

# Annual Report 2021



# NOTES TO THE READER

## Disclaimer

This document is only a website version and is not the official annual report, including the audited financial statements thereto pursuant to article 361 of Book 2 of the Dutch Civil Code. The official annual report, including the audited financial statements and the auditor's opinion thereof, are included in the single report package which can be found via [media.vanlanschot.nl/media/xbri/vik-2021-12-31-en.zip](https://media.vanlanschot.nl/media/xbri/vik-2021-12-31-en.zip).

In case of any discrepancies between the website version and the annual report package, the annual report package will prevail.

Note that the auditor's opinion included in the website version does not relate to the website version but only to the official annual report. No rights can be derived from using the website version, including the unofficial copy of the auditor's opinion. Our auditors did not determine (nor do they need to) that the website version is identical to the official version.

## Unrounded figures

Amounts in the annual report may not add up due to being rounded up or down. The total amounts may therefore deviate from the sum of the parts. Percentage changes are based on the unrounded figures.

## Changes to comparative figures

Some amounts may differ from previously published reports; in these cases, explanations are given in the footnotes.

## Acquisition of Mercier Vanderlinden

At the beginning of July 2021, the acquisition of 70% of the shares in Mercier Vanderlinden was completed. We have therefore included the July-December 2021 figures for Mercier Vanderlinden in Van Lanschot Kempen's 2021 figures.

## Disclosure of Non-financial Information Act

The Disclosure of Non-financial Information Act is a Dutch regulation that made reporting on a number of non-financial themes compulsory for companies that qualify as large public-interest entities (*grote organisaties van openbaar belang*) with more than 500 employees. These themes comprise environmental, social and labour 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 sustainability 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 sustainability. To ensure this, our annual report has been prepared in accordance with the GRI Standards: Comprehensive option. See the GRI content index on our website for further details: [vanlanschotkempen.com/en/sustainability/reporting](https://vanlanschotkempen.com/en/sustainability/reporting).

## International Integrated Reporting Framework

In addition to the GRI Standards, we aim to apply the fundamental concepts and guiding principles of the International Integrated Reporting Framework. This annual report employs various elements of the framework, such as our value creation model and materiality matrix, and is partly structured around the types of capital identified by the framework (financial capital, human and intellectual capital, natural capital and social capital). For more information, visit [integratedreporting.org/resource/international-ir-framework](https://integratedreporting.org/resource/international-ir-framework).

## External assessment

Van Lanschot Kempen's sustainability performance is assessed by a variety of external organisations. For more information, see [vanlanschotkempen.com/en/sustainability/reporting](https://vanlanschotkempen.com/en/sustainability/reporting).

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# MESSAGE FROM THE CHAIR

## Dear shareholders and other stakeholders,

Since this is my first annual message as Chair of the Management Board of Van Lanschot Kempen, I'd like to start by expressing my gratitude. To my predecessor, Karl Guha, who has left the firm in good shape and is a hard act to follow. To all my new colleagues and the Supervisory Board, who have given me the warmest of welcomes. And to our clients and shareholders, for their continued support and inspiring conversations.

I've spent much of the past few months on an extensive on-boarding programme, which has enabled me to really get to know the company – both our clients and our employees. As one of the core values of Van Lanschot Kempen, entrepreneurial spirit was of course something I expected to find here. But I hadn't realised quite how much it's part of the company DNA: you feel it at every level in the organisation, and it's great to experience it first-hand.

### **A look back at 2021**

Of course, it's impossible to look back at 2021 without mentioning Covid-19, which was with us from start to finish. From a societal perspective, that made it a rollercoaster of a year. But the pandemic is slowly but surely becoming endemic: it's something we're learning to live with and it has enabled us to learn and implement new, digital skills – fast.

Perhaps surprisingly, the economic cycle during the reporting year was benign. From our clients' perspective, 2021 closed at the high end of the market. On the one hand, people have continued to make investments, which has meant strong growth in our assets under management. On the other, we've seen very limited losses on our loan books. We've also seen high levels of transactions by our clients in the investment banking domain, creating new investment possibilities from a wealth management perspective. All of this has contributed to the company's very positive results in 2021. Our success is determined by the success of our clients, and as their trusted adviser, we've been successful because our clients were.

I'd also like to compliment all of our employees on what they've achieved during continued difficult circumstances. They have managed to carry on serving our clients every day – whether from home or from the office. And we wanted to acknowledge them for their excellent contribution, too. So during the reporting year, we made agreements with the Works Council on even more flexible working conditions and a personal budget to invest in employees' home office environments.

### **Strong growth**

As well as the organic growth in assets under management that we saw in 2021, I'd also like to recognise the huge steps that were taken in terms of inorganic growth. I congratulate all employees involved in successfully integrating Hof Hoorneman Bankiers, following our acquisition of the firm in 2020. And I'd also like to recognise the great strides we've taken in Belgium through our partnership with Mercier Vanderlinden. This puts us in a strong and sustainable position in the Belgian market with a persistent focus on further growing our client base.

We're also investing in our licence to operate, in order to ensure we're able to carry on growing. Continuous open dialogue with our various regulators and other stakeholders has become a key part of our work. We have also strengthened our risk management function and implemented several compliance programmes, focusing on client due diligence, suitability and tax integrity. We want to ensure that our products and solutions are and remain compliant – not only with regulations but also with the demands of society – so that we can continue to grow by doing the right thing in the right way for our clients.

### **Taking care of future generations**

But our mission as a company is not simply about growth. And it's certainly not about short-term growth. Our purpose is the creation and preservation of wealth, in a sustainable way, for our clients and the society we serve. That means not just thinking about financial wealth – for there can be no financial wealth without natural wealth. And it means not only thinking about the coming quarter – but also about our legacy for future generations, over decades to come. We have an important role to play in striking a balance between generating a financial return on investments and preserving the sustainability of those investments. We believe in achieving this through active engagement – through dialogue.



In 2021, we also chose which areas to focus on: climate and biodiversity, a smart and circular economy, and living better for longer. But there are lessons for us here: we need to continue to deepen our dialogue with stakeholders; we need to invest in our people; and we need to train new muscles when it comes to sustainable decision-making. So we are putting significant energy and resources into data, scenario analyses and reporting tools in this area – not just to fulfil new regulations but also to meet demands from clients and other stakeholders.

### **Enhancing inclusion and diversity**

The phrase typically used in the corporate world is “diversity and inclusion”, but I believe that inclusion is the more important element and should come first. An inclusive culture will already go a long way towards improving diversity. According to our employee engagement survey, employees’ perception of inclusion has improved from 66% in 2019 to 88% in 2021. We are on the right track from this perspective.

That being said, diversity is important as well. The groundwork has been laid; our workforce is becoming more diverse. But from a gender perspective, currently only 22% of senior managers in our company are female. Our target is to increase that percentage to at least 30%, and to do this we are adapting our recruitment and promotion processes. Of course, diversity is about more than just gender – but this is the key priority for us to work on right now.

### **Our strategic priorities for 2022**

Our strategic priority remains growing in private banking and wealth management markets in the Netherlands and Belgium, as well as growing our investment management and investment banking capabilities in Western Europe, where we have strong teams and good momentum. Based on our entrepreneurial culture, we expect to continue to grow by serving our clients even better with investment and financing solutions. Plus, we will continue to look for bolt-on acquisitions on the back of our strong capitalisation and solid integration record.

We will also invest in Van Lanschot Kempen as a brand in 2022: not only for our client-facing businesses, but also as an employer brand. We’re in a battle for talent, and our clients continue to deserve the very best professionals.

And finally, I’d like to close my very first message as Chair of Van Lanschot Kempen’s Management Board by saying how very excited I am to be leading – with my team – this entrepreneurial, independent wealth manager. A firm that’s truly client-centric, in a sustainable way, serving past, present and future generations.

’s-Hertogenbosch, the Netherlands, 23 February 2022



**Maarten Edixhoven**  
Chair of the Management Board

## 2021: A YEAR IN REVIEW

We achieved significant growth in both assets under management and earnings over 2021. Our strategy as a leading independent wealth manager resonates clearly with our clients, and our strong results enabled us to deliver on our financial targets. This despite the lasting impact of Covid-19 on our employees and on society. In addition to strong organic growth, key milestones in the execution of our strategy included the integration of Hof Hoorneman Bankiers in the Netherlands and the acquisition of 70% of the shares in wealth management firm Mercier Vanderlinden in Belgium.

### 2021 for our clients



Our clients continue to be more satisfied with us, as evidenced by an increase in the Net Promoter Score (NPS) to 36 for Private Clients (2020: 26) and 15 for Evi (2020: 5), exceeding our target of 10.

In line with our strategy, collaboration between client segments is improving. Examples include offering our investment strategies – such as the Kempen SDG Farmland Fund and Kempen Private Markets Funds – to both our private clients and our wholesale and institutional clients.

#### Private Clients

At €3.8 billion, our Private Clients segment is recording very good net inflows in assets under management (AuM). Our unique advisory proposition combined with our sustainable discretionary management proposition, expert bankers, distinctive offering to entrepreneurs and standout client experience differentiate us from our competitors. Our performance in this segment tells us that our combination of personal advice and real solutions with modern technology and our sole focus on wealth management are working.

Technology is an integral part of how we provide our solutions to clients, while we continue to maintain our signature personal touch. We have embraced technology to further enhance our service. Our clients can always request a personal meeting at one of our offices, but we're just as happy to talk to them via video call or WhatsApp. We use biometric voice recognition, making it even easier and safer to talk. Meanwhile, our investment app supports our discretionary management and advice propositions.

Evi, our solution for mass-affluent clients, also recorded strong net inflows. Driven by an increase in commission income, Evi contributed to net profit for the first time. We improved both the sustainability profile of Evi investments and the content of our monthly client reports. Examples of the latter include a sustainability webpage and articles about relevant topics for mass-affluent clients.

#### Wholesale & Institutional Clients

Within our Wholesale & Institutional Clients segment, appetite for less liquid investments continues to increase. An example of how we responded to this demand is the launch of the Kempen SDG Farmland Fund in cooperation with one of our fiduciary clients. Investment strategies such as Global Small-caps and Real Estate also showed strong inflows. However, total net outflow in this segment amounted to €4.0 billion, mainly due to the loss of two institutional clients – both because of mergers with other parties – and outflow in credit strategies.

#### Investment Banking Clients

Our Investment Banking Clients segment (formerly: Merchant Banking Clients) enjoyed a strong flow of Corporate Finance/Equity Capital Markets deals, partly driven by close cooperation with the Private Clients segment. Our strength lies in our focus on selected sectors: real estate, life sciences & healthcare, tech & fintech, renewables and infrastructure; 54 transactions were executed in nine countries across all our sectors. To facilitate transactions, we also executed a limited number of bridge loans.

### 2021 for our employees



In 2021, we carried out our employee engagement survey that happens once every two years; the survey saw a participation rate of almost 80%. Compared with the 2019 results and with the financial services industry benchmark, almost all categories showed better scores. The survey saw our engagement score increase from 82% in 2019 to 88% in 2021 – which is also 4% better than the industry benchmark. Compared with the 2019 survey, employees' feelings of inclusion have improved the most – from 66% in 2019 to 88% in 2021.

We started the reporting year with almost all employees working from home. After the summer – with Covid-19 measures temporarily becoming less strict – we adopted a method of hybrid working. This gave us the opportunity to rethink the way we use our office space and to support our employees in their work-life balance. Our office set-up now includes spaces for working collaboratively, working in silence and having a chat over coffee.

## Well-being and development

Due to the workload and changes in physical working conditions, our focus in 2021 was on employee well-being. Our managers stayed in close contact with their employees while working from home. We offered our employees (online) yoga classes, boot camps and personalised health advice – all on a voluntary basis.

In addition to health and well-being, development is an important factor in employee engagement. We therefore introduced five key skills: collaboration, embracing technology, client-centricity, adaptability and embracing sustainability – these are important for all colleagues to develop further and help strengthen our identity as a company. We provided learning solutions to help the workforce further develop these skills.

## Diversity and inclusion

Diversity is an increasingly important focus area. In order to support a diverse and inclusive culture at Van Lanschot Kempen, we launched a variety of initiatives. For example, we now have a diversity working group and a Van Lanschot Kempen women's network. We have also become a member of Workplace Pride.

Based on our employee engagement survey, we can conclude that we are perceived as an inclusive organisation. However, we still have work to do: for example, on gender diversity among senior staff.

## 2021 for our shareholders



Based on the recommendation of the European Central Bank (ECB), and supported by De Nederlandsche Bank (DNB), we postponed the payment of our 2019 dividend and part of our 2020 dividend. After the ECB and DNB withdrew this recommendation in the summer, we paid out the 2019 and remaining 2020 dividends to our shareholders, totalling €1.95 per share, in October 2021. We had already paid out a minor part of the 2020 dividend of €0.20 per share in June 2021. These payouts together amounted to almost €90 million in total.

## Growth



In 2021, we saw growth through partnerships and acquisitions, innovation in products and solutions, and gaining ground outside the Benelux region.

