banking

- Improve cooperation and coordination between Securities and Corporate Finance/Equity Capital Management
- Focus on the development, growth and retention of staff
- Make further progress in upgrading of tooling and usage of data analytics
- Broaden and strengthen research coverage to become thought leader in selected niches
- Expand client base both in Securities (trading client base, marketing client base in Europe and the US) and in Corporate Finance/ECM (trusted relationships with corporate clients)

Group

- Continue to focus on corporate values, purpose and diversity
- Further roll out group-wide approach to data management/data analytics and artificial intelligence
- Continue to focus on core activities, e.g. by continuing wind-down of Corporate Banking's loan portfolio
- Investigate scope for further selective acquisitions
- Prepare for introduction of new legislation and regulations, such as AnaCredit, GDPR, PSD2, Basel regulatory framework
- Investigate opportunities to reduce carbon emissions via client investments
- Investigate how we as a wealth manager can expand our contribution via client investments to the Sustainable Development Goals
- Enhance our position in society by further developing Van Lanschot Kempen Foundation

Dilemmas

Our ambition to be a responsible wealth manager regularly confronts us with dilemmas in everyday practice. A few of the dilemmas we faced in 2017 are set out below.

1. How can we anticipate the future and innovate our propositions to attract new generations of clients, while continuing to cater to the needs and preferences of current clients?

Major technological changes, such as digitalisation and artificial intelligence, and market developments, may lead to new client needs and expectations – and opportunities. We want to anticipate these changes, always remembering that different clients may have different views. But how can we develop new propositions without alienating our existing client base? We engage in ongoing dialogue with our clients to address this dilemma and establish the right sequence and pace of change. And we are constantly gaining new insights and actively following external developments.

2. How do we prepare our employees to embrace and adapt to continuous change?

Pressure on Van Lanschot Kempen and our people continues to build, driven by changing market conditions, client wishes, shareholder requirements, technological trends and growing regulation and legislation. Our daily work is constantly changing, and we have to meet ever more requirements using ever fewer resources. So, how do we prepare? To find out, we conducted a new engagement survey among our people in 2017. Its findings give us insight into their “fitness” and adaptability to change, and serve as a springboard for targeted initiatives. Moreover, by offering our people training and development opportunities, we encourage them to keep developing the skills needed as technology and markets continue to evolve.

3. Responsible investing: where do we draw the line?

As part of our responsible investing approach we engage with companies and other stakeholders to encourage positive change. Some social organisations challenge us on the companies in which we invest; they may expect us to engage with more or other companies, or to act on specific abuses very deep in the supply chain. In the real world, this is not as easy as it sounds. For one thing, we have far too many investee companies to probe their supply chains in this kind of depth. In addition, many companies have such lengthy and complex production chains that it is typically very hard to identify direct impact – there is too great a distance between the company and the environmental breach, the poor labour conditions or the corruption scandal. Depending on what’s feasible, we will use our influence as an investor. However, there will always be some tension between what we can realistically do and what some stakeholders expect from us.

4. How do we respect the privacy preferences of our clients, while other stakeholders and legislation increasingly require ever greater transparency?

At times, the interests of our clients may run up against legal and regulatory requirements we have to meet. For privacy reasons, we are, for instance, duty-bound to protect the personal details of our clients. But at the same time, other stakeholders demand transparent reporting on our clients. Soon, for example, third parties will be allowed to offer payment services to our clients and gain access to parts of their current accounts in keeping with European Payment Services Directive PSD2. How do we handle these tensions responsibly? Of course, we comply with legal and regulatory requirements, while at the same time reporting as transparently as possible. We also inform our clients about the impact of these requirements to ensure they are not surprised by new developments. And we engage with stakeholders who are looking for even greater transparency.

DEDICATED TO THE LONG TERM

I was raised in Russia, went to high school in the US, and returned to Russia to finish school and study for my Bachelor's in Social Studies and Languages. Speaking several languages, I spent four years as a teacher – including teaching a Russian opera singer English phonetics. It wasn't exactly an obvious background for a banking career...

But through a combination of two business-focused Master's programmes, an extended stay in the Netherlands and an internship at a Dutch bank, I discovered that I loved the microcosm that is banking. I'm now part of Kempen Capital Management's (KCM) Responsible Investment team, where we deal with all environmental, social and governance issues relating to companies and funds. Our team has three main activities: incorporating non-financial risks and opportunities into our investment cases; acting as a knowledge centre for internal stakeholders; and educating and communicating with clients about what sustainability means for them. Specifically I'm a climate specialist, which means I look at metrics relating to companies' carbon performance, but also issues like biodiversity, deforestation and water.

What I like about our philosophy on asset management is our long-term approach to investments. We are a dedicated team who believe in choosing the best long-term solutions. To look at it another way, the car that will drive the furthest is not only the most efficient financially – it's also the most environmentally and socially friendly. At KCM, dedication is about knowing our clients through and through, and only investing in the best companies and finding the best solutions.

Valeria Dinershteyn – Responsible Investment Analyst, Kempen Capital Management

STAKEHOLDERS' EXPECTATIONS

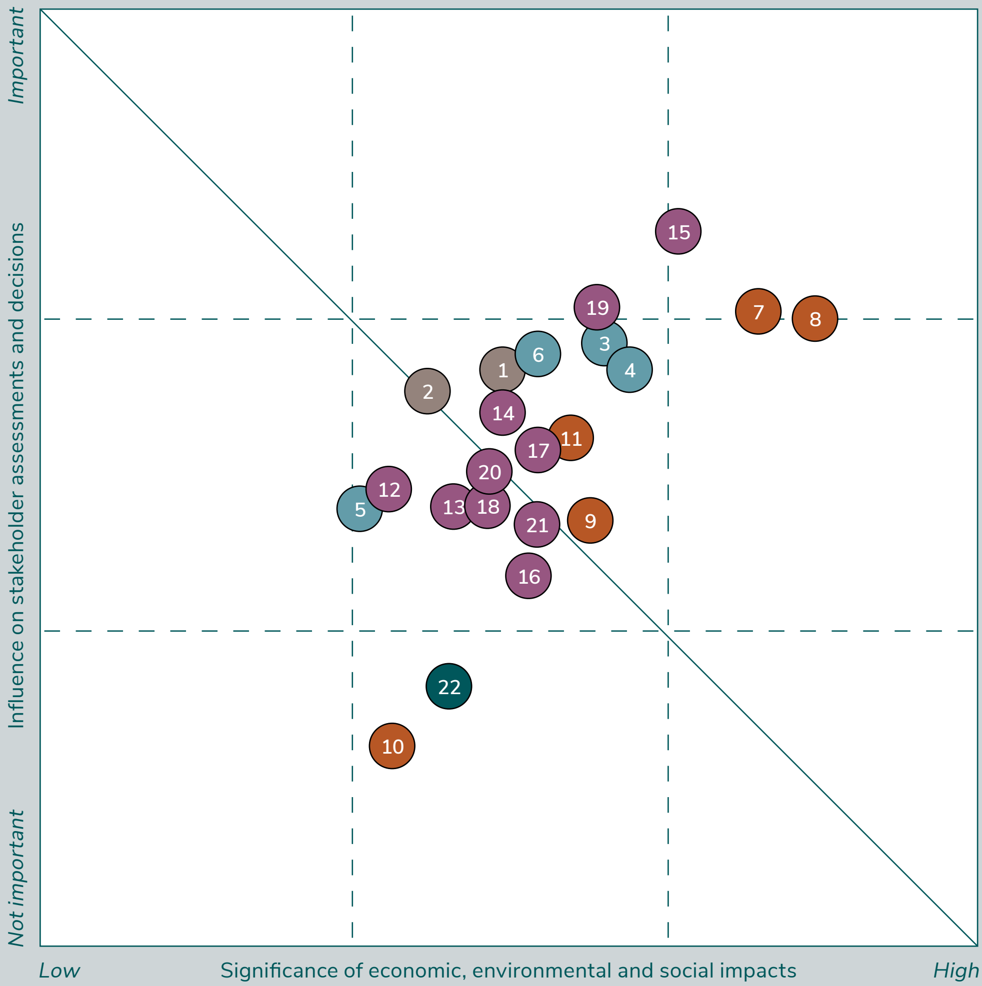
For us, corporate social responsibility (CSR) represents an honest way of doing business: operating with respect for the world around us and with an eye to future generations. An essential part of our approach is an active, continuous dialogue with our stakeholders.

Van Lanschot Kempen identifies several groups of stakeholders: clients, shareholders, bondholders, employees, civil society organisations, governments/ regulators and other financial institutions. We engage with them in continuous dialogue, both on a regular basis and when particular situations require it. The topics we discuss vary from one stakeholder group to another. We talk with our clients, for instance, about sustainable and impact investing, with our shareholders about our financial performance and strategy execution, and with our regulators about financial solidity. The frequency and form of this dialogue depend on the stakeholder group.

We have set out the most important expectations, discussion topics and forms of dialogue for each stakeholder group in our CSR supplement.

Every two years, we ask our stakeholders which topics are important to them and which topics they see as most relevant in terms of our significant economic, environmental and social impacts. The outcome is set out in a materiality matrix as shown below. Our CSR supplement gives more information about the materiality matrix methodology.

Van Lanschot Kempen materiality matrix



A Financial management
1. Economic performance
2. Risk management

B Client-centricity
3. Added value
4. Fair pricing, marketing and labelling
5. IT
6. Customer privacy and data security

C Products and services
7. Responsible investment
8. Sustainable investing and impact investing
9. Responsible lending
10. Advice on charitable giving
11. Prevention of financial economic crime

D Operating practices
12. Laws and regulations
13. Responsible tax policy
14. Transparency and reporting
15. Ethics and integrity
16. Partnerships and cooperation
17. Stakeholder involvement
18. Responsible reward policy
19. Fit, professional and knowledge-able staff
20. Equal opportunities/diversity
21. Sustainable procurement

E Giving back to society
22. Sponsorships and donations

Material topics

The materiality matrix, which was drawn up in October 2017 and replaces our 2015 materiality matrix, shows the 13 topics that are most material. These are the topics that this report addresses most extensively.[1]

The most material topics, positioned on the right of the diagonal, can be grouped under four themes: financial management, client-centricity, products and services and operating practices. The table below gives more detailed insight into these four themes. For each of them, we explain what our stakeholders expect and how we met those expectations in 2017. For the sake of completeness, we have added a fifth theme that is non-material: giving back to society.

Theme	Stakeholder expectations broken down by material topic	How did we meet them?	More information
Financial management	Our stakeholders expect us to be and remain a financially healthy company (1) with strong risk management (2).	- Our consistent strategy implementation resulted in improved financial ratios, a lower risk profile and increased assets under management.	p. 4-5
Client-centricity	Our clients expect us to provide added value (3), meaning that we contribute to their personal, business or social goals. In addition, our services should be fairly marketed and priced (4). Our product information should therefore be correct, understandable and not misleading, and our prices should be in line with the real costs incurred. Clients also expect their privacy to be guaranteed and their data to be safe with us (6).	- In response to changing client preferences we further developed our omni-channel approach and added various new client solutions. - Our client satisfaction survey indicated that our NPS for Private Banking stayed stable, and our NPS for Evi and Asset Management increased. - In 2017, we did not record any material incidents related to our products and services, nor to privacy and data security.	p. 38 p. 15 p. 75
Products and services	To prevent involvement in financial economic crime, stakeholders expect us to screen our clients regularly on corruption, fraud, money laundering and financing terrorism (11). Our stakeholders also expect us to treat client money in a responsible way, meaning that we take into account environmental, social and governance criteria when investing in funds (7, 9). A growing number of stakeholders demand sustainable investing (based on additional or stricter criteria) or impact investing (specifically focusing on solving social/environmental issues) (8).	- We paid special attention to client due diligence (CDD) by further improving the effectiveness of CDD monitoring. - We again screened our assets under management in 2017 and further integrated ESG into our investment processes. - We screened our corporate lending portfolio on environmental, social and governance criteria; no material issues were identified. - We informed our clients comprehensively about responsible investing (engagement) and expanded our product offering (more sustainable and impact investing possibilities).	p. 75 p. 48 p. 70 p. 39
Operating practices	Our stakeholders expect professional bank directors and employees who possess all relevant knowledge (19). We are expected to apply the highest ethical standards (15) and involve other stakeholders where needed (17). Reporting should be transparent and in line with the highest international reporting standards (14).	- We continued to invest in employee training and our vitality programme, while we also carried out an employee engagement survey. - We retained our top 20 position in the Transparency Benchmark. - We again organised a stakeholder event this year.	p. 61 CSR supplement CSR supplement
Giving back to society	Although it is not a material issue, as a responsible wealth manager we want to make a contribution to society via our sponsorships and donations (22).	- We supported charitable initiatives via our Van Lanschot Kempen Foundation. - We helped clients donate to good causes through our Charity Service. - Our sponsorship programmes included arts and sport.	p. 23 p. 40 p. 22

1 Because the new materiality matrix was only drawn up in late 2017, we have not yet updated our corresponding non-financial key performance indicators and will do this in 2018. For more information on the 2017 non-financial key performance indicators, see our CSR supplement.

Disclosure of Non-financial Information Act

In 2017, a new Dutch regulation came into force that made reporting on a number of non-financial themes compulsory for companies that qualify as large public-interest entities *(grote organisatie van openbaar belang)* with more than 500 employees. These themes comprise environmental, social and employee issues, as well as anti-corruption, bribery and human rights. For each of these themes, companies are obliged to report on the relevant policies, results, risks (including management of these risks), and non-financial key performance indicators. The regulation also requires companies to describe their business models in their annual reports. We provide all of the information required in the relevant parts of this annual report. For transparency purposes only, the reference table in our CSR supplement provides additional guidance on where to find this information.

Global Reporting Initiative

Communicating transparently on our policies and results is an important element of CSR. To ensure this, our annual report has been prepared in accordance with the GRI Standards: "Comprehensive option". See the GRI table on our website for further details: vanlanschotkempen.com/responsible/external-assessment.

External assessment

Van Lanschot Kempen's CSR performance is assessed by a variety of external organisations. For more information, see vanlanschotkempen.com/responsible/external-assessment.

SPONSORSHIP

Arts sponsorship is an integral part of our market positioning as a wealth manager. The support we give to the arts, artists and museums helps to both preserve and expand our cultural heritage.

In early January 2018, we announced a partnership with Amsterdam's Concertgebouw that will see Van Lanschot Kempen act as its main sponsor from 2018. This partnership is a perfect fit with our focus on creating and preserving wealth in the widest sense of the word. It enables us to support the wonderful experience offered to audiences at The Concertgebouw – a place where people enjoy very special moments together.

Van Lanschot has been an official partner of the new entrance space at the Van Gogh Museum in Amsterdam since 2015. This partnership has been extended for two years, until the end of 2019.

The Van Lanschot Art Prize is presented to a contemporary artist whose work best conveys the spirit of the age to future generations. In 2017, over 500 artists entered the competition by sending in works of art, many of them interesting or impressive. However, after very careful consideration the jury concluded that none of the works met all the criteria of the Van Lanschot Art Prize and decided not to select a winner for 2017. Artists will be invited to enter the competition, and we will be making an extra effort to explain the jury's criteria.

Evi has been making a social contribution through three sponsorships. One of these, with Amsterdam Student Rowing Club Nereus, finished at the end of 2017. The agreement with football club Koninklijke HFC has been extended until June 2018. And we started sponsoring the women's beach volleyball duo Madelein Meppelink and Sanne Keizer in 2017. Our partnership with Justdiggit supports projects which contribute to cooling down the planet.

Kempen's sponsorship activities are in keeping with its brand and positioning. We support a variety of cultural, community and sporting initiatives in the Netherlands, including our role as principal sponsor of the Nereus rowing club and of the Pinoké hockey club in Amstelveen. We identify with the mindset of top sportspeople, with their focus on outstanding performance. We also sponsor the Holland Festival – an international event for theatre, music, dance, opera, film and the visual arts in Amsterdam.

VAN LANSCHOT KEMPEN FOUNDATION

We want to support community projects that help create a better world for future generations. To do this more effectively, we have brought initiatives that were already running within Van Lanschot and Kempen together in one organisation: the Van Lanschot Kempen Foundation. The Foundation was officially launched in November 2016 and saw a strong first year in 2017. Thanks to additional donations by employees, the Foundation's financial resources increased substantially, as did the number of projects undertaken. Over the year, hundreds of employees participated in more than 20 different projects.

The activities of the Foundation focus on four themes: financial education and talent development, health, art & culture, and social cohesion via sport. The aim is to make the largest possible positive impact on people who need our support. To ensure these activities are carried out professionally, we prefer to cooperate with specialist partners, such as, JINC, Hartstichting, Humanitas, De Zonnebloem, Amsterdam Cares, Bart de Graaff Foundation, IEX Scholenstrijd and many others.

Valuable experiences – for everyone

An important feature of our Foundation activities is that we always seek to combine a financial donation with the – pro bono – deployment of Van Lanschot Kempen staff. By doing so, we hope to make a positive impact on society as well as on our staff. Participation in Foundation activities connects our staff to new people and unfamiliar situations, resulting in new experiences and energy. Three examples help to illustrate this:

- In 2017, hundreds of colleagues went to primary schools to play the educational game "Bank voor de Klas" or visited secondary schools in underprivileged neighbourhoods to facilitate an investment game or hands-on job application training. Our colleagues not only challenged their communication skills but also got a fresh perspective on teaching and the daily life of schools.
- "Thuisadministratie" is a Humanitas coaching project that aims to help people with serious debt problems improve their organisational skills and start overcoming their financial challenges. In 2017, 12 colleagues started donating time to this programme, after undertaking some specialist training.
- Last but not least, we're seeing how our Foundation activities also enhance cohesion among our colleagues. People who don't work together on a daily basis now have opportunities to meet more easily, for instance during the four basic life support training sessions that we – together with Hartstichting – organised in 2017. During these, around 80 of our colleagues were taught to give life-saving first aid to someone suffering a cardiac arrest. The sessions also contributed to Hartstichting's goal of having a civil aid worker available within six minutes, anywhere in the Netherlands.

The Foundation has a board, comprising six employees and a member of the Van Lanschot Kempen Executive Board, and a large and growing group of ambassadors throughout the organisation. After a successful first year, we expect to further expand the Foundation's impact in 2018, not least because an internal survey has shown that 85% of our employees are willing to volunteer for an activity at least once a year.

For further details on the Foundation and its annual report, see vanlanschotkempen.com/vlkf.

1737 VAN LANSCHOT KEMPEN Foundation

STILL FUN AFTER 40 YEARS!

As a management assistant in Group Audit, I always say that I do anything that comes my way except the actual audits. I joined Van Lanschot way back in 1976, and over the years I've been closely involved in a lot of developments. Our department itself has also changed and professionalised: for example, we've changed our remit from purely financial audits to operational and IT audits and project reviews.

Group Audit is still a fun and challenging work environment for me – even after more than 40 years. We're involved in all the latest developments, including the current strategic projects (payments and mortgages outsourcing). And whatever goes on at Van Lanschot Kempen often reflects where society at large is heading. Group Audit, for instance, is involved in the omni-channel project to help create the wealth manager of the future by applying new internet technology.

I may work at a staff department, but I've always espoused the idea of the client coming first. I'm still very proud to work at Van Lanschot Kempen after all these years and am pleased that we're doing well again after a couple of tough years. To stay engaged, it's key to foster a positive approach to new trends and an eagerness to join the fray. Today, we call these qualities by their core value names – craftsmanship, dedication and specialisation – but these things that have always underpinned whatever I do.

Marja Lievens – Management Assistant, Group Audit

FINANCIAL PERFORMANCE

2017 was a successful year for Van Lanschot Kempen, despite low interest rates. Client assets rose over 20% to €83.6 billion, from €69.4 billion, while our assets under management (AuM) added 27% to €69.2 billion (2016: €54.6 billion) thanks to net new inflows of €9.3 billion and the acquisition of the wealth management activities of UBS in the Netherlands (€2.5 billion in AuM). This AuM inflow boosted securities commission by 15% to €230.6 million. At €392.1 million, operating expenses were 2% above 2016 levels, partly due to higher costs associated with the acquisition of Staalbankiers' private banking activities and UBS's wealth management activities in the Netherlands. Bolstered by improving economic conditions, the quality of our loan portfolio improved, sparking a significant release from loan loss provisions. This combined with our solid operational result to sharply push up our underlying net result to €112.3 million, enabling us to propose a dividend of €1.45 per share.

Results (x € million)	2017	2016	%
Commission	267.0	243.7	10%
- Of which securities commissions	230.6	200.5	15%
- Of which other commissions	36.3	43.2	–16%
Interest	196.6	212.9	–8%
Income from securities and associates	37.0	29.2	27%
Result on financial transactions	14.1	–3.9	
Income from operating activities	514.8	481.8	**7%**
Staff costs[1]	236.0	227.4	4%
Other administrative expenses	150.2	146.5	3%
Depreciation and amortisation[2]	5.8	9.8	–41%
Operating expenses	**392.1**	**383.6**	**2%**
Gross result	**122.7**	**98.2**	25%
Addition to loan loss provision	–11.9	–6.9	73%
Other impairments	–2.6	1.1	
Impairments	**–14.4**	**–5.8**	
Operating profit before tax of non-strategic investments	12.6	7.4	70%
Operating profit before special items and tax	**149.8**	**111.4**	**34%**
Strategy 2020 investment programme	21.4	7.3	
Derivatives recovery framework	1.7	8.0	
Amortisation of intangible assets arising from acquisitions	6.1	3.1	
Other one-off charges	–	7.2	
Operating profit before tax	**120.5**	**85.8**	**40%**
Income tax	25.6	16.0	60%
Net result	**94.9**	**69.8**	**36%**
Underlying net result	**112.3**	**81.3**	**38%**

1 From 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 for 2016 have been adjusted accordingly.

2 In the figures for 2016, amortisation of intangible assets arising from acquisitions is treated as a special item rather than as part of Depreciation and amortisation.

Underlying net result (x € million)	2017	2016	%
Net result	**94.9**	**69.8**	36%
Strategy 2020 investment programme	21.4	7.3	
Derivatives recovery framework	1.7	8.0	
Tax effects	–5.8	–3.8	
Underlying net result	**112.3**	**81.3**	**38%**

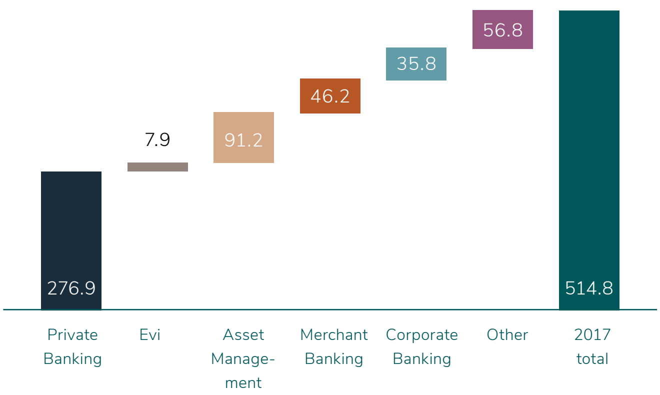
Income from operating activities

Total income from operating activities rose by 7% to €514.8 million. This was mainly as a result of growth in securities commissions (up by 15%) and the result on financial transactions (+ €18.1 million). Interest income was lower due to margin pressure and a smaller loan portfolio.

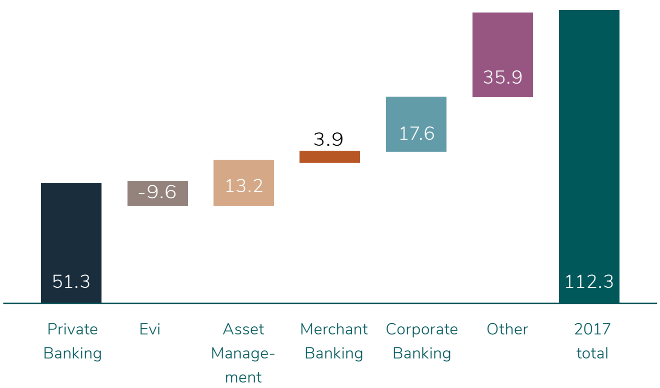
Private Banking, Evi, Asset Management and Merchant Banking generated 82% of total income, with Van Lanschot Kempen's core activities accounting for 99% of commission income (at par with 2016) and 83% of interest income (2016: 79%).

All operating activities made positive contributions, except for Evi. As expected, Evi did not yet record a positive net result in 2017, due to its capital spend charged directly to profit and loss. The strong net result for Other was mainly driven by income from securities and associates of €38.3 million. The underlying net result is the 2017 net result adjusted for the costs related to the Strategy 2020 investment programme and the derivatives recovery framework (total €23.1 million gross).

Income from operating activities, by segment (x € million)



Underlying net result (x € million)



CLIMATE

With stakeholders increasingly expecting banks to help address climate change, we further enhanced our policies in this area in 2017. These make a distinction between the climate impact of 1) the assets on our balance sheet, 2) our investments on behalf of clients, and 3) our own organisation.

1. In 2017, we further developed and applied (using 2016 data) our methodology to determine the carbon emissions of the total assets on our own balance sheet, arriving at a total of 99,660 tonnes. This is more or less in line with our 2016 total of 103,951 tonnes (using 2015 data and updated methodology). Our calculations covered around two-thirds of our balance sheet assets; for more information, see our CSR supplement. We expect to fine-tune our approach again in 2018. At the same time, we aim to extend our measures to reduce our balance sheet's climate impact. In 2017, we started a pilot to make a selected group of mortgage clients more aware of energy savings and energy production (e.g. insulation, solar panels) and of the growing possibilities to finance these. Following a positive client response, we expanded the pilot to all mortgage clients.
2. In 2017, we also carried out a new assessment of the real-life carbon emissions of our assets under management. After our own first assessment in 2016 (based on 2015 data), this time we hired an external consultancy firm. Using its more developed methodology, it assessed the total carbon emissions of our assets under management (based on 2016 data) at 3.9 million tonnes. Our calculations only covered around 50% of all our AuM; see pages 35 and 50. Moreover, we enhanced our climate policy for client investments and improved its integration into our responsible investment policies. We engaged with companies that were lagging behind in terms of climate policies and performance, and encouraged them to take concrete measures to reduce their carbon emissions (for our climate change policy statement, see page 50 and kempen.com/en/asset-management/responsible-investment/climate-change).
3. We have continued to address Van Lanschot Kempen's own climate impact. Since 2011, we have set environmental targets for our own organisation and have been periodically monitoring our progress (see vanlanschotkempen.com/responsible/environment). In 2017, our carbon emissions were 5,257 tonnes (2016: 5,151 tonnes). Emissions per FTE were down 0.5% to 2.76 tonnes.

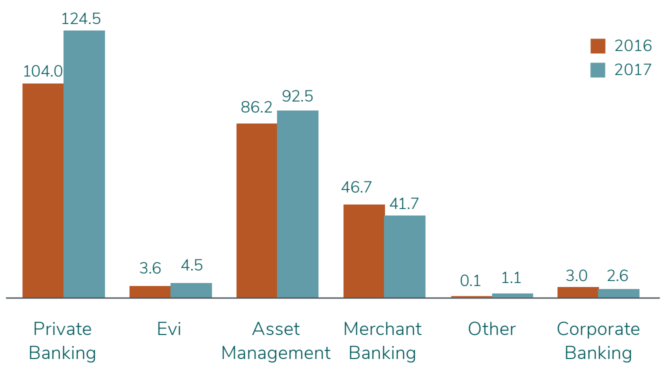
We received the highest score (A rating) on climate change from CDP, affirming the advanced character of our climate policy. Last but not least, our Chairman Karl Guha released a joint statement, together with the CEOs of 12 other financial institutions, to publicly affirm the seriousness of our efforts to reduce carbon emissions. For further details, see vanlanschotkempen.com/nl/nieuws/nieuwsberichten/2017-06-28-banken-roepen-op-tot-verdere-vergroening.

Commission

Commission (x € million)	2017	2016	%
Securities commissions	230.6	200.5	15%
- Management fees	199.8	173.8	15%
- Transaction fees	30.8	26.7	16%
Other commissions	36.3	43.2	–16%
Commission	**267.0**	**243.7**	**10%**

Commissions, our main source of income, rose 10% to €267.0 million in 2017. Securities commissions were up 15% compared with 2016. This increase was mainly driven by inflows, AuM from the acquisition of UBS's wealth management activities in the Netherlands, the full-year effect of the acquisition of Staalbankiers, and market performance. Other commissions decreased by 16% compared with 2016, mainly due to lower fee income at Merchant Banking. Recurring securities commission as a proportion of total securities commission remained stable at 87% (2016: 87%).

Commission income by segment (x € million)



Private Banking's commission income recorded a €20.5 million rise on 2016, chiefly due to an increase in AuM which led to an increase in management fees, the acquisition of Staalbankiers (+ €7.5 million), and the acquisition of UBS's wealth management activities in the Netherlands (+ €2.5 million) but also supported by strong growth in transaction fees (+ €4.0 million) on the back of higher client trading activity compared with 2016.

Evi's 2017 securities commissions were up by 25% to €4.5 million (2016: €3.6 million), mainly driven by growth in AuM to €0.9 billion at the end of 2017.

At Asset Management, new fiduciary mandates and inflow into niche products led to a €6.2 million rise in commission income on 2016. The average margin decreased mainly due to the inflow of one large fiduciary mandate during 2017 (Stichting Pensioenfonds UWV). Fiduciary mandates accounted for 64.1% of AuM in the segment (2016: 56.2%). Equity funds and mandates saw their share go down slightly, to 16.9% (2016: 17.2%), and fixed-income funds and mandates saw their share decline to 19.0% (2016: 26.7%). Commission income at Merchant Banking decreased by €5.0 million, to €41.7 million (2016: €46.7 million). This was mainly down to lower advisory income from M&A and capital market transactions, although this effect was partly offset by higher income on structured products.

Interest

Our 2017 interest income of €196.6 million was 8% below the €212.9 million recorded in 2016, mostly due to margin pressure and a smaller loan portfolio. At €9.1 billion, the loan portfolio contracted by €0.5 billion. 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 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 savings and deposits at non-core clients.

The interest margin fell by seven basis points to an average of 132 basis points. The "clean" interest margin[3] declined by three basis points compared with its level at the end of 2016, to 127 basis points.

Falling interest equalisation charges reflect the reduction in investment portfolio securities purchased above par. Amortisation on previously discontinued interest rate hedges was €14.6 million down on 2016, which benefited interest result and shows up in Miscellaneous interest income and charges.

Interest (x € million)	2017	2016	%
Gross interest margin	212.6	253.3	–16%
Interest equalisation	–11.0	–26.4	
Miscellaneous interest income and charges	–8.7	–20.2	
Loan commission	3.7	6.2	–40%
Interest	**196.6**	**212.9**	**–8%**

Income from securities and associates

Income from securities and associates relates to investments of our equity investment company Van Lanschot Participaties. We occasionally also take stakes in our own investment funds, for instance by supporting their start-ups or to demonstrate our confidence in these funds. In December 2017, the management company of Van Lanschot Participaties was spun off under the new name Bolster Investment Partners. Since 1 December 2017, this company has been managing a newly established fund. Van Lanschot Kempen obtained a significant minority interest as a cornerstone investor in this new fund, and continues to own the Van Lanschot Participaties portfolio (comprising all interests acquired prior to 2016).

The 2017 capital gain of €17.1 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 (€6.5 million).

3 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.

Our dividend receipts grew to €4.6 million in 2017, from €3.6 million in 2016.

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

Income from securities and associates (x € million)	2017	2016	%
Dividend	4.6	3.6	28%
Capital gains	17.1	9.4	81%
Valuation gains and losses	15.4	16.1	–5%
Income from securities and associates	37.0	29.2	27%

Result on financial transactions

The €0.4 million negative figure for Result on securities trading primarily reflects the result from positions in our own issued debt securities. In comparison to 2016 the result achieved on the trading book increased by €3.7 million to €2.5 million. Result on currency trading rose 14% compared with 2016, to €7.9 million, mainly due to a higher volume of securities transactions and payment services in foreign currency.

Our €6.9 million profit on the investment portfolio breaks down into two separate parts: we realised profits of €6.4 million on the sale of bonds in the investment portfolio (2016: €8.5 million) and notched up €0.5 million on our mark-to-market portfolio (2016: €0.7 million negative).

The gain on interest rate hedges (€1.8 million) largely relates to the result on economic hedges (€2.2 million).

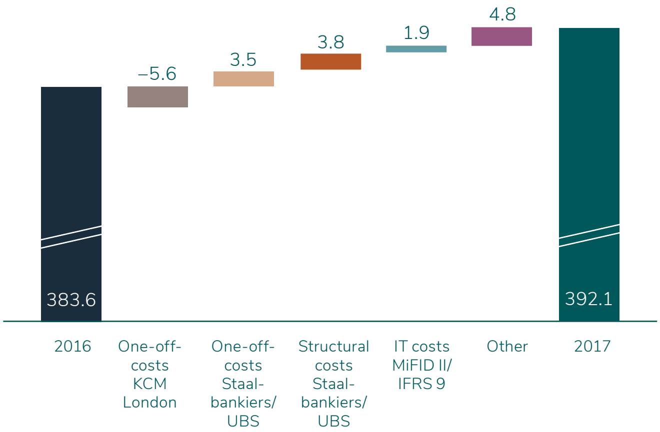
At a negative €2.1 million, other income comprises charges on debt securities (medium-term notes) issued by Van Lanschot Kempen (€5.2 million negative) as well as the €3.3 million positive result generated by Merchant Banking's structured products.

Result on financial transactions (x € million)	2017	2016
Result on securities trading	–0.4	–3.0
Result on currency trading	7.9	6.9
Result on investment portfolio	6.9	7.8
Result on interest rate hedges	1.8	–7.7
Other income	–2.1	–8.0
Result on financial transactions	14.1	–3.9

Operating expenses

Total operating expenses rose by 2% to €392.1 million, partly due to higher costs associated with the acquisition of Staalbankiers and UBS's wealth management activities in the Netherlands, a wage increase, and IT costs related to the implementation of MiFID II and IFRS 9. Private Banking, Evi, Asset Management and Merchant Banking generated 87% of total costs.

Operating expenses (x € million)



Operating expenses (x € million)	2017	2016	%
Staff costs[1]	236.0	227.4	4%
Other administrative expenses[1]	150.2	146.5	3%
Depreciation and amortisation	5.8	9.8	–41%
Operating expenses	392.1	383.6	2%

Staff costs

At €236.0 million, staff costs were 4% up on 2016 (€227.4 million), partly due to higher costs associated with the acquisition of Staalbankiers' private banking activities and UBS's wealth management activities in the Netherlands. (to the tune of €4.4 million), wage increases, and charges related to employees. At the end of 2017, we employed 1,657.5 full-time equivalent staff (FTEs), excluding the employees of our non-strategic investments. This was 13 FTEs lower than at the end of 2016 (1,670.4) and was largely the result of reductions at our group functions, at Private Banking and at Corporate Banking.

Other administrative expenses

Other administrative expenses amounted to €150.2 million in 2017, 3% above the figure for 2016 (€146.5 million). The acquisition of Staalbankiers' private banking activities and the wealth management activities of UBS in the Netherlands added transition costs of €2.9 million, in addition to a €4.4 million increase in staff costs. Costs related to the spin-off of Van Lanschot Participaties amounted to €2.8 million. IT costs rose by €1.1 million on 2016.

Depreciation and amortisation

At €5.8 million, depreciation and amortisation fell by €4.0 million (2016: €9.8 million). This was mainly driven by profit on the sale of office buildings (€1.7 million), lower depreciation charges on software, and the conversion of own office buildings to client reception sites.

Efficiency ratio

The efficiency ratio, i.e. the ratio of operating expenses – excluding costs incurred for our Strategy 2020 investment programme, the amortisation of intangible assets arising from acquisitions and a one-off charge for the derivatives recovery framework – to income from operating activities, improved to 76.2% in 2017 from 79.6% in 2016. This improvement was partly attributable to higher commission income and income from securities and associates, which together added €31.2 million. Operating expenses in 2017 were comparable to those in 2016 (+2%).

Impairments

Impairments (x € million)	2017	2016
Private Banking	–3.3	1.2
Corporate Banking	–6.0	0.0
Other	–2.6	–8.1
Addition to loan loss provision	**–11.9**	**–6.9**
Impairment on investments and participating interests	–2.7	0.8
Impairment on assets obtained through the seizure of collateral	0.1	0.2
Other impairments	**–2.6**	**1.1**
Impairments	**–14.4**	**–5.8**

The €2.6 million negative figure in Other impairments mainly relates to an increase in the fair value of the cumulative preference shares that led to a reversal of the impairment.

Addition to loan loss provision

In 2017, €11.9 million was released from loan loss provisions, with the release at Corporate Banking (€6.0 million) deriving from both the SME and real estate loan portfolios. The €3.3 million release at Private Banking contrasted with an addition of €1.2 million in 2016, thanks to an improvement of the credit quality that was helped by the positive economic climate.

In 2017, the release from loan loss provisions relative to average risk-weighted assets worked out at 22 basis points (2016: 11 basis points).

Non-strategic investment

We currently have majority ownership stakes in three non-strategic investments, Medsen (AIO II BV), Holonite (Holowell BV) and Allshare. In 2017, the operating profit (before tax) from non-strategic investments amounted to €12.6 million, compared with €7.4 million in 2016. This increase was mainly driven by the improved operating result at Medsen. Our aim is to divest our shareholdings in such non-strategic investments over time and we will explore opportunities to divest our stake in Medsen in 2018.

Special items

In 2017, we recognised €29.3 million in special items compared with €25.6 million in 2016; see table below for a breakdown.

Special items (x € million)	2017	2016
Strategy 2020 investment programme	21.4	7.3
Derivatives recovery framework	1.7	8.0
Amortisation of intangible assets arising from acquisitions	6.1	3.1
Other one-off charges	–	7.2
Special items	**29.3**	**25.6**

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 omni-channel private banking model, outsourcing our mortgages and payment services, and completing the transformation of our IT landscape. In 2017, a total €21.4 million was invested under the programme, of which the largest proportion was spent on the development of our omni-channel service to our clients. In addition, a part was spent to transfer our mortgage servicing to Stater in H2 2017 and on preparing the outsourcing of payment services to Fidor. Over the course of 2016 and 2017, total investment under the programme amounted to €28.7 million.

An additional provision of €1.7 million has been created for the uniform recovery framework for SME clients with interest rate derivatives. This additional provision is mainly to cover higher implementation costs. In 2017, we sent a proposal for compensation to all clients affected. Almost all clients agreed to the proposed compensation; of those, the vast majority have already received payment.

Amortisation of intangible assets arising from acquisitions rose as a result of the acquisition of Staalbankiers and UBS's wealth management activities in the Netherlands, by €3.0 million.

Income tax

Income tax for 2017 amounted to €25.6 million (2016: €16.0 million), which works out at an effective tax rate of 21.2% compared with 18.6% in 2016. Our effective tax rate is lower than the Dutch tax rate of 25% due to income covered by equity exemption rules. A release of deferred tax assets to reflect a reduction in the corporate tax rate in Belgium had an opposite effect.

Earnings per share

Earnings per share (x € million)	2017	2016
Net result	**94.9**	**69.8**
Share of non-controlling interests	–5.4	–4.1
Net result for calculation of earnings per ordinary share	**89.5**	**65.7**
Earnings per ordinary share (€)	**2.19**	**1.61**
Underlying net result for calculation of earnings per ordinary share	**106.9**	**77.2**
Underlying earnings per ordinary share (€)	**2.61**	**1.89**
Weighted number of outstanding ordinary shares (x 1,000)	40,960	40,908

Profit attributable to non-controlling interests of €5.4 million in 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).

We will propose to pay a 2017 cash dividend to Van Lanschot Kempen shareholders of €1.45 per share, a pay-out ratio of 55% based on the underlying net result (2016: €1.20, pay-out ratio of 64%). The pay-out ratio based on the net result amounts to 66%.

Statement of financial position

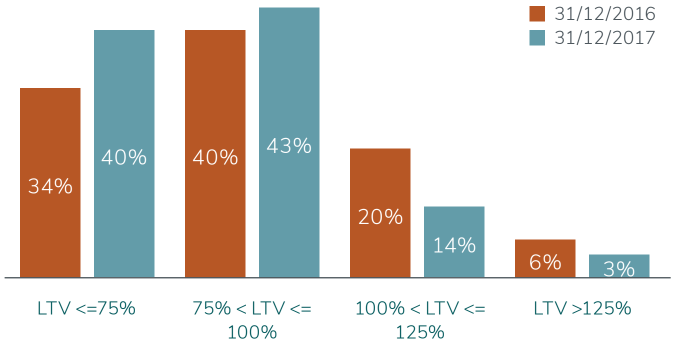
Statement of financial position (x € million)	31/12/2017	31/12/2016	%
Statement of financial position and capital management			
Equity attributable to shareholders	1,333	1,340	–1%
Equity attributable to other non-controlling interests	16	13	21%
Savings & deposits	9,145	9,680	–6%
Loans and advances to clients	9,103	9,624	–5%
Total assets	14,659	14,877	–1%
Funding ratio (%)	100.5	100.6	
Return on assets (%)	0.77	0.55	

Loan portfolio
In 2017, our loan portfolio contracted by 5% to €9.1 billion, mainly due to the Corporate Banking run-off (-37%). Our loan book at Private Banking decreased slightly, by 2%.

Loan portfolio (x € million)	31/12/2017	31/12/2016	%
Mortgages	5,712	5,826	–2%
Other loans	2,045	2,092	–2%
Private Banking[4]	**7,756**	**7,917**	**–2%**
Loans to SMEs	457	679	–33%
Real estate financing	411	705	–42%
Corporate Banking	**868**	**1,384**	**–37%**
Mortgages distributed by third parties	600	485	24%
Total	**9,224**	**9,786**	**–6%**
Impairments	–120	–162	–26%
Total	**9,103**	**9,624**	**–5%**

Van Lanschot Private Banking
Private Banking's loan portfolio breaks down into mortgages and other loans. In 2017, the mortgage portfolio slightly decreased to €5.7 billion. The relative share of Private Banking-provided residential mortgages in the total loan portfolio increased to 62% in 2017 (year-end 2016: 60%). The mortgage portfolio is marked by limited losses and a low number of foreclosures. In 2017, the portfolio's weighted average loan-to-value (LTV) ratio improved to 81% at year-end (year-end 2016: 87%). Other loans of Private Banking decreased to €2.0 billion (2016: €2.1 billion). These comprise loans to wealthy private individuals and also include business loans that fit into the Private Banking relationship model.

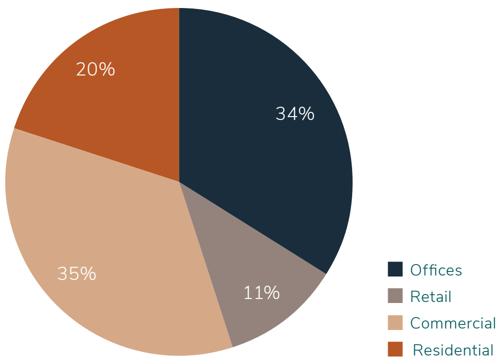
Private Banking: mortgage loan-to-value
% of Private Banking Netherlands mortgages



Van Lanschot Corporate Banking
At the end of 2017, the commercial real estate loan portfolio and SME loans totalled €0.9 billion (end-2016: €1.4 billion). Risk-weighted assets came down by €0.5 billion[5] and worked out at €0.7 billion (year-end 2016: €1.2 billion).

Corporate Banking's SME loans came down by 33% to €0.5 billion at the end of 2017 and accounted for 5% of our total loan portfolio. This portfolio is well diversified across sectors. The real estate loan portfolio (€0.4 billion), which is well spread across types of collateral, contracted by 42%. The collateral assets against which the loans are secured are typically located in the Randstad conurbation comprising the cities of Amsterdam, Rotterdam, Utrecht and The Hague.

Corporate Banking: real estate financing
% type of collateral



Mortgages distributed by third parties
In April 2015, we started providing mortgages through a network of mortgage brokers as part of our liquidity management optimisation. This portfolio of regular Dutch mortgages is meant to supplement our investment portfolio and enable us to generate attractive returns on available liquidity. It grew during 2017 (+ €115 million) and accounts for 7% of our total loan portfolio.

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

5 The €0.5 billion reduction in risk-weighted Corporate Banking assets includes clients transferred to Private Banking (effect: €0.2 billion).

Provisions

We provide for the impaired loans in our loan book. Impaired loans stood at €371 million at the end of 2017, 26% lower than year-end 2016 (€500 million). Related provisions amounted to €155 million, working out at a coverage ratio of 31% (year-end 2016: 31%). The tables below break down the total loan portfolio and provision. The total impaired ratio improved to 4.0% from 5.1% at the end of 2017. The proportion of impaired loans at Private Banking came down to 2.5% (year-end 2016: 3.2%). For mortgages, the coverage ratio came down to 20% (year-end 2016: 31%), while for other loans it increased slightly to 50% (year-end 2016: 49%)[6]. 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.

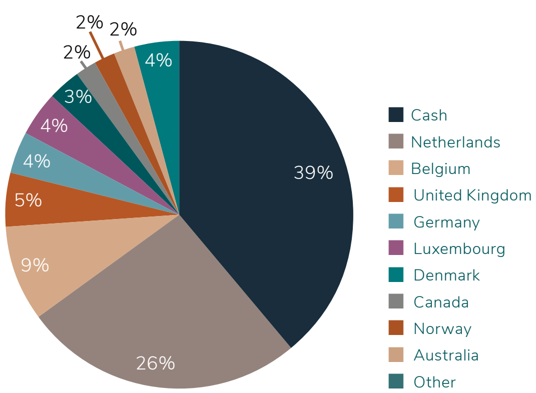
Provision 31/12/2017 (x € million)	Loan portfolio	Impaired loans	Provision	Impaired ratio	Coverage ratio	Impaired ratio 2016	Coverage ratio 2016
Mortgages	5,712	55	11	1.0%	20%	1.4%	31%
Other loans	2,045	140	69	6.8%	50%	8.2%	49%
Private Banking	**7,756**	**195**	**81**	**2.5%**	**41%**	**3.2%**	**43%**
Loans to SMEs	457	133	28	29.2%	21%	26.2%	20%
Real estate financing	411	42	7	10.3%	16%	9.9%	16%
Corporate Banking	**868**	**175**	**34**	**20.2%**	**19%**	**17.9%**	**19%**
Mortgages distributed by third parties	600	0	0	0.0%	15%	0.0%	20%
Total	**9,224**	**371**	**115**	4.0%	**31%**	**5.1%**	31%
Impairments	–120						
Total	**9,103**		**115**				
Incurred but not reported (IBNR)			6				
Provision including IBNR			**120**				

Investment portfolio and cash

The total investment portfolio and cash[7] amounted to €4.4 billion at 2017 (year-end 2016: €3.9 billion). The investment portfolio saw an increase of €0.5 billion in 2017. The held-to-maturity portfolio stood at €0.5 billion at the end of 2017 and had hardly changed in size or composition. Relative to its end-2016 level, cash held with central banks added €0.4 billion (+31%).

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

Investment portfolio and cash by country at 31/12/2017 (100% = €4.4 billion)



6 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. 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.

7 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

Capital and liquidity management (x € million)	31/12/2017	31/12/2016	%
Risk-weighted assets	4,979	5,623	–11%
Common Equity Tier I ratio, fully loaded (%)[8]	20.3	18.6	
Common Equity Tier I ratio, phase-in (%)[8]	20.5	19.0	
Tier I ratio, fully loaded (%)[8]	20.3	18.6	
Tier I ratio, phase-in (%)[8]	20.5	19.0	
Total capital ratio, fully loaded (%)[8]	22.1	19.5	
Total capital ratio, phase-in (%)[8]	22.3	20.9	

In 2017, our fully loaded Common Equity Tier (CET) ratio improved from 18.6% to 20.3%, reflecting our robust capital position. In 2017, our capital base also improved further, despite the dividend pay-out of €49 million (€1.20 per share) and capital return of €41 million (€1 per share) to our shareholders.

Capital management

At 20.3%, our CET I fully loaded ratio improved once again in 2017 (year-end 2016: 18.6%), mainly driven by the run-off at Corporate Banking and an improvement in the credit quality of the loan book.

The total capital ratio strengthened to 22.1%[9] (year-end 2016: 19.5%). An adjustment to the characteristics of our Tier II notes resulted in an optimisation of this ratio, as these Tier II notes are now fully eligible. The F. van Lanschot Bankiers NV total capital ratio (fully loaded) stood at 23.4% year-end 2017.

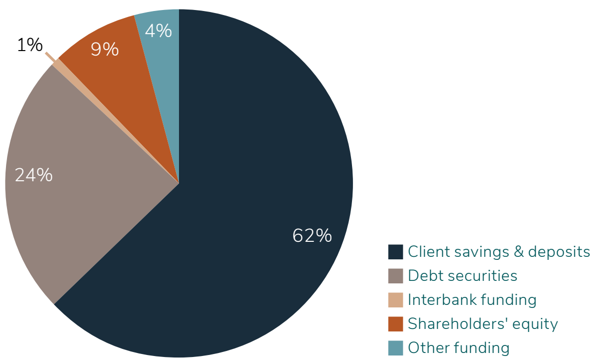
Risk-weighted assets declined by 11% to €5.0 billion in 2017 (year-end 2016: €5.6 billion). The €0.3 billion reduction in risk-weighted assets at Corporate Banking due to run-off had a positive impact on the CET I ratio of 1.1 percentage points. The ratio also gained 1.1 percentage points from an improvement in credit ratings and data quality. Lastly, the movement in the CET I ratio was affected by a decrease in (regulatory) capital of 0.7 percentage points, due to the capital return of €41 million.

Funding

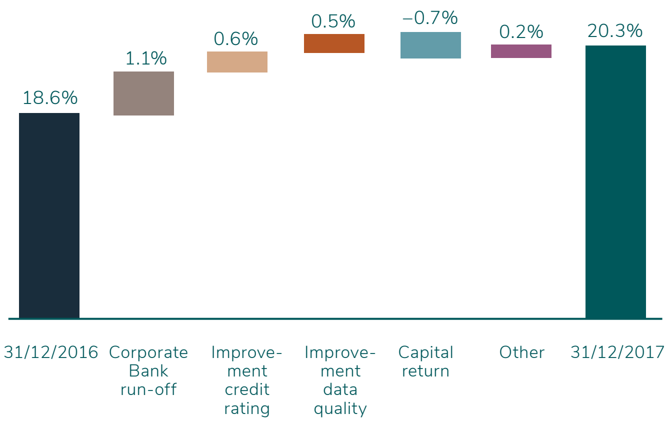
We aim to retain access to both retail and wholesale markets through diversified funding. At the end of 2017, our funding ratio had remained stable at 100.5% (year-end 2016: 100.6%) in the wake of a decline in both savings and deposits (-6%) and loans and advances to clients (-5%).

In February 2017, we issued a ten-year €500 million bond under our Conditional Pass-Through Covered Bond programme. Overall issued debt securities increased by €0.4 billion in 2017.

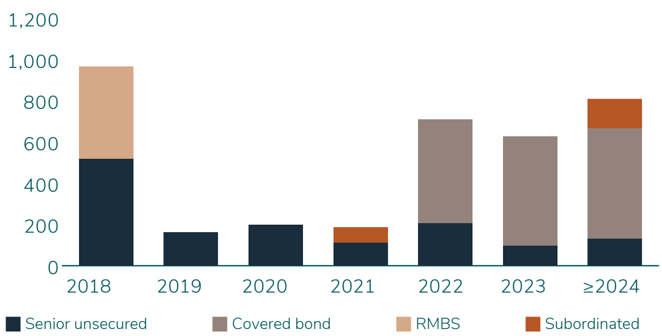
Funding mix at 31/12/2016 (100% = €14.7 billion)



Common Equity Tier I ratio (fully loaded) (%)



Funding redemption profile (x € million)



8 Full year (2016 and 2017) including retained earnings.
9 This ratio includes the impact resulting from the European Banking Authority's interpretation of capital regulations applicable to European banks. It implies that the portion of outstanding T2 instruments, issued by F. van Lanschot Bankiers NV (single subsidiary) exceeding the minimum own funds requirement, can no longer fully contribute to the consolidated capital ratios of Van Lanschot Kempen NV.

Basel III

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

Basel III	31/12/2017	Norm
Common Equity Tier I ratio, fully loaded (%)	20.3	> 11.7[10]
Total capital ratio, fully loaded (%)	22.1	> 15.2[11]
Leverage ratio, fully loaded (%)	6.7	> 3
Liquidity coverage ratio (%)	163.6	> 100
Net stable funding ratio (%)	129.2	> 100

Basel IV

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

Implementation of IFRS 9

In 2014, the International Accounting Standards Board published the IFRS 9 standard, replacing IAS 39. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. On 1 January 2018, the transition from IAS 39 to IFRS 9 became effective. The impact of applying IFRS 9 as of 1 January 2018 is expected to result in an equity deduction of €14.7 million related to loss allowances. The effect of this deduction on our CET I ratio is limited to around five basis points. In addition, changes in the accounting for modification of financial instruments under IFRS 9 is expected to lead to a change in the measurement of subordinated loans of €6.8 million. This is related to the adjustment to our Tier II notes, which are now fully eligible. The estimated combined impact of IFRS is a decrease of 0.2 percentage points in our capital ratio. Neither Basel IV nor IFRS 9 will have an impact on our CET I target of 15-17%.

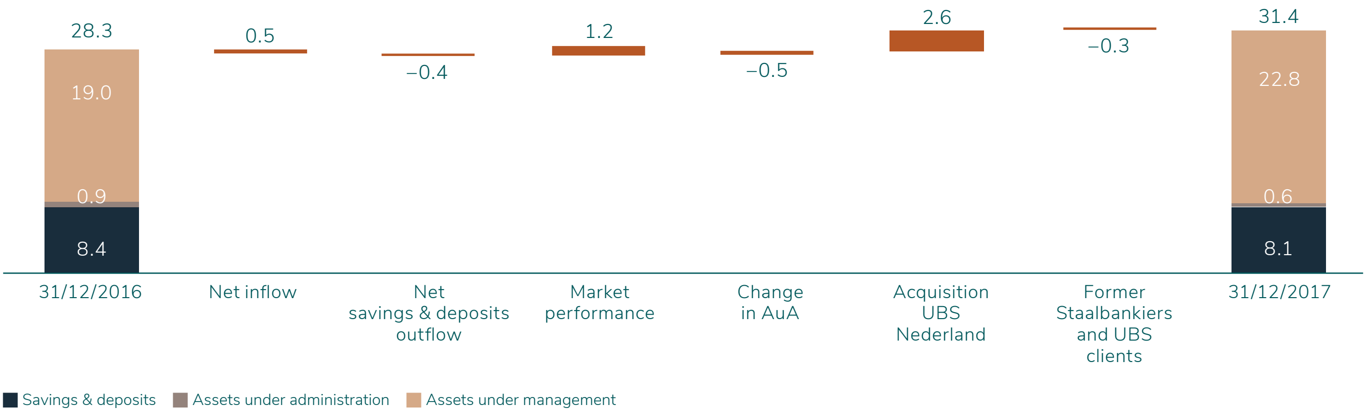
Client assets

Client assets (x € billion)	31/12/2017	31/12/2016	
Client assets	**83.6**	**69.4**	**21%**
Assets under management	69.2	54.6	27%
Assets under monitoring and guidance[12]	3.5	3.0	16%
Assets under administration	1.8	2.1	–14%
Savings and deposits	9.1	9.7	–5%
Client assets	**83.6**	**69.4**	**21%**
Private Banking	31.4	28.3	11%
Evi	1.5	1.5	3%
Asset Management	49.0	37.8	29%
Other	1.7	1.8	–5%

Client assets (x € billion)	Private Banking	Evi	Asset Management	Other	Total
Client assets at 31/12/2016	**28.3**	**1.5**	**37.8**	**1.8**	**69.4**
Assets under management in/outflow	0.5	0.1	9.0	0.0	9.6
Former Staalbankiers and UBS clients	–0.3	–	–	–	–0.3
Market performance of assets under management	1.2	0.0	1.7	0.0	2.9
Client assets of UBS wealth management clients	2.6	–	–	–	2.6
Change in assets under monitoring and guidance	–	–	0.5	–	0.5
Change in assets under administration	–0.5	–	–	0.0	–0.4
Change in savings and deposits	–0.3	–0.1	0.0	–0.1	–0.5
Client assets at 31/12/2017	**31.4**	**1.5**	**49.0**	**1.7**	**83.6**

10 The norm breaks down as follows: standard buffer 4.5%, Pillar II buffer 4.7% and conservation buffer 2.5%.
11 The norm breaks down as follows: standard buffer 8%, Pillar II buffer 4.7% and conservation buffer 2.5%.
12 In 2017, we introduced assets under monitoring and guidance (AuMG) as a new asset category. The comparative figures for 2016 have been adjusted accordingly.

Client assets at Private Banking (x € billion)



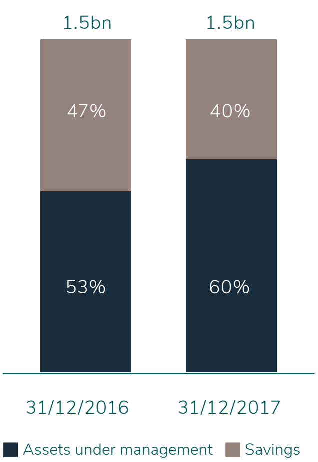
Van Lanschot Private Banking

In 2017, total client assets grew by €3.2 billion to €31.4 billion. This was primarily due to the acquisition of UBS's wealth management activities in the Netherlands, which saw €2.6 billion in client assets transfer to Van Lanschot Kempen (€2.5 billion in AuM and €0.1 billion in assets under administration). From April 2017, former Staalbankiers clients have been served from the Van Lanschot Kempen platform, and from November 2017 former UBS clients as well. This transition process caused limited loss of client assets: for both acquisitions, over 90% of AuM were retained. Ignoring this, the inflow of AuM at Private Banking came in at €0.5 million in 2017. At the end of 2017, assets under discretionary management made up 55% of total AuM (2016: 53%).

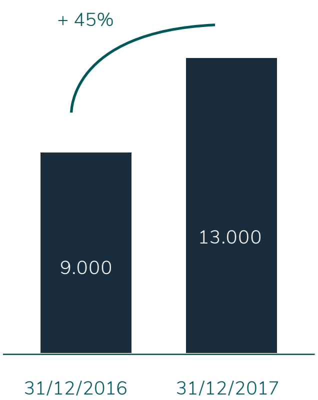
Assets under administration decreased by €0.5 billion in 2017, primarily due to the spin-off of the trading platform Captin. Assets under administration are merely administered by Van Lanschot Private Banking; we have little or no control over them and their earnings are relatively limited.

Savings and deposits fell by €0.3 billion, partly due to a continued reduction in savings as a result of lower savings rates and active balance sheet management.

Shift from savings to AuM



Development of Evi's AuM client base



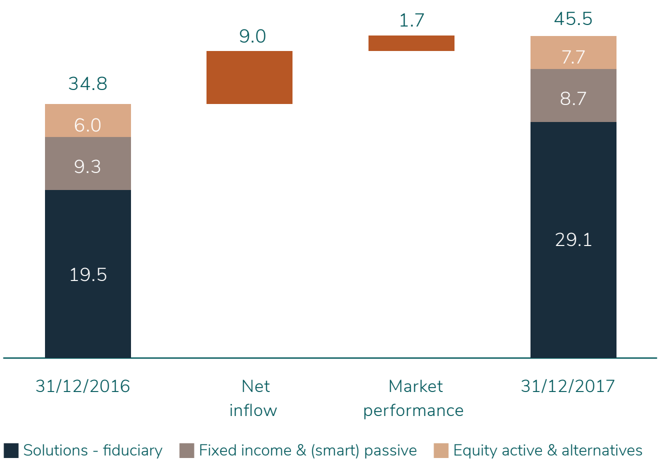
Evi van Lanschot

AuM grew by 17% to €0.9 billion in 2017 and the client base expanded by 45% to almost 13,000 clients. The volume of savings declined at about the same rate, which means that total client assets held by Evi van Lanschot remained stable at €1.5 billion, while AuM as a percentage of total client assets increased to 60% (2016: 53%).

Kempen Asset Management

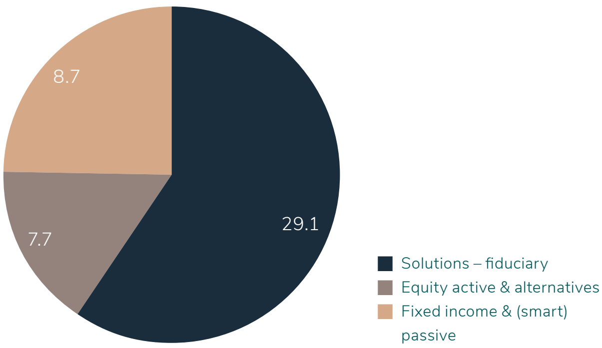
AuM at Kempen Asset Management were up by 31% to €45.5 billion, from €34.8 billion in 2016. Kempen Asset Management recorded net inflows of €9.0 billion, mainly on the back of the new mandate for Stichting Pensioenfonds UWV (a pension fund for an employee insurance agency pension fund) at Fiduciary Management. The activities acquired in the UK in 2015 also contributed to this inflow in the shape of the Mencap Pension Plan mandate in 2017. Positive value trends, mainly in equity strategies, underpinned a market performance of €1.7 billion. Total client assets at Asset Management amount to €49.0 billion (2016: €37.8 billion).

AuM at Asset Management (x € billion)

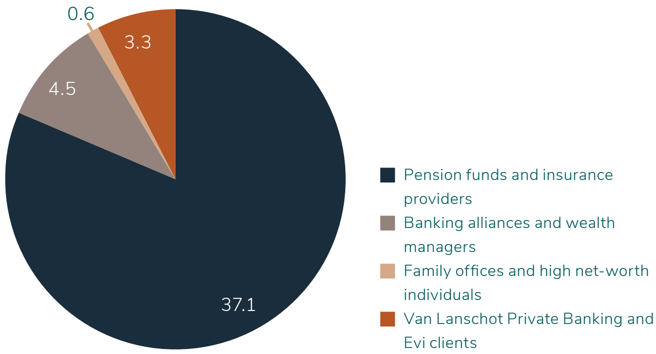


In addition to third-party funds, Kempen Asset Management also manages our private banking discretionary management mandates and Evi Beleggen products, amounting to total assets under management of €10.9 billion at the end of 2017 (this amount of €10.9 billion is not included in Asset Management's total AuM of €45.5 billion).

AuM breakdown by type of service (Total = €45.5 billion)



AuM breakdown by client type (Total = €45.5 billion)



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

As the transition to a lower-carbon economy will trigger important changes across economic sectors and industries, financial policy makers are interested in the possible financial implications for the global financial system. In view of this, G20 finance ministers and central bank governors have asked the Financial Stability Board (FSB) to review how the financial sector can take climate change risks and opportunities into account and report on these. With this aim in mind, the FSB has established the Task Force on Climate-related Financial Disclosures (TCFD) (fsb-tcfd.org), which aims to 1) develop climate-related disclosures that can promote more informed investment, lending and insurance underwriting decisions, and 2) enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector.

In June 2017, TCFD published a report giving its recommendations and advised all organisations with public debt or equity to implement these. In the second half of 2017, we analysed these TCFD recommendations and found that we met most of them. Recommendations not yet implemented were taken up.

- By the end of 2017, we had integrated climate risks into our overall risk management processes for all on-balance sheet activities and found such climate risks to be low: our balance sheet does not include material climate-sensitive assets.
- In addition, in the case of our off-balance sheet activities (assets under management), we have a climate engagement approach in place, focusing on lagging companies in carbon-intensive sectors – e.g. energy, utilities, mining. In 2017, we complemented this approach with our first carbon footprint calculation for our assets under management portfolio, i.e. including companies outside the intensive sectors identified. We calculated three different metrics to assess our climate-related risks and opportunities: an absolute metric, an intensity metric and a relative metric. As many companies and mutual funds still don't publish carbon data, our calculations only covered around 50% of all our assets under management. Over the next few years, we aim to increase this coverage and will consider whether setting carbon targets is useful. See sidebar "The hot topic of climate change" on page 50 for more details.

A more detailed overview of how we have implemented all TCFD recommendations can be found on our website: vanlanschotkempen.com/responsible/environment.

SURVIVAL OF THE FASTEST

As Head of User Experience in the Digital & Innovation team, my job is about looking from the outside in – at the customer journey – rather than from the inside out. I manage stakeholders and product owners to connect all client journeys and experiences across all channels. That's what Digital & Innovation is about: Van Lanschot has always been good at the "user experience" when it comes to being a guide for our clients – many of our clients regularly meet with their private banker and see them as a friend. But we've only recently started to look at the digital user experience. How do we help both private banker and client keep up with digital technologies in a way that adds value for both of them, rather than disrupting the precious relationship they have?

What's really impressed me about the company is how much courage we've shown in completely changing our digital landscape from the ground up. It's not the smartest or strongest who survives, but the one who adapts fastest. That's reflected in our mission statement, too – responding to change is deep within our DNA. And we have really responded to the technological environment, demand from clients, and pressure from the competition. It's not just about making a nice new website; we see the added value of our financial advisers for our clients, and we look for ways to provide that value across all channels.

Massimiliano Alberto Manzini – Head of User Experience, Digital & Innovation, Van Lanschot Private Banking

VAN LANSCHOT PRIVATE BANKING

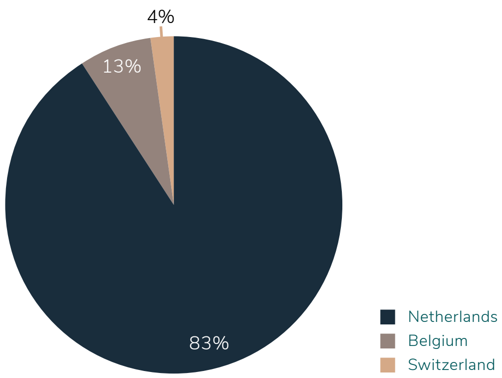
Personal wealth management service – anywhere, anytime

Financial performance

Private Banking (x € million)	2017	2016	%
Interest[1]	151.4	145.4	4%
Income from securities and associates	–	–	–
Commission	124.5	104.0	20%
Result on financial transactions	1.0	1.3	–17%
Income from operating activities	**276.9**	**250.7**	**10%**
Staff costs	96.5	87.9	10%
Other administrative expenses	51.3	56.8	–10%
Allocated internal expenses	57.9	56.0	3%
Depreciation and amortisation	1.3	2.0	–34%
Operating expenses	**207.0**	**202.7**	**2%**
Impairments	–3.2	1.2	–
Operating result before special items and tax	**73.1**	**46.7**	**56%**
Strategy 2020 investment programme	21.4	5.4	–
Derivatives recovery framework	–	0.9	–
Amortisation of intangible assets arising from acquisitions	3.0	0.2	–
Other one-off charges	–	3.2	–
Operating profit before tax	**48.6**	**37.0**	**31%**
Income tax	13.4	10.0	34%
Net result	**35.2**	**27.0**	**30%**
Underlying net result	**51.3**	**31.8**	**61%**

As part of our mission to preserve and create wealth for our clients and society, we guide our clients in achieving their ambitions and dreams. Private Banking looks at the long term when helping our clients manage wealth during every phase of their lives. Our centuries of history mean we have built up trust, while our forward-thinking vision means that we're able to keep up with the pace of change when it comes to digitalisation. The 2017 financial year saw very positive growth for Private Banking, with over €0.5 billion[2] in net new assets under management – the highest AuM inflow since the start of the financial crisis in 2008. The reporting year has also been about executing changes to better serve our clients: from expanding our product offering, to investing in employee development, to continuously improving client processes. We successfully integrated the wealth management activities of both Staalbankiers and UBS in the Netherlands, and have seen excellent client retention rates on both counts.

Assets under management: by country (€22.8 billion)



Our clients again gave Private Banking an average rating of 7.6 – the same as in 2016 – while our Net Promoter Score[3] (NPS) remained stable at -4 (2016: -3). Our ambition is to achieve a positive NPS in 2018.

Analysing the markets

Markets were "risk-on" in 2017. Despite the strengthening of the euro, which threatens to weigh on economic performance and inflation expectations, European equity markets were buoyed up by fading political risks after the electoral outcomes in the Netherlands and France. On top of that, European economic performance was better than expected. In the United States, sentiment was buoyant around growth sectors. And emerging markets took advantage of the acceleration in the worldwide economic growth momentum. Performance in bond markets was poor, especially for government bonds in developed markets. However, the feared large rise in bond yields has not yet materialised. These developments had an impact on our clients, particularly those with portfolios containing a significant share of equities. More defensive clients were proactively made aware of the stretched valuations in the bond market, with reference to the policy intentions of the Federal Reserve and European Central Bank. Since interest rates dropped to zero in 2017, clients are looking for alternative investments such as private debt, infrastructure and non-listed real estate.

Targeting the right audiences

We have clearly defined target groups – entrepreneurs, family businesses, high net-worth individuals, business professionals and executives, healthcare professionals, and foundations and associations – to ensure we can provide them with tailored products and services by specialist teams. We operate in the Netherlands, Belgium and Switzerland, and have seen growth across all markets during the reporting year. Sharing knowledge and best practices is one of the reasons for our success.

1 Comparative figures have been adjusted for a more accurate allocation of the interest result to operating segments.
2 Excluding clients who have decided not to transfer to Van Lanschot following the acquisitions of Staalbankiers and UBS's wealth management activities in the Netherlands.
3 The scope of the NPS has been expanded to include entrepreneurs. As of 2017, it includes Private Banking, business advisors, business professionals and executives, healthcare, entrepreneurs, foundations and associations, and private office.

We are also becoming increasingly aware of the role we play in our clients' enterprises. In addition to financial advice, we offer a strong network of people in the market; we make introductions between our clients to help them improve their own business networks. We also advise entrepreneurs on the finances of their company, its financial structure, and the risk balance between business and private.

Taking an omni-channel approach

We aim to be not just relevant for our clients, but indispensable in terms of the service we provide – anywhere and anytime our clients want that service. Van Lanschot's "Digital XL" programme therefore goes beyond investment advice and product offering. We plan to enrich our client service based on our detailed knowledge of our clients. Using all the information available to us, we will provide proactive triggers when warranted. For instance, we will track the performance of an investment portfolio against the client's goal(s) for that portfolio and prompt the banker to reach out in the event of significant deviations. In addition to the financial services we provide for our clients, we are also exploring and piloting value-added services above and beyond our traditional core offering, e.g. concierge services that help clients enjoy life to the fullest, unburdening them in the broadest sense.

Our recent digital developments will help us become truly omni-channel: providing the opportunity for clients to decide which channels they want to use, and making sure that those channels are all interconnected. For example, if a client uses one of our online tools on their mobile device to start a process and later calls their banker, that banker must be able to pick up exactly where the client left off. We are focusing on the entire customer journey, and gathering end-users' input when it comes to developing our omni-channel offering.

As part of this process, we are currently upgrading our digital channels to build a platform for further development and innovation in the future. This has resulted in the roll-out of a number of new tools during the reporting year:

- **Intake investment tool** – together with the client, this tool allows us to set their investment goals and risk profile, and then to continually recalibrate their investment portfolio based on its performance in relation to those goals. The tool has been developed with tablet use in mind, so that the banker can easily walk their client through it.
- **Discretionary management app** – while this was launched in the second half of 2016, its functionality was expanded in the reporting year. One of the new features of the app shows clients the transactions that took place within their portfolios, and informs them of the market rationale for why these transactions were made.
- **Investments app** – this state-of-the-art app aimed at individual private clients has received very good feedback. Best in class in the Netherlands, the app is being continually developed to offer clients investment advice at their fingertips.
- **Workflow automation tool** – launched internally in 2017, this tool aims to automate the process for on-boarding new clients. In 2018, it will be expanded externally so that clients can use it to perform simpler tasks – such as opening a savings account – themselves, if they prefer.

"The growing digitalisation of the company naturally presents challenges: we don't want to sacrifice personal contact with our clients for the sake of expanding our digital channels. We believe our omni-channel offering will genuinely enhance the customer experience in a positive way – but it can have the opposite effect if we don't get it right. We also need to pay attention to privacy and data protection: we need to find the balance between using what we know about our clients and ensuring their privacy is protected."

***David Versteeg** – Digital & Innovation Director, Van Lanschot Private Banking*

Using data analytics

As part of our client experience strategy, Van Lanschot is increasingly using data analytics in its private banking operations. There are two primary objectives here: firstly, to be even more relevant to our clients by bringing them the right propositions at the right time; and secondly, to focus our acquisition efforts on the right types of potential clients. Of course, we also ensure that client data is treated with the highest level of care and integrity.

Various life events cause changes in clients' financial situations that will impact their investment decisions. And we can help them with this. If we look at the business professional market, for example, we know which financial needs will occur after two years of partnership at an accountancy or law firm, and can actively advise clients beforehand. In the entrepreneur segment, looking at the development curve of the company, we help entrepreneurs to think about the financial impact of their next phase of development. This can be through personal contact or workshops around the subject of business valuation, for example, but also by bringing our client into contact with other entrepreneurs.

"The private bank of the future is data-driven, and that means we can make it far more tailored to clients than ever before. It's all about the individual – being relevant for each client."

***Richard Bruens** – Executive Board member responsible for Van Lanschot Private Banking*

Introducing new portfolio management products

By the end of 2017, we were able to offer our clients a range of options in terms of investment advice, discretionary portfolio management, and product advice. We continued to offer our in-house discretionary management product with an active management philosophy. However, with the acquisition of Staalbankiers we can now give our clients even more choice. The Index+ model, brought in by Staalbankiers, is a distinct product as it's based on an optimisation model over different asset classes and sectors delivering a different pay-off from the active management portfolios as well. In 2017, we saw a growing interest in our investment advice product, resulting in €0.7 billion in AuM inflow.

"Our product advice service is clearly fulfilling a need: following discussion with a client, their banker can now give them tailored product recommendations based on what suits their portfolio."

Mark Buitenhuis – Regional Director, Van Lanschot Private Banking

Making responsible and sustainable investments, and impact investing

Responsible and sustainable investment is an integral part of our investment service. In line with our ambitions, we expanded our sustainable investment offering in 2017, resulting in more variety for clients and more products and services that contribute to "doing good" (instead of "doing no harm"). One example is the Duurzaam+ sustainable discretionary management offering introduced in January 2017, which was well received. This, together with our other sustainable investment opportunities (Duurzaam+ Maatwerk) helped the total value of Private Banking's assets under sustainable discretionary management grow to over €1 billion.

We also extended our impact investing services in 2017. This form of investment is especially attractive for the growing number of clients that pursue a social or environmental return as well as a financial one. In addition to the opportunities to invest in impact investment funds that we already offered, our clients are now able to invest in individual companies with high impact scores. Our central Charity and Impact Investing Service also started to roll out its services through the local Van Lanschot network in 2017 (see sidebar on page 40). These developments have all provided our clients with more opportunities to help achieve the Sustainable Development Goals (SDGs, see page 11).

In 2018, we are planning to further explore the possibilities to develop more in-depth sustainability reports for our clients. Such reports should ultimately give a detailed picture of the sustainability score of clients' portfolios and a concise overview of the specific SDGs they are supporting by investing in specific (thematic) funds.

"We are here to act as a guide for our clients in different phases of their lives – whether they want to preserve their wealth, to grow it, or to give it away. That's why we need to be able to offer alternative sources of yields in addition to the obvious ones."

Guido van Aubel – Managing Director Investment Office, Van Lanschot Private Banking

Collaborating with strategic partners on mortgage and payment services

While we are building our own omni-channel platform, we decided to collaborate with strategic partners for non-core wealth management products such as mortgages and payments. We therefore undertook two major strategic outsourcing projects during the reporting year. The first involved outsourcing our mortgage servicing to Stater – a large Dutch mortgage servicer. This complex migration process was completed according to plan in September 2017. It means that Stater is now taking care of the servicing and administration of our mortgage book.

At the same time, the client contact role remains with Van Lanschot; for clients, their private banker is and will remain their first point of contact.

The second project is to outsource our payment services to German fintech company Fidor. The contract was signed in March 2017, and we are on track to complete the migration process in the course of 2018. From a strategic point of view, our choice of partner was very important: our partnership with Fidor represents a collaboration between the oldest financial institution in the Netherlands and a modern fintech company – allowing us to more quickly modernise our payment proposition and take big steps into the digital world. This will benefit our clients, and we aim to launch our proposition, including a payment app before the end of 2018.

Outsourcing our payment services to Fidor also means that we are compliant with the revised Payment Services Directive (PSD2), which comes into effect in 2018. It will facilitate innovation, competition and efficiency by giving consumers more and better choice in the EU retail payment market. At the same time, it will introduce higher security standards for online payments – making consumers more confident when buying online. The revised directive also aims to open up the EU payment market to companies offering consumer- or business-oriented payment services based on access to information about the payment account.

Integrating Staalbankiers

While we acquired Staalbankiers in 2016, the integration process took place in 2017. We took over not only Staalbankiers' products and clients, but also approximately €1.7 billion in assets under management, over €300 million in savings, and a limited number of Lombard loans. And with their sustainable discretionary proposition, we enlarged our sustainability offering to our clients. We were also proud to welcome 25 private bankers and investment experts as colleagues. The integration process was labour-intensive, but went very smoothly and was finalised within six months.

"The Staalbankiers integration was a great achievement as it was the first acquisition we'd made in quite some time. The fact that everything went according to plan gave us a lot of confidence for the integration of UBS wealth management in the Netherlands."

Ernst Jansen – Chief Operating Officer, Van Lanschot Private Banking

Joining forces with UBS's domestic wealth management

In August 2017, we acquired the wealth management arm of UBS in the Netherlands. Together, the combined group offers high-quality wealth management to ultra-high net-worth individuals (with over €10 million in assets) as well as foundations and associations in the Netherlands. UBS brings an excellent market position, a consolidated reporting system (meaning reporting on a client's entire wealth, rather than just the portion we manage), and access to their wealth management research.

The integration process has already been completed: UBS's team of around 35 dedicated professionals began working with their new colleagues immediately. The operational integration took place in November, when former UBS clients in the Netherlands were migrated to Van Lanschot's platform. UBS's former clients continue to be served by the same bankers, benefit from the same portfolio management and investment services, and receive the same investment reports, while also benefiting from Van Lanschot Kempen's broader private banking product and service offering.

"We believe that the partnership will strengthen both Van Lanschot's private office and UBS's wealth management activities that were taken over – it will enable us to grow market share in this segment together. We are now able to offer new products to Van Lanschot's clients and Van Lanschot products to the former UBS wealth management clients in the Netherlands."

Pieter de Gelder – Co-head Private Office, Van Lanschot Private Banking

Growing in Belgium

In Belgium, we have been serving wealthy individuals and institutional investors for over 25 years. The Belgian Private Banking operation had a good year in 2017. Net growth in assets under management (excluding market effect) reached a good 5% (2016: 3%), primarily via a combination of new clients joining us and existing clients entrusting more of their investments to us. All core investment service lines – discretionary, advisory and structured products – contributed to this performance. We also saw growth from the two new offices that we opened in 2016 in Liège and Vosselaar. Our strategy until recently focused on the Dutch-speaking region of Belgium, but with our recent move into the French-speaking part of the country we are looking to grow in that market as well.

CHARITY AND IMPACT INVESTING SERVICE

We rolled out our Charity Service for clients four years ago, with the aim of broadening and deepening our role as a wealth manager by advising our clients in the field of philanthropy. Since then, we have seen a growing interest in our clients' role not just in philanthropy, but in social entrepreneurship and impact investing as well. To reflect this, last year we expanded the service to include an impact investing element. We use personal advisory discussions to identify our clients' wishes and needs in terms of social impact, and then help them choose the most appropriate donation or investment strategy. The Charity and Impact Investing Service once again organised a variety of philanthropy and impact investing sessions in 2017, including several in conjunction with Ashoka. In June 2017, Van Lanschot participated in organising and speaking at the second Dutch meeting of the European organisation Philanthropy Impact. For more information, see vanlanschot.nl/charity-impact-investing-service.

PARTNERSHIP WITH ASHOKA

Since 2015, we have partnered with Ashoka: the world's oldest and largest not-for-profit networking organisation run for and by social entrepreneurs. Bringing Ashoka's network into contact with Van Lanschot's clients led to a further series of interesting networking meetings and workshops in 2017. In June, for example, Van Lanschot hosted the Ashoka inauguration event at the Van Gogh Museum in Amsterdam, at which several new Dutch fellows (social entrepreneurs selected by Ashoka) were announced. In November, an internal workshop for bankers focused on financing social entrepreneurs. As part of this workshop, Ashoka fellow Arnaud Raskin explained how he set up his social enterprise Streetwize. In June, another workshop with Ashoka gave insights into how to recognise and assess social entrepreneurs.

Crucially, Van Lanschot Belgium does not operate as an island: our strategy is very much anchored to the strategy of Van Lanschot Kempen. We will be implementing Van Lanschot's Dutch digital solutions in our Belgian business in 2018 and beyond. Van Lanschot Belgium is also increasingly working with Kempen's Merchant Banking arm. One example of the increasing synergies between Kempen and Belgium is the strong growth (+24%) in the distribution of the Kempen structured notes to the client base. And we are introducing Duurzaam+ in Belgium, which builds on the reputation our Ethibel certificate gives us for sustainable investing. These synergies allow us to stay ahead of the competition, achieving above-market net new asset growth during the reporting year. In 2017, Van Lanschot Belgium also introduced a fund, which is a tax-friendly solution for corporate clients needing to pay capital gains tax when selling company shares.

"Van Lanschot Belgium is growing faster than our competitors, but we need to stay on par with them from a digital point of view. Not only are we looking for operational excellence and commercial growth, but our IT architecture needs to be best-in-class as well."

Michel Buysschaert – Chairman of the Management Committee, Van Lanschot Belgium

Preparing for MiFID II

The Markets in Financial Investment Directive (MiFID II), which took effect in the EU in January 2018, has an impact on our private banking activities – particularly those involving investment advice. We have been working hard on the preparations for MiFID II during the reporting year in order to meet all relevant requirements. These include: written reporting that all transactions carried out suit each client's investment portfolio; recordings of any communications that may lead to a transaction; documentation of our target market for each of our products; an overview of the total cost of ownership per transaction; and strict data storage periods. The MiFID II regulations also require financial institutions to declare whether they are dependent or independent advisers. We have opted to define ourselves as dependent because we have our own asset manager, even though the majority of products in our client portfolios are external.

PREPARING FOR THE FUTURE

Doing the right thing for our clients is what gets me out of bed in the morning! As a private wealth manager, we have to earn the trust of our clients by being their guide – both today and in the future. My team and I manage our clients' portfolios, look for growth potential by participating in local networks, and continuously seek to improve the client journey.

On a strategic level, my job as part of the private bank's management team is to improve our strategy. After working for large banks for almost 20 years, it's great to experience the advantages of a smaller, more focused wealth manager: less hierarchy with effective and easy decision-making principles, plus we're always in direct contact with our clients.

When I think about entrepreneurial spirit, it means looking ahead, thinking in opportunities and possibilities, making choices and taking calculated risks, and knowing that the choices you make have the necessary impact and actually add value. Because of Van Lanschot Kempen's history of entrepreneurialism, the firm has been able to respond and adapt to changes. For the future, we see clear opportunities in fast-moving market conditions. This will enable us to serve our clients even better. For me personally, entrepreneurial spirit means having the opportunity to put my experience and ideas to work and make a difference.

Judith Jeuring – Regional Director South Netherlands, Van Lanschot Private Banking

EVI VAN LANSCHOT

Making investment available and accessible to all

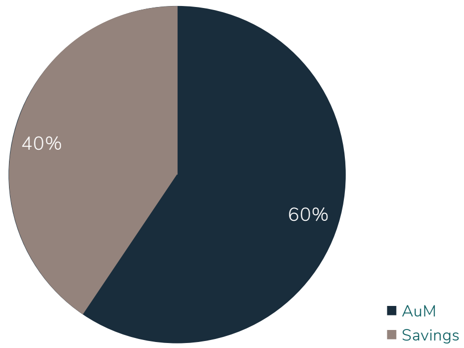
Financial performance

Evi (x € million)	2017	2016	%
Interest	3.3	3.9	–15%
Income from securities and associates	–	–	–
Commission	4.5	3.6	24%
Result on financial transactions	–	0.0	–
Income from operating activities	**7.9**	**7.6**	**4%**
Staff costs	4.6	3.3	39%
Other administrative expenses	7.9	7.0	12%
Allocated internal expenses	7.0	7.8	–10%
Depreciation and amortisation	0.0	0.1	–80%
Operating expenses	**19.5**	**18.2**	**7%**
Impairments	–	–	–
Operating result before special items and tax	**–11.6**	**–10.6**	**–9%**
Strategy 2020 investment programme	–	1.8	–
Operating profit before tax	**–11.6**	**–12.5**	**7%**
Income tax	–2.0	–2.9	32%
Net result	**–9.6**	**–9.5**	**–1%**
Underlying net result	**–9.6**	**–8.2**	**–18%**

Evi is Van Lanschot Kempen's asset management expert in your pocket – literally, because our online tools are mobile-first. Our online coach Evi helps both new and more experienced investors in the Netherlands and Belgium with investment solutions, savings and pensions. And we don't just serve Van Lanschot Kempen's Private Banking clients – Evi is for everyone who can invest at least €1,000. All Evi's funds comply with our ESG criteria.

The reporting period saw Evi grow into a more mature e-commerce organisation, while maintaining its start-up culture and willingness to experiment and take on new ideas. 2017 was a transition year in which we stepped up our online presence, drove down the cost per acquisition, increased our assets under management, and improved the on-boarding process for our clients. We also recruited more staff with specific online expertise.

Client assets by product (€1.5 billion)



Investments in our online presence and services paid off in 2017, as Evi's client base grew significantly. The number of clients using Evi as an online coach for their investments increased by around 45% to 13,000, which is encouraging for further growth in assets under management. Overall, net growth in assets under management was 11% in 2017, resulting in total invested capital of €0.9 billion at Evi. In line with our expectations, we saw savings becoming less popular among our clients, as €89 million was withdrawn (2016: €685 million). In total, assets entrusted to Evi stood at €1.5 billion at year-end (2016: €1.5 billion), with the share of assets under management increasing from 53% to 60%.

Our clients gave Evi an average rating of 7.5 in 2017 (2016: 7.4); our Net Promoter Score increased from –11 in 2016 to –3 in 2017. Clients whose impression of Evi has improved over the past year often indicate an improvement in communication, provision of information, and client services to be at the root of this progress.

"When it comes to investment, we're aiming not just at convenience but also at democratising asset management by making Evi mobile-first in a simple way that's available to everyone. We're also demystifying investments by explaining them in a straightforward way, and offering transparent and simple solutions. We've invested a lot in campaigns, such as *Iedereen Verdient Evi* (everyone deserves Evi), to explain investments to a broad range of consumers. Our challenge is to keep it easy for people who have no experience in investment, while also being clear about the risks and future returns."

Wim Nieuwenhuijse – *Commercial Director, Evi*

Improving Evi's omni-channel offering

By the end of 2016, we had already rolled out Evi's product offering:

- **Evi Beheer** – a discretionary management tool that does all the investment work on the client's behalf;
- **Evi Pensioen** – a tax-friendly, long-term individual pension solution;
- **Evi Doelbeleggen** – a tool that helps clients achieve their financial goals and apply a decreasing risk profile to limit exposure at their chosen end date;
- **Evi4Kids** – an investment account for children and grandchildren, with a long-term horizon and a focus on the risks associated with investment.

In 2017, we focused on making these products as accessible and convenient for clients to use as possible – whether via mobile or desktop, app or website. "Mobile first" is an important part of our online strategy, and mobile on-boarding via the (responsive) website is now available for clients. We developed a new app for Evi Doelbeleggen; we also integrated our product apps so that there's now one portal that provides an overview of all Evi products available. Internally, we have become more e-commerce and service-oriented: we now have a centralised customer service team capable of answering questions across all channels.

Using data analytics

The reporting year has been one in which Evi has grown into a more data-driven company. We now have a team fully dedicated to looking at data analytics in order to identify business opportunities. This enables us to target the right offering to the right consumer – improving our ability to give them what they're looking for, and targeting relevant content to our clients to improve retention.

Our *Iedereen Verdient Evi* campaign also uses data analytics to promote different online messages per target group, based on age and life events. Part of our growth in client numbers in 2017 came from the success of this campaign.

Awards and achievements

For the second year in a row, Evi scooped the *Gouden Stier* (Golden Bull) award for best online asset manager. The jury was particularly impressed by our transparency and clear communication. Another decisive factor was the fact that Evi has improved further in the area of client-oriented services compared to last year.

Developing in Belgium

Until September 2017, Evi in Belgium was part of Van Lanschot Belgium; it is now fully integrated into the Evi team. This centralised e-commerce model gives us opportunities to deploy the expertise, technology and best practices that have been built up throughout Evi. This makes our business proposition scalable in other markets. In Belgium, we continue to focus on gaining new clients, and on converting savers into investors interested in asset management.

Setting priorities for the future

We will continue to work on our current priorities in 2018 and beyond: we aim to meet our clients' requirements even better by investing in new processes, infrastructure and online visibility. Our aim is to significantly increase the number of clients by facilitating the on-boarding process, by offering our clients best-in-class online asset management, and by becoming even more relevant for Evi's different target groups. As we grow into a more mature organisation, scalability will be key to increasing our client reach and our assets under management.

TRUSTED ADVISERS, TODAY AND TOMORROW

When I joined Kempen Merchant Banking, there were numerous things that attracted me: firstly, I noticed people's drive – their eagerness to aim for the best possible outcome for our clients. Secondly, Kempen's unique position: we're more independent compared with larger banks, but offer the full investment banking services portfolio compared with boutiques – that's why we are hired for our professional advice and trusted advisory role. And thirdly, even as a junior, you're given a lot of responsibility from day one.

When you think about it, all three aspects come down to entrepreneurial spirit: the personal drive, the services we offer, and the level of responsibility. Because you work on a project basis, no two days are alike: you don't know what you'll be doing in a month, and you create your own job together with your team. It's just like being an entrepreneur running your own business.

Here at Kempen, we're not trying to be everything to everyone – we focus on our core specialisms that we excel in. That's what enables us to optimally serve our clients: whether guiding a company through a merger, or raising capital in the public market or through private funds. These events are big steps for companies and their management teams as they allow them to grow, differentiate or invest, and we're their trusted advisers – their right hand. It's in that role that you make a difference – that's why they come back to us year after year.

Lotte Tromp – Corporate Finance & Equity Capital Markets Associate, Kempen Merchant Banking

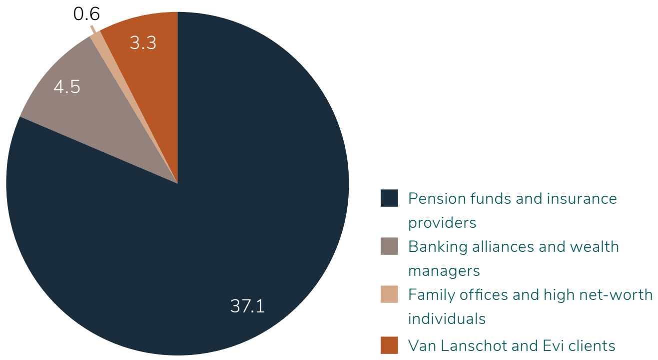
KEMPEN ASSET MANAGEMENT

Focusing capital on the long term

Financial performance

Asset Management (x € million)	2017	2016	%
Interest	–0.0	–0.0	78%
Income from securities and associates	–1.2	–0.3	–
Commission	92.5	86.2	7%
Result on financial transactions	–0.1	0.1	–
Income from operating activities	**91.2**	**86.0**	**6%**
Staff costs	39.6	37.1	7%
Other administrative expenses	21.9	20.2	8%
Allocated internal expenses	10.9	14.8	–27%
Depreciation and amortisation	0.1	0.1	–
Operating expenses	**72.5**	**72.1**	**1%**
Impairments	–	–	–
Operating profit before special items and tax	**18.7**	**13.9**	**34%**
Amortisation of intangible assets arising from acquisitions	0.5	0.4	30%
Operating profit before tax	**18.2**	**13.6**	**34%**
Income tax	5.0	3.5	43%
Net result	**13.2**	**10.0**	**31%**
Underlying net result	**13.2**	**10.0**	**31%**

AuM breakdown by client type (€45.5 billion)



Kempen Asset Management, trading as Kempen Capital Management (KCM), is a specialist asset manager with a clear investment philosophy. We believe in long-term stewardship for our clients and other stakeholders, and our ambition is to turn this into sustainable income for them. We aim to achieve this in two main areas: investment strategies and client solutions in the area of fiduciary management.

Our investment strategies are focused on a select number of segments: small caps, real estate, high-dividend equities, sustainable value creation, corporate bonds, fundamental indexing, government bonds, and funds of hedge funds. We also provide fiduciary management services, including strategic advice, manager selection, monitoring and integrated risk management. Our services are aimed at pension funds, insurers, family offices, and foundations and associations, while we also supply our investment services to clients of Van Lanschot Private Banking and Evi.

In 2017, our net inflow was strong, outperforming the trend in the asset management field as a whole. Our growth in assets under management was well above market average, with AuM growing from €34.8 billion in 2016 to €45.5 billion in 2017. In addition, we introduced and invested in new investment strategies.

Supporting our Private Banking objectives

Kempen Asset Management aims to provide value to Van Lanschot's Private Banking clients by facilitating their investment management activities. The synergies between Private Banking and Asset Management create many opportunities both for our clients and for us. The 2017 acquisition of UBS's wealth management activities in the Netherlands was a good example of the joint efforts between Van Lanschot and Kempen – by working closely together and integrating the UBS team, we are now able to better service family offices, giving us a strong foothold in that sector in the Netherlands and abroad.

Accelerating international growth

We continue to grow in the UK, where we expect the pension market to consolidate in much the same way as we have seen in the Netherlands. In 2017, we added our first new institutional client in the UK market: Mencap Pension Plan. While we already do business in many EU countries, we aim to move closer to our clients by opening sales offices in some European countries. This will enable us to improve our relationship management and to better sell tailor-made fiduciary mandates either directly or via banks or other distribution channels. With this in mind, we opened a sales office in Paris, France, in 2017.

Growing existing products and developing new propositions

Our ambition is to turn long-term stewardship into sustainable income. On the client side, we add value by making ourselves indispensable when it comes to investment, service and innovation.

In terms of the companies we invest in, and the products we create, we look at three key economic drivers: (il)liquidity premium, direct income and sustainable value. When offering the (il)liquidity premium to our clients, we continued to grow our existing products in real estate, small cap and hedge funds. A new multi-management solution that will be investing in private markets is currently under construction and will be introduced in the first half of 2018. On the income side, our products include high-dividend, credit, European high-yield, and income funds. In 2017, we introduced the new Structured Credit Fund (giving clients

SHIFTTO.ORG

Our international newsroom SHIFTTO.org, "powered by" Kempen, has been live for over a year now. On this knowledge resource designed for sharing, various contributors from multiple organisations publish white papers, news and interviews about long-term investing. SHIFTTO.org was created out of the need for a more long-term outlook in the financial sector. A shift in focus requires change at three levels: asset owners (pension funds, insurers, etc.), asset managers, and companies (assets). But regulatory authorities, academics and politicians also have an important role to play in fostering a more engaged, sustainable outlook on investment. The website's theme is "from talking to walking", reflecting its aim to be a tool that helps investors put a long-term approach into practice.

access to three structured credit managers), the European High-yield Fund and the Income Fund. Our third economic driver, sustainable value, is mainly about impact investing for the longer term. We believe that focusing capital on the long term should be a priority for all our stakeholders; long-term goals – both financial and non-financial – are a growth area for us. While we've followed this strategy for many years in our small-cap offering, we have now expanded it to encompass the large-cap segment as well. Working with investment representatives from the (larger) Dutch pension funds, we have co-created the "Focusing capital on the long term" concept. In 2017, we turned this long-term approach into two funds: the Sustainable Value Creation Fund and the Global Impact Pool. The latter was launched in January 2018.

> "Our entire product proposition falls under our philosophy for long-term stewardship. We interact, invest and engage with companies in a long-term way. And we add value for clients, by helping them reach their individual long-term investment goals."
>
> ***Erik Luttenberg** – Managing Director and Chief Operating Officer, Kempen Capital Management*

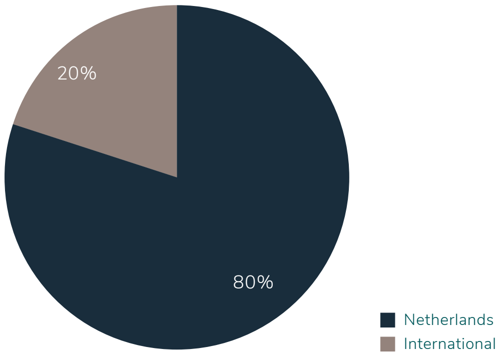
Targeting large pension funds in the Netherlands

Our aim is to expand our footprint in the pensions – and to an extent in the insurance – area. To this end, we won three large pension funds and one insurance company during the reporting year. In the first half of 2017, we started working as fiduciary manager for Pensioenfonds Banden & Wielen and COOP (now part of BPFL) and in the second half for Stichting Pensioenfonds UWV. The latter is our third fiduciary mandate with more than €5 billion in assets. Meanwhile, Dutch insurance company a.s.r. appointed Kempen Asset Management as fiduciary manager for Het nederlandse pensioenfonds (APF), and we subsequently won the Arcadis pension fund, which will come into effect in 2018. Our clients value the way we provide our service – including cost savings – investment performance and innovative solutions.

Innovating to better serve our clients

During the reporting year, we continued to dedicate resources to innovation.

AuM by client nationality (€45.5 billion)



> "We have upgraded the options available to fiduciary clients by defining three areas of added value: service alpha, investment alpha and innovation alpha."
>
> ***Gerard Roelofs** – Head of Client Solutions, Kempen Capital Management*

We defined three areas in which we invest time and resources:

1. **Individualisation** – People aim to control their financial future more and more. Pension schemes are also becoming more individualised, moving from defined benefit to defined contribution. Often, a pensions and savings gap occurs between people's wealth aspirations and their actual wealth. It is our aim to help the individual close this gap, by providing insight tools and solutions.
2. **Harvesting the liquidity premium** – In the search for yield, people invest more and more in illiquid, private markets. We aim to find ways to make investing in private markets more accessible to our clients.
3. **Better using artificial intelligence techniques** – By using artificial intelligence, we are looking for ways to improve our organisation, including the way we research and/or distribute our products.

Using data analytics

Our data infrastructure is at the heart of our offering to clients. We use technology and data analytics to improve our knowledge and research of the markets, and therefore to enhance our investments and the quality of our service. Individual clients are increasingly asking for more information so they can make more informed decisions themselves. We need to ensure that our data infrastructure can cope with the questions that further individualisation will raise.

Building a culture of performance

We are continuously working on strengthening our company culture and engaging the team around our strategy on a personal level. We do this by aligning the interests of our employees with our clients when it comes to our investment strategy: our people co-invest their own money in the funds they manage. This gives them not only an entrepreneurial edge and will to win, but also a long-term focus in which people operate in small teams and are given authority over the decisions they make.

The result of all this during 2017 was that our funds performed well, and our clients gave us an even higher Net Promoter Score – it has increased from 22 (in 2013) to 32 (in 2015) to 44 in 2017. This consistently great result is down to the quality of our service and our ability to maintain close contact with our clients. In the survey, 56% of clients evaluated their relationship with Kempen as positive and better or much better than our competitors. Our clients mostly associate our brand with being professional, high-quality, knowledgeable, Dutch and reliable, with “innovative” also coming up more since the 2015 survey. This recognition from our clients is important because their satisfaction is the bedrock of everything we do.

Preparing for MiFID II

In 2017, we devoted a lot of time to implementing the MiFID II regulations and directives, so that we were compliant from 1 January 2018 onwards. When providing investment advice or portfolio management services, we need to obtain even more information than we did already regarding the client’s objectives, risk tolerance, and ability to bear losses – and this now applies to professional clients as well. We are required to report more on transaction handling and best execution, and new tools are being selected to fulfil these reporting requirements. We have determined a target market per share class of our funds. MiFID II also requires research payment unbundling – meaning that from January 2018, research can no longer be paid from broker fees. We have decided to pay for research ourselves.

"We put our money where our mouth is – literally. By co-investing our own money in the funds we manage, we’ve achieved alignment of interest with our clients. And this alignment creates excellent investment results and top rankings for our investment strategies. We focus on delivering quality over quantity."

Lars Dijkstra *– Chief Investment Officer, Kempen Capital Management*

RESPONSIBLE INVESTMENT POLICY

Consideration of material environmental, social and governance (ESG) factors has moved from niche to mainstream. Globally, over 1,800 investors representing more than €70 trillion in assets under management have now signed the Principles for Responsible Investment (PRI), and an increasing majority of institutional investors are now considering material ESG issues in their investment process. At Van Lanschot Kempen, we take ESG factors into account when making investment decisions.

International guidelines as the basis for our policy

Van Lanschot Kempen signed up to the UN Global Compact (UNGC) in 2008. These international United Nations principles – which focus on the environment, social and employment conditions, human rights, anti-corruption and bribery – provide an important framework for our responsible investment policy. The same goes for the PRI – another international UN-linked initiative that is endorsed by Van Lanschot Kempen.

ESG integration and screening

We have translated both sets of international guidelines into specific criteria, on the basis of which KCM periodically screens its investments. This screening is part of our due diligence process, and allows us to identify material ESG risks in our portfolio. The full list of screening criteria can be found in the Convention Library on our website at vanlanschotkempen.com/responsible/core-banking-activities. Companies or investment funds are excluded if our screening reveals they are involved in controversial weapons. An engagement process may be initiated in cases where companies and investment funds infringe our ESG criteria in other ways.

Dialogue geared towards positive change

Our engagement activities are aimed at companies, investment funds and other stakeholders:

- If companies are found to be taking insufficient measures to control material environmental, social, employment, human rights and anti-corruption risks, KCM’s portfolio managers may select them for engagement. In each case, KCM draws up specific engagement targets. Companies that make insufficient progress towards meeting these targets can be excluded.
- We also engage with external fund managers, in the process of which we challenge them about their responsible investment policies. We encourage them to be transparent and to exercise their voting rights. Fund managers are also encouraged to engage with companies in their investment portfolio that have material environmental, social or governance issues.
- KCM likewise challenges clients, sector peers and credit rating agencies to pursue responsible investment and other policies. We also take part in collaborative engagement initiatives to enhance the effectiveness of our efforts. These are dialogues with companies and fund managers that are carried out on behalf of several institutional investors and asset managers.

Exercising voting rights is another essential element of responsible investment. KCM refined its voting policy in 2017 – for more information, see page 49. KCM casts its vote at the general meetings of Dutch businesses, and by proxy in the case of international companies. Voting guidelines and records for 2017 are available on KCM’s website: kempen.com/en/asset-management/responsible-investment.

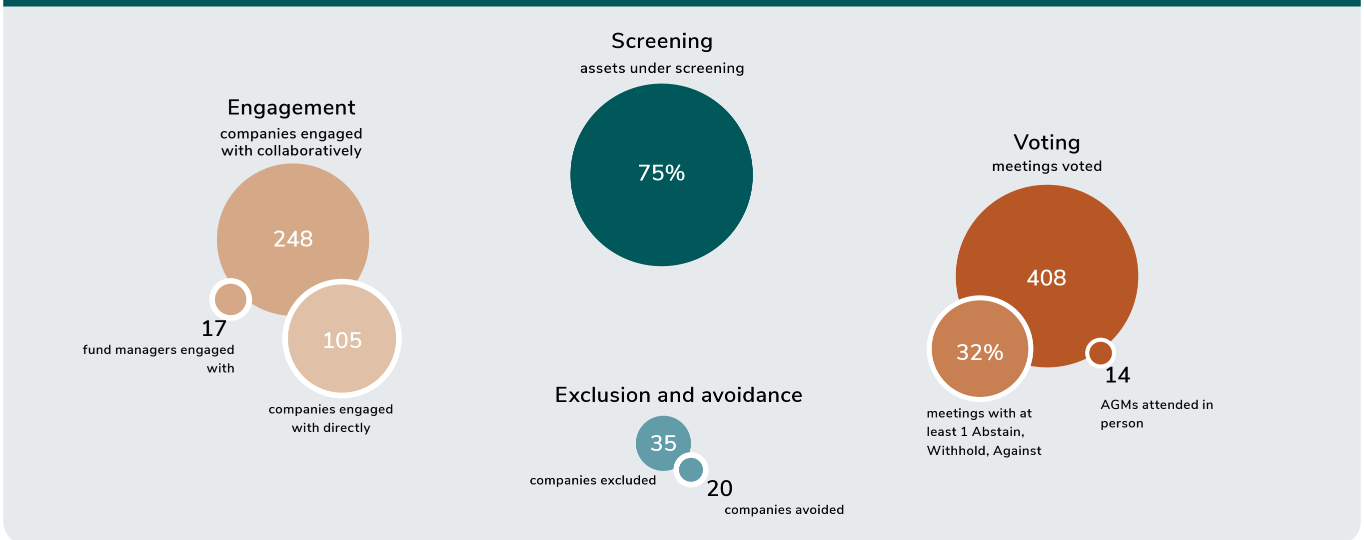
Most of the companies and fund managers we have approached in recent years have shown a willingness to improve their policies or portfolios. Only a few were not prepared to do so, to which we responded by excluding them. The outcomes of our responsible investment policy can be found in our dashboard (see figure on page 48).

Awards and achievements

Kempen Asset Management was again recognised this year by the industry:

- Rating agency Morningstar gave the Kempen Orange Fund a Gold rating in 2017. This prestigious rating is only enjoyed by 6% of funds globally, and Kempen is the only asset manager in the Netherlands to achieve it. The Kempen Global High Dividend Fund also kept its Gold rating.
- The Kempen Orange Fund won the Lipper Fund Award 2017.
- Kempen Non-Directional Partnership won the award for best "Diversified Fund of Hedge Funds" at the European Hedge Funds Review Performance Awards 2017.
- PRI once again gave Kempen an A/A+ Rating in this year's assessments.
- Along with a large group of asset managers, Kempen signed a statement in 2016 committing to promote sustainable development investing (SDI). This initiative was commended at the 2017 Responsible Investment Awards for demonstrating innovation and industry leadership.
- The Kempen Sustainable European Small-cap Fund was shortlisted for the Sustainable Investment Awards 2017, and was nominated for the Best ESG Investment Fund and Best Sustainable Investment Fund awards. It also qualified once again for the Novethic FNG SRI Label, showing that non-financial criteria have been systematically integrated into the investment process and transparently reported.

Responsible investment dashboard



Our screening in 2017

In 2011, we already set ourselves the target of increasing the assets screened for non-financial criteria (measured as a percentage of total AuM) year-on-year. In 2017, 75% of our assets under management were screened (2016: 77%).

The assets under screening did not increase mainly for two reasons: not all new assets under management immediately underwent the screening process; and more illiquid assets (such as mortgage funds) were added.

Assets under screening[1] (AuS)	2017		2016	
	AuM (x € billion)	AuS as % of AuM	AuM (x € billion)	AuS as % of AuM
Private Banking	22.8	73	19.0	73
Evi	0.9	95	0.8	94
Asset Management	48.9	75	37.8	79
Total	72.7	75	57.5	77[2]

1 AuM: The definition of AuM was revised in 2015 to exclude assets under administration (AuA); it was revised again in 2017 to exclude assets under monitoring and guidance (AuMG). The latter is only relevant for Asset Management. AuS: AuS refers to assets that are screened on ESG criteria as a percentage of total AuM. Screening on assets per fund is taken into account when look-through and ESG data are available for the underlying companies (where it is possible that some companies in a fund do not have ESG data available). AuS figures have been calculated using the new AuM definition of 2017, and also include AuMG (for Asset Management).

2 The comparative AuS has been adjusted down due to several changes in the screened assets (aligning the allocation fund and fund of hedge funds with the business units, and correcting for a mandate structure).

Our engagements in 2017

Our policy on responsible investment incorporates a clear engagement ambition, under which we seek to encourage positive changes at companies and investment funds by actively engaging with them. Throughout the year, we engaged with 353 companies on environmental (126), social (125) and governance (170) issues. Details are shown in the graph on page 50.

Companies

Over the course of 2017, we engaged with 105 companies directly on 141 ESG themes: environmental (15%), employee and social (30%), human rights (4%), corruption & bribery (1%) and governance (49%).

External managers

We had dialogues with 17 external fund managers in 2017. For example, during the reporting year we successfully engaged with a.s.r. about launching the Sustainable Euro Credit Fund. The fund implements an extensive ESG policy, which was designed in close cooperation with Kempen Asset Management; as a result, a.s.r. will now adhere to a stricter set of SRI criteria.

In addition, together with Aegon we initiated the setup of the Aegon US High-Yield Fund with an extended ESG exclusion. In cooperation with the Slagers Pension Fund and Northern Trust, Kempen Asset Management was also involved in setting up two best-in-class index equity funds. These funds are tracking the so-called “ESG Leaders” indices that invest in only around 50% of their parent indices. These examples illustrate how engaging in active dialogue and leveraging our long-term relationships with our fund managers enable us to act on behalf of our clients to help make the financial sector more sustainable.

Collaborative

In order to increase our leverage in engagement efforts, Van Lanschot Kempen often participates in collaborative engagement on platforms such as the UN PRI. We engaged with 248 companies via collaborative initiatives on the following themes: environmental (38%), employee and social (11%), human rights (16%) and governance (35%).

As climate change is one of our main engagement themes, we take part in collaborative engagements in this area. We are a member of the Institutional Investors Group on Climate Change (IIGCC), and in 2017 focused on engagement with the steel sector, as one of the most carbon-intensive sectors to which our portfolios are exposed.

In collaboration, we developed the institutional investors’ expectation paper for the sector’s carbon disclosure and performance. In addition, we are a member of the Task Force on Climate-related Financial Disclosure (TCFD) Advisory Committee of the UN PRI. For more information, see page 35.

Our voting in 2017

We further developed our voting policy to ensure informed and independent voting during 2017. As a result of this, our 2018 voting policy encompasses principles that serve as guidelines for informed and consistent voting at the meetings of Kempen’s investee companies across all investment strategies.

VOTING – A POWERFUL WAY TO MAKE AN IMPACT

Follow This, a group of responsible investors, filed a special shareholder resolution at Shell’s annual general meeting (AGM) in early 2017. The resolution called on Shell’s management to set and publish quantitative targets for reducing greenhouse gas (GHG) emissions, in alignment with the goal of the Paris Climate Agreement to limit global warming to well below 2°C. These reduction targets should not be limited to Shell’s own carbon emissions but should also include the indirect emissions caused by its products, i.e. by Shell’s customers. These indirect emissions are very material as they account for around 80% of Shell’s total emissions.

At the Shell AGM, Kempen European High Dividend Fund’s managers were one of the stakeholder groups who voted in favour of the Follow This resolution, arguing that Shell is co-responsible for customer carbon emissions as it is able to influence such emissions, for instance by producing cleaner fuels. Regrettably, the Follow This resolution was not adopted: 6.2% of all shareholders voted in favour, while 5% abstained. But there was some good news at the end of November: Shell announced that it will seek to halve the carbon footprint of its end products by 2050. This should set Shell on a more sustainable course, even if this still falls short of the goals of the Paris Climate Agreement.

Furthermore, we are in continuous dialogue with external managers to ensure market best practices on behalf of our fiduciary clients. Kempen also developed a litigation policy that will be implemented in 2018.

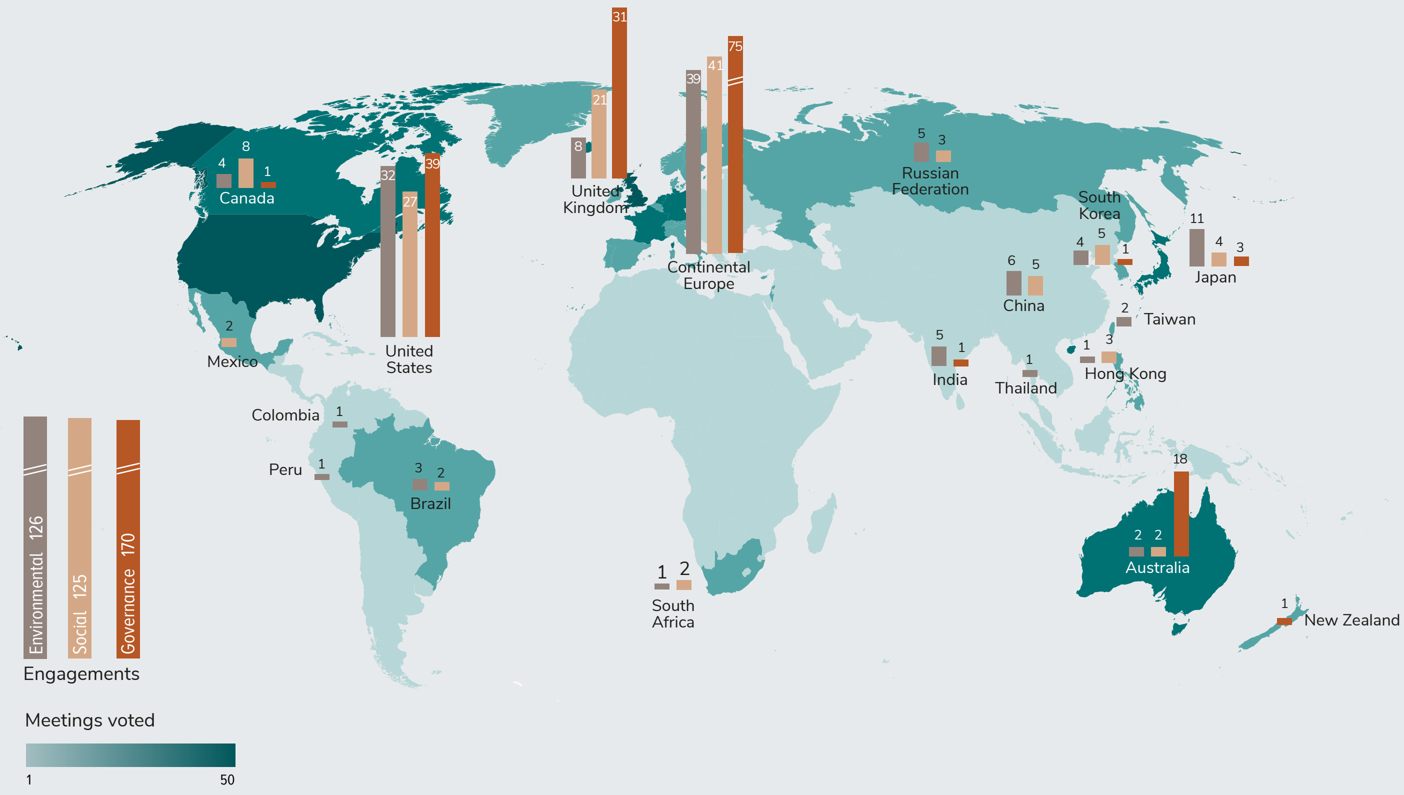
In 2017, we voted at 408 meetings, or 94% of all votable meetings, of which we voted 7% against management.

Positive impact and the Sustainable Development Goals

The Sustainable Development Goals (SDGs) were established by the United Nations at the end of 2015, and serve as a sustainable development agenda for the 2015-30 period. The agenda comprises 17 sustainability goals distributed across various areas including poverty and hunger, climate change, education, water and human rights. KCM has defined a sub-set of SDGs to which its portfolios contribute; for more information, see page 11.

In 2017, we carried out several activities relating to the SDGs. We contributed to a working group of De Nederlandsche Bank (DNB) by helping to develop a set of indicators that institutional investors can use to report on the SDGs. In addition, at the start of 2018 KCM launched the Global Impact Pool, which is investing across listed and non-listed asset classes, with the dual objectives of achieving financial returns and positive social and environmental impact. Four themes were selected for the fund: basic needs and well-being, circular economy, climate and energy, and SME development and decent work. Together these themes contribute to several SDGs.

Engagement and voting overview 2017



THE HOT TOPIC OF CLIMATE CHANGE

Climate change remained an important topic on our agenda, and we continued to incorporate climate change into our periodic ESG screening process. This has served as a starting point for our portfolio managers to engage with carbon-intensive companies to reduce their carbon emissions and make a positive contribution to climate-friendly solutions. We have extended our ESG screening process and engagement with the coal sector: we engage with mining companies that derive more than 10% of their revenues from coal, as well as utilities that use more than 20% coal in their fuel mix. If these companies show no interest in reducing their coal exposure over the coming years, we will consider excluding them.

In 2017, we measured the aggregate carbon footprint of our clients' managed assets for the first time, based on three different metrics: absolute footprint (based on the shareholding owned in a company); relative footprint (absolute footprint per euro invested); and carbon intensity (per euro of sales of the investee). These metrics correspond to carbon footprint best practices; for further details of the definitions, see our CSR supplement. The table below shows our carbon footprint based on the different metrics. This is an initial assessment, and the figures only represent a portion of our assets under management (see percentage of coverage in the last column of the table), partly due to lack of carbon data. In the coming years, we aim to increase the coverage of our assets under management.

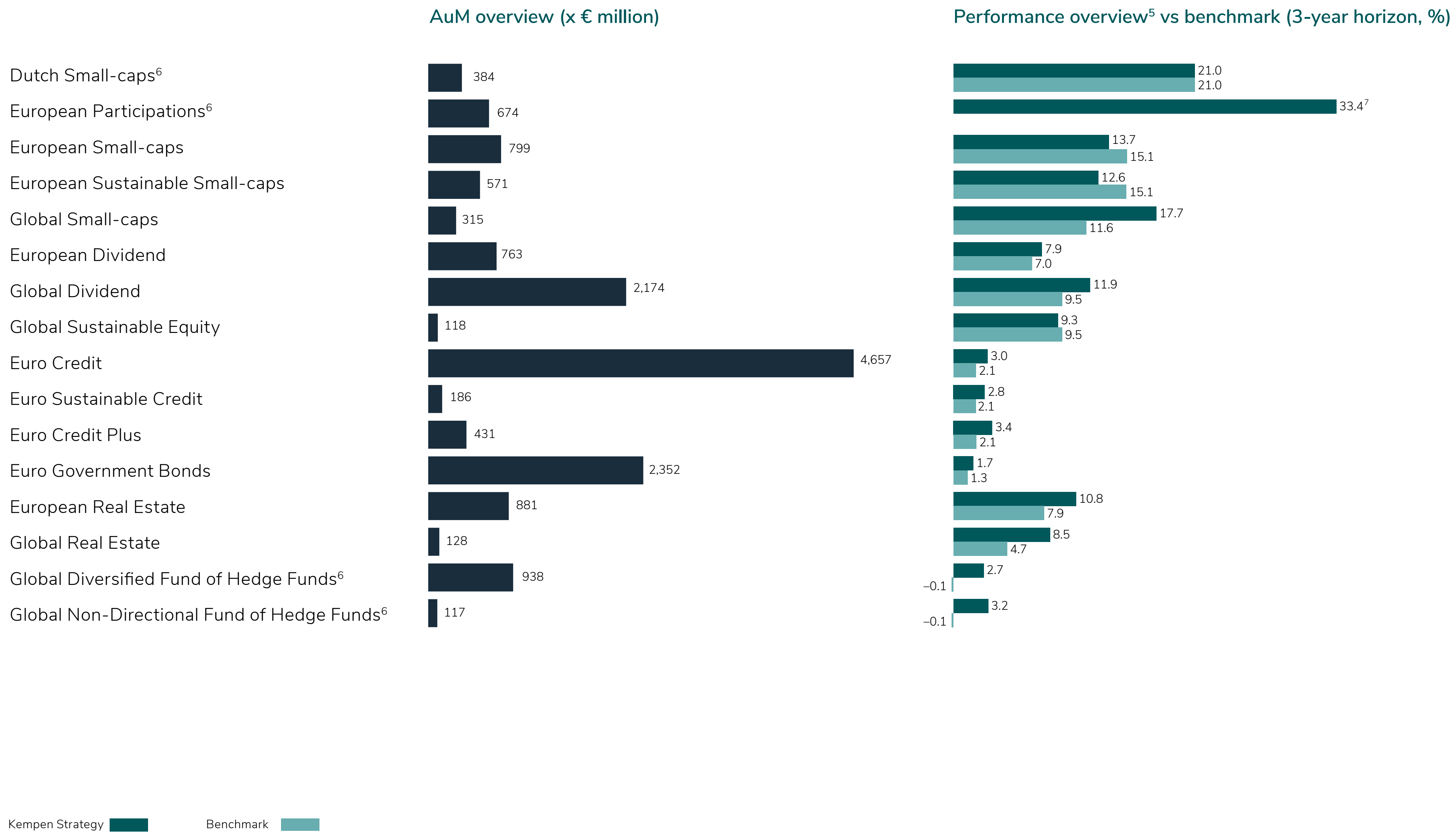
At the same time we will continue to reduce the carbon footprint of our funds. In 2017, the overall carbon footprint of the Kempen Sustainable European Small-cap Fund was 57% below the MSCI European Small Cap Index – the eighth year in a row that the fund was less carbon-intensive than its benchmark. The overall carbon footprint of the Kempen Global Sustainable Equity Fund was 68% below the MSCI World benchmark. The fund aims to maintain at least 30% lower carbon intensity than the benchmark.

CARBON FOOTPRINT OF OUR ASSETS UNDER MANAGEMENT

CO_2 assets under management[3]	Absolute footprint (million tCO_2)	Relative footprint (tCO_2/€ m invested)	Carbon intensity (tCO_2/€ m sales)	Coverage (CO_2 based on % AuM)
Private Banking (incl. Evi)	1.5	136.4	135.7[4]	55%[4]
Asset Management	2.5	120.2	169.9	54%
Total	**3.9**	**125.8**	–	**55%**

3 CO_2 figures based on 2016 data (scope 1 and 2).
4 The coverage for the carbon intensity metric is 27%.

Selection of Kempen investment strategies



5 Annualised performance figures based on a representative account gross of fees until end of December 2017.
6 Performance net of fees.
7 No benchmark available.

JUST LIKE BEING A BLACKSMITH

As Managing Director Securities at Kempen Merchant Banking, I'm responsible for all our business with institutional clients like pension funds or asset managers – the latter could include anything from mutual funds and hedge funds to high net-worth individuals and family offices.

I started in the financial industry 25 years ago, and my career path so far has been very varied: from derivatives trading, via advisory and asset management roles, to securities... Since I've been at Kempen, we've spent a lot of time preparing for MiFID II – both cooperating with IT on the technology side and getting the research teams up to speed on the business side.

What's struck me about the Securities team is how entrepreneurial everyone is; my parents were both entrepreneurs with their own businesses, so it's a quality I really appreciate. People really feel accountable. Craftsmanship is also something my father – who worked as a blacksmith – taught me about. One of Kempen's strengths since the beginning has been bringing supply and demand together, matching the right buyer with the right seller. Yes, the instruments we use to do that may have changed over time, as has the space in which we trade; but the craft is still essentially the same. It takes knowledge, skill and experience to be a true craftsman – just like a blacksmith.

Elbert Rodenburg – Managing Director Securities, Kempen Merchant Banking

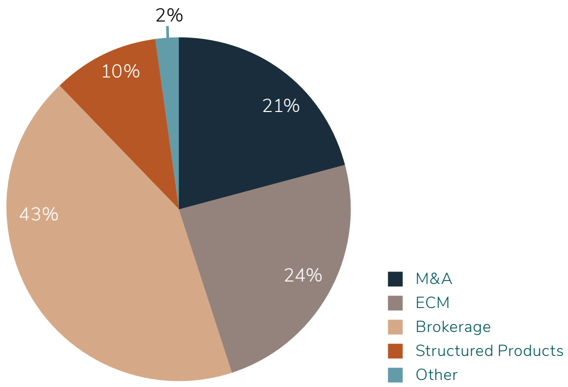
KEMPEN MERCHANT BANKING

Becoming a one-stop shop for our selected niches

Financial performance

Merchant Banking (x € million)	2017	2016	%
Interest	0.0	0.0	91%
Income from securities and associates	–	–	–
Commission	41.7	46.7	–11%
Result on financial transactions	4.5	1.8	–
Income from operating activities	**46.2**	**48.5**	**–5%**
Staff costs	23.4	23.1	1%
Other administrative expenses	8.0	6.7	20%
Allocated internal expenses	9.2	9.9	–7%
Depreciation and amortisation	0.0	0.1	–29%
Operating expenses	**40.6**	**39.8**	**2%**
Impairments	–	–	–
Operating profit before tax	**5.6**	**8.7**	**–36%**
Income tax	1.7	2.5	–34%
Net result	**3.9**	**6.2**	**–37%**
Underlying net result	**3.9**	**6.2**	**–37%**

Commission income by type of transaction (€41.7 million)



Kempen Merchant Banking differentiates itself by offering a unique combination: we are one of the few boutiques in Europe that combines Corporate Finance and Equity Capital Markets (ECM) with an in-house Securities franchise. In addition to this, we focus on particular sectors and form close relationships with our clients. It's this unique proposition that has allowed us to succeed. In 2017, we made €41.7 million in commission income (2016: €46.7 million). Within Corporate Finance, we gained 19 new clients, and did repeat business with 11 clients.

The reporting year has been a transition period for Kempen Merchant Banking as a consequence of a change in leadership and the implementation of MiFID II.

Expanding into new geographies and products

During the reporting year, we broadened our client base to cover new geographies – working for clients in countries including Spain, Sweden and Switzerland. The make-up of our team mirrors our increasingly international approach: many of our new hires are from other European countries, and our merchant banking activities are becoming increasingly pan-European.

We opened a London office in 2017 for sales and research, with the aim of accessing more talent and getting closer to our British client base. In August, we took the decision to open an office in Belgium – also to gain access to more talent – which we expect to open in 2018. We have also operated an office in New York for some 25 years.

To ensure we remain focused and efficient as we expand our activities, we are aligning the target markets in terms of sub-sectors and geographies between our Securities and Corporate Finance/ECM activities.

In line with the development in 2016, we have again seen an increase in private placement transactions for non-listed real estate companies in 2017. We have also launched new innovative products in our Structured Products and Global Property Research (GPR) activities.

Focusing on key sectors and activities

With our range of products, we serve the following sectors:

- **Real estate** – while we already manage transactions in multiple countries, our aim is to become the pan-European go-to merchant bank for real estate clients;
- **Life sciences and healthcare** – we currently serve various European countries, including the Benelux region, France and Germany, in this sector; we are moving towards other key European life sciences hubs, such as Sweden and Switzerland;
- **Financial institutions & fintech** – we got off the ground with this sector in 2016 and 2017, and are ramping up to become a relevant player for small- and mid-cap European firms;
- **Infrastructure** – we are already a multi-country player in infrastructure, and are expanding our reach across Europe;
- **Benelux countries/local alpha** – we are a specialist in mid- and small-cap stocks in the Benelux region, and are expanding the breadth and depth of our reach in this segment across all our products.

Investing in long-term relationships

Whereas in the capital markets it is often the daily developments that dictate our immediate actions, we pride ourselves on the consistent repeat business with which our clients reward us. We are committed to investing in long-term relationships with our current and prospective clients. We aim to further expand our client base on the same principles, taking a long-term view as well as investing in relationships without immediate visibility of a transaction.

"We want to be the investment bank of choice for clients in our selected niches and activities. Our strong expertise, original ideas, entrepreneurial spirit and deep relationships are what allow us to exceed our clients' expectations and to develop as a team."

Leonne van der Sar – *Executive Board member responsible for Kempen Merchant Banking*

Corporate Finance

Within Corporate Finance, our extensive sector knowledge, M&A expertise, capital markets experience, and in-depth relationships with our clients together form our licence to operate. We concluded 32 transactions in 2017, across all our niche sectors.

All companies to which Corporate Finance provides services are first subjected to screening. Screening based on our ESG criteria also forms an integral part of our research reports. If a company does not meet these ESG criteria, we engage its management.

Diversifying our products

We further diversified our product offering during the reporting year, offering debt advisory and private placement services, so that we are less reliant on a single stream of income. We did our first private placement transaction outside the Netherlands, raising capital for Italian real estate company COIMA SGR, using the experience we've gained in executing similar transactions in the Dutch market.

Broadening our range of transactions

We were involved in several transactions in the real estate sector, in different geographies and fulfilling different roles. In 2017, we arranged capital for Swedish real estate company Kungsleden, allowing us to enter a new market. Kempen was the only non-Scandinavian institution involved in the transaction. In France, we were involved in raising €632 million for Carmila, a company that operates real estate around Carrefour hypermarkets – we were selected because of our specialist expertise in real estate. We also helped Vesteda to raise €280 million in capital to further invest in the Dutch residential housing business.

"Our strong sector focus has allowed us to steadily expand the geographic footprint of our business throughout Europe this year, serving new clients in markets like Sweden, Spain, Italy and Poland."

Jeroen Berns – *Managing Director Corporate Finance, Kempen Merchant Banking*

In the life sciences sector, we were particularly active in raising capital for companies looking for cash to fund research programmes focused on products or treatments that could make a huge medical difference. In 2017, we advised several new clients across Europe, including Mithra, Newron and Wilson, as well as serving a number of key recurring clients, including Nanobiotix and Biocartis. During the reporting year, we were also able to confirm our strong relationship with Belgian firm argenx; we were the only European institution to advise them on their $115 million US NASDAQ IPO, and afterwards on raising an additional $266 million on the back of their strong clinical results.

In the fintech sector, we advised private equity firm Blackfin Capital Partners on their acquisition of fast-growing Dutch company Buckaroo, a payment service provider serving over 5,000 merchants.

In the Benelux region/local alpha sector, we played the role of IPO adviser for VolkerWessels, a large Dutch construction company. They successfully concluded the €648 million transaction in May 2017.

Securities

Our results in Securities in 2017 were in line with those of 2016. Securities targets the same niches as Corporate Finance, namely the Benelux region, European real estate, life sciences, financial institutions & fintech, and infrastructure.

Preparing for MiFID II

MiFID II has significant impact on our Securities business because of its requirement to unbundle research fees and execution commission. Since 1 January 2018, Kempen has a separate agreement for research with clients needing to comply with MiFID II, in addition to payments for execution services. Order flow is no longer directed by research fees but by the quality of the sell-side trading desk. As a niche player, we are confident that we are well positioned in both fields because of the specialist nature of our research products and the type of trading we do. We were therefore talking to our clients in 2017 about their needs and what they value about our products. We are focusing on four strategic areas:

- Broadening and strengthening our research coverage to become a thought leader in all of our niches;
- Expanding our trading client base, and crystallising the value of liquidity and risk in a post-MiFID II world;
- Increasing the breadth of our marketing client base in Europe and the US, and focusing on high-conviction ideas for our active client base;
- Building on our successful structured products franchise and continuing our development of Global Property Research (GPR).

Rolling out innovative structured products

Due to favourable equity markets, there has been a significant increase in client activity, and our structured investment products have performed well for our clients. In 2017, we closed 194 deals (2016: 91) worth €294 million in new notional (2016: €200 million).

In 2016, we launched a platform for self-built structured products, SC Pro. In 2017, we continued to roll out the SC Pro platform to foreign Van Lanschot branches. We further connected downstream processes to the digital platform, creating more efficiency in the deal execution process.

Setting a new sustainability standard

Part of Kempen Merchant Banking, Global Property Research (GPR) is a service provider for leading financial institutions specialising in customised property indices. Together with real estate expert La Française, in 2017 GPR announced the launch of a new sustainable global real estate index designed for institutional investors: GPR IPCM LFFS Sustainable GRES Index. The new index consists of up to 150 global sustainable real estate securities, selected for their real estate activities, ESG performance and market capitalisation – setting a new standard in terms of sustainability in the listed real estate sector.

Selected Kempen Merchant Banking transactions in 2017

European Real Estate

Vonovia
Public offer for BUWOG
€5,200,000,000
M&A adviser
Pending
Kempen

Cheyne / Velero Partners
Sale of North RhineWestphalia residential portfolio
€107,500,000
Sole M&A adviser
December 2017
Kempen

Colonial
Accelerated bookbuild offering
€416,233,455
Joint Bookrunner
November 2017
Kempen

ECHO investment
Secondary offering
PLN 187,680,000
Joint Global Coordinator
Joint Bookrunner
October 2017
Kempen

COIMA
Private placement
€300,000,000
Sole M&A adviser
July 2017
Kempen

Angelo, Gordon & Co.
Sale of residential portfolio
€230,000,000
Sole M&A adviser
September 2017
Kempen

ADO
Inaugural bond issue
€400,000,000
Debt adviser
July 2017
Kempen

Carmila
Initial Public Offering
€632,000,000
Joint Bookrunner
July 2017
Kempen

Annington
Debt advisory
€3,700,000,000
Debt adviser
July 2017
Kempen

Xior
Capital increase with priority allocation rights
€83,991,896
Co-Manager
June 2017
Kempen

BUWOG group
At-market rights issue
€305,556,283
Joint Bookrunner
June 2017
Kempen

Vastned
Share buy-back program
€29,900,000
Tender agent
May 2017
Kempen

Vesteda
Capital raise
€280,000,000
Sole financial adviser
May 2017
Kempen

Amvest
Capital raise
€100,000,000
Sole financial adviser
April 2017
Kempen

Kungsleden
Rights issue
SEK 1,638,024,750
Joint Global Coordinator
Joint Bookrunner
March 2017
Kempen

Aedifica
Capital increase with priority allocation rights
€219,305,004
Co-Lead Manager
March 2017
Kempen

Life Sciences & Healthcare

argenx
US public offering
$265,512,000
Adviser
December 2017
Kempen

Wilson Therapeutics
Accelerated bookbuild offering
SEK 244,342,280
Joint Bookrunner
December 2017
Kempen

Wilson Therapeutics
Secondary offering
SEK 156,750,000
Joint Bookrunner
December 2017
Kempen

Biocartis
Accelerated bookbuild offering
€80,000,000
Joint Bookrunner
November 2017
Kempen

Newron
Capital increase
CHF 27,000,000
Joint Global Coordinator
Joint Bookrunner
September 2017
Kempen

Gilde Healthcare
Acquisition of
Syncom
Sole M&A adviser
April 2017
Kempen

SurgVision
Sale to
Bracco
Sole M&A Adviser
October 2017
Kempen

Ardena / Mentha Capital
Acquisition of
ABL
Financial adviser
October 2017
Kempen

mithra Women's Health
Accelerated bookbuild offering
€26,148,990
Joint Bookrunner
June 2017
Kempen

argenx
Initial public offering on NASDAQ
$114,660,750
Issuer's adviser
May 2017
Kempen

Nanobiotix
Accelerated bookbuild offering
€25,145,300
Joint Global Coordinator
Joint Bookrunner
April 2017
Kempen

Benelux and Financial Institutions & FinTech

Blackfin Capital Partners
Acquisition of
Buckaroo
Sole M&A adviser
July 2017
Kempen

OrangeGas
Sale of majority stake to
meewind
Adviser
June 2017
Kempen

VolkerWessels
Initial public offering
€648,000,000
Financial adviser
May 2017
Kempen

Intertrust
Share buy-back program
€33,897,024
Repurchasing agent
May 2017
Kempen

Boskalis
Secondary placement of 9.4% stake in
Fugro
€115,021,714
Joint Bookrunner
February 2017
Kempen

"Our focus is to expand our research coverage in European real estate and life sciences to become a one-stop shop for Europe, and to develop our infrastructure, financials/fintech and local alpha business to the same level in the future. Focusing too on idea generation based on our strong research product and our market intelligence will differentiate us from the competition."

***Elbert Rodenburg** – Managing Director Securities, Kempen Merchant Banking*

Using data analytics

Much of 2017 was spent laying the groundwork for the implementation of the data-driven approach that we need. We now have a strong data warehouse, which we started using in a more commercial way towards the end of the year. Business information helps us offer the right stocks to the right clients; financial information tells us which types of clients and activities are the most profitable; and going forward, external data insights gathered can also be used for our research product.

We believe that using technology in this way will help us improve our products and results. Data will help us create more structure in our client and market approach, and will lead to increased flexibility for our employees. We also expect that client demand will shift from maintenance research to data and idea-driven research.

In 2017, we implemented a new research delivery platform, Blue Matrix, that allows us to give our clients access to research in a structured way. It also means we can track which research is read most often and that clients therefore find most useful.

Conferences

Kempen Merchant Banking's conferences are well known within the industry, connecting investors with corporates. In 2017, for example, we organised life sciences and European real estate conferences – the latter in both the Netherlands and New York. In total, almost 300 investors and 150 corporates attended our conferences during the year.

Awards

For the third year in a row, Kempen Merchant Banking was awarded the SRP Structured Products & Derivatives Award. These Awards are the most prestigious prizes in the industry, designed to celebrate the best firms in Europe, the Nordics, America and Asia Pacific.

OUR PRIVATE EQUITY INVESTMENTS

Opening up our private equity business to third parties

Over the years, Van Lanschot Kempen has been active in the private equity field in three different ways:
1. Acquiring and managing direct minority holdings;
2. Managing non-strategic investments;
3. Managing interests in private equity funds.

1. Acquiring and managing direct minority holdings

The 2017 financial year was one of change for Van Lanschot Kempen's direct minority holdings. In December, we spun off the management company of Van Lanschot Participaties – opening up our private equity business to third parties, including our Private Banking clients. This move is not only a response to an often-heard client wish; we also believe that this is the best possible way to position our private equity activities for further growth.

Van Lanschot Kempen obtained a significant minority interest as a cornerstone investor in a newly established fund, and continues to own the Van Lanschot Participaties portfolio (comprising all interests acquired prior to 2016).

Spinning off the management company of Van Lanschot Participaties; launching Bolster Investment Partners

The team that has been managing our private equity portfolio for many years has now branched out on its own under the name Bolster Investment Partners. Since 1 December 2017, the team has been managing the newly established fund, Bolster Investments Coöperatief U.A.

The investment strategy of Bolster Investment Partners is in line with the previous focus of Van Lanschot Participaties: investing in well-managed Dutch companies with strong market positions and convincing growth strategies. Bolster Investment Partners specialises in taking minority shareholdings of 20-50% in private companies and pursues a flexible, long-term investment horizon, allowing its portfolio companies to realise their long-term growth potential. Equity tickets range from €5 million to €20 million. Assessing whether a company meets certain environmental, social and governance criteria also forms an integral part of the due diligence Bolster undertakes before acquiring an interest in that company.

Bolster Investments Coöperatief U.A. raised €135 million. In addition to Van Lanschot Kempen, which holds a significant minority interest, other investors mainly comprise Van Lanschot Private Banking clients. The fund purchased all investments acquired by Van Lanschot Participaties since 1 January 2016. Bolster Investments Coöperatief U.A. therefore held stakes in Adomex, Jansens & Dieperink, Market Food Group and Trophy Assets Holding at 31 December 2017. In the coming years, Bolster Investment Partners will put the capital raised to work by making additional investments in more exceptional Dutch companies.

MARKET VALUE

At year-end 2017, our total portfolio of private equity investments reflected a market value of over €160 million (2016: over €150 million). The dilution following the spin-off of the management company of Van Lanschot Participaties and the subsequent sale of part of our private equity portfolio is offset by the value increase of our other holdings.

In 2018, Bolster Investment Partners may organise a second closing, growing the fund to a maximum of €160 million. Moreover, Van Lanschot Kempen envisages setting up a feeder fund in the first half of 2018, enabling more clients to invest in private equity.

Bolster.
INVESTMENT PARTNERS

Maintaining our direct minority holdings

Over the years, Van Lanschot Kempen has built a portfolio of direct minority holdings with a focus on entrepreneurs and owner-directors: both existing Van Lanschot Private Banking clients and entrepreneurs who are potential clients. We provided growth capital, facilitated management buy-outs, and acquired shareholdings from existing shareholders.

Our portfolio of direct minority holdings comprised 10 companies at 31 December 2017. No new holdings will be added to this portfolio, but we may decide to make follow-up investments in existing minority holdings. We maintain our long-term investment horizon, and potential divestments will be primarily driven by the development of the companies. This portfolio continues to be managed by Bolster Investment Partners.

In January 2017, we divested our 38.5% stake in TechAccess, a leading value-added IT distributor of hardware and software headquartered in Son, the Netherlands. TechAccess specialises in networking, wireless, cyber security, and datacentre server and storage solutions. During our investment period, TechAccess more than doubled its revenues and operating profits, and acquired a Belgian competitor. The French buyer of TechAccess, Exclusive Group, was able to increase its market presence in the Netherlands through the acquisition.

(In)direct minority holdings[1]

2. Managing non-strategic investments

We hold a number of companies classified as non-strategic investments. These are typically majority interests arising from debt-for-equity swaps we agreed in the past. Our aim is to divest our shareholdings in such non-strategic investments over time; in 2018 we will explore opportunities to divest our stake in Medsen.

At this point, we hold three non-strategic interests: AIO II, Holonite and Allshare. AIO II, based in Breda in the Netherlands, is the holding company of pharmacy chain Medsen and pharmaceutical compounder Ceban. We hold a 72% stake in AIO II. Holonite, in which we hold a 90% stake, makes high-quality composite stone products and finishing elements and is based in Tholen, the Netherlands. Allshare, based in the Dutch town of Hoofddorp, develops software for the financial sector and is a key supplier to Van Lanschot Kempen. We hold a 97% stake in Allshare.

Non-strategic investments

3. Managing interests in private equity funds

We built a portfolio of interests in private equity funds before 2010. As most of these funds are being liquidated, these interests are gradually being wound down.

1 For more information on our investments in associates using the equity method, see page 209.

ADDING VALUE THROUGH SPECIALISATION

I deliver our full fiduciary service to our pension fund clients – including pension funds for everyone from butchers to the tyres and wheels sector – in my role as Senior Fiduciary Manager at Kempen Capital Management (KCM). Although I've been at KCM for seven years, 2017 was a particularly special year: we gained a couple of large clients, one of which is Stichting Pensioenfonds UWV. It's a €7 billion pension fund – we won the tender process in Q1 and spent the next six months on-boarding the client.

Fiduciary management is a broad area – we deal with everything relating to investments for all kinds of pension funds – but within our team, we each have our own specialisations through which we add value. I have two focus areas: the manager selection and portfolio construction process, and KCM's ESG Council for responsible investing.

We put a lot of time and energy into responsible investing – there's a lot of demand from our clients surrounding it. Our ESG Council is made up of several members of KCM's management team plus representatives from many different departments – everyone brings their own area of specialisation to the table. For my part, I represent the client side – giving the external perspective, explaining what our clients are looking for and how they see our ESG policy, and offering advice on where should we be proactive to certain ESG developments. One example is that we recently launched an impact investing pool, so our clients can positively contribute to the UN's Sustainable Development Goals.

Robin Schouten – Senior Fiduciary Manager, Kempen Capital Management

THE PEOPLE BEHIND VAN LANSCHOT KEMPEN

Adapting to change in an evolving world

Van Lanschot Kempen is a professional services company. Our employees' knowledge, experience and professionalism, coupled with personal contact, make all the difference. To stay relevant in a changing world, we need to be adaptive to change. So we invest in building a culture in which we value open feedback and dialogue, through which our employees can grow and develop. In the reporting year, we conducted a new employee engagement survey, defined shared core values across the Group, and continued the discussion around diversity and inclusion. This report gives you an overview of Van Lanschot Kempen's priorities when it comes to our people; for more information, please visit vanlanschotkempen.com/responsible/good-employer.

Having the right conversation

In 2017, Van Lanschot Kempen launched its new HR strategy. It has three key focus areas, all directed towards feedback and adapting to change: employee engagement, leadership development, and performance management. In all three cases, having the right conversation is key: at their core, they are about dialogue in order to learn and develop. We aim for an organisation in which employees can always provide feedback, not only in relation to their own role but in every area. To this end, we have been piloting a new performance management process that will be rolled out in 2018-19 with more focus on continuous feedback and dialogue.

Sharing core values

While corporate and support functions had already been merged in 2015-16, becoming one integrated company was always about more than simply aligning processes. Each business unit has its own valuable culture, but Van Lanschot Kempen is increasingly forming its own identity. Preserving and creating wealth requires specific knowledge, experience and astute long-term solutions. Van Lanschot Kempen is uniquely well-placed to support individual and institutional clients in achieving their long-term goals through wealth. We also defined four core values that are competency driven: entrepreneurial spirit, craftsmanship, dedication and specialisation.

The implementation of these values is currently a work in progress; we are in the process of activating them within the company using various communication tools. In our HR processes, we are embedding them in our recruitment activities, performance management and development conversations, for instance. In our recent engagement survey, 74% of employees agreed with the statement: "I believe our core values are clear". In 2018, we will be able to further evaluate how well our shared core values are resonating.

Embracing diversity and inclusion

The reporting year has seen extensive discussions within the Executive Board on our diversity and inclusion policy. We believe that diversity is an essential part of sustainable success. The case for diversity is often made as a moral imperative; our approach is much simpler: we believe that diversity specifically leads to better decision-making, a better work environment, and fewer blind spots. We also believe that it ensures access to a much bigger talent pool.

In short, diversity means looking for the attributes present in the individual to ensure that the values and goals of the company are adhered to at all times. We do not want to restrict ourselves to any one dimension of diversity – be it gender, colour or race. We believe that several factors, including gender, race, economic and social background, form the basis of diversity in the company – all factors that contribute to independent thinking. To achieve a truly diverse and inclusive organisation, we believe that the creation and pursuit of a level playing field must form the foundation of the decision-making process. A level playing field requires us to have the courage and the conviction to deviate from a one-size-fits-all approach.

Our aim is to go beyond the numbers relating to gender or ethnicity. We strive for a meritocracy – a company in which talented professionals move ahead based on merit. And to achieve that, we need to ensure we're unbiased when it comes to recruitment and promotion, and that we nurture everyone's different talents. From a recruitment perspective, we aim to expand our networks so that we are not continuing to recruit from the same pool of people, but are instead accessing the full pipeline of potential candidates. We therefore pursue a recruitment process that ensures diversity at all levels of recruitment, from young professionals to senior managers.

Encouraging participation

At Van Lanschot Kempen, we think it's important to support people with an occupational disability in helping them find employment. We take our responsibility seriously, and we have set aside budget in 2018 to offer these employees a role at the company.

Healthy, professional and knowledgeable staff

For a professional services company like ours, having professional, knowledgeable and healthy staff is essential, because otherwise we risk not being able to support our individual and institutional clients appropriately. We therefore conduct an employee engagement survey, offer vitality initiatives, and invest in education and training.

Checking employee engagement

Employee engagement is crucial in our business, which is why we take a holistic approach to it. In the autumn of 2017, a new employee engagement survey was carried out among all staff with the help of Willis Towers Watson, an external party specialised in financial services and international benchmarking.

The survey uses the so-called 3E Model: being engaged, being enabled, and being energised. In other words, engagement is only part of the story – being able and having the energy to go the extra mile are equally important. The survey comprised 60 questions, covering topics from whether employees would recommend us as a good place to work, to taking responsibility for one's own career development. The outcome showed we have an engagement score of 81% and a response rate of 82%, making the results highly representative.

Our approach is to conduct an annual survey to measure such topics and, based on the results, to define and/or fine-tune our company-wide initiatives in order to enhance employee engagement. It is a powerful tool for change: based on the outcomes of the survey, employees and managers can work together on both maintaining strengths and building on the topics that require improvement. With quantitative results at hand, we can better align our HR strategy, communication, process and tooling. This also applies for our vitality initiatives.

Investing in mental and physical well-being

Providing a healthy environment for the professionals who work for us is an important part of our identity. We want to prevent rather than cure health problems – whether mental or physical – so we have continued to invest in our vitality initiatives during the reporting year. Two examples of such initiatives include providing fruit for employees every day, and offering discounted gym memberships – both of which have been well received. At the end of 2017, we concluded with our Works Council that starting in 2018, we will offer our employees a personal well-being budget that they can put towards a vitality programme that suits them – whether that's advice regarding healthy eating, taking exercise, or simply finding a better work-life balance.

The absenteeism rate decreased from 3.9% in 2016 to 2.7% in 2017. We continue to focus on health and well-being in the workplace, aiming to maintain or further improve the rate. Absenteeism policies and prevention remain a focal point at Van Lanschot Kempen.

Education and training

As part of our new HR strategy, we also focus on leadership development, which is why we've developed a leadership programme for all managers at Van Lanschot Kempen. Continually giving and receiving feedback is one of the most important elements in learning, and managers in our organisation are key to facilitating this. By developing and strengthening leadership skills and capabilities, we are building a culture that is adaptive to change.

All our employees receive a regular performance review, and in 2017 we invested €4.3 million (2016: €3.7 million) in education and training programmes for our staff. The number of training hours averaged out at 9.4 days per employee per year[1], an increase compared to 2016 (8.2 days).

> "When it comes to our vitality programme, we are moving away from a one-size-fits-all approach. Everyone's needs are unique, and we respect that."
>
> *Dineke Melker – HRM Director, Van Lanschot Kempen*

Recruiting the best talent

Van Lanschot Kempen is a successful organisation, and as such provides opportunities for top talent to really make a difference. Our focus on socially responsible business is becoming more important for new recruits when deciding to come and work for us. In addition, our relatively small size as a business, and the personal approach that comes with that, continues to be a draw for potential candidates. We aim to be an employer of choice for professionals in our area of expertise – using learning, development and the opportunity to work with the best in the industry to attract and retain top talent. During the reporting year, we hired for various new positions as well as taking on around 200 interns, with candidates coming via social media and our network, as well as through our website vanlanschotkempen.com/werken.

Staff composition

The number of FTEs employed at Van Lanschot Kempen slightly decreased in 2017 to 1,658 (2016: 1,670). Of that total, 36% are women, a small decrease compared to the previous year (2016: 37%); in Executive Board membership, that percentage rises from 0% to 17% in 2017, and will rise to 33% in 2018 when Leni Boeren succeeds Paul Gerla as a member of the Executive Board.

Staff	2017	2016
Staff (FTEs at year-end)	1,658	1,670
Absenteeism (%)	2.7	3.9
Investment in training (€ million)	4.3	3.7
Training hours (total number of hours, individually and collectively)[2]	112,255	98,853
Male/female ratio (%)	64/36	63/37

Number of staff	2017		2016	
	Number	FTEs	Number	FTEs
Van Lanschot[3]	1,201	1,131	1,086	1,022
Van Lanschot Belgium	145	137	155	148
Van Lanschot Switzerland	27	24	23	22
Kempen & Co[4]	374	366	500	478
Total	**1,747**	**1,658**	**1,764**	**1,670**

For more information, see vanlanschotkempen.com/responsible/good-employer.

1 Number of training days per employee per year for Van Lanschot Netherlands and Kempen only. The figure is calculated and not based on registration.
2 Number of training hours for Van Lanschot Netherlands and Kempen only. The figure is calculated and not based on registration.
3 Evi is part of Van Lanschot, which means Evi's employee figures fall under Van Lanschot's.
4 The employees involved in the staff department of Kempen were integrated into Van Lanschot. The employees dedicated to Asset Management and Merchant Banking are employed by Kempen.

SPECIALISED KNOWLEDGE AND EXPERIENCE

I manage and control all fiscal issues in the area of VAT, so that we can maintain an optimum VAT position. After graduating with a Master's in Dutch Fiscal Law, I joined Van Lanschot Private Office in 2013. After a six-month traineeship, I dived straight into the world of VAT. My daily work involves giving guidance, advice and recommendations: making sure I'm up-to-speed about new developments in the field – and of course communicating them to my colleagues, and implementing them where needed; training employees on VAT and providing them with relevant schedules and work instructions; and coordinating the outsourcing of VAT activities.

In 2017, across the business we've been implementing acquisitions and setting up new branches abroad – for example in the UK and France. That's had a huge impact on my job because different countries involve a whole different set of laws and regulations, as well as foreign VAT systems and advisers. It requires a great deal of focus and patience but it's a good learning experience.

The dictionary definition of specialisation is "the process of concentrating on and becoming expert in a particular subject or skill" – and that's exactly what I do. The field of tax is huge, but I focus specifically on VAT in the financial services industry – it's almost a specialism within a specialism! And specialisation carries throughout the whole of the company: our specialised knowledge and experience allow us to be extremely client-focused.

Romaris Veldema – VAT Tax Adviser, Finance, Reporting & Control

REMUNERATION

Our people and our knowledge are our most important capital. We want our employees to offer our clients a high level of quality and service, so we pay considerable attention to training and development, and offer our employees a competitive employment package.

Remuneration policy governance

The Statutory Board sets the remuneration policy for employees, based on the advice of the Human Resource Management (HRM), Finance, Reporting & Control, Group Risk Management and Compliance departments. These, together with Group Audit, also have an important part to play in setting up, adjusting, implementing and reviewing our variable remuneration policy. They advise the Statutory and Supervisory Boards and report to them on their conclusions.

The Statutory Board is responsible for implementing our remuneration policy. The Supervisory Board approves our variable remuneration policy, including its general principles, and oversees its implementation. Approval by the Supervisory Board is also required for our variable remuneration pools, any significant individual variable remuneration, and for individual variable remuneration proposed for employees designated as identified staff. The Supervisory Board's Remuneration Committee prepares the Supervisory Board's decision-making on remuneration and advises it in this area.

Fixed remuneration

Employees' fixed remuneration reflects their relevant working experience and organisational responsibilities.

Variable remuneration policy for Van Lanschot Kempen employees

Van Lanschot Kempen has variable remuneration policies in place governing all employees of F. van Lanschot Bankiers (Van Lanschot Bankiers) and Kempen & Co (Kempen), and based on the principle that it ought to be possible to reward employees who distinguish themselves through their performance. According to this principle, every employee can be considered for a variable remuneration award.

Based on operating results, the Statutory and Executive Boards determine whether variable remuneration will be awarded and what amount is available, taking into account achievement of financial and non-financial performance criteria. The boards submit the proposed amount for the variable remuneration pool for the approval of the Supervisory Board, and any deviations also require Supervisory Board approval.

Once the amount available for variable remuneration at Van Lanschot Bankiers and Kempen has been determined, the Statutory Board decides how this variable remuneration will be distributed at Van Lanschot Bankiers, while Kempen's Management Board decides on its distribution at Kempen.

The average variable remuneration of all Van Lanschot Kempen employees who work (largely) in the Netherlands may not exceed 20% of their fixed remuneration.

Variable remuneration of up to 100% of fixed remuneration may be granted on special grounds in individual situations. This only applies to a small number of employees.