### Growth through acquisitions

During the reporting year, we completed the integration of clients, employees and funds from Hof Hoorneman Bankiers, according to plan. We announced the acquisition of this Dutch private bank in summer 2020. Hof Hoorneman's clients are now on our platform and have access to our range of products and solutions.

In 2021, we entered into a partnership with Mercier Vanderlinden by acquiring 70% of the shares in this Belgian wealth manager. The remaining shares will be acquired within five years. We see this partnership as transformational for our franchise in Belgium, as we have now become a real challenger in the Belgian market.

Both Van Lanschot Kempen in Belgium and Mercier Vanderlinden showed very strong net AuM inflows in 2021, with a combined total of €0.8 billion. We've already seen cross-selling opportunities materialising here – for example, offering Lombard loans and Van Lanschot Kempen investment solutions to Mercier Vanderlinden clients.

### Growth outside the Benelux region

In addition to our growth in the Netherlands and Belgium, we are growing in the rest of Europe as well. Since 2015, we've been active as a fiduciary manager in the United Kingdom, where we benefit from current industry trends. We entered into an agreement with Clara-Pensions platform (consolidator for DB pension schemes), which is expected to strengthen our position in the UK pensions market.

For our Wholesale & Institutional Clients segment, we're investing in expanding our distribution efforts via placing agents in Germany, Italy and the Nordics. And last but not least, we're continuing our pan-European approach for our Investment Banking Clients segment.

Our offices in Switzerland – serving wealthy Dutch and Belgian private clients living in Switzerland – also showed strong organic growth of 25% in AuM.

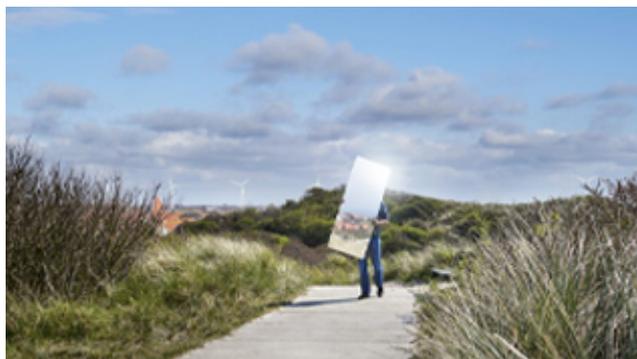
### Growth through innovation

In cooperation with our client Stichting Pensioenfonds PostNL, we developed the Kempen SDG Farmland Fund in 2021. This new investment solution enables professional investors to focus on global investments in sustainable agricultural land and make regenerative farming an important priority. Insurance companies Dela and De Goudse have also committed to invest in this fund.

After the success of our first private equity fund, we introduced the Kempen European Private Equity Fund II in the second half of 2021. By year-end, the fund had a committed volume of €173 million.

At the end of the reporting year, we started a concept called Independent Wealth Manager Services, which puts our modern IT infrastructure and services at the disposal of independent wealth managers.

## Sustainability



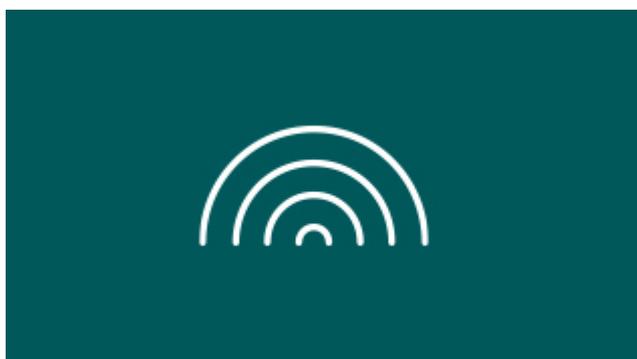
In line with our purpose, our vision on sustainability is to generate long-term value for all our stakeholders, which means that creating financial and sustainability returns must go hand-in-hand. We believe in an active engagement approach together with our private and institutional clients.

In 2021, we introduced a Sustainability Centre to coordinate our sustainability activities across the company. We also introduced three key themes to focus on in the coming years:

- **Climate and biodiversity:** helping our environment to recover faster by contributing to energy transition and biodiversity;
- **Smart and circular economy:** helping our investee companies to contribute to a smart, circular and inclusive economy;
- **Living better for longer:** helping our clients and society to live longer and in better health.

During the reporting year, we were able to reduce the carbon footprint of our own organisation by 6.2% per FTE, and of our AuM by 44% per million euros invested. We've also made a commitment to become a net-zero investor as well as setting ambitious new targets and KPIs for further reducing our carbon footprint.

## Organisational changes



At the beginning of 2021, we changed our organisational structure by moving from a business line-driven organisation towards an integrated model. This allows us to work across client groups, use a broader range of products and further

improve the efficiency of our organisation. This new organisational structure means that our reporting is also according to client segment from 2021. Our client segments are: Private Clients (including Evi), Wholesale & Institutional Clients and Investment Banking Clients.

On 1 July 2021, the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV took effect. The merger helps to optimise the company's capital position and simplify its legal structure.

On 1 October, Maarten Edixhoven succeeded Karl Guha, who stepped down as Chair and member of the Management Board.

## Recognition through awards and rankings



Van Lanschot Kempen was once again recognised for its work with several awards and rankings during the reporting year:

- Van Lanschot Kempen won the 2021 FD Henri Sijthoff Prize in the "Other listed companies" category. The prize is awarded by the country's main financial newspaper *Het Financieele Dagblad* to companies judged to provide the best financial reporting and communication to investors and the public at large.
- Kempen won the award for Best ESG/Sustainable Investing Report 2020 at the Pensions for Purpose Annual Awards in London.
- For the third year in a row, Kempen Capital Management UK won the Fiduciary Manager of the Year award at *Financial News'* 20th annual Asset Management Awards Europe. Kempen was commended for its continued growth of the UK business in the institutional market.
- The Kempen Orange Fund received a Gold rating from Morningstar in the "Aandelen Nederland" category. Morningstar appreciated the team's qualities, its strong and consistently proven investment process and its excellent long-term track record.
- Van Lanschot won the Founders Carbon Network Icoinic Award for best fintech. Our ability to keep up with the times and innovate was noted, including our investment app, client identification via biometric voice recognition and regular stream of new products, such as the Kempen European Private Equity Fund II.
- Two of our colleagues won individual awards: Lisanne Smink, Product Owner Business Intelligence and Analytics, won the RightBrains Digital Talent Award 2021; Nikesh Patel, Head of Investment Strategy Kempen UK, was named Investment Manager of the Year at the *Professional Pensions Rising Star Awards 2021*. You can read more about Lisanne and Nikesh in their testimonials on pages 23 and 70.

# WHO WE ARE AND WHAT WE DO

Van Lanschot Kempen is the oldest independent financial institution in the Netherlands. With our roots going back to 17th century Antwerp, Van Lanschot Kempen has brought several entities together over time; the common thread that links us all is trade. Our ability to continuously adapt to change is what allows us to succeed, now and in the future.

Our purpose is the preservation and creation of wealth, in a sustainable way, for our clients and the society we serve.

As a company, we believe that the generation of wealth and its redistribution through taxation are critical to the process of creating and maintaining stable, successful societies. Given that social cohesion necessitates such wealth creation, we believe that wealth management cannot be the preserve of a few but is a necessity for all. We create wealth, economic growth, jobs and tax income via our services to entrepreneurs, as well as contributing to the achievement of societal goals via the preservation and creation of wealth for asset owners, including private individuals and pension funds.

We believe that wealth is not just about financial assets; essential as these may be, wealth is about all the things that we value in life. In a broader sense, wealth represents the collective wisdom of a society and the cultural norms and values that sustain it. Although our primary objective is to help our clients with the financial aspects of wealth, we endeavour to serve their broader objectives as well.

We serve clients across the social spectrum and in several segments – Private Clients, Wholesale & Institutional Clients and Investment Banking Clients – as a trusted partner, and to assist them in preserving and creating wealth sustainably. Investing for the long term is no longer just about looking for the greatest returns by a future date; it's about ensuring the liveability of the planet for the generations to come. We believe that in serving the long-term interests of our clients, we can and must contribute to a sustainable world and societal stability.

## Our values

Values are essential to any successful enterprise. We are no exception. These values drive our decision-making process and our Code of Conduct. In turn, they define who we are and what we stand for. As a company, we believe in the following core values:



### Entrepreneurial spirit

- We look for opportunities, even when there appear to be none.
- We believe in and pursue our goals.
- We accept failure as part of the process and are not defeated by it.
- We are able to connect the dots and make things work.



### Specialisation

- We accept that one cannot be good at everything.
- Specialisation helps us to make choices and to focus.
- We believe in expertise.
- We appreciate each other's specialist knowledge and employ this optimally.



### Craftsmanship

- We believe in the pursuit of excellence.
- We have the tenacity and relentlessness to get things right.
- We strive to be true professionals – knowing our craft inside out.
- We do not accept second best as the outcome in our search for excellence.



### Dedication

- We believe in the conscious act of committing one's emotional, intellectual and physical capabilities to one's objectives.
- We are intrinsically motivated to work hard in providing our services in order to exceed clients' expectations.
- We believe genuine dedication enables us to create value for the long term.



### Discretion

- We understand that notions of privacy are changing in this era of social media and digital transformation.
- We believe in the importance of privacy at an individual, institutional and societal level.
- We do our utmost to protect and secure our clients' sensitive information in order to truly be their trusted partner.

These values define what we do, and help us to serve our clients best.

## Key reasons for clients, employees and investors to choose Van Lanschot Kempen

As a specialist wealth manager, Van Lanschot Kempen builds on the experience of its core activities.

### Reliable reputation and strong focus

- Clear choice for wealth management, targeting private, wholesale, institutional and corporate clients;
- Tailored, personal and professional service;
- Independent institution with strong Dutch roots;
- Relatively small-scale organisation and high level of executive involvement;
- Capable and motivated professionals;
- Ability for employees to make a real impact;
- Strong focus on sustainable investing;
- Differentiating and compelling investment management offering that matches client needs.

### Sound financial and risk management

- Strong balance sheet and attractive capital strategy;
- Strong track record in transformation processes and de-risking of the company;
- Proven capability to integrate acquisitions.

Key figures	2021	2020
Net result (€ million)	143.8	49.8
Dividend per share (€)	2.00	0.70
Efficiency ratio, excluding special items (%)	68.9	85.7
CET 1 ratio (%)	23.7	24.3
Return on average CET 1 based on underlying net result (%) <sup>1</sup>	15.7	4.4
Balance sheet total (€ billion)	16.3	15.1
Loan portfolio (€ billion)	8.9	8.4
Client assets (€ billion)	131.1	115.0
Assets under management (€ billion)	112.1	99.0
Employees (FTEs at year-end)	1,654	1,564



<sup>1</sup> 2021 adjusted for expenses relating to accounting treatment of Mercier Vanderliinden, provision for revolving consumer credit, restructuring charges related to the acquisition of Hof Hoorneman Bankiers and other one-off items; 2020 adjusted for restructuring charges related to the acquisition of Hof Hoorneman Bankiers.



## CREATIVE CULTURE

I started at Van Lanschot Kempenn in the UK in 2019, and now manage a five-person team responsible for all our UK fiduciary management clients. In the past year, we've doubled our client base – it's been a busy year, as you can imagine! Every fiduciary management client has a dedicated team made up of a Client Director, a Portfolio Manager and a Strategist. Our team is involved in everything from the request for proposal (RFP) and pitch, to onboarding the client and then looking after their ongoing needs. From the client's perspective, the Client Director is the face of the company. And from an internal perspective, we're the face of the client.