Award

Variable remuneration to individual employees is awarded on the basis of individual performance, market competitiveness and special factors. An employee's personal performance is assessed on quantitative (i.e. financial) and qualitative (non-financial) performance criteria, with some departments applying only qualitative criteria. At least 50% of the allocation of any variable remuneration is based on non-financial criteria.

Individual performance is measured based on the degree to which employees have achieved targets set at the beginning of the year. Performance criteria include nothing that might encourage irresponsible risk-taking.

Variable remuneration is only awarded if 1) Van Lanschot Kempen's financial position allows; 2) it is justified by the performance of Van Lanschot Kempen, the relevant business unit and the individual employee; 3) Van Lanschot Kempen meets the prevailing buffer requirements under the EU´s Capital Requirements Regulation (CRR), the Dutch Financial Supervision Act (Wft) and its implementing legislation; 4) the risks taken have been reassessed and no material risks have occurred that were not expected or factored in; and 5) the employee has received a good performance assessment, has met compliance targets, has not been subject to disciplinary measures and has not taken any risks that fall outside Van Lanschot Kempen's accepted risk profile.

Payment

Variable remuneration can be paid to employees entirely in cash up to a gross maximum of €50,000. If it exceeds this amount, 50% of the portion above the gross figure of €50,000 is paid immediately and unconditionally and the remaining 50% conditionally and on a deferred basis over a period of three years following the year in which it was awarded.

The Statutory Board may, with the approval of the Supervisory Board, hold or claw back all or part of the:

- Conditional variable remuneration previously awarded to an employee (or former employee) if payment of the variable remuneration would be considered unfair or unreasonable ("malus");
- Variable remuneration previously paid to an employee (or former employee). This might occur, for instance, if payment was based on incorrect information about achievements or about the conditions on which the variable remuneration depended.

If payment has taken place on the basis of such incorrect information, or has been made in conflict with the variable remuneration policy and/or applicable legislation and regulations, the Statutory Board will exercise its authority in this respect.

Long-term share plan
Our 2015 long-term share plan (LTP) allows us to award variable remuneration to certain key employees, including identified staff. The plan is not open to members of the Statutory or Executive Boards. Offering variable remuneration in the form of depositary receipts for Class A Van Lanschot Kempen shares (“Van Lanschot Kempen shares”), the LTP is governed by our variable remuneration policy. Under the LTP, 60% of the Van Lanschot Kempen shares are awarded immediately and unconditionally, while 40% are awarded conditionally over a period of three years starting in the year after the year of conditional award (the vesting period).

Profit-sharing plan
In 2017, we introduced a profit-sharing plan for all Van Lanschot Kempen employees working in the Netherlands to further increase their alignment with Van Lanschot Kempen as shareholders. As a result, for the 2017 financial year, an equal number of Van Lanschot Kempen shares were granted to all employees in scope in February 2018. The number of shares is linked to Van Lanschot Kempen’s profit and is conditional on this exceeding a certain threshold. A lock-up period of two years applies and the same profit-sharing plan will be offered in 2018.

Remuneration policy for identified staff of Van Lanschot Kempen
Identified staff are employees whose activities have a material impact on the risk profile of the business. Strict additional rules apply to the variable remuneration of this group of employees. The identified staff remuneration policy applies to all identified staff of Van Lanschot Kempen. Members of the Statutory and Executive Boards are not eligible for variable remuneration.

The criteria of the variable remuneration policy for identified staff are the same as for Van Lanschot Kempen’s variable remuneration policy. The variable remuneration of identified staff is paid 50% in cash and 50% in Van Lanschot Kempen shares, while the variable remuneration of identified staff of Kempen Capital Management NV (KCM) is paid 50% in cash and 50% in a flexible mix of Van Lanschot Kempen shares and investments in funds managed by KCM. In all cases, 60% of both parts of the variable remuneration is awarded immediately and unconditionally, and 40% conditionally and deferred. This deferred remuneration is then paid out over a period of three years following the year of award. Whether an award becomes unconditional depends on reassessment of a number of predetermined criteria. If this reassessment leads to a review of the deferred remuneration, a malus penalty system applies. A lock-up period of one year applies to Van Lanschot Kempen shares that have become unconditional.

More information about our remuneration policy for identified staff can be found at vanlanschotkempen.com/remunerationpolicies.

Statutory Board remuneration policy
The remuneration policy for members of Van Lanschot Kempen’s Statutory Board is adopted by the General Meeting following a proposal by the Supervisory Board. The policy is aimed at ensuring a balanced, sustainable and competitive remuneration package.

When adopting the Statutory Board remuneration package, we consider pay ratios within the company. A comparison of the remuneration package of the CEO and the average labour cost[1] of an employee within Van Lanschot Kempen results in a pay ratio of 9:1 (unchanged on the previous financial year).

We ended all variable remuneration for the Statutory Board in 2015. As partial compensation, a fixed remuneration component was introduced in the form of Van Lanschot Kempen shares with a lock-up period of three years.

The share ownership guidelines also stipulate that Van Lanschot Kempen shares held by Statutory Board members must be equivalent to the cash portion of two years’ gross salary for as long as they remain in office. Statutory Board members will gradually meet this requirement over the years through the award of fixed remuneration in the form of Van Lanschot Kempen shares. The share ownership guidelines contribute to Van Lanschot Kempen’s long-term value creation.

The General Meeting granted permission to the Supervisory Board to adjust the fixed remuneration of Statutory Board members. The Supervisory Board decided to increase the total fixed remuneration of the Statutory Board by 3% with effect from 1 January 2017.

In December 2017, Willis Towers Watson conducted a market assessment for the total remuneration package of the Statutory Board. The group against which the market assessment was conducted consisted of peers within:
- The Dutch banking sector;
- Western European specialised stand-alone wealth management companies;
- Dutch corporates (cross-industry benchmark).

The total remuneration of all Statutory Board members came out of this exercise as being significantly below median level for comparable positions inside and outside the financial sector.

For information on the composition of the reference group used for the market comparison of Statutory Board remuneration, please refer to vanlanschotkempen.com/remunerationpolicies. This information is an integral part of the remuneration section.

Statutory Board remuneration package
The following table shows the remuneration package for members of the Statutory Board. There are no early retirement schemes for Board members. Their severance remuneration is in line with current statutory and regulatory rules and amounts to one year’s gross salary. There is also no variable compensation.

Members of the Statutory Board receive a fixed gross salary including holiday pay. Part of this salary is paid in cash in 12 equal monthly instalments. The remainder is paid as a single award in the form of Van Lanschot Kempen shares, with the proviso that Statutory Board members will receive the net equivalent in Van Lanschot Kempen shares and that Van Lanschot Kempen will pay the income tax due on their behalf.

1 The average labour cost is calculated by dividing total staff costs by the number of FTEs working for Van Lanschot Kempen. The total staff costs are detailed on page 192 of the financial statements.

Statutory Board remuneration package	Type of payment	Purpose/rationale
Fixed income	Cash	Reflects responsibilities, performance and market trends
Fixed income	Van Lanschot Kempen shares	Achievement of long-term strategy
Benefits	Payment towards pension and disability insurance, fixed expenses reimbursement	Market competitiveness

The salary of the Chairman of the Statutory Board amounts to €1,004,250 (partly in cash and partly in the form of Van Lanschot Kempen shares).

The other members of the Statutory Board receive a salary of €643,750 (partly in cash and partly in Van Lanschot Kempen shares). A lock-up period of three years after transfer applies for Van Lanschot Kempen shares awarded as part of gross salary, or longer if needed to enable an individual member of the Statutory Board to comply with share ownership guidelines. The number of Van Lanschot Kempen shares to be awarded as part of gross salary each year is determined on the basis of the weighted average price of the share over the first four trading days in January of the year to which the salary relates.

For more information on shares and options granted, see "Remuneration of the Statutory and Supervisory Boards" on pages 222-225 of the 2017 financial statements.

Benefits

The members of the Statutory Board are responsible for their own pension provision, towards which they receive a payment. They also receive a payment for taking out disability insurance. These payments are calculated as a percentage of their fixed annual salary: 20% for the Chairman and 21% for the other members. The payment for disability insurance amounts to 2.45% of the fixed annual salary of the Chairman and 2.59% of the salary of the other Statutory Board members. Members receive a net payment to cover expenses amounting to €5,160 per person per year.

Supervisory Board remuneration policy

The following table summarises the remuneration and expenses paid to members of the Supervisory Board.

Remuneration and expenses (€)	Chairman	Deputy Chairman	Member
Supervisory Board membership fee	75,000	60,000	50,000
Audit and Compliance Committee	15,000		10,000
Risk Committee	12,000		8,000
Remuneration Committee	6,000		4,000
Selection and Appointment Committee	6,000		4,000
Expenses	2,500	2,500	2,500

Remuneration in 2017

Employees' variable remuneration

Variable remuneration totalling €15.9 million was paid to employees (including identified staff) of Van Lanschot Kempen.

Highest remuneration

One person within Van Lanschot Kempen received total annual remuneration of over €1 million in 2017.

Remuneration of the Statutory Board

The tables below show the remuneration and other payments received by members of the Statutory Board in 2017 and 2016.

Remuneration of Statutory Board (€)	2017[2]						2016					
	Total fixed remuneration	Cash	Van Lanschot Kempen shares	Pension payment	Disability insurance payment	Expenses	Total fixed remuneration	Cash	Van Lanschot Kempen shares	Pension payment	Disability insurance payment	Expenses
Karl Guha	1,004,250	779,250	225,000	200,850	24,605	5,160	975,000	750,000	225,000	195,000	23,888	5,160
Constant Korthout	643,750	443,750	200,000	135,188	16,674	5,160	625,000	425,000	200,000	131,250	16,188	5,160
Richard Bruens	643,750	443,750	200,000	135,188	16,674	5,160	625,000	425,000	200,000	131,250	16,188	5,160
Arjan Huisman	643,750	443,750	200,000	135,188	16,674	5,160	625,000	425,000	200,000	131,250	16,188	5,160

2 Total fixed remuneration increased by 3% with effect from 1 January 2017 (in 2017 the increase in total fixed remuneration was paid fully in cash). Pension and disability payments are calculated as a percentage of total fixed remuneration.

Remuneration of the Supervisory Board

The amounts paid to the members of the Supervisory Board in 2017 and 2016 are shown in the following table. In addition, members receive annual expense reimbursements of €2,500.

Remuneration of Supervisory Board[3]	2017			2016[7]		
(€)	Membership fee	Committee fees	Total	Membership fee	Committee fees	Total
Willy Duron (Chairman)	75,000	32,000	107,000	75,000	32,000	107,000
Manfred Schepers (Deputy Chairman)[4]	40,000	9,000	49,000	–	–	–
Jeanine Helthuis	50,000	14,000	64,000	50,000	14,000	64,000
Bernadette Langius	50,000	12,000	62,000	50,000	12,000	62,000
Godfried van Lanschot	50,000	10,000	60,000	50,000	10,000	60,000
Lex van Overmeire[5]	45,833	19,417	65,250	–	–	–
Jos Streppel[6]	25,000	11,250	36,250	60,000	27,000	87,000

3 Some figures have been rounded to the nearest thousand.
4 Manfred Schepers was appointed to the Supervisory Board on 18 May 2017.
5 Lex van Overmeire was appointed to the Supervisory Board on 30 January 2017.
6 Jos Streppel stepped down from the Supervisory Board on 18 May 2017.
7 Tom de Swaan stepped down from the Supervisory Board on 25 February 2016. In 2016, he received €8,167 in remuneration.

FUND SELECTION IS TRULY A CRAFT

I started my career as a trainee at ABN AMRO in 1995, and joined Staalbankiers as a private banker and investment adviser in 2000. I moved over to Van Lanschot from Staalbankiers in December 2016, so it's been an interesting transition.

Here, I'm a Senior Portfolio Manager responsible for two discretionary asset management services that were carried over from Staalbankiers: Index+ and Fondsbeheer. As well as making sure that our clients' portfolios are in line with the relevant models, I also visit clients together with a private banker so we can give them special explanations when needed. One new responsibility I've taken on in the last few months is to communicate about the funds selected by Kempen to our advisers.

For me personally, I believe that our discretionary asset management is really a craft. I also see craftsmanship in the way that Kempen Asset Management is selecting funds for Van Lanschot – it's extremely professional, absolutely first class. Van Lanschot is then using those funds for its private banking and asset management clients. What I see is truly the top of the Dutch market – the quality is impressive, and I believe it's more than what other wealth managers are doing. That makes me proud of what we do.

Effi Bialkowski – Senior Portfolio Manager, Van Lanschot Private Banking

RISK AND CAPITAL MANAGEMENT

KEY RISK THEMES FOR VAN LANSCHOT KEMPEN

1. Interest rates and financial market volatility are at extraordinarily low levels, mainly due to accommodative monetary policies. At the same time, stock valuations are historically high. Although this trend is supported by strong economic growth and corporate earnings, it would appear that risk premiums have become less related to underlying values. Against the background of uncertainties such as Brexit and structural vulnerabilities such as government debt levels, the risk of a stock market correction has increased. Whereas a continued low and flat yield curve environment would put further pressure on our net interest margin, a sharp correction in equity markets would impact our fee income. However, tapering measures by the European Central Bank are expected to lead to slowly rising interest rates in the course of 2018.

Actions: Within the Asset & Liability Committee (ALCO), macroeconomic developments and financial markets are monitored and discussed on a monthly basis, with extra attention devoted to interest rate risk management, including stress testing and analysis of changes in client behaviour. Considering current risk levels and uncertainties, we are keeping our equity duration low, mainly by using interest rate swaps. We maintain solid capital and liquidity buffers and aim for continuous optimisation of our balance sheet composition. Risk appetite for our investment portfolio has traditionally been very conservative.

2. Cybercrime is one of the main threats facing the financial services industry. In 2017, several worldwide ransomware cyberattacks dominated the news. In addition to the monetary implications of cyberattacks, client privacy and reputational damage are key concerns. Technological developments such as blockchain and cloud computing are accelerating at an unprecedented pace and cyber security is becoming increasingly complex. Defining the appetite for cyber risk is high on the agenda at board level. To date, the focus has mainly been on protective measures, but more and more efforts are being focused on preparing the organisation to quickly respond to any incidents and mitigate their impact. Last year, Van Lanschot Kempen effectively managed cybercrime. There were few incidents, which had hardly any impact.

Actions: Whereas we are currently at par with industry standards on cyber security, we aim to go one step further and have developed a comprehensive plan for 2018. As well as technological measures such as intrusion detection and reinforced security of servers and devices, we will continue to invest in preventive measures such as awareness programmes and staff training. Other measures include automated code reviews of internally developed software, penetration testing and red teaming. With our scale and budget we need to develop intelligent solutions and work closely with our industry partners.

3. A decade after the onset of the financial crisis, the amount and complexity of regulation is still increasing. The European Banking Authority (EBA) continues to issue technical standards and the Single Supervisory Mechanism (SSM) is leading regulators to put pressure on bank staff via asset quality reviews, benchmark studies, data requests and on-site inspections. In 2017, substantial resources were spent on implementing IFRS 9 and MiFID II. For 2018, resolution planning, AnaCredit and RRE reporting and analysis of the revised Basel framework are all on the agenda. Apart from the potential impact on tactical and strategic decision-making, the cost of complying with these regulations is high. In many cases, wealth managers such as Van Lanschot Kempen have to meet the same standards as high-street banks. Correct and timely implementation is a costly and complex undertaking.

Actions: Senior staff within the Finance, Risk and Compliance departments have a dedicated focus on regulations. For high-impact regulations, we take a multi-disciplinary project approach in order to ensure timely implementation and stakeholder involvement. Regulatory projects are given high priority on the IT change calendar. We maintain a proactive dialogue with our regulators and, where possible, look for practical solutions to address proportionality.

Risk management

We have traditionally sought to achieve a solid profile, expressed in transparent risk levels coupled with a robust liquidity and capital position. The risks we run are set out in the following sections. More detailed descriptions can be found in the financial statements, where these risks are also quantified, wherever possible, in terms of their impact on Van Lanschot Kempen (see section on risk management from page 122).

After the full integration of second-line risk management activities and governance within Van Lanschot Kempen in 2016, the focus in 2017 was on optimising non-financial risk management. Whereas we managed to structurally lower our financial risk profile as a result of deleveraging our balance sheet and simplifying our strategy, operational and information risk management remains challenging – and especially so while Van Lanschot Kempen is still in the transition phase towards its envisaged end-state as a specialist wealth manager, with many change projects running in parallel. To mitigate non-financial risks, our risk managers aim to partner with the businesses at an early stage in decision-making in order to balance risk and return. Special attention will be paid to behavioural risk management and risk culture, with the focus shifting from traditional operational processes to outsourcing, cloud computing and digital services.

Risk appetite

Every year, we evaluate our risk appetite, which is then communicated in a risk appetite statement containing both qualitative and quantitative elements. Our risk appetite represents our willingness to accept the risk of certain losses or decreasing buffers, and as such sets our operating boundaries. The statement is prepared by the Statutory Board and is subject to the Supervisory Board's approval.

Targets and risk limits are more dynamic and may be adjusted from time to time, and at least annually. That said, we do not change the key principles that underlie our risk appetite and create the framework within which we operate:

- We only take risks that we understand and can explain;
- We only take risks that – directly or indirectly – serve our strategic objectives;
- The sum of all risks taken should not exceed our risk-bearing capacity;
- When taking risks, we take the requirements and expectations of all stakeholders into account;
- We do not take any risks that could seriously harm our reputation;
- Our risk appetite should be considered in all business decisions at every level of the organisation;
- We avoid risks that could lead to legal or regulatory breaches.

A risk dashboard and progress report is discussed by the Group Risk Committee every quarter and periodically by the Risk Committee of the Supervisory Board. Risk-taking is in the nature of banks; low risks are not a means to an end. It may be appropriate for various reasons to accept a higher risk, either temporarily or for a prolonged period. We always consider both gross and net – i.e. after mitigating measures – risk positions, paying extra attention to high risks.

A simplified version of the risk dashboard at year-end 2017 shows scores and risk appetite for each individual risk type.

	Low	Medium	High
Strategic risk		○ □	
Credit risk	○	□	
Market risk	○ □		
Liquidity risk	○ □		
Interest rate risk	○ □		
Operational risk		○ □	
Information risk		○ □	

○ Risk score □ Risk appetite

For more information on risk appetite and our management of the various risks, see the section on risk management in the financial statements.

Strategic risk

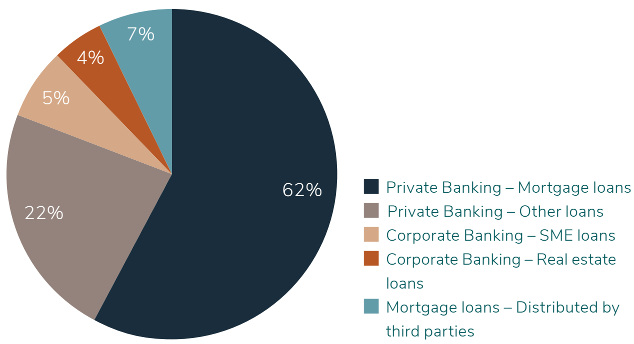
Strategic risk can be defined as the risk to Van Lanschot Kempen's results or continuity resulting from failure to respond adequately to changes in external factors or from incorrect strategic decisions. External factors include the actions of competitors, clients, potential market entrants and public authorities. In addition, keeping pace with technological developments and fintech is a key topic on the strategy agenda. We use a range of performance indicators – such as growth of assets under management, net result, efficiency ratio and FTE trends – coupled with a more qualitative assessment to monitor and control strategic risk. The magnitude and development of this risk type is discussed each quarter by the Executive Board and reported in our risk appetite report. Due to the challenging environment and the strategic transformation that we are undertaking, we currently classify our strategic risk as "medium". The SWOT analysis on page 13 shows how we assess our own position and the influence of external factors.

Business risk, a key component of strategic risk, is the risk of lower than expected profits or additional losses due to an inability to adapt fixed costs at the same pace as variable earnings. To determine capital levels for Pillar II purposes, we use a risk model that is primarily based on the ratio between fixed and variable costs.

Credit risk

Credit risk is still one of the most significant risk types to which a bank is exposed. Our loan portfolio amounts to €9.1 billion and has manageable risks. Almost 70% of this portfolio consists of mortgage loans, primarily to high net-worth individuals. Credit quality significantly improved in 2017, reflecting a strongly growing economy, a continuing rise in house prices in the Netherlands and declining structural unemployment. These effects fed through to our loan portfolio with a slight lag. Positive rating migration is visible in nearly all portfolios. We use the most sophisticated risk models (internal ratings-based approach) to measure and monitor credit risks for our mortgage portfolio. Loan losses in 2017 were at historically low levels. Our loan portfolio and credit risks are concentrated in the Netherlands (97%). Lending in Belgium and Switzerland is limited and mainly concerns Lombard loans with a low risk profile.

Loan portfolio, excluding provision
(100% = €9.2 billion)



Corporate Banking's loan portfolio, made up of small and medium-sized enterprises (SMEs) and commercial real estate loans, is being wound down in a careful and coordinated manner, in line with our wealth management strategy. Winding down this portfolio lowers our risk profile structurally.

The risk of concentration in the overall loan portfolio is relatively limited, and eased further in 2017. The ten largest loans to individual counterparties other than financial institutions totalled €237 million at year-end 2017 (2016: €272 million).

84.6% of all borrowers held loans of less than €10 million at year-end 2017 (year-end 2016: 83.4%). Our policy is to actively reduce the highest limits in order to contain the concentration risk – and its potential impact on Van Lanschot Kempen's result – to the maximum possible extent.

Responsible lending policy

Clients and other stakeholders have approached Van Lanschot Kempen in recent years with sustainability questions about our corporate loan portfolio. These mostly focus on how we prevent our corporate lending activities from having adverse environmental or social impacts. We responded to these risks by drawing up a comprehensive responsible lending policy in 2011. This policy, which was also in force in 2017, provides for periodic sustainability screening (due diligence), via a risk filter, of all existing and new corporate loans and includes themes such as human rights, social and employee matters, environment, anti-corruption and bribery. The negative screening did not identify any material sustainability issues in the portfolio. The number of potentially high-risk borrowers fell from 27 to 19 in 2017, in line with winding down the corporate loan portfolio. We are currently talking to these borrowers about specific sustainability risks and how these might be mitigated. For more information on this policy and its results, see our CSR supplement and vanlanschotkempen.com/responsible/core-banking-activities.

A separate policy was created a few years ago for assessing the sustainability of financial institutions with which Van Lanschot Kempen has a banking relationship (vanlanschotkempen.com/responsible/core-banking-activities). This policy aims to prevent the risk that client assets find their way – through interbank loans for instance – to institutions with weak or non-existent CSR policies. Van Lanschot Kempen challenges financial institutions that have not developed sufficiently visible policies. In 2017, we engaged with two such institutions to seek additional information on their sustainability policies. One of these cases is still pending, the other ended in a divestment.

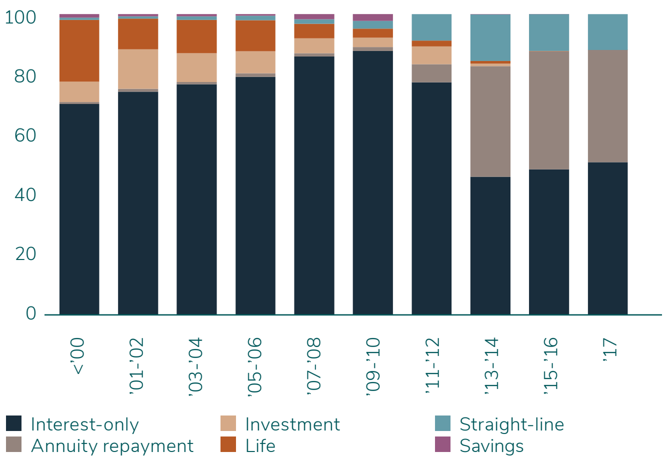
In 2017, the Belgian sustainability organisation Forum Ethibel carried out its fifth annual audit to verify our responsible use of client assets. We were pleased to once again receive their annual sustainability certificate.

Mortgage loans

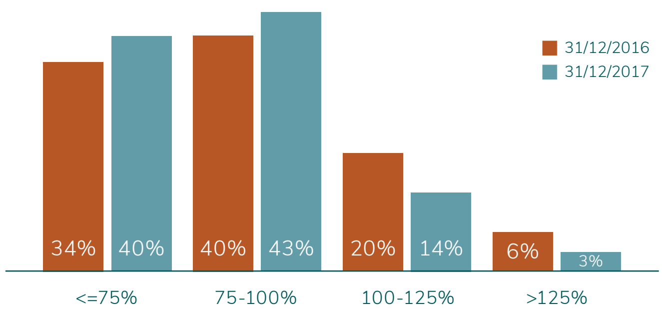
Almost 70% of our loan portfolio consists of mortgages, primarily to high net-worth individuals. Our aim is to keep the size of our portfolio stable, so new business should offset prepayments and redemptions. Our portfolio differs from that of other Dutch mortgage lenders, for instance, in that the average loan amount of approximately €460,000 is considerably higher, making it slightly more sensitive to a fall in underlying house prices. In 2017, the portfolio's weighted average loan-to-value (LTV) ratio improved to 81% at year-end (year-end 2016: 87%) thanks to both prepayments and rising house prices. A clear positive migration trend is visible in our rating models, implying that credit quality is improving.

In 2017, we started a pilot to make a selected group of mortgage clients more aware of energy savings and energy production (e.g. insulation, solar panels) and of the growing possibilities to finance these. Following a positive client response, we expanded the pilot to all mortgage clients.

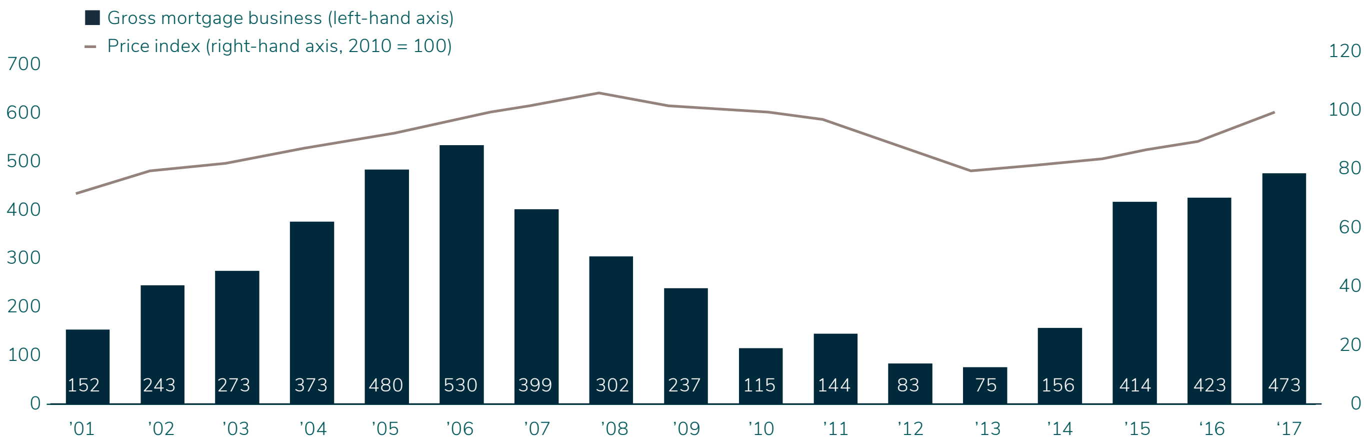
Mortgage loans: new production by type (%)



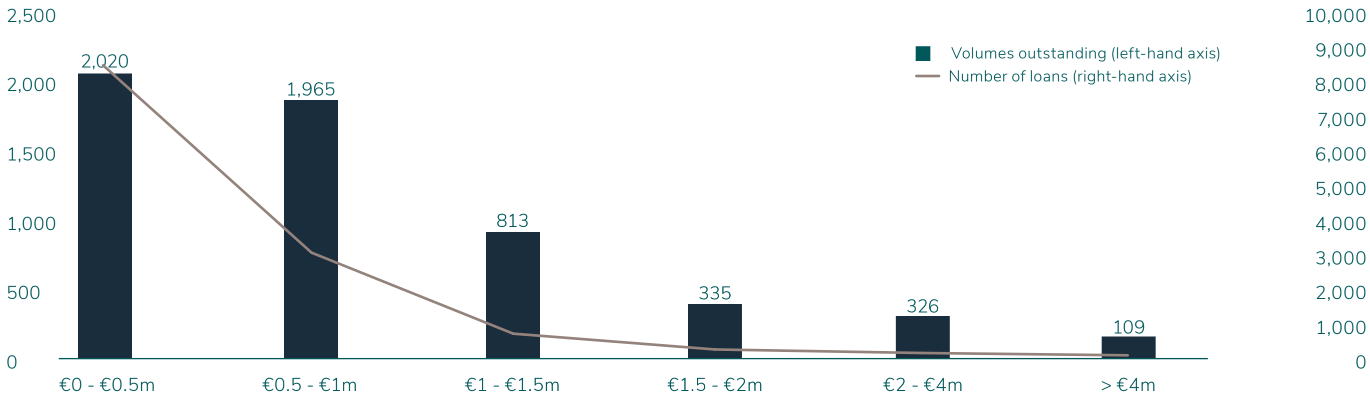
Mortgage loans: loan-to-value



Mortgage loans: remaining gross business per year (x € million) compared with house price trends

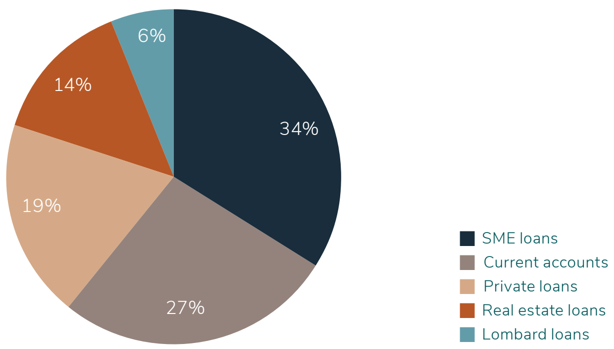


Mortgage loans: outstanding volumes (x € million) and number of loans by size



MORTGAGE LOANS DISTRIBUTED BY THIRD PARTIES
In 2015, we started to provide mortgages through a network of intermediaries, branded as Hypotrust. Our aim is to build a portfolio of regular Dutch mortgages to supplement our investment portfolio, enabling us to generate attractive returns on available liquidity. These mortgages are subject to strict acceptance criteria and the size of this portfolio amounted to €600 million by year-end 2017 (year-end 2016: €485 million). We have set the limit for this portfolio at €750 million, approximately 12.5% of the total Van Lanschot mortgage portfolio.

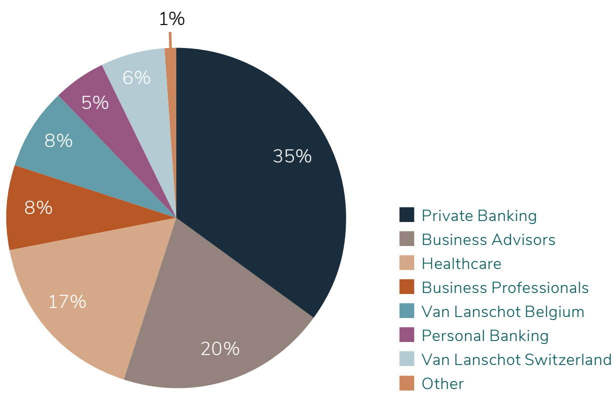
Other Private Banking loans by type of loan (€2.0 billion)



The proportion of interest-only mortgage loans is trending down as a result of regulation, industry-led measures, clients' focus on deleveraging, and amended tax legislation. In recent years, rules on mortgage offerings in the Netherlands have become more stringent. Interest-only mortgages are restricted and discouraged, tax deductibility of interest payments on mortgages is becoming increasingly limited, and the maximum LTV at origination has been lowered to 100%. These measures will structurally lower the risk profile of Dutch mortgage loans in general and our portfolio more specifically, albeit slowly.

In 2017, the Dutch banking industry investigated the risk of interest-only mortgages that will mature in the next 10 to 15 years. Repayment or refinancing might become troublesome for some clients – particularly older clients – with decreasing incomes. We believe that this will only be the case for such clients with high LTVs at maturity date, and without any available savings or investments. Recently, we started initiatives to raise awareness among this specific group of clients about challenges surrounding the repayment of their mortgages.

Other Private Banking loans by type of client (€2.0 billion)



Other Private Banking loans

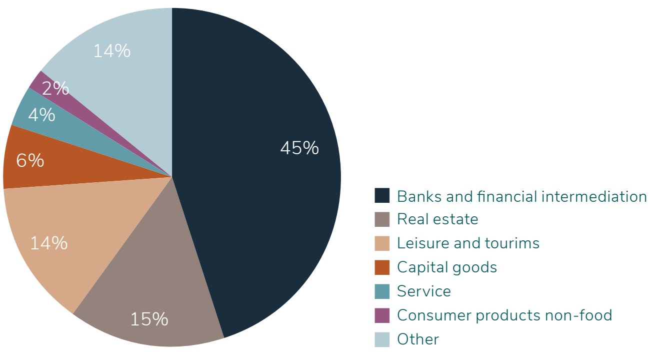
This part of the loan portfolio consists of loans to high net-worth individuals, in the shape of overdraft facilities or of funding for a second home, for instance. Commercial activities that fit into Private Banking's relationship model, such as funding investments for family businesses, business professionals and executives and healthcare professionals, also belong to this category. Our aim is to keep the size of this portfolio stable. The average loan size is approximately €136,000.

SME credit and real estate loans

In 2017, we continued to wind down our Corporate Banking loan portfolio, made up of SME credit and real estate loans, in line with our strategy. The run-down is progressing well; since 2013 this portfolio has shrunk by more than 76%, thereby reducing risks significantly. The SME loan portfolio is well diversified, with no dominant sector. The average loan size amounted to €1.01 million at year-end 2017 (year-end 2016: €1.65 million).

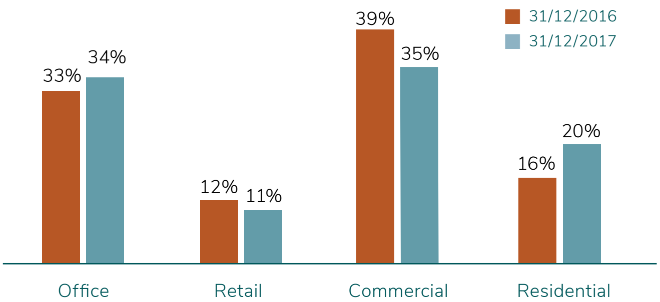
In 2015, we sold a portfolio of non-performing commercial real estate loans to a company affiliated to Cerberus Capital Management LP. The sale concerned loans with a total nominal amount of €400 million and about 120 client relationships. A limited number of individual debtors have initiated legal proceedings in relation to this sale, stating that the transfer of the debtors' loans and the rights related to these loans were invalid. To date, none of these claims have been successful, with one exception. In relation to one individual debtor, the court ruled that the transfer of the contractual relationship with the debtor to the buyer of the loan was invalid. However, the transfer of the claims under the loan to the buyer of the loan, and the rights related to the loan, was upheld in the decision. We have appealed against this decision. The potential financial impact of the ruling – whether positive or negative for us – is likely to remain limited.

Corporate Banking: SME loans by sector
(100% = €457 million)



Our portfolio of real estate loans is well diversified. It, too, is being wound down across the board and its breakdown has hardly changed as a result. Project development loans account for less than 1% of this portfolio. The average loan size of our real estate loans amounted to €1.5 million at year-end 2017 (year-end 2016: €1.8 million). Average LTV ratios improved to 70% (year-end 2016: 73%).

Corporate Banking: real estate loans by collateral
(100% = €411 million)



Many of our real estate loans are provided on the basis of a total quality assessment of their borrowers, rather than just taking into account the cash flows from the property. The debt service coverage ratio (DSCR) is calculated so that we can determine the extent to which a client will be able to make interest and principal payments from the rental income generated by their commercial real estate. At year-end 2017, 78.5% of our real estate loans generated a rental income sufficient to cover interest and principal payments, i.e. had a DSCR of over 1 (year-end 2016: 77%). Clients with a DSCR of less than 1 often have other income they can use to service their loan obligations.

Impaired loans
Impaired loans are loans for which a provision has been taken. At year-end 2017, impaired loans accounted for 4.0% of the loan portfolio (year-end 2016: 5.1%). A provision equal to 31% of these loans was taken (2016: 31%). As a result, specific provisions amounted to €115 million. In 2017, we achieved a further net release of €11.9 million (2016: €6.9 million). Current provisions as well as expected losses have fallen significantly. The teams for preventive and intensive management are contributing well to the reduced inflow into the Restructuring & Recovery department.

From January 2018, the new IFRS 9 standard will apply, and this will entail a revised approach to calculating loan losses (from incurred losses to expected losses). We are well prepared for this new standard and its impact on our loan loss provisions will be relatively limited. See pages 108-109 in the financial statements for more details on this change and its impact.

For more information about credit risk, please refer to the discussion of risk management in the financial statements, Section 2, "Credit risk".

BASEL REGULATORY FRAMEWORK
In December 2017, the Basel Committee on Banking Supervision published its finalised regulatory framework, often referred to as "Basel IV". This final package includes a revised standardised approach for credit risk, revisions to the internal ratings-based approach for credit risk, an aggregate output floor on RWA and a revised standardised approach for operational risk. The revised standards will take effect from January 2022 and will be phased in over five years. We will carry out a comprehensive assessment in the first quarter of 2018, but it is already clear that the impact of the final package for Van Lanschot Kempen is more limited than appeared from earlier consultation versions, due to the output floor of 72.5% and the recalibration of the standardised risk weights for mortgages. On the basis of our current balance sheet and credit models, provisional calculations suggest that our risk-weighted assets should increase by no more than 10% on the implementation of Basel IV. Our provisional calculations are based on assumptions about the actual implementation of the Basel IV proposals in legislation.

Market risk
Van Lanschot Kempen is exposed to a limited degree of market risk through its client-servicing activities. All exposures are the result of client-facilitating transactions. At Kempen Merchant Banking, we perform equity and structured product transactions for clients and provide market liquidity, which may result in temporary trading positions. The same applies at Van Lanschot Private Banking and Corporate Banking with regard to transactions in interest-related and foreign currency products: temporary positions may arise from our efforts to facilitate our clients' requests. We invest in our own investment funds to support Kempen Asset Management, with the aim of aligning our interests with those of our clients. The Risk Management department monitors market risks on a daily basis.

For further information on market risk, see Section 3, "Market risk" in the financial statements.

Liquidity risk

We take a cautious approach to liquidity risk and aim to hold solid liquidity buffers. In 2017, we further optimised our balance sheet, maintaining a very robust liquidity buffer in terms of both size and composition, to match our risk profile and appetite. The total liquidity buffer at year-end 2017 amounted to €4.2 billion (2016: €4.1 billion) with the liquidity coverage ratio standing at 163.6% (2016: 156.6%).

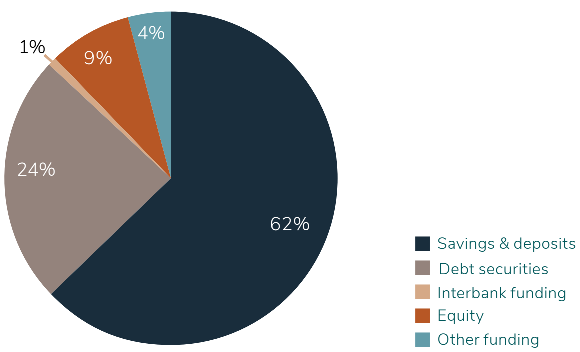
The procedures, processes and reporting associated with liquidity risk management are combined in our internal liquidity adequacy assessment process (ILAAP), which is assessed by our regulator annually. Our 2017 ILAAP was rated satisfactory in both qualitative and quantitative terms. We further refined our liquidity stress scenarios in 2017, with these being discussed by ALCO every month. The outcomes of the stress tests showed that Van Lanschot Kempen is capable of absorbing acute and persistent liquidity stress.

Funding

As a result of running off the corporate loan book, our balance sheet is evolving to a situation in which the majority of loans are retail loans, which are to a large extent funded by a base of sticky savings and deposits. In addition, we aim to keep sufficient diversification in our funding mix by supplementing the savings and deposits base with issuances of secured debt under the Conditional Pass-Through Covered Bond programme. In February 2017, we successfully issued another conditional pass-through covered bond with a size of €500 million and a maturity of ten years at an attractive spread. In 2018, redemptions of a senior unsecured bond and an RMBS issue are due. As our liquidity buffer is currently very strong at €4.2 billion, we can comfortably facilitate these two upcoming redemptions.

In view of the rising cash levels resulting from our wealth management strategy, we continue to pursue a deposit pricing policy that is ultimately aimed at acquisition of assets under management.

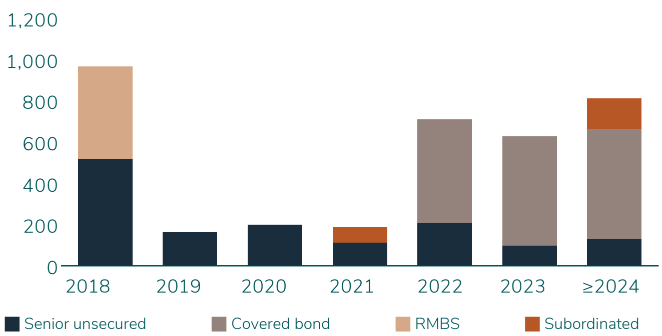
Funding mix (100% = €14.7 billion)



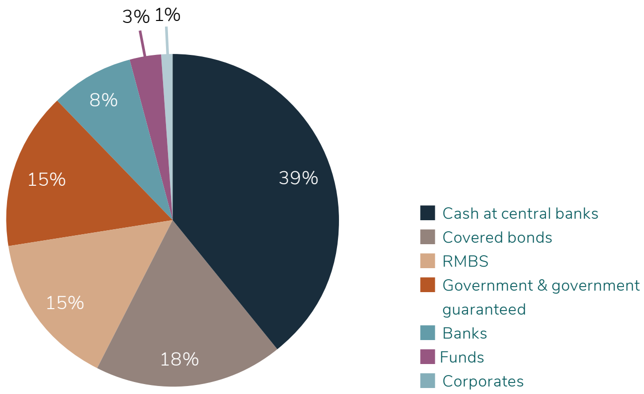
Investment portfolio

Our investment portfolio is maintained primarily for liquidity purposes and consists mainly of liquid, low-risk instruments. It amounted to €4.4 billion at year-end 2017, up from €3.8 billion at year-end 2016. The size and composition of the portfolio was relatively stable in 2017, with only limited transactions. There are strict limits on instrument types, counterparties, countries, ratings and credit spread risk.

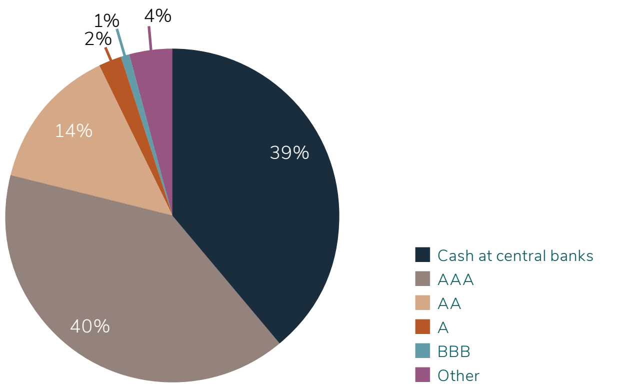
Funding redemption profile (x € million)



Investment portfolio and liquidity by counterparty (100% = €4.4 billion)



Investment portfolio and liquidity by rating (100% = €4.4 billion)



Moreover, the liquidity coverage ratio (LCR) requirements are relevant boundaries for this portfolio, with ALCO periodically reviewing its mandate and limits.

We review our investment portfolio every year to ensure that it meets our environmental, social and governance criteria. Investee financial services companies are subject to our policy on CSR for financial institutions as outlined above. Corporates in the portfolio are assessed for compliance with our policy on responsible investment (see page 47). To date, we have not encountered any sustainability issues in our investment portfolio.

For further information on our liquidity risk, see Section 9, “Liquidity risk”, in the financial statements.

Interest rate risk

In 2017, interest rates consistently remained at low and flat levels. Swap rates turned negative for maturities of more than five years and a wide range of bonds recorded negative yields. These market interest rate developments translated into a further reduction in client rates for both loans and client deposits.

Client preference for long interest rate maturities for mortgages persisted, for newly agreed mortgages as well as for interest rate resets. By December 2017, approximately 56% of the mortgage portfolio consisted of loans with remaining fixed-rate terms of eight years or over. On the liability side of the balance sheet, clients kept their balances in savings accounts, in anticipation of rising interest rates. Appetite for term deposits diminished to almost zero. From an interest rate risk perspective, the combination of mortgages with long interest rate maturities, funded to a large extent by savings and deposits, poses new challenges, as there is less room to adjust loan rates in the event of rising future funding costs. This risk was partly offset by the issuance of a fixed rate covered bond instrument (€500 million) with a maturity of ten years in February 2017.

Falling yields on newly purchased bonds in our relatively large investment portfolio, combined with lower rates on new and repricing loans, inevitably had a negative effect on net interest income. However, this was mitigated to some extent by lowering the rates paid on savings and deposits. By the end of 2017, savings rates were at the “natural floor” of 0%, limiting the room for additional rate reductions.

For earnings at risk, we have set a limit of 10% net interest income loss in the first twelve months, relative to our baseline scenario. All stress scenarios remain well within this boundary. Long-term interest rate risk is mainly addressed using the economic value approach, which looks at how movements in interest rates impact on the value of our assets and liabilities. The main metric used in the economic value calculation is duration analysis. The duration of equity reflects how much the economic value of our equity capital would change as a result of movements in market interest rates. During 2017, ALCO kept duration within a three- to four-year range, balancing risk and return in light of the historically low and flat yield curve.

For more information on interest rate risk, see Section 8, “Interest rate risk”, in the risk management section of the financial statements.

Non-financial risk

Non-financial risk encompasses operational risks, information risks and business continuity risks. Operational risks arise from inadequacies or shortcomings in internal processes, people and systems, or from external events. To identify and manage non-financial risks, we have created a group-wide non-financial risk framework. An essential element in this is the control framework that allows us to test the effectiveness of key control measures in our processes and systems on a regular basis. Examples of other instruments that we use for measuring and monitoring non-financial risks are incident root cause analyses, risk self-assessments, risk heat-maps and key risk indicators.

We operate our non-financial risk framework in accordance with the three lines of defence model. This means that the management teams at individual departments and units (the first line) are primarily responsible for managing their specific non-financial risks. Our Group Risk Management department (the second line) supports management in this task by actively and independently identifying, measuring, monitoring and controlling non-financial risks. It also reports regularly on operational risk to senior management. Finally, Group Audit (the third line) monitors whether the activities of the first and second line are effectively mitigating risks. We have also defined a non-financial risk appetite, which is actively managed. Moreover, we use insurance to cover certain non-financial risks.

In 2017, we strengthened our non-financial risk management competencies. To increase its effectiveness, the second line of defence now interacts more closely with the businesses, the aim being to encourage an increasingly risk-based approach at the businesses and to align policies more frequently. In addition, behavioural risk management will be embedded more structurally so as to assess and influence human behaviour and culture as a way of further mitigating operational risk. One of our key focuses has been (and will be) cybercrime. We have invested significantly in this area and are currently at par with industry standards. We aim to go one step further. As well as technological measures, we will continue to invest in preventive measures such as awareness programmes and staff training. With our scale and budget we need to develop intelligent solutions and work closely with industry partners.

For more information about operational risk, please refer to the discussion of risk management in the financial statements, Section 4, “Operational risk”.

CLIENT-CENTRICITY

We aim only to offer financial products and services that our customers need – this is also in line with legislation. In addition, these products must be easy to understand, not unnecessarily complicated, cost-efficient and safe under all market conditions. In order to balance client interests, risks and returns, we evaluate all new products and services before they are launched via the new product approval process. Existing products and services are also periodically tested via the product review process. If these processes show that a product or service does not meet the criteria described above, the product or service is adapted or terminated. Representatives from across the organisation are involved in approving products. The final decision lies with the Product Boards, in which members of the Executive Board are also represented.

Compliance risk

Our Compliance department helps to ensure that our staff adhere to legislation, internal regulations and our own Code of Conduct at all times. Non-compliance with legislation may result in significant reputational damage and/or financial losses. The Compliance department plays a key role in safeguarding the integrity of our operations. Both domestic and international laws continue to increase in volume and complexity. We need to constantly appraise whether our processes and procedures remain compliant with changing laws and regulations.

ETHICAL CULTURE

The financial sector is built on trust, and an ethical culture is needed to sustain this trust with all our stakeholders. Van Lanschot Kempen has various instruments in place to encourage an ethical culture and ensure that we act with integrity and meet societal norms and values. We comply with the applicable rules and regulations and also adhere to the Banking Code. All employees have taken the Banker's Oath and are required to adhere to our Code of Conduct. We have various mechanisms in place to enhance and promote ethical behaviour. These all help prevent unethical behaviour that could result in significant reputational damage and/or financial losses for our clients or for us.

Banking Code, Code of Conduct and Banker's Oath

The Banking Code, with which we comply, sets out principles for sound and controlled business operations, corporate governance, risk management policies, and audit and remuneration policies, and its scope includes the integrity of the organisation. For more information, see page 90. As stated in the Banking Code, the Statutory and Supervisory Boards are responsible for developing and maintaining standards of integrity and ethical behaviour. Our Code of Conduct, to which every employee has to adhere, goes further than complying with relevant legislation. It includes guidelines setting out how employees should act with integrity and carefully take into account the interests of all stakeholders. Our Code also includes the Banker's Oath. For more information on our Code of Conduct, see vanlanschotkempen.com/en/governance.

Mechanisms for advice and concerns about ethics

Employees have various avenues open to them for seeking advice on ethical issues or raising concerns about these, e.g. via their managers, the Legal department, the Compliance and/or CSR departments, and via our Ethical Council. We also have a whistleblower policy in place and have appointed a confidential adviser that employees can turn to.

There were no material incidents in 2017 resulting from failures to comply with our Code of Conduct, Banking Code or Banker's Oath, or other ethical incidents.

In 2017, our Compliance department paid special attention to four issues: our duty of care towards our clients, client due diligence (CDD), privacy and MiFID II. The department's activities focused on international structures and further improving the effectiveness of CDD monitoring. Compliance was also involved in the acquisition of UBS's wealth management activities in the Netherlands, closely monitoring CDD and duty of care requirements related to these private banking clients. The need for correct, clear and non-misleading client communication was another focal area. In 2017, various departments were involved in the implementation of privacy legislation, specifically the General Data Protection Regulation (GDPR). At Van Lanschot Kempen, we see the protection of our clients' privacy as a key element of our financial services offering.

The implementation of MiFID II will have a major impact on Van Lanschot Kempen. In 2017, we had a group-wide project structure in place to closely monitor all regulatory developments and to ensure timely implementation of any necessary changes. The impact of MiFID II is most significant within Kempen Merchant Banking, because of its requirement to unbundle research and execution fees. Van Lanschot Private Banking and Kempen Asset Management are affected as well. More information on the impact of MiFID II on our Private Banking, Asset Management and Merchant Banking business can be found in the relevant sections.

Together with five other Dutch banks, Van Lanschot Kempen has agreed to abide by the derivatives recovery framework to enable the efficient handling of the derivatives issue for SME clients in the Netherlands. Up until 2013, we sold interest rate derivatives to our SME clients as part of our corporate lending as an alternative to fixed-rate loans, observing due care. In terms of both clients and interest rate swaps, the numbers were relatively small and arrangements were typically customised, with only plain vanilla interest rate swaps and caps sold that fitted in with our client lending. In 2017, we sent a proposal for compensation to all our affected clients. We expect to have compensated these clients by the end of the first quarter of 2018.

There were no material incidents in 2017 resulting from failures to comply with legislation on our duty of care towards our clients, fraud, marketing communications, privacy or any other forms of liability for products or services.

Capital management

Over the course of 2017, we made further progress with our capital strategy. Our Common Equity Tier I ratio (CET I, fully loaded and including retained earnings) increased from 18.6% at year-end 2016 to 20.3% at year-end 2017. The total capital ratio rose from 19.5% to 22.1%. As in previous years, active reduction of RWA mainly in the Corporate Banking loan book, was the main contributor to the strong growth in solvency ratios, but underlying credit quality is also improving. Our CET I ratio is well ahead of our target range of 15-17%.

CUSTOMER PRIVACY AND DATA SECURITY

Van Lanschot Kempen is subject to the Dutch Personal Data Protection Act (*Wet bescherming persoonsgegevens* – Wbp), and endorses the code of conduct for processing personal data by financial institutions, which takes Wbp a step further and takes account of the specific features of the financial sector. We are currently integrating the requirements of the General Data Protection Regulation (GDPR) into our policies on processing personal data and the specific processes and procedures involved in this. The GDPR will be applicable from 25 May 2018. We also pay regular attention to building employee awareness of these issues, and have appointed a Privacy Compliance Officer and created a framework for managing personal data protection. Reporting according to the GDPR is included in our compliance reports and is reviewed in the various committees under the heading of Compliance.

We have a system in place to record all complaints, including reporting of any breaches of client privacy or leaks of client data. The system registered no material complaints from clients or regulators on this particular issue in 2017.

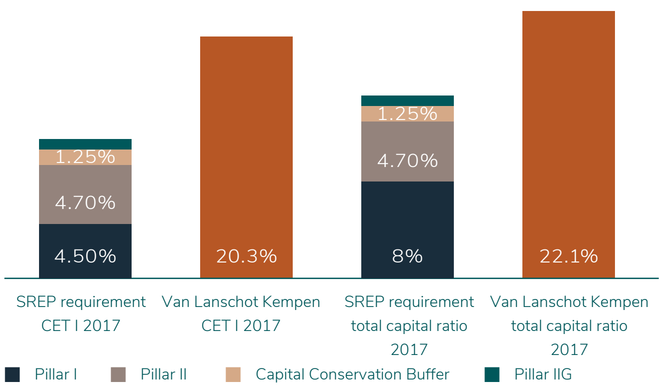
In keeping with the next step in our capital strategy, we returned €1 per share in equity capital to our shareholders in December 2017. Our objective is to distribute at least €250 million of excess capital to shareholders, in the shape of dividends and capital returns, in the period up to and including 2020, subject to supervisory approval. Including the capital return and the dividend made payable in 2017, over €90 million of this has already been returned to shareholders.

With the successful restructuring of €100 million of outstanding Tier II capital instruments to fully CRD-compliant instruments in 2017, we have further strengthened and diversified our total capital base, enabling more flexibility in our capital strategy. As bail-in (loss absorption) currently stands, we already comply with the fresh MREL requirements. No TLAC requirements apply, as we are not a global systemically important institution.

De Nederlandsche Bank (DNB) periodically assesses banking entities through the supervisory review and evaluation process (SREP) and subsequently sets SREP requirements for capital and liquidity. For Van Lanschot Kempen, DNB requires a minimum Common Equity Tier I ratio of 9.2%, a Tier I ratio of 10.7% and a total capital ratio of 12.7% (excluding combined buffer requirements and Pillar II guidance). The SREP requirement covers both Pillar I and Pillar II risks.

In addition to the 9.2% CET I requirement, we need to comply with the combined buffer requirements, which must be met by CET I capital. The capital conservation buffer stood at 1.25% in 2017, 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, for 2017 the total CET I requirement adds up to 10.45% and the total capital ratio to 13.95% (until new SREP requirements are set).

SREP requirement for 2017



CLIENT ACCEPTANCE POLICY

In line with laws and regulations, we have an extensive client due diligence (CDD) policy in place, ensuring that information about clients – e.g. about the origin of assets – is assessed and properly recorded. Moreover, our CDD policy prevents us from providing services to clients involved in financial crime such as money laundering or terrorist financing. In addition, we have identified cybercrime as a key risk for Van Lanschot Kempen – see page 68, “Key risk themes for Van Lanschot Kempen”. Our responsible lending policy is also embedded in our CDD policy: existing and new business borrowers are tested against the policy’s environmental and social criteria.

Non-compliance with legislation may result in significant reputational damage and/or financial losses. Our Compliance department helps to ensure that our employees adhere to our CDD policy. There were no major incidents in 2017 resulting from failures to comply with CDD legislation.

This requirement excludes “Pillar II guidance” (Pillar IIG), a new concept introduced in the recent SREP. Institutions are expected to comply with Pillar IIG by holding CET I capital, but Pillar IIG does not have binding status and does not automatically restrict dividend distributions in the event of a breach. With a December 2017 CET I ratio of 20.3% and a total capital ratio of 22.1%, we meet all capital requirements, including Pillar IIG. In our annual capital and funding plan, we assess our multi-year capital forecast, also performing scenario analysis and stress testing.

The Basel III leverage ratio stood at 6.7% at year-end 2017 (year-end 2016: 6.9%), which is high compared with other Dutch banks and well above the minimum Basel requirement of 3%.

PERSONAL DETAILS OF MEMBERS OF THE EXECUTIVE BOARD

Karl Guha

Chairman of the Statutory Board of Van Lanschot Kempen/ F. van Lanschot Bankiers

Born
1964, male

Nationality
Dutch

Appointed
2 January 2013

Areas of responsibility
Evi, Corporate Banking, Company Secretariat/Legal, Strategy & Corporate Development, Human Resource Management, Communications, Compliance, Group Audit, Van Lanschot Belgium

Significant supervisory board memberships and board positions
Karl Guha fulfils a total of two board and supervisory roles.

Background
1989 – ABN AMRO: Positions in Structured Finance, Treasury, Capital Management, Investor Relations, Risk Management and Asset & Liability Management
2009 – UniCredit Banking Group: CRO and member of the Executive Management Committee, and member of Supervisory Boards of Bank Austria, HVB in Germany and Zao Bank in Russia

Constant Korthout

Member of the Statutory Board, Chief Financial Officer/ Chief Risk Officer of Van Lanschot Kempen/ F. van Lanschot Bankiers/ Kempen & Co, Member of the Statutory Board of Kempen Capital Management

Born
1962, male

Nationality
Dutch

Appointed
27 October 2010

Areas of responsibility
Finance, Reporting & Control, Treasury, Group Risk Management, Credit Restructuring & Recovery

Significant supervisory board memberships and board positions
Constant Korthout fulfils a total of four board and supervisory roles.

Background
1985 – ABN AMRO: Management trainee, senior account manager corporate clients
1990 – KPMG Management Consultants
1992 – Robeco: Group Controller, CFO and member of the Executive Board of Weiss, Peck & Greer in New York, and Corporate Development Director
2002 – Robeco: CFO, including Risk Management, Treasury and Corporate Development

Arjan Huisman

Member of the Statutory Board, Chief Operating Officer of Van Lanschot Kempen/ F. van Lanschot Bankiers

Born
1971, male

Nationality
Dutch

Appointed
6 May 2010

Areas of responsibility
Group IT, Service Centres: Securities, Data Management, Procurement, Contract Management & Facilities

Significant supervisory board memberships and board positions
Supervisory Board member of Van Lanschot Chabot Holding. Arjan Huisman fulfils a total of four board and supervisory roles.

Background
1995 – BCG Amsterdam and Boston offices: Various consulting positions, with a strong focus on financial services
2004 – BCG Prague office: Partner and Managing Director
2008 – BCG Amsterdam office: Partner and Managing Director

Richard Bruens

Member of the Statutory Board of Van Lanschot Kempen/ F. van Lanschot Bankiers

Born
1967, male

Nationality
Dutch

Appointed
15 May 2014

Areas of responsibility
Private Banking, Digital & Innovation, Van Lanschot Marketing, Corporate Social Responsibility, Van Lanschot Switzerland

Significant supervisory board memberships and board positions
Supervisory Board member of Van Lanschot Chabot Holding. Richard Bruens fulfils a total of four board and supervisory roles.

Background
1991 – ABN AMRO: Various managerial positions in the Global Markets division, Managing Director of Investor Relations
2007 – Renaissance Capital: Member of Group Managing Board
2010 – ABN AMRO: Global Head Product & Private Wealth Management at ABN AMRO Private Banking International

Leni Boeren

Chairman of the Management Board of Kempen & Co

Born
1963, female

Nationality
Dutch

Appointed
5 February 2018

Areas of responsibility
Asset Management, Kempen Corporate & Legal Affairs, Kempen Communications & Marketing

Significant supervisory board memberships and board positions
Supervisory Board member of Tata Steel Nederland, Independent Member Board of Directors and Audit Committee of Air France-KLM, Member of the Supervisory Board of Transtrend. Leni Boeren fulfils a total of five board and supervisory roles.

Background
1983 - Paribas: Account Manager
1984 –Rabobank: Senior Investment Adviser, Head of Account Management
1992 - Robeco Group: Head of Investment Services Strategy, Head of Marketing and Product Management
1997 – Amsterdam Exchanges: Member Board of Directors
2000 – Euronext: Member Executive Committee
2005 – Robeco Groep: Member, Vice-Chair and Chair of the Group Management Board and Chair/member of the boards of a number of Robeco Groep subsidiairies

Leonne van der Sar

Member of the Management Board of Kempen & Co

Born
1969, female

Nationality
Dutch

Appointed
1 August 2017

Areas of responsibility
Merchant Banking, Corporate Finance, Equity Capital Markets, Securities

Significant supervisory board memberships and board positions
Leonne van der Sar fulfils no other board/supervisory roles.

Background
1994 – ABN AMRO: Various positions in Investment Banking
1998 – ABN AMRO Rothschild: Various positions in Investment Banking and Equity Capital Markets
2004 – ABN AMRO Rothschild: Managing Director and Head of ABN AMRO Rothschild Netherlands office
2006 – ABN AMRO: Executive Director Corporate Development
2008 – Several interim management assignments in the financial sector
2014 – Van Lanschot Kempen: Head of Strategy & Corporate Development

Member of the Executive Board until February 2018

Paul Gerla

Paul Gerla, member of the Executive Board at Van Lanschot Kempen, had to resign from his various posts within the group in February 2018 because of health issues.

Paul joined Kempen & Co in 2004 as Managing Director of Kempen Capital Management. He was appointed Chairman of Kempen & Co and member of the Executive Board of Van Lanschot Kempen in 2015.

In recognition of his outstanding work for our company, he was appointed Honorary Chairman of Kempen in February 2018.

REPORT OF THE SUPERVISORY BOARD

This report gives an overview of the activities of the Supervisory Board and its committees in 2017. A description of the composition and operation of the Supervisory Board is set out in the notes on corporate governance (see page 88).

Supervision

Achievement of corporate targets

The Supervisory Board looks back on another successful year of transforming Van Lanschot Kempen into a focused, specialist and independent wealth manager. Five years into the implementation of the wealth management strategy, we've seen a very solid performance of the business backed by a very well-funded balance sheet and a steady focus on executing the strategy. For the main elements of the 2020 strategy, see pages 13-14.

We are pleased to see solid growth of assets under management (AuM), both organic and through bolt-on acquisitions. After completing the successful integration of Staalbankiers into our Private Banking business in 2017, the acquisition of the wealth management activities of UBS in the Netherlands was an important and logical next step. It brings new clients and enhances capabilities with the addition of the wealth management expertise and skills of the UBS team joining Van Lanschot Kempen. With the client retention rate for both acquisitions being very high, we are optimistic about the opportunities and value these strategic steps will offer.

New clients and additional AuM are also coming in as a result of the successful efforts by Kempen Capital Management to win new mandates from large institutional investors, both in the Netherlands and in Europe. Kempen Merchant Banking has broadened its client base to cover new geographies in Europe. The merchant banking activities are becoming increasingly pan-European, which opens new areas of potential growth in selected niches.

Structure and functioning of internal risk management

Van Lanschot Kempen's principal risks, as well as the structure and functioning of its risk management and control systems, are discussed in the Risk Committee. In 2017, the committee's chairman regularly reported its conclusions and recommendations to the Supervisory Board. Van Lanschot Kempen's risk appetite statement is subject to the Supervisory Board's annual approval. The statement for 2018 was approved at the Board's December meeting. The 2018-20 capital and funding plan was also discussed and approved.

Financial reporting

Financial reporting is discussed regularly at the Audit and Compliance Committee's meetings, which are also attended by the external auditors. In 2017, the committee gave special attention to the implementation of IFRS 9. After each meeting, the chairman of the committee reports on committee discussions to the Supervisory Board. All members of the Supervisory Board were invited to attend the Audit and Compliance Committee's meetings in 2017 at which the annual and half-year figures were discussed. The Supervisory Board approved the financial statements for 2016 on 8 March 2017.

The Supervisory Board decided to propose to the General Meeting of Shareholders held on 18 May 2017 that it reappoints PricewaterhouseCoopers Accountants NV (PwC) as external auditors for the 2017 financial year. The General Meeting of Shareholders have now reappointed PwC as external auditors for the 2017 financial year.

Legal and regulatory compliance

The quarterly reports of the Compliance department were discussed by the Audit and Compliance Committee. These meetings were also attended by the Director of Compliance. During the Supervisory Board meetings there were regular updates on specific projects, such as client due diligence and the compensation of SME clients regarding interest rate derivatives. The Supervisory Board was also informed periodically about the ongoing implementation of new legislation and regulations such as MiFID II and the General Data Protection Act (*Algemene Verordening Gegevens-bescherming*).

Relationship with shareholders

The Supervisory Board regularly discussed Van Lanschot Kempen's relationship with its shareholders. The most important topics discussed with shareholders were the general development of Van Lanschot Kempen, the progress made on executing Strategy 2020, and Van Lanschot Kempen's strong capital base, which enabled it to make a capital return payment to its shareholders in December 2017. In September, Rabobank sold its remaining 9.74% interest in Van Lanschot Kempen, which resulted in a further broadening of the shareholder base and a further increase in the free float.

Relevant aspects of corporate social responsibility

The Head of CSR informed the Supervisory Board in September on Van Lanschot Kempen's progress in the area of CSR, and on developments and results in terms of responsible and sustainable investment solutions. The Supervisory Board was also informed about progress made on the Van Lanschot Kempen Foundation. The Risk Committee was informed about progress made on applying the responsible lending policy. Based on the way CSR is integrated in the organisation – e.g. in policies, products, reporting – the Supervisory Board concluded that Van Lanschot Kempen has taken significant steps in the area of CSR over the years. In view of the continuous developments in this field, CSR remains a topic that requires ongoing attention from Van Lanschot Kempen.

Diversity policy

The Executive Board informed the Supervisory Board in June on Van Lanschot Kempen's diversity policy and the measures taken to ensure that diversity is an essential part of our culture. The introduction of core values for Van Lanschot Kempen was also discussed with the Supervisory Board in June 2017.

The Supervisory Board has drawn up a diversity policy for the composition of the Supervisory Board and the Executive Board of Van Lanschot Kempen pursuant to Principle 2.1.5 of the Dutch Corporate Governance Code. The diversity policy addresses specific targets related to diversity and the diversity aspects relevant to Van Lanschot Kempen, such as age, education, gender, nationality and work background. The diversity policy for the Supervisory and Executive Boards was adopted by the Supervisory Board in December 2017.

Internal organisation

Composition of the Statutory Board

The composition of the Statutory Board did not change in 2017. From 2015 onwards, the Statutory Board has, in principle, been taking its decisions during the Executive Board's meetings. The composition of the Executive Board changed in 2017. Joof Verhees resigned as a member of the Executive Board from 1 August 2017. He was succeeded by Leonne van der Sar, who was appointed as a member of the Executive Board on 1 August 2017. As of that date she was also appointed as a member of the board of Kempen & Co, responsible for Merchant Banking. The Executive Board consists of Karl Guha (Chairman), Constant Korthout, Richard Bruens, Paul Gerla, Arjan Huisman and Leonne van der Sar. Since July 2017, Paul Gerla's health situation has prevented him from coming in to work and the other members of the Executive Board have assumed his duties as and when necessary in his absence. The terms of office of Constant Korthout, Richard Bruens and Arjan Huisman expire in April 2018. The intention is to reappoint Constant Korthout, Richard Bruens and Arjan Huisman after notifying the Annual General Meeting of Shareholders in April 2018.

Composition of the Supervisory Board

Jos Streppel stepped down as a member of the Supervisory Board at the General Meeting of Shareholders on 18 May 2017. He had been a member of the Supervisory Board for a period of twelve years, and was no longer eligible for reappointment. The Supervisory Board is sincerely grateful to Jos Streppel for his valuable contribution to the Board over the past 12 years.

Lex van Overmeire was appointed as a new member of the Supervisory Board for a period of four years by the Extraordinary General Meeting of Shareholders on 30 January 2017. After the resignation of Jos Streppel as a member of the Supervisory Board, Lex van Overmeire succeeded him as the Chairman of the Audit and Compliance Committee.

Manfred Schepers was appointed as a new member of the Supervisory Board for a period of four years by the Annual General Meeting of Shareholders on 18 May 2017. As of 1 January 2018, Manfred Schepers succeeded Willy Duron as Chairman of the Risk Committee. Willy Duron will remain a member of the Risk Committee.

Jeanine Helthuis was reappointed as a member of the Supervisory Board for a period of four years by the Annual General Meeting of Shareholders on 18 May 2017. The reappointment of Jeanine Helthuis was based on the enhanced right of recommendation of the Works Council.

According to schedule, Godfried van Lanschot's term of office as a member of the Supervisory Board will expire in April 2018. As this is his final term of office, he will not be available for reappointment. LDDM Holding has a right to recommend a candidate for this vacancy. The recruitment process for a new member of the Supervisory Board has started and a recommendation to shareholders to appoint a new member of the Supervisory Board is expected to be made in 2018.

Composition and reporting by committees

Composition

The Supervisory Board has appointed four committees from among its members. Each committee advises the Supervisory Board and prepares decision-making by the Board in its designated area of interest. The Supervisory Board remains fully responsible for all decisions. The table below shows the composition of these committees.

Audit and Compliance Committee

The Audit and Compliance Committee held five meetings in 2017. These meetings were attended by a delegation from the Statutory Board. The external auditors and the directors of Group Audit, Compliance and Finance, Reporting & Control were also present at the meetings. The composition of the Audit and Compliance Committee changed in 2017 due to Jos Streppel's resignation as a member of the Supervisory Board and Chairman of the Audit and Compliance Committee. Lex van Overmeire has succeeded Jos Streppel as the Chairman of the Audit and Compliance Committee.

The Audit and Compliance Committee carried out a detailed assessment of the annual figures, half-year figures, and information used for the trading updates and the proposal for a capital return to the shareholders of €1 per share. The committee considered significant financial items in relation to the company's financial statements and disclosures, which are shown in the table on page 82.

Committee composition	Audit and Compliance Committee	Risk Committee	Selection and Appointment Committee	Remuneration Committee
Willy Duron	•	• (Chairman[1])	• (Chairman)	•
Jos Streppel (until May 2017)	• (Chairman)	•	•	
Manfred Schepers (as of May 2017)	•	• (Chairman[2])		
Jeanine Helthuis	•		•	
Bernadette Langius		•		•
Godfried van Lanschot			•	• (Chairman)
Lex van Overmeire	• (Chairman[3])	•		

1 Until 1 January 2018.
2 As of 1 January 2018.
3 As of May 2017.

Key items for discussion	Audit and Compliance Committee review and conclusion
Impairments of loans and advances to the public and private sectors These impairments comprise two components: – Impairments for individually identifiable impaired loans (individual items); – Model-based impairments for incurred but not reported (IBNR) losses. Determining the appropriateness of the individual items and the IBNR losses involves elements of judgement and requires management to make assumptions.	On the basis of periodically discussed management reports, we challenged the completeness and accuracy of the impairments made. We discussed the assumptions made by management used for the collective impairment for IBNR losses. Based on our discussion and considering the acceptable range in the context of estimate uncertainty, we agree with the estimates applied by management in determining the provisions for impairments of loans and advances to the public and private sectors. The disclosures relating to this item are set out in Note 8 to the financial statements.
Provision for compensation of SME interest rate derivatives in accordance with the derivatives recovery framework Van Lanschot Kempen has committed to applying the derivatives recovery framework in compensating certain SME clients that have or used to have interest rate contracts. Applying the framework is complex and requires judgement.	We were informed by management that Van Lanschot Kempen has made good progress in compensating eligible SME clients. Van Lanschot Kempen has informed all clients that are within the scope of the framework. Almost all clients agreed to the proposed compensation; of those, the vast majority have already received payment. Management informed us that the provision formed for this compensation was increased in 2017. We have considered the assumptions underlying the provision formed for this compensation. Based on our insights and the acceptable range in the context of estimation uncertainty, we agree with the provision recorded by management. See Note 12 to the financial statements for the disclosures of these provisions and “Provisions” in the summary of significant accounting principles.
Fair value measurement of financial instruments For financial instruments traded in an active market (Level 1) the valuation is based on quoted prices and market data. There is limited judgement involved in the fair value valuation of these instruments. For financial instruments not traded in an active market (Levels 2 and 3) management applies subjective judgement in the fair value valuation of these instruments. The fair value of Level 2 and 3 instruments is determined with the use of net present value models, option models or the net asset value of the underlying investment. In addition, for certain Level 3 instruments, Van Lanschot Kempen uses market and transaction multiples in the valuation. The nature of the instrument determines the model and data used.	We were informed about the methods used for, and the outcome of, management’s valuations of Level 2 and 3 financial instruments, including the governance around model and assumption changes. Based on our discussions and considering the acceptable range in the context of estimation uncertainty, we agree with the estimates applied in the fair valuation of the Level 2 and 3 financial instruments.
Implementation of IFRS 9 In 2014, the International Accounting Standards Board published the IFRS 9 standard, replacing IAS 39. 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.	Management informed the Audit and Compliance Committee in detail on the progress of preparations for implementing IFRS 9. We find that Van Lanschot Kempen is prepared for this new standard.

The committee discussed the external auditors’ audit plan, reports and the management letter prior to their consideration by the full Supervisory Board. During these discussions, the committee discussed the audit scope, materiality and key audit matters as reported by the auditors. The Audit and Compliance Committee works closely with the Risk Committee on some key audit matters such as reliability and continuity of the IT environment and cyber security. In the December meeting, the committee engaged in dialogue with the external auditors on the risks of fraud and the measures taken by Van Lanschot Kempen to address these. The functioning of PwC in 2017 was also evaluated during this meeting. The committee reviews the external auditors’ independence, communication and fees every year. The outcome led to the proposal to reappoint PwC for the 2018 and 2019 financial years.

The committee also considered the annual plan and reports from Group Audit, and the annual plan and reports from the Compliance department. The committee was informed about contacts with, and correspondence and reports of, De Nederlandsche Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). The Audit and Compliance Committee also met separately with the internal and external auditors.

The Audit and Compliance Committee discussed the quarterly reports of Group Audit and Compliance, as part of its evaluation of the quality and effectiveness of Van Lanschot Kempen’s governance, risk management and internal control systems. Group Audit reports present the results of reviews of the risk & control framework, the implementation and functioning of IT systems, the management of the loan portfolio, and the impact of the strategy on the organisation. Quarterly reporting from Compliance covered themes such as client-centricity, investment advice and services, client due diligence and legal proceedings.

Risk Committee

The composition of the Risk Committee changed in 2017 as a result of the resignation of Jos Streppel as a member of the Supervisory Board and consequently as a member of the Risk Committee, with effect from May 2017. Lex van Overmeire and Manfred Schepers were both appointed as new members of the Risk Committee. Manfred Schepers was appointed as Chairman of the Risk Committee as of 1 January 2018. He replaced Willy Duron, who will remain a member of the committee. The Risk Committee met three times in 2017. Its meetings were also attended by the CFO/CRO and the directors of Group Risk Management and of Credit Risk and Credit Restructuring and Recovery.

The committee paid detailed attention to the credit, operational, market and interest rate risks to which the organisation is exposed.

The quarterly risk appetite reports were discussed by the Risk Committee. Specific attention was given to reviewing whether Van Lanschot Kempen's risk profile was within the limits set in Van Lanschot Kempen's risk appetite.

In its meetings, the committee discussed execution risk, data management risk, cyber risk and business continuity risk. Interest rate and market risk developments were discussed based on duration analyses, the development of value at risk, and stress tests.

The committee was also informed at large about the way in which Van Lanschot Kempen is preparing for the implementation of the General Data Protection Regulation (GDPR). The GDPR will come into force on 25 May 2018.

At the committee's December 2017 meeting, the capital and funding plan for 2018-20 and Van Lanschot Kempen's risk appetite for 2018 were discussed. Both documents were submitted to the Supervisory Board with a positive recommendation. See vanlanschotkempen.com/en/governance ("Banking Code") for the principles on which Van Lanschot Kempen's risk appetite is based.

In 2017, the Risk Committee gave special attention to the following topics:

Key items for discussion	Risk Committee review and conclusion
Non-financial risk Operational and information risk management remains challenging given that Van Lanschot Kempen is still in the transition phase towards its envisaged end-state as a specialist wealth manager.	Management informed us of its measures to reinforce the second line of defence and on the comprehensive update and rationalisation of the Key Control Framework. Based on this information we conclude that non-financial risks are adequately monitored and several inititiatives have been taken to further reduce these risks.
Cybercrime Cybercrime is one of the main threats facing the financial services industry. With our scale and budget we need to develop intelligent solutions and work closely with industry partners.	Management informed us on the measures taken to prevent cybercrime and about their plans for 2018. The focus is shifting from protective measures to responsive measures. We find that we are on par with industry standards.
Credit risk Developments concerning risks in the overall loan portfolio and in the non-performing loans portfolio have been thoroughly discussed.	The Risk Committee received quarterly risk reports, including reporting on credit risk, and notes an ongoing improvement in the loan portfolio. In addition, we carried out IT projects in 2017 to improve credit risk calculations and to prepare for IFRS 9.
Reliability and continuity of the IT environment Van Lanschot Kempen is dependent on its IT environment for the reliability and continuity of its operations and financial reporting. Currently, significant investments are being made in improving the efficiency and effectiveness of the IT environment, with several large projects running in parallel.	We were informed about the progress made on the major IT projects within Van Lanschot Kempen. We discussed the impact of these projects on the organisation and the measures taken to mitigate potential execution risks.