There are around 30 of us working at the UK office, so it has a very creative, start-up feel about it – but with the

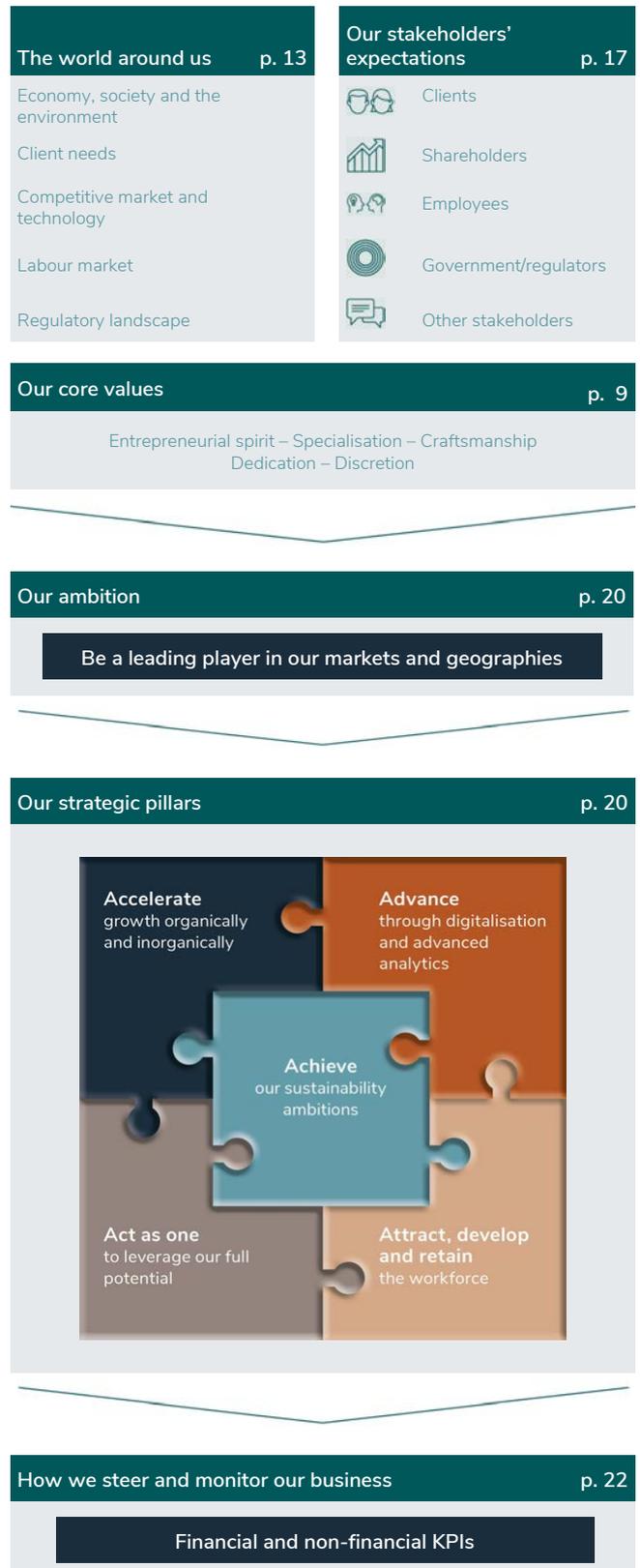
support of the parent company. For me, this is an ideal environment: entrepreneurial but without losing the security of working for a larger firm. Our London office is also close to my home, so I get to feel at one with my Dutch colleagues and can cycle to work too!

Being part of the Dutch business has been especially helpful this past year; we've been so busy that it's been great to have the ability to call on our colleagues in the Netherlands for further support when we need it. People are very willing to help, no matter which country or team they're in.

Catherine Lewis – Head of Fiduciary Management Clients, UK

# OUR STRATEGIC FRAMEWORK

In light of our purpose – to preserve and create wealth, in a sustainable way, for our clients and the society we serve – we have defined our wealth management strategy. Taking into account the world around us as well as the expectations of our clients and other stakeholders, we've defined five strategic pillars that enable us to deliver on our ambition to be a leading player in our markets and geographies, and to create both financial and non-financial value. Our core values form the foundation for our strategy. In order to monitor our progress, we've developed a number of key performance indicators (KPIs).



## THE WORLD AROUND US

Our business is impacted by the world around us, and our strategy reflects and responds to that. The economy, society and environment in which we operate as a wealth manager, the demands of our clients and prospects, technological opportunities, the state of the labour market and the regulatory landscape – all of these external developments have an impact on our business. So we take these into account when developing and executing our strategy.



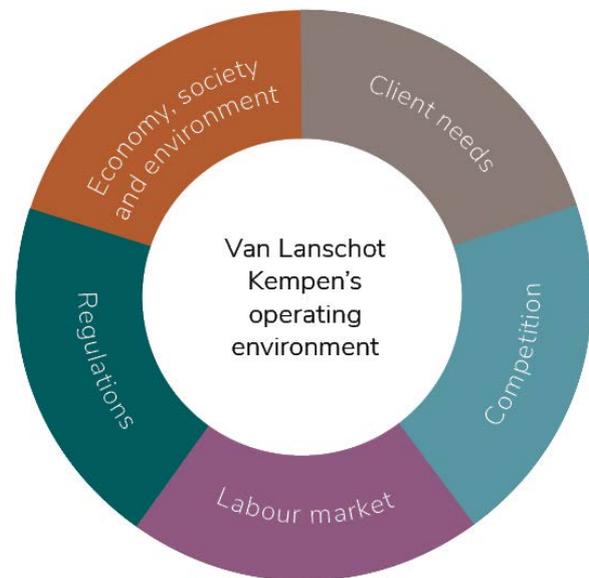
### Economy, society and the environment

Economically, 2021 was a strong year – perhaps surprisingly so. A combination of three factors led to a boom in the stock markets that started in 2020 and continued into 2021. Central banks, which had already brought in low interest rates and stimulus packages during the 2008 financial crisis, doubled down on these same policies during the Covid-19 pandemic. Governments around the world did the same, pumping financial support into their economies. At the same time, vaccination campaigns in developed markets meant that economies were able to re-open to some extent. The combined effect of these factors led to markets bouncing back higher than ever, improving every quarter during 2021.

As a result, clients who had invested in the stock markets enjoyed strong returns during the reporting year. On top of this, many business owners were able to sell their companies at high valuations, providing them with additional inflows of liquidity that they sought to invest. Institutional investors also enjoyed buoyant returns from rising markets. And overall, shareholders have benefited from all of this as well.

On the flip side, inflation is the big question mark for 2022 and beyond: will inflation become more structurally embedded in the real economy? We're seeing a lot of supply chain bottlenecks because of the Covid-19 pandemic and the strong recovery in demand. In addition, there are real shortages in commodities – especially energy – which will no doubt have an effect on Europe's economy.

From a social perspective, the combination of the pandemic and the boom in stock markets has continued to highlight inequalities. This is the case in both emerging and developed economies, including in the Netherlands. For those who have assets and own property, 2021 has been a good year. For those who don't, tensions are rising. The housing crisis in the Netherlands has shown how many people on moderate incomes are unable to afford to buy homes in the current housing market. And populist parties with more extreme views (right and left) are gaining traction across Europe.



From an environmental point of view, the pandemic has been a catalyst for change in the Netherlands and across Europe. The energy crisis in the final quarter of 2021 showed that Europe is too dependent on fossil fuels, mostly coming from foreign countries, and needs to find its own alternative sources of energy. The severe flooding in the Netherlands, Belgium and Germany in the summer of 2021 demonstrated the urgency of acting quickly in our own markets. The European Commission has put in place a more ambitious target than ever before under its "Fit for 55" package: to reduce Europe's net greenhouse gas emissions by at least 55% by 2030, compared with 1990 levels, and reach net-zero emissions by 2050. And the COP26 summit brought government representatives from across the globe together to set ambitious carbon-reduction targets. Clearly, climate change will be one of the biggest agenda items for the new Dutch government, too.



### Client needs

Our client groups – and those we wish to attract – are broad-ranging. They include private clients, such as wealthy and mass-affluent individuals, entrepreneurs and business professionals; wholesale and institutional clients, such as pension funds and insurance companies; investment banking clients in our focus sectors (real estate, life sciences & healthcare, tech & fintech, renewables and infrastructure); and other types of clients, such as charities, foundations and associations. While different client groups have differing needs, we notice some increasingly common themes that run across them all: topics such as holistic advice, creative solutions, sustainable investments and guidance on how to prepare for the future.

Given the economic developments in 2021, we've seen two main trends among clients. Firstly, many clients have been faced with huge amounts of liquidity. Entrepreneurs, for example, have been selling their businesses for large sums,

while corporate clients have seen share prices surge. Deploying this extra liquidity in a persistently low interest rate environment is challenging, which is why all client groups are increasingly looking for relevant solutions.

Secondly, the pandemic triggered a greater level of unpredictability in the market. The economic rebound ended up being faster and stronger than expected, and brought with it other issues such as potential inflation and rapidly rising energy prices. This is prompting both private and institutional clients to seek creative solutions. Coupled with this is an appetite to move from liquid to illiquid investing in areas such as real estate, private equity and land, as clients look for yield and inflation protection. Again, investors are looking for guidance on the different scenarios they may be facing and on how to protect their portfolios against future inflation.

Meanwhile, many clients are becoming more and more aware of sustainability. They're looking not only to fulfil their financial goals, but also to meet environmental, social and governance (ESG) criteria and contribute to the Sustainable Development Goals (SDGs) at the same time. The need for more balance between people, planet and prosperity has never been clearer – and investors are demanding a more sustainable equilibrium, too.

With the increased liquidity in the market and the demand for creativity and sustainability, the need for a trusted financial guide to look ahead has become even stronger. In this context, professional advice is more relevant than ever. For more information about how we're serving all client groups, see "Our strategy" on page 20.



## Competitive market and technology

The competitive landscape features larger universal banks and smaller boutique players. The former are further consolidating, and investing heavily in technology. Following a wave of technological solutions, their clients are having to do more and more online – from contactless payments to use of banking apps. Our clients are demanding this too, of course, but they also expect the personal touch.

At the other end of the spectrum, the smaller boutique houses within private banking are less developed on the digital side, and are also seeing consolidation. They generally do not have their own in-house asset manager, and instead are only able to offer private wealth management advice. Again, this is a way in which we can differentiate ourselves: with in-house solutions and strategies.



## Labour market

Almost two years into the pandemic, a way of working that at first seemed only temporary has now come to define the new normal. As vaccination rates increased and coronavirus cases fell, some employees headed back to their offices – but many others did not. Plenty of businesses, including financial services companies, are now using a hybrid way of

working: giving their employees the option of coming into the office or working from home. And this is a trend that we expect is here to stay. Our challenge in 2021 was to stay connected with colleagues, keep our workforce healthy, both physically and mentally, and maintain our company culture while working from home.

Competition for talent in the labour market was fiercer than ever in 2021 – not only in financial services but across many industries. Professional services companies all rely on the knowledge and experience of their employees, and there's significant overlap between the financial sector and other (digital) sectors in terms of the skills required. All of this is making it harder than ever to attract and retain the people with the best skills for the job. With physical location and travel becoming less important, this has intensified the competition for talent even further.

Last but by no means least, the importance of diversity and inclusion in the workforce grows with every year that passes. Employees, clients and shareholders continue to see diversity as a high priority. For more information on competition for talent, and on diversity and inclusion at Van Lanschot Kempen, see "Human and intellectual capital" on page 30.



## Regulatory landscape

The implementation of several regulations was postponed in 2020 due to the Covid-19 pandemic, but in 2021 the economic impact turned out to be more limited than expected and the vaccination campaign got underway quickly in developed nations. As a result, the regulatory authorities lifted their relief measures and implementation of regulations resumed – albeit with some delays.

The European Commission proposed its 2021 banking package, of which the main aim will be to adopt Basel IV in the EU. In general, this will increase capital requirements for European banks, although their implementation has been delayed to 2025 and additional transitional arrangements have been introduced. At the same time, we've seen new implementation of the benchmark regulation to replace LIBOR – moving the financial services industry to a different set of approved benchmarks.

Meanwhile, 2021 has been a busy year for sustainability regulations. The probability and impact of environmental risks are coming to the fore, and regulations are catching up fast. In the past, sustainability regulations were primarily about providing transparency and reporting; now, they're also addressing financial institutions' strategy and risk management. Detailed risk management regulation on sustainability risks is expected in the next couple of years. Previously voluntary frameworks, such as the Task Force on Climate-Related Financial Disclosures (TCFD), have been adopted by regulators such as De Nederlandsche Bank (DNB) to define best practices for financial institutions to proactively address climate risk. And it's expected that frameworks that previously defined best practices will soon move into legislation.

To that end, the EU is busy laying the foundations for a regulatory framework for sustainable finance, covering investing, banking and insurance. The aim is to develop

Europe into an economic zone that is positively aligned with the Paris Agreement by 2050. Meanwhile, the Sustainable Financial Disclosure Regulation (SFDR) came into force on 10 March 2021. While understanding and preparing for the requirements has been no easy task, the SFDR has helped the financial system as a whole to see how it can become more meaningful to society at large and to improve the way asset managers serve and communicate with clients. In January 2023, phase 2 of the SFDR will come into force, requiring much more detailed disclosure of the sustainability impacts of financial institutions themselves and the activities they are carrying out. In addition, meeting the requirements of the new EU Taxonomy will keep listed European companies busy in 2022, as they seek to bring more clarity to end-investors and prevent “greenwashing”.

In terms of compliance, we’ve seen more emphasis on anti-money laundering and prevention of financial crime during the reporting year. Banks are asking more and more questions of their clients, and compliance requirements are increasing. Client due diligence and transaction monitoring remain important priorities throughout the financial services industry.

For more information about risks, regulations and compliance, see "Risk and capital management" on page 57.

#### KEY RISK THEMES FOR VAN LANSCHOT KEMPEN

In addition to the trends and developments that impact our operating environment, as a wealth manager we face specific risks associated with our sector. In 2021, we identified the following key risk themes:

- Interest rate risk: low interest rate environment
- Operational risk: Covid-19
- Operational risk: implementing change
- Information risk: cybercrime and IT security
- Compliance risk: increasing requirements
- Sustainability risk: climate change

See “Risk and capital management” (page 57) for more details.



## LINKING PIN

I've been working at Van Lanschot Kempen since 2005, when I started by answering calls from clients. In the intervening years, I've worked in planning and on technical projects such as online banking and omni-channel, before returning to my roots in Client Services. I'm now responsible for a team of 45 people who are there to answer our clients' questions – whether by phone, email, WhatsApp or social media. But I still work on the technical side of client contact as well – it's a two-part job.

As an example, in 2021 we completed a biometric voice recognition project. It essentially makes the identification process much quicker and safer for clients as they can use their voice to identify themselves when speaking to us. So it's about customer service, but also about technological innovation.

At Client Services, we get lots of data about the kinds of questions that clients are asking, which makes us the linking pin between the client and the rest of the organisation. For instance, one of my team members straddles two departments: the Complaints team and the Online Banking team. That means he takes the information we gather at Client Services and brings that client feedback both to the IT department to improve online banking, and to the Complaints department to rectify common issues. By placing one colleague in two different places, we can actually use all the input we receive to the benefit of the client. And the outcome is that clients see the value from the feedback they're giving.

**Martijn Boevink** – Manager of Client Services

## OUR STAKEHOLDERS' EXPECTATIONS

We work with consideration for future generations, the environment, and the financial requirements of clients and shareholders. An essential part of this approach is an active, continuous dialogue with our stakeholders.

We identify five main stakeholder groups: clients, shareholders, employees, government/regulators and other stakeholders, including all those who might be affected by the decisions and activities of Van Lanschot Kempen (e.g. society at large, suppliers and competitors). The interests and expectations of the different stakeholder groups vary, and may lead to potential conflicts of interest. Van Lanschot Kempen weighs up its stakeholders' interests, and incorporates these into decision-making processes and the development of strategic targets.

Our various stakeholder groups have different expectations regarding Van Lanschot Kempen. The overview below<sup>1</sup> outlines our assessment of these expectations.

<b>Clients</b>  <p>Excellent client experience, strong personal relationships, holistic advice, relevant and sustainable solutions, and risk-rewarding returns</p>
<b>Shareholders</b>  <p>Solid performance, attractive returns and sustainable – preferably growing – dividend</p>
<b>Employees</b>  <p>Inspiring and inclusive work environment, competitive salary, development and growth opportunities, and personal autonomy</p>
<b>Government/regulators</b>  <p>Practices within the letter and the spirit of the law (e.g. duty of care, anti-money laundering, client due diligence, privacy regulations and Basel IV) and positive contribution to society and environment</p>
<b>Other stakeholders</b>  <p>Fair business opportunities and positive contribution to society and environment</p>

### Topics that are material to our stakeholders

To determine which topics are valued most by our stakeholders, we conduct a survey among stakeholders every two years. Our most recent survey was conducted in 2021. For 20 topics relevant to our business, stakeholders were asked to assess the extent to which each topic influences the decisions they make regarding Van Lanschot Kempen. In addition, a group of senior managers proposed the significance of the impact Van Lanschot Kempen has via each of the 20 topics, which was subsequently cross-checked with a panel of external sustainability experts.

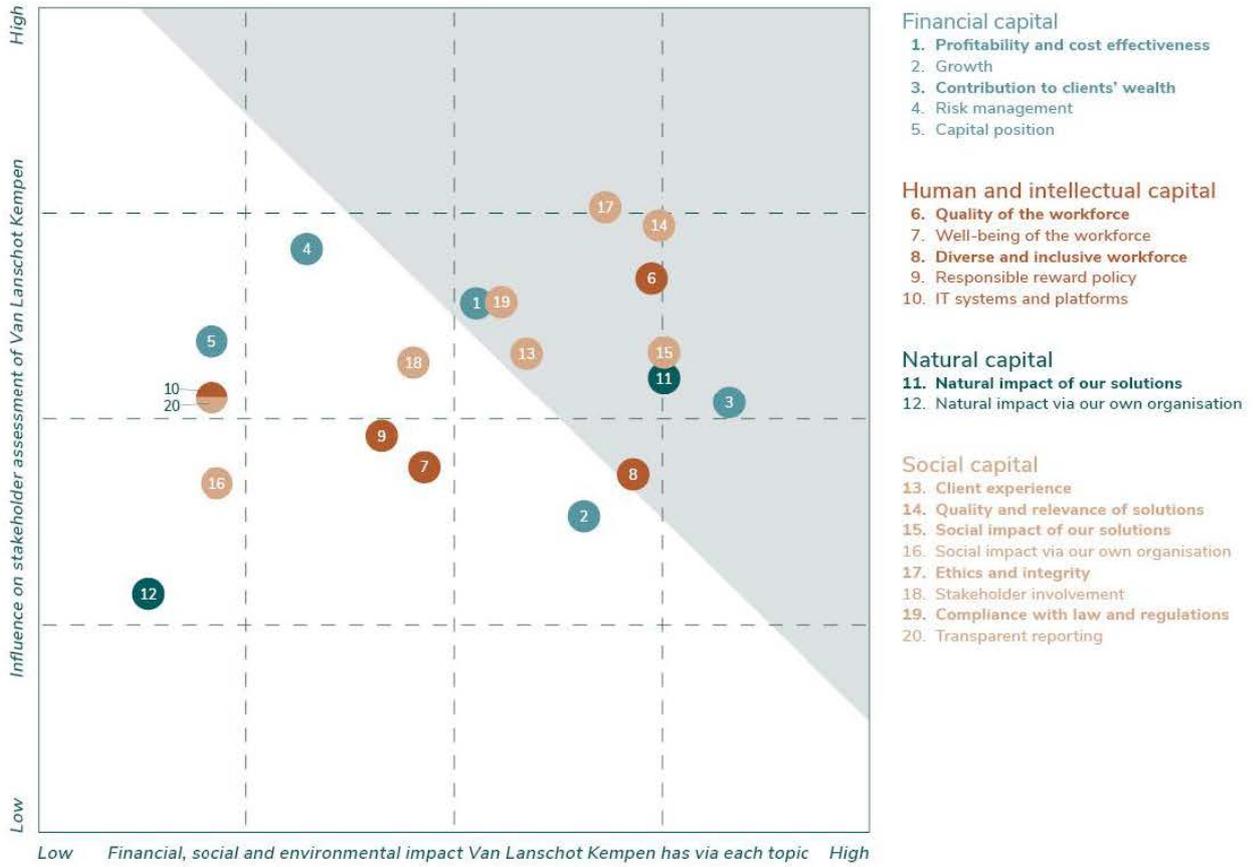
Our Management Board determined the significance of the impact Van Lanschot Kempen has via these topics. Impact refers to positive impact and prevention of negative impact, and may be economic, environmental or social in nature.

The table below and matrix overleaf show the ten topics (out of the 20 in total) deemed most material, based on those topics rated as “significantly important” by our stakeholders, and on which Van Lanschot Kempen has “significant impact”.

Topic number	Material topic	Description
1	Profitability and cost effectiveness	Return on equity, efficiency ratio, and ability to keep costs under control.
3	Contribution to clients' wealth	Positive financial contribution to the wealth of our clients via our investment, advisory, lending and investment banking solutions.
6	Quality of the workforce	The workforce consists of talented employees who have the relevant expertise and required skill set. Opportunities are offered to employees to develop themselves and extend their skill set.
8	Diverse and inclusive workforce	The workforce is diverse and the organisational culture is inclusive. All employees are offered equal opportunities.
11	Natural impact of our solutions	Positive natural impact and reduction of negative impact via our solutions (e.g. by investing the assets of our clients in a responsible and sustainable manner, excluding companies that contribute most negatively to the climate crisis).
13	Client experience	Easy-to-access, seamless customer journeys via various channels (e.g. app, face-to-face, phone) and providing clients with services and solutions at the right time, leading to high levels of client satisfaction.
14	Quality and relevance of solutions	Development of innovative solutions that answer evolving, individual client needs. Clients have access to a broad and diverse range of solutions. Added value of our advisory services (quality, suitability and execution power).
15	Social impact of our solutions	Positive social impact and reduction of negative impact via our solutions (e.g. by investing the assets of our clients in a responsible and sustainable manner, excluding companies exposed to child labour from our investment universe).
17	Ethics and integrity	Company culture and moral compass by which employees are encouraged to behave ethically and with integrity.
19	Compliance with laws and regulations	Compliance with evolving laws, regulations and requirements of regulators (e.g. fair pricing, anti-money laundering).

<sup>1</sup> See our sustainability supplement for further details.

### Our materiality matrix



In the materiality matrix above, the topics marked in bold indicate those deemed to be the most material. These correspond with the topics listed in the table on the previous page.

## New key performance indicators 2022-23

The new materiality matrix that was developed in 2021 has been used to review and adjust our key performance indicators (KPIs) for 2022 and 2023 – we therefore did not report against these KPIs in 2021. In line with these latest material topics and our strategic pillar, "Achieve our

sustainability ambitions", our new set of KPIs focuses more intensively on sustainability-related topics. Currently, the emphasis is on climate-related KPIs because we have made the most progress on setting targets in this area. We expect to add more KPIs relating to other sustainability topics in the future.

Value creation themes	KPIs	Targets
Financial	1. CET 1 ratio	15-17%
	2. Return on equity (CET 1)	10-12%
	3. Efficiency ratio	70-72%
	4. Three-year relative performance of our managed propositions	> benchmark
Human and intellectual	5. Employer Net Promoter Score (eNPS)	> 10
	6. Employee engagement score (EES)	> 80%
	7. Percentage of employees who believe they have the opportunity for personal development and growth	≥ benchmark ≥ last pulse/EES (if below benchmark)
	8. Gender balance among senior staff	> 30% female > 30% male
	9. Gender pay gap	< 2.0%
	10. Staff turnover	5-10%
	11. Absenteeism	< industry average
Natural	12. Sustainability rating of all Kempen funds by Morningstar	≥ 3.5
	13. Decrease in carbon emissions:	
	a. Direct emissions via our own organisation	-7.0% per FTE per year
	b. Alignment of our solutions with Paris Agreement:	
	i. Kempen funds and discretionary management solutions	7% average annual emission intensity reduction
	ii. Fiduciary management (FM) solutions	> 50% of FM clients have Paris Agreement-aligned goals
	c. Indirect emissions via our assets under management (AuM)	Coverage grows to 55-60% of CO <sub>2</sub> e emissions by end 2022
	d. Indirect emissions via our mortgage portfolio	CO <sub>2</sub> e/€ < last year
	14. Investment Strategies & Solutions sustainability ambition:	
	a. Percentage of AuM invested in sustainable and/or impact wealth management solutions	+5 percentage points per year
	b. Percentage of external managers on the approved list that meet the basic sustainability criteria	> last year
	c. Kempen listed funds engage with companies representing > 50% of carbon footprint of the fund	Engaged with companies representing > 50% of carbon footprint out of total portfolio
Social	15. Net Promoter Score (NPS):	
	a. Private Clients	20
	b. Evi	10
	c. Wholesale & Institutional Clients	20
	16. Investment Banking Clients: number of successful transactions with repeat Corporate Finance clients (five-year period)	50-60%
	17. Number of interactions (indexed) with institutional investors by Securities	130 (2020 baseline: 100)
	18. Average Morningstar analyst rating	≥ last year
	19. Engagements for change on social and governance issues for which at least one milestone has been reached in the past year	10-15 engagements per year
	20. Percentage of employees who believe they have a responsibility to behave ethically	≥ benchmark ≥ last pulse/EES (if below benchmark)
	21. Percentage of employees who believe the company culture holds everyone to the same standards of ethical behaviour and promotes transparent communication	≥ benchmark ≥ last pulse/EES (if below benchmark)
	22. Products and services are subject to strict approval and review procedures, including relevant assessments by Compliance	Yes

## OUR STRATEGY

Van Lanschot Kempen is a well-capitalised, profitable, independent wealth manager with a strong specialist position in the market and proud Dutch roots. We believe that our knowledge and experience, our personal, client-focused approach and our unique combination of activities set us apart from our competitors in our selected market segments, while offering growth opportunities.

### Our ambition

Supported by our strong client relationships, we aim to be a leading player in our relevant markets and geographies. This means being:

- A leading wealth manager in the Netherlands and Belgium, creating and preserving wealth in a sustainable way;
- The leading wealth management platform for the mass-affluent market in the Netherlands, combining online with a personal approach;
- A prominent, European-oriented, active investment manager that delivers both financial and sustainable alpha in less efficient and alternative markets;
- The leading fiduciary manager in the Netherlands, and a key challenger in the UK fiduciary market;
- The preferred trusted adviser in selected sectors in investment banking across Europe;
- A wealth manager with a solid risk profile and a moderate risk appetite, aiming to optimise our capital base while leaving room for potential acquisitions.

### Our strategic pillars

Economic, social and environmental shifts, evolving client needs, technological advances, the labour market and regulatory changes all impact our operating environment. We need to respond to these changes in order to deliver on our strategic pillars:



### Accelerate growth organically and inorganically

To remain relevant for our clients and accelerate our organic growth, we believe that we have to truly understand our clients, anticipate their needs and help them to fulfil these needs in a sustainable manner. Instead of searching for a single product or a specific brand, which entails a product-led approach, clients are looking for solutions that fulfil multiple needs.