Selection and Appointment Committee

The composition of the Selection and Appointment Committee was altered in 2017 as Jos Streppel resigned as a member of the Supervisory Board and consequently as a member of the Selection and Appointment Committee. The number of committee members has been reduced to three. The Selection and Appointment Committee met twice in 2017 to discuss the recruitment and selection process for new members of the Supervisory Board and the Executive Board. The selection of new members of the Supervisory Board and Executive Board was also discussed during Supervisory Board meetings.

Remuneration Committee

The Remuneration Committee held seven meetings in 2017. The Chairman of the Statutory Board and the Director HR also joined most of these meetings. The committee discussed the performance appraisal of the members of the Executive Board in 2016 and their individual targets for 2017.

The variable remuneration policy for staff at Van Lanschot Kempen was reviewed in light of the introduction of new ESMA and EBA guidelines on sound remuneration.

In accordance with the statements made when the remuneration policy for the Statutory Board was approved by the 2015 Annual General Meeting of Shareholders, the Remuneration Committee evaluated the amounts of the fixed salaries of Statutory Board members.

The 2016 remuneration report was discussed, as was the 2016 variable remuneration paid to staff of Van Lanschot Kempen. The amount available for variable remuneration of Van Lanschot Kempen staff for 2017 was among the topics discussed at the December meeting.

The Remuneration Committee also discussed the introduction of a share plan for Van Lanschot Kempen employees.

For more information about the remuneration of the Statutory Board, see pages 64-65. Further details on remuneration can be found on pages 222-225 of the 2017 financial statements.

Assuring supervision quality

Evaluation of the Supervisory Board

In 2017, the Supervisory Board entrusted the annual evaluation of the functioning of the Supervisory Board, its committees and individual members to a specialist external adviser. The evaluation process took place in November and December 2017 and included individual interviews with all members of the Supervisory Board and the Executive Board. In addition, each member of the Supervisory Board and Executive Board completed a "Board Reality" questionnaire. The evaluation is carried out under the guidance of an external adviser once every three years. In the intervening years, the evaluation process is carried out using a questionnaire completed by each board member. The findings and recommendations were discussed by the Supervisory Board during two separate meetings in January and February 2018, and recommendations have been implemented as a result. The conclusions and recommendations relevant to the Executive Board were shared with the Executive Board.

Evaluation of the Statutory Board and Executive Board

The Supervisory Board evaluated the functioning of the Statutory Board and Executive Board as a whole and that of the individual members of both boards on the basis of the key performance indicators for 2017 in February 2018. The conclusions and recommendations relevant to the Statutory and Executive Boards were shared with the members of these boards.

The Executive and Statutory Boards evaluate their own functioning on a regular basis during their quarterly off-sites. Board members gave each other feedback on their strengths and points to consider, and reflected on these.

Education

The members of the Supervisory and Executive Boards took part in the continuing education programme in 2017. Topics covered were digital innovation, change and disruption, performance and rewards, and the new Dutch Corporate Governance Code. These education sessions were positively rated by the members of the Supervisory and Executive Boards.

Independence

All members of the Supervisory Board perform their duties independently and critically. The independence requirements described in best practice provisions 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code have been fulfilled. Currently, there are no dependent members on the Supervisory Board. In the event of a potential conflict of interest relating to a particular topic, the Supervisory Board member concerned may not participate in discussions or decision-making on that topic. Best practice provisions 2.7.3 to 2.7.4 of the Dutch Corporate Governance Code were observed as far as applicable. In 2017, there were no conflicts of interest of material significance for members of the Supervisory or Statutory Boards.

Meetings

The Supervisory Board held twelve meetings in 2017. The Executive Board attends the formal meetings of the Supervisory Board and prepares detailed supporting information. Regular items on the agenda of these meetings included strategy, developments within the various business lines, corporate governance, risk management, IT and operations, results and budget. In addition, the board discussed the return of capital to shareholders, the acquisition of the wealth management activities of UBS in the Netherlands, the new name and rebranding of Van Lanschot NV and the introduction of a share plan for employees. In 2017, the Supervisory Board held nine meetings without the Executive Board. One member of the Supervisory Board missed one plenary meeting of the Supervisory Board. The table below shows the attendance rate at Supervisory Board and committee meetings of each member of the Supervisory Board.

The Supervisory Board received all information needed to perform its tasks from the Executive Board and the external auditors. Employees from within the organisation regularly attended meetings to provide additional information on themes within their respective fields. The agendas for Supervisory Board meetings were drawn up by the Company Secretary, in consultation with the Chairman of the Supervisory Board.

Attendance rate	Supervisory Board	Audit and Compliance Committee	Risk Committee	Selection and Appointment Committee	Remuneration Committee
Willy Duron	100%	100%	100%	100%	100%
Manfred Schepers (as of May 2017)	100%	100%	100%		
Jeanine Helthuis	100%	100%		100%	
Bernadette Langius	92%		100%		100%
Godfried van Lanschot	100%			100%	100%
Lex van Overmeire	100%	100%	100%		
Jos Streppel (until May 2017)	100%	100%	100%		

Contact with the Works Council

In August, Willy Duron and Jeanine Helthuis attended the Works Council's meeting with the Executive Board, at which the general course of business at Van Lanschot Kempen was discussed. The Supervisory Board values its constructive relationship with the Works Council.

Financial statements

The Supervisory Board has reviewed and approved the annual report for 2017 and the 2017 financial statements. The 2017 financial statements have been audited by the external auditors, PwC. The independent auditors' report can be found on page 228. We invite the Annual General Meeting to adopt the 2017 financial statements as submitted and to discharge the Statutory Board in respect of its conduct of Van Lanschot Kempen's affairs and the members of the Supervisory Board in respect of their supervision.

In conclusion

The Supervisory Board would like to thank all stakeholders for their trust in Van Lanschot Kempen. We would also like to thank all staff for their hard work, and for their contribution to the results achieved in 2017. We thank the Executive Board for their leadership, vision and focused style of managing the transition of Van Lanschot Kempen. The Supervisory Board would like to extend its heartfelt gratitude and best wishes to Paul Gerla, who had to resign from the Executive Board for medical reasons.

's-Hertogenbosch, the Netherlands, 21 February 2018

Supervisory Board

Willy Duron, Chairman
Manfred Schepers, Deputy Chairman
Jeanine Helthuis
Bernadette Langius
Godfried van Lanschot
Lex van Overmeire

PERSONAL DETAILS OF MEMBERS OF THE SUPERVISORY BOARD

Willy Duron

Chairman of the Supervisory Board

Supervisory Board committees: Audit and Compliance, Remuneration, Risk, Selection and Appointment (Chairman)

Born
1945, male

Nationality
Belgian

Appointed
10 May 2007; third term of office expires in 2019

Significant other supervisory board memberships and board positions at listed companies
Agfa-Gevaert, Tigenix

Significant other supervisory board memberships and board positions
Windvision
Willy Duron fulfils a total of five board positions and supervisory positions.

Previous positions or offices held
Chairman of KBC Group

Manfred Schepers

Deputy Chairman of the Supervisory Board

Supervisory Board committees: Audit and Compliance, Risk (Chairman)

Born
1960, male

Nationality
Dutch

Appointed
18 May 2017; first term of office expires in 2021

Significant other supervisory board memberships and board positions
NWB Bank, Fotowatio Renewable Ventures, Almar Water Solutions
Manfred Schepers fulfils a total of seven board positions and supervisory positions.

Principal other positions or offices held
Amsterdam Institute of Finance, UWC Atlantic College, National Maritime Museum in Amsterdam (Stichting Het Compagnie Fonds), European Fund for Strategic Investments, Cardano Development

Previous positions or offices held
European Bank for Reconstruction and Development, Vice President & Chief Financial Officer

Jeanine Helthuis

Member of the Supervisory Board

Supervisory Board committees: Audit and Compliance, Selection and Appointment

Born
1962, female

Nationality
Dutch

Appointed
2 July 2013; second term of office expires in 2021

Principal position
Managing Director of PC Hooft Groep

Significant other supervisory board memberships and board positions
Prorail

Significant other positions or offices held
Member of the Advisory Council of Nintes
Jeanine Helthuis fulfils a total of seven board and supervisory positions.

Previous positions or offices held
Chairman of the Board of Management of Monuta Holding/ Monuta Verzekeringen, member of the Board of Directors of Fortis Bank Nederland

Bernadette Langius

Member of the Supervisory Board

Supervisory Board committees: Remuneration, Risk

Born
1960, female

Nationality
Dutch

Appointed
13 May 2015; first term of office expires in 2019

Significant other supervisory board memberships and board positions
IBM Nederland, Plan Nederland, BDO Nederland, Ingenico ePayments Nederland
Bernadette Langius fulfils a total of five board and supervisory positions.

Previous positions or offices held
Member of the Executive Board of VU Amsterdam, ABN AMRO (including CEO of Commercial Banking NL and CEO of Private Banking NL)

Godfried van Lanschot

Member of the Supervisory Board

Supervisory Board committees: Remuneration (Chairman), Selection and Appointment

Born
1964, male

Nationality
Dutch

Appointed
10 May 2006; third term of office expires in 2018

Board positions and supervisory board memberships
Godfried van Lanschot fulfils a total of three board and supervisory positions.

Previous positions or offices held
ABN AMRO (various roles)

Lex van Overmeire

Member of the Supervisory Board

Supervisory Board committees: Audit and Compliance (Chairman), Risk

Born
1956, male

Nationality
Dutch

Appointed
30 January 2017; first term of office expires in 2021

Significant other supervisory board memberships and board positions
Centrum indicatiestelling zorg (CIZ): Chairman of the Audit Advisory Committee
Lex van Overmeire fulfils a total of two board and supervisory positions.

Previous positions or offices held
Audit Partner EY Accountants LLP

CORPORATE GOVERNANCE

The key elements of corporate governance at Van Lanschot Kempen NV (Van Lanschot Kempen) are set out below. The Articles of Association and various other regulations and documents relating to corporate governance can be found at vanlanschotkempen.com/en/governance and vanlanschotkempen.com/management-supervision.

Corporate governance structure

The Statutory Board and Supervisory Board are jointly responsible for our governance structure. Good corporate governance is vital if the goals we have set ourselves are to be achieved efficiently and effectively. It ensures that risks are managed adequately and that proper account is taken of the interests of all stakeholders, including our clients, shareholders and employees.

Van Lanschot Kempen is a listed public limited company under Dutch law, governed by a two-tier board. The Statutory Board is responsible for managing the company, while the Supervisory Board oversees the policies pursued by the Statutory Board, and the general conduct of affairs at the company and its associated business. The Supervisory Board advises the Statutory Board on the performance of its duties.

Van Lanschot Kempen is a *structuurvennootschap*. Under Dutch corporate law this means it has a two-tier board structure. In addition to the tasks already mentioned, the Supervisory Board is responsible for appointing and dismissing the Statutory Board and for approving some of its decisions. Both the Statutory Board and the Supervisory Board report to Van Lanschot Kempen's General Meeting.

Statutory Board

The Statutory Board is responsible for the continuity of the company and its associated business. It focuses on long-term value creation for the company and its associated business and takes into account stakeholders' interests that are relevant in this context. The Statutory Board is responsible for the management of the company and its duties include drawing up and achieving Van Lanschot Kempen's mission, its strategy and related risk profile, its goals and the pattern of its results, while also attending to the social aspects of doing business that are relevant to the company.

Van Lanschot Kempen holds all the shares in F. van Lanschot Bankiers NV (Van Lanschot Bankiers). The Statutory Board of Van Lanschot Kempen is also the Statutory Board of Van Lanschot Bankiers. The Supervisory Board notifies the General Meeting of any proposed appointment of a member of the Statutory Board. A member is appointed by the Supervisory Board for a maximum period of four years. The Supervisory Board may dismiss a member of the Statutory Board at any time, but only after consulting the General Meeting.

In strategic decisions, the Statutory Board takes all material environmental and social aspects into account. Periodically, it determines the key performance indicators (KPIs) for corporate social responsibility (CSR) at Van Lanschot Kempen. Our website has more information on the way CSR is organised at Van Lanschot Kempen: vanlanschotkempen.com/responsible/policy.

Executive Board

An Executive Board was installed at Van Lanschot Kempen in 2015, comprising the members of the Statutory Board of Van Lanschot Kempen and the members of the Management Board of Kempen & Co NV (Kempen).

The Executive Board oversees the implementation of company strategy and manages core activities. This ensures better alignment between core activities and a more effective decision-making process. In principle, all members of the Executive Board attend Supervisory Board meetings. The Executive Board makes sure that the relevant information for the Supervisory Board is provided. Van Lanschot Kempen's Statutory Board members have ultimate responsibility for the actions and decisions of the Executive Board.

Executive Board members who are not members of the Statutory Board are appointed and can be suspended or dismissed by the Statutory Board, subject to the approval of the Supervisory Board. The Supervisory Board is involved in the recruitment and selection of Executive Board members who are not members of the Statutory Board in the same way as in the recruitment and selection of members of the Statutory Board.

Supervisory Board

In performing its duties, the Supervisory Board focuses on the interests of the company and its associated business. The Supervisory Board of Van Lanschot Kempen is also the Supervisory Board of Van Lanschot Bankiers.

The members of Van Lanschot Kempen's Supervisory Board are appointed by the General Meeting, in accordance with the provisions set out in Article 23 of Van Lanschot Kempen's Articles of Association. Members of the Supervisory Board are appointed for a term of four years and may be reappointed for one further four-year period. A member of the Supervisory Board may subsequently be reappointed again for a period of two years, and this appointment may be extended by two years at most. In the event of reappointment after eight years, the reasons for reappointment should be given in the report of the Supervisory Board. A member of the Supervisory Board may only be dismissed by the Enterprise Chamber of the Amsterdam Court of Appeal with due observance of Article 161(2) of Book 2 of the Dutch Civil Code. Godfried van Lanschot and Willy Duron were reappointed as members of the Supervisory Board for a third term of four years in 2014 and 2015 respectively. As stipulated in the Dutch Corporate Governance Code 2016, best practice provision 2.2.2. does not apply to them since their appointment complies with best practice provision III.3.5 of the Dutch Corporate Governance Code adopted in 2008.

In addition, the General Meeting may pass a motion of no confidence in the Supervisory Board, in accordance with Article 161(a) of Book 2 of the Dutch Civil Code. Such a resolution results in the immediate dismissal of the members of the Supervisory Board.

The Articles of Association of Kempen and the by-laws of the Kempen Management Board determine that specific decisions of the Management Board of Kempen require the approval of the Kempen General Meeting. In practice, this means that these decisions need the approval of the Van Lanschot Bankiers Statutory Board. According to the by-laws of the Supervisory Board of Van Lanschot Bankiers, the Van Lanschot Bankiers Statutory Board requires the approval of the Supervisory Board if it takes certain decisions in its capacity as Kempen shareholder and for certain other specifically identified decisions concerning Kempen.

Diversity policy

The Supervisory Board of Van Lanschot Kempen has adopted a diversity policy for the composition of the Supervisory and Executive Boards (the policy can be found at vanlanschotkempen.com/management-supervision under "Diversity Policy Supervisory Board and Executive Board"). In view of their joint functioning, the diversity policy for the Executive Board includes the Statutory Board of Van Lanschot Kempen.

We are committed to supporting, valuing and leveraging inclusiveness and diversity, and aim for a diverse composition of the Supervisory and Executive Boards in the areas relevant to us, such as age, background, experience, gender and nationality. The importance of diversity should not mean setting aside a candidate's qualifications, the requirements for the position to be filled or the overriding principle that someone should be recommended, nominated and appointed for being "the best person for the job".

With regard to gender diversity, we strive for a reasonable spread across gender and aim for the composition of the Supervisory and Executive Boards to be such that at least 30% of their respective members are men and at least 30% women. We strive for a reasonable spread across ages and nationalities in the composition of the Supervisory and Executive Boards, but do not believe that age or nationality are suitable criteria for setting specific diversity targets so do not set specific objectives for these. With regard to background, experience and expertise, we aim – in keeping with the Supervisory Board's profile – to ensure that the combined background, experience and expertise of Supervisory Board members enables the board as a collective to best carry out its range of responsibilities and duties towards Van Lanschot Kempen, taking into account the nature of our business and activities. The same applies for the Executive Board. Our diversity policy describes the relevant areas of background, experience and expertise of the Supervisory Board and the Executive Board respectively.

In implementing our diversity policy, the individual profiles drawn up for vacancies in the Supervisory and Executive Boards take into account the policy's criteria and objectives. These profiles form the basis for the recruitment and selection of new members of the Supervisory and Executive Boards. These criteria and objectives are also taken into account when evaluating the functioning of the Supervisory and Executive Boards. The results of our diversity policy are described in the section below on the boards' composition and performance.

The policy governing recruitment and selection of members of the Statutory and Supervisory Boards can be found at vanlanschotkempen.com/management-supervision, under "Policy on recruitment and selection Van Lanschot Kempen" (in Dutch only).

Composition and performance of the Statutory and Executive Boards

The Statutory Board must consist of at least three members, with the actual number set by the Supervisory Board. The composition of the Statutory Board did not change in 2017, and consisted of Karl Guha (Chairman), Constant Korthout, Richard Bruens and Arjan Huisman. The Executive Board comprises Karl Guha (Chairman), Constant Korthout, Leni Boeren, Richard Bruens, Arjan Huisman and Leonne van der Sar. From 1 August 2017, Leonne van der Sar replaced Joof Verhees. Paul Gerla was a member of the Executive Board in 2017, but was unable to perform his duties from July 2017 because of health issues. He resigned from the Board on 5 February 2018 and Leni Boeren took over his positions from that date.

The Statutory and Executive Boards evaluate their functioning as a whole and that of individual Board members at least once a year. The Supervisory Board discusses, at least once a year, the performance of the Statutory Board and the Executive Board as a whole and members' performance individually. The Supervisory Board has concluded that the composition of the Statutory Board and the Executive Board meets the objectives of our diversity policy. The specific target for the Executive Board's male/female ratio as set out in our diversity policy was met upon Leni Boeren joining Leonne van der Sar as a member of the Executive Board.

The Supervisory Board sets the remuneration and other conditions of employment for members of the Statutory and Executive Boards, taking into account the remuneration policy of the Statutory Board as adopted by the General Meeting. No decisions were taken in 2017 to conclude transactions involving a conflict of interest on the part of members of the Statutory Board that were of material significance to Van Lanschot Kempen and/or the Board member in question.

Composition and performance of the Supervisory Board and its committees

The Supervisory Board has a minimum of three members and a maximum of nine. Currently the Supervisory Board comprises Willy Duron (Chairman), Manfred Schepers (Deputy Chairman), Jeanine Helthuis, Bernadette Langius, Godfried van Lanschot and Lex van Overmeire. At an Extraordinary General Meeting of Shareholders held on 30 January 2017, Lex van Overmeire was appointed as a member of the Supervisory Board. At the General Meeting held on 18 May 2017, Jeanine Helthuis was reappointed to the Supervisory Board and Manfred Schepers was appointed to the Supervisory Board. At this General Meeting, Jos Streppel's term of office expired.

The Supervisory Board has appointed four committees from among its members to prepare the board's decision-making: the Audit and Compliance Committee, the Risk Committee, the Remuneration Committee, and the Selection and

Appointment Committee. These committees advise the Supervisory Board on matters relating to their respective areas of interest. More information about the committees and their composition can be found on pages 81-83 of the report of the Supervisory Board.

The Supervisory Board has drawn up a profile[1] for its size and composition, taking into account the nature and activities of the business associated with Van Lanschot Kempen and its subsidiaries, and the required expertise and background of the members of the Supervisory Board.

The Supervisory Board appraises its own performance, that of its committees and that of individual Supervisory Board members, at least once a year without members of the Statutory Board being present.

The Supervisory Board appraises its own performance with independent support once every three years. More information can be found in the report of the Supervisory Board on page 84. The Supervisory Board has concluded that the composition of the Supervisory Board meets the objectives of our diversity policy. The specific target for the male/female ratio has been met, as two women and four men serve on the Supervisory Board.

The remuneration of Supervisory Board members is set by the General Meeting of Shareholders. For more information about remuneration, see the Remuneration section on pages 65-66.

Dutch Corporate Governance Code

On 8 December 2016, the revised Dutch Corporate Governance Code 2016[2] (the Code) was published. It came into force as from the 2017 financial year and contains principles and best practice provisions that regulate relations between the management board, the supervisory board and the shareholders (including the general meeting of shareholders). The Code aims to define responsibilities for long-term value creation, risk control, effective management and supervision, remuneration, and relationships with shareholders and stakeholders.

If the principles or provisions of this revised Code require changes to rules, regulations, procedures or other written records, a company is compliant with the revised Code if such changes have been implemented no later than 31 December 2017. In 2017, we carried out an extensive analysis of the impact of the Code. The regulations of the Statutory Board and of the Supervisory Board and its committees were amended in 2017 in order to comply with the revised Code.

In 2017, we complied with the Code. However, we deviated from best practice clause 3.1.2.vi, which states that shares awarded to management board members should be held for at least five years after they are awarded. Our remuneration policy for the members of the Statutory Board stipulates that their fixed salary is paid partly in cash and partly in depositary receipts for Class A Van Lanschot Kempen shares. In principle, a lock-up period of three years after delivery applies to these shares. This period is extended until the Statutory Board member in question complies with the share ownership guidelines that form part of our remuneration policy. These guidelines stipulate that all members of the Statutory Board must build up and hold a shareholding during their term of office that is equivalent to twice the cash portion of their fixed gross annual salary. In view of this additional obligation, the period during which the shares must be retained has been set at three years from the day they were granted. Our shareholder ownership guidelines emphasise the long-term interests of Van Lanschot Kempen and therefore follow the spirit of clause 3.1.2 vi. Our remuneration policy for the members of the Statutory Board does not include a variable remuneration component.

Dutch Banking Code

The updated Banking Code[3] came into effect on 1 January 2015, superseding the original Banking Code which had been in force since 1 January 2010. The Banking Code contains principles on sound and ethical business operations, governance, risk policy, audit and remuneration policy.

The Banking Code applies to activities performed in and aimed at the Netherlands by banks with registered offices in the Netherlands and which hold a banking licence issued by De Nederlandsche Bank (DNB). It therefore applies to Van Lanschot Bankiers, the subsidiary of Van Lanschot Kempen that holds a banking licence in the Netherlands. Where banks that are subject to the Banking Code form part of a group, parts of the Banking Code may be applied at the level of the entity which acts as the head of the group, rather than at the level of individual subsidiaries. Certain parts of the Banking Code are therefore applied at the level of Van Lanschot Kempen.

Application of the Banking Code

Dutch banks report on their websites how they have applied the Banking Code in the past year. Where applicable, a bank explains why it has not, or not fully, applied a principle from the Banking Code (comply or explain). In 2017, Van Lanschot Bankiers complied with the Banking Code.

When our remuneration policy for the Statutory Board was adopted by the General Meeting of Shareholders on 13 May 2015, the total remuneration of the Chairman of the Statutory Board was equal to the median level for comparable positions within the financial sector, and below the median level for comparable positions outside the financial sector. The total remuneration of the other members of the Statutory Board was below the median level for comparable positions both inside and outside the financial sector. In December 2017, a market assessment of the compensation package of the Statutory Board was conducted. The total remuneration of all Statutory Board members came out of this exercise as being significantly below median level for comparable positions inside and outside the financial sector.

An explanation (in Dutch) of how Van Lanschot Bankiers has applied the Banking Code in the past year is given on our website: vanlanschotkempen.com/en/governance.

Capital structure and shares

Van Lanschot Kempen's authorised share capital consists of 150 million shares with a nominal value of €1 each, divided into 75 million Class A ordinary shares and 75 million Class C preference shares.

1 The profile can be viewed at vanlanschotkempen.com/management-supervision.
2 The 2016 Dutch Corporate Governance Code can be downloaded from mccg.nl.
3 The Banking Code can be downloaded from nvb.nl.

A total of 41,146,668 Class A ordinary shares had been issued at 31 December 2017. The outstanding capital has changed compared to the situation at 31 December 2016 in terms of the number of shares in issue. Van Lanschot Kempen issued 55,000 Class A ordinary shares on 18 May 2017 in order to meet obligations under our remuneration policies and related share schemes. Our outstanding capital consisted entirely of Class A ordinary shares. There were no outstanding Class C preference shares in 2017.

Depositary receipts for shares

Over 99.99% of Class A ordinary shares in issue are held by Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen ("Stichting Administratiekantoor"), which has issued depositary receipts for these shares. The receipts have been listed on the official market of the Euronext Amsterdam stock market since 1999. A depositary receipt can be converted into its underlying share without any restrictions, although administrative costs may be charged. In line with the Code, Stichting Administratiekantoor grants proxies so that holders of depositary receipts can always exercise their voting rights. In the case of shares for which Stichting Administratiekantoor has not granted proxies to the holders of depositary receipts and for which no voting instructions have been received, Stichting Administratiekantoor's board decides how the votes are to be cast. It has three members and is independent of Van Lanschot Kempen. It appoints its own members, without requiring the approval of Van Lanschot Kempen, and reports on its own activities. This report can be found on page 238.

Stichting preferente aandelen C Van Lanschot Kempen

A call option contract has been agreed between Stichting preferente aandelen C Van Lanschot Kempen ("Stichting preferente aandelen") and Van Lanschot Kempen, under which Stichting preferente aandelen was granted the right to acquire Class C preference shares up to 100% of the value of Van Lanschot Kempen's share capital in issue before the excercise of the call option, less one share. A General Meeting of Shareholders, at which a proposal to redeem the preference shares will be placed on the agenda, is to be convened within 12 months. The following circumstances may lead to the issuance of Class C preference shares:

- A concentration of shares or depositary receipts for shares in Van Lanschot Kempen as a result of purchases on the stock market or the purchase of blocks of shares, other than as a pure investment;
- Merger talks that do not lead to an agreement;
- The announcement of a public bid, whether or not in combination with the above circumstances;
- A proposal by a shareholder to place an item on the agenda that represents a potential threat to Van Lanschot Kempen's continuity, identity and/or independence.

Share plans

In March 2017, an employee stock purchase plan was introduced, enabling employees working in the Netherlands, Belgium or Switzerland to buy depositary receipts for shares of Van Lanschot Kempen during the open periods at a discount in return for a lock-up period of five years. There is a minimum subscription amount of €100 and a maximum amount of 25% of the gross annual salary of the employee per year.

A share option plan was in place between 1989 and 2006. A term of seven years has applied since 2003, which has been extended by five years in Belgium for several option series. The number of outstanding option rights amounted to 6,679 at 31 December 2017.

Van Lanschot Kempen holds shares in order to cover its commitment in respect of these option rights. The company meets its obligations under the share and option plans primarily by drawing on its stock of shares and by issuing new shares.

A management investment plan (MIP) was introduced for a group of Kempen employees in 2010, with a view to helping recruit and retain professionals on a long-term basis. The MIP enables this group of employees to invest their own funds indirectly in Kempen shares and profit-sharing certificates, entitling them to a payment dependent on Kempen's net profit. Van Lanschot Kempen retains full control over Kempen.

Interests in Van Lanschot Kempen notifiable under Article 5.3.3 of the Financial Supervision Act

Pursuant to the Dutch Financial Supervision Act, shareholders and holders of depositary receipts of Van Lanschot Kempen NV are required to provide information on their holdings once they cross threshold levels of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. As of the publication date of this report, Van Lanschot Kempen is not aware of any shareholders, potential shareholders or investors with an interest of 3% or more in Van Lanschot Kempen other than Stichting Administratiekantoor, Stichting preferente aandelen, Stichting Pensioenfonds ABP (via APG Asset Management NV), Wellington Management Group LLP, LDDM Holding BV, Reggeborgh Invest BV, FMR LCC, Janus Henderson Group plc, T. Rowe Price Associates, Inc., Invesco Limited and CRUX Asset Management Limited.

No transactions took place in 2017 between Van Lanschot Kempen and any natural person or legal entity holding at least 10% of the shares in Van Lanschot Kempen, and which would be material to Van Lanschot Kempen and/or the person/entity involved.

Rights of shareholders

Since there are exclusively Class A ordinary shares in issue at present, this section only describes the rights of holders of Class A ordinary shares and depositary receipts for Class A ordinary shares.

Dividend

The portion of the profit remaining after addition to the reserves is at the disposal of the General Meeting. In the event that a loss is incurred over a year, which cannot be covered by a reserve or by some other means, no profit distribution will occur in subsequent years until such time as this loss has been absorbed. A dividend on ordinary shares can only be paid out when the dividend proposal has been approved by the General Meeting. Van Lanschot Kempen checks whether the proposed dividend satisfies the European Central Bank's recommendation on dividend payment policies. Further information on our dividend policy can be found on pages 95-96.

Pre-emption rights

When ordinary shares are issued, each existing holder of ordinary shares has a pre-emption right proportionate to the aggregate nominal amount of the existing holding of ordinary shares. Class A ordinary shares are issued to holders of Class A ordinary shares. The same applies to the grant of rights to acquire ordinary shares. Pre-emption rights can be limited or excluded by resolution of the Statutory Board, any such resolution being subject to the approval of the Supervisory Board. The relevant authority of the Statutory Board ends as soon as its authority to issue shares expires (see “Share issues”).

Shareholders do not have any pre-emption rights on shares issued in exchange for a non-cash contribution. Nor do shareholders have any pre-emption rights on shares or depositary receipts for those shares issued to employees of Van Lanschot Kempen or another group company.

Special rights of shareholders

There are no special statutory control rights attached to shares in Van Lanschot Kempen.

Van Lanschot Kempen signed a shareholder agreement with LDDM Holding BV in 2011. In it, LDDM Holding affirms that it will respect Van Lanschot Kempen’s independence. LDDM Holding will not cooperate with the acquisition by a third party of a shareholding in Van Lanschot Kempen exceeding 25% of the issued share capital without the approval of the Statutory and Supervisory Boards. In the event of any future share issues, Van Lanschot Kempen will give LDDM Holding the opportunity, subject to certain conditions, to keep its relative shareholding in Van Lanschot Kempen at the same level. As long as LDDM Holding retains an interest of at least 7.5% in Van Lanschot Kempen, it has the right to recommend one person for appointment as a member of the Supervisory Board of Van Lanschot Kempen. Godfried van Lanschot currently serves on the Supervisory Board on LDDM Holding’s recommendation.

Restrictions on voting rights and deadlines for exercising voting rights

Van Lanschot Kempen has not imposed any restrictions on the exercise of voting rights. In principle, voting rights are exercised at the General Meeting by the shareholder or the person authorised by the shareholder to that end. A shareholder is entitled to vote at the General Meeting if the shares in question are registered in the shareholder’s name on the registration date (see “General Meeting”). Holders of depositary receipts for Class A ordinary shares who register on time to attend the General Meeting are granted a proxy by Stichting Administratiekantoor. They can use this proxy at the General Meeting to exercise the voting rights on the shares held by Stichting Administratiekantoor, and in exchange for which depositary receipts were issued. Proxies will be provided when the depositary receipt holders sign the attendance list prior to the start of the meeting. If the depositary receipt holder’s right to attend the meeting is to be exercised by a representative authorised in writing, Stichting Administratiekantoor will grant a proxy to the representative. Shareholders and holders of depositary receipts for shares are also offered the opportunity to issue a voting instruction to an independent third party prior to the General Meeting. The notice convening the relevant General Meeting will state to whom this voting instruction should be sent and what the deadline is for submission.

Share issues

The extent of the Statutory Board’s authority to decide on a share issue (subject to the approval of the Supervisory Board) is determined by a resolution of the General Meeting. The duration and granting of this authority are also determined by resolution of the General Meeting and may not exceed five years. The Statutory Board’s authority to issue ordinary shares, including the granting of rights to acquire these shares, was extended at the General Meeting held on 18 May 2017 for a period of 18 months from the date of that meeting. The authority to issue these shares is limited to 10% of the issued capital, to be increased by an additional 10% of the issued capital if the issue is made within the context of a merger or takeover.

This authority has been used for the issuance of 55,000 Class A ordinary shares in order to meet the company’s obligations under the remuneration policies and related share schemes.

Repurchase of shares

Repurchases of paid-up shares in the company or depositary receipts for such shares, other than for no consideration, may take place if the General Meeting has authorised the Statutory Board to this effect. This authorisation applies for up to a maximum of 18 months. Repurchase occurs pursuant to a decision by the Statutory Board, subject to Supervisory Board approval.

The Statutory Board was authorised at the General Meeting held on 18 May 2017 to repurchase paid-up ordinary shares in the company or depositary receipts for these shares, by buying such shares on the stock market or otherwise, up to a maximum of 10% of the issued capital at the date of authorisation, subject to Supervisory Board approval. This authority has been granted for a period of 18 months from the date of the meeting.

Transfer of shares and depositary receipts

The Articles of Association and the conditions of administration do not contain any restrictions on the transfer of Class A ordinary shares or depositary receipts for Class A ordinary shares.

Amendment to the Articles of Association

A resolution to amend the Articles of Association of Van Lanschot Kempen may only be adopted based on a proposal by the Statutory Board that has been approved by the Supervisory Board. If a proposal to amend the Articles of Association is presented to the General Meeting, a copy of the proposal will be made available to the shareholders and holders of depositary receipts prior to the meeting.

General Meeting

Each voting shareholder and depositary receipt holder is authorised, either in person or through a representative authorised in writing, to attend the General Meeting, to address the meeting and to exercise their voting rights.

A registration date applies to each General Meeting of Shareholders, which is the 28th day prior to that meeting. The registration date determines who qualifies as a voting shareholder or depositary receipt holder for the relevant

General Meeting of Shareholders. The notice convening the meeting states the registration date, the way in which shareholders and depositary receipt holders can register and how they can exercise their rights, either in person or through a representative authorised in writing.

Shareholders and depositary receipt holders or their representatives are only admitted to the meeting if they have informed Van Lanschot Kempen in writing of their intention to attend, and if this has been done in the manner described in the notice convening the meeting. Access to the meeting is only possible if the relevant shares or depositary receipts are registered in the name of the shareholder or the depositary receipt holder on the registration date. Representatives must also present a written proxy. A written proxy may be sent electronically. Each share entitles the holder to cast one vote at the General Meeting of Shareholders.

The powers of the General Meeting include the following:
- Approving decisions of the Statutory Board to make important changes to the identity or nature of the company or the business;
- Appointing members of the Supervisory Board on the Supervisory Board's recommendation;
- Setting the remuneration of members of the Supervisory Board;
- Passing a motion of no confidence in the Supervisory Board;
- Determining the remuneration policy for the Statutory Board;
- Approving schemes in the form of shares and/or rights to acquire shares for the Statutory Board;
- Adopting the financial statements;
- Disposing of the profit remaining after dividend has been distributed to any outstanding Class C preference shares, and after the decision has been made to add all or part of the profit to the reserves;
- Discharging the Statutory Board;
- Discharging the Supervisory Board;
- Granting the Statutory Board the authority to issue shares and to limit or exclude pre-emption rights on the issue of shares;
- Granting the Statutory Board the authority to repurchase the company's own shares;
- Resolving to amend the Articles of Association of Van Lanschot Kempen, to dissolve Van Lanschot Kempen, or to effect a legal merger or demerger of Van Lanschot Kempen, following a proposal to that effect by the Statutory Board which has been approved by the Supervisory Board.

Main features of Van Lanschot Kempen's management and control system

Van Lanschot Kempen's management and control system is designed to manage internal and external risks. This includes the management of financial reporting risks, to ensure reliable financial reporting and financial statements that are prepared in accordance with generally accepted accounting principles, and which comply with the prevailing legislation and regulations.

Van Lanschot Kempen applies the three lines of defence model for the management of risk. The first line of defence is the business, responsible for day-to-day risk management. The second line of defence is provided by departments such as Group Risk Management and Compliance which oversee the functioning of the first line. Group Audit acts as the third line of defence, providing an independent evaluation of the adequacy of the internal management and control systems.

The three lines of defence model provides the Statutory Board with a reasonable degree of certainty as to how the internal management and control system is functioning, including the efficacy of both the first and second lines. In 2017, the monitoring of the effectiveness of key controls (as part of the risk & control framework) was improved, and the risk & control framework was updated to reflect changes in the organisational structure.

Group Audit is responsible for carrying out IT and operational audits. All of Group Audit's reports were submitted to the Statutory Board. Group Audit, Compliance and Group Risk Management ensure adequate follow-up and prioritisation. Supplementary control measures have been defined in the meantime, which should mitigate risk sufficiently.

The effectiveness of the framework is evaluated annually by Group Risk Management and Compliance, while Group Audit has also assessed its quality and effectiveness. The results of these evaluations featured in the respective quarterly reports of Group Risk Management, Compliance and Group Audit.

For more detailed information on risk management within Van Lanschot Kempen, see page 68. The financial statements include also a more detailed explanation of risk management at Van Lanschot Kempen (see "Risk management", beginning on page 122).

Financial reporting risk

The Statutory Board is responsible for the design and operation of an adequate system of internal control for Van Lanschot Kempen's financial reporting. The system is designed to provide reasonable assurance as to the reliability of financial reporting. The financial statements must be prepared in accordance with generally accepted accounting principles and applicable legislation and regulations.

Van Lanschot Kempen has tools in place to manage financial reporting risks:
- Periodic management reports and KPI dashboards, accompanied by analysis of financial and non-financial figures and trends;
- A risk & control framework describing processes and procedures, and setting out primary controls such as authorisations and segregation of duties;
- Evaluation of the functioning of the internal management and control system by Group Audit. The main findings are discussed with the Statutory Board, the Audit and Compliance Committee and the Supervisory Board;
- Assessment and approval of the annual report by the Statutory Board, and discussion of the annual report by the Audit and Compliance Committee and the Supervisory Board;
- The Accounting Manual, which sets out the principles regarding financial accounting.

In-control statements are provided by the management of the relevant departments. These are based on the results of testing procedures for the risk & control framework, the risks reported on a quarterly basis, the follow-up of these risks, and the incidents reported. Group Risk Management and Compliance evaluated these in-control statements.

The quarterly reports of Group Audit, setting out its main findings, are discussed with the Executive Board and the Audit and Compliance Committee. The conclusions of the Audit and Compliance Committee were subsequently shared with the Supervisory Board.

The Supervisory Board was informed about the Statutory Board's internal control of the organisation, and how it safeguards the integrity of financial information. The subjects considered by the Supervisory Board when assessing the financial statements include the management letter and the audit by the external auditors.

The key audit matters cited in the independent auditors' report were discussed with the Statutory Board and the Audit and Compliance Committee, and formed part of the organisation's management and control.

Statement by the Statutory Board

In accordance with best practice provision 1.4.3 of the Dutch Corporate Governance Code the Statutory Board states that:

- The management report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a "going concern" basis;
- The management report states those material risks and uncertainties that are relevant to expectation of the company's continuity for the period of twelve months after the preparation of this report.

External auditors

At the Annual General Meeting of Shareholders on 18 May 2017, PwC were reappointed as Van Lanschot Kempen's external auditors for the 2017 financial year. PwC's audit plan for 2017 and risk analysis were discussed in August 2017 at the meetings of the Statutory Board and the Audit and Compliance Committee.

PwC issued a 2017 management letter in December 2017 and a board report for 2017 in February 2018. The subjects set out in the management letter and the board report are in line with the notes included in this annual report with respect to risk management, insofar as these relate to financial reporting risks. The external auditors may be questioned at the Annual General Meeting of Shareholders in relation to their audit, and will be attending the meeting for this reason.

The Statutory Board and the Audit and Compliance Committee evaluated the functioning of PwC in December 2017. Based on this evaluation, the Supervisory Board will propose to the General Meeting to reappoint PwC as external auditors for 2018 and 2019.

Decree implementing Article 10 of the Takeover Directive

The Decree implementing Article 10 of the Takeover Directive (Decree dated 5 April 2006 implementing Article 10 of Directive 2004/25/EC of the European Parliament and the Council of the European Union of 21 April 2004 on takeover bids) imposed further requirements on the content of the directors' report.

The required information and, where applicable, the places where this information can be found in this annual report, where not already mentioned in this Corporate Governance section of this report, are summarised below.

1. *Significant agreements that are entered into, amended or terminated upon a change of control of Van Lanschot Kempen following a public bid within the meaning of Article 5:70 of the Financial Supervision Act.*

The shareholder agreement between Van Lanschot Bankiers and De Goudse NV with respect to Van Lanschot Chabot Holding BV contains a change of control clause.

By virtue of this clause, in the event of a change of control, De Goudse has the right, under certain circumstances, to acquire the shares held by Van Lanschot Bankiers in Van Lanschot Chabot Holding (a call option) or to transfer the shares held by De Goudse in Van Lanschot Chabot Holding to Van Lanschot Bankiers (a put option).

2. *Any agreement between Van Lanschot Kempen and a board member or employee providing for compensation upon termination of employment due to a public bid within the meaning of Article 5:70 of the Financial Supervision Act.*

Van Lanschot Kempen has not concluded any agreements with board members or employees that provide for compensation upon termination of employment due to a public bid within the meaning of Article 5:70 of the Financial Supervision Act.

STATEMENT BY THE STATUTORY BOARD

As required by Article 5:25c (2c) of the Financial Supervision Act, each of the undersigned hereby confirms that to the best of his knowledge:

- The 2017 financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Van Lanschot Kempen and its consolidated entities;
- The 2017 Report of the Statutory Board of Van Lanschot Kempen gives a true and fair view of the position of the company and its consolidated entities on balance sheet date, and of the course of their affairs during the 2017 financial year, and describes the material risks that Van Lanschot Kempen faces.

's-Hertogenbosch, the Netherlands, 21 February 2018

Statutory Board

Karl Guha, Chairman
Constant Korthout
Richard Bruens
Arjan Huisman

VAN LANSCHOT KEMPEN SHARES

The issued share capital of Van Lanschot Kempen NV (Van Lanschot Kempen) at 31 December 2017 consisted of 41,146,668 Class A ordinary shares ("shares") each having a nominal value of €1. In 2017, we increased the number of shares in issue by 55,000 to allocate shares to our staff under our remuneration policies. We held 299,695 treasury shares at year-end 2017. Depositary receipts for Van Lanschot Kempen's Class A ordinary shares have been traded on the Euronext Amsterdam stock market since 29 June 1999 (ISIN Code: NL0000302636; ticker: VLK.AS). For more information about the depositary receipts, turn to our corporate governance section under "Depositary receipts for shares", on page 91. Van Lanschot Kempen's market capitalisation stood at €1,068 million at year-end 2017.

Shareholders

Pursuant to Chapter 5.3 of the Dutch Financial Supervision Act, the following disclosures have been entered in the Register of Substantial Holdings as maintained by the Dutch Authority for the Financial Markets. The percentages reflect the number of shares on the register on the dates listed and the current number of shares.

Shareholder	Notification date	Interest
Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen	24/05/2013	97.30%

Depositary receipt holder	Notification date	Interest
Stichting Pensioenfonds ABP (via APG Asset Management NV)	30/01/2018	9.94%
Wellington Management Group LLP	15/12/2014	9.87%
LDDM Holding BV	03/06/2014	9.73%
Reggeborgh Invest BV	15/06/2016	5.01%
FMR LCC	07/07/2016	4.98%
Janus Henderson Group plc	15/06/2016	3.28%
Crux Asset Management Limited	17/09/2017	3.24%
T. Rowe Price Group, Inc.	09/05/2017	3.07%
Invesco Limited	11/08/2017	3.01%

Disclosure is required once a shareholder's interest reaches, exceeds or falls below a threshold value. The current interest of a shareholder or holder of depositary receipts may consequently differ from the interest reported on the disclosure date. On 31 December 2017, Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen held over 99.99% of Van Lanschot Kempen shares.

In September 2017, Rabobank sold off its remaining 9.74% stake in Van Lanschot Kempen, which it had acquired as part of its acquisition of Friesland Bank in 2012. The sale of the stake is in line with Rabobank's strategy to optimise its balance sheet, partly through the sale of non-core assets. The shares were successfully sold at a price of €25.10, via an accelerated book-build offering to institutional investors.

On 31 December 2017, management and employees jointly owned over 2% of our share capital. In 2017, we introduced a profit-sharing plan for all Van Lanschot Kempen employees working in the Netherlands to further increase their alignment with Van Lanschot Kempen as shareholders. As a result, for the 2017 financial year, an equal number of Van Lanschot Kempen shares were granted to all employees in scope in February 2018. The number of shares is linked to Van Lanschot Kempen's profit and is conditional on this exceeding a certain threshold. A lock-up period of two years applies and the same profit-sharing plan will be offered in 2018.

CREDIT RATINGS

We have our creditworthiness assessed periodically by Fitch Ratings (Fitch) and Standard & Poor's (S&P). Van Lanschot Kempen ensures a high creditworthiness by deploying its assets for the benefit of its clients and only assuming risks which can be understood and controlled. This results in robust risk management processes and a strong capital and liquidity position. Our current credit ratings consequently reflect our healthy capital and funding position and low risk profile.

Credit ratings[1]	Standard & Poor's	Fitch Ratings
Long-term credit rating	BBB+	BBB+
Long-term credit rating outlook	Stable outlook	Stable outlook
Short-term credit rating	A-2	F2
Date of latest press release	15 September 2017	30 August 2017

Research coverage

Currently, five sell-side analysts are actively tracking us and regularly publish equity research reports on Van Lanschot Kempen: ABN AMRO, Goldman Sachs, ING, Kepler Cheuvreux and UBS. Their details can be found at vanlanschotkempen.com/share-information.

Dividend policy and dividend for 2017

Our aim is to distribute between 50% and 70% of our underlying net result attributable to shareholders. The result actually available for distribution is the net result adjusted for minority interests and the net effect of selected special items. In 2017, we adjusted for two special items: costs relating to our Strategy 2020 IT investment programme, and an additional charge for the derivatives recovery framework.

The underlying net result available for distribution to shareholders amounts to €106.9 million and works out at earnings per share of €2.61[2]. Our results and solid capital position enabled us to propose a higher dividend to our shareholders. The General Meeting to be held on 25 April 2018 will be invited to approve the distribution of

1 Credit ratings apply to Van Lanschot Bankiers. Van Lanschot Kempen is the holding company of Van Lanschot Bankiers. Its only asset is 100% of the shares in Van Lanschot Bankiers.

2 Based on the weighted number of outstanding ordinary shares.

a dividend for the 2017 financial year amounting to €1.45 per Class A ordinary share. Based on the number of shares in issue at 31 December 2017 (excluding treasury shares), the proposed dividend payments will total €59.2 million, corresponding to a pay-out ratio of 55.4% of the underlying net result attributable to shareholders. This percentage works out at 66.2% of net earnings attributable to shareholders. The proportion of net earnings attributable to shareholders that will not be paid out – i.e. €30.3 million – will be added to reserves.

Capital management policy

A key focus of our strategy is to lower the capital intensity of our activities. By running down the corporate loan portfolio and optimising the use of capital in our other divisions and departments, we sharply reduce risk-weighted assets and consequently our required capital. However, these actions result in a less efficient capital structure, as they lead to excess capital that is no longer needed for us to perform our core activities. By year-end 2017, our CET I ratio was well ahead of our 2020 target range of 15-17%.

At Van Lanschot Kempen, we choose to pay out excess capital to our shareholders. As we can comfortably fund our capital spending from profit and loss – including our investment programme – we do not need excess capital to invest. We do not aim to engage in any major takeovers that would change the nature of our company, while bolt-on acquisitions – e.g. Staalbankiers' private banking activities and UBS's wealth management activities in the Netherlands – have only a limited impact on our capital position. As a result, it is not necessary to retain excess capital to effect acquisitions. We consider dividend payment a very appropriate and efficient way to return capital to our shareholders. In addition, we may consider other avenues, under the prevailing laws and regulations (such as the Basel regulatory framework), to distribute excess capital to our shareholders, including share buy-backs or premium repayment.

Capital return

In August 2017, we proposed a capital return to our shareholders of €1 per share. This proposal and resolutions to amend the Articles of Association to this effect were approved by our shareholders at the Extraordinary General Meeting of Shareholders on 11 October 2017. Subsequently, a total of over €41 million was returned to shareholders in December.

The capital return was charged to the share premium reserve available for distribution and is therefore exempt from Dutch dividend tax. The total share capital in issue remained unchanged, and the CET I ratio remains well ahead of our capital objective of 15–17%, even after the return of capital.

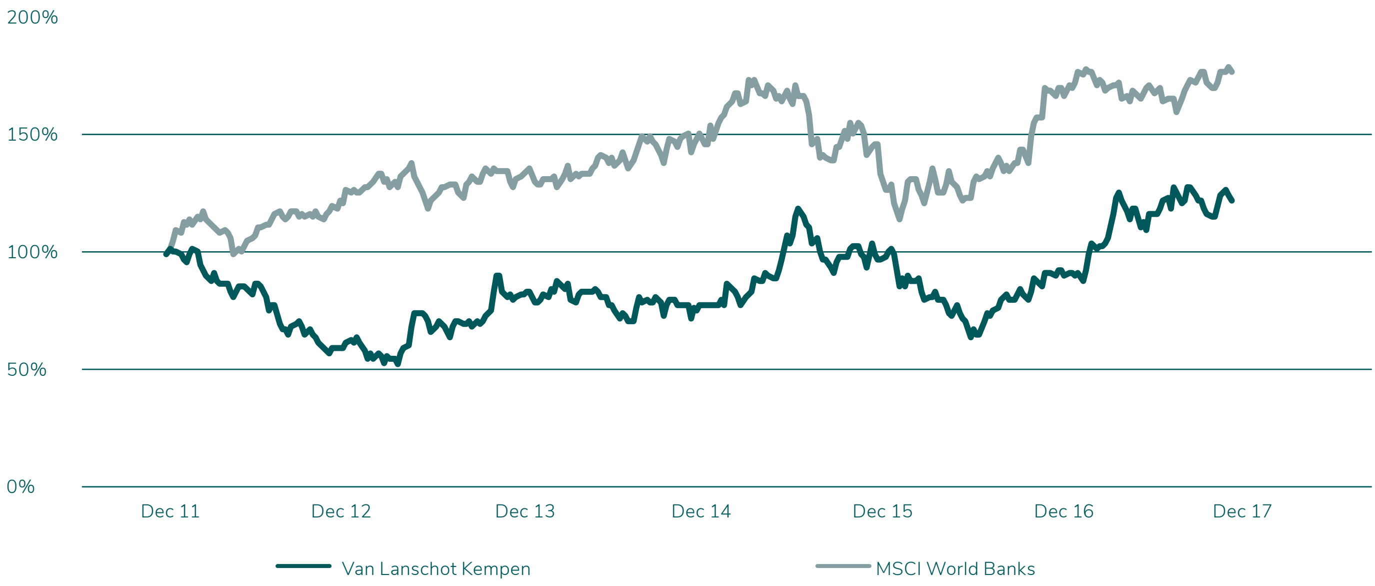
The return of capital represents the next step in the implementation of our capital strategy. Our aim is to return at least €250 million to shareholders in the period up to and including 2020, subject to the approval of the regulators. Including the capital return and the dividend made payable in 2017, over €90 million of this has already been returned to shareholders.

Key figures per ordinary share	2017	2016	2015	2014	2013
Share price (€):					
High	27.38	22.28	25.70	19.50	20.77
Low	19.46	14.73	17.00	15.51	11.63
Closing	26.15	19.98	21.23	17.40	17.90
Average daily trading volume in depositary receipts	46,383	28,505	21,305	4,827	6,025
Market capitalisation (x € million) (year-end)[3]	1,068	817	870	710	733
Net asset value per share (€)	32.32	32.62	31.68	31.51	31.29
Price-earnings ratio[4]	10.0	10.6	16.9	16.0	25.2

Information on dividend per ordinary share	2017	2016	2015	2014	2013
Earnings per ordinary share (€)[4]	2.61	1.89	1.26	1.09	0.71
Dividend per ordinary share (€)	1.45	1.20	0.45	0.40	0.20
Dividend yield (%)	5.5	6.0	2.1	2.3	1.1
Pay-out ratio (%)	55.4	63.5	35.8	36.7	28.2
Total return for holders of ordinary shares (%)	42	–4	24	–2	27

3 Calculated as: closing price x (issued share capital minus treasury shares). Previously, treasury shares were not deducted from the issued share capital in this calculation.
4 2017 and 2016 adjusted costs incurred for our Strategy 2020 investment programme and an additional charge for the derivatives recovery framework; 2015 adjusted for a one-off charge arising from the sale of non-performing real estate loans; 2014 adjusted for a pension scheme gain.

Movements in Van Lanschot Kempen's share price compared with the MSCI World Banks Index



Investor relations policy

Our investor relations policy is designed to provide current and potential shareholders and bondholders, rating agencies and research analysts with accurate and timely information on developments within the business. We engage in active dialogue with all our financial stakeholders, by publishing press releases and our annual report, and by organising meetings and one-to-one discussions with existing and potential investors. We observe a "silent" period of three weeks prior to the publication of our annual and half-year results. No meetings are held with shareholders or analysts during this period. We also publish our policies on investor relations at vanlanschotkempen.com/investorrelationspolicy.

All documents and other relevant information may be found at vanlanschotkempen.com/en. If you would like to receive Van Lanschot Kempen's press releases by email, you can subscribe to our news service at vanlanschotkempen.com/pressreleases.

More information

Investors and advisers with questions are welcome to contact our Investor Relations department by phone on +31 20 354 45 90 or by email at investorrelations@vanlanschotkempen.com.

KEY DATES

Publication of 2018 Q1 trading update	25 April 2018
2018 Annual General Meeting of Shareholders	25 April 2018
Ex-dividend date	27 April 2018
Record date	30 April 2018
2017 dividend made payable	8 May 2018
Publication of 2018 half-year results	22 August 2018
Publication of 2018 Q3 trading update	2 November 2018

RECONCILIATION OF IFRS AND MANAGEMENT REPORTING

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

Reconciliation of IFRS and management reporting (x € million)	IFRS	Non-strategic investments	Investment programme	Derivatives recovery framework	Amortisation of intangible assets arising from acquisitions	Managerial
Commission	267.0	–	–	–	–	267.0
Interest	195.4	1.2	–	–	–	196.6
Income from securities and associates	37.7	–0.7	–	–	–	37.0
Result on financial transactions	14.1	–	–	–	–	14.1
Other income	53.1	–53.1	–	–	–	–
Income from operating activities	**567.3**	**–52.5**	**–**	**–**	**–**	**514.8**
Staff costs	263.0	–24.4	–2.5	–	–	236.0
Other administrative expenses	178.5	–7.6	–18.9	–1.7	–	150.2
Depreciation and amortisation	16.0	–4.1	–	–	–6.1	5.8
Operating expenses	**457.5**	**–36.2**	**–21.4**	**–1.7**	**–6.1**	**392.1**
Gross result	**109.8**	**–16.4**	**21.4**	**1.7**	**6.1**	**122.7**
Impairments	–10.7	–3.8	–	–	–	–14.4
Operating profit before tax of non-strategic investments	–	12.6	–	–	–	12.6
Operating result before special items and tax	**120.5**	**–**	**21.4**	**1.7**	**6.1**	**149.8**
Strategy 2020 investment programme	–	–	21.4	–	–	21.4
Derivatives recovery framework	–	–	–	1.7	–	1.7
Amortisation of intangible assets arising from acquisitions	–	–	–	–	6.1	6.1
Operating profit before tax	**120.5**	**–**	**–**	**–**	**–**	**120.5**
Income tax	25.6	–	–	–	–	25.6
Net result	**94.9**	**–**	**–**	**–**	**–**	**94.9**

2017 financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017
Before profit appropriation (x €1,000)

		31/12/2017	31/12/2016
Assets			
Cash and cash equivalents and balances at central banks	(1)	1,832,751	1,585,473
Financial assets held for trading	(2)	38,234	16,913
Due from banks	(3)	186,459	188,748
Derivatives	(4)	322,258	307,320
Financial assets designated at fair value through profit or loss	(5)	394,898	336,238
Available-for-sale investments	(6)	1,738,355	1,680,036
Held-to-maturity investments	(7)	521,349	513,438
Loans and advances to the public and private sectors	(8)	9,103,327	9,624,048
Investments in associates using the equity method	(9)	70,390	75,559
Property and equipment	(10)	63,468	72,003
Goodwill and other intangible assets	(11)	218,389	194,453
Tax assets	(12)	26,719	41,687
Assets classified as held for sale	(13)	–	103,639
Other assets	(14)	142,277	137,856
Total assets		**14,658,875**	**14,877,411**
Equity and liabilities			
Financial liabilities from trading activities	(15)	1,899	5
Due to banks	(16)	101,645	128,696
Public and private sector liabilities	(17)	9,145,119	9,679,764
Derivatives	(4)	318,417	338,851
Financial liabilities designated at fair value through profit or loss	(18)	971,453	894,255
Issued debt securities	(19)	2,411,671	2,116,094
Provisions	(20)	23,085	34,047
Tax liabilities	(21)	12,841	7,073
Other liabilities	(22)	156,820	157,482
Subordinated loans	(23)	166,802	167,218
Total liabilities		**13,309,752**	**13,523,485**
Issued share capital		41,147	41,092
Treasury shares		–7,869	–4,059
Share premium reserve		441,459	481,258
Other reserves		768,616	756,445
Undistributed profit attributable to shareholders		89,508	65,735
Equity attributable to shareholders		**1,332,860**	**1,340,470**
Non-controlling interests		10,827	9,391
Undistributed profit attributable to non-controlling interests		5,437	4,065
Equity attributable to non-controlling interests		**16,264**	**13,456**
Total equity	(24)	**1,349,124**	**1,353,926**
Total equity and liabilities		**14,658,875**	**14,877,411**
Contingent liabilities	(25)	65,578	68,024
Irrevocable commitments	(26)	861,342	830,937
		926,919	**898,961**

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

CONSOLIDATED STATEMENT OF INCOME FOR 2017
(x €1,000)

		2017	2016
Income from operating activities			
Interest income		340,051	395,880
Interest expense		144,671	186,064
Net interest income	(27)	**195,380**	**209,817**
Income from associates using the equity method		24,739	11,646
Other income from securities and associates		12,956	18,025
Income from securities and associates	(28)	**37,694**	**29,671**
Commission income		280,519	253,456
Commission expense		13,533	9,786
Net commission income	(29)	**266,986**	**243,670**
Result on financial transactions	(30)	**14,127**	**–3,938**
Net sales		105,794	97,496
Cost of sales		52,669	52,317
Other income	(31)	**53,125**	**45,180**
Total income from operating activities		**567,313**	**524,400**
Expenses			
Staff costs	(32)	262,985	255,022
Other administrative expenses	(33)	178,526	169,111
Staff costs and other administrative expenses		**441,511**	**424,132**
Depreciation and amortisation	(34)	15,962	16,597
Operating expenses		**457,473**	**440,729**
Release of loan loss provision		–11,875	–6,862
Other impairments		1,201	4,747
Impairments	(35)	**–10,674**	**–2,115**
Total expenses		**446,798**	**438,614**
Operating profit before tax		**120,514**	**85,785**
Income tax	(36)	25,569	15,986
Net result		**94,945**	**69,800**
Of which attributable to shareholders		89,508	65,735
Of which attributable to non-controlling interests		5,437	4,065
Earnings per ordinary share (€)	(37)	2.19	1.61
Diluted earnings per ordinary share (€)	(38)	2.16	1.59
Proposed dividend per ordinary share (€)		1.45	1.20

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2017 (x €1,000)

		2017	2016
Net result (as per statement of income)		**94,945**	**69,800**
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		–7,778	–1,029
Revaluation of debt instruments		9,719	5,319
Realised return on equity instruments		–911	–922
Realised return on debt instruments		–6,407	–8,509
Income tax effect		–860	543
Total other comprehensive income through revaluation reserve	(24)	**–6,237**	**–4,599**
Other comprehensive income from value changes of derivatives (cash flow hedges)			
Increase in value of derivatives directly added to equity		1,410	3,717
Income tax effect		–352	–929
Total other comprehensive income from value changes of derivatives (cash flow hedges)	(24)	**1,057**	**2,788**
Other comprehensive income from currency translation differences			
Other comprehensive income from currency translation differences		–655	318
Income tax effect		–	–
Total other comprehensive income from currency translation differences	(24)	**–655**	**318**
Total other comprehensive income to be reclassified in subsequent periods to profit or loss		**–5,835**	**–1,493**
Other comprehensive income not to be reclassified in subsequent periods to profit or loss			
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans		–580	–1,924
Income tax effect		38	499
Total remeasurement of defined benefit plans	(24)	**–542**	**–1,424**
Total other comprehensive income not to be reclassified in subsequent periods to profit or loss		**–542**	**–1,424**
Total other comprehensive income		**–6,377**	**–2,917**
Total comprehensive income		**88,569**	**66,882**
Of which attributable to shareholders		83,131	62,817
Of which attributable to non-controlling interests		5,437	4,065

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN 2017
Before profit appropriation (x €1,000)

	Share capital	Treasury shares	Share premium reserve	Other reserves	Undistri-buted profit	**Total equity attributable to share-holders**	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

For additional information on the nature and composition of the share premium reserve and other reserves, see Note 24.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN 2016
Before profit appropriation (x €1,000)

	Share capital	Treasury shares	Share premium reserve	Other reserves	Undistri-buted profit	**Total equity attributable to share-holders**	Equity attributable to non-controlling interests	Total equity
At 1 January	41,017	–1,058	479,914	745,322	34,163	**1,299,358**	20,576	1,319,934
Net result (as per statement of income)	–	–	–	–	65,735	**65,735**	4,065	69,800
Total other comprehensive income	–	–	–	–2,917	–	**–2,917**	–	–2,917
Total comprehensive income	**–**	**–**	**–**	**–2,917**	**65,735**	**62,817**	**4,065**	66,882
Shares issued	75	–	1,344	–	–	1,419	–	1,419
Share plans	–	3,091	–	–1,230	–	**1,861**	–	1,861
To other reserves	–	–	–	15,771	–15,771	**–**	–	–
Repurchased equity instruments	–	–6,092	–	–	–	**–6,092**	–	–6,092
Dividends	–	–	–	–	–18,392	**–18,392**	–6,788	–25,180
Other changes	–	–	–	–501	–	**–501**	–	–501
Change in non-controlling interests	–	–	–	–	–	**–**	–4,398	–4,398
At 31 December	**41,092**	**–4,059**	**481,258**	**756,445**	**65,735**	**1,340,471**	**13,456**	1,353,926

For additional information on the nature and composition of the share premium reserve and other reserves, see Note 24.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2017 (x €1,000)

		2017	2016
Cash flow from operating activities			
Operating profit before tax		120,514	85,785
Adjustments for			
– Depreciation and amortisation	(34)	18,131	16,598
– Costs of share plans		4,773	3,261
– Results on associates using the equity method		–13,129	–11,543
– Valuation results on financial assets designated at fair value through profit or loss		2,870	3,291
– Valuation results on financial liabilities designated at fair value through profit or loss		–7,399	11,508
– Valuation results on derivatives		–19,080	–15,661
– Impairments	(35)	–10,674	–2,115
– Changes in provisions		3,479	16,335
Cash flow from operating activities		**99,486**	**107,460**
Net movement in operating assets and liabilities			
– Financial assets/liabilities held for trading		–19,427	–10,463
– Due from/to banks		4,593	–581,114
– Loans and advances to public and private sectors/Public and private sector liabilities		71,881	560,418
– Derivatives		3,099	28,817
– Withdrawals from restructuring provision and other provisions		–15,021	–7,880
– Other assets and liabilities		–4,696	16,128
– Income taxes paid		–11,119	–3,515
– Dividends received		4,602	3,606
Total net movement in operating assets and liabilities		**33,912**	**5,997**
Net cash flow from operating activities		**133,398**	**113,456**
Cash flow from investing activities			
Investments and acquisitions			
– Investments in debt instruments		–973,327	–1,110,797
– Investments in equity instruments		–84,990	–11,104
– Acquisitions (excluding acquired cash and cash equivalents)		–28,700	–20,000
– Investments in associates using the equity method		–27,147	–15,856
– Property and equipment		–8,838	–10,303
– Goodwill and other intangible assets		–7,542	–1,864
Divestments, redemptions and sales			
– Investments in debt instruments		896,695	1,983,081
– Investments in equity investments		25,170	19,033
– Investments in associates using the equity method		41,277	528
– Property and equipment		7,044	3,295
– Goodwill and other intangible assets		678	1,854
Dividends received		3,833	7,325
Net cash flow from investing activities		**–155,847**	**845,193**

The numbers in the statement of cash flows refer to the Notes to the consolidated statement of financial position and the Notes to the consolidated statement of income.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2017 (CONTINUED)
(x €1,000)

		2017	2016
Cash flow from financing activities			
Share plans		2,255	–1,289
Repurchased equity instruments*		–7,499	–4,673
Change in other non-controlling interests		–1,956	–4,186
Receipts on issued subordinated loans		–	50,000
Redemption of subordinated loans		–113	–114
Receipts on issued debt securities		500,000	500,000
Redemption of debt securities		–187,027	–869,914
Receipts on financial liabilities designated at fair value through profit or loss		275,645	178,405
Redemption of financial liabilities designated at fair value through profit or loss		–191,048	–100,261
Dividends paid and return of capital		–91,174	–25,180
Net cash flow from financing activities		**299,082**	**–277,211**
Net change in cash and cash equivalents and balances at central banks	(1)	**276,632**	**681,438**
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 31 December**		1,826,733	1,550,100
Additional disclosure			
Cash flows from interest received		341,695	417,890
Cash flows from interest paid		146,007	201,044

Reconciliation of liabilities arising from financing activities in 2017	Subordinated loans	Issued debt securities	Financial liabilities designated at fair value through profit or loss	Total
At 1 January	167,218	2,116,094	894,256	**3,177,568**
Cash flows	–113	312,973	84,596	**397,456**
Non-cash changes:				–
– Acquisition	–	–	–	–
– Fair value changes	–303	–17,396	–7,399	–25,098
At 31 December	166,802	2,411,671	971,453	**3,549,926**

Reconciliation of liabilities arising from financing activities in 2016	Subordinated loans	Issued debt securities	Financial liabilities designated at fair value through profit or loss	Total
At 1 January	118,151	2,480,005	804,603	**3,402,759**
Cash flows	49,886	–369,915	78,145	**–241,884**
Non-cash changes:				–
– Acquisition	–	–	–	–
– Fair value changes	–819	6,004	11,508	16,693
At 31 December	167,218	2,116,094	894,256	**3,177,568**

The numbers in the statement of cash flows refer to the Notes to the Consolidated statement of financial position and the Notes to the consolidated statement of income.

* 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 2017 and 2016, Van Lanschot Kempen executed a share buy-back programme.

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

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

The consolidated financial statements of Van Lanschot Kempen NV at 31 December 2017 were prepared by the Statutory Board on 21 February 2018 and will be submitted to the General Meeting of Shareholders for adoption on 25 April 2018. At the request of the General Meeting of Shareholders, the financial statements may – subject to the consent of the Supervisory Board – be amended by the Statutory Board after publication. The amended financial statements will be submitted to the General Meeting for adoption.

Basis of preparation
The consolidated financial statements of Van Lanschot Kempen and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and with Part 9, Book 2 of the Dutch Civil Code. The assets and liabilities disclosed in the consolidated financial statements are measured in accordance with the accounting principles as set out below.

Continuity
The Statutory Board has examined the ability of Van Lanschot Kempen NV to continue its operations and concluded that we are able to do so for the foreseeable future. Moreover, the Board is not aware of any material uncertainties that cast significant doubt on our ability to continue as a going concern. The consolidated financial statements have been prepared on this basis.

Functional and reporting currency
The consolidated financial statements are denominated in euros, the functional and reporting currency of Van Lanschot Kempen NV. Unless stated otherwise, all amounts are given in thousands of euros. The totals may not always match the sum of the individual values due to rounding.

Changes in presentation

Consolidated statement of financial position
We have introduced a change to the presentation of the consolidated statement of financial position, as we think this results in more relevant information. The comparative figures have been adjusted accordingly.

The presentation of Irrevocable commitments now includes the unused current account facilities due to a revised interpretation of the revocability of these facilities. In practice, the actual maturities of these facilities are longer than the contractual maturities, which is why they are reported in the “More than 5 years” bucket. The comparative figures have been adjusted for an amount of €685 million.

Consolidated statement of income
We have made some changes to the presentation of the consolidated statement of income, as we think these result in more relevant information. The comparative figures have been adjusted accordingly.

The line item Other income has been broken down from 1 January 2017 into Net sales and Costs of sales. This presentation of Other income brings this item in line with Interest income and Commission income, for which income and expenses are shown separately.

The presentation of travelling expenses for staff travelling to their place of work is now included in Staff costs instead of Other administrative expenses. We see these costs as an integral part of staff costs, just as training costs are also included. The comparative figures have been adjusted for an amount of €7.7 million.

Risk disclosures
The presentation of the external credit ratings in section 2.8, Credit quality, has been changed to align with the way external credit ratings are reported within the financial sector. In previous years, for example, AAA-rated instruments were placed in the AA bucket, but starting in 2017 these AAA-rated instruments are placed in the AAA bucket. The comparative figures have been adjusted accordingly.

Pillar III disclosures
We have opted to separate the Pillar III disclosures from the consolidated financial statements and bundle this information in an unaudited report, Pillar III disclosures. To prevent double disclosure of the same information, references to the consolidated financial statements are included in this report where applicable.

Changes in accounting policies

Operating segments
In 2017, management decided to adjust the interest result allocation to more accurately show the breakdown between operating segments. Comparative figures for 2016 have been adjusted accordingly, with a resulting movement of interest income from Other activities to Private Banking and Corporate Banking.

Changes in published IFRS standards and interpretations
The IFRS standards listed below became effective from 1 January 2017 and have been applied to our financial statements for 2017. Application of these standards had no material impact on our equity or result. Application of the amended standards generally entails amendment or expansion of notes.

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.

Published IFRS standards and interpretations not yet effective
In addition to the IFRS standards and interpretations referred to above, a number of IFRS standards and interpretations are new or have been amended, and apply to financial statements for periods beginning on or after 1 January 2018. We have not applied the following standards in the 2017 financial statements. Unless stated otherwise, standards are applied as soon as they become effective and have been endorsed by the EU.

IFRS 2 Classification and Measurement of Share-based Payment Transactions
The amendments to IFRS 2 focus on the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and accounting for when the classification of a share-based payment transaction changes from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after 1 January 2018 without restating prior periods, but retrospective application is permitted. The amendments are not yet endorsed by the EU.

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 have decided to apply the classification, measurement, and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods. In addition, we have chosen not to early adopt changes introduced by IFRS 9 for financial liabilities where movements in own credit for financial liabilities designated at fair value through profit or loss will be presented in other comprehensive income.

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

Group Risk Management and Restructuring & Recovery are responsible for 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. Our external auditors are kept informed of the project's key deliverables and progress made. Significant legal entities within Van Lanschot Kempen are engaged but are not themselves responsible for the implementation activities. We have evaluated the existing governance framework and adjusted it where necessary to ensure that validations and controls are in place to safeguard ongoing compliance with IFRS 9.

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. An 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, there are no significant adjustments in the measurement of financial instruments. Furthermore changes in the accounting for modification of financial liabilities under IFRS 9 result in an expected change in the amortised cost measurement of subordinated loans of €6.8 million. Loans and advances to the public and private sectors classified as loans and receivables, and debt securities classified as held-to-maturity investments under IAS 39 will be measured at amortised cost under IFRS 9. Debt securities classified as available-for-sale investments under IAS 39 will be measured at fair value through Other comprehensive income under IFRS 9. Financial assets designated at fair value through profit or loss will continue to be measured at fair value through profit or loss, either because this is required under IFRS 9 or because this designation will continue. All equity securities will continue to be measured at fair value, with fair value movements through profit or loss. For the financial liabilities designated at fair value through profit or loss, gains or losses relating to changes in Van Lanschot Kempen's own credit risk will be included in Other comprehensive income.

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 occurs 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 recognised and, in addition, interest income is calculated on the amortised cost net of allowances.

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

The forward-looking economic assumptions used in the process are determined by Group Risk Management. The assumptions are submitted for approval to the Credit Risk Committee to assure proper governance. Governance of the impairment process is the responsibility of the Finance, Reporting & Control department.

Stage 3
In 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, 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.

Loss allowance under IFRS 9 as at 1 January 2018	
Stage 1	4,702
Stage 2	14,521
Stage 3	115,801
Total loss allowance under IFRS 9	135,024
Loss allowance under IAS 39 including IBNR	120,399
Impact of applying IFRS 9*	14,624

The increase in loss allowance under IFRS 9 is mainly caused by the expected credit loss (ECL) calculation for positions in Stage 1 and Stage 2 not included in loss allowance under IAS 39, but these are partly covered by the IBNR. Furthermore, the forward-looking scenarios are included in the ECL calculation.

The policy on the write-off of loans and advances included in Section 2.3.2, Impaired loans remains 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
The only impact of the new standard on hedge accounting for Van Lanschot Kempen is a required revision to hedge accounting disclosures. Macro fair value hedging is not within the scope of IFRS 9. As we have a simple micro fair value hedge accounting landscape with limited one-on-one hedge relationships, we have decided to make use of the option that IFRS 9 provides of continuing to apply IAS 39 for hedge accounting.

Total impact on equity
The impact of the new requirements for classification and measurement of €6.8 million and impairments of €14.7 million, in total €21.5 million (before tax), shall be recognised in equity on 1 January 2018.

IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation
The amendments to IFRS 9 address the concerns about how IFRS 9 Financial Instruments classifies particular prepayable financial assets. In addition, IASB clarifies an aspect of the accounting for financial liabilities following a modification. The amendments are effective for annual periods beginning on or after 1 January 2019 and must be applied retrospectively; early adoption together with IFRS 9 is permitted. The interpretation is not yet endorsed by the EU; early adoption is permitted after EU endorsement.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was published in May 2014 and in April 2016 amendments were issued to address guidance on implementation. IFRS 15 introduces a new five-step model framework for revenue from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. IFRS 15 applies to all entities and replaces all existing revenue standards. We have examined several commission contracts against the five-step application model framework of IFRS 15. We expect no material impact on the results or on equity. The standard is effective for annual periods beginning on or after 1 January 2018 and must be applied retrospectively; a full retrospective or modified retrospective approach should be chosen. The standard was endorsed by the EU in September 2016. Early adoption is permitted after EU endorsement and must be disclosed. We intend to apply the new standard from the required effective date.

IFRS 16 Leases
IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and will result in almost all leases being recognised on the balance sheet, similar to the accounting for finance leases under IAS 17. Leases with a lease term of 12 months or less and low-value leases are exempt. The standard may have an impact on our balance sheet by way of our long-term operating lease commitments; an assessment will be made this year. The standard is effective for annual periods beginning on or after 1 January 2019 and must be applied retrospectively; a full retrospective or modified retrospective approach should be chosen. Early adoption is permitted but not before application by the entity of IFRS 15 Revenue from Contracts with Customers.

* No income tax effect is taken into account as the Dutch tax authority has not yet issued any guidelines on treatment of the impact of IFRS 9 implementation.

IAS 28 Investments in Associates and Joint Ventures and IFRS 9 Financial Instruments

The amendments to IAS 28 and IFRS 9 clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The standard will be effective for annual periods beginning on or after 1 January 2019. The EU has not yet endorsed these amendments, early adoption is permitted after EU endorsement.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. IFRIC 22 provides guidance on IAS 21 The Effects of Changes in Foreign Exchange Rates. The interpretation is effective for annual periods beginning on or after 1 January 2018 and can be applied retrospectively or prospectively.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how the recognition and measurement requirements of IAS 12 Income Taxes are applied for income tax treatments that have yet to be accepted by the tax authorities. The interpretation is effective for annual periods beginning on or after 1 January 2019 and must be applied retrospectively. The interpretation is not yet endorsed by the EU.

Annual improvements to 2014-16 cycle

Changes to standards 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. The amendments have not yet been endorsed by the EU.

Significant accounting judgements and estimates

We have identified those accounting policies which involve the most complex or subjective decisions or assessments. In the process of applying these accounting policies, we use estimates and assumptions which can have a significant impact on the amounts recognised in the financial statements. These estimates and assumptions are based on the most recent information available and the actual amounts may differ in the future. The principal estimates and assumptions relate to impairments on available-for-sale investments, loans and advances to the public and private sectors, investments in associates using the equity method, property and equipment, goodwill, intangible assets and assets acquired through foreclosures.

They also relate to the determination of the fair value of financial instruments, deferred tax positions, share-based payments, employee benefits and provisions.

Determination of fair value of financial instruments

The fair value of financial instruments, in so far as available and provided there is an active market, is based on stock market prices at the reporting date. For financial assets, the bid price is used; for financial liabilities, the selling price.

The fair value of financial instruments not traded in an active market is determined on the basis of cash flow and of option and other valuation models. These models are based on the market circumstances prevailing at the reporting date. Estimates mainly relate to future cash flows and discount rates. For more details, see the Risk management section, under 13, Fair value.