We aim to engage in further bolt-on acquisitions and larger acquisitions in order to accelerate our growth, increase our scale and benefit from revenue, cost and/or funding synergies. We focus on acquisition opportunities that support our positioning as a specialist player while keeping a balanced asset mix, and consider acquisitions in existing and contiguous markets.

### How we performed

Since 2015, we've successfully expanded our activities with six bolt-on acquisitions/partnerships. Our high post-acquisition client retention rates show that clients value our proposition. In 2021, we entered into a partnership with Belgian wealth manager Mercier Vanderlinden by acquiring a 70% stake, through which we became a real challenger in Belgium. Also in 2021, we completed the integration of Hof Hoorneman Bankiers, a Dutch private bank.

Organic growth within our Private Clients segment has accelerated over recent years, with 2021 showing a net inflow of €3.8 billion. This acceleration is driven by disciplined client servicing as well as tailoring our offering to our clients' needs. Our Wholesale & Institutional Clients segment painted a different picture in 2021, showing an outflow of €4.0 billion – following years of significant growth. This was mainly driven by the loss of two institutional clients – both because of mergers with other parties – and outflow in credit strategies. Within this segment, investment strategies such as Global Small-caps and Real Estate showed good inflows.

### Advance through digitalisation and advanced analytics

Changes in clients' needs and economic developments require us to react quickly. Technology and digitalisation allow us to improve our productivity and service, by speeding up processes, reducing operational errors and improving the availability, quality and interpretation of data. We invested, and will continue to invest, heavily in our capabilities in this area. Digital interaction is crucial as it offers both clients and employees increased flexibility in terms of means of communication and the time needed to communicate.

### How we performed

Technology is an integral part of how we provide our services to our clients, while we continue to maintain a personal touch. We therefore give our clients the choice – whether they want to communicate with us face-to-face, online or by phone – so that the digital is never at the expense of the personal. We also use technology to ensure that our communications are as individually tailored as possible, by using personalised emailing and dashboards to gain insights into our clients' portfolios. We have embraced technology to further enhance our services, one example of which in 2021 was the introduction of biometric voice recognition.

Our private bankers now have the right tools in place to ensure better efficiency combined with the highest standards in client service. Examples include dashboards with real-time client information, network screening and opportunity screening.

### Achieve our sustainability ambitions

Being a sustainable wealth manager with a long-term focus means that we proactively strive to prevent negative consequences for all stakeholders in line with the UN Global Compact, while aiming to create positive long-term financial and non-financial value. We can achieve the most significant social and environmental impact via our client investments. Our ambition is therefore to move towards more sustainable investing, together with our clients. In the future, we intend to raise the bar even higher and make sustainable investing the new normal. To achieve this, we will increase employee awareness and expand our expertise in the area of sustainable investing across the whole organisation.

#### How we performed

In 2021, we introduced three themes through which we can make an impact:

- **Climate and biodiversity:** helping our environment to recover faster by contributing to energy transition and biodiversity;
- **Smart and circular economy:** helping our investee companies to contribute to a smart, circular and inclusive economy;
- **Living better for longer:** helping our clients and society to live longer and in better health.

During the reporting year, we focused our efforts on climate. We were one of the first asset managers to commit to the global Net-Zero Asset Managers initiative in 2020, and we have set carbon footprint reduction targets for 2025, 2030 and 2050. Across our own organisation, our balance sheet and our assets under management, we reduced our carbon footprint during 2021. We also decided to set annual carbon footprint reduction targets, starting in 2022. For our internally managed listed funds and discretionary solutions for private clients, we aim to reduce our carbon footprint by 7% a year in line with the Paris Agreement goals. Although the easiest way to reach this target is to sell our shares in the most polluting companies, we prefer to take the more impactful route by actively engaging as a shareholder with investee companies. By doing so, we expect to facilitate the broader energy transition and create more real-world impact. Our progress can be tracked in our annual sustainability supplement and on our website.

### Act as one to leverage our full potential

In order to unlock the full potential of our solutions-led organisation for our clients, we must be able to offer solutions that build on the knowledge and expertise of the entire group as well as our open architecture platform. We believe that by providing clients access to the full range of services and products across our segments, we can meet client needs in a sustainable manner.

#### How we performed

At the beginning of 2021, we adjusted our organisational structure, enabling us to work in an even more client-centric way. The new structure helps us better operate across client segments, provide an even broader offering, and further improve the efficiency of our organisation. We serve all our client groups from our Client Management & Origination

department. One example of operating across client groups is the way we offer investment strategies to both our private clients and our wholesale and institutional clients.

As we believe brand should follow strategy, we took the decision to move to one brand: Van Lanschot Kempen. The single brand strategy strengthens our positioning as a specialist independent wealth manager in Western Europe.

### Attract, develop and retain the workforce

Our people's knowledge, experience and professionalism are key to the way we operate. Investing in our people enables them to embrace both sustainability and new technology. This technology allows us to adopt a more data-driven way of working and decision-making. Together, we must optimise the use of advanced analytics, to embrace new technology and to work in a more agile manner.

#### How we performed

We facilitate and encourage development and training of our existing workforce. In 2021, we defined five key skills: collaboration, embracing technology, client-centricity, adaptability and embracing sustainability – these are important for all colleagues to develop further and help strengthen our identity as a company. We provided learning solutions to help employees develop these skills. For example, our Private Banking Academy ensured that Private Clients colleagues were skilled to the right level; sustainability and compliance curricula were used to train employees; and employees received various training courses to work effectively from home. We continuously hire new people with the requisite skills and capabilities to help drive our development and the changes needed to stay ahead.

Attracting and retaining a diverse workforce continues to be a focus area for us. As a result, the Recruitment department was strengthened, an employer branding campaign was launched, and better use of data was enforced. As well as hiring financial specialists, this also led to us recruiting additional new talent, such as profiles in compliance, sustainability, digital and data. By year-end 2021, our FTEs had increased by 6% to 1,654. In order to support diversity and inclusion on the work floor, we launched several initiatives in 2021. Examples include the introduction of the Inclusion & Diversity Community, joining Workplace Pride, and the launch of the Van Lanschot Kempen Women's Network.

## How we steer and monitor our business

In order to monitor whether we're on track to deliver on our ambitions and create long-term value, we define financial and non-financial key performance indicators (KPIs) and targets. These are based on industry trends and developments, stakeholder expectations, client needs and strategic relevance. The material topics that were used as inputs for these KPIs are in the sustainability supplement.

Our KPIs are focused on value creation, both financial and non-financial. We explain both our KPIs and our results against them in the sections on our value creation per type of capital on pages 26-44.

The table below shows our targets and performance on these KPIs in 2021 and 2020:

Value creation themes	KPIs	Targets		Performance in 2021	Performance in 2020
Financial	1. CET 1 ratio	15-17%	●	23.7%	24.3%
	2. Return on equity (CET 1)	10-12%	●	15.7%	4.4%
	3. Efficiency ratio	70-72%	●	68.9%	85.7%
	4. Three-year relative performance of discretionary management mandates:				
	a. Private Clients	> benchmark	●	-0.8%	-1.8%
	b. Evi	> benchmark	●	-0.6%	-2.2%
Human and intellectual	5. Employee engagement score	> 80%	●	88%	n/a
	6. Employer Net Promoter Score (eNPS)	> 10	●	13	6
	7. Gender balance in management positions	> 30% female > 30% male	●	22% female 78% male	21% female 79% male
	8. Percentage of total number of training courses followed to develop new skills in order to adapt the workforce (e.g. technical, digital, adaptability) <sup>1</sup>	> 25%	●	53%	57%
Social	9. Net Promoter Score (NPS):				
	a. Private Clients	10	●	36	26
	b. Evi	10	●	15	5
	c. Wholesale & Institutional Clients	20	●	38	n/a
	10. Investment Banking Clients: number of successful transactions with repeat Corporate Finance clients (five-year period)	60-70%	●	46%	43% <sup>2</sup>
	11. Investment Banking Clients: bundled commission paid by repeat Securities clients	> 80%	●	94%	95%
	12. Investment Management: average Morningstar rating of investment strategies (institutional share class)	> 3.5	●	3.6	3.6
	13. Percentage of employees who positively evaluate our culture regarding ethical behaviour and integrity <sup>3</sup>	> industry average of 85%	●	90%	89%
Natural	14. Private Clients sustainability ambition: AuM invested in sustainable and impact investment wealth management solutions	last year +10%	●	2021: €4,367 + €1,304m	2020: €3,063m > €1,017m
	15. Investment Management sustainability ambition:				
	a. Percentage of internal and external fund managers on the approved list that meet the sustainability criteria	> last year	●	76%	70% <sup>4</sup>
	b. Engagement cases with companies that our funds invest in per year	80-100	●	132	116
	c. Engagements for change for which at least one milestone has been reached in the past year <sup>5</sup>	10-15	●	55	54
	16. Decrease in carbon emissions:				
	a. Direct emissions of our own organisation	-2.5%/FTE/year	●	-6.2%	-51.1%
	b. Indirect emissions via our balance sheet (mortgage portfolio)	CO <sub>2</sub> e/€ < last year	●	-6.1%	-6.6%

● KPI more than achieved   ● KPI achieved   ● KPI almost achieved   ● KPI not achieved   ● KPI far from achieved

<sup>1</sup> This KPI does not cover the full range of training offered within Van Lanschot Kempen. It is calculated based on training for employees working in the Netherlands, booked via our learning platform, training brokers and digital and IT departments' channels. The latter is a new source, which means that the 2020 figure has been adjusted.

<sup>2</sup> The 2020 figure has been adjusted, whereby all mandates that have been successfully completed are now included.

<sup>3</sup> The score for this KPI is based on responses to the following statements in the employee engagement survey:

- We operate with integrity in our external dealings (with customers, suppliers, etc.);
- We operate with integrity in our internal dealings (i.e. with employees);
- I think I could report instances of dishonest or unethical practices to the appropriate level of authority without fear of reprisal.

<sup>4</sup> The 2020 score has been adjusted due to an expansion of the available data.

<sup>5</sup> Engagement consists of four stages. If it moves to the next stage, a milestone has been achieved. As of 2021, we apply a more stringent definition. In comparison with previous years, we no longer include the first milestone, which was to reach out to the company, meaning that a maximum of three milestones could be achieved per engagement. In line with this more stringent definition, the 2020 figure has been adjusted.



## ONE-OF-A-KIND ATMOSPHERE

I started an internship at Van Lanschot Kempen in January 2020, giving myself six months to explore the digital arena. Before that, I'd worked in digital communications, but during my internship I discovered that I enjoyed the Product Owner role more. Fast-forward to the beginning of 2021 and I moved to the Advanced Analytics department to manage the output of the Business Intelligence team – products such as data models, reporting suites and deep-dive analyses.

I'm very grateful to Van Lanschot Kempen, because my managers really gave me the opportunity to develop that skillset. So much so that in November 2021, I won the Digital Talent Award from RightBrains and Computable. It's a national prize and I was shortlisted along with four other women, but ultimately I got the most votes from the

jury and the public. I was overwhelmed by the support of my colleagues. But that's characteristic of the company: the atmosphere is one of a kind. All teams are very supportive of each other (across departments, too) and lots of opportunities are given to individuals, which is rare in a listed company. I feel like the award was a joint effort!

Because of the pandemic, I've been working from home a lot – but I really like to come into the office to meet with my colleagues when I can. I have the Mobility Mixx card, which means I can take the metro, rent a share car, or walk or bike to work if the weather's nice – it's a very flexible way to get face-to-face time with the team.

**Lisanne Smink** – Product Owner Business Intelligence and Analytics

# OUR VALUE CREATION

Wealth enables our clients to achieve their business, personal and social goals. Wealth generation is essential to create and maintain stability in our society. This requires a long-term focus in which environmental, social and governance (ESG) factors all need to be taken into account at the same time as economic factors.

We are convinced that our purpose – to preserve and create wealth, in a sustainable way, for our clients and the society we serve – can only be fulfilled in a sustainable world. The purpose of the financial services sector is not to generate short-term profit for shareholders, but to create long-term value for all stakeholders. This means that creating financial and sustainable returns must go hand-in-hand. As a wealth manager, we occupy a unique position in the middle of the value chain. On one side, we act as stewards for our clients, helping them to achieve their long-term goals. On the other, we allocate their capital to companies, which should create long-term value.

We have a large in-house group of high-quality investment professionals. This gives us the opportunity to be active owners of our clients' capital and create financial and sustainable value. Our experience is that the quality of dialogue with the management of our investee companies is more impactful than the size of our position.