Impairments

All assets are assessed at least annually to determine whether there are objective indicators of impairment. Objective indicators may arise in the event of significantly changed market circumstances regarding aspects such as share prices, exchange rates or interest rates. If unrecoverable financial assets generate cash flows after having been written off, these cash flows are taken directly to the statement of income. Impairments are determined on the basis of the difference between the carrying amount and the recoverable amount. Impairments are taken directly to the statement of income under Impairments.

Impairments of loans and advances to the public and private sectors

In determining the presence of impairments, a distinction is made between items for which there are objective indicators of impairment and items for which there are no such objective indicators.

Objective indicators of impairment are substantial financial problems occurring at clients, failure to make repayments of interest or capital, and the likelihood of bankruptcy or other financial restructuring of clients.

For all items where there is an objective indicator of impairment, an estimate is made of the future cash flows, which are discounted on the basis of the discounted cash flow method. Assumptions used are the estimate of the liquidation or other value of the collateral, estimate of payments still to be received, estimate of the timing of these payments, and the discount rate. Since this is a loss event, and IFRS does not permit future loss events to be taken into account, probability does not play a role in the measurement of individual impairments, other than in the expectations regarding cash flows.

Loans for which there is no objective indication of impairment are included in the collective assessment "incurred but not reported" (IBNR). Value decreases which had occurred at the reporting date but of which we were not yet aware due to an information time lag are estimated on the basis of the product of exposure at default (EAD) x probability of default (PD) x loss given default (LGD) x loss identification period (LIP).

If an asset becomes permanently irrecoverable, the provision previously taken is written off and charged against the relevant line item.

Impairments of investments in equity instruments
An investment in equity instruments is considered to be impaired if its carrying amount permanently exceeds the recoverable amount, i.e. it is below cost significantly or for a prolonged period. In the case of available-for-sale investments, any equity revaluation is first deducted. An increase in value occurring after an impairment is treated as a (new) revaluation and recognised in equity.

Impairments of investments in debt instruments
An investment in debt instruments is tested for impairment if there is objective evidence of financial problems at the counterparty, the collapse of a market or other indications. In the case of available-for-sale investments, any debt revaluation is first deducted. If during the subsequent period the amount of the impairment of an available-for-sale debt instrument decreases, and the decrease can objectively be attributed to an event occurring after the write-off, the previously recorded impairment is reversed through profit or loss.

Impairments of non-financial assets
The recoverable amount of non-financial assets is the higher of the fair value of an asset less costs to sell and its value in use. This fair value less costs to sell is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the valuation date. To determine whether assets are impaired, the individual assets are allocated to the lowest level at which cash flows can be identified (cash-generating units). Non-financial assets that have been subject to impairment, other than goodwill paid, are reviewed annually to determine whether the impairment can be reversed. Non-financial assets, other than goodwill paid, are tested for impairment annually by assessing whether there are any indications that these assets are impaired.

Impairments of goodwill
To measure the recoverable amounts, we calculate the value in use for each cash-generating unit (CGU). This calculation reflects an estimate of future cash flows, multiple scenario analyses and discount rates. Future cash flow estimates are based on our strategic plans and different types of investigation into possible trends. Events and factors that could have a significant impact on these estimates include market expectations, effects of mergers and acquisitions, competitive conditions, client behaviour and changes in the client base, cost structure, trends in interest rates and risks, and other circumstances specific to the industry and sector. For more information on the discount rates used, see Note 11, Goodwill.

Deferred tax assets
Deferred tax assets are recognised only if it is probable that taxable profits will be realised in the near future against which these temporary differences can be offset. Estimates are used when determining future taxable profits, since these are subject to uncertainty.

Acquisitions
In the case of acquisitions, it is necessary to determine the fair value of the acquired assets (including any intangible assets and goodwill acquired), as well as of liabilities and obligations not recognised in the statement of financial position. Estimates are used for this, particularly for those items which are not traded on an active market.

Actuarial assumptions of provisions
The pension liabilities are determined using actuarial calculations. These calculations make assumptions regarding elements such as the discount rate, future trends in salaries and returns on investments. These assumptions are subject to uncertainty. See Note 20, Provisions.

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements of Van Lanschot Kempen NV comprise the financial statements of F. van Lanschot Bankiers NV and its subsidiaries. These are prepared at 31 December using consistent accounting policies and their financial year is concurrent with the calendar year.

Subsidiaries (including the consolidated structured entities) are associates in which Van Lanschot Kempen exercises decisive control. Van Lanschot Kempen has decisive control over an entity when it has power over that entity and is exposed to or has rights to variable income from its involvement in the entity and is able to use its power over the entity to influence the entity's income. The assessment of control is based on the actual relationship between Van Lanschot Kempen and the entity. Factors taken into account include existing and potential voting rights. A right is a material right if its holder is able to exercise that right in practice.

Van Lanschot Kempen has power over an entity if its existing and potential voting rights amount to more than 50%. If these rights amount to less than 50%, Van Lanschot Kempen determines whether it has power over the entity pursuant to contractual agreements. In making this assessment, a distinction is made between substantive and protective rights. Substantive rights are rights which enable the decision-making power of an enterprise to be influenced directly and which give Van Lanschot Kempen decisive control over an entity. Examples include the right to appoint and dismiss members of the board of management, and to set the level of their remuneration. Protective rights are rights which protect the interests of an entity in another entity, but which do not directly confer decision-making powers. Protective rights do not give Van Lanschot Kempen decisive control over an entity. When acquiring non-controlling interests, Van Lanschot Kempen in principle includes only protective rights in the contractual agreement. These are rights of approval which enable Van Lanschot Kempen to protect its minority position without acquiring decision-making power. Examples of protective rights are rights of approval in respect of the issue of shares and the effecting of significant acquisitions.

Intra-group transactions are eliminated in the consolidation process. Subsidiaries are consolidated from the date of incorporation or acquisition, being the date on which Van Lanschot Kempen acquires control, and are consolidated until the date that such control ceases.

We consolidate interests in investment funds if we have power over the investment fund and are exposed to or have rights to variable income stemming from our involvement and are able to use our power over the investment fund to influence the variable income. The assessment of control is based on the actual relationship between Van Lanschot Kempen and the investment fund. Van Lanschot Kempen takes into account its interest for its own account and its own role, or that of one of its group companies, as fund manager.

In the case of subsidiaries not fully controlled by Van Lanschot Kempen, the non-controlling interest in equity is presented separately in the consolidated statement of financial position as a component of total equity. The profit or loss for the reporting period that can be attributed to the non-controlling interest is disclosed separately.

Acquisitions

Acquisitions are recognised using the acquisition method. Accordingly, the cost of an acquisition is allocated to the fair value of the acquired assets (inclusive of any intangible assets not previously disclosed in the statement of financial position), liabilities and obligations not disclosed in the statement of financial position.

Goodwill, being the difference between the cost of the acquisition (including assumed debts) and our interest in the fair value of acquired assets, liabilities and obligations not disclosed in the statement of financial position at the acquisition date, is capitalised as an intangible asset. If this difference is negative (negative goodwill), it is taken directly to the statement of income.

A non-controlling interest in the company acquired is recognised at the fair value prevailing on the acquisition date or at the proportionate share in the identifiable assets and liabilities of the company acquired.

Results of companies acquired are disclosed in the statement of income from the date at which control is obtained.

Adjustments to the fair value of acquired assets and liabilities at the acquisition date which are identified within 12 months of the acquisition may lead to adjustment of goodwill. Adjustments identified after expiry of one year are disclosed in the statement of income.

On disposal of group companies, the difference between the sale proceeds and the acquisition cost (including goodwill) is included in the statement of income together with any unrealised gain or loss.

Goodwill is not amortised. For more information on its valuation, see Note 11, Goodwill and other intangible assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currencies

Functional currency
Items in the statement of financial position pertaining to each group company are stated in the currency of the economic environment in which the entity operates (i.e. the functional currency).

Group companies
The assets, liabilities, income and expenses of group companies that use a functional currency other than the reporting currency are translated as follows:
- Assets and liabilities are translated using the closing exchange rate at the reporting date;
- Income and expenses are translated using the rate prevailing on the transaction date, which is approximately equal to the average exchange rate;
- Remaining exchange-related gains or losses are recognised as a separate component of equity.

Upon consolidation, exchange-related gains or losses arising from monetary items forming part of a net investment in foreign divisions are recognised in equity. Exchange-related gains or losses on borrowings and other items designated as hedging instruments for such investments are also recognised in equity.

Transactions and line items
On initial recognition, transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Translation differences arising on the settlement of such transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except where they are recognised in equity as qualifying cash flow hedges or qualifying net investment hedges in foreign divisions.

In general, translation differences in the statement of income are included in the result on financial transactions. Translation differences on non-monetary items measured at fair value through profit or loss are reported as part of the fair value gain or loss. Non-monetary items are translated into the reporting currency at the same time as the determination of their fair value. By retranslation on reporting date, translation differences on non-monetary items measured at fair value through equity are included in the revaluation reserve in equity.

Non-monetary items not measured at fair value are translated at the exchange rate prevailing on the original transaction date. Translation differences relating to the sale of available-for-sale investments are treated as an inherent part of the realised/unrealised gains and losses and recognised under Income from securities and associates.

Recognition of financial assets in the statement of financial position
Purchases of financial assets designated at fair value through profit or loss whose value is subject to change, or financial assets classified as available for sale, held to maturity or held for trading, which are settled according to standard market conventions, are recognised on the transaction date, i.e. the date on which we undertake to purchase or sell the asset concerned. Loans and advances are recognised on the settlement date, i.e. the date on which we receive or transfer the asset.

Derecognition of financial assets and liabilities in the statement of financial position
Financial assets are derecognised when:
- Our rights to the cash flows from the asset expire; or
- We have retained the right to receive the cash flows from an asset, but has an obligation to pay these in full to a third party under a special agreement; or
- We have transferred our rights to the cash flows from the asset and have transferred substantially all the risks and rewards, or have not transferred substantially all the risks and rewards but have transferred control over the asset.

If we have transferred our rights to the cash flows from an asset, but have not transferred substantially all the risks and rewards of the asset and have not transferred control, the asset is recognised as long as we have continuing involvement in the asset.

A financial liability is derecognised as soon as the obligation under the liability is discharged, cancelled or expired.

Repo transactions and reverse repo transactions
Securities sold subject to repurchase agreements (repos) continue to be recognised in the statement of financial position. The related liability is included under the line item concerned (principally Due to banks).

Securities purchased subject to resale agreements (reverse repos) are recognised under the line item Due from banks or under Loans and advances to the public and private sectors. The difference between the sale price and the purchase price is recognised in the statement of income as interest during the term of the agreement.

Securitisation
We have placed parts of our loan portfolio in special purpose entities (SPEs). As a result of these transactions, the beneficial ownership of these receivables has been transferred to the individual entities. If we have effective control over an SPE, it is consolidated. We have control over an entity when we have power over that entity and are exposed to or have rights to variable income from our involvement in the entity and are able to use our power over the entity to influence the entity’s income.

The accounting principles followed by Van Lanschot Kempen are applied when consolidating SPEs.

Transfers of financial assets

All or a part of a financial asset is transferred if:

- The contractual rights to receive the cash flows from that financial asset are transferred; or
- The contractual rights to receive the cash flows from that financial asset are retained, but a contractual obligation is assumed to pay the cash flows to one or more recipients under an arrangement.

We have entered into securitisation transactions in which not all notes are held by us. These entail a partial transfer of financial assets. For more details, see the Risk management section, under 9, Liquidity risk.

We have no other assets meeting the criteria of transfers of financial assets.

Derivatives

A derivative is initially recognised at fair value on the effective date of the contract. After initial recognition, the derivative is subsequently remeasured at fair value and movements in value are taken to the statement of income under Result on financial transactions. Fair values are based on stock exchange prices, cash flow models, and option and other valuation models.

Hedge accounting

We use derivatives, such as interest rate swaps, to hedge our exposure to risks. The carrying amount of assets and liabilities which are hedged through fair value hedging and which would otherwise be recognised at cost is adjusted for movements in the fair value that can be attributed to the hedged risks. Any gains or losses arising from changes in the fair value of derivatives not relating to the hedged risks are taken directly to the statement of income.

At the inception of a hedge transaction, we formally designate and document the hedge relationship and the financial risk management objective when entering into the hedge transaction. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how we will assess the hedging instrument's effectiveness in offsetting the exposure to risks.

Such hedges are considered to be effective if we, both upon inception and during the term of the hedge, may expect that changes in the fair value or cash flows of the hedged item will be almost fully offset by changes in the fair value or cash flows of the hedging instrument, in so far as they relate to the hedged risk, and the actual outcome is within a range of 80-125%. The effectiveness is assessed and documented on a monthly basis in order to determine that the hedge has been highly effective throughout the financial reporting periods for which it was intended. We apply the EU carve-out on portfolio fair value hedges.

Hedges that qualify for hedge accounting are recognised as follows:

Fair value hedges

Fair value hedges are hedges of the exposure to changes in the fair value of an asset or liability arising as a result of interest rate changes. Movements in the value of the hedging instrument are taken to the statement of income.

Any change in the fair value of the hedged item is also recognised in the statement of income, in so far as the hedging instrument has been effective in the preceding period. Movements in the value of the hedging instrument are taken to the statement of income.

A hedge relationship ends if a hedging instrument is sold, expires or is exercised, or if the hedging transaction no longer meets the criteria for hedge accounting, with the remaining value adjustment of the hedged item amortised through profit or loss until the end of its term.

We apply micro fair value hedge accounting and macro fair value hedge accounting.

Micro fair value hedges

A fair value hedge is classified as a micro fair value hedge when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. Available-for-sale debt securities and issued debt securities are hedged for interest rate risk in a micro fair value hedge.

Macro fair value hedges

We apply macro fair value hedges for fixed rate mortgages. A portfolio of mortgages is identified comprising homogeneous loans based on their contractual interest rates, maturity and other risk characteristics. Mortgages within the identified portfolio are allocated into repricing term buckets based on expected repricing dates rather than contractual repricing dates. The hedging instruments are designated appropriately to those repricing term buckets.

Cash flow hedges

Cash flow hedges are hedges of the exposure to fluctuations in the cash flow of an asset, liability or future transaction arising as a result of interest rate changes and/or inflation. The portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised directly in equity until the hedged item affects the statement of income, while the ineffective portion is recognised in profit or loss.

If the hedging instrument expires or is sold, or if it can no longer be designated as a hedge, accumulated gains and losses remain in equity until the expected future transaction is taken to the statement of income. If the expected future transaction is no longer likely to take place, the accumulated result is transferred directly from equity to profit or loss.

Embedded derivatives

Embedded derivatives are treated as separate derivatives when their economic characteristics are not closely related to those of the financial host contract. The embedded derivative is measured separately if the financial contract itself is not recognised at fair value with the value changes through profit or loss. An example of a closely related embedded derivative is an interest rate option in a mortgage determining the upper or lower limit of the interest rate.
An example of an embedded derivative that is not closely related is where interest payment and redemption are linked to a share index. A determination is carried out in advance as to whether an embedded derivative is closely related.

Day 1 profit
Discrepancies between the transaction price and the fair value may arise if valuation techniques are applied at the time of the transaction. Such a discrepancy is referred to as a Day 1 profit. Any resulting profit or loss is recognised directly in the statement of income if the valuation method is based on observable inputs in an active market. In the event of unobservable inputs, the gain or loss is amortised over the term of the transaction.

Netting of financial assets and liabilities
Financial assets and liabilities are netted and presented in the consolidated financial statements at the net amount when we have a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This mainly concerns netting of derivatives. See 2.10, Risk management section.

Statement of financial position by IFRS accounting policy
For the layout of the statement of financial position by IFRS accounting policy, see “Consolidated statement of financial position by category” in the supplementary notes.

Statement of financial position

Cash and cash equivalents and balances at central banks
Cash and cash equivalents and balances at central banks comprise, at nominal value, cash in hand and deposits with a term of less than three months, investments readily convertible into a known amount of cash with an insignificant risk of value changes, balances at central banks and balances withdrawable on demand at other banks in respect of which the risk of value changes is insignificant. The amount due from DNB arising from the minimum reserve requirement is also included in this item.

Financial assets held for trading
Financial assets held for trading are transactions for our own account whereby the aim is to actively sell these instruments in the short term. Financial assets held for trading consist of the trading portfolio of both equity instruments and debt instruments. The financial assets held for trading are recognised at fair value with effect from the trade date and value adjustments are taken to the statement of income under the line item Result on financial transactions.

Due from banks
Amounts due from banks are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Derivatives
Derivatives are carried at fair value. The positive and negative values of derivatives are shown separately on the face of the statement of financial position on the assets side and the liabilities side, respectively. The values of derivatives with a positive and negative value, concluded with the same counterparty, are only netted if the cash flows are settled on a net basis and this is permitted under law. Movements in the value of derivatives are taken directly to the line item Result on financial transactions. If the hedge is completely effective, the net impact on the statement of income is nil. The difference, in so far as this remains within the ranges set, reflects ineffectiveness and is taken to the statement of income.

Derivatives include:
- *The fair value of derivatives held for trading*
  Derivatives held for trading are transactions for own account whereby the aim is to actively sell them in the short term;
- Economic hedges
  Economic hedges are derivatives used to manage risks without applying hedge accounting;
- Structured product derivatives
  Structured product derivatives are options we have acquired in order to hedge structured products sold to clients, without application of hedge accounting;
- Client option positions
  Offsetting market transactions are conducted for all option positions held by our clients on a one-on-one basis;
- Derivatives with application of hedge accounting
  These are derivatives used as hedging instruments in the application of hedge accounting.

Financial assets designated at fair value through profit or loss
These assets comprise investments which management believes should be recognised at fair value through profit or loss based on one of the following reasons:
- Designation eliminates or significantly reduces inconsistencies in measurement and recognition which would otherwise arise as a result of assets being valued or income and expense being recognised under different accounting policies;
- The performance of the relevant financial assets is evaluated on the basis of their fair values, in accordance with a documented risk management or investment strategy. Reporting to management takes place on the basis of fair value;
- The contract in which the financial instrument is included contains one or more embedded derivatives and the entire contract is recognised at fair value through profit or loss. This is only permitted if the embedded derivative has significant influence on the contractually agreed cash flows.

Interest earned on these assets is recognised as interest income. All other realised and unrealised gains and losses on remeasuring debt instruments at fair value are recognised under Result on financial transactions. All realised and unrealised gains and losses on remeasuring equity instruments at fair value are recognised under Income from securities and associates.

Available-for-sale investments
Investments included in this line item have been classified by management as transactions held indefinitely and are carried as available for sale. This line item comprises investments in both equity instruments and debt instruments. These investments are initially measured for any changes occurring in the fair value of the investment after its acquisition. Unrealised gains and losses resulting from changes in the fair value of investments classified as available for sale are recognised on a net basis in equity.

On realisation of available-for-sale equity instruments, the accrued revaluation reserve is released to the statement of income under the line item Income from securities and associates. When calculating the transaction result, cost is determined using the average cost method.

Interest earned on these assets is recognised as interest income. Dividends are recognised under Income from securities and associates.

Available-for-sale investments may be sold as a result of liquidity control or changes in interest rates, exchange rates or share prices. Discounts or premiums on interest-bearing available-for-sale investments are amortised based on the effective interest rate and recognised in profit or loss. If the investments are sold or impairment losses occur, the adjustments to fair value are recognised in profit or loss.

We assess on a quarterly basis whether impairment losses have occurred. The fair value of an investment in an equity instrument being below cost significantly or for a prolonged period is an objective indication of impairment, and this is determined by the Impairment Committee on the basis of the policy adopted.

We treat unrealised losses on debt instruments in the investment portfolio due to interest rate fluctuations as temporary decreases in value. We aim to retain these investments in debt instruments for a term considered long enough to offset these unrealised losses, and expect to receive the full principal if they are held to maturity.

In the first year of investment, shareholdings are recognised at fair value and are adjusted where applicable for any changes in this value occurring after acquisition. The market value of shareholdings is based on reports prepared by the fund manager. This value is adjusted where applicable for carried interest arrangements and annual fund charges.

All purchases and sales of available-for-sale investments transacted according to standard market conventions are recognised on the transaction date. All other purchases and sales are recognised on the date of settlement.

Held-to-maturity investments

Investments for which the date of maturity and cash flows are known are classified as held-to-maturity investments in so far as the Asset & Liability Committee has both the intention and the ability to hold them until maturity. The Asset & Liability Committee determines the appropriate classification for its investments on their transaction dates.

Held-to-maturity investments are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, after any reduction of an allowance to account for impairment. Interest earned on held-to-maturity investments is recognised as Interest income. All transactions in held-to-maturity investments are recognised on the settlement date.

If there are objective indications that an impairment has occurred, the impairment is determined as the difference between the carrying value of the investment and the present value of estimated future cash flows (with the exception of future loan losses that have not yet occurred) calculated at the original effective interest rate of the investment.

The impairment is recognised in the statement of income. If the amount of the impairment reduces in a subsequent period and the reduction can be objectively related to an event that occurred after the impairment was applied, the earlier impairment is reversed. The amount of the reversal is recognised in the statement of income in so far as the carrying value of the asset does not exceed its amortised cost on the reversal date.

Loans and advances to the public and private sectors

Loans and advances to the public and private sectors are recognised at amortised cost using the effective interest method.

Investments in associates using the equity method

These investments have been designated by management as transactions held indefinitely, and as a result of the acquired control can be classified as investments in associates using the equity method. These are investments in entities where we have significant influence but not control. If there is a change in the equity of the associate, we recognise our share in this change and include it in the statement of changes in equity. This also applies to results of associates recognised in our statement of income.

In the first year of investment, investments classified as investments in associates using the equity method are recognised at cost, and where applicable are adjusted for any changes in the value of the associate's individual receivables and payables occurring after the acquisition, measured using the policies applied by Van Lanschot Kempen.

The recoverable amount of the investments in associates using the equity method is determined each quarter. The valuation methods applied are the capitalisation method (peer group analysis), the discounted cash flow method and the disclosed net asset value method. An impairment is recognised if the recoverable amount is lower than the carrying amount.

The capitalisation method determines the value of a business by multiplying the operating profit (EBIT) and the operating profit before depreciation and amortisation (EBITDA) by a multiplier factor derived from similar listed companies (the peer group), if applicable also taking account of a discount for poor liquidity and minority shareholding. EBIT and EBITDA are adjusted for one-off items where applicable.

The discounted cash flow method calculates the enterprise value by discounting the forecast operational cash flows at a discount rate for the planning period and a final value based on the extrapolation of the operating profit. The discount rate (WACC) is determined on the basis of the discount rate of listed companies with a high degree of similarity and on the specific characteristics of the company. If applicable, the discounted cash flow method takes account of a discount for poor liquidity and minority shareholdings.

The company's net debt is then deducted from the value resulting from the capitalisation method and/or discounted cash flow method and multiplied by the share in the capital structure in order to derive the shareholder value from the enterprise value.

The disclosed net asset value method determines the value of a company based on the statement of financial position.

If our share in the associate's losses is equal to or exceeds our interest in the associate, no further losses are recognised unless we have assumed obligations or made payments for these associates.

Property and equipment

Property and equipment comprise property, information technology, furniture and fixtures, and communication and safety equipment. Property and equipment are initially carried at cost and subsequently measured at historical cost less accumulated depreciation and accumulated impairments. The carrying value includes the costs for replacement of part of the existing property as soon as these costs are incurred, but excludes day-to-day servicing costs. Depreciation is calculated on a straight-line basis over the useful life of the asset.

The recoverable amount of individual property items is determined every year, irrespective of whether there is any indication of impairment, and more often if market conditions so dictate. The recoverable amount is the higher of the fair value less costs or the value in use. The fair value less costs is set by an independent surveyor. If the fair value less costs is below the carrying amount, the value in use is determined. This value is calculated using the value-in-use method. If the value in use is also below the carrying amount, an impairment is recognised for the difference between the carrying amount and the higher of the fair value less costs and the value in use.

Estimated useful life of property and equipment (years)	
Land	Indefinite
Buildings	40
Alterations	10 - 15
Operating system software and IT	3 - 5
Communication equipment	5
Safety equipment	15
Infrastructure	10
Furniture and fixtures	5 - 10

Operating system software development costs are capitalised if they are identifiable, if there is a likelihood that future economic benefits will flow to Van Lanschot Kempen and if costs can be measured reliably.

Property not in own use comprises office buildings no longer in own use. Our policy is focused on selling these assets in due course. Property not in own use is carried at historical cost less accumulated depreciation and accumulated impairments. This property is considered to be impaired if its carrying amount exceeds the recoverable amount. The recoverable amount less the relevant variable costs to sell is based on the appraisal value as determined by an independent surveyor.

Goodwill and other intangible assets

Goodwill represents the difference between the fair value of the acquired assets (including intangible assets) and liabilities, and the purchase price paid (excluding acquisition costs). Goodwill paid is included in the financial statements at cost less any accumulated impairment losses. Goodwill paid is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value may be impaired. An impairment is calculated based on the difference between the carrying value and the recoverable amount of the cash-generating unit (CGU) to which the goodwill relates. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use.

Owing to the absence of a market for separate CGUs, we are unable to calculate a reliable fair value less costs to sell for each CGU. The recoverable amount is therefore deemed to be equal to the value in use. The value in use is determined by discounting the future cash flows generated by a CGU to their net present value. If the recoverable amount of a CGU is lower than its carrying amount, goodwill is impaired. The impairment is first applied in full to the goodwill and then pro rata to the individual assets.

Other intangible assets with a finite useful life, such as application software, client bases, contractual rights and the value of acquired funds and loans and advances, are capitalised at cost and amortised on a straight-line basis over their respective useful lives.

Estimated useful life of intangible assets (years)	
Client bases	5 - 20
Third-party distribution channels	12 - 20
Brand names	20
Application software	3 - 5

Tax assets and liabilities

Tax assets and liabilities are stated at face value. Current and deferred tax assets and liabilities are offset when they relate to the same tax authority, the same type of tax and the law permits offsetting of these assets and liabilities.

Deferred taxes are recognised on the face of the statement of financial position if the valuation of an asset or liability temporarily differs from the valuation for tax purposes. Deferred taxes are calculated using the tax rates prevailing on the reporting date. Deferred tax assets and liabilities are offset if they relate to the same tax authority, concern the same type of tax, if it is permitted under law to offset these deferrals and if the deferrals are expected to be settled simultaneously. Deferred tax assets are recognised only if it is probable that taxable profits will be realised in the near future against which these temporary differences can be offset.

Tax assets are assessed at every reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be used. This reduction will be reversed if it is probable that sufficient taxable profits will be available.

Changes in the value of investments classified as available for sale and movements in the value of derivatives forming part of a cash flow hedge are recognised in equity net of deferred tax. Deferred tax assets and liabilities cease to be recognised when these movements in value are realised. Current tax is taken to the statement of income on realisation of the movement in value.

Assets classified as held for sale

The line item Assets classified as held for sale includes a group of assets whose carrying amounts will principally be recovered through a sale transaction. These assets are measured at amortised cost less accumulated impairments. The group of assets concerned is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups. We plan to sell assets at a price which is reasonable considering their current fair value, as a result of which a sale is highly probable and expected to be completed within one year.

Other assets
Assets acquired through foreclosures are carried at the lower of cost or the recoverable amount. This recoverable amount is the estimated selling price in the ordinary course of business less the relevant variable costs to sell. The recoverable amount less the relevant variable costs to sell is based on the appraisal value as determined by an independent surveyor. Other assets are stated at historical cost.

Financial liabilities from trading activities
Financial liabilities from trading activities are transactions for own account whereby the aim is to repurchase these instruments in the short term. Financial liabilities held for trading are stated at fair value, with movements in value being recognised in the statement of income under Result on financial transactions. This line item comprises short positions on the trading portfolio in both equity instruments and debt instruments. Recognition is from the date on which the contract is concluded.

Due to banks
Amounts due to banks are initially recognised at fair value excluding transaction costs. After their initial recognition, they are recognised at amortised cost using the effective interest method.

Public and private sector liabilities
Public and private sector liabilities are initially recognised at fair value excluding transaction costs. After their initial recognition, they are recognised at amortised cost using the effective interest method.

Financial liabilities designated at fair value through profit or loss
Financial liabilities designated at fair value through profit or loss comprise financial instruments which management believes should be recognised at fair value through profit or loss based on one of the following reasons:

- Designation eliminates or significantly reduces inconsistencies in measurement and recognition which would otherwise arise as a result of liabilities being valued or income and expenses being recognised under different accounting policies;
- The performance of the financial liabilities concerned is assessed on the basis of their fair value, in accordance with a documented risk management or investment strategy. Reporting to management takes place on the basis of fair value;
- The contract in which the financial instrument is included contains one or more embedded derivatives and the entire contract is recognised at fair value through profit or loss. This is only permitted if the embedded derivative has significant influence on the contractually agreed cash flows.

The valuation takes account of our own credit risk. This is based on the internal funding curve, which is determined by spreads on issued debt securities and estimates by investment banks of interest rates on new issued debt securities. The own credit risk is recognised in Result on financial transactions under the line item Gains/losses on financial assets and liabilities designated at fair value through profit or loss.

Issued debt securities
Issued debt securities are initially recognised at fair value excluding transaction costs. After initial recognition, issued debt securities are carried at amortised cost using the effective interest method. Repurchase by us of our own debt securities is offset in the consolidated financial statements against the liability; the difference between the cost and the carrying amount based on the remaining term is taken to the statement of income.

Provisions
A provision is a liability of uncertain timing or amount. A provision is included in the statement of financial position if we have an obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. Provisions are discounted if the time value of money for the liability has a material effect.

Provisions for pensions
We operate defined benefit plans and defined contribution plans. Under defined contribution plans, contributions to pension providers are taken to the statement of income as staff costs. We have no further payment obligations with respect to defined contribution plans once the contributions have been paid. Our main pension provider for defined contribution plans is Stichting Pensioenfonds F. van Lanschot. The starting point in determining the contribution is to maintain a balanced development of the pension costs over time.

A defined benefit plan is a pension plan which defines the amount of pension benefit that an employee will receive on retirement. Factors such as age, years of service and salary are taken into account when determining the amounts to be paid. The provision for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets.

The pension obligation is calculated with reference to the expected return on plan assets. Differences between the expected and actual return on plan assets and actuarial gains and losses are recognised directly in equity; net interest is recognised under Interest in the statement of income.

Provisions for long-service benefits
Employees receive a bonus to mark a long-service anniversary of 25 and 40 years. In addition, receptions or dinners with colleagues are organised for employees who have been in service for 25 and 40 years.

Provision for employee discounts
We have arrangements in place under which employees are granted discounts on mortgage interest rates, for example. The discount is calculated on an actuarial basis for the period during which the employee is inactive (retired) and is recognised in the statement of financial position as a provision.

Restructuring provision
A provision for restructuring is recognised only if the criteria for disclosure of a provision are met. We have a constructive obligation if we have a detailed formal restructuring plan identifying at least the business or part of the business concerned, the principal locations affected, the number of employees affected, a detailed estimate of the expenditure to be undertaken and a suitable timeframe. Employees are also notified of the main features of the plan.

Provision for the interest rate derivatives recovery framework
A provision for the interest rate derivatives recovery framework is recognised. We have agreed to abide by the Netherlands' general recovery framework for interest rate derivatives clients, implying that we will offer payments as a result of the implementation of the uniform recovery framework.

Other liabilities
Other liabilities are recognised at historical cost.

Subordinated loans
Subordinated loans are initially recognised at fair value excluding transaction costs. After initial recognition, they are carried at amortised cost. Purchases by us of our own subordinated loans are set off against the liability in the consolidated financial statements; the difference between cost and the carrying amount based on the remaining term is taken to the statement of income.

Equity
Direct costs of a new share issue are deducted from equity, taking account of taxes.

If we purchase treasury shares, the purchase price, including direct transaction costs after tax, is deducted from equity. Treasury shares that we purchase do not qualify for profit or dividend and are not included in the calculation of earnings per share.

Obligations not recognised in the statement of financial position
This includes obligations that represent a potential credit risk. For the other obligations not recognised in the statement of financial position, see "Commitments" in the supplementary notes.

Contingent liabilities
Contingent liabilities are carried at the contract value and relate in particular to guarantees and irrevocable letters of credit.

Irrevocable commitments
This item consists of unused overdraft facilities, sale and repurchase commitments, irrevocable payment commitments for the Single Resolution Fund (SRF) and all other obligations resulting from irrevocable commitments that could give rise to loans.

Statement of income

General
Revenue is recognised in so far as it is likely that the economic benefits will flow to Van Lanschot Kempen and the revenue can be measured reliably. Costs are allocated as far as possible to the period in which the services were rendered or to the relevant proceeds.

Net interest income
This item consists of income earned on lending and costs of borrowing, derivatives, related commission, and other income/expense similar to interest. The amortisation of remaining value adjustments on mortgage portfolios of fair value hedges which expired in the past is disclosed under Interest income.

Interest income and interest expense are recognised in the statement of income on an accrual basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated cash flows over the life of the financial instrument, or a shorter period when appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, we take into account all contractual terms of the financial instrument (for example early repayment) but not future losses due to uncollectible amounts.

Negative interest on derivatives whereby interest paid is recognised under Interest expense and interest received is recognised under Interest income. Negative interest on balances at central banks is recognised under Interest expense.

Income from securities and associates
All dividends received from investments in equity instruments are included under dividends and fees. Dividends are recognised directly in the statement of income when they are made payable. Prolonged or significant decreases in the value of equity instruments forming part of the available-for-sale investments are recognised in the statement of income as impairments. Gains or losses on the sale of available-for-sale investments in equity instruments and debt instruments are recognised under Gains/losses on sale of available-for-sale investments in equity instruments (Income from securities and associates) and Realised gains/losses on available-for-sale debt instruments (Result on financial transactions).

Our share in the results of equity-valued associates is recognised under Income from securities and associates using the equity method. Dividends received are deducted from the carrying amount of the equity-valued associate. Due to the fact that these investments in associates using the equity method are part of our investment strategy, we present the income as part of our operating activities.

Net commission income
This item comprises the income, other than income similar to interest, earned on banking services provided to third parties. Commission paid to third parties is accounted for as commission expense.

We receive commission for the wide range of services we provide to clients. This can be divided into commission on a transaction basis and periodic commission charged to the client during the year.

Commission on a transaction basis
Commission income on a transaction basis is recognised in the periods in which we provide the services. Transaction commission for which we only provide a service on the transaction date (e.g. securities commission) is taken directly to the statement of income. Transaction commission for which we have to provide a service in the future (e.g. commission on structured products) forms part of the amortised cost and is recognised in the statement of income over the expected term of the instrument.

Periodic commission
Periodic commission (e.g. management fees) is recognised in the statement of income in the period in which the services are provided.

Result on financial transactions
Result on securities trading includes realised and unrealised value differences on gains and losses on financial instruments relating to the securities trading portfolio. Exchange and price gains and losses on trading in other financial instruments are recognised under Result on foreign currency trading. Gains and losses due to ineffectiveness in hedge accounting are recognised under Unrealised gains/losses on derivatives under hedge accounting. Result on economic hedges includes realised and unrealised gains and losses on derivatives that are not included in a hedge accounting model. Result on financial instruments designated at fair value through profit and loss comprises unrealised value differences and interest expenses on financial liabilities designated at fair value through profit and loss.

Other income
Other income comprises non-banking income resulting from the consolidation of non-banking subsidiaries.

Staff costs
Staff costs comprise wages and salaries, pension and early retirement costs, other social security costs and other staff costs such as remuneration in the form of share-based employee benefits.

Share-based payment
Employees may be eligible to receive remuneration in the form of share-based payments. The cost of equity instrument-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined based on the share price on the grant date. The cost of equity instrument-settled transactions is recognised, together with a corresponding increase in equity, in the period in which the employee's performance criteria are fulfilled, ending on the date on which the employee becomes fully entitled to the award (the vesting date).

The equity-settled arrangements are accompanied by an arrangement in which we will withhold a specified portion of the awards to be delivered upon vesting in order to settle the employee's tax obligation. This portion of an award is part of the equity-settled share award, whereby the services received from employees are measured at fair value and recognised as an expense over the vesting period with recognition of a corresponding liability. The fair value of the liability is remeasured at each reporting date and at the date of settlement, with changes in fair value recognised in equity.

Share-based payment: Management Investment Plan
The Management Investment Plan entails an equity instrument-settled transaction. If, at the moment that the share-based payment is made, the fair market value per depositary receipt exceeds the issue price, the costs relating to this higher fair market value are treated as expenses during the vesting period, with a corresponding adjustment to equity. The total sum to be taken into consideration is determined on the basis of the fair value of the depositary receipts as established on the date on which they are granted.

Other administrative expenses
Other administrative expenses comprise IT expenses, costs of marketing and communication, accommodation expenses, office expenses and other administrative expenses.

Depreciation
Depreciation and amortisation are determined on the basis of estimated useful life and charged to the statement of income.

Impairments
This item comprises the balance of the required impairments and reversals of such impairments.

Income tax
Tax on operating profit is recognised in the statement of income in accordance with applicable tax law in the jurisdictions in which we operate. Tax effects of any losses incurred in certain jurisdictions are recognised as assets when it is probable that sufficient future profits will be available in the relevant jurisdiction against which these losses can be offset.

Earnings per ordinary share
Earnings per ordinary share are calculated by dividing the profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per ordinary share are calculated by dividing the profit available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted for possible dilution as a result of outstanding option rights, for example.

Statement of cash flows
The statement of cash flows is prepared using the indirect method. This statement of cash flows shows the source and application of cash items. Cash flows are divided into those from operating, investing and financing activities. Cash and cash equivalents comprise, at face value, all cash in hand, balances at central banks and balances withdrawable on demand at other banks in respect of which the risk of value changes is insignificant.

Lease
Lease contracts, including operating sale and leaseback agreements, under which the risks and benefits of ownership of the assets are substantially retained by the lessor, are classified as operating lease contracts. We have entered into operating lease contracts as lessee. Operating lease payments (less any discounts granted by the lessor) are charged to the statement of income on a straight-line basis over the term of the lease. In the case of sale and leaseback, if the selling price of the asset falls below its fair

value, the difference between the carrying amount and the selling price is recognised through profit or loss unless the difference between the fair value and the selling price is offset through future non-standard lease instalments.

Lease contracts, including financial sale and leaseback agreements, under which the risks and benefits of ownership of the assets are substantially transferred to Van Lanschot Kempen, are classified as financial lease contracts. We have entered into financial sale and leaseback contracts as lessee. Financial lease contracts are capitalised on the effective date of the lease contract at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The discount rate used in calculating the present value of the minimum lease payments is the implicit interest rate of the lease contract.

The leased property or asset is recognised under Property and equipment. Depreciation is applied using the same method as for wholly owned tangible assets. The lease obligation is recognised under Other liabilities. The interest component of the finance costs is charged to the statement of income over the term of the lease.

Segment information

The different operating segments form the basis for our primary segmentation. An operating segment is a business unit that can earn revenues and incur expenses and whose operating results are regularly reviewed by its management or the chief operating decision maker and for which discrete financial information is available. Additional information is reported geographically based on where the business activities are located. Intra-segment transactions are conducted on commercial terms and market conditions (at arm's length).

RISK MANAGEMENT

1. Risk and capital management

Our front-office functions are essential in delivering services to our clients. Risk management supports the front office, clients and other stakeholders in ensuring that the risks incurred by Van Lanschot Kempen are controlled and conform with our risk appetite and legal requirements. This section describes our risk appetite, the organisational and governance arrangements that are in place regarding risk management, and the three lines of defence principle. After discussing these general arrangements, the section continues with credit risk, market risk, operational risk, settlement risk, CVA risk, strategic risk, interest rate risk, liquidity risk, securitisation risk, compliance risk, financial reporting risk and assets designated at fair value.

1.1 Risk appetite

Solid capital and liquidity ratios are essential prerequisites for a successful proposition to our clients, and this is reflected in our risk appetite statement. We aim to have a simple and transparent balance sheet. Lending activities occur mainly in the private banking segment, and the corporate loan portfolio is being wound down.

We have a robust risk appetite framework in place. Each year, the Executive Board prepares the risk appetite statement, which translates our risk appetite into strategic limits. The risk appetite statement is then submitted to the Supervisory Board for review and approval. In addition, the Supervisory Board reviews the development of the risk profile twice a year. Risk appetite reports serve as important discussion documents for these reviews.

The risk appetite statement is based on the following guiding principles:

- We only take risks that we understand and can explain;
- We only take risks that – directly or indirectly – serve our strategic objectives;
- The sum of all risks taken should not exceed our risk–bearing capacity;
- When taking risks, we take the requirements and expectations of all stakeholders into account;
- We do not take any risks that could seriously harm our reputation;
- The risk appetite should be considered in all business decisions at every level of the organisation;
- We avoid risks that could lead to legal or regulatory breaches.

1.2 Organisation of risk and capital management

The purpose of our risk management framework is to identify and analyse risks at an early stage, as well as to mitigate and monitor those risks. Adequate internal control procedures and reporting systems, including the application of standards and limits, are key elements of the risk management framework.

The organisation of our risk management framework is based on the three lines of defence principle. Day-to-day responsibility for risk control lies with the front office and/or operational departments (the first line of defence); Compliance, Group Risk Management and Finance, Reporting & Control form the second line of defence for financial and non-financial risks. These departments are responsible for initiating risk policies and the supervision of risk controls within Van Lanschot Kempen. Group Audit forms the third line of defence and is responsible for performing independent audits on the risk framework. This set-up creates a clear, balanced and appropriate division of tasks, powers and responsibilities, and ensures independent and effective execution of the risk management function.

Group Risk Management stands at the core of capital management. We actively manage our capital base to cover risks inherent in our business and meet the capital adequacy requirements of De Nederlandsche Bank (DNB). The adequacy of our capital is monitored by using the rules and ratios established by the Basel Committee on Banking Supervision as transposed into EU law. This legal framework also forms the basis for supervision by DNB. Over the reporting period, we fully complied with all externally imposed capital requirements. Both external and internal capital adequacy targets are taken into account, and the central focus is on safeguarding our financial solidity and stability. Each year, a capital and funding plan is prepared for capital management purposes.

Table 1.2 Risk and capital management framework

Supervision § 1.2.1	Supervisory Board – Risk Committee – Audit and Compliance Committee						
Risk and capital management § 1.2.2	**Statutory Board** – Group Risk Committee – Credit Risk Committee – Market Risk Committee – Asset & Liability Committee – Compliance & Operational Risk Committee – Credit Committee – Product Board						
Implementation and review § 1.2.3	Group Risk Management	Finance, Reporting & Control	Compliance	Group Audit			
Execution § 1.2.4	Private Banking	Evi	Asset Management	Merchant Banking	Treasury	Restructuring & Recovery	Corporate Banking

1.2.1 Supervision

The Supervisory Board oversees the risks and capital requirements in relation to the bank's operations and portfolio composition. It has set up two committees specifically for this purpose:

The Risk Committee focuses on all identified risks in the bank's business activities, as well as the risk management framework. The Committee also informs decision-making by the Supervisory Board on risk matters.

The Audit and Compliance Committee was created to advise the Supervisory Board on financial reporting, internal and external audits, compliance and matters regarding duty of care.

1.2.2 Risk and capital management

The Statutory Board is responsible for developing and executing the strategy of the bank. This includes the capital and funding plan, which is based on a number of risk and capital policies.

The primary objective of our capital management is to ensure that we comply with external and internal capital requirements in order to support our businesses and to create value for our stakeholders. We manage our capital structure by taking into account changes in economic conditions and the risk characteristics of our activities. To maintain and/or manage our capital structure, we may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes have been made to our objectives, policies and processes in 2017. However, these are under constant review by the Statutory Board.

The Statutory Board also bears responsibility for ensuring the proper functioning of the processes that safeguard the bank's liquidity and capital position. In addition, it is required to provide information to the Supervisory Board, which in turn assesses the risk appetite of the bank.

The decisions of the Statutory Board are taken during meetings of the Executive Board. In order to ensure the various risk types are managed properly, the Statutory Board has set up the following risk committees:

Group Risk Committee

The Group Risk Committee, which includes all members of the Statutory and Executive Board, discusses overarching risk management themes. In this committee, the various risk types are brought together, discussed and monitored on an integrated level. The committee is involved in setting the annual risk appetite statement, and discusses the risk appetite report and emerging trends in the risk profile. Other areas covered include recovery and resolution planning, operational incidents, etc.

Credit Risk Committee

The Credit Risk Committee sets and adjusts the bank's overall credit risk policy and translates this into acceptance and portfolio management policies. In executing its tasks, the committee bears in mind our strategic objectives and the guiding principles contained in the risk appetite statement. Two members of the Executive Board serve on this committee (the CFRO and the member of the Executive Board responsible for Private Banking), along with Group Risk Management, Private Banking, Credit Service Centre, Corporate Banking, Credit Approval, and Restructuring & Recovery. The committee meets on a quarterly basis.

Market Risk Committee

This dedicated committee focuses on all market risks within Van Lanschot Kempen. Market risk is the risk of loss as a result of changes in market variables, including interest rates (excluding interest rate risk in the banking book), exchange rates and equity prices. It also considers variables not directly observable in the market, such as volatility and correlations, which also influence the value of certain financial instruments. Market risks at Kempen occur due to the trading of securities (mainly equities, equity derivatives, management book investments and structured products).

Van Lanschot is exposed to a certain amount of market risk (mainly FX risk) through its treasury activities. This risk is limited, as the majority of transactions and positions in the statement of financial position are denominated in euros. Van Lanschot is also exposed to market risk as result of management book investments. The committee meets on a quarterly basis.

Asset & Liability Committee

The Asset & Liability Committee (ALCO) is responsible for managing risks that result from mismatches between assets and liabilities (interest rates and liquidity risks), as well as the capital position of the bank. ALCO's main tasks are:

- Overseeing the Asset & Liability Management (ALM) process;
- Monitoring and adjusting the funding profile;
- Setting policies on interest rate risk in the banking book*, liquidity and funding risk, funds transfer pricing and capitalisation;
- Monitoring the development of the balance sheet and balance-sheet projections.

ALCO meets once a month and is chaired by the CFRO. As well as the CFRO, ALCO's members comprise:

- The Chairman of the Executive Board;
- The Executive Board member responsible for Private Banking;
- Representatives of Treasury, Group Risk Management and Finance, Reporting & Control.

On a quarterly basis, ALCO meets as an expanded group, which includes the COO and representatives of the commercial departments.

Compliance & Operational Risk Committee

The Compliance & Operational Risk Committee is responsible for the implementation and execution of our compliance and operational risk management policies. The committee assesses compliance and operational risks, and ensures remedial actions are taken if required. The committee also challenges and approves the annual plans of the Operational Risk Management and Compliance departments. It meets on a quarterly basis and is chaired by the CFRO.

In addition to the committees described above (in which Group Risk Management takes the lead), we have a number of committees that form part of the first line of defence and that cover specific risk-related topics, such as the Credit Committee and the Product Board.

1.2.3 Implementation and review of risk and capital management policies

Implementation and monitoring of our risk and capital policies is carried out by:

- Group Risk Management;
- Finance, Reporting & Control;
- Compliance.

In addition, Group Audit periodically reviews policies.

Group Risk Management is responsible for:

- Second-line monitoring and management of all risks relating to the statement of financial position at group level, including modelling, measuring, managing and reporting on our credit, market, interest rate, liquidity and business risks;
- Business continuity management;
- Information security;
- The risk appetite process;
- Preparing, developing and maintaining policy documents;
- Preparing ICAAP and ILAAP reports;
- Issuing daily market risk reports;
- Proactively and reactively providing advice on managing risks;
- Raising risk awareness among staff in order to improve their ability to strike a sound balance between risk and return.

Finance, Reporting & Control is jointly responsible with Group Risk Management for the financial accounting and business control function. Through its various reports, Finance, Reporting & Control fulfils an important role in challenging the businesses and coordinating supervision of risk management.

Compliance has both an advisory and a monitoring role with respect to compliance with internal and external laws and regulations that apply to the Statutory Board, senior management and employees. Compliance operates independently and its director reports directly to the Chairman of the Statutory Board. In addition, Compliance reports periodically to the Supervisory Board's Audit and Compliance Committee.

Group Audit reviews the design and effectiveness of the risk organisation and the execution of our risk and capital management policies. The department reports to the Statutory Board. The applicable policies form the starting point for the independent review by Group Audit. Processes, infrastructure, organisation and systems are audited based on these policies in order to determine whether the organisation adequately executes its risk and capital management policies.

1.2.4 Execution of risk and capital management policies

The commercial departments, i.e. the departments shown under "Execution" in Table 1.2 (excluding Treasury and Restructuring & Recovery), are responsible for preparing their business plans. On the basis of these plans, current and future risks are assessed, including expected capital and liquidity requirements. These assessments serve as input for the Asset & Liability Committee.

1.3 Capital requirements

The standards set by the Basel Committee on Banking Supervision, and translated into law, apply to all Dutch banks. The Basel framework consists of three pillars:

- Pillar I stipulates capital requirements for credit, market and operational risk.
- Pillar II requires banks to have internal processes for risk management and to calculate the capital requirements needed to address all risks that are not included in Pillar I. The Supervisory Review and Evaluation Process (SREP) is also part of Pillar II.
- Pillar III sets out requirements for disclosure of information about the institution's risk profile to external stakeholders.

Our website has Pillar III information (unaudited) and a detailed breakdown of our portfolio of loans to companies and institutions (unaudited), published once a year. Our remuneration policy is explained in the remuneration section and in a Pillar III remuneration disclosure, which can also be

* The banking book comprises all assets that are not held for trading purposes under the regulatory definition.

found on the website. We hold regulatory capital to be able to withstand Pillar I and Pillar II risks. This capital consists of Common Equity Tier I (CET I), which comprises share capital, share premium, retained earnings including current year profit, other reserves less net long positions in own shares and after other capital deductions (e.g. goodwill, deferred tax assets, IRB shortfall). Certain adjustments are made to IFRS-based results and reserves, as legally required. The other component of our regulatory capital consists of Tier II capital instruments, including subordinated long-term debt.

Table 1.3 Capital requirements	2017		2016	
	Actual	Required*	Actual	Required**
Common Equity Tier I (CET I)	1,021,773	520,318	1,070,516	839,181
Tier I (T I)	1,021,773	595,005	1,070,516	839,181
Total Capital (TC)	1,108,678	694,587	1,175,403	839,181
Risk-weighted assets	4,979,120		5,622,656	
CET I capital ratio (phase-in)	20.5%	10.5%	19.0%	14.9%
Tier I capital ratio (phase-in)	20.5%	12.0%	19.0%	14.9%
Total capital ratio (phase-in)	22.3%	14.0%	20.9%	14.9%

1.4 Individual risks

The following sections detail the individual risk types to which we are exposed and for which we allocate capital. It therefore covers a combination of Pillar I and Pillar II capital requirements. The risk types covered are:

- Credit risk (Section 2);
- Market risk (Section 3);
- Operational risk (Section 4);
- Settlement risk (Section 5);
- CVA risk (Section 6);
- Strategic risk (Section 7);
- Interest rate risk (Section 8);
- Liquidity risk (Section 9);
- Securitisation risk (Section 10);
- Compliance risk (Section 11);
- Financial reporting risk (Section 12).

2. Credit risk

Credit risk is defined as the risk that a counterparty or client is no longer able to fulfil its obligations to the bank. Our credit risk policies focus on the counterparty risks associated with lending to private and corporate clients. Strict selection criteria for new clients and active credit management for existing clients are applied to safeguard the quality of the loan portfolio. The lending activities that we conduct are required to be in line with stated objectives, and individual assessments are used to ascertain this.
As well as from lending activities, credit risk also arises from:

- Investment activities;
- International payment transactions and cash management;
- FX risk;
- Hedging activities;
- Settlement risk.

Our investment activities relate to the management of our liquidity buffer and equity investments. For the liquidity buffer, a limit framework is in place to manage and monitor associated credit risks.

Counterparty credit risk with respect to financial institutions arises from international payment transactions, cash management, FX and hedging activities. Some of these activities also involve settlement risk. For derivatives transactions, counterparty credit risk is mitigated by daily margining.

We apply a strict policy when determining and monitoring country and counterparty (financial institutions) limits. The country limits serve as a cross limit for financial institutions, meaning that the counterparty risks in respect of financial institutions in one country are limited by the relevant country limit, as the country limit is usually lower than the aggregate of the individual counterparty limits.

2.1 Loans and advances

2.1.1 Credit acceptance

Our loan approval policy focuses on maintaining a high-quality loan portfolio. The authority to approve loans and loan reviews is delegated to a limited number of departments, mainly our Credit Approval department.

The authority to approve large loans rests, according to the credit approval authorisation matrix, with the Credit Committee, which comprises representatives of the relevant divisions as well as members of the Statutory Board.

The mid- and back-office for nearly all residential mortgage loans was outsourced in September 2017. A service level agreement (SLA) was signed to ensure adequate control of the operational risks, including the outsourcing risk. The acceptance process has been outsourced for only a limited number of cases: mortgage loans to a maximum amount of €1 million and only for borrowers who are employed – and are not company directors, major shareholders or owner-directors.

We also offer residential mortgages via a third party under a white label. From a risk management perspective, the credit

* Required capital amount based on Pillar I, Pillar II (4,7%) and conservation buffer (1,25%).
** Required capital amount based on CET I Pillar II requirement of 14,3% and conservation buffer (0,625%).

and outsourcing risk are of particular relevance here. A service level agreement (SLA) has been signed to ensure adequate control of the operational risks, including the outsourcing risk. The acceptance and management of credit risks have been outsourced to a third party and these activities are monitored using detailed data from the mortgage portfolio, provided in accordance with prevailing legal requirements. This allows for the recognition of any arrears, for example. We also review random samples of mortgage loans.

Limits on financial institutions and countries are determined using a number of hard criteria such as the external rating, BIS ratios, capital ratios, country of origin and gross domestic product (for countries). Limits can also be adjusted and withdrawn on a daily basis.

2.1.2 Credit management

A high-quality loan portfolio requires strict credit management. Credit management is carried out at both individual loan and portfolio level. At the individual loan level, explicit attention is devoted to the management of unauthorised overdrafts and accounts past due. Loans with an elevated risk profile are subjected to a risk check. In addition, a portion of the portfolio is regularly reviewed and as part of this review the credit risk of individual clients is scrutinised. The frequency of the reviews varies according to the individual borrower's risk profile, but takes place at least annually. In addition to the financial analysis, the review takes account of future developments in the client's situation (partly in the light of relevant macroeconomic trends).

A deterioration in a client's risk profile may lead to closer supervision, an adjusted rating, corrective measures (such as requiring additional collateral or increasing the frequency of financial reporting), involvement of the Restructuring & Recovery department or a combination of these measures. See Section 2.3 for more information.

At portfolio level, credit risks are monitored on a monthly basis. A detailed credit risk report and any relevant developments or expected developments are discussed in the Credit Risk Policy Committee on a quarterly basis. Any negative trend identified in the risk profile of a particular client segment, sector or loan type can lead to the adjustment of the relevant lending policy. Trends in sectors where there is a concentration risk are monitored particularly closely.

If the review, risk check, payment arrears or external signals point to an increased risk of discontinuity, the Restructuring & Recovery department is involved in the credit management process. An estimate is made of the probability of continuity. Depending on the seriousness and magnitude of the problem, either monitoring or intensive supervision is applied. If there are objective indicators of impairment as referred to under the line item Impairments, the Restructuring & Recovery department draws up an impairment proposal. On the basis of this proposal, the Impairment Committee determines the impairment.

2.2 Breakdown of the loan portfolio

We adopt a cautious approach to granting unsecured loans. Our loan book mainly consists of loans to Private Banking clients (primarily loans secured by residential real estate), as well as a number of commercial real estate loans and investment portfolios. The remainder of the loan portfolio comprises consumer loans and private customised financing (other loans), which are solely intended for clients who have placed substantial funds with us. Corporate Banking loans are secured by real estate, receivables, and stocks and inventories.

New loan requests are assessed to determine if they are in line with our strategy and we adopt a conservative approach to granting them. The Corporate Banking loan portfolio is being purposely run down.

The credit risk concentration mainly lies with Van Lanschot Bankiers. Our foreign subsidiaries grant few loans. The limits depend entirely on the collateral provided and may change on a daily basis.

Table 2.2.1 Breakdown of loan portfolio by entity (excluding impairments)	31/12/2017		31/12/2016	
	Limit	Utilisation	Limit	Utilisation
Total	**9,602,824**	**9,223,727**	**9,849,369**	**9,786,094**
Van Lanschot Bankiers	9,212,836	8,907,759	9,423,275	9,413,158
Kempen	203,559	203,559	206,932	206,932
Van Lanschot Kempen other	186,428	112,409	219,163	166,004

Table 2.2.2 Loans and advances to the public and private sectors	31/12/2017		31/12/2016	
Loans and advances to the public and private sectors including impairments		**9,103,327**		**9,624,048**
Impairments - specific	114,740		155,004	
IBNR	5,660		7,043	
Total impairments		120,400		162,047
Total loans and advances to the public and private sectors		**9,223,727**		**9,786,094**

Table 2.2.2.A Loans and advances to the public and private sectors by sector at 31/12/2017

	Total loans	% of total loans	Limit	Total loans, of which: Neither past due nor impaired loans	Past due loans	Impaired loans	Impairments	Impairment ratio	Non–performing loans
Total	**9,223,727**		**9,602,824**	**8,801,499**	**51,655**	**370,573**	**114,740**	**31.0%**	**381,855**
Companies and institutions									
Real estate	529,303	6	519,861	482,938	9,869	36,496	5,443	14.9%	46,366
Healthcare	120,613	1	138,100	116,726	74	3,814	1,006	26.4%	3,855
Financial holding companies	566,959	6	569,483	462,898	4,260	99,801	19,995	20.0%	100,334
Services	261,755	3	275,113	242,816	118	18,820	4,736	25.2%	18,820
Retail	69,524	1	96,459	67,914	–	1,609	1,119	69.5%	1,609
Capital assets	39,510	0	32,982	38,991	–	519	218	42.0%	519
Other	377,989	4	353,904	322,416	6,392	49,181	16,240	33.0%	49,181
Total companies and institutions	**1,965,653**	**21**	**1,985,903**	**1,734,700**	**20,713**	**210,240**	**48,757**	**23.2%**	**220,685**
Private individuals									
Mortgages	6,339,442	69	6,339,442	6,251,750	29,789	57,903	11,296	19.5%	58,391
Real estate	185,161	2	188,200	171,302	–	13,858	3,784	27.3%	13,858
Other	733,471	8	1,089,279	643,746	1,153	88,571	50,903	57.5%	88,921
Total private individuals	**7,258,074**	**79**	**7,616,921**	**7,066,799**	**30,942**	**160,333**	**65,984**	**41.2%**	**161,170**

Table 2.2.2.B Private Banking loans and advances by sector at 31/12/2017

	Total loans	% of total loans	Limit	Total loans, of which: Neither past due nor impaired loans	Past due loans	Impaired loans	Impairments	Impairment ratio	Non–performing loans
Total	**8,355,905**		**8,840,166**	**8,122,934**	**37,763**	**195,208**	**80,559**	**41.3%**	**196,621**
Companies and institutions									
Real estate	254,941	3	246,578	244,350	–	10,591	2,648	25.0%	10,591
Healthcare	120,354	1	137,698	116,466	74	3,814	1,006	26.4%	3,855
Financial holding companies	360,002	4	424,210	333,791	237	25,973	5,994	23.1%	26,506
Services	242,766	3	257,145	230,584	118	12,064	2,617	21.7%	12,064
Retail	67,383	1	68,819	65,774	–	1,609	1,119	69.5%	1,609
Capital assets	10,844	0	8,528	10,844	–	–	–	0.0%	–
Other	207,589	2	247,993	189,230	6,392	11,967	7,153	59.8%	11,967
Total companies and institutions	**1,263,878**	**15**	**1,390,970**	**1,191,040**	**6,821**	**66,017**	**20,536**	**31.1%**	**66,592**
Private individuals									
Mortgages	6,311,216	76	6,311,216	6,225,959	29,789	55,468	11,296	20.4%	55,956
Real estate	76,647	1	77,767	76,647	–	–	–	0.0%	–
Other	704,163	8	1,060,213	629,288	1,153	73,723	48,726	66.1%	74,073
Total private individuals	**7,092,027**	**85**	**7,449,196**	**6,931,894**	**30,942**	**129,191**	**60,022**	**46.5%**	**130,029**

Table 2.2.2.C Corporate Banking loans and advances by sector at 31/12/2017

	Total loans	% of total loans	Limit	Total loans, of which: Neither past due nor impaired loans	Past due loans	Impaired loans	Impairments	Impairment ratio	Non–performing loans
Total	**867,822**		**762,658**	**678,565**	**13,892**	**175,365**	**34,182**	**19.5%**	**185,235**
Companies and institutions									
Real estate	274,362	32	273,283	238,588	9,869	25,905	2,795	10.8%	35,775
Healthcare	259	0	402	259	–	–	–	0.0%	–
Financial holding companies	206,957	24	145,274	129,106	4,023	73,828	14,002	19.0%	73,828
Services	18,989	2	17,969	12,232	–	6,757	2,119	31.4%	6,757
Retail	2,141	0	27,640	2,140	–	1	–	0.0%	1
Capital assets	28,666	3	24,454	28,148	–	519	218	42.0%	519
Other	170,401	20	105,911	133,187	–	37,214	9,087	24.4%	37,214
Total companies and institutions	**701,775**	**81**	**594,933**	**543,660**	**13,892**	**144,223**	**28,220**	**19.6%**	**154,093**
Private individuals									
Mortgages	28,226	3	28,226	25,791	–	2,435	–	0.0%	2,435
Real estate	108,513	13	110,433	94,655	–	13,858	3,784	27.3%	13,858
Other	29,307	3	29,066	14,459	–	14,849	2,177	14.7%	14,849
Total private individuals	**166,047**	**19**	**167,725**	**134,905**	**–**	**31,142**	**5,961**	**19.1%**	**31,142**

Table 2.2.2.D Loans and advances to the public and private sectors by sector at 31/12/2016

	Total loans	% of total loans	Limit	Total loans, of which: Neither past due nor impaired loans	Past due loans	Impaired loans	Impairments	Impairment ratio	Non–performing loans
Total	**9,786,094**		**9,849,369**	**9,273,829**	**12,538**	**499,728**	**155,004**	**31.0%**	**537,442**
Companies and institutions									
Real estate	679,080	7	690,839	619,315	297	59,467	7,024	11.8%	53,912
Healthcare	211,618	2	186,656	185,286	–	26,333	7,767	29.5%	26,333
Financial holding companies	169,152	2	190,598	136,738	–	32,414	2,722	8.4%	32,706
Services	358,198	4	353,153	322,454	–	35,743	16,089	45.0%	35,807
Retail	205,178	2	195,434	191,365	–	13,813	3,887	28.1%	18,253
Capital assets	120,369	1	114,929	101,796	46	18,527	4,720	25.5%	18,556
Other	597,939	6	524,708	498,678	297	98,964	21,473	21.7%	114,138
Total companies and institutions	**2,341,534**	**24**	**2,256,316**	**2,055,632**	**640**	**285,262**	**63,681**	**22.3%**	**299,706**
Private individuals									
Mortgages	6,343,410	65	6,390,695	6,256,307	6,093	81,011	47,084	58.1%	101,705
Real estate	256,796	3	261,025	241,550	–	15,246	4,724	31.0%	19,788
Other	844,354	9	941,333	720,340	5,805	118,209	39,515	33.4%	116,243
Total private individuals	**7,444,560**	**76**	**7,593,053**	**7,218,197**	**11,898**	**214,466**	**91,323**	**42.6%**	**237,736**

Table 2.2.2.E Private Banking loans and advances by sector at 31/12/2016

	Total loans	% of total loans	Limit	Total loans, of which: Neither past due nor impaired loans	Past due loans	Impaired loans	Impairments	Impairment ratio	Non-performing loans
Total	**8,402,093**		**8,553,406**	**8,137,880**	**12,244**	**251,968**	**108,468**	**43.0%**	**265,220**
Companies and institutions									
Real estate	207,553	2	211,052	201,477	297	5,779	1,408	24.4%	–
Healthcare	200,309	2	173,574	173,976	–	26,333	7,767	29.5%	26,333
Financial holding companies	111,174	1	129,956	106,794	–	4,380	1,456	33.3%	4,204
Services	291,459	3	288,135	272,975	–	18,484	6,721	36.4%	18,521
Retail	149,384	2	152,707	144,192	–	5,192	2,640	50.8%	6,762
Capital assets	43,318	1	36,742	41,291	46	1,980	985	49.7%	1,980
Other	228,298	3	244,686	220,927	3	7,369	4,019	54.5%	12,342
Total companies and institutions	**1,231,495**	**15**	**1,236,851**	**1,161,631**	**346**	**69,517**	**24,995**	**36.0%**	**70,142**
Private individuals									
Mortgages	6,310,230	75	6,356,862	6,224,166	6,093	79,972	46,329	57.9%	95,510
Real estate	56,091	1	57,113	56,091	–	–	–	0.0%	–
Other	804,277	10	902,579	695,993	5,805	102,479	37,144	36.2%	99,567
Total private individuals	**7,170,598**	**85**	**7,316,555**	**6,976,249**	**11,898**	**182,451**	**83,473**	**45.8%**	**195,078**

Table 2.2.2.F Corporate Banking loans and advances by sector at 31/12/2016

	Total loans	% of total loans	Limit	Total loans, of which: Neither past due nor impaired loans	Past due loans	Impaired loans	Impairments	Impairment ratio	Non-performing loans
Total	**1,384,002**		**1,295,963**	**1,135,948**	**294**	**247,759**	**46,536**	**18.8%**	**272,222**
Companies and institutions									
Real estate	471,527	34	479,787	417,838	–	53,689	5,616	10.5%	53,912
Healthcare	11,310	1	13,081	11,310	–	–	–	0.0%	–
Financial holding companies	57,978	4	60,642	29,944	–	28,034	1,265	4.5%	28,502
Services	66,738	5	65,018	49,479	–	17,259	9,368	54.3%	17,286
Retail	55,794	4	42,727	47,173	–	8,621	1,247	14.5%	11,491
Capital assets	77,051	6	78,187	60,504	–	16,547	3,735	22.6%	16,576
Other	369,640	27	280,022	277,751	294	91,595	17,454	19.1%	101,796
Total companies and institutions	**1,110,039**	**80**	**1,019,464**	**894,001**	**294**	**215,745**	**38,685**	**17.9%**	**229,563**
Private individuals									
Mortgages	33,180	2	33,833	32,141	–	1,039	755	72.7%	6,195
Real estate	200,705	15	203,911	185,459	–	15,246	4,724	31.0%	19,788
Other	40,077	3	38,754	24,347	–	15,730	2,371	15.1%	16,675
Total private individuals	**273,962**	**20**	**276,498**	**241,947**	–	**32,015**	**7,850**	**24.5%**	**42,658**

Tables 2.2.2.A through 2.2.2.F give the outstanding loan balances, including impairments. Together, these comprise the total amount of loans and advances to the public and private sectors. The impairments are split into specific and incurred but not reported (IBNR) provisions in Table 2.2.2. The IBNR figure is calculated as the expected loss multiplied by the loss identification period (LIP) in months. For Private Banking and Corporate Banking (excluding commercial real estate loans) the LIPs were 5.5 and 2.4 months respectively at year-end 2017. The LIP for commercial real estate loans was 2.4 months.

All loans for which the interest and/or redemptions are not paid in time are past due (see Section 2.3.1, Past due loans). In the event of a potential or actual default by a client on its obligations to the bank, an impairment is taken. The loan or loans in question are then designated as impaired loans (see Section 2.3.2, Impaired loans).

Non-performing loans are classified as:
– Loans with a significant limit overrun for a period of more than 90 days;
– Loans for which provisions have been taken;
– Loans with a probability of default of 1; or
– Forborne loans for which a probation period of at least one year has not been completed.

2.3 Increased credit risk

Increased credit risk occurs if clients fail to meet their payment obligations for a period of at least 30 days. If the review, payment arrears or external signals point to an increased risk of discontinuity, the Restructuring & Recovery department is involved in the credit management process. An assessment is made of the probability of discontinuity. If there are indications of an increased risk of discontinuity, the client is placed under the supervision of the Restructuring & Recovery department. In the event of objective indicators of impairment, the Restructuring & Recovery department draws up an impairment proposal based on the outstanding liability, available collateral and expected cash flows. The Impairment Committee reviews this proposal and ultimately determines the impairment four times a year, in line with our policy.

Table 2.3.1 Age analysis of past due accounts (excluding impaired loans)	31/12/2017		31/12/2016	
	Balance outstanding	Overdrawn amount	Balance outstanding	Overdrawn amount
Total	51,655	1,710	12,538	1,032
30–60 days	10,345	248	3,964	552
61–90 days	4,420	44	1,889	100
>90 days	36,890	1,418	6,685	380

The primary goal of the Restructuring & Recovery department is to migrate clients back to accounts with regular status (i.e. not under the supervision of Restructuring & Recovery) by reducing their credit risk. The aim is to do this in accordance with the loan agreements made with these clients, but forbearance measures are applied if necessary. More information on forborne exposures can be found in Section 2.3.3.

2.3.1 Past due loans

We define a receivable as a past due loan if the limit has been exceeded by at least €5,000 for more than 30 days. The Overdraft Monitoring Desk monitors past due loans and supports the branch network in reducing the amount past due (see Table 2.3.1).

Active management of past due loans enables potential problem loans to be identified at an early stage. If an individual assessment identifies an increased risk, the Restructuring & Recovery department will supervise the client.

In general, collateral can be used for all current and future amounts owed by a debtor. In addition to mortgage collateral and guarantees provided by governments and credit institutions, commercial real estate, receivables, stocks and inventories may serve as collateral. The majority of collateral is not directly linked to a specific financing arrangement.

2.3.2 Impaired loans

Individual items

When determining whether a loan is impaired, all clients with arrears of more than 90 days are assessed individually and included under specific provisions. A provision is taken if an impairment trigger is hit in combination with a loss event. The Restructuring & Recovery account manager will draw up the impairment proposal. This proposal is based on the outstanding liability, available collateral and expected cash flows. The expected future cash flows are discounted according to the DCF method. Assumptions are made about the (liquidation or recovery) value of the collateral, the estimate of payments to be received, the estimate of the timing of these payments, and the discount rate. We write off loans immediately if there is sufficient certainty about the loss. The total amount of impaired loans with a limit overrun of at least €5,000 for a period of more than 30 days amounted to €149 million at year-end 2017 (2016: €179 million). The total release of provisions in 2017 was 22 basis points of the average risk-weighted assets (RWA) during 2017 (2016: a release of 11 basis points).

Incurred but not reported

All loans for which an individual provision has not been formed are included in the IBNR provisions. IBNR provisions cover value reductions resulting from loss events which may have occurred at the reporting date but of which the bank is not yet aware due to an information time lag. The IBNR provision for a portfolio is calculated as the one-year expected loss (EL) multiplied by the loss identification period (LIP) denoted as a fraction of years. The expected loss for the portfolio is calculated as the sum of the individual expected losses for each non-defaulted loan, which equals the product of the probability of default (PD), exposure at default (EAD), and loss given default (LGD). The LIP is also determined for each portfolio as the weighted average of the outstanding amount of realised LIP. Realised LIP is defined as the number of months (from 0 to a maximum of 12) between the date that the bank became aware of the loss and determined a specific provision and the date of the actual loss event at the client. The LIP for each portfolio is calculated using historical information going back one year.

Table 2.3.2.A Movements in impairments in 2017	Specific	IBNR	Total
At 1 January	155,004	7,043	162,047
Loans written off	–32,953	–	–32,953
Additions to or release of provision	–10,492	-1,383	–11,875
Interest charged	3,180	–	3,180
At 31 December	114,740	5,660	120,400

Due to the reduction of our loan portfolio, the improving economy, improved credit quality, and intensive preventive and credit management, a lower provision for IBNR was required of €5.7 million (year-end 2016: €7.0 million) and a release was recognised of €1.4 million.

Table 2.3.2.B Movements in impairments in 2016	Specific	IBNR	Total
At 1 January	165,717	14,553	180,270
Loans written off	–11,149	–	–11,149
Additions to or release of provision	649	–7,510	–6,862
Interest charged	1,826	–	1,826
Sale of mortgage portfolio	–2,038	–	–2,038
At 31 December	155,004	7,043	162,047

Table 2.3.2.C Impairments charged to profit or loss	2017	2016
Impairments charged to profit or loss	–11,875	–6,862

Table 2.3.2.D Specific provisions by entity	31/12/2017		31/12/2016	
	Impaired loans	Impairments	Impaired loans	Impairments
Total	370,573	114,740	499,728	155,004
Van Lanschot Bankiers	366,507	112,514	496,398	151,997
Kempen	3,569	1,729	2,515	2,515
Van Lanschot other	497	497	815	491

2.3.3 Forborne exposures

A loan is regarded as forborne if the borrower is unable to meet its contractual obligations vis-à-vis the bank and the bank then decides to make a concession to the client by modifying the terms and conditions of the loan agreement. The objective of this modification is to enable the borrower to meet the renewed obligations and it would not have been offered if those circumstances had not arisen. Forbearance actions may include one or more of the following measures:

- Amendment of the original terms and conditions of the loan agreement with which the client is unable to comply due to financial difficulties, with a view to restoring the client's payment capacity;
- Full or partial refinancing of a forborne exposure.

The purpose of the measures taken in forbearance situations is to maximise the chance of restoring the borrower's payment capacity and to minimise the risk of losses due to having to write off all or part of the loan. The measures must offer the client an appropriate and sustainable solution enabling them to comply with the original obligations arising from the credit agreement in due course.

Application of forbearance measures is exclusively reserved for the Restructuring & Recovery department, which pursues a policy based on general principles that it translates to match the specific situation of the individual client. Given the nature of these loans, the Restructuring &

Recovery department carries out intensive credit management. Before any new arrangements are agreed, a detailed analysis is made of the client, their financial situation and the likelihood of income recovery. The outcome of this analysis may have consequences for the client's review frequency and the size of any loan loss provision to be made. If the client qualifies for appropriate forbearance measures, a proposal will be drawn up and submitted to the competent assessor(s) for approval.

In practice, forbearance measures do not always have the desired effect – i.e. the recovery of the client's payment capacity or an end to the process of declining payment capacity. This may for example be the result of a further deterioration in the client's financial circumstances or the failure of those circumstances to improve as expected.

Such cases will be reanalysed and a strategy determined. However, the principle is explicitly maintained that the forbearance measure must be appropriate, sustainable and effective. Any new arrangements agreed with the borrower must also meet these strict criteria.

A forbearance situation ends when the "non-performing" status has no longer been applied to the loan for a probation period of two years. The non-performing status must last a minimum of one year starting from the last forbearance measure. The client must moreover have made significant and regular payments of interest and/or principal during at least half of the probation period. After expiry of the two-year probation period, no payments by the borrower may be in arrears for more than 30 days. If this condition is not met, the probation period will start again from the date the client is no longer in arrears for more than 30 days.

The recording and monitoring of loans which are subject to forbearance is carried out by the Restructuring & Recovery department. Each quarter, and where appropriate more frequently for specific loans, an individual assessment is carried out of forborne exposures in relation to any provision made. In addition to this quarterly assessment (as part of the provisioning process), these loans are subject to extensive credit risk management, the intensity and frequency of which will as far as possible match the specific circumstances of the loan.

Tables 2.3.3.A through 2.3.3.G show the total volume of forborne exposures. We apply several types of forbearance measures (see Table 2.3.3.C). Following the decision to apply such a measure, a loan remains under the supervision of the Restructuring & Recovery department until the forbearance situation has ended.