We are continually improving our products and solutions for our clients to make them more sustainable over time. We primarily offer three different types of investment solutions: responsible, sustainable and impact. All our products and solutions are responsible as a baseline: they meet UN and OECD guidelines on human and labour rights, and they meet governance and stewardship standards. We call this "doing no harm". Through our sustainable and impact investment solutions, we proactively focus on "doing good" – aiming to create positive impact. For examples of our sustainable and impact investment solutions, see "Natural capital" and "Social capital" on pages 35-44.

## Our focus on sustainability themes

As a society, we need to find a more sustainable equilibrium between people, planet and prosperity. In 2015, the world unified around 17 UN Sustainable Development Goals (SDGs). At Van Lanschot Kempen, we will focus our impact on three related themes:

- **Climate and biodiversity:** helping our environment to recover faster by contributing to energy transition and biodiversity (SDG 7);
- **Smart and circular economy:** helping our investee companies to contribute to a smart, circular and inclusive economy (SDGs 8 and 12);
- **Living better for longer:** helping our clients and society to live longer and in better health (SDGs 3 and 6).

## Our value creation per type of capital

Our value creation model on the following page provides an overview of our impact and the value we create in the long term. As a wealth manager, Van Lanschot Kempen attracts various types of capital:

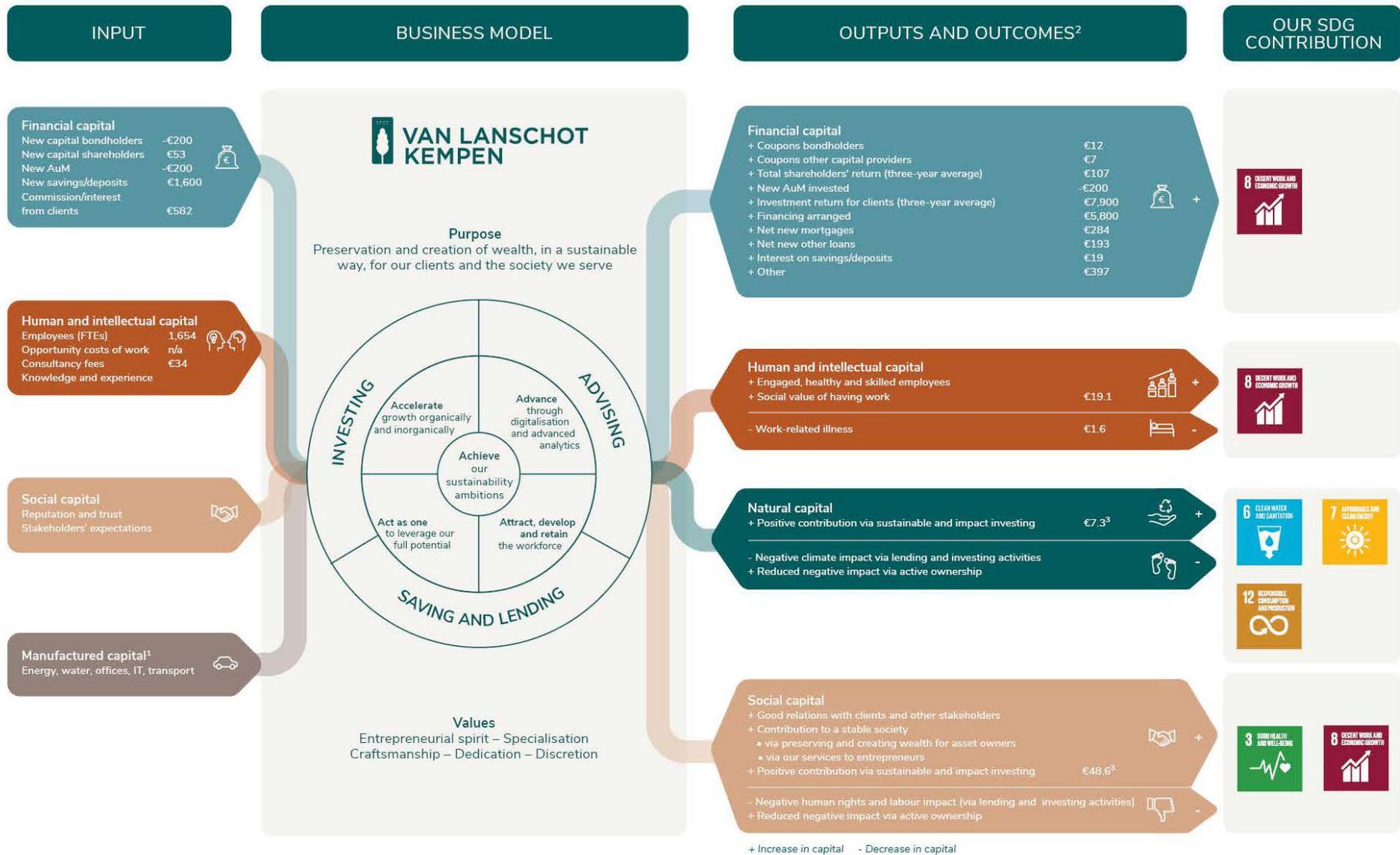
- **Financial capital:** Our clients entrust us with their investments, savings and deposits, while our capital providers invest in our shares and bonds.
- **Human and intellectual capital:** Our employees and external parties bring in their knowledge and experience.
- **Natural capital:** These inputs are not included in our value creation model because they are insignificant in our case.
- **Social capital:** The network we have as an organisation and the trust that other stakeholders place in us.
- **Manufactured capital:** Our physical inputs, such as offices, energy, IT and transport.

As a company, we aim to deploy these types of capital in combination for overall value creation – meaning that we strive to add value via our business model, thereby increasing the total capital or value. Outputs can be both positive and negative.

- **Financial capital:** We invest client assets in companies and other organisations, assist entrepreneurs when raising funds, provide investment returns to our own clients and investors, pay salaries to our employees and pay taxes to society. However, there's also the potential for negative outcomes – for example, if poor market performance hits the assets we manage for our clients.
- **Human and intellectual capital:** We contribute to human capital via the hiring, training and development of our employees, but on the flip side are work-related illness and possible redundancies.
- **Natural capital:** We contribute to natural capital by investing client assets in sustainable and impact funds that contribute to natural or environmental goals such as energy transition and biodiversity. As a result of our investment of client assets and lending activities, however, there may be negative impacts on the environment under certain circumstances, such as waste production, pollution and carbon emissions.
- **Social capital:** We preserve and create growth and job opportunities for society by passing on financial capital to companies and other organisations. We increase social capital by investing client assets in sustainable and impact funds that contribute to social goals, such as health and longevity. But as a result of our investment of client assets and our lending activities, and despite our policies and efforts, in some cases there may still be negative social impacts, such as on labour rights, human rights or other social issues in our supply chains.
- **Manufactured capital:** This is not included in our outputs because we do not manufacture goods.

Over the next four sections, we define what each type of capital comprises, describe our approach to it, provide an indication of how we quantify our contribution, and offer concrete examples of how we create value. We are making decent progress on quantifying our value creation in terms of natural capital, and this is our current focus from a strategic perspective. In 2022, we also aim to improve the value creation model in general.

# VALUE CREATION MODEL



1 Manufactured capital has been deemed non-material and is therefore not included in the sections that follow.  
 2 For various stakeholder groups.  
 3 Figures are based on four sustainable investment funds amounting to €1,081 million.

## FINANCIAL CAPITAL

We define financial capital as the pool of funds available to an organisation for use in the production of goods or the provision of services. Funds can be obtained through financing, such as debt, equity or grants, or generated through operations or investments.

### Our approach

Van Lanschot Kempen provides financial services and, as such, creating value via financial capital is our licence to operate. Our profitability and cost effectiveness are important not only to our clients but also to our shareholders, employees, governments/regulators and other stakeholders, including society at large. For more details on our stakeholders' expectations, see page 17.

### Wealth generation for our clients

Our clients trust us to manage their wealth effectively and to make a positive contribution via our investment solutions. They expect risk-rewarding returns that enable the preservation and growth of their financial assets. Our wealth management solutions and investment strategies should also perform well compared with their benchmarks. To achieve this, we have set up professional investment processes that focus on long-term value creation for our investment strategies and the portfolios of our private and institutional clients. Each of our investment strategies uses a process that is best suited to take advantage of the opportunities in its respective sector. We believe in the

values of specialisation and craftsmanship, which is why our portfolio managers have the freedom to create and manage a strategy that is in line with their clients' needs and that delivers sustainable value to their clients. These portfolios bring together the collective expertise from teams that focus on fiduciary management, investment strategies, manager selection and portfolio management. Each team plays a pivotal role in the investment process, governance (including clear responsibilities) and optimum use of systems and tools, in order to achieve the most positive outcomes.

### Profitability and cost effectiveness

We manage our profitability and cost effectiveness through continuous improvement of our processes, and through growth and innovation. Drawing on our multi-year forecast, we have set 2025 targets for our Common Equity Tier 1 (CET 1) ratio, our return on CET 1 capital and our efficiency ratio. We set annual targets for all Van Lanschot Kempen departments as part of our annual budget cycle. These budgets are devised bottom-up, with the input of the businesses challenged and, where necessary, made more concrete in sessions with the Management Board. Target achievement is measured monthly and reported to the Management Board using management reports – including KPI dashboards – and analyses of financial and non-financial data and trends.

We steer and monitor the value we create in terms of financial capital through a number of KPIs:

KPIs	Targets	Performance in 2021	Performance in 2020
1. CET 1 ratio	15-17%	23.7%	24.3%
2. Return on equity (CET 1)	10-12%	15.7%	4.4%
3. Efficiency ratio	70-72%	68.9%	85.7%
4. Three-year relative performance of discretionary management mandates			
a. Private Clients	> benchmark	-0.8%	-1.8%
b. Evi	> benchmark	-0.6%	-2.2%

### Financial and risk management

Financial performance and risk management are key to our organisation, as all direct stakeholders benefit from a solid capital position and sustainable performance. In 2021, our CET 1 ratio was 23.7%, slightly lower than in 2020 and still well above our target range of 15-17%. We aim to optimise our use of capital, and intend to leave room for acquisitions. Whenever possible, we will also continue to pay out excess capital to shareholders, subject to regulatory approval.

Our return on CET 1 increased to 15.7%, meeting our target. Our efficiency ratio amounted to 68.9%, also meeting our target for the reporting year. More information on the developments underlying this ratio is provided on page 50.

### Return on assets under management

Our wealth management solutions aim to deliver positive performance in the long term, with our investment strategies performing well against their benchmarks. In 2021, the three-year average performances of Private Clients and Evi discretionary management mandates relative to their benchmarks stood at -0.8% and -0.6% respectively (2020: -1.8% and -2.2%). These figures are calculated by comparing the year-end absolute performance of the largest discretionary solutions over the last three years with their respective benchmarks. Although we did not meet our target to outperform our benchmarks, the absolute three-year average performance of these mandates amounted to 11.6% and 11.8% respectively, thereby positively contributing to our clients' wealth.

For more details on our financial results, see "Financial performance" on page 46.

## Quantifying our value creation

### Overview of financial capital: inputs and outputs

Input (€ million)	From	Amount 2021	Amount 2020	Output (€ million)	For	Amount 2021	Amount 2020
<b>Shareholders and bondholders</b>							
New capital bondholders	H	-200	-200	Coupons bondholders	H	12	19
New capital shareholders	H	53	44	Coupons other capital providers	H	7	7
				Total shareholders' return (three-year average)	H	107	20
<b>Investments</b>							
New AuM	C	-200	6,900	New AuM invested	S	-200	6,900
				Investment return for clients (three-year average)	C	7,900	3,800
<b>Advice (Investment Banking Clients)</b>							
No financial capital input				Financing arranged	C	5,800	23,000
<b>Savings and lending</b>							
New savings/deposits	C	1,600	600	Net new mortgages	C	284	37
				Net new other loans	C	193	-186
				Interest on savings/deposits	C	19	22
<b>Other financial transactions</b>							
Commission/interest from clients	C	582	502	Staff costs	E	285	249
				Taxes	S	35	4
				Remittances to regulators	S	14	11
				Purchase of goods and services	S	64	61
				Donations	S	NP	NP
<b>Mortgage portfolio</b>							
				Wealth creation through home ownership	C	1,028	n/a
				Investments in home improvements	S	16	n/a
				Mortgage interest deduction	S	-33	n/a

H: shareholders and bondholders, C: clients, S: society, E: employees, NP: non-public figure

#### How to read these tables

The table above, and the equivalent tables in the three sections that follow, show the various capital values used and generated by Van Lanschot Kempen in 2020 and 2021. On the left-hand side, the capital deployed by Van Lanschot Kempen in our business model is listed, divided into separate categories. On the right-hand side, the capital generated is listed, also divided into categories. The items listed in the tables are intended as examples, and should not be used to calculate our overall value creation. We have not included total inputs or total outputs in these tables for two reasons: firstly, the methodology is still too immature; secondly, inputs and outputs of a certain type of capital can also be deployed and transformed into another type of capital. For example, new assets under management (financial capital) can also lead to an increase in social capital if invested in the right solutions.

As this table shows, our financial capital inputs consist mainly of the savings, deposits and investments from our clients, as well as the funds provided by investors in our shares and bonds. Our financial capital outputs consist mainly of the funds we invest (on behalf of our clients) in companies and governments, the financial investment returns for our clients, and the financing we arrange for our clients. Our shareholders and investors receive dividends and returns as outputs. The outputs for our employees take the form of the salaries they receive. For society at large, the main outputs relate to the taxes we pay. In 2021, we

extended our value creation assessment by including some of the effects of home ownership, which can be linked to the mortgages we provide to our clients.

#### New assets under management

Our aim is to help our clients sustain and grow their wealth; part of the way we do this is by introducing them to new, less liquid asset categories to help clients differentiate their investments in a low interest-rate environment. For example, our Kempen SDG Farmland Fund and our Kempen European Private Equity Fund II were both launched in 2021 to give clients access to alternative solutions. Such funds help us attract and grow client wealth, and lead to inflow of assets under management.

#### Acquisitions

In 2021, we employed our financial capital to acquire 70% of the shares in Belgian wealth manager Mercier Vanderlinden. Coupled with our existing business in Belgium, this has made us a real challenger in the Belgian market. From a client perspective, being part of a larger group brings synergies: Mercier Vanderlinden's clients now have direct access to the group's products and solutions. For example, they can now take out a Lombard loan from Van Lanschot Kempen. It's by putting our financial capital to work in this way that we're able to offer new solutions to clients.

## Mortgages

By providing mortgages, we help our clients purchase homes and thereby create various forms of value. We estimate the increased personal wealth of our Dutch clients due to home ownership (compared with renting a property) at €1,028 million in 2021. Within this estimate, we take into account the interest costs, tax benefits linked to mortgage interest deduction, real-estate taxes for home owners and increases in housing prices – compared with a reference scenario in which our mortgage clients would rent a property. In the coming years, we may refine this reference scenario since many of our clients already own a home before taking out a mortgage with us to purchase their next home. We attribute the increased personal wealth due to home ownership to the "clients" stakeholder group.

In general, home owners invest more in home improvements. This represents a boost to the building and construction sector, which we estimate to be worth €16 million in 2021. We attribute this value to the "society" stakeholder group.

In the Netherlands, the tax benefits extended to home owners via the mortgage interest deduction scheme reduce tax income for the Dutch government, in comparison with the reference scenario in which our clients would rent a property. We estimate this loss in tax income at €33 million in 2021, and attribute this to the "society" stakeholder group.

## Next steps

Based on our strategy, we have plans in place that will help us achieve the targets listed under our KPIs. One key area of focus is our cost-income ratio: we are successfully increasing our income levels, but containing costs will also be key to our success. We will therefore be keeping close track of this in 2022.



## WISDOM AND ENTREPRENEURSHIP

I joined Van Lanschot Kempen in February 2021, having been running my own business in coaching and people development full time for three years. I was ready to step back into the corporate world, but I was looking for a company whose values fitted with my own. Van Lanschot Kempen's vision and core values were what spoke to me: it's not just about money; it's also about wisdom and entrepreneurship. If you're a self-starter with a good idea, people are willing to let you run with it.

My role involves supporting five SCRUM teams in digital innovation: making sure they have what they need to do their job, but that they also feel empowered to fulfil their potential and incorporate their individual talents into the

workplace. The job also involves innovation and making sure we're moving forward. A great example is a two-day hackathon we're organising in 2022. More than 80 colleagues will be involved, from all different teams and with different ideas and problems to solve.

Speaking of innovation, as you can see from the photo I've chosen an electric car for my commute to work. Having a car gives me the freedom to travel wherever and whenever I like, which is important to me.

**Conchita Lopez Vega** – People Manager, Digital, Advanced Analytics & Technology

## HUMAN AND INTELLECTUAL CAPITAL

We define human capital as people's competencies, capabilities and experience; their motivation to innovate; their ability to understand, develop and implement our strategy; and their ability to lead, manage and collaborate. We define intellectual capital as organisational, knowledge-based intangibles, including specific expertise and intellectual property.

### Our approach

In a knowledge and service-based organisation such as ours, people make all the difference. Their professionalism, skills and engagement determine the quality of our service. Well-trained, knowledgeable people not only provide better service to our clients; they are also more engaged in what they do. And the rapid pace at which digitalisation and technology are developing makes the need for continuous learning even stronger.

### Attracting, retaining and developing talent

Our strategy is to be an attractive and inclusive employer for all talent sources available in the labour market. We continuously strive to recruit a diverse range of talented professionals. Instead of looking for individuals on a case-by-case basis, our aim is to create a continuous flow of new talent. We believe one of the reasons employees choose Van Lanschot Kempen over our competitors is because of the broader and deeper level of responsibility we are able to offer them. To retain our employees, we provide opportunities to grow, a diverse and inclusive culture, competitive and inclusive labour conditions and our Vitality Programme.

Through our online learning platform – accessible to all Van Lanschot Kempen employees – we provide an integrated educational programme that fits with our strategy. The platform helps employees and their managers to see what is expected of them, and what knowledge and skills they have yet to attain or develop.

We steer and monitor the value we create in terms of human and intellectual capital through a number of KPIs:

KPIs	Targets	Performance in 2021	Performance in 2020
5. Employee engagement score	> 80%	88%	n/a
6. Employer Net Promoter Score (eNPS)	> 10	13	6
7. Gender balance in management positions	> 30% female > 30% male	22% female 78% male	21% female 79% male
8. Percentage of total number of training courses followed to develop new skills in order to adapt the workforce (e.g. technical, digital, adaptability) <sup>1</sup>	> 25%	53%	57%

### Employee engagement

We aim to engage our employees on topics that are relevant and critical to our strategy. In 2021, we carried out our employee engagement survey that happens every two years; the survey saw a participation rate of almost 80%. Compared with the 2019 results and with the financial services industry benchmark, almost all categories showed better scores. The survey saw our engagement score increase from 82% in 2019 to 88% in 2021 – which is also 4% better than the industry benchmark. Compared with the 2019 survey, employees' feelings of inclusion have improved the most – from 66% in 2019 to 88% in 2021.

We added the Global High-Performing Companies benchmark to our survey, both to understand where we stand in comparison, and to set a strong future reference point on employee experience to work towards. On four of the 14 main categories (Inclusion, Trust, Retention and Voice), Van Lanschot Kempen already exceeds this benchmark. The scores on the other ten categories provided useful external insights for our improvement plans.

Coming out of the survey, areas that need attention include continuing to make our internal processes more efficient and increasing the speed of moving from idea to implementation. These outcomes will be further analysed and action plans will be drawn up.

At 13, the Employee Net Promoter Score (eNPS) is significantly higher than the 6 scored in 2020 and the target of 10. This is a strong outcome and a sign that employees feel connected to the organisation. The eNPS is a method used to measure employee satisfaction and loyalty to our organisation, based on the percentage of employees who are promoters of the organisation, minus the percentage of employees who are detractors.

### Diversity and inclusion

Attracting and retaining a diverse workforce continues to be a focus area for Van Lanschot Kempen. We aim for diversity in terms of ethnic background, religion, sexual orientation, gender and so on. The gender balance in management positions changed slightly in 2021: 22% of employees in management positions are female, below our target range.

<sup>1</sup> This KPI does not cover the full range of training offered within Van Lanschot Kempen. It is calculated based on training for employees working in the Netherlands, booked via our learning platform, training brokers and digital and IT departments' channels. The latter is a new source, which means that the 2020 figure has been adjusted.

In September 2021, the Dutch government passed a law regarding a more balanced ratio of seats between men and women on the management and supervisory boards of large public and private companies, which came into force on 1 January 2022. Van Lanschot Kempen complies with the requirement that at least one-third of our Supervisory Board consists of women and one-third of men. On our Management Board, we aim for at least one-third of members to be women and one-third men. And we aim for 30% women and 30% men in the three levels immediately below the Management Board (senior staff). This is an expansion of our current metric for gender balance, which reflects our ambition to build our talent funnel. In 2022, we will pay attention to developing our mid-level talent pipeline, as this can be an effective lever to increase the representation of women in senior leadership positions in the longer term. We believe in the merits of a diverse organisation, and so we intend to take significant steps in the short and medium terms to achieve our ambitions.

We have already started to take action to address the representation of women in senior leadership roles. In 2021, we established a working group involving representatives from across different client segments to investigate the barriers that need to be addressed to facilitate the retention and promotion of women at the company. Actions have been defined across four key themes, and will be implemented over the coming period:

- Levelling the playing field;
- Communication and awareness;
- Recruitment and retention;
- Workforce planning.

We apply a differentiated (stages of life) approach to eliminate the practical barriers (such as childcare and flexibility) that are encountered by working parents. For instance, we offer flexible working hours, working locations and remote working options for our employees.

We continue to refine the approach we take to attract diverse talent, including the use of external recruitment agencies to build talent pools. Development and promotion opportunities for existing talent is fundamental to our retention strategy, as is an inclusive environment. In order to support a diverse and inclusive culture at Van Lanschot Kempen, a variety of initiatives were launched during the reporting year. For instance, we now have a diversity working group, a Van Lanschot Kempen Women's Network and a Pride Network. We have established a number of external partnerships, including with Women Inc. and Workplace Pride, both of which focus on creating more inclusive workplaces. Throughout 2021, we put significant effort into initiatives relating to creating an inclusive culture: over 150 colleagues joined language training courses (both business English and conversational Dutch) and we hosted over 20 sessions on inclusion and bias awareness.

We continue to communicate about inclusion and diversity, regularly publishing stories from our colleagues internally. For instance, in 2021 the Management Board spoke about the importance of hiring people with a disability; our colleagues in the London office talked about the increasing importance of diversity from the perspective of our clients; and other colleagues shared their personal experiences of diversity, taking experience and background into account.

During the reporting year, we assessed our HR policies from a gender-neutral perspective. We also amended our policy on desirable and undesirable behaviour, including sexual harassment.

In line with our core values, we support the principles of both equal opportunity and equal pay (in comparable positions). As a fundamental value, we do not discriminate. In 2021, we engaged an external party, AnalitiQs, to carry out an in-depth analysis to test the assumption that we adhere to the principles of equal opportunity and equal pay. The scope included all internal employees in the Netherlands. In the methodology used, a correction was made for pay gaps that are caused by differences in age, job level and tenure, for example. The results of this analysis indicated an unexplained (corrected) pay gap of 4%; for comparison purposes, the Statistics Netherlands (CBS) average is 5.5% and the average for Dutch financial institutions is 13%. In order to address this gap where needed, we make adjustments as part of our regular compensation process.

Following the initiatives we rolled out in 2021, our employee engagement score on the topic of inclusion and diversity significantly increased, by 22 points overall compared with 2019. It's clear that we find this topic important as an organisation, and we will continue to build on this momentum in 2022.

Key staff data	2021	2020
Employees (FTEs at year-end)	1,654	1,564
Absenteeism (%)	2.2	2.3
Investment in training (€ million)	2.9	2.0
Training hours (estimated total number of hours, individually and collectively)	90,800	84,000
Female/male ratio (%)	32/68	33/67
Staff turnover (%)	5	5

Staff per client segment at year-end (FTEs)	2021
Private Clients	587
Wholesale & Institutional Clients	43
Investment Banking Clients	107
Other	917
<b>Total</b>	<b>1,654</b>

## Quantifying our value creation

### Overview of human and intellectual capital: inputs and outputs

Input (€ million)	From	Amount 2021	Amount 2020	Output (€ million)	For	Amount 2021	Amount 2020
Opportunity costs of work	E	n/a	n/a	Social value of having work	E	19.1	16.3
				Work-related illness	E	1.6	1.5

E: employees

As the table above shows, our human capital inputs consist of the opportunity costs of work by our employees, meaning the value of the hours our employees devote to Van Lanschot Kempen. We aim to add value to these human capital inputs through our business model – for example, by creating attractive jobs that result in additional social value for our employees. However, such outputs can also be negative – as in the case of work-related illnesses. Note that the table contains only three examples so far; we expect to add more data in the future, including figures on workplace diversity, work experience and training, for instance.

#### Opportunity costs of work

Economists have developed various methods to assign a monetary value to the time employees spend working. These methods all have pros and cons. A downside to many methodologies is that they are not based on a reference scenario in which employees conduct other paid work. Since employees generally require an income to maintain their livelihoods, this would be more valid than comparing the average monetary value an employee assigns to one working hour with one leisure hour. We therefore continue to explore methodologies to assign value to the input of human and intellectual capital in terms of the opportunity costs of work.

#### Social value of having work

Numerous studies show that people with a job are more satisfied with their lives than people without one. Several of these studies also focus specifically on quantifying this social value, usually by means of a "well-being valuation". Through this econometric method, developed to measure the value of so-called non-market goods, we can determine the monetary value of increased life satisfaction as a result of having a job. Based on the formula developed by Fujiwara (2019)<sup>2</sup>, the social value of all jobs at Van Lanschot Kempen in 2021 amounted to €19.1 million – attributed to employees – compared with €16.3 million in 2020.