Table 2.3.3.A Forborne exposures by sector 31/12/2017

	% of total loans	Total loans including impairments	Limit	Neither past due nor impaired loans	Past due loans	Impaired loans	Impairments	%
Total		**98,254**		**5,650**	–	**132,855**	**40,252**	**30.3**
Companies and institutions								
Real estate	9	12,002	11,002	–	–	12,002	334	2.8
Healthcare	2	2,234	2,230	–	–	2,234	534	23.9
Financial holding companies	32	44,822	32,872	3,192	–	41,630	9,951	23.9
Services	3	4,582	4,004	1,003	–	3,579	458	12.8
Retail	1	1,609	1,950	–	–	1,609	1,119	69.5
Capital assets	0	–	–	–	–	–	–	–
Other	26	36,116	35,577	3	–	36,113	8,995	24.9
Total companies and institutions	**73**	**101,366**	**87,635**	**4,198**	–	**97,168**	**21,390**	**22.0**
Private individuals								
Mortgage loans	4	5,570	5,571	1,110	–	4,460	1,103	24.7
Real estate	6	8,565	8,553	–	–	8,565	2,408	28.1
Other	17	23,005	10,600	342	–	22,664	15,351	67.7
Total private individuals	27	**37,139**	**24,724**	**1,452**	–	**35,688**	**18,862**	**52.9**
Impairments		40,252				40,252		

Table 2.3.3.B Forborne exposures by sector 31/12/2016	% of total loans	Total loans including impairments	Limit	Neither past due nor impaired loans	Past due loans	Impaired loans	Impairments	%
Total		**116,558**		**9,274**	**519**	**173,248**	**66,484**	**38.4**
Companies and institutions								
Real estate	9	16,721	16,568	–	–	16,721	1,402	8.4
Healthcare	2	3,807	3,633	–	–	3,807	1,959	51.4
Financial holding companies	6	10,732	9,475	–	–	10,732	2,462	22.9
Services	9	16,386	11,909	241	–	16,145	9,779	60.6
Retail	4	7,324	7,335	2,970	–	4,354	2,475	56.8
Capital assets	2	3,264	2,622	2	–	3,262	1,346	41.3
Other	33	61,205	53,667	4,686	294	56,225	10,078	17.9
Total companies and institutions	**65**	**119,438**	**105,208**	**7,898**	**294**	**111,246**	**29,500**	**26.5**
Private individuals								
Mortgage loans	4	7,389	7,389	1,339	–	6,050	1,612	26.6
Real estate	6	10,226	10,224	–	–	10,226	3,072	30.0
Other	25	45,988	15,232	36	225	45,726	32,300	70.6
Total private individuals	**35**	**63,603**	**32,844**	**1,375**	**225**	**62,002**	**36,984**	**59.6**
Impairments		66,484				66,484		

Table 2.3.3.C Types of forborne exposure	31/12/2017	31/12/2016
Total	**98,254**	**116,558**
Repayments/reviews temporarily reduced/suspended	60,990	80,998
Provision of (temporary) additional funding (emergency loan)	22,658	15,018
Temporary reduction in interest rate or loan is made interest-free	12,796	14,897
Conditional and/or partial forgiveness of the loan	1,810	5,646

Table 2.3.3.D Movements in forborne exposures	2017	2016
At 1 January	116,558	155,359
New forborne exposures	24,624	38,442
Additions and repayments	–69,920	–68,765
Assets no longer designated as forborne exposures	–4,591	–8,940
Impairments	31,582	6,542
Reclassification of assets classified as held for sale	–	–6,080
At 31 December	**98,254**	116,558

Additions and repayments are related to clients that have a forborne exposure in place.

Tables 2.3.3.E and 2.3.3.F provide an insight into the underlying collateral of forborne loans. This breakdown is based on the collateral used under Basel regulations, with the exception of commercial real estate, for which collateral is based on market values. The value in the Total primary collateral column is the lower of the subscription value or the value of the collateral.

Table 2.3.3.E Forborne exposures by collateral at 31/12/2017	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Total primary collateral	Secondary collateral and unsecured loans
Total	**98,254**	**23,295**	**27,014**	**29,226**	**79,535**	**19,293**
Mortgage loans	4,231	4,805	–	–	4,805	–
Current accounts	44,978	–	–	29,226	29,226	15,752
Loans	49,045	18,490	27,014	–	45,504	3,541
Subordinated loans	–	–	–	–	–	–

Table 2.3.3.F Forborne exposures by collateral at 31/12/2016	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Total primary collateral	Secondary collateral and unsecured loans
Total	**116,558**	**22,351**	**33,308**	**42,520**	**98,179**	**35,064**
Mortgage loans	5,665	22,351	–	–	22,351	–
Current accounts	56,334	–	–	42,520	42,520	13,814
Loans	50,864	–	33,308	–	33,308	17,556
Subordinated loans	3,694	–	–	–	–	3,694

The geographical breakdown in Table 2.3.3.G is based on client locations.

Table 2.3.3.G Forborne exposures by geographical area	31/12/2017	31/12/2016
Total	**98,254**	**116,558**
Netherlands	95,155	109,955
Belgium	1,347	986
Other	1,751	5,617

2.4 Credit risk models

We have developed internal models for measuring and monitoring credit risk for the majority of the loan portfolio. These internal models are also used to determine the required capital that has to be set aside for absorbing unexpected credit losses. As such, the models, the use of these models and the model governance have to adhere to strict requirements set out in the Capital Requirements Regulation (CRR).

The CRR distinguishes three approaches for determining the required capital for credit risk: the standardised approach (SA), the foundation internal ratings-based (F-IRB) approach, and the advanced internal ratings-based (A-IRB) approach.

The standardised approach prescribes a set of rules for determining the required capital based on various characteristics such as client type, loan type, collateral type, and external rating. Under F-IRB, banks are allowed to use internal estimates of the probability of default (PD) in determining the required capital. The credit conversion factors for determining the exposure at default (EAD) and the loss given default (LGD) are prescribed. Under A-IRB banks are allowed to use own estimates for PD, EAD and LGD. The PD is defined as the likelihood that a client will default within one year, the EAD is defined as the bank's expected exposure at the time a client defaults, and the LGD is the expected loss percentage in the event that a client defaults. As a result, A-IRB is more risk-sensitive than F-IRB and SA.

We have approval from DNB to determine and report the required regulatory capital for a large proportion of our loan portfolio using internal ratings-based (IRB) methods. For these models, we have a model governance framework in place. As part of this, the performance of the models is periodically monitored, and these models are also periodically validated against independent models. As mentioned above, part of the portfolio is capitalised using the A-IRB and F-IRB method. More specifically, the retail and non-retail exposures are capitalised under A-IRB and F-IRB, respectively.

Retail portfolio

The retail portfolio comprises four sub-portfolios with the following exposures:

- Mortgage exposures;
- Qualifying revolving retail exposures up to €40,000;
- Other retail exposures up to €2 million;
- Small and medium-sized enterprises (SMEs) with total exposures up to €1 million.

The PD models are mostly based on behavioural aspects of the client and the LGD models on the underlying collateral. For the capital calculations a so-called downturn LGD is applied, i.e. the expected loss at default during an economic downturn. Estimation of the EAD is based on the limit and credit utilisation.

Non-retail portfolio
The non-retail portfolio comprises four sub-portfolios with the following exposures:
- Commercial real estate exposures;
- Exposures to holding companies that are clients with non-controlling interests and shareholdings;
- Exposures to corporate clients;
- Exposures exceeding €2,000,000 (excluding residential mortgages) to natural persons.

For each of these sub-portfolios an internal PD model has been developed that uses behavioural and other client characteristics to estimate the PD.

IRB equity portfolio
The IRB equity portfolio includes our own positions in equities in the investment portfolio, subordinated receivables, non-controlling interests and shareholdings which appear on the company statement of financial position of F. van Lanschot Bankiers. We use the simple risk-weighted method to calculate the risk-weighted assets for positions in shares. In this method, a specific risk weighting (190%, 290% or 370%) is assigned to each position, based on a number of characteristics. A risk weighting of 250% is applied for significant investments in financial institutions which is not deducted from equity because they fall below the regulatory threshold. Positions taken in shares and subordinated loans of wholly owned subsidiaries are excluded from IRB. These are reported using the SA method.

Other loans and advances
The risk-weighted assets of the other portfolios (i.e. excluding retail, non-retail and equity) is calculated on the basis of the standardised approach.

2.5 Quality of loan portfolio
As described in Section 2.4, the loan portfolio is divided into retail and non-retail loans. Different approaches are used for retail and non-retail loans to determine the risk profile of the portfolio.

Retail portfolio
The quality of the retail portfolio (see description in Section 2.4) is determined using statistical segmentation models. These models place retail loans in risk categories based on specific characteristics and statistical models. The loan portfolio is shown by risk categories at year-end in Table 2.5.A.1.

Table 2.5.A.1 Customised loans – retail portfolio: breakdown of risk categories of balance outstanding (%)			
Description	PD weighting %	31/12/2017	31/12/2016
		100	100
Top class	0.03	–	–
Strong	0.04 – 0.09	1	1
Good	0.10 – 0.55	69	64
Adequate	0.64 – 1.85	20	20
Weak	2.23 – 11.87	9	13
Very weak	32.86	0	0
Default	100	2	2

Non-retail portfolio

We use internally developed rating models to assess non-retail loans granted in the Netherlands. A client's rating is a decisive factor in the assessment and pricing of customised loans. The rating is also used to enhance insight into the loan portfolio and to monitor its quality.

We have developed a rating scale for the rating models. The highest possible rating is class T, followed by classes A to F. Combinations of letters with numbers allow for further differentiation. The same rating scale is applied to all clients in each particular model segment. The loan portfolio is shown by rating at year-end in Table 2.5.A.2.

Table 2.5.A.2 Customised loans – non-retail portfolio: breakdown of internal ratings of balance outstanding (%)				
Internal rating	Description	PD weighting %	31/12/2017	31/12/2016
Total			100	**100**
T	Top class	0.03	–	–
A1–A3	Strong	0.04 – 0.09	1	–
B1–B3	Good	0.10 – 0.55	22	18
C1–C3	Adequate	0.64 – 1.85	39	44
D1–D3	Weak	2.23 – 11.87	25	23
E	Very weak	32.86	1	1
F1–F3	Default	100	12	14

The customised portfolio amounts to €2.0 billion (2016: €2.0 billion). The spread across the ratings is in line with economic trends. Virtually the entire customised portfolio was assigned a rating.

Tables 2.5.B and 2.5.C provide insight into the underlying collateral of the loan portfolio.

Table 2.5.B Loans and advances to the public and private sectors by collateral at 31/12/2017							
	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Guarantees	Total primary collateral	Secondary collateral and unsecured loans
Total	**9,103,327**	**6,149,948**	**650,352**	**529,396**	**288,112**	**7,617,808**	**1,485,519**
Mortgage loans	6,328,146	6,149,948	–	–	–	6,149,948	178,198
Current accounts	962,916	–	–	435,958	–	435,958	526,958
Loans	1,601,382	–	650,352	–	288,112	938,464	662,918
Securities-backed loans and settlement receivables	206,396	–	–	93,438	–	93,438	112,958
Subordinated loans	4,487	–	–	–	–	–	4,487

Table 2.5.C Loans and advances to the public and private sectors by collateral at 31/12/2016

	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Guarantees	Total primary collateral	Secondary collateral and unsecured loans
Total	**9,624,048**	**5,629,857**	**880,531**	**850,124**	**284,173**	**7,644,683**	**1,979,364**
Mortgage loans	6,317,926	5,629,857	–	–	–	5,629,857	688,070
Current accounts	1,100,740	–	–	585,691	–	585,691	515,049
Loans	1,920,693	–	880,531	–	284,173	1,164,703	755,989
Securities-backed loans and settlement receivables	272,991	–	–	264,433	–	264,433	8,558
Subordinated loans	11,698	–	–	–	–	–	11,698

We adopt a cautious approach towards granting unsecured loans. The category Secondary collateral and unsecured loans mainly comprises loans for which collateral has been pledged in the form of operating assets, inventories and receivables, as well as collateral which for technical reasons is not directly linked to a specific loan. Tables 2.5.B and 2.5.C have been drawn up on the basis of the definitions contained in the Basel regulations, with the exception of commercial real estate, which is based on the market value. The value under primary collateral is the lower of the subscription value or the value of the collateral. The total amount of unsecured loans is small. In general, collateral can be used for all current and future amounts owed by a debtor.

The average loan-to-value (LTV) of our mortgage loans, based on 100% foreclosure value, is 81% (2016: 87%).

2.6 Concentration within the loan portfolio

About 80% of our loan portfolio consists of loans to private clients. The credit risk in this portfolio is limited. We aim for a diversified loan portfolio and have actively sought to reduce the concentration on individual counterparties. In 2017, this led to a 13% reduction in the total volume of the ten highest limits compared with 2016. Reflecting our risk appetite, we have set limits for concentrations in individual sectors.

2.6.1 Commercial real estate

We have a significant, but declining, exposure to commercial real estate. The bank has consistently applied conservative lending criteria in this segment. In 2013, we took the decision to gradually run down the commercial real estate financing activities of the corporate bank.

Table 2.6.1 Commercial real estate: breakdown of ratings of balance outstanding (%)

Internal rating	Description	PD weighting %	31/12/2017	31/12/2016
Total			**100**	**100**
T	Top Class	0.03	–	–
A1–A3	Strong	0.04 – 0.09	–	–
B1–B3	Good	0.10 – 0.55	28	22
C1–C3	Adequate	0.64 – 1.85	48	50
D1–D3	Weak	2.23 – 11.87	18	20
E	Very weak	32.86	–	–
F1–F3	Default	100	6	8

Our commercial real estate portfolio comprises €0.5 billion in real estate loans to corporate clients (2016: €0.7 billion) and €0.2 billion in real estate loans to private clients (2016: €0.3 billion). This decline in exposure is in line with our run-off strategy for our corporate real estate portfolio and was mostly achieved by regular amortisation and refinancing.

At year-end 2017, the bank had impaired real estate loans totalling €50 million (2016: €75 million). A provision of approximately €9 million (18%) was taken for these loans (2016: €12 million and 16%). The LTV of the real estate loan portfolio was 70% (2016: 71%).

2.6.2 Individual loan concentrations

The ten largest loans to individual counterparties other than financial institutions totalled €237 million at year-end 2017, compared with a total loan portfolio of €9.2 billion (2016: €272 million; total loan portfolio €9.8 billion).

2.6.3 Geographical concentrations

In line with our strategy, the majority of lending takes place in the Netherlands and Belgium. The geographical breakdown is based on client locations. A small portion of the Belgian market is served from the Dutch branch network.

Table 2.6.3 Loans and advances to the public and private sectors by geographical area	31/12/2017	31/12/2016
Total	**9,103,327**	**9,624,048**
Netherlands	8,554,024	9,030,834
Belgium	225,213	225,781
Other	324,090	367,434

2.7 Maximum credit risk

Tables 2.7.A and 2.7.B provide insight into the maximum credit risk to which we were exposed at the reporting date. The assumptions used to prepare this breakdown are the exposures designated as credit risk under Basel III. To give an insight into the maximum credit risk, exposures are classified in these tables by on- and off-balance sheet items. There are a number of reasons for the differences between the balances as recognised on the face of the statement of financial position and the balances disclosed in the Gross exposure column. The greatest differences relate to the classification of the loan loss provision and the deviating consolidated base for regulatory purposes. Goodwill, intangible assets from acquisitions and certain investments in financial institutions are deductible from qualifying capital and thus do not form part of the gross exposure according to the Basel III definition. In addition, financial receivables from trading activities are classified as market risk, and settlement receivables as settlement risk.

Table 2.7.A Maximum credit risk at 31/12/2017	Gross exposure	Net exposure
Total	**15,593,679**	**14,903,606**
Assets		
Cash and cash equivalents and balances at central banks	1,827,810	1,827,810
Financial assets held for trading	–	–
Due from banks	146,298	146,276
Derivatives	243,935	243,935
Financial assets designated at fair value through profit or loss	394,831	394,831
Available-for-sale investments	1,738,355	1,738,355
Held-to-maturity investments	521,349	521,349
Loans and advances to the public and private sectors	9,264,421	8,734,376
Investments in associates using the equity method	69,823	69,823
Property and equipment	50,592	50,592
Goodwill and other intangible assets	–	–
Tax assets	11,080	11,080
Other assets	199,320	199,320
Total assets	**14,467,814**	**13,937,747**
Off-balance sheet items	1,125,865	965,859
	1,125,865	**965,859**

Table 2.7.B Maximum credit risk at 31/12/2016	Gross exposure	Net exposure
Total	**16,103,072**	**15,662,400**
Assets		
Cash and cash equivalents and balances at central banks	1,585,339	1,554,695
Financial assets held for trading	–	–
Due from banks	188,235	171,061
Derivatives	401,195	401,195
Financial assets designated at fair value through profit or loss	336,238	336,238
Available-for-sale investments	1,680,036	1,680,036
Held-to-maturity investments	513,438	513,438
Loans and advances to the public and private sectors	9,869,049	9,690,544
Investments in associates using the equity method	74,798	74,798
Property and equipment	57,178	57,178
Goodwill and other intangible assets	–	–
Tax assets	41,135	39,549
Other assets	150,248	150,247
Total assets	**15,000,526**	**14,769,312**
Off-balance sheet items	1,102,546	893,087
	1,102,546	**893,087**

2.8 Credit quality

2.8.1 Credit quality investments

Our investments can be broken down into two categories:
- Debt instruments;
- Equity instruments.

Debt instruments

The investments in debt instruments have a low risk profile and high creditworthiness, and are mainly held for liquidity purposes. Each investment must therefore be highly liquid and eligible for use as collateral. These investments have been placed in three portfolios: designated at fair value through profit and loss, available for sale, and held to maturity (see Notes 5 to 7). Decisions concerning the limit framework for these investments are proposed to ALCO by Treasury, under the advice of Group Risk Management. Individual new investments in debt instruments have to be approved by Group Risk Management or the CFRO. Debt instruments issued by sovereigns, supranationals and agencies (SSAs) may be bought by Treasury without the prior approval of Group Risk Management or the CFRO.

Equity instruments

Direct investments can take the form of shares and shareholdings and must be approved in advance by the Statutory Board.

Table 2.8.1.A Investments by type	31/12/2017	%	31/12/2016	%
Total	**2,654,602**	**100**	**2,529,712**	**100**
Debt instruments				
Government paper and government-guaranteed paper	660,111	25	827,308	33
Covered bonds	781,973	29	618,448	24
Asset-backed securities	668,105	25	666,251	26
Other debt instruments	388,733	15	318,967	13
Total debt instruments	**2,498,922**	**94**	**2,430,974**	**96**
Equity instruments				
Equity instruments	155,680	6	98,738	4
Total equity instruments	**155,680**	**6**	**98,738**	**4**

We have classified 15% of our investments as financial assets designated at fair value through profit and loss (2016: 13%), 65% as available-for-sale investments (2016: 67%) and 20% as investments held to maturity (2016: 20%).

Investments in government-guaranteed debt instruments are predominantly government bonds issued by Belgium and the EU.

At 31 December 2017, as at 31 December 2016, we had no investments in countries of the non-core euro area countries.

Table 2.8.1.B Investments in debt instruments by external rating (latest ratings as known to Van Lanschot Kempen)	31/12/2017	%	31/12/2016	%
Total	2,498,922	100	2,430,973	100
AAA	1,711,747	69	1,736,901	71
AA	591,525	24	541,660	22
A	109,401	4	104,826	4
Other	86,248	3	47,587	2

2.8.2 Credit quality by class

The table below provides information on the credit quality of financial assets that are neither past due nor impaired. See the Credit Risk section for information about the credit quality of loans and advances to the public and private sectors and the investment portfolio. Amounts under Other comprise counterparties without an external credit rating or that have a rating lower than A.

Table 2.8.2.A Credit quality by class at 31/12/2017

	Central banks	AAA	AA	A	Other	Total
Cash and cash equivalents and balances at central banks	1,737,805	–	7,573	80,727	6,646	1,832,751
Financial assets held for trading	–	–	1,436	9,394	27,404	38,234
Due from banks	10,962	31,261	8,120	103,032	33,084	186,459
Derivatives	–	–	62,980	163,521	95,757	322,258

Table 2.8.2.B Credit quality by class at 31/12/2016

	Central banks	AAA	AA	A	Other	Total
Cash and cash equivalents and balances at central banks	1,331,412	–	71,007	148,796	34,258	1,585,473
Financial assets held for trading	–	–	–	–	16,913	16,913
Due from banks	10,962	27,993	25,420	120,125	4,249	188,748
Derivatives	–	–	25,804	201,586	79,930	307,320
Assets classified as held for sale	–	–	–	–	103,639	103,639

2.9 Encumbered and unencumbered assets

Certain items in the statement of financial position are classified as encumbered. Tables 2.9.A and 2.9.B provide insight into the financial assets treated as encumbered. These tables have been drawn up on the basis of carrying value.

Encumbered assets

Pledged as collateral:

– Cash pledged to a counterparty bank or central clearing party as security for obligations stemming from derivatives (CSA contracts);
– Investments in debt instruments pledged to DNB or counterparty banks in the context of repo transactions or for securities and derivatives clearing purposes;
– Securitised mortgage loans and receivables underlying debt instruments which have been pledged as collateral to DNB for transaction settlements or have been placed with institutional investors in the form of securitisation notes or covered bonds.

Other:

– Statutory reserve deposits with central banks;
– Reserve accounts of the Courtine, Lunet and Covered Bond entities to which we have no access.

Unencumbered assets

Eligible as collateral:

– Investments in debt instruments which appear on the ECB eligible list of marketable assets but are not classed as encumbered at the reporting date;
– Securitised mortgage loans and advances underlying debt instruments which are held by us and which appear on the ECB eligible list of marketable assets but are not classified as encumbered at the reporting date.

Not eligible as collateral:

– All other cash and cash equivalents and balances at central banks;
– All other receivables from banks;
– Debt and equity instruments which do not appear on the ECB eligible list of marketable assets;
– Securitised mortgage loans and advances underlying debt instruments which are held by us and which do not appear on the ECB eligible list of marketable assets;
– All other loans and advances.

Table 2.9.A Encumbered and unencumbered assets	Encumbered assets		Unencumbered assets		31/12/2017
	Pledged as collateral	Other	Eligible as collateral	Not eligible as collateral	Total
Total	**2,745,376**	**44,138**	**2,180,463**	**8,807,163**	**13,777,140**
Cash and cash equivalents and balances at central banks	–	12,877	–	1,819,874	1,832,751
Due from banks	74,089	31,261	–	81,109	186,459
Financial assets designated at fair value through profit or loss	–	–	202,918	191,980	394,898
Available-for-sale investments	17,666	–	1,519,839	200,850	1,738,355
Held-to-maturity investments	267,605	–	253,744	–	521,349
Loans and advances to the public and private sectors	2,386,015	–	203,962	6,513,350	9,103,327

Table 2.9.B Encumbered and unencumbered assets	Encumbered assets		Unencumbered assets		31/12/2016
	Pledged as collateral	Other	Eligible as collateral	Not eligible as collateral	Total
Total	**2,127,356**	**45,691**	**2,553,921**	**9,201,014**	**13,927,982**
Cash and cash equivalents and balances at central banks	–	17,698	–	1,567,775	1,585,473
Due from banks	87,428	27,993	–	73,327	188,748
Financial assets designated at fair value through profit or loss	–	–	212,710	123,528	336,238
Available-for-sale investments	19,222	–	1,564,480	96,334	1,680,036
Held-to-maturity investments	148,895	–	364,543	–	513,438
Loans and advances to the public and private sectors	1,871,810	–	412,188	7,340,050	9,624,048

2.10 Netting of financial assets and liabilities

Table 2.10.A and 2.10.B show the netting of financial assets and liabilities. The right to net derivatives is laid down in a master netting agreement. For information about the netting criteria, please see "Summary of significant accounting principles".

Table 2.10.A Netting of financial assets and liabilities at 31/12/2017

	Gross	Gross in the statement of financial position	Net in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Derivatives (assets)	490,222	167,964	322,258	48,441	273,817
Derivatives (liabilities)	486,380	167,964	318,417	48,441	269,976

Table 2.10.B Netting of financial assets and liabilities at 31/12/2016

	Gross	Gross in the statement of financial position	Net in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Derivatives (assets)	409,386	102,066	307,320	21,754	285,566
Derivatives (liabilities)	440,917	102,066	338,851	21,754	317,097

3. Market risk

Market risk is the risk of loss as a result of changes in market variables, including interest rates, exchange rates and share prices. Other variables not directly observable in the market, such as volatility and correlations, can also influence the value of financial instruments. The market risk to which we are exposed can be divided into two components: the market risk to which Van Lanschot Bankiers is exposed in respect of its necessary market maintenance and services to clients, and the market risk stemming from trading activities in institutional securities; this latter risk is concentrated at Kempen.

3.1 Kempen market risk: trading activities in securities

Our trading activities in securities, mainly comprising equities and equity derivatives, are concentrated at Kempen. A governance structure has been created to facilitate effective risk management. The risks are managed using VaR limits as well as gross and net limits. Daily stress tests provide information about changes in portfolio values in extreme market conditions and complement the VaR calculation. The VaR for the trading portfolios is computed daily, based on a one-day time horizon with a 97.5% confidence interval on one year of historical data. The continued validity of the assumptions underlying the VaR computation is regularly tested using back-testing. Other risks relating to derivatives are expressed in "the Greeks" (Delta, Gamma, Vega, Rho, etc.) and are separately monitored on a daily basis or more frequently if necessary. Separate limits are in place for all risk drivers. VaR and other relevant risk parameters are reported to senior management (including two Executive Board members) on a daily basis. Lastly, market risks are also generated by investments in Kempen's management book (€61.3 million). These investments provide seed capital to newly launched Kempen Capital Management funds and are held with a trading intent. Financial markets were relatively calm in 2017, which led to generally lower levels of volatility. On the derivatives side, this resulted in lower VaR usage, compared with mostly constant trading volumes.

Table 3.1 VaR of Kempen trading activities	2017		2016	
	Derivatives-related	Share-related	Derivatives-related	Share-related
VaR at 31 December	180	49	208	134
Highest VaR	474	233	460	320
Lowest VaR	56	49	70	51
Average VaR	144	140	199	138

3.2 Van Lanschot market risk: treasury

To a limited degree, Van Lanschot Treasury is also exposed to market risk. These risks stem from its treasury activities (mainly foreign exchange exposure, comprising client transactions and own positions). The majority of transactions and positions in the statement of financial position are denominated in euros. Exchange rate risk is managed within the required limits and an authorisation structure applies. Foreign exchange positions are shown in Table 3.2.B and include all cash, forward and option positions of the entities in scope of consolidation.

Table 3.2.A Exchange rate risk of treasury trading activities (total gross nominal foreign exchange position translated to x €1,000)	2017	2016
At 31 December	1,794	2,663
Highest position	5,243	5,749
Lowest position	57	331
Average position	1,513	1,320

Table 3.2.B Foreign exchange positions	31/12/2017	31/12/2016
Total	**1,915**	**1,124**
US dollar	1,450	3,469
Pound sterling	85	–2,162
Canadian dollar	70	10
New Zealand dollar	56	60
Japenese yen	53	16
Swiss franc	–31	–112
Norwegian krone	–29	–416
Other	262	258

The capital adequacy requirement for exchange rate risk was €0.2 million at year-end 2017 (2016: €0.5 million). This amounts to 8% of the net open positions in each currency (2016: 8%).

Van Lanschot Treasury also uses value at risk (VaR), base point value (BPV) and stress testing to calculate and mitigate market risks.

Table 3.2.C FX Interest rate risk of treasury trading activities (total gross BPV x €1,000)	2017	2016
BPV at 31 December	18	12
Highest BPV	18	25
Lowest BPV	8	11
Average BPV	11	14

In addition, some market risk exposure results from investments made in Van Lanschot's management book. The current exposure in this portfolio is €30 million (2016: €20 million). Credit spread risk in the banking book (CSRBB) is the risk of volatility in earnings and/or equity, caused by spread movements in the swap curve, for banking book instruments that are classified at fair value. For Van Lanschot, CSRBB is mainly concentrated in the investment and liquidity portfolios. CSRBB limits have been imposed on these portfolios, which are monitored by ALCO on a monthly basis.

3.3 Market risk: interest rate and share-related instruments

We use the maturity method to calculate the capital adequacy requirement in respect of the general risk on debt instruments in the trading portfolio. Share-related instruments are share instruments included under Financial assets held for trading (see Table 3.3).

Table 3.3 Market risk	31/12/2017		31/12/2016	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Total	**225,718**	**18,057**	**163,262**	**13,061**
Market risk: interest-related instruments	147,155	11,772	106,419	8,514
Market risk: share-related instruments	76,675	6,134	50,207	4,017
Market risk: currency-related instruments	1,888	151	6,636	531

Weighting and requirements
We use the standardised approach for all types of market risk. The market risk of interest rate derivatives is included under Market risk: interest rate-related instruments; the market risk of share-related derivatives is included under Market risk: share-related instruments; and the market risk of currency derivatives is included under Market risk: currency-related instruments.

4. Operational risk

Operational risks are potential losses that result from inadequate or defective internal processes and systems, inadequate or incorrect human actions, external events and fraud. Within Van Lanschot Kempen, operational losses are classified using the operational loss event types as set out in the Basel framework.

We have created a broad framework for identifying, evaluating, monitoring and managing operational risks. This also includes risks regarding information security and business continuity. The framework incorporates the following processes:

- Risk identification and classification via risk self-assessments;
- Risk measurement using a central incidents database and key risk indicators (early warnings), which highlight trends and/or provide prospective information about operational risks;
- Risk mitigation, acceptance and monitoring through action tracking (follow-up of outstanding actions and audit findings);
- Risk monitoring through setting up and maintaining a control framework and a test cycle to determine the effectiveness of the key controls;
- Risk controls via periodic meetings with risk owners, monitoring the status quo against the risk appetite, crisis management and business continuity management;
- Risk controls regarding information processing, in order to safeguard confidentiality, integrity and availability of data. In this area, both internal information security and cyber security are important.

In order to protect the organisation against major operational risk-related losses, we have taken out insurance policies that cover claims and losses resulting from the services offered. Broadly, these policies are a combination of fraud and professional liability insurance, directors' liability insurance and various other liability and accident insurance policies. In 2016 a cyber risk policy was added to our insurance coverage. This policy provides liability and damage cover for cyber risk events.

Responsibility for managing operational risks is delegated to the line management of operating and commercial departments (the first line of defence). A range of programmes and tools support the bank's management in their roles as process owners within their own divisions. Key instruments are the definition of the operational risk appetite, risk self-assessments, root cause analyses, action tracking, key control testing, key risk indicators, scenario analyses, and incident and loss database management.

The operational risk appetite defines the level of – quantitative and qualitative – operational risk we are willing to accept. Exceeding this appetite requires the attention of the Executive Board and will lead to additional mitigation measures as necessary.

Risk self-assessment is a tool that allows line managers to systematically identify and assess risks so that steps can be taken to limit any unacceptable risks. Risk self-assessments are carried out periodically in order to reassess and update the existing operational risk framework.

Action tracking is used to monitor identified risks and to track the progress made in the delivery of remedial actions taken, based on findings by internal audit and external regulators, and on analysis of incidents, complaints and other relevant events.

Scenario analyses are used to enhance insight into our (prospective) operational risk profile and thus improve existing risk controls. The results of these analyses also serve as a means to provide insight into the adequacy of the Pillar I capital requirement vis-à-vis the operational risk profile.

Key control testing is used to monitor the effectiveness of controls covering key risks, while root cause analyses are used to understand and learn from incidents.

These instruments and tools help to give a comprehensive overview of the risks, both at departmental level and for the group as a whole. This makes the relevant operational risks transparent, enabling appropriate mitigation actions to be taken.

Information security contributes to the protection of client and corporate information. Both automated and manual information processing are carried out. Taking the right measures on the basis of targeted risk analyses of business and IT processes ensures that both our client data and corporate data are adequately protected.

Business continuity analyses are carried out as part of our business continuity management process in order to gain insight into critical processes and the resources that are needed to ensure continuity of service and address potential threats. Embedding business continuity management in the organisation is essential to give the bank sufficient resilience against the impact of an incident or disaster. Business continuity therefore has universal scope within the bank; it comprises policy, standards and procedures aimed at safeguarding the critical processes or enabling a restart within a specified timeframe in the event of a disaster. The objective is to keep any financial, reputational and/or other material damage to a minimum, both for us and for our clients. Procedures are tested on a regular basis, with tests of fallback procedures and crisis governance carried out every year.

The incidents database allows the systematic recording and analysis of losses resulting from operational risks. The database contains information about losses incurred as a result of operational risks in prior years and forms the foundation of the operational risk management measurement system for Van Lanschot and Kempen. A total of 156 incidents entailing a loss of more than €1,000 were logged in the database in 2017 (2016: 225 incidents).

5. Settlement risk

We are required to hold capital for financial transactions that are not settled within five days of the agreed deadline if the difference between the agreed settlement price and the price at the reporting date could lead to a loss.

At year-end 2017, financial transactions totalling €227 million (2016: €155 million) had to be reported in the context of settlement risk.

6. CVA risk

Under the Capital Requirements Directive (CRD), account must also be taken of the risk-weighted assets in relation to credit value adjustment (CVA), which must be adequate to cover the risk of a deterioration in the creditworthiness of the counterparty in an OTC derivatives transaction. This CVA capital adequacy requirement is additional to requirements applying to the risk-weighted assets in relation to the "regular" default risk. We use the SA method to calculate the CVA. In contrast to a number of capital deductions, no phase-in applies for CVA.

7. Strategic risk

Strategic risk can be defined as the threat to our results or equity resulting from failure to respond (adequately) to changes in environmental factors, or from incorrect strategic decisions. Environmental factors include the actions of competitors, clients, potential market entrants and public authorities.

8. Interest rate risk

Interest rate risk is the exposure of the banking book to adverse interest rate movements. Adverse interest rate movements may impact a bank's current and/or future earnings, capital and market value. Interest rate risks in non-banking book items are managed as part of market risk.

Our main source of interest rate risk is the interest maturity mismatch between mortgages and loans on the one hand and savings and other funding sources on the other. In general, assets have longer fixed-rate terms than liabilities, especially in the current low interest rate environment, in which clients show a distinct preference for long fixed-rate terms for mortgages. In measuring our interest rate risk exposure, we model client behaviour with respect to the prepayment patterns of mortgages and loans and the interest rate risk profiles of savings and current accounts. After the interest rate risk resulting from maturity mismatch, customer behaviour risk is our most important source of interest rate risk, as actually observed client behaviour may deviate from assumptions. Differences between assumed and actually observed client behaviour could have a material adverse impact on future results.

We manage interest rate risk according to our interest rate risk in the banking book (IRRBB) policy. Responsibility for IRRBB management has been delegated by the Executive Board to the Asset & Liability Committee (ALCO). We pursue a prudent interest rate risk policy that aims to mitigate the effect of prospective interest rate movements which could reduce future net interest income, while balancing the costs of hedging activities on current earnings.

Essentially, then, we manage interest rate risk from both a long- and a short-term perspective. The short-term interest rate risk is addressed mainly from a net interest income perspective (NII at risk). This involves an analysis of the interest income under a number of market interest rate scenarios, relative to the baseline scenario. In 2017, all NII-at-risk scenarios remained within risk appetite limits. By December 2017, the most adverse scenario was one in which market rates fall by 100 basis points over the next twelve months, with Van Lanschot being unable to reduce savings rates sufficiently below the "natural floor" of zero percent. Table 8.A shows the interest rate risk metrics in December 2017.

Table 8.A Interest rate risk metrics	31/12/2017	31/12/2016
Net Interest Income (NII) at-risk	–3.4%	–4.2%
Duration of equity (in years)	3	4

The long-term interest rate risk is addressed by using the economic value approach, which looks at how movements in interest rates impact the value of the bank's assets and liabilities. The main metric used in the economic value analysis is duration of equity. The duration of the bank's equity indicates the net impact of parallel interest rate changes on its economic value. In 2017, duration of equity was controlled by ALCO within a bandwidth of 2.8 to 3.8 years. The duration of three years at year-end 2017 implies the economic value of equity would fall by 2.9% (€40.7 million) if there were a parallel rise of 100 basis points in interest rates. In the event of a parallel fall in interest rates of 100 basis points, the value of equity would rise by 3.1% (€44.5 million). At year-end 2016, this sensitivity was €62.3 million. The full value of this impact cannot be directly linked to the balance sheet or profit and loss statement, as economic value movements in our banking book are not necessarily reported through profit and loss or equity. Any value mutations are expected to materialise over time in the profit and loss statement, if interest rates develop as indicated by forward rates and no corrective management actions are assumed.

Tables 8.B and 8.C show Van Lanschot Kempen's sensitivity to interest rate movements based on the contractual interest rate maturities of the respective line items. As savings and current accounts do not have fixed terms, the balances of non-maturing instruments are mapped to the variable category. We use replicating portfolio models to estimate the interest rate sensitivity of non-maturing deposits.

In assessing interest rate risk, we aim to minimise the impact of differences in accounting classifications, as these should not result in different profit and loss impacts from rate changes. Hence, parallel yield curve shift scenarios have virtually no impact on the result on financial transactions, because all investments designated at fair value through profit or loss are hedged using derivatives (see Note 4, Derivatives), for which market value changes are represented under the result on financial transactions. Hedge accounting is applied to offset changes in the market value of derivatives used to hedge portfolios classified at amortised cost.

Table 8.B Interest rate maturity schedule at 31/12/2017

	Variable	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	No interest rate maturity	Total
Assets							
Cash and cash equivalents and balances at central banks	1,832,751	–	–	–	–	–	1,832,751
Financial assets held for trading	–	–	–	–	–	38,234	38,234
Due from banks	40,145	135,352	–	–	–	10,962	186,459
Derivatives	–	1,877,847	1,963,676	1,144,194	274,404	1,541	5,261,663
Financial assets designated at fair value through profit or loss	–	159,606	5,000	191,500	22,000	16,792	394,898
Available-for-sale investments	–	830,425	113,450	398,750	383,000	12,730	1,738,355
Held-to-maturity investments	–	–	–	490,000	–	31,349	521,349
Loans and advances to the public and private sectors	1,262,160	1,289,771	885,014	2,642,601	2,952,024	71,757	9,103,327
Investments in associates using the equity method	–	–	–	–	–	70,390	70,390
Other assets	–	115,063	28,054	25,228	–	282,508	450,853
Total assets	**3,135,056**	**4,408,064**	**2,995,194**	**4,892,273**	**3,631,429**	**536,263**	**19,598,279**
Liabilities							
Financial liabilities from trading activities	–	–	–	–	–	1,899	1,899
Due to banks	46,163	46,918	8,565	–	–	–	101,645
Public and private sector liabilities	8,620,706	37,577	50,146	289,623	147,066	–	9,145,119
Derivatives	–	1,227,753	1,713,928	1,694,023	227,076	1,047	4,863,825
Financial liabilities designated at fair value through profit or loss	–	2,600	70,317	762,834	214,524	–78,822	971,453
Issued debt securities	–	1,436,467	989,544	–	–	–14,340	2,411,671
Other liabilities	–	67,453	94,359	7,849	–	23,085	192,746
Subordinated loans	–	16,676	150,000	–	–	126	166,802
Total liabilities	**8,666,869**	**2,835,443**	**3,076,859**	**2,754,329**	**588,666**	**–67,005**	**17,855,161**
Gap	**–5,531,813**	**1,572,621**	**81,665**	**2,137,944**	**3,042,763**	**603,268**	**1,743,119**

Table 8.C Interest rate maturity schedule at 31/12/2016

	Variable	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	No interest rate maturity	Total
Assets							
Cash and cash equivalents and balances at central banks	1,585,473	–	–	–	–	–	1,585,473
Financial assets held for trading	–	–	–	–	–	16,913	16,913
Due from banks	36,427	116,311	25,000	–	–	11,010	188,748
Derivatives	–	2,406,182	694,934	968,241	322,741	3,775	4,395,873
Financial assets designated at fair value through profit or loss	–	7,100	20,000	104,500	107,000	97,638	336,238
Available-for-sale investments	–	774,557	108,000	434,300	306,000	57,179	1,680,036
Held-to-maturity investments	–	–	–	275,000	200,000	38,438	513,438
Loans and advances to the public and private sectors	1,424,422	1,788,528	1,056,701	2,798,035	2,449,052	107,311	9,624,049
Investments in associates using the equity method	–	–	–	–	–	75,559	75,559
Other assets	–	96,155	37,575	39,910	–	272,359	445,999
Total assets	**3,046,322**	**5,208,094**	**2,006,973**	**4,635,445**	**3,388,949**	**680,182**	**18,965,965**
Liabilities							
Financial liabilities from trading activities	–	–	–	–	–	5	5
Due to banks	72,016	56,680	–	–	–	–	128,696
Public and private sector liabilities	8,989,531	79,183	113,326	288,634	209,090	–	9,679,764
Derivatives	–	627,803	1,829,950	650,224	238,605	2,135	3,348,717
Financial liabilities designated at fair value through profit or loss	–	500	29,245	641,288	277,199	–53,977	894,255
Issued debt securities	–	1,085,874	1,012,500	14,664	–	3,056	2,116,094
Other liabilities	–	65,367	93,854	5,334	–	34,047	198,602
Subordinated loans	–	17,217	150,000	–	–	1	167,218
Total liabilities	**9,061,547**	**1,932,624**	**3,228,875**	**1,600,144**	**724,894**	**–14,733**	**16,533,351**
Gap	**–6,015,225**	**3,275,470**	**–1,221,902**	**3,035,301**	**2,664,055**	**694,915**	**2,432,614**

9. Liquidity risk

The main objective of our liquidity risk management is to ensure that the bank is able to maintain or generate sufficient cash resources to meet its payment obligations in full as they come due, on acceptable terms. As materialising liquidity risk could theoretically jeopardise a bank's continuity, our tolerance for liquidity risk is classified as low. One of the key elements of our approach towards liquidity risk management is to maintain stakeholder confidence in the bank's solidity at all times. The policy for measuring, managing and controlling liquidity risk within Van Lanschot Kempen is set out in our liquidity risk policy document, which is updated annually.

The main source of liquidity risk that we are exposed to relates to the share of client deposits in our funding base. Although the client deposits have proven to be relatively price-inelastic and sticky over time, the withdrawable nature of such deposits poses potential outflow risks, especially for those deposits not covered by the deposit guarantee scheme (DGS).

The roll-over risk with respect to maturing capital market funding is becoming less substantial for us. This is mainly due to the run-off of the Corporate Banking loan book, which reduces the reliance on funding sources other than client deposits. We consider client deposits a natural and stable funding source.

To manage liquidity risks, we use a forward-looking liquidity risk framework that enables the comprehensive measurement, evaluation and calibration of indicators related to liquidity risk. The framework consists of the risk appetite statement, the liquidity buffer, monitoring and reporting, forecasting, funding planning and contingency planning.

Limits for liquidity risk are revised on an annual basis as part of the risk appetite statement. Limits set include, but are not limited to, levels of the liquidity coverage ratio, the net stable funding ratio, the liquidity buffer and stress test survival periods, which are reported on a monthly basis to ALCO. The liquidity buffer is the main defensive element against liquidity risk, and the quality and size of the buffer are monitored frequently, together with in- and outflows in the client deposit base. Finally, each year we outline our capital and funding planning for a two to five-year horizon, both under regular circumstances in the capital and funding plan, and under potential future stress or emergency situations in the liquidity contingency plan, complemented by the recovery plan. In 2017, the funding ratio was 100.5% (2016: 100.6%).

Part of our liquidity and funding planning is scenario analysis, of which stress testing is a key element. By means of stress testing, we assess our resilience to a variety of adverse liquidity events – Van Lanschot Kempen-specific events, system-wide events, and a combination of these two.

9.1 List of maturities

Tables 9.1.A and 9.1.B show the assets and liabilities based on their remaining contractual terms to maturity at the reporting date.

The aggregate amounts reconcile with the values disclosed in the consolidated statement of financial position. They may differ in some respects from other breakdowns, since the amounts shown in these tables are based on undiscounted cash flows, related to the principal amounts as well as to all future interest payments. Items that do not generate a cash flow, such as discounting, cost amortisation, changes in the value of derivatives, own risk margins, etc. are presented in a separate column to make clear the reconciliation with the statement of financial position.

Table 9.1.A List of maturities at 31/12/2017

	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Subtotal	No cash flow	Total
Assets								
Cash and cash equivalents and balances at central banks	1,832,751	–	–	–	–	**1,832,751**	–	1,832,751
Financial assets held for trading	–	38,234	–	–	–	**38,234**	–	38,234
Due from banks	40,145	99,089	–	36,263	10,962	**186,459**	–	186,459
Derivatives	–	37,199	41,309	188,418	52,388	**319,314**	2,944	322,258
Financial assets designated at fair value through profit or loss	–	153,606	5,000	197,500	22,000	**378,106**	16,792	394,898
Available-for-sale investments	–	83,355	177,248	1,013,521	451,501	**1,725,625**	12,730	1,738,355
Held-to-maturity investments	–	–	–	490,000	–	**490,000**	31,349	521,349
Loans and advances to the public and private sectors	1,261,194	10,797	35,101	217,139	7,507,499	**9,031,730**	71,597	9,103,327
Investments in associates using the equity method	–	–	–	70,390	–	**70,390**	–	70,390
Other assets	–	105,712	38,056	25,228	–	**168,996**	281,857	450,853
Total assets	**3,134,090**	**527,993**	**296,714**	**2,238,459**	**8,044,350**	**14,241,606**	**417,269**	**14,658,875**
Total assets excluding derivatives	**3,134,090**	**490,793**	**255,405**	**2,050,042**	**7,991,961**	**13,922,291**	**414,326**	**14,336,617**
Liabilities								
Financial liabilities from trading activities	–	1,899	–	–	–	**1,899**	–	1,899
Due to banks	46,163	55,482	–	–	–	**101,645**	–	101,645
Public and private sector liabilities	8,519,793	101,482	51,637	302,125	170,082	**9,145,119**	–	9,145,119
Derivatives	–	34,077	30,484	168,464	82,094	**315,119**	3,298	318,417
Financial liabilities designated at fair value through profit or loss	417	2,172	73,989	686,561	208,314	**971,453**	–	971,453
Issued debt securities	–	–	–	926,011	1,500,000	**2,426,011**	–14,340	2,411,671
Other liabilities	–	67,453	94,359	7,849	–	**169,661**	23,085	192,746
Subordinated loans	–	–	–	–	166,676	**166,676**	126	166,802
Total liabilities	**8,566,373**	**262,564**	**250,471**	**2,091,010**	**2,127,166**	**13,297,583**	**12,169**	**13,309,752**
Total liabilities excluding derivatives	**8,566,373**	**228,487**	**219,986**	**1,922,546**	**2,045,072**	**12,982,465**	**8,871**	**12,991,335**
On-balance gap	**–5,432,283**	**265,429**	**46,243**	**147,450**	**5,917,184**	**944,022**	**405,100**	**1,349,123**
Receivables arising from future interest flows	–	52,318	173,724	832,626	2,224,227	**3,282,895**	–	3,282,895
Liabilities arising from future interest flows	–	12,143	46,985	156,085	114,877	**330,089**	–	330,089
On-balance gap including future interest flows	**–5,432,283**	**305,604**	**172,982**	**823,991**	**8,026,534**	**3,896,828**	**405,100**	**4,301,929**

Table 9.1.B List of maturities at 31/12/2016

	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Subtotal	No cash flow	Total
Assets								
Cash and cash equivalents and balances at central banks	1,585,473	–	–	–	–	**1,585,473**	–	1,585,473
Financial assets held for trading	–	16,913	–	–	–	**16,913**	–	16,913
Due from banks	36,427	88,318	25,000	24,743	14,260	**188,748**	–	188,748
Derivatives	–	27,262	40,039	164,757	68,371	**300,429**	6,891	307,320
Financial assets designated at fair value through profit or loss	–	7,100	20,000	104,500	107,000	**238,600**	97,638	336,238
Available-for-sale investments	–	53,557	220,574	980,136	368,589	**1,622,856**	57,180	1,680,036
Held-to-maturity investments	–	–	–	275,000	200,000	**475,000**	38,438	513,438
Loans and advances to the public and private sectors	1,407,429	20,467	55,324	164,047	7,869,470	**9,516,737**	107,311	9,624,048
Investments in associates using the equity method	–	–	–	75,559	–	**75,559**	–	75,559
Other assets	–	96,155	37,575	39,910	–	**173,640**	272,359	445,999
Total assets	**3,029,329**	**329,033**	**463,276**	**1,844,111**	**8,631,846**	**14,297,595**	**579,817**	**14,877,412**
Total assets excluding derivatives	**3,029,329**	**301,771**	**423,237**	**1,679,354**	**8,563,475**	**13,997,166**	**572,926**	**14,570,092**
Liabilities								
Financial liabilities from trading activities	–	5	–	–	–	**5**	–	5
Due to banks	72,016	56,680	–	–	–	**128,696**	–	128,696
Public and private sector liabilities	9,091,514	67,075	77,002	288,634	155,539	**9,679,764**	–	9,679,764
Derivatives	–	24,375	44,389	137,178	126,532	**332,474**	6,377	338,851
Financial liabilities designated at fair value through profit or loss	–	14,077	36,284	719,238	124,656	**894,255**	–	894,255
Issued debt securities	–	19,023	2,550	1,078,965	1,016,619	**2,117,157**	–1,063	2,116,094
Other liabilities	–	65,367	93,854	5,334	–	**164,555**	34,047	198,602
Subordinated loans	–	–	–	–	167,217	**167,217**	1	167,218
Total liabilities	**9,163,530**	**246,602**	**254,079**	**2,229,349**	**1,590,563**	**13,484,123**	**39,362**	**13,523,485**
Total liabilities excluding derivatives	**9,163,530**	**222,227**	**209,690**	**2,092,171**	**1,464,031**	**13,151,649**	**32,985**	**13,184,634**
On-balance gap	**–6,134,201**	**82,431**	**209,197**	**–385,238**	**7,041,283**	**813,472**	**540,455**	**1,353,927**
Receivables arising from future interest flows	–	15,268	81,184	307,076	4,605,008	**5,008,536**	–	5,008,536
Liabilities arising from future interest flows	–	14,261	55,603	202,575	122,943	**395,382**	–	395,382
On-balance gap including future interest flows	**–6,134,201**	**83,438**	**234,778**	**–280,737**	**11,523,348**	**5,426,626**	**540,455**	**5,967,081**

Future interest flows are based on the economic term of the line items and the interest rates prevailing at the reporting date. Major differences can be seen in the gaps, because the assets comprise many long-term mortgage loans while the liabilities comprise many short-term deposits. Potential liquidity risks are addressed by means of monthly stress tests – discussed monthly in ALCO – that test the bank's resilience to a variety of adverse liquidity events.

Tables 9.1.C and 9.1.D show the contingent items based on their remaining contractual terms to maturity at the reporting date.

For each transaction that we guaranteed, the maximum guaranteed amount is included in the relevant term bucket under which the bank first has the right to terminate the transaction. For each obligation arising from an irrevocable commitment, the committed amount is classified in the relevant term bucket under which we first have the right to withdraw the commitment.

Table 9.1.C List of maturities of contingent items at 31/12/2017

	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Total	**722**	**119,384**	**5,708**	**23,016**	**778,089**	**926,919**
Guarantees	722	3,234	4,444	13,610	43,568	65,578
Other contingent liabilities	–	–	–	–	–	–
Unused credit facilities	–	116,150	1,264	6,428	690,188	814,030
Sale and repurchase agreements	–	–	–	–	–	–
Other irrevocable commitments	–	–	–	2,978	44,334	47,312

Table 9.1.D List of maturities of contingent items at 31/12/2016

	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Total	**12,241**	**84,542**	**7,377**	**14,074**	**780,727**	**898,961**
Guarantees	747	3,236	7,135	7,603	49,053	67,774
Other contingent liabilities	–	–	–	250	–	250
Unused credit facilities	11,494	66,848	242	2,075	731,674	812,333
Sale and repurchase agreements	–	–	–	–	–	–
Other irrevocable commitments	–	14,458	–	4,146	–	18,604

9.2 List of maturities

Tables 9.2.A and 9.2.B show a breakdown of the assets and liabilities based on their expected term to maturity of up to 12 months or longer than 12 months at the reporting date.

Table 9.2.A List of maturities at 31/12/2017

	≤ 12 months	> 12 months	Subtotal	No cash flow	Total
Assets					
Cash and cash equivalents and balances at central banks	1,832,751	–	**1,832,751**	–	1,832,751
Financial assets held for trading	38,234	–	**38,234**	–	38,234
Due from banks	139,234	47,225	**186,459**	–	186,459
Derivatives	78,508	240,806	**319,314**	2,944	322,258
Financial assets designated at fair value through profit or loss	158,606	219,500	**378,106**	16,792	394,898
Available-for-sale investments	260,603	1,465,022	**1,725,625**	12,730	1,738,355
Held-to-maturity investments	–	490,000	**490,000**	31,349	521,349
Loans and advances to the public and private sectors	1,307,092	7,724,638	**9,031,730**	71,597	9,103,327
Investments in associates using the equity method	–	70,390	**70,390**	–	70,390
Other assets	143,768	25,228	**168,996**	281,857	450,853
Total assets	**3,958,796**	**10,282,809**	**14,241,606**	**417,269**	**14,658,875**
Liabilities					
Financial liabilities from trading activities	1,899	–	**1,899**	–	1,899
Due to banks	101,645	–	**101,645**	–	101,645
Public and private sector liabilities	8,672,912	472,206	**9,145,119**	–	9,145,119
Derivatives	64,561	250,557	**315,119**	3,298	318,417
Financial liabilities designated at fair value through profit or loss	76,578	894,875	**971,453**	–	971,453
Issued debt securities	–	2,426,011	**2,426,011**	–14,340	2,411,671
Other liabilities	161,812	7,849	**169,661**	23,085	192,746
Subordinated loans	–	166,676	**166,676**	126	166,802
Total liabilities	**9,079,408**	**4,218,175**	**13,297,583**	**12,169**	**13,309,752**

Table 9.2.B List of maturities at 31/12/2016

	≤ 12 months	> 12 months	Subtotal	No cash flow	Total
Assets					
Cash and cash equivalents and balances at central banks	1,585,473	–	**1,585,473**	–	1,585,473
Financial assets held for trading	16,913	–	**16,913**	–	16,913
Due from banks	149,745	39,003	**188,748**	–	188,748
Derivatives	67,301	233,128	**300,429**	6,891	307,320
Financial assets designated at fair value through profit or loss	27,100	211,500	**238,600**	97,638	336,238
Available-for-sale investments	274,131	1,348,725	**1,622,856**	57,180	1,680,036
Held-to-maturity investments	–	475,000	**475,000**	38,438	513,438
Loans and advances to the public and private sectors	1,483,220	8,033,517	**9,516,737**	107,311	9,624,048
Investments in associates using the equity method	–	75,559	**75,559**	–	75,559
Other assets	133,730	39,910	**173,640**	272,359	445,999
Total assets	**3,821,638**	**10,475,957**	**14,297,595**	**579,817**	**14,877,412**
Liabilities					
Financial liabilities from trading activities	5	–	**5**	–	5
Due to banks	128,696	–	**128,696**	–	128,696
Public and private sector liabilities	9,235,591	444,173	**9,679,764**	–	9,679,764
Derivatives	68,764	263,710	**332,474**	6,377	338,851
Financial liabilities designated at fair value through profit or loss	50,361	843,894	**894,255**	–	894,255
Issued debt securities	21,573	2,095,584	**2,117,157**	–1,063	2,116,094
Other liabilities	159,221	5,334	**164,555**	34,047	198,602
Subordinated loans	–	167,217	**167,217**	1	167,218
Total liabilities	**9,664,211**	**3,819,912**	**13,484,123**	**39,362**	**13,523,485**

10. Securitisation risk

We treat securitisation as an asset class in our investment portfolio as well using it as a funding tool. We are not a party to any synthetic securitisations and have no trading position in securitisations.

Funding

We do not structure securitisations for other entities and have no other role in our own securitisations other than as issuer and, in some cases, back-to-back swap provider. As we use residential mortgage-backed securities (RMBS) only as one of the available funding tools (placed or retained), there is no obligation to use the originated mortgages in securitisation transactions. And since we use the placed RMBS only as a funding tool, there is no significant risk transfer. As these securitisations are accounted for as funding transactions, there is no recognition of gains on the sale/placement of the transactions. No hedges are used to mitigate the risk of retained RMBS, and the exposure of the underlying mortgages of retained and placed RMBS thus remain on our balance sheet. There are no liquidity risks apart from potential collateral calls with respect to the back-to-back swap in the Lunet securitisation. The RMBS transactions are rated by Standard & Poor's and Fitch Ratings. Retained RMBS can be used as collateral and form a contingent liquidity buffer.

Investments

Part of our liquidity investment portfolio is invested in RMBS. We invest only in the most senior tranches of RMBS transactions that qualify as high-quality liquid assets in assessing the liquidity coverage ratio. This means that the credit quality of the investments should have at least two ratings from an external credit assessment institution (ECAI).

As the holdings are part of the liquidity buffer, these investments can be used as collateral, in repo transactions, or sold if necessary.

Risk exposures within the investment portfolio

The credit risks of the investments are not hedged. Our investment portfolio as a whole is monitored by Treasury and Credit Risk Approval department on a daily basis.

Management

Interest rate risk is limited, as RMBS are typically floating-rate notes. Interest rate risk is monitored at balance sheet level and includes the investment portfolio. We use the IRB methodology to calculate the total risk exposure of RMBS investments.

11. Compliance risk

Van Lanschot Kempen and its subsidiaries fulfil a role as service providers to the public, a role that we can only play to the full if we enjoy the trust of every stakeholder. Our integrity and that of our employees forms the basis for that trust. The Compliance department provides a strong safeguard by ensuring that integrity is embedded in our operations, while the statutory and regulatory rules provide the framework. Within that framework, we have translated the main rules and regulations into requirements for processes and procedures. To enable these requirements to be met, Compliance organises regular training and awareness-raising sessions for staff, monitors compliance with the statutory and regulatory rules, and proposes improvements where necessary. Failure to comply with the statutory and regulatory rules can lead to significant reputational or financial damage. The Compliance department, which reports directly to the Chairman of the Statutory Board, is responsible for ensuring that the bank's boards, senior management and employees comply with regulations and legislation.

12. Financial reporting risk

The Statutory Board is responsible for devising and implementing an adequate system of internal control for our financial reporting. The system is designed to provide reasonable assurance as to the reliability of financial reporting and that the financial statements are prepared in accordance with generally accepted accounting principles and applicable legislation and regulations.

We have the following tools in place to manage financial reporting risks:

- Periodic management reports and KPI dashboards, accompanied by analysis of financial and non-financial figures and trends;
- A risk & control framework describing processes and procedures, and setting out primary controls such as authorisations and segregation of duties;
- The findings from the review of the functioning of the internal control system by Group Audit, which are discussed with the Executive Board, the Statutory Board, the Audit and Compliance Committee and the Supervisory Board;
- The Van Lanschot Kempen Accounting Manual, which sets out the principles we pursue with respect to financial accounting;
- Assessment and approval of the annual report by the Statutory Board and discussion of this by the Audit and Compliance Committee and by the Supervisory Board.

The Statutory Board states with reasonable assurance that the internal risk management and control systems for financial reporting are performed at an adequate level and that our financial reporting is free of material misstatement. The management teams of the relevant divisions have provided the Statutory Board with in-control statements on the extent of internal control, based on the results of testing procedures for the risk & control framework, the risks reported on a quarterly basis, the follow-up of these risks, and the incidents reported. Group Risk Management and Compliance have evaluated these statements.

13. Fair value

13.1 Financial assets designated at fair value through profit and loss

A portion of the financial instruments are measured at fair value in the statement of financial position. Tables 13.1.A and 13.1.B provide a breakdown of these instruments into three levels. 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.

Table 13.1.A Financial instruments at fair value at 31/12/2017

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading				
Debt instruments: structured debt instruments	–	2,561	–	2,561
Shares, listed	35,553	–	–	35,553
Shares, unlisted	–	–	119	119
	35,553	**2,561**	**119**	38,234
Derivatives				
Interest rate derivatives	–	397	–	397
Currency derivatives	212	–	–	212
Equity derivatives	–	1,143	–	1,143
Client option positions	33,567	–	–	33,567
Derivatives: fair value hedge accounting	–	52,665	–	52,665
Derivatives: portfolio fair value hedge accounting	–	10,988	–	10,988
Derivatives: cash flow hedge accounting	–	663	–	663
Economic hedges	–	11,300	–	11,300
Structured product derivatives	–	208,068	3,254	211,321
	33,779	**285,225**	**3,254**	322,258
Financial assets designated at fair value through profit or loss				
Debt instruments: government paper and government-guaranteed paper	33,299	–	–	33,299
Debt instruments: banks and financial institutions, listed	6,035	–	–	6,035
Debt instruments: covered bonds	211,035	–	–	211,035
Shares, listed	44,752	17,153	–	61,905
Shares, unlisted	–	30,053	52,571	82,625
	295,120	**47,207**	**52,571**	394,898
Available-for-sale investments				
Debt instruments: government paper and government-guaranteed paper	302,090	–	–	302,090
Debt instruments: banks and financial institutions, listed	142,865	–	–	142,865
Debt instruments: covered bonds	570,938	–	–	570,938
Debt instruments: asset-backed securities	668,105	–	–	668,105
Debt instruments: companies, listed	32,357	–	–	32,357
Debt instruments: company cumprefs (shareholdings)	–	–	10,850	10,850
Shares, unlisted	–	–	1,864	1,864
Shareholdings	–	–	9,287	9,287
	1,716,354	–	**22,001**	1,738,355
Total assets	**2,080,807**	**334,993**	**77,945**	2,493,745

Table 13.1.A Financial instruments at fair value at 31/12/2017 (continued)	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities from trading activities				
Shares, listed	1,882	–	–	1,882
Shares, unlisted	–	–	17	17
	1,882	**–**	**17**	1,899
Derivatives				
Interest rate derivatives	–	1,047	–	1,047
Currency derivatives	200	–	–	200
Client option positions	32,913	–	–	32,913
Derivatives: fair value hedge accounting	–	58,046	–	58,046
Derivatives: portfolio fair value hedge accounting	–	15,243	–	15,243
Derivatives: cash flow hedge accounting	–	14,131	–	14,131
Economic hedges	–	24,972	–	24,972
Structured product derivatives	–	171,490	375	171,864
	33,113	**284,929**	**375**	318,417
Financial liabilities designated at fair value through profit or loss				
Unstructured debt instruments	–	258,498	–	258,498
Structured debt instruments	–	689,043	23,912	712,955
	–	**947,541**	**23,912**	971,453
Total liabilities	**34,995**	**1,232,471**	**24,303**	1,291,769

Table 13.1.B Financial instruments at fair value at 31/12/2016

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading				
Debt instruments: structured debt instruments	–	1,582	–	1,582
Shares, listed	15,298	–	–	15,298
Shares, unlisted	–	–	33	33
	15,298	**1,582**	**33**	**16,913**
Derivatives				
Interest rate derivatives	–	616	–	616
Currency derivatives	169	–	–	169
Equity derivatives	–	3,159	–	3,159
Client option positions	18,893	–	–	18,893
Derivatives: fair value hedge accounting	–	63,887	442	64,329
Derivatives: portfolio fair value hedge accounting	–	2,238	–	2,238
Derivatives: cash flow hedge accounting	–	238	–	238
Economic hedges	–	34,306	–	34,306
Structured product derivatives	–	179,728	3,643	183,371
	19,062	**284,172**	**4,085**	**307,320**
Financial assets designated at fair value through profit or loss				
Debt instruments: government paper and government-guaranteed paper	14,198	–	–	14,198
Debt instruments: covered bonds	246,338	–	–	246,338
Shares, listed	30,839	19,537	–	50,377
Shares, unlisted	–	20,015	5,311	25,326
	291,375	**39,552**	**5,311**	**336,238**
Available-for-sale investments				
Debt instruments: government paper and government-guaranteed paper	483,802	–	–	483,802
Debt instruments: banks and financial institutions, listed	104,322	–	–	104,322
Debt instruments: covered bonds	372,110	–	–	372,110
Debt instruments: asset-backed securities	666,251	–	–	666,251
Debt instruments: companies, listed	14,128	–	–	14,128
Debt instruments: company cumprefs (shareholdings)	–	–	16,387	16,387
Shares, unlisted	–	–	11,296	11,296
Shareholdings	–	–	11,740	11,740
	1,640,613	**–**	**39,423**	**1,680,036**
Total assets	**1,966,349**	**325,307**	**48,852**	**2,340,507**

Table 13.1.B Financial instruments at fair value at 31/12/2016 (continued)

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities from trading activities				
Shares, unlisted	–	–	5	5
	–	–	**5**	**5**
Derivatives				
Interest rate derivatives	–	2,866	–	2,866
Currency derivatives	159	–	–	159
Equity derivatives				–
Client option positions	19,855	–	–	19,855
Derivatives: fair value hedge accounting	–	69,300	976	70,276
Derivatives: portfolio fair value hedge accounting	–	25,038	–	25,038
Derivatives: cash flow hedge accounting	–	15,521	–	15,521
Economic hedges	–	62,252	–	62,252
Structured product derivatives	–	142,617	266	142,883
	20,015	**317,594**	**1,242**	**338,851**
Financial liabilities designated at fair value through profit or loss				
Unstructured debt instruments	–	253,096	–	253,096
Structured debt instruments	–	608,335	32,825	641,160
	–	**861,431**	**32,825**	**894,255**
Total liabilities	**20,015**	**1,179,025**	**34,072**	**1,233,111**

Transfers of financial assets or liabilities between levels

We have developed a policy document for the fair value hierarchy. This divides the variables used into observable and unobservable market inputs. If the unobservable input variables are significant, the instrument is classified as Level 3. An unobservable input variable is significant if the change in the fair value due to the application of the variable is greater than the set threshold values.

In 2017, our 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.

The Derivatives receivables and payables and Financial liabilities designated at fair value through profit or loss were transferred to Level 2 as a result of the input variables's correlation and seasonality; the shorter remaining term to maturity of these financial instruments meant that these input variables qualified as non-significant, justifying a transfer to Level 2. In the case of Derivatives (assets), this entailed a transfer of €0.2 million from Level 2 to Level 3 and a transfer of €0.4 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 €9.9 million from Level 3 to Level 2. The transfer of Derivatives (liabilities) contains a €0.6 million shift from Level 3 to Level 2.

Breakdown of movements in financial assets and liabilities classified under Level 3

Tables 13.1.C and 13.1.D provide a breakdown of the movements in all financial assets and liabilities classified as Level 3 items and recognised at fair value in the statement of financial position.

Table 13.1.C.1 Breakdown of movements in financial assets classified as Level 3 in 2017

	At 1 January	To statement of income	To equity*	Purchases	Sales	Transfers	At 31 December
Financial assets held for trading							
Shares, unlisted	33	2	–	95	–11	–	119
Derivatives							
Derivatives: fair value hedge accounting	442	–67	–	–	–	–375	–
Structured product derivatives	3,643	157	–	–	–784	237	3,254
Financial assets designated at fair value through profit or loss							
Shares, unlisted	5,311	–2,240	–	49,500	–	–	52,571
Available-for-sale investments							
Debt instruments: company cumprefs (shareholdings)	16,387	5,162	–	4,695	–15,394	–	10,850
Shares, unlisted	11,296	6,500	–5,390		–10,542	–	1,864
Shareholdings	11,740	–2,497	–5	567	–519	–	9,287
Total financial assets Level 3	**48,852**	**7,018**	**–5,395**	**54,858**	**–27,250**	**–138**	77,945

Table 13.1.C.2 Breakdown of movements in financial liabilities classified as Level 3 in 2017

	At 1 January	To statement of income	To equity*	Issues	Settlements	Transfers	At 31 December
Financial liabilities from trading activities							
Shares, unlisted	5	–	–	17	–5	–	17
Derivatives							
Derivatives: fair value hedge accounting	976	–335	–	–	–	–641	–
Structured product derivatives	266	–8	–	143	–27	–	375
Financial liabilities designated at fair value through profit or loss							
Structured debt instruments	32,825	1,029	–	–	–	–9,942	23,912
Total financial liabilities Level 3	**34,072**	**686**	**–**	**160**	**–32**	**–10,583**	24,303
Total assets - liabilities	**14,780**	**6,331**	**–5,395**	**5,198**	**22,282**	**10,446**	53,642

* The changes in value recognised in equity are included in the statement of comprehensive income as Revaluation of equity instruments and Revaluation of debt instruments.

Table 13.1.D.1 Breakdown of movements in financial assets classified as Level 3 in 2016

	At 1 January	To statement of income	To equity*	Purchases	Sales	Transfers	At 31 December
Financial assets held for trading							
Shares, unlisted	520	13	–	33	–533	–	33
Derivatives							
Derivatives: fair value hedge accounting	512	–70	–	–	–	–	442
Structured product derivatives	9,379	–798	–	18	–	–4,956	3,643
Financial assets designated at fair value through profit or loss							
Shares, unlisted	14,156	–779	–	–	–8,066	–	5,311
Available-for-sale investments							
Debt instruments: company cumprefs (shareholdings)	8,788	810	–	10,493	–3,704	–	16,387
Shares, unlisted	17,376	6,009	–7,507	–	–4,582	–	11,296
Shareholdings	13,869	–16	588	326	–3,027	–	11,740
Total financial assets Level 3	**64,600**	**5,169**	**– 6,919**	**10,870**	**–19,912**	**–4,956**	**48,852**

Table 13.1.D.2 Breakdown of movements in financial liabilities classified as Level 3 in 2016

	At 1 January	To statement of income	To equity*	Issues	Settlements	Transfers	At 31 December
Financial liabilities from trading activities							
Shares, unlisted	330	–	–	–	–325	–	5
Derivatives							
Derivatives: fair value hedge accounting	405	571	–	–	–	–	976
Structured product derivatives	3,866	–573	–	–	–	–3,027	266
Financial liabilities designated at fair value through profit or loss							
Structured debt instruments	73,720	459	–	–	–22,483	–18,871	32,825
Total financial liabilities Level 3	**78,321**	**457**	**–**	**–**	**–22,808**	**–21,898**	**34,072**
Total assets - liabilities	**–13,721**	**4,712**	**–6,919**	**10,870**	**2,896**	**16,942**	**14,780**

* The changes in value recognised in equity are included in the statement of comprehensive income as Revaluation of equity instruments and Revaluation of debt instruments.

Table 13.1.E Fair value changes recognised in profit or loss of financial instruments classified as Level 3

	2017			2016		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net interest income	1,971	–	1,971	1,128	–	1,128
Income from securities and associates	6,502	–2,240	4,263	6,022	–779	5,243
Result on financial transactions	–	–596	–596	–	–1,325	–1,325
Impairments	3,191	–2,497	694	–	–334	–334
Total	11,664	–5,333	6,331	7,150	–2,438	4,712

Table 13.1.F Notes on fair value determination using observable market inputs (Level 2)

	Fair value		Valuation method	Significance of observable market inputs
Assets	31/12/2017	31/12/2016		
Financial assets held for trading				
Debt instruments: structured debt instruments	2,561	1,582	– Option model and discounted cash flow	– Asset price – Interest rate – Dividend yield – Volatility
Derivatives				
Interest rate derivatives				
– Interest rate swaps	397	616	– Discounted cash flow model	– Interest rate
Equity derivatives				
– Inflation-linked swaps	1,143	3,159	– Discounted cash flow model – Option model	– Underlying value – Interest rate – Dividend yield – Volatility – Correlation – FX rates
Derivatives: fair value hedge accounting				
– Interest rate swaps	29,656	39,830	– Discounted cash flow model	– Interest rate
– Inflation-linked swaps	23,009	24,057	– Discounted cash flow model	– Interest rate – Inflation rate – Consumer price index – Seasonality
Derivatives: portfolio fair value hedge accounting				
– Interest rate swaps	10,988	2,238	– Discounted cash flow model	– Interest rate
Derivatives: cash flow hedge accounting				
– Inflation-linked swaps	663	238	– Discounted cash flow model	– Interest rate – Inflation rate – Consumer price index
Economic hedges				
– Interest rate swaps	10,602	32,271	– Discounted cash flow model	– Interest rate
– Swaptions	699	2,035	– Discounted cash flow model	– Interest rate – Volatility

Table 13.1.F Notes on fair value determination using observable market inputs (Level 2) (continued)

	Fair value		Valuation method	Significance of observable market inputs
Structured product derivatives	31/12/2017	31/12/2016		
– Options	146,950	117,089	– Option model	– Asset price – Interest rate – Dividend yield – Volatility – FX rates
– Interest rate swaps	11,707	16,328	– Discounted cash flow model	– Interest rate
– Credit-linked swaps	760	650	– Discounted cash flow model – Option model	– CDS spread – Interest rate – Recovery rate
– Equity swaps	44,844	45,661	– Discounted cash flow model – Option model	– Underlying value – Interest rate – Dividend yield – Volatility – Correlation – FX rates
– Cross currency swaps	1,479	–	– Discounted cash flow	– Interest rate – FX rates
– EQ forwards	1,966	–	– Option model	– Underlying value – Interest rate – Dividend yield – Volatility – Correlation – FX rates
– FX forwards	361	–	– Discounted cash flow	– Interest rate – FX rates
Financial assets designated at fair value through profit or loss				
Shares, listed	17,153	19,537	– Net asset value	– Most recently known (closing) price of the underlying assets
Shares, unlisted	30,053	20,015	– Net asset value	– Most recently published net asset value – Market value which on measurement date equals market price – Fair value reflecting generally accepted standards
Total assets	334,993	325,306		

Table 13.1.F Notes on fair value determination using observable market inputs (Level 2) (continued)

	Fair value		Valuation method	Significance of observable market inputs
	31/12/2017	31/12/2016		
Liabilities				
Derivatives				
– FX options	1,047	2,866	– Option model	– Interest rate – Underlying value – Dividend yield – Volatility – FX rates
Derivatives: fair value hedge accounting				
– Interest rate swaps	57,266	69,285	– Discounted cash flow model	– Interest rate
– Inflation-linked swaps	780	15	– Discounted cash flow model	– Interest rate – Inflation rate – Consumer price index
Derivatives: portfolio fair value hedge accounting				
– Interest rate swaps	15,243	25,038	– Discounted cash flow model	– Interest rate
Derivatives cash flow hedge accounting				
– Inflation-linked swaps	14,131	15,521	– Discounted cash flow model	– Interest rate – Inflation rate – Consumer price index
Economic hedges				
– Interest rate swaps	24,972	62,252	– Discounted cash flow model	– Interest rate
Structured product derivatives				
– Options	132,775	111,782	– Option model	– Asset price – Interest rate – Dividend yield – Correlation – Volatility – FX rates
– Interest rate swaps	14,411	19,769	– Discounted cash flow model	– Interest rate
– Credit-linked swaps	186	186	– Discounted cash flow model – Option model	– CDS spread – Interest rate – Recovery rate
– Equity swaps	13,895	10,880	– Discounted cash flow model – Option model	– Asset price – Interest rate – Dividend yield – Volatility – Correlation – FX rates
– Cross currency swaps	8,376	–	– Discounted cash flow model	– Interest rate – FX rate
– EQ forwards	1,636	–	– Option model	– Underlying value – Interest rate – Dividend yield – Volatility – Correlation – FX rates
– FX forwards	211	–	– Discounted cash flow model	– Interest rate – FX rates
Financial liabilities designated at fair value through profit or loss				
Unstructured debt instruments	258,498	253,096	– Discounted cash flow model	– Interest rate
Structured debt instruments	689,043	608,335	– Discounted cash flow model – Option model	– Underlying value – Interest rate – Dividend yield – Volatility – Correlation – FX rates
Total liabilities	**1,232,471**	**1,179,025**		

Table 13.1.G Notes on fair value determination using unobservable market inputs (Level 3)

	Fair value		Valuation method	Significance of unobservable market inputs**
Assets	31/12/2017	31/12/2016		
Financial assets held for trading				
Shares, unlisted	119	33	– Net asset value	– Net asset value – Face value
Derivatives				
Derivatives: fair value hedge accounting				
– Inflation-linked swaps*	–	442	– Discounted cash flow model	– Seasonality
Structured product derivatives				
– Options*	244	449	– Option model	– Volatility
– Equity swaps*	3,010	3,194	– Discounted cash flow model – Option model	– n/a – n/a
Financial assets designated at fair value through profit or loss				
Shares, unlisted	52,571	5,311	– Net asset value	– Most recent published net asset values of the underlying assets – Kempen: Cost or lower market
Available-for-sale investments				
Debt instruments: company cumprefs (shareholdings)*	10,850	16,387	– Discounted cash flow model	– Interest rate – Discount rates
Shares, unlisted	1,864	11,296	– Net asset value	– Most recent published net asset values of the underlying assets
Shareholdings	7,013	6,711	– Net asset value	– Net asset value – Market value
	528	1,131	– Net asset value	– Multiple analyses of comparable companies less a discount for illiquidity and company size based on EVCA guidelines – Most recently known share price
	1,746	3,898	– Net asset value	– EBITA – Issue or transfer price – Market price on final trading day – Face value less provisions
Total assets	77,945	48,852		

* Please refer to Tables 13.1.H and 13.1.I for the range and sensitivity of these financial instruments. No range or sensitivity information is available for the other financial instruments.

** The significance of unobservable market inputs only relates to 2017.

Table 13.1.G Notes on fair value determination using unobservable market inputs (Level 3) (continued)

	Fair value		Valuation method	Significance of unobservable market inputs**
Liabilities	31/12/2017	31/12/2016		
Financial liabilities from trading activities				
Shares, unlisted	17	5	– Net asset value	– Net asset value – Face value
Derivatives				
Derivatives: fair value hedge accounting				
– Inflation-linked swaps*	–	976	– Discounted cash flow model	– n/a
Structured product derivatives				
– Credit-linked swaps	183	27	– Discounted cash flow model – Option model	– n/a – n/a
– Options	–	164	– Option model	– n/a
– Equity swaps	48	75	– Discounted cash flow model – Option model	– n/a
– Equity forwards	143	–	– Option model	– Correlation
Financial liabilities designated at fair value through profit or loss				
Structured debt instruments	23,912	32,825	– Discounted cash flow model – Option model	– Volatility – Correlation
Total liabilities	24,303	34,072		

Table 13.1.H Notes on range and sensitivity of unobservable market inputs (Level 3) at 31/12/2017

	Significant unobservable market inputs	Range (weighted average)	Sensitivity
Assets			
Derivatives			
Structured product derivatives			
– Options	– Volatility	8% - 18% (13%)	Total impact €0.2 million
Available-for-sale investments			
Debt instruments: company cumprefs (shareholdings)	– Interest rates – Discount rates	–5% - 13% (9%) –8% - 13% (9%)	Change of 1% - change of €0.1 million Change of 1% - change of €0.1 million
Liabilities			
Derivatives			
Structured debt instruments			
– Equity forwards	– Correlation	–9% - 9% (0%)	Total impact €0.0 million

* Please refer to Tables 13.1.H and 13.1.I for the range and sensitivity of these financial instruments. No range or sensitivity information is available for the other financial instruments.

** The significance of unobservable market inputs only relates to 2017.

Table 13.1.I Notes on range and sensitivity of unobservable market inputs (Level 3) at 31/12/2016	Significant unobservable market inputs	Range (weighted average)	Sensitivity
Assets			
Derivatives			
Derivatives: fair value hedge accounting			
– Inflation-linked swaps	– Seasonality	–13% - 11% (1%)	n/a*
Structured product derivatives			
– Options	– Correlation	–17% - 19% (1%)	Total impact €0.1 million
– Equity swaps	– Correlation – Volatility	–19% - 22% (1%) 23% - 27% (25%)	Total impact –€0.1 million Total impact €0.1 million
Available-for-sale investments			
Debt instruments: company cumprefs (shareholdings)	– Interest rates – Discount rates	–6.5% - 12% (1%) –6.5% - 12% (1%)	Change of 1% - change of €0.1 million Change of 1% - change of €0.1 million
Liabilities			
Derivatives			
Derivatives: fair value hedge accounting			
– Inflation-linked swaps	– Seasonality	–13% - 11% (1%)	n/a*
Financial liabilities designated at fair value through profit or loss			
Structured debt instruments	– Correlation	–17% - 19% (1%)	Total impact €0.1 million

13.2 Financial instruments not recognised at fair value

Table 13.2 shown the carrying amount and fair value of financial instruments not recognized at fair value, with the exception of line items Cash and cash equivalents and balances at central banks, Other assets and Other liabilities. For these financial instruments the carrying amount is a reasonable approximation of the 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 shown in Table 13.2 are estimated on the basis of the present value or using other estimation or valuation methods.

* Sensitivity is not applicable for inflation-linked swaps as seasonality is the market input. The total year impact amounts to nil, as it is a distribution purely by period.

Table 13.2 Financial instruments not recognised at fair value

	2017		2016		Level	Valuation method	Significant observable and unobservable market inputs
	Fair value	Carrying amount	Fair value	Carrying amount			
Assets							
Due from banks	186,461	186,459	189,459	188,748	2	Discounted cash flows using applicable money market rates	Interest rate and discount rate
Held-to-maturity investments	552,183	521,349	556,464	513,438	1	Quoted prices in active markets	–
Loans and advances to the public and private sectors	9,291,007	9,103,327	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	101,084	101,645	128,698	128,696	3	Discounted cash flows using applicable money market rates for liabilities, taking account of own credit risk	Interest rate, discount rate and own credit risk
Public and private sector liabilities	9,196,050	9,145,119	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	2,445,114	2,411,671	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, discount rate
Subordinated loans	225,634	166,802	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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (x €1,000)

1. Cash and cash equivalents and balances at central banks	31/12/2017	31/12/2016
Total	**1,832,751**	**1,585,473**
Cash	43	190
Balances at central banks	1,724,927	1,313,714
Statutory reserve deposits at central banks	12,877	17,698
Amounts due from banks	94,903	153,871
Highly liquid investments	–	100,000

Statutory reserve deposits comprise balances at central banks within the scope of the minimum reserves requirement. We cannot use these balances in our day-to-day operations.

Reconciliation with consolidated statement of cash flows	2017	2016	Movements
Cash and cash equivalents	1,832,751	1,585,473	247,278
Due from banks, available on demand	40,145	36,427	3,718
Due to banks, available on demand	–46,163	–71,799	25,636
Due from/to banks, available on demand, net	–6,018	–35,372	29,354
Total	**1,826,733**	**1,550,100**	**276,633**

2. Financial assets held for trading	31/12/2017	31/12/2016
Total	**38,234**	**16,913**
Debt instruments		
Structured debt instruments	2,561	1,582
Total debt instruments	**2,561**	**1,582**
Equity instruments		
Shares, listed	35,553	15,297
Shares, unlisted	119	33
Total equity instruments	**35,673**	**15,331**

3. Due from banks	31/12/2017	31/12/2016
Total	**186,459**	**188,748**
Deposits	135,352	141,311
Receivables arising from unsettled securities transactions	40,145	36,427
Loans and advances	10,962	11,010

Deposits include deposits to a total of €74.1 million (2016: €87.4 million) which serve as collateral for liabilities arising from derivatives transactions.

In 2017 and 2016, the provision for the deposit guarantee scheme included under Loans and advances was nil.

4. Derivatives

At 31 December 2017	Asset	Liability	Contract amount
Total	**322,258**	**318,417**	**10,055,326**
Derivatives used for trading purposes			
Interest rate derivatives	397	1,047	30,468
Currency derivatives	212	200	9,080
Equity derivatives	1,143	–	62,468
Client option positions	33,567	32,913	33,391
Total derivatives used for trading purposes	**35,320**	**34,159**	**135,407**
Derivatives used for hedge accounting purposes			
Derivatives: fair value hedge accounting	52,665	58,046	2,946,905
Derivatives: portfolio fair value hedge accounting	10,988	15,243	2,015,000
Derivatives: cash flow hedge accounting	663	14,131	100,000
Total derivatives used for hedge accounting purposes	**64,316**	**87,421**	**5,061,905**
Other derivatives			
Economic hedges	11,300	24,972	524,576
Structured product derivatives	211,321	171,864	4,333,438
Total other derivatives	**222,622**	**196,837**	**4,858,014**

At 31 December 2016	Asset	Liability	Contract amount
Total	**307,320**	**338,851**	**7,825,988**
Derivatives used for trading purposes			
Interest rate derivatives	616	2,866	1,300
Currency derivatives	169	159	14,458
Equity derivatives	3,159	–	233,300
Client option positions	18,893	19,855	18,893
Total derivatives used for trading purposes	**22,838**	**22,880**	**267,951**
Derivatives used for hedge accounting purposes			
Derivatives: fair value hedge accounting	64,329	70,276	2,255,720
Derivatives: portfolio fair value hedge accounting	2,238	25,038	950,000
Derivatives: cash flow hedge accounting	238	15,521	100,000
Total derivatives used for hedge accounting purposes	**66,805**	**110,835**	**3,305,720**
Other derivatives			
Economic hedges	34,306	62,252	1,255,027
Structured product derivatives	183,371	142,883	2,997,291
Total other derivatives	**217,677**	**205,135**	**4,252,317**

We use derivatives for both trading and hedging purposes.

Note 4, Derivatives shows both the positive and negative market values of the derivatives, as well as their notional values.

The following types of interest rate derivatives are used:
- Interest rate swaps;
- Interest rate options.

The following type of currency derivatives is used:
- Currency options;
- FX forwards.

The following types of equity derivatives are used:
- Equity forwards;
- Futures;
- Long and short structured product options;
- Equity swaps.

Inflation-linked swaps and swaptions are also used.

We use interest rate swaps and inflation-linked swaps as hedging instruments in our hedge accounting.

Ineffectiveness of derivatives for hedge accounting purposes	31/12/2017		31/12/2016	
	Fair value	Ineffective	Fair value	Ineffective
Total	**–23,104**	**652**	**–44,030**	**931**
Fair value hedge accounting model	–5,381	876	–5,948	1,239
Portfolio fair value hedge accounting model	–4,255	–224	–22,800	–308
Cash flow hedge accounting model	–13,468	–	–15,282	–

The total ineffectiveness of fair value hedges at year-end 2017 was €0.7 million (2016: €0.9 million), comprising €3.2 million in negative value changes in hedging instruments (2016: €44.2 million negative) and positive changes in the value of the hedged items of €3.9 million (2016: €45.1 million).

Hedged items in cash flow hedge accounting by term at 31/12/2017	Within 1 year	1 to 3 years	3 to 5 years	5 years and longer
Total	–	–	–	**–9,825**
Cash inflow	–	–	–	–
Cash outflow	–	–	–	–9,825

Hedged items in cash flow hedge accounting by term at 31/12/2016	Within 1 year	1 to 3 years	3 to 5 years	5 years and longer
Total	–	–	–	**10,883**
Cash inflow	–	–	–	–
Cash outflow	–	–	–	–10,883

5. Financial assets designated at fair value through profit or loss	31/12/2017	31/12/2016
Total	**394,898**	336,238
Debt instruments		
Government paper and government-guaranteed paper	33,299	14,198
Banks and Financial institutions, listed	6,035	–
Covered bonds	211,035	246,338
Total debt instruments	**250,368**	**260,536**
Equity instruments		
Shares, listed	61,905	50,377
Shares, unlisted	82,625	25,325
Total equity instruments	**144,530**	**75,702**

Movements in financial assets designated at fair value through profit or loss	2017	2016
At 1 January	336,238	712,578
Purchases	174,486	461,527
Sales	–50,002	–165,952
Redemptions	–62,100	–673,921
Value changes	–3,724	2,006
At 31 December	**394,898**	**336,238**

Marked-to-market portfolio
Surplus liquidity is invested in government bonds, covered bonds and asset-backed securities. These investments are held in a separate portfolio and are stated at fair value. The investments are accordingly carried at fair value, with value changes through profit or loss.

Shares: fund investments
We have interests in funds specifically founded in order to make investments. These are investment funds in which we hold a non-controlling interest and the investments in these funds are managed and valued on the basis of fair value. All information provided to us by these investment funds is based on fair value. The performance of these investments funds is evaluated by management on a fair value basis, thus meeting the condition for applying the fair value option. These investments are designated and valued as financial assets at fair value through profit or loss.

6. Available-for-sale investments	31/12/2017		31/12/2016	
	Fair value	Face value	Fair value	Face value
Total	**1,738,355**	**1,715,453**	**1,680,036**	**1,642,986**
Debt instruments				
Government paper and government-guaranteed paper	302,090	298,854	483,802	477,500
Banks and financial institutions, listed	142,865	141,000	104,322	102,000
Covered bonds	570,938	568,828	372,110	368,144
Asset-backed securities	668,105	662,377	666,251	661,303
Companies, listed	32,357	32,505	14,128	13,909
Company cumprefs (shareholdings)	10,850	11,889	16,387	20,130
Total debt instruments	**1,727,204**	**1,715,453**	**1,657,000**	**1,642,986**
Equity instruments				
Shares, unlisted	1,864		11,296	
Shareholdings	9,287		11,740	
Total equity instruments	**11,151**		**23,036**	

Movements in available-for-sale investments	2017	2016
At 1 January	1,680,036	2,159,141
Purchases	863,432	656,791
Sales	–626,765	–1,023,493
Redemptions	–181,884	–136,262
Share premium (discount) of debt instruments	–2,852	–13,409
Value changes	1,366	36,474
Impairments	3,051	–334
Other movements	1,972	1,128
At 31 December	**1,738,355**	**1,680,036**

7. Held-to-maturity investments	31/12/2017		31/12/2016	
	Carrying amount	Face value	Carrying amount	Face value
Total	**521,349**	**490,000**	**513,438**	**475,000**
Debt instruments				
Government paper and government-guaranteed paper	324,723	300,000	329,308	300,000
Banks and financial institutions, listed	196,627	190,000	184,130	175,000
Total debt instruments	**521,349**	**490,000**	**513,438**	**475,000**

Movements in held-to-maturity investments	2017	2016
At 1 January	513,438	523,639
Purchases	14,976	–
Share premium (discount) of debt instruments	–7,065	–10,201
At 31 December	**521,349**	**513,438**

8. Loans and advances to the public and private sectors	31/12/2017	31/12/2016
Total	**9,103,327**	**9,624,048**
Mortgage loans	6,267,532	6,235,581
Loans	1,710,486	2,057,255
Current accounts	962,916	1,100,740
Securities-backed loans and settlement receivables	206,396	272,991
Subordinated loans	4,487	11,698
Value adjustments fair value hedge accounting	71,911	107,829
Impairments	–120,400	–162,047

Impairments	31/12/2017	31/12/2016
Total	**–120,400**	**–162,047**
Mortgage loans	–11,296	–25,484
Loans	–109,103	–136,563

We acquired nil financial or non-financial assets during the year through the seizure of collateral held as security (2016: nil). In general, the policy is to dispose of these assets within a reasonably short period. The proceeds are used to redeem the outstanding amount.

See “Risk management” (under 2, Credit risk) for more information about loans and advances to the public and private sectors.

9. Investments in associates using the equity method	2017	2016
Movements in investments in associates using the equity method		
At 1 January	75,559	56,299
Acquisitions and contributions	27,147	15,856
Sales and repayments	–42,255	–528
Income from associates	13,129	11,543
Impairments	–335	–510
Dividend received	–3,833	–7,325
Other movements	978	225
At 31 December	**70,390**	**75,559**

Sales and repayments in 2017 included the sale of TechAcces, and the sale to Bolster Investments Coöperatief UA of all investments acquired by Van Lanschot Participaties since 1 January 2016, i.e. Adomex, Jansens & Dieperink, Market Food Group and Trophy Assets Holding.

All associates valued using the equity method are unlisted investments; see “Disclosure of interests in other entities”.

10. Property and equipment	31/12/2017	31/12/2016
Total	**63,468**	**72,003**
Buildings	41,973	47,239
IT, operating system software and communications equipment	5,929	5,837
Other assets	15,335	17,866
Work in progress	231	1,061

The carrying amount of buildings not in use amounted to €3.5 million at year-end 2017 (2016: €3.9 million).

In 2014, we sold a building and entered into a lease contract for this location with a term of ten years and an extension option of five years. We retain the economic risk, and this building is therefore recognised in this section.

The carrying amount of the building is €1.5 million and the total amount of the minimum future lease payments is €1.9 million. The present value of minimum future lease payments is €1.5 million, of which €0.2 million falls within one year, €1.0 million between one and five years and €0.3 million after five years

No restrictive rights apply to property and equipment.

Movements in property and equipment 2017	Buildings	IT, operating system software and communications equipment	Other assets	Work in progress	Total
At 1 January	47,239	5,837	17,866	1,061	72,003
Consolidation of subsidiaries	–	–	–	–	–
Capital expenditure	2,999	3,772	2,869	6,128	15,767
Disposals	–6,543	–295	–206	–	–7,044
Capitalisation of investments	–	–	–	–6,957	–6,957
Depreciation	–2,467	–2,789	–4,235	–	–9,491
Impairments	–243	–	–	–	–243
Other	988	–597	–959	–	–568
At 31 December	**41,973**	**5,929**	**15,335**	**231**	63,468
Historical cost	90,462	14,580	42,397	231	147,671
Accumulated depreciation and impairments	–48,489	–8,652	–27,063	–	–84,203
Net carrying amount at 31 December	**41,973**	**5,929**	**15,335**	**231**	63,468

Movements in property and equipment 2016	Buildings	IT, operating system software and communications equipment	Other assets	Work in progress	Total
At 1 January	54,026	7,067	17,946	200	79,239
Consolidation of subsidiaries	122	409	26	–	557
Capital expenditure	2,725	2,266	4,403	6,132	15,526
Disposals	–2,924	–268	–103	–	–3,295
Capitalisation of investments	–	–	–	–5,271	–5,271
Depreciation	–3,034	–3,226	–4,420	–	–10,680
Impairments	–3,686	–	–	–	–3,686
Other	10	–411	14	–	–387
At 31 December	**47,239**	**5,837**	**17,866**	**1,061**	72,003
Historical cost	110,048	59,350	62,001	1,061	232,460
Accumulated amortisation and impairments	–62,809	–53,513	–44,135	–	–160,457
Net carrying amount at 31 December	**47,239**	**5,837**	**17,866**	**1,061**	72,003

11. Goodwill and other intangible assets	31/12/2017	31/12/2016
Total	218,389	**194,453**
Goodwill	154,981	155,747
Other intangible assets	63,408	38,706

In 2017, group companies were acquired; see “Business combinations in 2017” for more information.

Movements goodwill and other intangible assets 2017	Goodwill	Client base	Third-party distribution channels	Brand names	Application software	Total
At 1 January	155,747	24,649	817	7,664	5,576	194,453
Additions	1,919	28,700	–	–	5,623	36,242
Disposals	–666	–	–	–	–38	–704
Amortisation	–	–4,671	–408	–767	–2,796	–8,641
Impairment	–2,019	–	–	–	–1,563	–3,582
Other	–	–	–	–	622	622
At 31 December	**154,981**	**48,678**	**409**	**6,898**	**7,424**	218,389
Historical cost	154,981	106,084	4,899	15,330	78,064	359,358
Accumulated amortisation and impairments	–	–57,406	–4,490	–8,432	–70,640	–140,969
Net carrying amount at 31 December	**154,981**	**48,678**	**409**	**6,898**	**7,424**	218,389

The accumulated impairments on goodwill amounted to €75.4 million at 31 December 2017 (2016: €73.4 million) and have been deducted from the historical cost. The addition of €28.7 million to the client base is due to the acquisition of the wealth management activities of UBS in the Netherlands (UBS Nederland); see “Business combinations in 2017”.

Movements goodwill and other intangible assets 2016	Goodwill	Client base	Third-party distribution channels	Brand names	Application software	Total
At 1 January	155,117	6,616	1,225	8,431	3,733	175,122
Additions	2,484	20,000	–	–	4,185	26,669
Disposals	–1.854	–	–	–	–	–1.854
Amortisation	–	–1,967	–408	–767	–2,776	–5,918
Other	–	–	–	–	434	434
At 31 December	155,747	24,649	817	7,664	5,576	194,453
Historical cost	155,747	77,384	4,899	15,330	71,533	324,893
Accumulated amortisation and impairments	–	–52,735	–4,082	–7,666	–65,957	–130,440
Net carrying amount at 31 December	155,747	24,649	817	7,664	5,576	194,453

In 2017, we performed impairment tests on the goodwill arising from acquisitions in earlier years. The tested goodwill was allocated to CGUs Asset Management, Merchant Banking and Non-strategic investments. Goodwill from the acquisition of UBS Nederland's wealth management activities was allocated to CGU Private Banking.

Allocation of goodwill to CGUs (based on segments)	31/12/2017	31/12/2016
Total	154,981	155,747
Private Banking	1,695	–
Asset Management	49,292	49,292
Merchant Banking	76,293	76,293
Non-strategic investments	27,701	30,162

The recoverable amount of the CGUs is calculated on the basis of value in use. This calculation uses cash flow projections for each CGU for a five-year period. These projections for each CGU are based on the current year and on the financial estimates used by management to set objectives. Our growth target has been set at the long-term market growth rate of 1.0% for the period after the explicit projections per CGU. Management has compared the main assumptions against market forecasts and expectations.

Cash flow estimates are based on our strategic plans and potential future trends. Events and factors that could have a significant impact on the estimates include market expectations, effects of mergers and acquisitions, competitive conditions, client behaviour and changes in the client base, cost structure, trends in interest rates and risks, and other circumstances specific to the industry and sector. Cash flows are discounted using a discount rate for each CGU which reflects the risk-free interest rate, supplemented with a surcharge for the market risk exposure of each CGU.

The weighted average cost of capital (WACC) is used as the discount rate for the cash flows in the impairment test for non-strategic investments.

CGU	Discount rate before tax %		Discount rate after tax %	
	2017	2016	2017	2016
Private Banking	9.1	10.2	7.1	8.0
Asset Management	11.1	12.7	8.7	9.9
Merchant Banking	7.8	9.7	6.1	7.5
Non-strategic investments	12.3 - 12.45	11.9 - 13.5	9.43 - 9.7	9.4 - 10.4

The impairment tests performed in 2017 did not result in goodwill impairments for CGUs Asset Management and Merchant Banking. For CGU Non-strategic investments, the goodwill impairment test resulted in an impairment of €2.0 million. The recoverable amount of the tested goodwill was nil, due to negative cash flows. The model uses a baseline scenario. A sensitivity analysis was also performed, focusing particular attention on a decrease in net profit, a change in the pay-out ratio and a further increase in the cost of equity. This analysis demonstrated that a deterioration in the variables has not led to an impairment in CGUs Asset Management and Merchant Banking.

An annual test is carried out for indications of impairment of other intangible assets with a finite useful life. For the line item Client bases, movements in the number of clients are assessed. For Third-party distribution channels, an assessment is carried out to determine whether the relationships with these parties still exist. The useful life tests carried out in 2017 provided no indication of a need for further examination, nor of impairments.

	2018	2019	2020	2021	2022	2023-2032
Expected amortisation of intangible assets	8,923	7,149	6,874	6,727	6,237	27,498

12. Tax assets	31/12/2017	31/12/2016
Total	**26,719**	**41,687**
Current tax assets	1,491	1,777
Deferred tax assets	25,228	39,910

Movements in deferred tax assets in 2017	Employee benefits	Property and equipment	Derivatives	Loss available for set-off	Commission	Other	Total
At 1 January	4,262	2,448	3,628	28,489	79	1,004	39,910
Withdrawals through profit or loss	–1,029	–	–	–12,850	–	–533	–14,412
Additions through profit or loss	–	145	–	–	48	–	193
Total through profit or loss	**–1,029**	**145**	**–**	**–12,850**	**48**	**–533**	–14,218
Directly from/to equity	–111	–	–352	–	–	–	–464
At 31 December	**3,122**	**2,593**	**3,275**	**15,639**	**128**	**471**	25,228

Movements in deferred tax assets in 2016	Employee benefits	Property and equipment	Derivatives	Loss available for set-off	Commission	Other	Total
At 1 January	3,458	795	–	43,356	70	2,103	49,782
Withdrawals through profit or loss	–	3,790	–	–20,057	–	–1,099	–17,366
Additions through profit or loss	297	–2,137	–	5,007	10	–	3,177
Total through profit or loss	**297**	**1,653**	**–**	**–15,050**	**10**	**–1,099**	–14,189
Movement from deferred tax liabilities	–	–	4,557	–	–	–	4,557
Extension consolidation group	–	–	–	184	–	–	184
Directly from/to equity	507	–	–929	–	–	–	–423
At 31 December	**4,262**	**2,448**	**3,628**	**28,489**	**79**	**1,004**	39,910

A proportion of the deferred tax assets depends on future taxable profits. Tax losses incurred can be offset against taxable profits in future years. Based on the most recent forecast, it is likely that the existing tax losses can be offset well before expiry. The non-current portion of deferred tax assets that is expected to be recovered or settled after more than 12 months amounts to €17,522. See Note 36, Income tax, for more information.

Tax losses to be offset Financial year	Amount	Final year for offsetting
2012	51,031	2021
2013	–	2022
2014	–	2023
2015	6,992	Indefinite*
2016	4,360	Indefinite*
2017	173	Indefinite*

The total amount of tax losses is recognised as a deferred tax asset based on the prevailing tax rate. These items have an expiry date between 2023 and 2026. A proportion of these losses can be offset without a time limit.

	31/12/2017	31/12/2016
Unrecognised losses	23,682	22,523

The unrecognised losses are losses for which it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

13. Assets classified as held for sale

In 2017, we sold off mortgages issued by the Belgian branch. These were performing mortgage loans with a total exposure of €100.8 million, primarily for Belgian residential real estate. The sale was part of the strategic shift toward wealth management, and further simplified the Belgian branch business model. The sale was approved by the National Bank of Belgium (NBB) and it has no impact on the statement of income.

14. Other assets	31/12/2017	31/12/2016
Total	**142,277**	137,856
Interest receivable	22,980	24,624
Commission receivable	58,268	47,174
Transitory items	38,814	23,091
Assets acquired through foreclosures	651	5,903
Inventories	4,825	3,698
Other	16,740	33,365

Assets acquired through foreclosures relate to property. We aim to convert these to cash as soon as practicable.

Inventories are related to the non-strategic investments.

15. Financial liabilities from trading activities	31/12/2017	31/12/2016
Total	**1,899**	**5**
Equity instruments		
Shares, listed	1,882	–
Shares, unlisted	17	5
Total equity instruments	**1,899**	**5**

* The losses recorded in 2015 through 2017 arise from the permanent establishment in Belgium. As Belgium does not apply a time limit for offsetting losses, they can be carried forward indefinitely.

16. Due to banks	31/12/2017	31/12/2016
Total	**101,645**	**128,696**
Deposits	55,482	56,680
Payables arising from unsettled securities transactions	23,134	63,197
Loans and advances drawn	23,029	8,820

17. Public and private sector liabilities	31/12/2017	31/12/2016
Total	**9,145,119**	**9,679,764**
Savings	3,718,970	4,375,686
Deposits	228,567	293,798
Current accounts	4,831,497	4,624,127
Other client assets	365,239	379,099
Value adjustments fair value hedge accounting	845	7,055

18. Financial liabilities designated at fair value through profit or loss	31/12/2017	31/12/2016
Total	**971,453**	**894,255**
Unstructured debt instruments	258,498	253,096
Structured debt instruments	712,955	641,160

We have issued debt instruments which are managed on the basis of fair value. The fair value is paid to the issuer on maturity date. Management believes that valuation at fair value through profit or loss applies, as this largely eliminates or reduces inconsistencies in valuation and disclosure, and performance is assessed on the basis of fair value.

Financial liabilities designated at fair value through profit or loss include non-structured debt instruments such as floating-rate notes and fixed-rate notes, and structured debt instruments such as index guarantee notes and trigger notes. Our own credit risk in the reporting year came down by €4.4 million (2016: down €0.9 million), reflecting an increase of €1.1 million on the back of the improvement in our own credit quality, a reduction of €3.3 million for the passage of time and a reduction of €2.7 million for changes in the notional amount. The cumulative change in the fair value of Financial liabilities designated at fair value through profit or loss which can be allocated to the changes in own credit risk totalled to an increase of €13.3 million (2016: €17.7 million).

19. Issued debt securities	31/12/2017	31/12/2016
Total	**2,411,671**	**2,116,094**
Bond loans and notes	465,290	509,505
Covered bonds	1,491,850	994,636
Notes as part of securitisation transactions	436,467	537,182
Floating-rate notes	22,134	48,972
Medium-term notes	–	12,500
Value adjustments fair value hedge accounting	–4,069	13,299

Issued debt securities comprise debt instruments with rates of interest that are either fixed or variable, in so far as not subordinated. €904 million of these debt securities becomes payable on demand in 2018 (2017: €23 million), with this total breaking down as follows:
- Instruments with contractual maturity dates in 2018: €468 million (2017: €23 million);
- Instruments subject to a trigger with optional maturity dates in 2018: nil (2017: nil);
- Securitised transactions with call dates in 2018: €436 million (2017: nil).

Issued debt securities increased by €296 million relative to 2016 following the capital repayments of €101 million on the notes as part of securitisation transactions.

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.

Face value versus carrying amount

The value adjustment of debt securities as a result of hedge accounting is recognised under the line item Issued debt securities.

Face value versus carrying amount of issued debt securities at 31/12/2017	Face value	Value adjustments fair value hedge accounting	Premium/discount	Carrying amount
Total	**2,426,011**	**–4,069**	**–10,271**	**2,411,671**
Bond loans and notes	467,614	1,599	–2,324	466,889
Covered bonds	1,500,000	–5,668	–8,150	1,486,181
Notes as part of securitisation transactions	436,467	–	–	436,467
Floating-rate notes	21,930	–	204	22,134

Face value versus carrying amount of issued debt securities at 31/12/2016	Face value	Value adjustments fair value hedge accounting	Premium/discount	Carrying amount
Total	**2,113,038**	**13,299**	**–10,243**	**2,116,094**
Bond loans and notes	514,664	5,876	–5,159	515,381
Covered bonds	1,000,000	7,423	–5,364	1,002,059
Notes as part of securitisation transactions	537,182	–	–	537,182
Floating-rate notes	48,692	–	280	48,972
Medium-term notes	12,500	–	–	12,500

20. Provisions	31/12/2017	31/12/2016
Total	**23,084**	**34,047**
Provisions for pensions	14,545	12,303
Provision for employee discounts	177	4,100
Provision for long-service benefits	2,322	2,317
Provision for restructuring	66	630
Provision for interest rate derivatives recovery framework	2,064	8,853
Other provisions	3,910	5,844

Provision for employee discounts fell by €3.9 million compared with 2016 due to changes to the staff mortgage scheme. Provision for the interest rate derivatives recovery framework decreased by €6.8 million, to €2.1 million (2016: €8.9 million), mainly for settlement of ex-gratia payments of €6.5 million.

We operate a number of employee schemes under which participants receive payments or benefits after they retire. Specifically, there is a pension scheme and a discount scheme for mortgage interest rates, as well as a long-service benefits scheme.

Up until 31 December 2016, employees received a bonus to mark long-service anniversaries of 10, 20, 30 and 40 years. From 1 January 2017, the long-service benefits scheme has changed and employees now receive a bonus on reaching 25 and 40 years of service. These benefits are calculated on an actuarial basis and recognised in the statement of financial position as a provision. Benefit payments are made when they are due.

The following defined benefit schemes were valued for the purpose of the 2017 financial statements:

– Van Lanschot Kempen employees were eligible for discounted mortgage interest rates. Entitlement to this discount continued beyond retirement from active service.
– The long-service benefits depend on the number of years of service.
– Both a defined contribution scheme and a defined benefit scheme are in place for employees working at the Belgian branch. The pensionable salary for the defined benefit scheme is taken as the average basic salary over the last five years of service. The pension capital is insured with UKZT (Uitgesteld Kapitaal Zonder Tegenverzekering). The accompanying term life assurance is funded from risk premiums.
  The defined contribution pension plans have been set up according to the Belgian method of defined contributions but do not fulfil all the criteria of a defined contribution pension plan according to IAS 19. For this reason, the defined contribution pension plans are treated as defined benefit plan in the consolidated financial statements.
– Kempen operates an average salary scheme under which 1.875% of the pensionable salary – salary less state pension offset, with an annual ceiling of €40,571 – is accrued for each year of service and which is based on a retirement age of 67. The surviving dependants' pension is insured on a risk basis.
– The pension plans of F. van Lanschot Bankiers (Schweiz) have been set up according to the Swiss method of defined contributions but do not fulfil all the criteria of a defined contribution pension plan according to IAS 19. For this reason, the Swiss pension plans are treated as defined benefit plans in the consolidated financial statements.

The pension schemes have been placed with insurers and a pension institution, which are responsible for the pension administration, risk insurance and communication of legal documents to employees who are scheme members. Decisions on and changes to pension scheme content are taken by an internal pensions committee. Where applicable, in the Netherlands the Works Council is consulted for its opinion and/or consent.

Only within a Kempen pension scheme, plan assets fund the obligations (i.e. the scheme is funded). The other schemes are unfunded; payments in any year are made directly by the company.

The obligations are calculated using the projected unit credit method.

Obligations/assets included in the statement of financial position by scheme at 31/12/2017	Pensions	Early retirement	Employee discounts	Long-service benefits
Defined benefit obligations	207,094	83	177	2,322
Fair value of plan assets	192,632	–	–	–
Surplus/deficit	–14,462	–83	–177	–2,322
Obligation at year-end	–14,462	–83	–177	–2,322

Obligations/assets included in the statement of financial position by scheme at 31/12/2016	Pensions	Early retirement	Employee discounts	Long-service benefits
Defined benefit obligations	199,811	18	4,100	2,317
Fair value of plan assets	187,526	–	–	–
Surplus/deficit	–12,285	–18	–4,100	–2,317
Obligation at year-end	–12,285	–18	–4,100	–2,317

Movements in defined benefit obligations for pension scheme	2017	2016
Defined benefit obligations at 1 January	199,811	167,276
Current service costs	5,871	3,869
Interest costs	3,644	4,617
Members' contributions	774	460
Financial assumptions	3,010	13,484
Gross benefits	–2,689	–1,491
Transfers	–990	9,133
Changed assumptions	–2,337	2,464
Defined benefit obligations at 31 December	**207,094**	**199,811**

At 31 December 2017, the weighted average duration of the defined benefit obligation was 24.6 years (2016: 23.7 years).

Movements in defined benefit obligations for early retirement scheme	2017	2016
Defined benefit obligations at 1 January	18	155
Current service costs	74	–42
Gross benefits	–9	–
Discontinuation	–	–95
Defined benefit obligations at 31 December	**83**	**18**

Movements in defined benefit obligations for employee discounts scheme	2017	2016
Defined benefit obligations at 1 January	4,100	3,249
Current service costs	56	231
Interest costs	15	65
Financial assumptions	–688	134
Gross benefits	–84	–274
Discontinuation	–3,222	–
Change in accounting estimate	–	695
Defined benefit obligations at 31 December	**177**	**4,100**

Movements in defined benefit obligations for long-service benefits scheme	2017	2016
Defined benefit obligations at 1 January	2,317	2,063
Current service costs	162	327
Interest costs	23	22
Financial assumptions	–46	252
Gross benefits	–134	–347
Defined benefit obligations at 31 December	**2,322**	**2,317**

Movements in fair value of pension plan assets	2017	2016
Fair value at 1 January	187,526	157,030
Expected return on plan assets	3,506	4,441
Financial assumptions	120	16,734
Employer's contribution	5,218	4,144
Employees' contribution	229	–
Gross benefits	–2,492	–1,305
Transfers	–1,477	6,481
Fair value at 31 December	**192,632**	**187,526**
Actual return on plan assets	3,627	21,175

Current service costs of pension scheme included in statement of income	2017	2016
Current service costs	5,871	3,869
Net interest income	3,644	4,617
Expected return on plan assets	–3,506	–4,441
Net costs	**6,008**	**4,045**

Current service costs of early retirement scheme included in statement of income	2017	2016
Current service costs	74	–42
Gross benefits	–9	–
Discontinuation, restriction of benefits	–	–95
Net costs	**65**	**–137**

Current service costs of employee discount scheme included in statement of income	2017	2016
Current service costs	56	231
Net interest income	15	65
Change in accounting estimate	–	695
Net costs	**71**	**991**

Current service costs of long-service benefits included in statement of income	2017	2016
Current service costs	162	327
Net interest income	23	22
Financial assumptions	–46	252
Net costs	**139**	**601**

Plan assets by investment category	31/12/2017		31/12/2016	
	Fair value	%	Fair value	%
Total	**192,632**	**100**	**187,526**	**100**
Fixed income	118,198	61	121,416	65
Equities	41,642	22	37,195	20
Mixed funds	1,715	1	1,741	1
Real estate	6,419	3	6,515	3
Cash and cash instruments	–848	0	–758	0
Other	25,507	13	21,417	11

At each reporting date, an asset/liability matching study is carried out by the pension fund's asset manager, in which the consequences of the strategic investment policies are analysed. The strategic investment policies of the pension fund are bound by the maximum investment risk. The maximum investment risk is linked to a strategic asset mix comprising 73% fixed income and 27% equity income investments, with a duration match of 75%. A bandwidth of 5% is in place. The other investment category consists of funds managed by an external pension fund manager.

The most significant actuarial assumptions made at the reporting date are as follows:

Assumptions	2017	2016
Actuarial interest rate pension	0.65% - 1.8%	0.65% - 1.9%
Actuarial interest rate employee discounts	0.9%	1.0%
Actuarial interest rate long-service benefits	1.1% - 1.2%	1.0%
Expected return on investments	0.65% - 1.8%	0.65% - 1.9%
Price inflation	1.75% - 2.0%	2.0%
General salary increase	1.0% - 1.8%	1.3%
Retirement age	64 - 67 years	64 - 67 years

The mortality rate is based on publicly available mortality tables for the relevant countries. For the calculations at 31 December 2017, the following mortality tables were used:

- Kempen: the mortality tables as published by the Dutch Association of Actuaries (Prognosetafel 2016).
- Belgian branch: the mortality table as published by the Institute of Actuaries in Belgium (MR/FR) with an age correction of -3 years.
- F. van Lanschot Bankiers (Schweiz): the mortality table as published by BVG (BVG 2015 GT).

For Kempen, a reduction of ten basis points in the actuarial interest rate will lead to an increase of 2.6% in the pension obligations and a rise of 3.9% in the current service costs in the statement of income.

For the Belgian branch, a reduction of 50 basis points in the actuarial interest rate will lead to an increase of 7.1% in the pension obligations and a rise of 50 basis points in the actuarial interest rate will lead to a decrease of 6.4% in the pension obligations.

For F. van Lanschot Bankiers (Schweiz), a reduction of 50 basis points in the actuarial interest rate will lead to an increase of 9.4% in the pension obligations and a rise of 50 basis points in the actuarial interest rate will lead to a decrease of 8.1% in the pension obligations.

History of movements in pension scheme gains and losses	2017	2016	2015	2014	2013
Defined benefit obligations	207,094	199,811	167,276	168,771	821,043
Fair value of plan assets	192,632	187,526	157,030	160,993	805,272
Surplus/deficit	–14,462	–12,285	–10,246	–7,778	–15,771
Actuarial gains/losses on obligations	3,010	13,484	–5,627	–267,278	72,751
Actuarial gains/losses on investments	120	16,734	–8,377	140,542	–5,064

Expected contributions for 2018	Pension obligations	Employee discounts	Long-service benefits scheme
Total	**5,201**	**11**	**173**
Expected employer's contributions	4,205	11	173
Expected employees' contributions	996	–	–

Provision for restructuring	2017	2016
At 1 January	630	–
Withdrawals	–601	–
Additions	37	630
At 31 December	**66**	**630**

The provision for restructuring is expected to be used in 2018.

Provision for interest rate derivatives recovery framework	2017	2016
At 1 January	8,853	1,713
Release	–8,517	–888
Additions	1,728	8029
At 31 December	**2,064**	**8,853**

Other provisions	2017	2016
At 1 January	5,844	6,242
Withdrawals	–2,997	–4,880
Release	–312	–2,683
Reclassification	–	529
Additions	1,462	6,632
Other changes	–86	4
At 31 December	**3,910**	**5,844**

Other provisions include provisions made for various legal claims. An amount of €1.4 million has an expected maturity of one year or longer.

21. Tax liabilities	31/12/2017	31/12/2016
Total	**12,841**	**7,073**
Current tax liabilities	4,992	1,739
Deferred tax liabilities	7,849	5,334

Movements in tax liabilities 2017	Property and equipment	Intangible assets	Derivatives	Investment portfolio	Other	Total
At 1 January	312	2,821	–	2,201	–	5,334
Withdrawals through profit or loss	–678	–	–	–	–	–678
Additions through profit or loss	1,240	1,031	–	–	92	2,363
Total through profit or loss	**562**	**1,031**	**–**	**–**	**92**	**1,685**
Directly from/to equity	–	–	–	860	–30	830
At 31 December	**873**	**3,852**	**–**	**3,061**	**62**	**7,849**

Movements in tax liabilities 2016	Property and equipment	Intangible assets	Derivatives	Investment portfolio	Other	Total
At 1 January	1,185	3,532	–4,557	2,744	396	3,300
Withdrawals through profit or loss	–2,180	–711	–	–	–396	–3,287
Additions through profit or loss	1,307	–	–	–	–	1,307
Total through profit or loss	**–873**	**–711**	**–**	**–**	**–396**	**–1,980**
Movement to deferred tax assets	–	–	4,557	–	–	4,557
Directly from/to equity	–	–	–	–543	–	–543
At 31 December	**312**	**2,821**	**–**	**2,201**	**–**	**5,334**

See Note 36, Income tax, for more information.

22. Other liabilities	31/12/2017	31/12/2016
Total	**156,820**	**157,482**
Interest payable	31,007	32,343
Other accruals and deferred income	62,944	58,671
Other	62,869	66,467

Other liabilities comprise income received to be credited to future periods and amounts payable such as accrued interest, payables, suspense accounts and unsettled items.

23. Subordinated loans	31/12/2017	31/12/2016
Total	**166,802**	**167,218**
Certificates of indebtedness	100,000	100,000
Other subordinated loans	66,676	66,790
Value adjustments fair value hedge accounting	126	428

An adjustment to the characteristics of our certificates of indebtedness resulted in an optimisation of the total capital ratio, as these certificates are now fully eligible.

Amortised cost versus carrying amount

The value adjustment of subordinated loans used as hedged items is recognised under Subordinated loans.

Amortised cost versus carrying amount subordinated loans at 31/12/2017	Amortised cost	Value adjustments fair value hedge accounting	Carrying amount
Total	**166,676**	**126**	**166,802**
6.716% subordinated bond loan 08/33	25,000	–	25,000
6.665% subordinated bond loan 08/38	25,000	–	25,000
6.614% subordinated bond loan 08/43	50,000	–	50,000
3.396% subordinated bond loan 16/26	50,000	–819	49,181
Other subordinated loans	16,676	945	17,621

The average coupon on the other subordinated loans in 2017 was 6.07% (2016: 6.07%).

Amortised cost versus carrying amount subordinated loans at 31/12/2016	Amortised cost	Value adjustments fair value hedge accounting	Carrying amount
Total	**166,790**	**428**	**167,218**
5.446% subordinated bond loan 08/33	25,000	–	25,000
5.395% subordinated bond loan 08/38	25,000	–	25,000
5.344% subordinated bond loan 08/43	50,000	–	50,000
3.396% subordinated bond loan 16/26	50,000	–668	49,332
Other subordinated loans	16,790	1,096	17,886

24. Equity	31/12/2017		31/12/2016	
Total		**1,349,124**		**1,353,926**
Equity attributable to shareholders				
Issued share capital		41,147		41,092
Treasury shares		–7,869		–4,059
Share premium reserve		441,459		481,258
Revaluation reserve	14,013		20,249	
Actuarial results on defined benefit schemes	–17,885		–16,625	
Currency translation reserve	1,602		2,257	
Cash flow hedge reserve	–9,825		–10,883	
Retained earnings	780,711		761,447	
Other reserves		768,616		756,445
Undistributed profit (attributable to shareholders)		89,508		65,735
Total equity attributable to shareholders		**1,332,860**		**1,340,470**
Equity attributable to non-controlling interests				
Non-controlling interests		10,827		9,391
Undistributed profit attributable to non-controlling interests		5,437		4,065
Total equity attributable to non-controlling interests		**16,264**		**13,456**

Share capital	31/12/2017		31/12/2016	
	Number	Value	Number	Value
Class A ordinary shares (nominal value €1)	**41,146,668**	**41,147**	**41,091,668**	**41,092**
Unissued shares	108,853,332	108,853	108,908,332	108,908
Authorised capital	**150,000,000**	**150,000**	**150,000,000**	**150,000**

Movement in share capital	2017		2016	
	Number	Value	Number	Value
At 1 January	41,091,668	41,092	41,016,668	41,017
Shares issued	55,000	55	75,000	75
Capital increase	41,146,668	41,147	–	–
Capital return	–41,146,668	–41,147	–	–
At 31 December	41,146,668	41,147	41,091,668	41,092

Share premium reserve

At an Extraordinary General Meeting of Shareholders in 's-Hertogenbosch on 11 October 2017, our shareholders approved the return of capital in the amount of €1 per share, as announced on 29 August 2017. The capital return paid on 20 December 2017 amounted to €41.1 million and is charged to the share premium reserve available for distribution, and is therefore exempt from dividend tax.

All shares were paid up in cash. The number of ordinary shares could increase by 6,679 or 0.02% of the number of ordinary shares issued at end 2017 as a result of the option rights outstanding at 31 December 2017. In addition, during the financial year Van Lanschot Kempen conditionally granted 52,227 depositary receipts for Class A ordinary shares. Van Lanschot Kempen holds 299,695 depositary receipts for Class A ordinary shares to meet open positions (2016: 218,206). For more information on share-based payments, see Note 32, Staff costs.

Unconditional options and conditional share plans Exercise period up to and including	2017 Number	2017 Average exercise price in €	2016 Number	2016 Average exercise price in €
2017	–	–	4,042	51.04
2018	6,679	73.53	6,679	73.53
Unconditional options	**6,679**	**73.53**	**10,721**	**65.05**
Conditional shares	**315,986**	**n/a**	**467,556**	**n/a**

No option rights have been granted since 2008. By the end of 2017, board members held a total of 154,677 shares and depositary receipts for shares in Van Lanschot Kempen. Granting awards unconditionally are linked to performance and employment contract. For more information about shares and options schemes for staff and the Statutory Board, see page 91.

Movements in reserves in 2017	Revaluation reserve of available-for-sale investments		Actuarial results on defined benefit schemes	Currency translation reserve	Cash flow hedge reserve	Retained earnings	Total
	Equity instruments	Debt instruments					
At 1 January	13,517	6,732	–16,625	2,257	–10,883	761,447	756,445
Net changes in fair value	–7,778	7,258	–	–	1,057	–	537
Realised gains/losses through profit or loss	–911	–4,805	–	–	–	–	–5,716
Profit appropriation	–	–	–	–	–	16,380	16,380
Share plans	–	–	–	–	–	988	988
Actuarial results	–	–	–542	–	–	–	–542
To retained earnings	–	–	–718	0	–	718	0
Other changes	–	–	0	–655	–	1,179	524
At 31 December	**4,828**	**9,185**	**–17,885**	**1,602**	**–9,825**	**780,711**	**768,617**
Tax effects	–	–860	38	–	–352	–	–1,175

In 2017, the dividend for 2016 was set at €1.20 per ordinary share.

Movements in reserves in 2016	Revaluation reserve of available-for-sale investments		Actuarial results on defined benefit schemes	Currency translation reserve	Cash flow hedge reserve	Retained earnings	Total
	Equity instruments	Debt instruments					
At 1 January	15,467	9,380	–15,201	1,939	–13,670	747,407	745,322
Net changes in fair value	–1,029	3,838	–	–	2,788	–	5,597
Realised gains/losses through profit or loss	–922	–6,486	–	–	–	–	–7,408
Profit appropriation	–	–	–	–	–	15,771	15,771
Share plans	–	–	–	–	–	–1,230	–1,230
Actuarial results	–	–	–1,424	–	–	–	–1,424
Other changes	–	–	–	318	–	–501	–183
At 31 December	**13,517**	**6,732**	**–16,625**	**2,257**	**–10,883**	**761,447**	**756,445**
Tax effects	–	543	499	–	–929	–	113

In 2016, the dividend for 2015 was set at €0.47 per ordinary share.

Nature and purpose of other reserves

Treasury shares: Covers the cost price of treasury shares kept by Van Lanschot Kempen to cover shares awarded to staff under current remuneration and share schemes.

Share premium reserve: Covers amounts paid to Van Lanschot Kempen by shareholders above the nominal value of purchased shares.

Revaluation reserve: Covers movements in the fair value of available-for-sale investments and associates.

Actuarial results on defined benefit schemes: Covers actuarial gains and losses on revaluation of investments and defined benefit obligations. The actuarial gains and losses related to a shortfall in minimum performance on defined contribution plan assets, required under Belgian and Swiss law, are also included.

Currency translation reserve: This reserve (which is not available for free distribution) covers currency exchange differences resulting from the valuation of investments in group companies at the prevailing exchange rate in so far as the currency rate risk is not hedged.

Cash flow hedge reserve: Covers the share in the gain or loss on hedging instruments in a cash flow hedge that has been designated as an effective hedge.

Retained earnings: Covers past profits added to equity and changes in connection with the share scheme.

25. Contingent liabilities	31/12/2017	31/12/2016
Total	**65,578**	**68,024**
Guarantees, etc.	65,578	67,774
Other	–	250

For several group companies, guarantees of €150.1 million (2016: €182.1 million) have been issued. It is impossible to predict whether, when and how much of these contingent liabilities will be claimed.

26. Irrevocable commitments	31/12/2017	31/12/2016
Total	**861,342**	**830,937**
Unused credit facilities	814,030	812,332
Sale and repurchase commitments	–	–
Other	47,312	18,604

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME (x €1,000)

27. Net interest income	2017	2016
Total interest income	**340,051**	**395,880**
Interest income on cash equivalents	124	85
Interest income on banks and private sector	258,108	295,071
Interest income on held-to-maturity investments	10,238	7,049
Other interest income	2,599	2,717
Interest income on items not recognised at fair value	**271,069**	**304,922**
Interest income on available-for-sale investments	7,423	10,992
Interest income on financial assets at fair value through profit or loss	4,654	7,431
Interest income on derivatives	56,905	72,536
Total interest expense	**144,671**	**186,064**
Interest expense on banks and private sector	31,988	49,346
Interest expense on issued debt securities	31,039	41,203
Interest expense on subordinated loans	8,306	5,821
Other interest expense	308	438
Interest expense on items not recognised at fair value	**71,641**	**96,808**
Interest expense on balances at central banks	5,455	2,729
Interest expense on derivatives	67,574	86,526
Net interest income	**195,380**	**209,817**

The interest result on loans subject to impairment was €4.1 million (2016: €15.5 million).

In 2017, interest result was €14.4 million lower than in 2016. The decrease was the outcome of lower interest income on the Corporate Banking loan portfolio and the mortgage portfolio. These factors were partly offset by lower interest expense on savings and deposits due to lower volumes and interest rates.

28. Income from securities and associates	2017	2016
Total	**37,694**	**29,671**
Income from associates using the equity method	24,739	11,646
Dividends and fees	4,602	3,606
Movements in value of investments at fair value through profit or loss	2,415	4,934
Realised result of available-for-sale equity investments	7,408	6,931
Other gains on sales	–1,470	2,554

Under Income from associates using the equity method, Van Lanschot Kempen recognises its share in the results of associates at €13.1 million (2016: €11.5 million) and results from sales of associates of €11.6 million (2016: €0.1 million).

29. Net commission income	2017	2016
Total	**266,986**	243,670
Securities commissions	33,082	29,029
Management commissions	197,557	171,432
Cash transactions and funds transfer commissions	9,100	9,888
Corporate Finance and Equity Capital Markets commissions	19,116	25,611
Other commissions	8,131	7,710

Compared with 2016, commission income was up by €23.3 million. The increase was primarily due to higher management commissions (€26.1 million) driven by inflows, AuM from the acquisition of UBS Nederland's wealth management activities the full–year effect of the acquisition of Staalbankiers, and market performance. Corporate Finance and Equity Capital Markets commissions came in €6.5 million lower due to reduced fee income at Merchant Banking.

30. Result on financial transactions	2017	2016
Total	**14,127**	–3,938
Gains/losses on securities trading	–408	–2,986
Gains/losses on currency trading	7,860	6,907
Unrealised gains/losses on derivatives under hedge accounting	830	–7,055
Realised and unrealised gains/losses on trading derivatives	3,120	4,612
Realised gains on available-for-sale debt instruments	6,407	8,509
Gains/losses on economic hedges – hedge accounting not applied	19,929	10,125
Gains/losses on financial assets and liabilities designated at fair value through profit or loss	–23,610	–24,050

Compared with 2016, result on financial transactions was up by €18.1 million, €7.9 million of which was due to higher unrealised gains on derivatives under hedge accounting. The balance of gains on economic hedges and losses on financial assets designated at fair value through profit or loss came in €10.2 million higher. This balance reflects the revaluation result caused by changes in capital market yields in the marked-to-market portfolio and a number of derivatives positions.

31. Other income	2017	2016
Total	**53,125**	45,180
Net sales	105,794	97,496
Cost of sales	–52,669	–52,317

Other income comprises net sales and cost of sales from non-strategic investments arising from debt conversion. In certain cases, where a company has not been able to repay a corporate loan from Van Lanschot Kempen, the loan has been converted into a shareholding, thus giving the company time to recover. We aim to sell any shares in non-strategic investments in due course.

32. Staff costs	2017	2016
Total	**262,985**	255,022
Salaries and wages	193,096	185,175
Pension costs for defined contribution schemes	19,015	19,056
Pension costs for defined benefit schemes	5,846	3,864
Other social security costs	21,223	20,441
Share-based payments for variable remuneration	6,493	4,770
Other staff costs	17,312	21,716

Salaries and wages were up €7.9 million, partly due to higher costs associated with the acquisition of Staalbankiers and UBS Nederland's wealth management activities and wage increases. As part of share-based payments, a profit-sharing plan in Van Lanschot Kempen shares was put in place in 2017 for Van Lanschot Kempen employees in the Netherlands, and the expenses of €1.3 million related to this plan are included in Salaries and wages. The depositary receipts for Class A Van Lanschot Kempen shares will be granted in 2018 on the second trading day after release of Van Lanschot Kempen NV's annual figures for 2017.

In 2017, share-based payments added €4.9 million to equity (2016: €3.2 million). Of the total expenses arising from share-based payments, €2.5 million is included in Salaries and wages (2016: €0.8 million), this amount includes the profit-sharing plan. Expenses related to conditionally granted share-based payments used to pay income tax on behalf of participants are recognised under Other liabilities and amounted to €1.4 million at 31 December 2017 (2016: €2.6 million). Pension costs for defined contribution schemes include €0.7 million for Statutory Board members (2016: €0.7 million).

Since the participants in the Kempen Management Investment Plan pay the fair value of the equity instruments, no expenses related to this are included in staff costs.

The average number of staff in 2017 was 2,241 (2016: 2,260), or 2,066 in full-time equivalents (2016: 2,051), as shown below:

Average FTEs	2017	2016
Total	**2,066**	**2,051**
Netherlands	1,867	1,846
Belgium	143	147
Other	56	58

Unconditional options granted to staff	2017		2016	
	Number of options	Weighted-average exercise price in €	Number of options	Weighted-average exercise price in €
At 1 January	10,721	65.67	13,070	62.84
Expired options	–4,042	52.75	– 2,349	40.15
At 31 December	6,679	65.05	10,721	65.67

Unconditional options can be exercised twice a year in the open period after the release of the interim and full-year figures. No option rights were exercised in 2016 and 2017.

Conditional depositary receipts for shares granted to staff (excluding Statutory Board)	2017	2016
At 1 January	453,119	487,722
Granted	52,227	84,219
Vested	–181,520	–94,416
Forfeited rights	–15,057	–24,406
At 31 December	**308,770**	**453,119**

Conditional depositary receipts for shares are granted to staff both under the variable remuneration policy for identified staff and the long-term share plan (LTP).

Long-term share plan

The long-term share plan allows us to award variable remuneration to certain key employees, including identified staff. It offers a special type of variable remuneration in which the total variable pay takes the form of depositary receipts for Class A Van Lanschot Kempen shares. For the 2011–2014 LTP, 50% of the Van Lanschot Kempen shares were awarded conditionally over a period of three years and 50% over a period of five years. As from LTP 2015, 60% of the Van Lanschot Kempen shares are awarded immediately and unconditionally, while 40% are awarded conditionally over a period of three years.

Conditional depositary receipts for shares will vest if:
(i) Van Lanschot Kempen's financial position allows this in the year of vesting;
(ii) Risks have been reviewed and no material, unforeseen risks have occurred; and
(iii) The individual has not left Van Lanschot Kempen in the three or five-year period.

Conditional variable remuneration can be revised down if so prompted by risks and performances identified later (malus).

Employees do not receive any dividends during the vesting period. If an employee ceases to be employed by Van Lanschot Kempen within this period, their rights will be forfeited, except in limited circumstances judged on an individual basis.

A part (around 50%) of the conditionally awarded depositary receipts is used to pay income tax.

The fair value is determined based on the volume-weighted day price for depositary receipts for Class A ordinary shares on the second trading day after release of Van Lanschot Kempen NV's annual figures. Depositary receipts granted in 2017 had a fair value of €18.94 (2016: €16.87).

In 2017, 7,960 conditional depositary receipts for shares were granted to a number of senior managers other than members of the Statutory Board (2016: 9,858).

Share-based payments Kempen Management Investment Plan (MIP)

Under the terms of the Kempen MIP, selected Kempen staff invest indirectly via depositary receipts in Kempen shares and Kempen's profit-sharing certificates. Kempen issued these to Kempen Management Investeringsplan Coöperatief US (Coöperatie MIP), a cooperative with two members, Stichting Administratiekantoor Kempen Management Investeringsplan (Stichting MIP) and F. van Lanschot Bankiers NV, with Stichting MIP holding virtually all membership rights. Stichting MIP issues depositary receipts to selected staff, who pay their issue price and receive the indirect right of beneficial ownership of the underlying Kempen shares and profit-sharing certificates. Any dividends Kempen pays on the ordinary shares owned by Coöperatie MIP and profit-sharing rights on the profit-sharing certificates are distributed to Coöperatie MIP, which in turn distributes the profits to its members: Stichting MIP and Van Lanschot Kempen. Stichting MIP will subsequently pay out its share of the profits to the individual staff members, pro rata their holding of depository receipts; for more information, see "Disclosure of interests in other entities".

Individual staff finance the issue price entirely from their own means and are not financially supported by Van Lanschot Kempen in any way.

33. Other administrative expenses	2017	2016
Total	**178,526**	**169,111**
Accommodation expenses	23,359	23,059
Marketing and communication	14,025	12,841
Office expenses	8,120	7,634
IT expenses	67,374	57,419
External auditors' fees	3,160	2,447
Consultancy fees	16,810	15,277
Travel and hotel fees	5,127	5,513
Information providers' fees	12,835	11,685
Payment charges	6,019	4,020
Other administrative expenses	21,697	29,215

Consultancy fees relate to advisory services (business consultancy, tax) and the implementation and maintenance of software and hardware.

IT expenses increased by €10.0 million in 2017, mainly due to a higher spend on our Strategy 2020 investment programme. Other administrative expenses fell by €7.5 million, chiefly due to the fact that additions to the provision for the interest rate derivatives recovery framework came in €5.1 million lower.

Fees charged by the external independent auditors (and their network of offices) can be broken down as follows:

Fees charged by external independent auditors	2017	2016
Total	**3,160**	**2,447**
Financial statements audit fee	1,640	1,420
Fee for other audit services	814	146
Financial statements audit fee for funds managed by Kempen	506	437
Other non-audit services fees	201	444

Other fees include an amount of €0.1 million (2016: €0.3 million) related to fees charged by other accounting firms in 2017, one of these being our former accounting firm.

This is a summary of the services rendered by our auditor PwC NL:
- Financial statements audit;
- Financial statements audit for funds managed by Kempen;
- Statutory audits of controlled and related entities;
- Assurance engagement relating to the sustainability information in the annual report;
- Audit of the regulatory returns to be submitted to De Nederlandse Bank;
- ISAE 3402 of Kempen Capital Management;
- Audit implementation IFRS 9;
- Non-audit assurance engagements client safeguarding assets;
- Agreed upon procedures DGS; and
- Non-audit assurance engagement cost price models.

34. Depreciation and amortisation	2017	2016
Total	**15,962**	16,597
Buildings	2,467	3,034
IT, operating system software and communications equipment	2,791	3,226
Application software	2,796	2,776
Intangible assets arising from acquisitions	5,845	3,142
Results on disposals of property and equipment	–2,173	–1
Other depreciation and amortisation	4,235	4,420

Amortisation on intangible assets arising from acquisitions increased by €2.7 million due to the acquisitions of Staalbankiers and UBS Nederland's wealth management activities. The line item Results on disposals of property and equipment reflects the sale of several office buildings.

35. Impairments	2017	2016
Total	**–10,674**	**–2,115**
Loans and advances to the public and private sectors	–11,875	–6,862
Available-for-sale investments	–3,051	334
Investments in associates using the equity method	335	510
Property and equipment	243	3,686
Goodwill and intangible assets	3,582	0
Assets acquired through foreclosures	92	216

Impairments on Loans and advances to the public and private sectors fell by €5.0 million in 2017 compared with the previous year, due on the one hand to a reduced need for loan provisioning and on the other to an improvement in the quality of loans for which a provision had already been formed, thus releasing part of the provision.

Available-for-sale investments comprise the impairments of both equity instruments and debt instruments or reversals of impairments of debt instruments. The impairments of available-for-sale investments fell by €3.4 million due to an impairment reversal of company cumprefs (shareholdings).

Investments in associates using the equity method includes impairments on investments whose realisable values are below their carrying amounts.

Property and equipment includes impairments on office buildings whose estimated realisable values are below their carrying amounts.
The figure for Goodwill and intangible assets reflects an impairment relating to our non-strategic investments.

Assets acquired through foreclosures includes required impairments on foreclosed assets whose recoverable values have fallen below their carrying amounts.

36. Income tax	2017	2016
Operating profit before tax from continuing operations	120,514	85,785
Total gross result	**120,514**	**85,785**
Prevailing tax rate in the Netherlands	25%	25%
Expected tax	30,129	21,446
Increase/decrease in tax payable due to:		
Tax-free income from securities and associates	–9,278	–6,600
Non-deductible impairments	229	–
Non-deductible costs	2,318	2,148
Non-deductible losses	91	336
Adjustments to taxes for prior financial years	168	60
Impact of foreign tax rate differences	–43	–945
Release deferred tax assets	1,814	–
Other changes	141	–460
	–4,560	**–5,461**
Total tax	**25,569**	**15,985**

This total tax amount consists of the tax expense for the financial year on the operating result as disclosed in the statement of income, also allowing for any tax relief facilities. When determining the tax amount, we have applied currently existing tax rules. Changes in the effective tax rate were mainly due to the equity holding exemption and non-deductible costs. The effective tax rate change reflected in Release deferred tax assets was caused by a change to the statutory tax rate in Belgium.

Key income tax components		2017	2016
Total		**25,569**	**15,986**
Standard tax		9,547	4,662
Income/expense from foreign tax rate differences		–43	–945
Income/expense from changes in deferred tax assets	(12)	14,218	14,189
Income/expense from deferred tax liabilities	(21)	1,685	–1,980
Income/expense from prior-year adjustments		162	60

The breakdown of deferred assets and liabilities is as follows:

Deferred tax assets	2017	2016
Total	**14,218**	**14,189**
Employee benefits	1,029	–297
Commissions	–48	–10
Property and equipment	–145	–1,653
Tax-loss carry-forwards	12,850	15,050
Other	533	1,099

Deferred tax liabilities	2017	2016
Total	**1,685**	**–1,980**
Property and equipment	562	–873
Intangible assets	1,031	–711
Other	92	–396

37. Earnings per ordinary share	2017	2016
Net result	94,945	69,800
Non-controlling interests	–5,437	–4,065
Net result attributable to shareholders	**89,508**	**65,735**
Weighted average number of ordinary shares in issue	40,959,989	40,908,194
Earnings per ordinary share (€)	2.19	1.61
Proposed dividend per ordinary share (€)	1.45	1.20

To calculate earnings per ordinary share, the number of ordinary shares consists solely of the weighted average number of shares in issue, ignoring any treasury shares held by the company.

38. Diluted earnings per ordinary share	2017	2016
Net result attributable to shareholders	89,508	65,735
Weighted average number of ordinary shares in issue	40,959,989	40,908,194
Potential shares	409,429	505,444
Weighted average number of ordinary shares in issue, fully diluted	**41,369,418**	**41,413,638**
Diluted earnings per ordinary share (€)	2.16	1.59

Diluted earnings per ordinary share are calculated the same way as earnings per share, but taking into account the number of shares that could potentially cause dilution. Diluted earnings per ordinary share reflect the weighted average number of ordinary shares that would be in issue upon conversion into ordinary shares of all potential shares.

Options are dilutive when sparking the issue of ordinary shares that are at a price below average ordinary share prices over the period.

BUSINESS COMBINATIONS IN 2017

On 7 June 2017, Van Lanschot Kempen and UBS announced agreement on the acquisition by Van Lanschot Kempen of UBS Nederland's wealth management activities. This acquisition is in line with our strategy and enables us to expand our assets under management. The acquisition involved the private banking client relationships, including €2.6 billion in client assets, 35 employees and the products and services of UBS Nederland, giving Van Lanschot Kempen decisive control over these activities. We completed this transaction on 25 August 2017.

The table below sets out the allocation of the acquisition price to the fair value of the acquired assets (including any identifiable intangible assets), liabilities and contingent liabilities at the acquisition date. The identifiable intangible assets reflect the acquired client base and IT. The goodwill is attributable to the workforce and the profitability of the acquired business. The goodwill is included in the Private Banking segment.

UBS's wealth management activities in the Netherlands (x € million)	Fair value of acquisition	Carrying amount of acquisition
Due from banks	15.3	15.3
Intangible assets	32.2	–
Other assets	1.6	1.6
Total identifiable assets	**49.1**	**16.9**
Deferred tax liabilities	1.7	–
Client deposits	15.3	15.3
Other liabilities	1.8	0.2
Total identifiable liabilities	**18.9**	**15.6**
Total net assets	**30.3**	**1.3**
Goodwill	1.7	
Acquisition price	**31.9**	

After completion of this acquisition, UBS Nederland's wealth management activities contributed €4.1 million to our 2017 income and €4.8 million to our expenses. The net result of the UBS Nederland acquisition amounted to €0.5 million negative, of which €1.4 million is related to one-off integration costs.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY CATEGORY AT 31 DECEMBER 2017 (x €1,000)

	Held for trading	At fair value through profit or loss	Available-for-sale	Financial assets or liabilities at amortised cost	Derivatives for hedge accounting	Total
Assets						
Cash and cash equivalents and balances at central banks	–	–	–	1,832,751	–	1,832,751
Financial assets held for trading	38,234	–	–	–	–	38,234
Due from banks	–	–	–	186,459	–	186,459
Derivatives	35,320	222,622	–	–	64,316	322,258
Financial assets designated at fair value through profit or loss	–	394,898	–	–	–	394,898
Available-for-sale investments	–	–	1,738,355	–	–	1,738,355
Held-to-maturity investments	–	–	–	521,349	–	521,349
Loans and advances to the public and private sectors	–	–	–	9,103,327	–	9,103,327
Investments in associates using the equity method	–	–	70,390	–	–	70,390
Tax assets	–	–	–	26,719	–	26,719
Other assets	–	–	–	142,277	–	142,277
Total financial assets	**73,554**	**617,520**	**1,808,745**	**11,812,882**	**64,316**	14,377,017
Non-financial assets						281,857
Total assets						14,658,875
Liabilities						
Financial liabilities from trading activities	1,899	–	–	–	–	1,899
Due to banks	–	–	–	101,645	–	101,645
Public and private sector liabilities	–	–	–	9,145,119	–	9,145,119
Derivatives	34,159	196,837	–	–	87,421	318,417
Financial liabilities designated at fair value through profit or loss	–	971,453	–	–	–	971,453
Issued debt securities	–	–	–	2,411,671	–	2,411,671
Provisions	–	–	–	23,085	–	23,085
Tax liabilities	–	–	–	12,841	–	12,841
Other liabilities	–	–	–	156,820	–	156,820
Subordinated loans	–	–	–	166,802	–	166,802
Total financial liabilities	**36,058**	**1,168,290**	–	**12,017,983**	**87,421**	13,309,752
Non-financial liabilities						1,349,124
Total liabilities						14,658,875

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY CATEGORY AT 31 DECEMBER 2016
(x €1,000)

	Held for trading	At fair value through profit or loss	Available-for-sale	Financial assets or liabilities at amortised cost	Derivatives for hedge accounting	Total
Assets						
Cash and cash equivalents and balances at central banks	–	–	–	1,585,473	–	1,585,473
Financial assets held for trading	16,913	–	–	–	–	16,913
Due from banks	–	–	–	188,748	–	188,748
Derivatives	22,838	217,677	–	–	66,805	307,320
Financial assets designated at fair value through profit or loss	–	336,238	–	–	–	336,238
Available-for-sale investments	–	–	1,680,036	–	–	1,680,036
Held-to-maturity investments	–	–	–	513,438	–	513,438
Loans and advances to the public and private sectors	–	–	–	9,624,048	–	9,624,048
Investments in associates using the equity method	–	–	75,559	–	–	75,559
Tax assets	–	–	–	41,687	–	41,687
Assets classified as held for sale	–	–	–	103,639	–	103,639
Other assets	–	–	–	137,856	–	137,856
Total financial assets	**39,751**	**553,915**	**1,755,595**	**12,194,888**	**66,805**	14,610,955
Non-financial assets						266,456
Total assets						14,877,411
Liabilities						
Financial liabilities from trading activities	5	–	–	–	–	5
Due to banks	–	–	–	128,696	–	128,696
Public and private sector liabilities	–	–	–	9,679,764	–	9,679,764
Derivatives	22,880	205,135	–	–	110,835	338,851
Financial liabilities designated at fair value through profit or loss	–	894,255	–	–	–	894,255
Issued debt securities	–	–	–	2,116,094	–	2,116,094
Provisions	–	–	–	34,047	–	34,047
Tax liabilities	–	–	–	7,073	–	7,073
Other liabilities	–	–	–	157,482	–	157,482
Subordinated loans	–	–	–	167,218	–	167,218
Total financial liabilities	**22,885**	**1,099,391**	–	**12,290,374**	**110,835**	13,523,485
Non-financial liabilities						1,353,926
Total liabilities						14,877,411

RELATED PARTIES

The Executive Board comprises our key management personnel and is responsible for implementing our strategy and managing our four core activities. The Board is made up of the Chairman of the Van Lanschot Kempen Statutory Board, the Van Lanschot Kempen CFO/CRO, the Van Lanschot Kempen COO and the members of the management team with responsibility for our core activities Private Banking, Asset Management and Merchant Banking.

Remuneration of Executive Board	2017	2016
Total	**5,539**	**5,493**
Fixed salary	4,224	4,100
Fixed payment for pension contribution*	985	955
Deferred variable pay for previous years, cash	98	144
Deferred variable pay for previous years, shares	234	280
Severance pay	–	–
Miscellaneous	–	14

Leonne van der Sar succeeded Joof Verhees as a member of the Executive Board on 1 August 2017. Leonne heads up Van Lanschot Kempen's Merchant Banking activities.

For transactions with key management personnel, see "Remuneration of the Statutory and Supervisory Boards".

Affiliates	2017		2016	
	Income	Expenses	Income	Expenses
Stichting Pensioenfonds F. van Lanschot	941	–	1,175	–

* This payment is a contribution for pension and disability insurance and, together with the fixed salary, forms part of the total periodic remuneration.

Parties with significant influence in Van Lanschot Kempen

On the basis of regulatory guidelines, management has decided that entities with a shareholding of at least 5% in Van Lanschot Kempen are parties with significant influence in Van Lanschot Kempen.

The table below shows the year-end income and expenditure relating to these parties in the statement of income and the statement of financial position.

Parties with significant influence in Van Lanschot Kempen in 2017

	Income	Expenses	Amount receivable	Amount payable
Stichting Administratiekantoor van gewone aandelen A Van Lanschot	41	–	–	52
Stichting Pensioenfonds ABP (via APG Asset Management NV)	–	–	–	–
Wellington Management Group LLP	–	–	–	–
Coöperatieve Rabobank UA*	9,108	9,751	–	–
LDDM Holding BV	–	–	–	9
Reggeborgh Invest BV	–	–	–	–

Parties with significant influence in Van Lanschot Kempen in 2016

	Income	Expenses	Amount receivable	Amount payable
Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen	–	–	–	52
Stichting Pensioenfonds ABP (via APG Asset Management NV)	–	–	–	–
Wellington Management Group LLP	–	–	–	–
Coöperatieve Rabobank UA	20,659	21,532	14,934	17,466
LDDM Holding BV	–	–	–	2
Reggeborgh Invest BV	–	–	–	–
Delta Lloyd	–	–	–	–

Loans to parties with significant influence in Van Lanschot Kempen were granted at market conditions, and collateral was provided. Van Lanschot Kempen did not grant any guarantees in 2017 or 2016, and neither were impairments recognised for receivables.

* Stake sold in September 2017.

List of shareholders

In compliance with Section 5.3 of the Dutch Financial Supervision Act, the following notifications have been recorded in the major interests register held by the Dutch Authority for the Financial Markets (AFM). The stated percentages are based on the number of shares or depositary receipts notified on the indicated dates and the number of Class A ordinary shares outstanding at 31 December 2017.

Shareholder	Notification date	Interest
Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen	24 May 2013	97.30%

Depositary receipt holder	Notification date	Interest
Stichting Pensioenfonds ABP (via APG Asset Management NV)	4 January 2014	13.25%
Wellington Management Group LLP	15 December 2014	9.87%
LDDM Holding BV	3 June 2014	9.73%
Reggeborgh Invest BV	15 June 2016	5.01%
FMR LLC	7 July 2016	4.98%
Janus Henderson Group plc	15 June 2016	3.28%
CRUX Asset Management Limited	14 September 2017	3.24%
T. Rowe Price Group, Inc.	9 May 2017	3.07%
Invesco Limited	11 August 2017	3.01%

Disclosure is required once a shareholder's interest reaches, exceeds or falls below certain threshold values, and it should be noted that current stakes of listed shareholders and/or depositary receipt holders may have changed since notification date. Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen currently holds more than 99.99% of the Class A ordinary shares.

For transactions in associates, see "Disclosures of interest in other entities".

DISCLOSURE OF INTERESTS IN OTHER ENTITIES

Key judgements and assumptions

We rely on key judgements and assumptions when determining control and significant influence. We have included these under the headings “Basis of consolidation” and “Summary of significant accounting policies”.

Interests in subsidiaries

The consolidated statement of financial position and statement of income comprise subsidiaries and entities in which Van Lanschot Kempen has control, but excludes the names of relatively minor subsidiaries and entities.

Subsidiaries (%)	2017	2016
F. van Lanschot Bankiers NV	100	100
F. van Lanschot Bankiers (Schweiz) AG	100	100
Kempen & Co NV	96	96
Van Lanschot Participaties BV	100	100
Quion 17 BV	100	100
AIO II BV	72	72
Allshare BV	97	97
Holowell Holding BV	90	90

No restrictions apply between Van Lanschot Kempen and its subsidiaries.

Consolidated structured entities controlled by Van Lanschot Kempen

In the consolidated statement of financial position we consolidate structured entities. These are designed in such a way that the voting rights are not the dominant factor in deciding who controls the entity, and the relevant activities are governed by contractual arrangements. Van Lanschot Kempen is exposed to substantially all of the risk of the structured entity and thereby controls it. We consolidate the following structured entities:

- Courtine RMBS 2013-I BV
- Lunet RMBS 2013-I BV
- Van Lanschot Kempen Conditional Pass-Through Covered Bond Company BV

Courtine RMBS 2013-I BV

On 1 August 2013, we finalised the Courtine RMBS 2013-I transaction, involving Dutch home mortgages to an amount of €862.6 million. Repayments totalling €60.7 million were received in 2017. The facility for topping up the pool with mortgages was ended in 2016. The credit risk was not transferred and Van Lanschot Kempen purchased the debt instruments itself. Senior Class A2 notes are eligible for use as collateral with DNB. The transaction therefore supports the bank’s liquidity management and our role in the structure is that of pool servicer. The way the structure is set up, Van Lanschot Kempen does not have access to all liquidities of the Courtine RMBS 2013-I entity. At year-end 2017, the liquidity to which Van Lanschot Kempen had no access amounted to €12.8 million (2016: €13.9 million). Van Lanschot Kempen is also not able to sell the securitised loans to third parties. The structure does not impose any other restrictions on Van Lanschot Kempen.

Courtine RMBS 2013-I BV	Fitch Ratings	Standard & Poors	Original principal	Date of securitisation	Principal at 31/12/2017	First call option date	Contractual maturity date	Spread
Total			**862,600**		**540,021**			
Senior Class A1			175,000	1/8/2013	–	26/9/2018	26/9/2050	–
Senior Class A2	AAA	AAA	370,000	1/8/2013	231,021	26/9/2018	26/9/2050	2.15%
Mezzanine Class B	AAA	AA+	81,500	1/8/2013	81,500	26/9/2018	26/9/2050	0.00%
Mezzanine Class C			112,000	1/8/2013	112,000	26/9/2018	26/9/2050	0.00%
Junior Class D			115,500	1/8/2013	115,500	26/9/2018	26/9/2050	0.00%
Subordinated Class E			8,600	1/8/2013	–	26/9/2018	26/9/2050	–

Lunet RMBS 2013-I BV

On 7 November 2013, Van Lanschot Kempen finalised the Lunet RMBS 2013-I transaction, involving Dutch home mortgages to an amount of €1.1 billion. The credit risk was not transferred. Virtually all senior Class A1 and A2 notes were placed with a wide group of institutional investors. The sale of these notes resulted in a further diversification of the funding. Our role in the structure is that of pool servicer. The way the structure is set up, Van Lanschot Kempen does not have access to all liquidities of the Lunet RMBS 2013-I entity. At year-end 2017, the liquidity to which Van Lanschot Kempen had no access amounted to €10.8 million (2016: €10.9 million).

Van Lanschot Kempen is also not able to sell the securitised loans to third parties. The structure does not impose any other restrictions on Van Lanschot Kempen. The Senior Class A1 and Senior Class A2 notes of the Lunet RMBS 2013-I transaction were placed externally. The face value of these notes was €436 million at year-end 2017 (2016: €537 million), and their fair value was €440 million (2016: €545 million). The net position is equal to the difference between the fair value of the notes and the mortgages.

Lunet RMBS 2013-I BV	Fitch Ratings	Standard & Poors	Original principal	Date of securitisation	Principal at 31/12/2017	First call option date	Contractual maturity date	Spread
Total			**1,085,800**		**656,364**			
Senior Class A1			244,000	7/11/2013	–	27/12/2018	27/12/2045	–
Senior Class A2	AAA	AAA	639,600	7/11/2013	464,964	27/12/2018	27/12/2045	1.08%
Mezzanine Class B	AAA	AA+	49,400	7/11/2013	49,400	27/12/2018	27/12/2045	0.00%
Mezzanine Class C			71,000	7/11/2013	71,000	27/12/2018	27/12/2045	0.00%
Junior Class D			71,000	7/11/2013	71,000	27/12/2018	27/12/2045	0.00%
Subordinated Class E			10,800	7/11/2013	–	27/12/2018	27/12/2045	–

Courtine and Lunet transactions are all traditional securitisations. A characteristic of a traditional securitisation is that the beneficial title to the securitised receivables is transferred to an entity for securitisation purposes, which subsequently issues securities. The securities issued create a payment obligation for the securitisation entities rather than for Van Lanschot Kempen.

Conditional Pass-Through Covered Bond (CPTCB)

Van Lanschot Kempen established a CPTCB programme in March 2015, allowing the bank to issue covered bonds as the issuing institution. Investors have a dual recourse claim initially against Van Lanschot Kempen, and, in the event of the bank's failure, against a pool of cover assets. We effected the first external issue under this funding programme in April 2015. The bond loan, totalling €500 million with a term to maturity of seven years and a coupon of 0.275%, was placed with institutional investors. We effected the second external issue under this funding programme in March 2016. This bond loan, totalling €500 million with a term to maturity of seven years and a coupon of 0.375%, was placed with institutional investors. We effected a third external issue under this funding programme in February 2017. This bond loan, totalling €500 million with a term to maturity of ten years and a coupon of 0.875%, was also placed with institutional investors.

The tables below show the total amounts of the mortgage loans involved in each securitisation transaction. Loans for which the interest and/or capital repayments are not paid on time are classed as past due. Securitised loans are classed as impaired if a provision has been taken for the loan in question because the client is probably or actually unable to meet all or part of its obligations vis-à-vis the bank.

Securitised loans at 31/12/2017

	Fair value	Carrying amount	Neither past due nor impaired loans	Past due loans	Impaired loans	Impairments
Total	**3,138,782**	**3,068,977**	**3,065,356**	**1,257**	**2,363**	**285**
Courtine RMBS 2013-I BV	538,286	526,314	524,682	520	1,112	285
Lunet RMBS 2013-I BV	663,424	648,670	648,420	–	250	–
Covered Bond Programme	1,937,073	1,893,993	1,892,254	737	1,001	–

Securitised loans at 31/12/2016

	Fair value	Carrying amount	Neither past due nor impaired loans	Past due loans	Impaired loans	Impairments
Total	**2,858,676**	**2,736,368**	**2,724,626**	**2,300**	**9,442**	**1,163**
Courtine RMBS 2013-I BV	751,992	719,783	713,201	1,100	5,482	1,089
Lunet RMBS 2013-I BV	770,374	737,378	733,418	–	3,960	74
Covered Bond Programme	1,336,310	1,279,207	1,278,007	1,200	–	–

Van Lanschot Kempen provides no financial or other support to the securitisation entities, and has no intention of providing such support.

Non-consolidated structured entities

Asset-backed securities (RMBS) are classified as available-for-sale investments. These RMBS investments are structured entities. We do not consolidate these structured entities because Van Lanschot Kempen is not exposed to substantially all of the risk of the structured entity. The table below shows Van Lanschot Kempen's investments in non-consolidated structured entities and the total income from these investments. The Investments column shows the carrying value as recognised in the consolidated statement of financial position.

Van Lanschot Kempen has no other interests in non-consolidated structured entities such as commitments, guarantees, provisions, derivatives or other obligations. The maximum exposure to non-consolidated structured entities is equal to the acquisition cost and amounted to €668.9 million at 31 December 2017 (2016: €662.7 million).

Van Lanschot Kempen provides no financial or other support to non-consolidated structured entities, and has no intention of providing such support.

Non-consolidated structured entities 2017	Interest income	Comprehensive income	Total income	Investments
Total	**2,659**	**3,090**	**5,749**	**668,105**
Asset-backed securities	2,659	3,090	5,749	668,105

Non-consolidated structured entities 2016	Interest income	Comprehensive income	Total income	Investments
Total	**5,036**	**674**	**5,710**	**666,251**
Asset-backed securities	5,036	674	5,710	666,251

Non-controlling interests

The consolidated statement of financial position and statement of income include a number of non-controlling interests; a list of non-controlling interests in Van Lanschot Kempen subsidiaries is provided below.

Non-controlling interests	31/12/2017	31/12/2016
Total	**16,264**	**13,456**
Kempen MIP	13,631	13,613
Consolidated investment funds	12	11
Consolidated shareholdings	2,621	–169

Van Lanschot Kempen's minority interests are recognised under non-controlling interests as part of equity.

Movements in Non-controlling interests	2017			2016		
	Non-controlling interests	Undistributed profit attributable to non-controlling interests	Total	Non-controlling interests	Undistributed profit attributable to non-controlling interests	Total
At 1 January	9,391	4,065	13,456	11,985	7,648	19,633
Profit appropriation	3,393	–3,393	–	2,045	–2,045	–
Dividend	–	–672	–672	–243	–5,602	–5,845
Result for the reporting period	–	5,437	5,437	–	4,065	4,065
Other changes	–1,957	–	–1,957	–4,397	–	–4,397
At 31 December	10,827	5,437	16,264	9,391	4,065	13,456

Kempen Management Investment Plan (MIP)

Before the Kempen Management Investment Plan (MIP) was implemented in 2010, all Kempen shares were held by F. Van Lanschot Bankiers NV. These shares were all converted into Class A ordinary shares following the implementation of the Kempen MIP. At the same time, within the scope of this implementation, Kempen issued 1,658,671 new Class B ordinary shares to Coöperatie MIP in exchange for a total purchase price of €15.0 million.

In 2013, the MIP's structure changed, with Class A ordinary shares converted to ordinary shares and Class B shares to ordinary shares and profit-sharing certificates.

Coöperatie MIP has two members, Stichting MIP and F. van Lanschot Bankiers NV, which hold the membership rights issued by Coöperatie MIP, with Van Lanschot Kempen's membership being legally required. Stichting MIP issued depositary receipts for its membership right in Coöperatie MIP to selected Kempen employees who accepted the offer to invest in the MIP. The total purchase price of the depository receipts amounted to €15.0 million.

At 31 December 2017, there were 12,741 depositary receipts in issue, i.e. 85% of the total available underlying depositary receipts under the Kempen MIP.

Coöperatie MIP has granted Van Lanschot Kempen a call option to acquire the outstanding shares and profit-sharing certificates in MIP held by Coöperatie MIP. This call option may be exercised at any time during a three-month period starting on 1 January of every fifth year following the implementation of the MIP, the first of these starting on 1 January 2016. Van Lanschot Kempen has the right to exercise the call option in the event of undesired outcomes with regard to the Management Investment Plan or other unexpected circumstances. Therefore, the execution of the call option is designated as a contingent settlement alternative. As a contingent settlement alternative at 31 December 2017 is considered unlikely, the MIP is treated as a share-based payment transaction settled in equity instruments. Van Lanschot Kempen decided not to exercise the call option in the MIP in 2016, but to continue the MIP with a few adjustments to the return profile and governance structure. The earliest period in which Van Lanschot Kempen can exercise its call option will be from January to March 2021.

Kempen MIP	31/12/2017	31/12/2016
Number of depositary receipts issued	12,741	12,946
Legally required contribution by Van Lanschot Kempen (€)	100	100

Financial information for Kempen MIP	31/12/2017	31/12/2016
Total assets	16,054	15,779
Total liabilities	–	–
Equity attributable to shareholders	2,423	2,166
Equity attributable to non-controlling interests	13,631	13,613
Total income from operating activities	1,054	779
Total expenses	–	–
Taxes	–	–
Net income	1,054	779
Of which attributable to shareholders	159	107
Of which attributable to non-controlling interests	895	672

Consolidated investments

We consolidate three investments in which non-controlling minority interests of third parties are included. These non-controlling interests of third parties in consolidated investments include minority stakes in AIO II BV of Breda, the Netherlands (28.40%), in Holowell Holding BV of Tholen, the Netherlands (9.77%), and in Allshare BV of Hoofddorp, the Netherlands (2.95%).

The table below provides aggregated information on consolidated investments.

Financial information consolidated investments	31/12/2017	31/12/2016
Total assets	42,670	38,867
Total liabilities	50,186	52,956
Equity attributable to shareholders	–10,137	–13,921
Equity attributable to non-controlling interests	2,621	–169
Total income from operating activities	53,149	44,039
Total expenses	38,691	35,496
Taxes	3,810	1,871
Net income	10,647	6,672
Of which attributable to shareholders	6,104	3,272
Of which attributable to non-controlling interests	4,544	3,400

Associates

Investments in associates using the equity method

As part of our investment policy, we invest in medium-sized companies in the Netherlands, only holding minority interests of 20% to 49%. These investments are classified as investments in associates using the equity method. In 2017, we obtained a significant minority interest in Bolster Investments Coöperatief UA as a cornerstone investor, and we continue to own the Van Lanschot Participaties portfolio, comprising all interests acquired prior to 2016. Bolster Investments Coöperatief UA purchased all investments acquired by Van Lanschot Participaties since 1 January 2016 and so held stakes in Adomex, Jansens & Dieperink, Market Food Group and Trophy Assets Holding.

The table below shows the largest investments in associates based on the carrying amount.

Name	Activities	Head office	Interest
Bolster Investments Coöperatief UA	Bolster is a long-term investor specialising in taking minority shareholdings of 20-50% in private companies and pursues a flexible, long-term investment horizon, allowing its portfolio to realise their long-term growth potential.	Amsterdam	44.55%
Gerco Brandpreventie BV	Gerco is the Dutch market leader in the field of fire compartmentation of buildings.	Schoonhoven	42.50%
Marfo Food Group Holding BV	Marfo creates and prepares fresh frozen meals for airlines, hospitals, care homes, detention centres and remote locations.	Lelystad	37.50%
Movares Group BV	Movares provides engineering and consultancy services in the fields of mobility, infrastructure, spatial planning and transport systems.	Utrecht	29.63%
OGD Beheer BV	OGD provides ICT services to medium-sized and large companies, public and semi-public and non-profit organisations. Its services include service management, outsourcing, software development and ICT training.	Delft	30.36%
ORMIT Holding BV	ORMIT specialises in talent and leadership development, helping large companies find, develop and retain talent; it operates in Belgium and the Netherlands.	De Bilt	30.50%
Ploeger Oxbo Group BV	Ploeger Oxbo develops, manufactures and sells a wide range of specialist harvesting equipment to customers across the world.	Roosendaal	20.97%
Quint Wellington Redwood Holding BV	Quint is an independent consultancy focusing on the strategic management, sourcing and outsourcing, and implementation of IT-related processes in organisations.	Amstelveen	20.80%
Software Huis Holland BV (Kraan Bouw Computing)	Kraan Bouw Computing provides a wide range of software products for the construction and real estate sectors.	Rotterdam	49.00%
Tecnotion Holding BV	Tecnotion designs, produces and sells linear motors across the world, to the semiconductor, electronics, LCD, automotive and robotics industries among others.	Almelo	37.98%
Van Lanschot Chabot	Van Lanschot Chabot is an independent insurance adviser and intermediary.	's-Hertogenbosch	49.00%

Aggregated financial information of associates for which Van Lanschot Kempen applies the equity method	31/12/2017		31/12/2016	
	Associates, equity method	Attributable to Van Lanschot Kempen	Associates, equity method	Attributable to Van Lanschot Kempen
Total	**224,500**	**70,390**	**196,933**	**75,559**
Current assets	190,623	55,453	246,040	82,332
Non-current assets	276,243	94,586	256,627	87,533
Current liabilities	–124,918	–42,408	–138,014	–47,074
Non-current liabilities	–117,449	–37,511	–167,720	–58,858
Goodwill		5,851		16,494
Impairments		–7,356		–8,032
Other		1,775		3,164
Other financial information				
Dividend received		3,833		7,325
Income from operational activities		21,932		21,300
Share of net income		13,129		11,543
Unrecognised share of losses		3,207		3,040
Comprehensive income		–		–

The table “Transactions with associates using the equity method” shows the income and expenses that we report in the statement of income and the positions included in the statement of financial position, as well as guarantees issued at year-end in respect of these entities.

Transactions with associates using the equity method	31/12/2017	31/12/2016
Income	267	90
Expenses	–	–
Amount receivable	1,375	2,700
Amount payable	642	2,576
Guarantees	29	183

Loans granted to entities in which we exercise significant influence but do not have decisive control are granted on market terms and secured on collateral provided. No impairments were applied to the receivables in either 2017 or 2016.

Van Lanschot Participaties

Investments using the equity method are managed by Van Lanschot Participaties, with the exception of our stake in Bolster Investments Coöperatief and Van Lanschot Chabot. As part of its direct holdings, Van Lanschot Participaties issues subordinated loans and cumulative preference shares, while it also invests in a portfolio of equity funds.

In addition, Van Lanschot Participaties is the controlling shareholder of a number of stakes resulting from debt conversions and consolidated in the Van Lanschot Kempen accounts (note that this is not a core activity for Van Lanschot Participaties). The table below shows Van Lanschot Participaties' financial impact on the consolidated statement of financial position and statement of income. The table does not include information about controlling interests.

Investment activity	Item	Carrying value	Interest	Income from securities and associaties	Impairments	Total
Direct investment	Investment in associates using the equity method	45,708	–	13,310	–335	12,976
Shareholdings	Available-for-sale investments	10,850	1,971	–	3,191	5,162
Subordinated loans	Loans and advances to the public and private sectors	4,462	239	–	–	239
Fund investment	Available-for-sale investments	6,161	–	3,324	–59	3,265
Total		**67,181**	**2,209**	**16,634**	**2,797**	**21,641**

Joint ventures in which Van Lanschot Kempen is a partner

We have no joint ventures.

COMMITMENTS

Lease and rental agreements

We have included the following operating lease payments in the statement of income under Other administrative expenses.

Lease and rental agreements	2017	2016
Total	**16,070**	**18,442**
Minimum lease payments	5,531	5,563
Rent	10,539	12,879

We expect to include the following minimum payments for contractually agreed lease and rental agreements over the next few years.

Future payments for lease and rental agreements	31/12/2017	31/12/2016
Total	**84,149**	**87,657**
Within 1 year	15,738	14,748
1 to 5 years	39,239	39,938
More than 5 years	29,173	32,970

Commitments (x € million)	31/12/2017	31/12/2016
Rent		
Rent for buildings (including service fees and rent for any parking spaces)	75.1	79.3
Future lease payments		
Car lease costs	8.6	8.4
Lease costs for copying equipment	0.4	–

The remaining terms of the lease and rental agreements range between one month and 11 years.

Other commitments

IT contracts

In 2017, Van Lanschot Kempen entered into several IT contracts for hiring services and capacity, and for licensing, implementation and maintenance of our mortgage administration system and our payment transaction system. Our future contractual payment commitments for the new and existing IT contracts amount to €30.8 million, as shown below.

Future payments for IT contracts	
Total	**30,776**
Within 1 year	11,426
1 to 5 years	19,274
More than 5 years	76

Early termination of these contracts could result in additional costs. Exit fees are linked to the remaining term of the contracts.

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 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, foundations and associations.

Evi
Evi, Van Lanschot Kempen's online investments and savings coach, 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, structured investment activities, capital market transactions and debt advisory services to institutional investors, corporates, financial institutions and public and semi-public entities.

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

Other activities
These comprise activities in the fields of interest rate, market and liquidity risk management, the staff of the group (e.g. HR), as well as the activities of Van Lanschot Participaties and consolidated investments.

Operating segments in 2017 (x € million)

	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other activities	Total
Statement of income							
Net interest income	151.4	3.3	–	–	33.1	7.5	195.4
Income from securities and associates	–	–	–1.2	–	–	38.9	37.7
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	–	–	–	–	–	53.1	53.1
Total income from operating activities	**276.9**	**7.9**	**91.2**	**46.2**	**35.8**	**109.4**	**567.3**
Staff costs	97.6	4.6	39.6	23.4	5.7	92.0	263.0
Other administrative expenses	71.6	7.9	21.9	8.0	2.3	66.9	178.5
Allocated internal expenses	57.9	7.0	10.9	9.2	12.1	–97.0	–
Depreciation and amortisation	4.4	–	0.6	–	–	10.9	16.0
Impairments	–3.2	–	–	–	–6.0	–1.5	–10.7
Total expenses	**228.3**	**19.5**	**73.0**	**40.6**	**14.0**	**71.4**	**446.8**
Operating result before tax	**48.6**	**–11.6**	**18.2**	**5.6**	**21.7**	**38.0**	**120.5**
Efficiency ratio (%)	84%	248%	80%	88%	56%	67%	81%

Operating segments in 2016 (x € million)

	Private Banking	Evi	Asset Management	Merchant Banking	Corporate Banking	Other activities	Total
Statement of income							
Net interest income	145.2	3.9	–	–	43.0	17.6	209.8
Income from securities and associates	–	–	–0.3	–	–	29.9	29.7
Net commission income	104.0	3.6	86.2	46.7	3.0	0.1	243.7
Profit on financial transactions	1.3	–	0.1	1.8	–	–7.0	–3.9
Other income	–	–	–	–	–	45.2	45.2
Total income from operating activities	**250.5**	**7.6**	**86.0**	**48.5**	**46.0**	**85.8**	**524.4**
Staff costs	91.1	3.3	37.1	23.1	5.1	95.3	255.0
Other administrative expenses	63.0	8.8	20.2	6.7	7.0	63.5	169.1
Allocated internal expenses	56.0	7.8	14.8	9.9	17.6	–106.1	–
Depreciation and amortisation	2.2	0.1	0.4	0.1	–	13.8	16.6
Impairments	1.2	–	–	–	–	–3.4	–2.1
Total expenses	**213.5**	**20.1**	**72.5**	**39.8**	**29.7**	**63.1**	**438.6**
Operating result before tax	**37.0**	**–12.5**	**13.6**	**8.7**	**16.3**	**22.7**	**85.8**
Efficiency ratio (%)	85%	264%	84%	82%	65%	77%	84%

Our revenues are primarily derived from the Netherlands, which accounts for over 89% of group revenue. No other geographical segment provides the group with more than 6% of total revenue.

The tables below give additional information on the geographical spread of income from operations.

Geographical segments in 2017 (x € million)

	Netherlands	Belgium	Other	Total
Statement of income				
Total income from operating activities	**509.0**	**32.0**	**26.3**	567.3
Of which income from other segments	–6.9	5.8	1.2	–
Statement of financial position				
Due from banks	47.2	–	–	47.2
Investments in associates using the equity method	70.4	–	–	70.4
Total non-current assets*	**117.6**	–	–	117.6

Geographical segments in 2016 (x € million)

	Netherlands	Belgium	Other	Total
Statement of income				
Total income from operating activities	**465.7**	**29.2**	**29.5**	524.4
Of which income from other segments	–5.1	3.7	1.4	–
Statement of financial position				
Due from banks	39.0	–	–	39.0
Investments in associates using the equity method	75.6	–	–	75.6
Total non-current assets*	**114.6**	–	–	114.6

* Other than financial instruments, deferred tax assets and post-employment assets.

Country by country reporting on a consolidated basis at 31 December 2017

Country	Name of main subsidiary	Nature of activities	Average number of staff, in FTEs	Total income from operating activities (x € million)	Operating result before tax (x € million)	Income tax (x € million)	Government subsidies (x € million)
Total			**2,066**	**567.3**	**120.5**	**25.6**	**–**
Netherlands	F. van Lanschot Bankiers NV	Wealth management	1,867	509.0	117.6	22.8	–
Belgium	F. van Lanschot Bankiers NV branch	Wealth management	143	32.0	–0.6	1.9	–
Switzerland	F. van Lanschot Bankiers (Schweiz) AG	Wealth management	23	11.4	1.4	0.4	–
United Kingdom	Kempen & Co NV branch	Asset management	20	7.2	0.3	0.1	–
United Kingdom (Scotland)	Kempen Capital Management (UK) Ltd	Asset management	8	5.2	1.8	0.3	–
United States	Kempen & Co USA Inc.	Securities trading and research distribution	5	2.6	0.1	0.1	–
France	Kempen Capital Management (FR)	Asset management	0	–	–0.1	–	–

Country by country reporting on a consolidated basis at 31 December 2016

Country	Name of main subsidiary	Nature of activities	Average number of staff, in FTEs	Total income from operating activities (x € million)	Operating result before tax (x € million)	Income tax (x € million)	Government subsidies (x € million)
Total			**2,051**	**524.4**	**85.8**	**16.0**	**–**
Netherlands	F. van Lanschot Bankiers NV	Wealth management	1,846	465.7	89.3	17.9	–
Belgium	F. van Lanschot Bankiers NV branch	Wealth management	147	29.2	–5.8	–2.4	–
Switzerland	F. van Lanschot Bankiers (Schweiz) AG	Wealth management	22	10.2	1.1	0.2	–
United Kingdom	Kempen & Co NV branch	Asset management	22	12.1	0.2	–	–
United Kingdom (Scotland)	Kempen Capital Management (UK) Ltd	Asset management	9	4.6	0.9	0.2	–
United States	Kempen & Co USA Inc.	Securities trading and research distribution	5	2.6	0.1	0.0	–
Luxembourg	Vakan NV	Other	–	–	–	–	–

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017
(x €1,000)

Assets		31/12/2017	31/12/2016
Investments in subsidiaries	(a)	1,332,860	1,340,470
Total assets		**1,332,860**	**1,340,470**

Equity and liabilities		31/12/2017	31/12/2016
Equity	(b)	1,332,860	1,340,470
Total equity and liabilities		**1,332,860**	**1,340,470**

COMPANY STATEMENT OF INCOME FOR 2017
(x €1,000)

Statement of income		2017	2016
Income from subsidiaries	(c)	89,508	65,735
Net result		**89,508**	**65,735**

The letters alongside the items refer to the relevant note to the company financial statements.

ACCOUNTING POLICIES GOVERNING COMPANY FINANCIAL STATEMENTS

The company financial statements of Van Lanschot Kempen NV have been prepared in accordance with the statutory provisions of Article 402, Part 9, Book 2, of the Dutch Civil Code. We have availed ourselves of the facility offered by Section 362(8), Book 2 to use the same accounting policies (including those for the presentation of financial assets as equity or debt) as used in the consolidated financial statements. This does not apply to Investments in associates, which are recognised at net asset value.

The consolidated financial statements are denominated in euros, the functional and reporting currency of Van Lanschot Kempen. Unless stated otherwise, all amounts are given in thousands of euros.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
(x €1,000)

a Investments in subsidiaries

F. van Lanschot Bankiers NV is measured at net asset value, with our share in the result recognised in the statement of income under Income from subsidiaries. Movements in this item were as follows:

Investments in subsidiaries	2017	2016
At 1 January	1,340,470	1,299,358
Share premium payment	–40,847	40
Revaluations	–56,271	–24,663
Group company results	89,508	65,735
At 31 December	**1,332,860**	**1,340,470**

Further information on the revaluations can be found in Note 24 to the consolidated financial statements, Equity.

Van Lanschot Kempen NV has issued undertakings pursuant to Article 403, Book 2, of the Dutch Civil Code for:

– Kempen & Co NV
– NNE BV
– Efima Hypotheken BV
– Van Lanschot Participaties BV
– BV Beheer- en Beleggingsmij Orthenstraat

b Equity

Equity	31/12/2017		31/12/2016	
Total		**1,332,860**		**1,340,470**
Issued share capital		41,147		41,092
Treasury shares		–7,869		–4,059
Share premium reserve		441,459		481,258
Revaluation reserve	14,013		20,249	
Actuarial results on defined benefit schemes	–17,885		–16,625	
Cash flow hedge reserve	–9,825		–10,883	
Statutory reserves	34,843		33,156	
Reserves under the Articles of Association	1,602		2,257	
Available reserves	745,868		728,291	
Other reserves		768,616		756,445
Result for the current financial year		89,508		65,735

For movements in equity, see Note 24 to the consolidated financial statements, Equity.

In the year under review, conditional rights to 52,226 depositary receipts of Class A ordinary shares were awarded, for no consideration. To cover its open positions, Van Lanschot Kempen retains 299,695 depositary receipts of Class A ordinary shares (2016: 218,206).

The statutory reserves comprise a reserve in the amount of the share in the positive income from associates (Article 389(6), Book 2, of the Dutch Civil Code) of €32.9 million and a reserve for currency translation differences on associates of €1.6 million.

c Income from subsidiaries

This item includes the net profit attributable to shareholders.

PROFIT APPROPRIATION

If the Annual General Meeting of Shareholders approves the dividend proposal as included in these financial statements, the appropriation of net result will be as follows:

Profit appropriation	2017	2016
Total	**89,508**	**65,735**
Addition to/withdrawal from reserves	30,280	16,686
Dividend on Class A ordinary shares	59,228	49,048

REMUNERATION OF THE STATUTORY AND SUPERVISORY BOARDS

For further details of remuneration received in 2017, see "Remuneration" on pages 63-66.

Remuneration Statutory Board in 2017

	Fixed salary*	Fixed payment toward pension contribution**	Variable pay, cash	Deferred variable pay for previous years, shares***	Severance pay	Miscellaneous	Total remuneration
Total	**2,936**	**681**	–	**136**	–	–	**3,753**
Karl Guha	1,004	225	–	34	–	–	1,263
Constant Korthout	644	152	–	34	–	–	830
Richard Bruens	644	152	–	34	–	–	830
Arjan Huisman	644	152	–	34	–	–	830

Remuneration Statutory Board in 2016

	Fixed salary*	Fixed payment toward pension contribution**	Variable pay, cash	Deferred variable pay for previous years, shares***	Severance pay	Miscellaneous	Total remuneration
Total	**2,850**	**660**	–	**136**	–	**14**	**3,660**
Karl Guha	975	219	–	34	–	7	1,235
Constant Korthout	625	147	–	34	–	7	813
Richard Bruens	625	147	–	34	–	–	806
Arjan Huisman	625	147	–	34	–	–	806

* A proportion of fixed salary is paid in the form of Van Lanschot Kempen shares. Karl Guha received 11,058 shares and the other members of the Statutory Board each received 9,830 shares. The number of shares granted is based on the average share price for the first four trading days of 2017 (€20.35). IFRS takes the share price at grant date as the basis for recognition. This price also amounted to €20.35.

** This payment is a contribution for pension and disability insurance and, together with the fixed salary, forms part of the total periodic remuneration.

*** As of 2015, the remuneration of the Statutory Board was changed and variable pay was ended as part of the new remuneration policy. The table "Remuneration of Statutory Board" in the Remuneration section on page 65 of the directors' report does not show variable remuneration payable in shares awarded. IFRS, as adopted within the European Union, prescribes that the costs of deferred variable share-based compensation should be spread over the period within which the relevant activities were performed. The vesting period for shares conditionally awarded in the 2014 financial year is 2015 to 2017; the shares vest in equal portions.

Depositary receipts for shares granted and awarded to Statutory Board at 31 December 2017							
	Granted conditionally (maximum)			Awarded unconditionally*			
	Year	Number	Value (x €1,000)	Year	Number	Value (x €1,000)	Lock-up period until
Karl Guha	2015	1,795	34	2018	1,795	34	2023
Constant Korthout	2015	1,808	34	2018	1,808	34	2023
Richard Bruens	2015	1,808	34	2018	1,808	34	2023
Arjan Huisman	2015	1,808	34	2018	1,808	34	2023

Depositary receipts for shares granted and awarded to Statutory Board at 31 December 2016							
	Granted conditionally (maximum)			Awarded unconditionally**			
	Year	Number	Value (x €1,000)	Year	Number	Value (x €1,000)	Lock-up period until
Karl Guha	2015	3,590	67	2017	1,795	34	2022
				2018	1,795	34	2023
Constant Korthout	2015	3,616	68	2017	1,808	34	2022
				2018	1,808	34	2023
Richard Bruens	2015	3,616	68	2017	1,808	34	2022
				2018	1,808	34	2023
Arjan Huisman	2015	3,616	68	2017	1,808	34	2022
				2018	1,808	34	2023

Number of depositary receipts for shares held by Statutory Board members in 2017				
	At 1 January	Bought/ awarded	Sold/post-employment	At 31 December
Total	**129,311**	**25,366**	**–**	**154,677**
Karl Guha	36,298	6,826	–	43,124
Constant Korthout	39,146	6,180	–	45,326
Richard Bruens	35,108	6,180	–	41,288
Arjan Huisman	18,759	6,180	–	24,939

At 31 December 2017, the members of the Statutory Board held no options for depositary receipts for shares.

* The unconditional award of the third portion of the conditional variable remuneration in shares awarded for the 2014 financial year will be made at the Supervisory Board meeting on 21 February 2018. The table “Depositary receipts for shares granted and awarded to Statutory Board members at 31 December 2017” reports the relevant depositary receipts for shares that will vest in 2018.

** The unconditional award of the second portion of the conditional variable remuneration in shares awarded for the 2014 financial year was made at the Supervisory Board meeting on 8 March 2017. The table “Depositary receipts for shares granted and awarded to Statutory Board members at 31 December 2016” reports the relevant depositary receipts for shares that vested in 2017.

Loans to Statutory Board members at 31 December 2017	At 31 December	Repaid	Interest	Term	Collateral
Total	**2,426**	**245**			
Constant Korthout	450	–	2.30%	30	Mortgage
	150	–	1.90%	30	Mortgage
Richard Bruens	554	17	1.90%	30	Mortgage
	600	–	1.90%	30	Mortgage
	272	8	1.90%	30	Mortgage
Arjan Huisman	–	220	1.40%	30	Mortgage
	400	–	Floating	30	Mortgage

Loans to Statutory Board members at 31 December 2016	At 31 December	Repaid	Interest	Term	Collateral
Total	**2,671**	**526**			
Constant Korthout	450	–	2.30%	30	Mortgage
	150	100	3.50%	30	Mortgage
Richard Bruens	1,171	15	2.00%	30	Mortgage
	280	7	2.00%	30	Mortgage
	–	64	Floating	1	–
Arjan Huisman	220	120	1.40%	30	Mortgage
	400	220	Floating	30	Mortgage

No advances or guarantees have been granted to the members of the Statutory Board. No impairments or write-offs have occurred on loans granted to the Statutory Board.

Remuneration of the Supervisory Board	2017	2016*
Total	**444**	**380**
Willy Duron	107	107
Manfred Schepers (from 18 May 2017)	49	–
Jeanine Helthuis	64	64
Bernadette Langius	62	62
Godfried Van Lanschot	60	60
Lex van Overmeire (from 30 January 2017)	65	–
Jos Streppel (up to 18 May 2017)	36	87

No loans or advances had been granted to members of the Supervisory Board at 31 December 2017 and 31 December 2016.

The company and its subsidiaries only grant personal loans, guarantees and the like to Supervisory Board members within the scope of normal operations and in keeping with conditions laid down in the financial services regulations for directors of F. van Lanschot Bankiers NV, subject to the approval of the Supervisory Board. Loans are not forgiven.

's-Hertogenbosch, the Netherlands, 21 February 2018

Supervisory Board
– Willy Duron, *Chairman*
– Manfred Schepers, *Deputy Chairman*
– Jeanine Helthuis
– Bernadette Langius
– Godfried van Lanschot
– Lex van Overmeire

Statutory Board
– Karl Guha, *Chairman*
– Constant Korthout
– Richard Bruens
– Arjan Huisman

* Tom de Swaan resigned as a member of the Supervisory Board on 25 February 2016. In 2016 he received a remuneration of €8,167.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the reporting date that affect the relevance of information provided in the 2017 financial statements.

Other information

INDEPENDENT AUDITOR'S REPORT

To: the general meeting and supervisory board of
Van Lanschot Kempen N.V.

Report on the financial statements 2017

Our opinion

In our opinion:

– the accompanying consolidated financial statements give a true and fair view of the financial position of Van Lanschot Kempen N.V. as at 31 December 2017, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
– the accompanying company financial statements give a true and fair view of the financial position of the Van Lanschot Kempen N.V. as at 31 December 2017, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2017 of Van Lanschot Kempen N.V., Den Bosch ('the Company). The financial statements include the consolidated financial statements of Van Lanschot Kempen N.V. and its subsidiaries (together: 'the Group') and the company financial statements.
The consolidated financial statements comprise:

– the consolidated statement of financial position as at 31 December 2017;
– the following statements for 2017: the consolidated statements of income, comprehensive income, changes in equity and cash flows; and
– the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

– the company statement of financial position as at 31 December 2017;
– the company statement of income for the year then ended; and
– the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Van Lanschot Kempen N.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

Van Lanschot Kempen N.V. is a Dutch wealth management institution operating in the segments private banking, online investments and savings platform Evi, asset management, merchant banking, corporate banking and other activities. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the executive board made important judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

In the section 'summary of significant accounting principles' of the financial statements the Group describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. The impairment of loans and advances to the public and private sectors is, given the nature of the Group, one of the largest risks and exposures. This is due to the significant management judgments involved and the use of complex models. Also the fair value measurement of financial instruments involves significant judgments from management. Therefore we considered these to be key audit matters as set out in the key audit matter section of this report.

The various IT change initiatives (such as the outsourcing of operational activities to third parties, largely phasing out of legacy computer systems, automation of the regulatory reporting tool and realisation of one control documentation environment) bring inherent operational and reputation risks that could also have an indirect and direct impact on business and financial reporting processes of the Group.

As these change initiatives may affect systems, processes and the effectiveness of controls they could affect the financial statements and our audit. Therefore, we included this as a key audit matter this year.
Compared to prior year, we have not included the following areas of focus as a key audit matter in this report:
- Valuation of deferred tax assets.
- Provision for compensation of SME interest rate derivatives in accordance with the Uniform Recovery.

Framework

The reason for not including these two areas of focus as a key audit matter relates to the relative limited size of the remaining financial amounts associated with these balances and the lower level of estimation uncertainty with respect to these items.

Other areas of focus in our audit of the annual report, that were not considered to be key audit matters, were goodwill, intangible assets, remuneration and IAS 8 disclosure regarding the impact of IFRS 9 on the 1/1/2018 opening balance. IFRS 9 is not included as a key audit matter, as the estimated impact of the new IFRS 9 standard on the opening balance as of 1/1/2018 was not considered a significant risk due to the nature of the loan portfolio and the levels of judgement involved, also compared to other banks.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the executive board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a wealth management organization with banking operations. We therefore included specialists in the areas of IT, accounting and valuation of financial instruments, employee benefits and taxation in our team.

The outline of our audit approach was as follows:

Materiality
- Overall materiality: €6.025 million.

Audit scope
- We conducted our audit work primarily in the Netherlands.
- Site visits were conducted to Belgium and Switzerland.
- Audit coverage: 99% of consolidated total assets, 97% of total revenue and, 99.8% of profit before tax.

Key audit matters
- Impairments of loans and advances to the public and private sectors.
- Fair value measurement of financial instruments.
- Reliability and continuity of IT-systems.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall Group materiality	€6.025 million (2016: €4.25 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used profit before tax.
Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the Company and is widely used within the industry.
Component materiality	To each component in our audit scope, we allocate, based on our judgement, materiality that is less than our overall group materiality. The range of materiality allocated across components was between €675k and €3.562k. Certain components were audited to a local statutory audit materiality that was also less than our allocated group materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €300 thousand (2016: €212.5 thousand) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Van Lanschot Kempen N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Van Lanschot Kempen N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

The group audit primarily focussed on the significant components: F. van Lanschot Bankiers N.V., Kempen & Co N.V., Van Lanschot Belgian Branch, F. van Lanschot Bankiers (Schweiz) AG , Van Lanschot Participaties B.V. and AIO II B.V. As these components were individually significant to the group, they were subjected to audits of their complete financial information.

Additionally, two components were selected for audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements.

For the components Van Lanschot Belgian Branch, F. van Lanschot Bankiers (Schweiz) AG and AIO II B.V we instructed component auditors that are familiar with the local laws and regulations to perform the audit work. For the other significant components, the group audit team performed the work.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Total assets	99 %
Profit before tax	99.8 %
Revenue	97 %

None of the remaining components represented individually more than 0.2% of total group assets, 1.2% of revenues and 1.7% of profit before tax. For the remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The group audit team visited the Belgian and Swiss operations and local component auditors given the significance of these components.

The Group consolidation, financial statement disclosures and a number of complex items (including the items addressed below as key audit matter) are audited by the Group engagement team. By performing the procedures mentioned above at components, combined with additional procedures at Group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the executive board, the audit and compliance committee and the supervisory board. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

Key audit matter	How our audit adressed the matter
Impairments of loans and advances to the public and private sectors See note 8 to the financial statements for the disclosures of loans and advances to the public and private sectors including impairments, the paragraph ‘Impairments of loans and advances to the public and private sectors’ of the summary of significant accounting principles and subsection 2 of the risk management paragraph containing the disclosures in view of credit risk. The gross loans and advances to the public and private sectors amount to €9.103 million, the total impairment as at 31 December 2017 amounts to €120.4 million.	Our audit procedures included an assessment of the overall governance of the credit and impairment process of the Company and the testing of operational effectiveness of the internal controls directly related to: – the identification of impairment triggers; – the parameters and data applied in the impairment models, including the governance around the models and the model validation and testing; and – the review and approval by management on the outcomes of the individual impairments and the impairment models.

We consider the impairment of loans and advances to public and private sectors a key audit matter as management applies significant judgment in the determination and recognition of these impairments, and complex models and assumptions are utilized in the process combined with the magnitude of the loans and advances to customer balances. As the impairment of the loans and advances are significant to the financial statements, a change in assumptions may have a material effect on the financial statements.

The impairment of loans and advances to the public and private sectors consists of two different components:
– impairments for individually identifiable impaired loans and advances ('individual items'); and
– the model-based impairments for incurred but not reported losses ('IBNR').

The judgmental elements included in the impairment for individual identifiable impaired loans and advances are:
– timely identification of impairment triggers;
– the expected future cash flows;
– the discount rate; and
– the value and recoverability of the corresponding collateral.

The subjective elements included in the model-based IBNR concern:
– the probability of default ('PD');
– exposure at default ('EAD');
– loss given default ('LGD'); and
– loss identification period ('LIP').

For impairments for individually identifiable impaired loans and advances, we paid attention to the application which is used to identify and to calculate impairments for these individual items. We assessed the IT controls around this application and determined that the calculations are in alignment with the requirements of IAS 39.

We determined that we could rely on these controls for the purpose of our audit.

We substantively tested for a risk based sample of the loans and advances the judgmental elements such as:
– classification as performing or non-performing loan based on the (non-)existence of triggering events;
– nature and accuracy of the expected future cash flows with reference to current economic performance, assumptions most commonly used in the industry, and comparison with external evidence or historical trends;
– the accuracy of the applied discount rate with reference to external sources; and
– the valuation of the corresponding collateral (for example using appraisal reports and/or other information) with support of our valuation experts, with reference to industry standards and the inspection of legal agreements and supporting documentation to confirm the existence and legal right to collateral.

We found management's judgments to be supported by available evidence.

For the IBNR provision, the Company applies a model for the recognition and calculation of the impairment. We assessed the reliability of the data and checked the mathematical accuracy by re performing the extraction of data used and we assessed the outcome of the model validation reports as prepared by the Company. We tested the assumptions and data used for the collective impairment for IBNR provision, by assessing the accuracy of the applied EADs, PDs and LGDs based on reconciling these to the outcomes of the calculation model and by performing sample testing on the source data of the LIP. An area of focus in our assessment has been the accuracy of the LIP and actual incurred losses used as inputs for the expected loss.

We found that the Group's estimates and judgements used in the recognised impairments were supported by available evidence.

We assessed the completeness and accuracy of the disclosures relating to impairments of loans and advances to the public and private sector. We evaluated compliance with disclosure requirements from EU-IFRS and the appropriate reflection of the Group's exposures to credit risk.

Fair value measurement of financial instruments

See notes 2, 4, 5, 6, 7, 15 and 18 to the financial statements for the disclosures of the financial instruments valued at fair value and subsection 10 of the risk management paragraph in the financial statements: 'fair value' that contains the fair valuation policies, its disclosures and the split of financial instruments to level 1, 2 and 3.

The total asset value of financial instruments measured at fair value as at 31 December 2017 amounts to €395 million and the total liability value amounts to €971 million.

The fair value measurement of financial instruments consists of:
– financial assets and liabilities held for trading;
– derivatives;
– financial assets and liabilities designated at fair value through profit or loss; and
– available-for-sale investments.

For financial instruments traded in active markets and for which observable market prices or other market information is available (level 1) there is limited judgment involved in determining the fair value of these instruments.

However, when directly observable market prices or other market information is not available the fair value is subject to (significant) judgement. Fair value of financial instruments significantly affects the measurement of profit and loss and disclosures of financial risks in the financial statements. Due to the magnitude of financial instruments measured at fair value and the judgments applied by management measurement of such financial instruments (level 2 and level 3 financial instruments), we determined this to be a significant matter for our audit.

Our audit included obtaining an understanding and testing of the Company's internal controls with respect to the governance over models, financial instrument deal capturing, source data management and the valuation of financial instruments. We determined that we could rely on these controls for the purpose of our audit.

For each type of financial instrument in level 2 and 3, we tested, with support of valuation specialists, on a sample basis, the outcome of management's valuations process as follows:
– testing the appropriateness of the settings within the valuation models used with market practices;
– comparing on a sample basis the observable input data with independent data sources and externally available market data (where available), which included assumptions and estimates such as market prices, credit spreads, (amongst others CVA/DVA) yield curves, correlations and volatilities;
– evaluating the inputs and models used in determining the unobservable inputs via independent sources where available;
– independently re-performing, on a sample basis, the valuation using, the tested data in, where possible, our own valuation tools and with external data sources where available; and
– assessing the appropriateness of the classification as either level 2 or 3.

We found that management's outcome of the models used for the fair value of the level 2 and 3 financial instruments, in the context of the estimation uncertainty concerned, fell within a reasonable and acceptable range of outcomes.

We assessed the completeness and accuracy of the disclosures relating to the level 2 and 3 financial instruments measured at fair value and verified compliance with disclosure requirements from EU-IFRS.

The fair value of such financial instruments is determined using valuation techniques (such as discounted cash flow models and option valuation models) in which judgements made by management and the use of assumptions and estimates such as market prices, credit spreads, (amongst others CVA/DVA) yield curves, correlations and volatilities are important factors.	
Reliability and continuity of IT systems The Company relies on the reliability and continuity of information technology (IT) systems for its operational, regulatory and financial reporting processes. The Company's accounting and reporting processes are heavily dependent on IT general controls (ITGCs) that establish and preserve the ongoing integrity of the system access rights and restrictions intended in the design of internal control. The Company has commenced a number of IT projects to continue to meet the high reporting standards and expectations from stakeholders relating to operating effectiveness, efficiency and data quality. In this way the Company is accommodating the ongoing regulatory changes imposed to the banking industry. These projects led to change in several of the Group's control activities related to financial reporting. This could, in the implementation phase, increase the risk of material misstatement. Deficiencies in IT general controls as such could have a pervasive impact across the Company's internal control framework. Also the outsourcing to third party service providers is considered an additional focal area to our audit as this brings extra complexity to the IT environment. Therefore we identified the reliability and continuity of information technology of the Company as a key audit matter.	Our efforts were focused on: – Entity level controls over information technology in the IT-organisation, including IT-governance, IT-risk management and cyber security management. – Governance over the strategic IT transformational projects including vendor risk and third party assurance. – For the outsourced activities, review of service level agreements and ISAE 3402 type 2 reports where we have evaluated the scope of the reports, the outcome and impact on our audit procedures. – Management of access to programs and data, including user access to the network, access to and authorizations within applications, privileged access rights to applications, databases and operating systems. – Management of changes to applications and IT-infrastructure, including the change management process and the implementation of changes in the production systems. – Computer Operations, including batch monitoring, back-up and recovery and incident management. We focused on the ITGCs to the extent relevant for the purpose of our audit of the financial statements. Our test procedures indicate that we could place reliance on these controls for the purpose of our audit, and that, in the context of our audit of the financial statements, we could rely on the ISAE 3402 Type 2 assurance report from the third party service providers.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of the following chapters:

- About Van Lanschot Kempen.
- Report of the executive board.
- Report of the supervisory board.
- Corporate Governance.
- Van Lanschot Kempen shares.
- Reconciliation of IFRS and management reporting.
- Other information, including the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Van Lanschot Kempen N.V. on recommendation of the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 13 May 2015 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 2 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 33 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for:

– the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
– such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going-concern basis of accounting unless the executive board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company s financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud, or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 21 February 2018
PricewaterhouseCoopers Accountants N.V.

Original has been signed by

R.E.H.M. van Adrichem RA

APPENDIX TO OUR AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS 2017 OF VAN LANSCHOT KEMPEN N.V.

In addition to what is included in our auditor’s report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor’s responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluding on the appropriateness of the executive board’s use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the Company’s consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect we also issue an additional report to the Audit and Compliance Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor’s report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: the Executive Board and the Supervisory Board of Van Lanschot Kempen N.V.

Assurance report on the sustainability reporting 2017

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the sustainability information included in the 2017 Annual Report and the CSR Supplement of Van Lanschot Kempen N.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability; and
- the events and achievements related thereto for the year ended 31 December 2017

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria.

What we have reviewed

The sustainability information contains a representation of the policy and business operations of Van Lanschot Kempen N.V., 's Hertogenbosch (hereafter: Van Lanschot Kempen) regarding sustainability and the events and achievements related thereto for 2017.

We have reviewed the sustainability information for the year ended 31 December 2017, as included in the 2017 Annual Report, pages 8 until 58 and the 2017 corporate social responsibility supplement (hereafter together referred to as: the sustainability reporting).

The links to external sources or websites in the sustainability reporting are not part of the information reviewed by us. We do not provide assurance over information outside of this sustainability reporting.

The basis for our conclusion

We conducted our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assurance engagements on corporate social responsibility reports' ('Assurance-opdrachten inzake maatschappelijke verslagen'. This review is aimed to obtain limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability reporting' of this Assurance-report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Van Lanschot Kempen N.V. in accordance with the 'Code of Ethics for Professional Accountants, a regulation with respect to independence' ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' - ViO) and other for the engagement relevant independence requirements in the Netherlands. Furthermore we have complied with the 'Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct' ('Verordening gedrags- en beroepsregels accountants' - VGBA).

We apply the 'detailed rules for quality systems' (Nadere voorschriften kwaliteitsystemen) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Reporting criteria

Van Lanschot Kempen developed its reporting criteria on the basis of the Sustainability Reporting Standards of GRI, as disclosed in the section 'Reporting Principles' of the corporate social responsibility supplement. The information in the scope of this assurance engagement needs to be read and understood in conjunction with these reporting criteria. The Executive Board is responsible for selecting and applying these reporting criteria. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Inherent limitations

The sustainability report includes prospective information such as expectations on ambitions, strategy, plans, estimates and risk assessments based on assumptions. Inherently, the actual results are likely to differ from these expectations, due to changes in assumptions. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability reporting.

Responsibilities for the sustainability reporting and the assurance-engagement

Responsibilities of the Executive Board

The board of directors of Van Lanschot Kempen is responsible for the preparation of the sustainability report in accordance with the Sustainability Reporting Standards of GRI and the internally applied reporting criteria as disclosed in the section 'Reporting Prinicples' of the corporate social responsibility supplement, including the identification of stakeholders and the definition of material subjects. The choices made by the Executive Board regarding the scope of the sustainability reporting and the reporting policy are summarized in section 'Scope & Methodology'. The Executive Board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the sustainability reporting that is free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the company's reporting process on the sustainability reporting.

Our responsibilities for the review of the sustainability reporting
Our responsibility is to plan and perform the review engagement to obtain sufficient and appropriate assurance information to provide a basis for our conclusion.

This review engagement is aimed at obtaining limited assurance. In obtaining a limited level of assurance, the performed procedures are aimed at determining the plausibility of information and are less extensive than those aimed at obtaining reasonable assurance in an audit engagement. The assurance obtained in review engagements aimed at obtaining limited assurance is therefore significantly lower than the assurance obtained in assurance engagements aimed at obtaining reasonable assurance.

Misstatements may arise due to irregularities, including fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the sustainability reporting. The materiality affects the nature, timing and extent of our review and the evaluation of the effect of identified misstatements on our conclusion.

Procedures performed
We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our main procedures include:

- Performing an external environment analysis and obtaining insight into relevant social themes and issues, relevant laws and regulations and the characteristics of the organization.
- Identifying and assessing the risks of material misstatement of the sustainability reporting, whether due to errors or fraud, designing and performing review procedures responsive to those risks, and obtaining review evidence that is sufficient and appropriate to provide a basis for our conclusion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Developing an understanding of internal control relevant to the assurance engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control .
- Evaluating the appropriateness of the reporting criteria used and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management and related disclosures in the sustainability reporting;
- Evaluating the overall presentation, structure and content of the sustainability reporting, including the disclosures.
- Evaluating whether the sustainability reporting represents the underlying transactions and events free from material misstatement.
- Interviewing management (or relevant staff) at corporate level responsible for the strategy, policy and performance of sustainability operations.
- Interviewing relevant staff at corporate level, responsible for providing the information in the sustainability reporting, carrying out internal control procedures on the data and consolidating the data in the sustainability reporting.
- Reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the sustainability reporting is substantiated adequately.
- An analytical review of the data and trends submitted for consolidation at corporate level.
- Assessing the consistency of the sustainability reporting and the information in the 2017 Annual Report not in scope for this assurance report.
- Assessing whether the sustainability information has been prepared 'in accordance' with GRI.

Amsterdam, 21 February 2018

PricewaterhouseCoopers Accountants N.V.

R.E.H.M. van Adrichem RA

PROFIT APPROPRIATION

Articles of Association on profit appropriation

Profit is appropriated in accordance with Article 32 of the Articles of Association. This article states that the dividend on Class C preference shares* must first be paid from distributable profits (Article 32(1)). The Statutory Board, with the approval of the Supervisory Board, will then determine what portion of remaining profits after dividend distribution on Class C preference shares will go to reserves (Article 32(3)).

The portion of the profit remaining after the distribution on Class C preference shares and transfer to the reserves will be at the disposal of the Annual General Meeting of Shareholders, providing that no further distributions shall be made on Class C preference shares.

If losses have been suffered in any financial year which could not be covered by a reserve or in any other way, no profit distributions will be made until such losses have been recovered (Article 32(5)).

The Statutory Board may decide that a dividend distribution on Class A ordinary shares and Class B ordinary shares will be made in full or in part in the form of shares or depositary receipts rather than in cash. This decision is subject to the approval of the Supervisory Board (Article 32(8)).

* There are no Class C preference shares in issue.

STICHTING ADMINISTRATIEKANTOOR VAN GEWONE AANDELEN A VAN LANSCHOT KEMPEN

Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen ("the Stichting") reports on its activities in 2017.

Board meetings

In 2017, the Board met on three occasions. Topics covered in these meetings included:

- The Stichting's 2016 financial statements;
- Van Lanschot Kempen's annual results;
- The items on the agenda of the General Meeting of Van Lanschot Kempen held on 18 May and the Stichting's voting intentions;
- The items on the agenda of the Extraordinary General Meetings held in January and October, and the Stichting's voting intentions;
- The amendment of the Stichting's rules of administration and Articles of Association;
- Van Lanschot Kempen's half-year results for the first half of 2017.

Van Lanschot Kempen's General Meetings

The Board attended the Extraordinary General Meeting on 30 January 2017, the General Meeting on 18 May 2017 and, by proxy, the Extraordinary General Meeting held on 11 October 2017. For each of the General Meetings, the Stichting granted proxy votes to holders of depositary receipts who attended the meeting in person or were represented by third parties, enabling these depositary receipt holders to vote at their own discretion for the number of Class A ordinary shares held by them at record date. The Stichting voted, at its own discretion, the Class A ordinary shares for which no proxy votes were requested, representing 40.4%, 39.9% and 38.8% respectively of the total number of votes that may be cast at the General Meeting. After careful consideration of the relevant interests, the Board decided to vote in favour of all items put to the ballot.

Amendment of the Stichting's rules of administration and Articles of Association

The Stichting's rules of administration and Articles of Association had last been amended in 2012. In the last quarter of 2017, the Board adopted amended rules and Articles. In accordance with the Corporate Governance Code that applies as from 2017, the Stichting's amended Articles of Association provide that a Board member may serve a maximum of two four-year terms, and may thereafter be reappointed for two consecutive terms of two years, with the Board obliged to account for any reappointment after eight years in its report to holders of depositary receipts. The Stichting's amended rules and Articles reflect the name change from Van Lanschot NV to Van Lanschot Kempen NV, and certain changes in legislation since 2012. The amended rules of administration will be made available to the holders of depositary receipts on Van Lanschot Kempen's website following approval by Euronext N.V.

The Stichting's current members are:
H.G. van Everdingen, *Chairman*
J. Meijer Timmerman Thijssen, *Secretary*
C.M.P. Mennen-Vermeule
Mr Van Everdingen is a former partner of NautaDutilh.
Mr Meijer Timmerman Thijssen is a consultant with Freshfields Bruckhaus Deringer.
Ms Mennen-Vermeule is Chief Financial Officer at BrandLoyalty Group.

The annual remuneration of the Chairman of the Board amounts to €10,000 (excluding VAT), and that of the other Board members €7,500 (excluding VAT).

Expenses

Other expenses incurred by the Stichting amounted to €11,829 in 2017.

Outstanding depositary receipts

On 31 December 2017 the Stichting held 41,146,168 Class A ordinary shares with a nominal value of €1, for which depositary receipts with the same nominal value were issued.

Other

The Stichting is a legal entity independent of Van Lanschot Kempen, as referred to in Section 5:71 (1) sub-paragraph (d) of the Financial Supervision Act (Wft).

Stichting contact details

The Stichting's Board can be contacted at:
Van Lanschot Kempen NV
Attn. Secretariat of Stichting Administratiekantoor gewone aandelen A Van Lanschot Kempen
PO Box 1021
5200 HC 's-Hertogenbosch
The Netherlands

The Board

's-Hertogenbosch, the Netherlands, 8 February 2018

STICHTING PREFERENTE AANDELEN C VAN LANSCHOT KEMPEN

Stichting preferente aandelen C Van Lanschot Kempen ("the Stichting") was set up on 28 December 1999 and has its seat in 's-Hertogenbosch, the Netherlands.

The purpose of the Stichting is to safeguard the interests of Van Lanschot Kempen and its stakeholders, and to avert outside influences that could threaten the continuity, autonomy or identity to the detriment of such interests. The Stichting pursues its purpose by acquiring Class C preference shares in the capital of Van Lanschot Kempen, and by exercising the rights attached to these shares.

The Stichting and Van Lanschot Kempen have signed a call option agreement granting the Stichting the right to acquire Class C preference shares up to 100% of the value of Van Lanschot Kempen's share capital in issue before the exercise of the call option, less one share. When acquiring Class C preference shares, the Stichting is required to pay a minimum of 25% of the nominal amount. To ensure it will be able to pay when the time comes, the Stichting has a funding agreement with ING Bank in place. Van Lanschot Kempen aims to keep any period with outstanding Class C preference shares as brief as possible, and has committed itself to a maximum of one year as the term within which Van Lanschot Kempen will propose to the General Meeting to redeem the Class C preference shares.

The Stichting's Articles of Association have been amended as from 22 December 2017. The amended Articles reflect the name change from Van Lanschot NV to Van Lanschot Kempen NV. In addition, provisions were included for the event of absence or inability to act, or conflict of interest, of a member of the Board.

Board meetings were held in June and November 2017.

The Board appoints its own members. The present members of the Board are:
A.A.M. Deterink, *Chairman*
P.J.J.M. Swinkels
H.P.M. Kivits

Mr Deterink is a former partner of Deterink Advocaten en Notarissen.
Mr Swinkels is the former Chairman of the Board of Directors of Bavaria.
Mr Kivits is the former Chairman of Stage Entertainment.

The annual remuneration of the Chairman of the Board amounts to €10,000 (excluding VAT), and that of the other Board members €7,500 (excluding VAT).

The Stichting is a legal entity independent of Van Lanschot Kempen, as referred to in Section 5:71 (1) sub-paragraph (c) of the Financial Supervision Act (Wft).

The Board

's-Hertogenbosch, the Netherlands, 6 February 2018

GLOSSARY

Advanced internal ratings-based approach (A-IRB)
The most sophisticated credit risk measurement technique. Under A-IRB, a bank is allowed to develop its own models, based on direct or indirect observations, to estimate parameters for calculating risk-weighted assets. Credit risk under A-IRB is determined by using internal input for probability of default (PD), loss given default (LGD), exposure at default (EAD) and maturity (M).

Amortised cost
The amount for which financial assets or liabilities are initially recognised less redemptions, plus or minus accumulated depreciation/amortisation using the effective interest rate method for the difference between the original amount and the amount at maturity date, less impairments or amounts not received.

Assets under administration
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
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.

Assets under screening (AuS)
The part of the assets under management that are screened for sustainability issues.

Base point value (BPV)
A method to measure interest rate risk. It indicates how much profit or loss is generated in the event of a parallel shift in the yield curve by one basis point.

Basel III
The new framework drawn up by the Basel Committee on Banking Supervision, which introduces a stricter definition of capital and several new ratios and buffers with which banks must comply. The gradual transition from Basel II to Basel III is taking place over a period of five years and started in 2014.

Basel III leverage ratio (LR)
The leverage ratio represents the relationship between total assets plus contingent items and the Basel III Tier I capital. The leverage ratio is calculated in accordance with the Delegated Act.

Capital conservation buffer
Under CRD IV, Van Lanschot Kempen is required to maintain Common Equity Tier I capital equivalent to 2.5 times total risk exposure as a capital conservation buffer. If an institution fails to maintain this capital conservation buffer, it will be restricted in making discretionary distributions.

Carbon Disclosure Project (CDP)
CDP is a not-for-profit organisation that collects, harmonises and publishes environmental data. Van Lanschot Kempen signed up to the CDP in 2014 and also supplies it with environmental data.cdp.net

Carried interest arrangement
A carried interest arrangement relates primarily to private equity fund managers who are given the opportunity to obtain a stake in a company acquired. This arrangement is financed by a subordinated loan or by cumulative preference shares that do not participate in any surplus profits. The manager holds ordinary shares and participates in any surplus profits.

Cash flow hedges (hedge accounting)
Instruments to hedge the exposure to fluctuations in cash flows of assets, liabilities or future transactions, arising as a result of interest rate changes and/or inflation.

Client option positions
Clients are unable to buy or sell share options directly on the stock exchange. Van Lanschot Kempen purchases or sells on behalf of these clients and covers this with offsetting transactions on the stock exchange. Such receivables and payables are recognised under Derivatives.

Combined buffer requirements
From 2016 onwards, subject to transitional provisions, institutions are required to maintain capital buffers in addition to the own funds requirements contained in the Capital Requirements Regulation (CRR). For Van Lanschot Kempen, the combined buffer requirement consists of the capital conservation buffer extended by the institutionspecific countercyclical capital buffer. The G-SII buffer, O-SII buffer and systemic risk buffer are not applicable to Van Lanschot Kempen.

Common Equity Tier I capital
Also referred to as core capital. Common Equity Tier I capital encompasses a bank's share capital, share premium and other reserves, adjusted for deductions as specified by regulators, such as goodwill, deferred tax assets and IRB shortfall.

Common Equity Tier I ratio
Common Equity Tier I capital as a percentage of total risk-weighted assets.

Contingent liabilities
All commitments arising from transactions for which the bank has given a guarantee to third parties.

Countercyclical capital buffer
Common Equity Tier I capital equivalent to the risk weighted assets for credit risk (calculated in accordance with the CRR) multiplied by the weighted average of the countercyclical buffer rates. The countercyclical buffer rates are set by the designated authority in each member state on a quarterly basis. The buffer is determined by calculating the weighted average of the countercyclical buffer rates that apply in the jurisdictions of the relevant credit exposures.

Credit-linked swaps
Swaps where variable interest payments linked to Euribor, possibly with a lower or upper limit, are exchanged for credit guarantees in respect of a third party. The counterparty is obliged to pay out if the third party is no longer able to meet its payment obligations. The contract will identify specific payment-triggering events.

Credit risk
The risk that loans are not repaid, not fully repaid or not repaid on time. This also includes the settlement risk, i.e. the risk that counterparties do not fulfil their obligations in connection with, for instance, securities transactions.

Credit support annex (CSA)
Forming part of an international swaps and derivatives agreement (ISDA), a CSA regulates credit support (collateral) for obligations resulting from derivatives.

Credit valuation adjustment (CVA)
An adjustment made on the valuation of derivatives transactions with a counterparty, reflecting the current market value of counterparty credit risk.

Cross-currency swap
A currency swap in which the principal and interest payments denominated in one currency are exchanged for the principal and interest payments denominated in another currency during a fixed term.

Currency options
Currency options grant their buyer the right, but not the obligation, to buy or sell a quantity of a certain currency at a pre-determined exchange rate during or at the end of a pre-determined period. The currency option constitutes an obligation for the seller. Van Lanschot Kempen's currency options mainly relate to client transactions covered by offsetting transactions in the markets.

De Nederlandsche Bank (DNB)
The Dutch central bank. dnb.nl

Defined benefit scheme
A pension scheme other than a defined contribution scheme (see below). In a defined benefit scheme, the company has the constructive obligation to make up any deficit in the scheme. This does not have to be based on any legal requirements, but may be simply on the basis of an historical intention on the part of the company to make up any deficits.

Defined contribution scheme
A scheme in which the company makes agreed contributions to a separate entity (a pension fund) to secure pension rights. The company is not obliged, either legally or effectively, to pay additional contributions if the pension fund does not have enough assets to cover all of its current and future obligations.

Depositary receipts for shares (DRS)
Depositary receipts for shares have no voting rights, but do entitle their holders to profits.

Derivatives
Financial assets whose value derives from the value of other financial assets, indices or other variables. Van Lanschot Kempen holds both derivatives whose size (face value), conditions and prices are determined between Van Lanschot Kempen and its counterparties (OTC derivatives), and standardised derivatives traded on established markets.

Discounted cash flow (DCF)
A method to value an investment by estimating future cash flows, taking account of the time value of money.

Duration of equity
A measure of the interest rate sensitivity of equity that reflects the impact on equity of a 1% parallel shift in the interest curve.

Dutch Authority for the Financial Markets (AFM)
The Dutch regulator for financial institutions in the Netherlands. afm.nl/en

EBIT
Earnings before interest and tax.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Economic hedges
Derivatives used to manage risks without applying hedge accounting, carried at fair value. At Van Lanschot Kempen, these primarily take the shape of interest rate derivatives.

Effective interest rate
The rate that discounts estimated cash flows to the net carrying amount of the financial asset over the life of an instrument, or, where appropriate, over a shorter period.

Efficiency ratio
Operating expenses excluding impairments and result from the sale of public and private sector loans and advances, as a percentage of income from operating activities.

Engagement
A sustainability strategy that seeks to persuade companies, fund managers, borrowers and other stakeholders through active dialogue that their sustainability policies should be made compatible with international treaties and conventions.

Expected loss (EL)
Expected loss on loans, expressed in the formula EL=PD*EAD*LGD.

Exposure at default (EAD)
Exposure at the time of a client's default, also referred to as net exposure.

Fair value hedges (hedge accounting)
A fair value hedge comprises one or more swaps concluded to cover the changes in fair value resulting from changes in interest rates, of debt securities and available-for-sale investments, for example. Hedge relations are typically exact hedges, involving debt securities and available-for-sale investments with fixed rates and terms being offset by swaps with exactly the same terms and fixed interest rates.

Fiduciary management
Holding assets as a trustee or in another fiduciary role for individuals, trusts, pension providers and other institutions. These assets are not included in the consolidated financial statements because they are not Van Lanschot Kempen's assets.

Fitch
Credit rating agency. fitchratings.com

Forbearance
Making a concession regarding the terms and conditions of a loan agreement due to actual or anticipated financial difficulties which prevent a client from meeting its obligations vis-à-vis Van Lanschot Kempen. The concession enables the client to meet the revised obligations. This may also include the whole or partial refinancing of the existing loan.

Forum Ethibel
A Belgian consultancy in the field of corporate social responsibility (CSR) and socially responsible investment (SRI). forumethibel.org

Forward rate agreement (FRA)
An agreement between two parties, the purchaser and the vendor, to settle at a future date the difference between a pre-agreed interest rate and one to be set in the future. The agreement has a set term. The purchaser of an FRA fixes interest for a certain period in the future.

Forwards
Contractual obligations to purchase or sell goods or financial assets at a future date at a pre-determined price. Forward contracts are customised contracts traded on the OTC markets.

Foundation internal ratings-based approach (F-IRB)
An advanced credit risk measurement technique. Under F-IRB, a bank is allowed to develop its own models, based on direct or indirect observations, to estimate parameters for calculating risk-weighted assets. Credit risk under F-IRB is determined by using internal input for probability of default (PD). In contrast to A-IRB, the loss given default (LGD) is included, based on prescribed values.

Funding ratio
The ratio between public and private sector liabilities and total loans and advances (excluding bank borrowing and lending).

Futures
Contractual obligations to purchase or sell goods or financial assets at a future date at a pre-agreed price. Futures are standardised contracts traded on organised markets, with stock exchanges acting as intermediaries and requiring daily settlement in cash and/or deposits of collateral. Van Lanschot Kempen has a number of futures on share indices on its books, partly for own use and partly for clients, for offsetting transactions in the markets.

General Meeting
The body formed by voting shareholders and others with voting rights.

General Meeting of Shareholders
The General Meeting of Shareholders or, more commonly, Annual General Meeting of Shareholders or AGM, is the meeting of shareholders and others with meeting rights.

Global Reporting Initiative (GRI)
An independent organisation which develops guidelines for sustainability reports. Van Lanschot Kempen's integrated annual report is based on GRI. globalreporting.org

Gross exposure
The value at which receivables are recognised in the consolidated statement of financial position, with the exception of derivatives. Gross exposure is calculated on the basis of an add-on percentage of the nominal value (fixed percentages in accordance with the Financial Supervision Act) and the positive replacement value.

Hedge
Protection of a financial position – against interest rate risks in particular – by means of a financial instrument (typically a derivative).

IFRIC (International Financial Reporting Interpretations Committee)
The interpretative body of the International Accounting Standards Board (IASB). IFRIC interprets the application of International Financial Reporting Standards (IFRS) to ensure consistent accounting practices throughout the world and provide guidance on reporting issues not specifically addressed in IFRS.

Impairment
Amount charged to the result for possible losses on non-performing or irrecoverable loans and advances. Alternatively, an impairment test may suggest lower asset values, if fair values have dipped below carrying amounts and/or the fair value of investments and associates have moved below cost.

Incurred but not reported (IBNR)
Value decreases which have occurred at reporting date but of which the bank is not yet aware due to an information time lag.

Institutional Investors Group on Climate Change (IIGCC)
A European collaborative platform for institutional investors in relation to climate change.

Interest rate option
An agreement between a buyer and a seller, under which the seller guarantees the buyer a maximum interest rate (cap) or minimum interest rate (floor) for a fixed term.

Interest rate risk
The risk that profit and equity are impacted by changes in interest rates, in particular in the event of an intentional or unintentional mismatch in the terms of funds lent and borrowed.

Interest rate swaps
A contract in which two parties exchange interest payments for a pre-agreed period and a notional principal amount, while not swapping the face value. An interest rate swap typically involves exchanging fixed-rate cash flows for floating-rate cash flows in the same currency, with the floating rate based on a benchmark interest rate (usually Euribor).

Internal capital adequacy assessment process (ICAAP)
Strategies and procedures designed for the bank's continuous assessment as to whether the amount, composition and distribution of its equity still reconcile with the size and nature of its current and potential future risks.

Internal ratings-based approach (IRB)
An advanced approach used to calculate credit risk. Van Lanschot Kempen applies both the foundation internal ratings-based (F-IRB) and advanced internal ratings-based (A-IRB) approaches. In this report, IRB refers to both internal ratings-based model approaches.

International Financial Reporting Standards (IFRS)
Accounting and reporting standards drawn up by the International Accounting Standards Board. These standards have been adopted by the European Union and must be applied by all listed companies in the European Union from the 2005 financial year.

Irrevocable commitments
All obligations resulting from irrevocable commitments that could result in loans being granted.

KCM
Kempen Capital Management NV

Kempen
Kempen & Co NV

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 active markets (e.g. over-the-counter financial derivatives) is established using cash flow and option valuation models. On the basis of its estimates, Van Lanschot Kempen selects a number of methods and makes assumptions based on the market conditions (observable data) at the reporting date.

Level 3: Input not based on observable market data
The financial assets in this category have been assessed on an individual basis. Their valuation is based on management's best estimate by reference to the most recent prices, prices of similar instruments and, to a not insignificant extent, information not observable in the market.

Liquidity coverage ratio (LCR)
The LCR represents the ratio between high-quality liquid assets and the balance of cash outflows and cash inflows in the next 30 days.

Liquidity risk
The risk that the bank has insufficient liquid assets available to meet current liabilities in the short term.

Loss given default (LGD)
An estimate of the loss for Van Lanschot Kempen after liquidation of the received collateral.

Market risk
The risk that the value of a financial position changes due to movements in stock exchange prices, foreign exchange and/or interest rates.

MSCI
A global equity index by Morgan Stanley Capital International, typically used as a standard benchmark.

MSCI ESG Research
A data provider specialising in non-financial investment information. Van Lanschot Kempen has used the services of MSCI ESG Research for its sustainable investment process since 2015. msci.com/research/esg-research

Net exposure (EAD)
Exposure at the time of a client's default.

Net stable funding ratio (NSFR)
The relationship between available stable funding and the required amount of stable funding.

Non-controlling interests
Non-controlling interests in entities that are fully consolidated by Van Lanschot Kempen.

Non-performing loans
Loans are classed as non-performing if they meet one or more of the following criteria: 1) significant limit overrun for a period of more than 90 days; 2) a probability of default of 1; 3) a provision has been taken; 4) forborne exposures for which the two-year probation period has not started.

Operational risk
The risk of direct or indirect losses as a result of inadequate or defective internal processes and systems, inadequate or defective human acts, or external events.

Portfolio of fair value hedges (hedge accounting)
Such a portfolio may comprise one or more swaps or caps (interest rate options) jointly entered into to hedge the interest rate risk of a mortgage portfolio. Both swaps (or caps) and mortgages are divided into term buckets, with the fair value of these mortgages mainly affected by interest rate levels, similar to the valuation of swaps. Minor differences in terms and interest rates may cause some ineffectiveness within the term buckets.

Principles for Responsible Investment (PRI)
The Principles for Responsible Investment consist of six guidelines to which financial institutions can sign up and which are aimed at encouraging responsible investment. Kempen Capital Management signed the Principles for Responsible Investment in 2009. unpri.org

Probability of default (PD)
The likelihood that a client will default within one year.

Qualifying capital
The sum of total Tier I and total Tier II capital.

Residential mortgage-backed securities (RMBS)
Securities backed by residential mortgages. A provider of residential mortgages (typically a bank) will sell these on to a separate entity, a special purpose vehicle (SPV). To finance the mortgages, the SPV will then issue securities called RMBS, which are secured by the mortgages.

Risk-weighted assets (RWA)
The assets of a financial institution after being adjusted by a weighting factor, set by its regulators, that reflects the relative risk attached to the relevant assets. Risk-weighted assets are used to calculate the minimum amount of capital the institution needs to hold. CRR/CRD IV uses the term “total risk exposure amount” instead of RWA, but for now we follow common usage.

Shortfall
The difference between the calculated expected loss (EL) and the provision made for a loan for which the capital adequacy requirement is calculated using the IRB method. If the calculated EL exceeds the provision made, the difference must be deducted from Common Equity Tier I capital.

Standard & Poor’s
Credit rating agency. spratings.com

Standardised approach (SA)
A method used under Basel to measure operational, market and credit risks, based on a standardised approach, in which risk weightings are prescribed by the regulators.

Strategic risk
Current or future threats to the bank’s results or equity resulting from not or inadequately responding to changes in the environment and/or from taking incorrect strategic decisions. This is a part of the business risk.

Structured products
Synthetic investment instruments specially created to meet specific needs that cannot be met by the standardised financial assets available in the markets.

Sustainable Development Goals (SDGs)
In 2015, the United Nations set out the Sustainable Development Goals (SDGs) for 2030: a set of 17 highly ambitious goals relating to climate, poverty, healthcare, education and other challenges.

Sustainalytics
A Dutch research agency that rates the sustainability of companies worldwide. Sustainalytics reports are widely commissioned by institutional investors, banks and asset managers. sustainalytics.com

Tier I ratio
The capital ratio between total Tier I capital and risk-weighted assets.

Total capital ratio
The percentage of a bank’s capital adequacy, calculated by dividing qualifying capital by the risk-weighted assets as defined by the Bank for International Settlements (BIS).

Total Tier I capital
Total Tier I capital of the bank includes share capital, share premium and other reserves adjusted for certain deductions set by the regulator, such as goodwill and shortfall.

Total Tier II capital
Capital instruments and subordinated loans may be designated Tier II capital under certain conditions.

Transparency benchmark
A benchmark constructed by the Dutch Ministry of Economic Affairs to provide an insight into how Dutch businesses report their activities in relation to corporate social responsibility. transparantiebenchmark.nl

United Nations Global Compact (UN GC)
An initiative of the United Nations to encourage corporate social responsibility. It comprises ten sustainability principles to which businesses can sign up. unglobalcompact.org

Value at risk (VaR)
Statistical analysis of historical market trends and volatilities, used to estimate the likelihood that a portfolio’s losses will exceed a certain amount.

Van Lanschot Kempen
Van Lanschot Kempen NV

Van Lanschot Bankiers
F. van Lanschot Bankiers NV

Weighted average cost of capital (WACC)
A measure of the average cost of a company’s capital, in which debt and equity are proportionally weighted.

Wft (Financial Supervision Act)
Wft governs the supervision of the financial sector in the Netherlands.

Wholesale funding
A type of funding, in addition to savings and deposits, used by banks to fund operations and manage risks.

TEN-YEAR FIGURES

	2017	2016	2015	2014	2013
Results (x €1,000)					
Total income from operating activities	567,313	524,400	561,140	566,187	551,193
Operating expenses	457,473	440,729	422,516	337,138	408,633
Impairments	–10,674	–2,115	61,937	95,529	105,117
Operating profit before tax	120,514	85,785	54,284 [2]	133,520	37,443
Net result (group profit)	94,945	69,800	42,754	108,701	33,506
Statement of financial position (x €1,000)					
Equity attributable to shareholders	1,332,860	1,340,470	1,299,358	1,292,274	1,283,487
Public and private sector liabilities	9,145,119	9,679,764	9,908,391 [1]	10,499,160	10,161,397
Loans and advances to the public and private sectors	9,103,327	9,624,048	10,504,423 [1]	11,021,107	12,490,723
Total assets	14,658,875	14,877,411	15,831,775	17,259,438	17,670,365
Key data					
Number of ordinary shares at year-end (excluding treasury shares)	40,846,973	40,873,462	40,961,353	40,826,361	40,926,249
Average number of ordinary shares	40,959,989	40,908,194	40,919,503	40,918,849	40,917,566
Earnings per ordinary share based on average number of ordinary shares (€)	2.19	1.61	0.83	2.42	0.71
Dividend per ordinary share (€)	1.45	1.20	0.45	0.40	0.20
Efficiency ratio (%)	80.6	84.0	75.3	59.5	74.1
Return on average Common Equity Tier I (%)[4]	8.6	6.2	3.2	8.8	2.5
Total capital ratio (phase-in) (%)	22.3	20.9	17.0	15.2	13.9
Tier I capital ratio (phase-in) (%)	20.5	19.0	16.3	14.6	13.1
Common Equity Tier I ratio (phase-in) (%)[5]	20.5	19.0	16.3	14.6	13.1

1 The 2015 figures have been adjusted to reflect the discontinuing of offsetting current account balances.
2 Includes the Result on loans and advances to the public and private sectors amounting to €22.4 million negative.
3 Some amounts differ from 2012 financial statements, reflecting changes resulting from the implementation of revised standard IAS 19 Employee Benefits.
4 The figures for 2008 represent return on average equity (%); those for 2009 to 2013 represent return on Core Tier I Equity.
5 The figures for 2008 to 2013 reflect the Core Tier I ratio.

	2012	2011	2010	2009	2008
Results (x €1,000)					
Total income from operating activities	541,764 [3]	552,386	630,887	568,467	493,596
Operating expenses	449,200 [3]	426,456	439,893	428,802	422,118
Impairments	258,021 [3]	79,394	102,458	176,043	50,290
Operating profit before tax	–165,457 [3]	46,536	88,536	–36,378	21,188
Net result (group profit)	–147,281 [3]	43,127	66,710	–15,720	30,091
Statement of financial position (x €1,000)					
Equity attributable to shareholders	1,262,348 [3]	1,507,245	1,461,676	1,238,418	1,226,347
Public and private sector liabilities	11,368,814	13,100,131	13,545,650	13,380,188	15,318,420
Loans and advances to the public and private sectors	13,464,234	14,270,431	15,710,224	17,036,279	17,072,490
Total assets	17,940,865 [3]	18,453,522	20,325,117	21,264,839	20,691,896
Key data					
Number of ordinary shares at year-end (excluding treasury shares)	40,879,922	40,809,337	40,819,359	34,888,086	34,838,673
Average number of ordinary shares	40,883,330	40,870,488	38,366,748	34,869,875	34,772,039
Earnings per ordinary share based on average number of ordinary shares (€)	–3.67 [3]	0.84	1.47	–0.75	0.55
Dividend per ordinary share (€)	0.00	0.40	0.70	0.00	0.28
Efficiency ratio (%)	82.9 [3]	77.2	69.7	75.4	85.5
Return on average Common Equity Tier I (%)[4]	–12.7 [3]	3.0	5.6	–2.8	1.5
Total capital ratio (phase-in) (%)	11.9	11.9	13.9	11.6	12.5
Tier I capital ratio (phase-in) (%)	11.0	10.9	11.9	9.5	10.0
Common Equity Tier I ratio (phase-in) (%)[5]	11.0	10.9	9.6	6.5	6.7

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We welcome your views and opinions – please see our contact details above.

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