#### Work-related illness

In contrast to the social value of having work, the negative impact of work-related illness on employees' quality of life is also reflected in our contribution to human capital and social value. To calculate this, we use the disability-adjusted life year (DALY) method developed by the World Health Organization. A DALY is an international measure of missed happiness in life due to illness. In short, every healthy year of life counts for 1 DALY, and the DALY is lowered for each year in which an employee is ill by using a weighting factor.

We combine this data with illness-related absentee data for the average Dutch employee (from the Dutch National Institute for Public Health and the Environment – RIVM) and the value of one year of life (from CE Delft, an independent research organisation) to calculate the total impact.

Based on this calculation, the total negative impact from arm, neck and shoulder complaints, back pain and burnout in 2021 amounted to €1.6 million, compared with €1.5 million in 2020.

## Other achievements and developments

### Employment conditions and working from home

As a result of the harmonisation and modernisation of employment conditions in 2020, several benefits were introduced, such as the partially paid sabbatical and extended care leave. We also introduced the part-time early retirement policy: from the age of 60, employees can work part-time and keep their full pension accrual. These new benefits are highly appreciated by our employees and are already being taken up.

While employees were working from home during the Covid-19 pandemic, we provided a number of tools to help colleagues manage their work-life balance. For instance, to boost health and well-being, we offered online workouts, breathing exercises and yoga classes. To manage a healthy work-life balance, we offered time management training and webinars on health and well-being, focusing on how to deal with increasing work pressure and stay connected with colleagues. We trained our managers on staying healthy as leaders, and how to talk about Covid-19. And, on a regular basis, we asked our employees about their well-being through pulse surveys or sent them gifts by way of recognition for their flexibility.

We invested not only in health-related support, but also in high-end facilities for working from home. We made budget available so that employees could get the IT infrastructure and hardware they needed to ensure their home offices met their personal needs. We also transferred part of the commuting costs to a healthy working from home and well-being budget. The purpose of this budget was to provide our employees with a pleasant home environment that supports their physical and mental health. This was in addition to home technology: we became even more digitally focused, offering training on digital tooling.

<sup>2</sup> For full details of the formula used to calculate this value, see Fujiwara, D. (2019). *Valuing non-market goods using subjective wellbeing data* (The London School of Economics and Political Science).

Starting on 1 September 2021, we introduced our renewed flexible, sustainable and future-proof commuting expenses scheme, which has been expanded. Our employees can travel from home to any office location in whichever way they prefer; all their commuting costs are reimbursed regardless of whether they go by public transport, by bike or on foot. We promote driving electric lease cars, and are working on a new sustainable lease car policy to be implemented in 2022. You can see examples of some of the ways in which our employees commute to work in the testimonials throughout this report.

Following an election, the Works Council has had a new set of members since October 2021. We are proud that our Works Council is representative of our company. The cooperation process with the Works Council is always constructive.

### **Integrated employment practices**

Starting in January 2020, we implemented a new defined contribution pension scheme for all employees. The first collective value transfer was accomplished at the end of 2020; the second collective value transfer was successfully concluded in 2021. In 2022, we have a third collective value transfer scheduled for our new colleagues from Hof Hoorneman Bankiers. We also plan to improve pension awareness among our employees and encourage them to start preparing for the future.

In our Belgian business, we spent time upgrading our HR practices to be in line with the Dutch organisation: we have formalised the job and career framework, and made significant investments in leadership.

### **Continuous learning culture**

To build our continuous learning culture, we create ongoing, on-the-job learning opportunities for all employees. We promote inquiry and dialogue: creating a culture in which feedback and experimentation are encouraged. And we promote and reward collaboration and social learning.

In 2021, to promote our continuous learning culture, we reintroduced 360-degree feedback tools for all employees. We also updated our Private Banking Academy with new modules. Lastly, we took initial steps towards creating our new Digital & IT Academy, which will help train the next generation of tech professionals.

### **Next steps**

In 2022, we will continue to work on attracting and retaining the high quality of talented professionals we need to achieve our growth strategy. Not only through new recruits, but also through succession planning to ensure that existing talent is ready to be promoted to the next level in the organisation. Diversity will continue to be both an important priority and an opportunity to improve and differentiate ourselves.



## ENTREPRENEURIAL SPIRIT

I've been working at Van Lanschot Kempen since 1998, and the company has evolved a lot in the last couple of decades – but so too has the job. As Chief Economist, my team and I follow economic trends and markets, and reflect on these in order to establish an investment strategy for our clients from a top-down perspective. So we're not selecting specific funds or bonds, but we're looking at overall asset allocation. We do that for several client segments – including Private Clients and Wholesale & Institutional Clients – across the whole group. That means I'm frequently taking the Thalys train back and forth between the Netherlands and Belgium, where I'm from.

There's a lot of communication involved – both internally, holding calls twice a week to brief our bankers and advisers, and externally, holding one-on-one meetings with clients and making presentations to larger groups. They're all important

because they give us an opportunity to get direct feedback and ask questions in both directions. As economists, we try not to stay in our ivory tower: my view has always been that we can learn from each other and work together to improve our service to clients, regardless of which business line or client segment people are in. For instance, I try to include our solutions for Wholesale & Institutional Clients in my story to Private Clients.

What's unique about the company is that we're big enough to provide clients with high-quality solutions, but small enough to allow entrepreneurship. You don't have to stick to your formal position in the organisation: if you're willing to show entrepreneurial spirit and grasp opportunities, you can do anything.

**Luc Aben** – Chief Economist

# NATURAL CAPITAL

We define natural capital as all renewable and non-renewable environmental resources that support the prosperity of an organisation. Natural capital includes air, water, land, minerals, forests, biodiversity and ecosystem health.

## Our approach

As an organisation, we impact natural capital through our daily operations, for which we consume energy, and use water and other inputs that harm the environment. Moreover, as a financial institution, we also have a wider indirect impact: through our investments and financing, we facilitate other organisations in conducting their operations, which also make an environmental impact. As a responsible organisation, investor and wealth manager, we are conscious of these impacts and aim to reduce them. By offering sustainable and impact investment solutions, we also specifically contribute to natural or environmental goals such as energy transition and biodiversity.

To limit the impact of our assets under management, balance sheet and activities, we have various policies in place covering impacts on natural capital. Our main focus is to limit our contribution to climate change, as this is currently the most material risk to society. In 2021, for the first time we also assessed our exposure to risks resulting from the loss of biodiversity. Climate and biodiversity will be two of the themes on which we will focus more over the coming years.

## Responsible and sustainable investment

Given the size of our assets under management, the biggest environmental impact we make relates to how we invest our clients' assets. We therefore have an extensive responsible investment policy in place for all assets under management. This policy is developed and implemented internally, and is based on a long-term, focused investment philosophy coupled with an active ownership approach. We believe that an actively managed investment portfolio will create the most value in the long term, in both financial and non-financial (environmental, social and governance – ESG) terms. We engage with fund managers and investee companies on a broad range of ESG topics, including environmental issues, and we exercise our voting rights at annual general meetings. If fund managers or investees are not willing to comply with our minimum environmental standards, we may choose to divest. In addition to our responsible investment approach, we offer sustainable solutions. These contain more exclusion criteria and a best-in-class approach.

As part of our responsible and sustainable investing, we also have a climate policy that was significantly strengthened in 2020, with a long-term commitment to be a net-zero investor (by 2050), as well as mid-term (2030) and shorter-term (2025) objectives.

To monitor our progress on our objectives to align with the goals of the Paris Agreement, in 2021 we translated our ambitions on carbon reduction into KPIs across the organisation for 2022. We also signed the Net Zero Asset Managers initiative to confirm our commitment to become a net-zero investor by 2050. In 2021, together with other asset managers, we reconfirmed our commitment and ambition, which was published during COP26 in Glasgow.

We believe biodiversity loss represents a systemic risk to society and the environment. We are determined to consider both the risks and opportunities this presents to our clients, and to human and planetary well-being. In 2021, we therefore drew up an explicit biodiversity policy, and we are committed to enhancing our approach on this focus area, which includes working together with industry groups on methodologies and metrics, further integrating biodiversity into our investments, and developing our policies to explore more risk assessments. For more information on our biodiversity policy, see [kempen.com/en/asset-management/esg/policies-and-publications](https://kempen.com/en/asset-management/esg/policies-and-publications).

More information about our responsible investment approach can be found on [kempen.com/en/asset-management/esg](https://kempen.com/en/asset-management/esg).

## Responsible and sustainable banking

We have carbon reduction targets in place for the portfolios we manage. In addition, we have set annual targets to reduce the carbon footprint of the investments on our own balance sheet and of the mortgages that we have granted. Our objective is to stay in line with carbon reduction goals that are aligned with the Paris Agreement.

## Acting as a good corporate citizen

We have already been measuring and reducing our own carbon footprint for more than a decade. Starting in 2022, we are significantly increasing our carbon reduction target from 2.5% per FTE per year to 7% per FTE per year.

We steer and monitor the value we create in terms of natural capital through a number of KPIs that you can see on the following page.

KPIs	Targets	Performance in 2021	Performance in 2020
14. Private Clients sustainability ambition: AuM invested in sustainable and impact investment wealth management solutions	last year +10%	2021: €4,367m + €1,304m	2020: €3,063m + €1,017m
15. Investment Management sustainability ambition			
a. Percentage of internal and external fund managers on the approved list that meet the sustainability criteria	> last year	76%	70% <sup>1</sup>
b. Engagement cases with companies that our funds invest in per year	80-100	132	116
c. Engagements for change for which at least one milestone has been reached in the past year	10-15	55	54
16. Decrease in carbon emissions			
a. Direct emissions of our own organisation	-2.5%/FTE/year	-6.2%	-51.1%
b. Indirect emissions via our balance sheet (mortgage portfolio)	CO <sub>2</sub> e/€ < last year	-6.1%	-6.6%

## Sustainability ambition

Private Clients' assets under management invested in sustainable (Duurzaam+) and impact investment (Impact Investing) rose 43% to €4,367 million in 2021, from €3,063 million in 2020.

In 2018, we started rating internal and external fund managers on our approved list, with the ultimate aim to rate them all. In line with various standards in the marketplace, we categorised these according to five levels of sustainable investing: 1) compliant; 2) basic; 3) responsible; 4) sustainable; and 5) impact. In 2021, the percentage of fund managers on our approved list that met our criteria for responsible, sustainable and impact investing was 76%.

During the reporting year, this list of rated funds was extended to include funds outside the approved list. By year-end 2021, we had screened 387 funds against the criteria for these categories (2020: 147 funds), accounting for 57% of our AuM. When we include assets from fiduciary clients (as well as private clients) as a percentage of assets under management, the scores are: 0% compliant, 9% basic (primarily passive funds), 64% responsible, 25% sustainable and 2% impact.

In 2021, we undertook 132 direct engagements for change and awareness with individual companies, which means we met our annual target of 80–100 cases. At least one milestone was reached for 55 engagements in 2021<sup>2</sup>, meaning that at least one pre-defined goal of the engagement was achieved, thereby exceeding our target of 10–15 per year. This is primarily a consequence of the additional engagements we have initiated over the past few years.

In addition to these direct engagements with companies, we also conducted 204 collaborative engagements with companies and 47 dialogues with external fund managers. In addition, we voted at 437 meetings, or 96% of all votable meetings (2020: 419 meetings, 96%).

Our progress on improving our responsible investment policies and our sustainable and impact investment solutions, as well as enhancing our responsible investment capabilities, is demonstrated by the improved ranking of Pensioenfond PostNL, of which we are the fiduciary manager, on the VBDO Benchmark Pension Funds.

With our support, Pensioenfond PostNL was able to improve its ranking from 21 out of 50 in the 2020 ranking to 6 out of 50 in the 2021 ranking. This makes it the highest ranked pension fund in the category of €10–30 billion in AuM, and the highest-scoring corporate pension fund in the Netherlands.

## Carbon footprint

In 2021, the aggregate carbon footprint of our assets under management was 3.6 million tonnes (2020: 4.9 million tonnes). This reflects the fact that our assets under management are increasingly in sustainable investments, which have lower carbon intensities. We see this development in both the Private Clients and the Wholesale & Institutional Clients segments.

The total carbon footprint of the assets on our balance sheet decreased from 54,383 tonnes in 2020<sup>3</sup> to 51,061 tonnes in 2021. This was mainly due to reductions in the carbon footprint of our corporate banking loan book and mortgage portfolio. These reductions are likely due to the pandemic-related lockdowns over the course of 2020 as well as energy-efficiency measures taken by our clients in 2020. As the data on energy consumption by businesses and households that we use to determine this part of our carbon footprint is only available one year later, these 2020 developments have an impact on our 2021 figures.

We remain on track to reduce our carbon emissions by an average of 2.5% per FTE per year, and in 2021 we met this target under our existing KPIs. However, we also set a new, more ambitious target under our 2022-23 KPIs of a 7% reduction per FTE per year, using 2019 as our baseline. For more information, see our sustainability supplement.

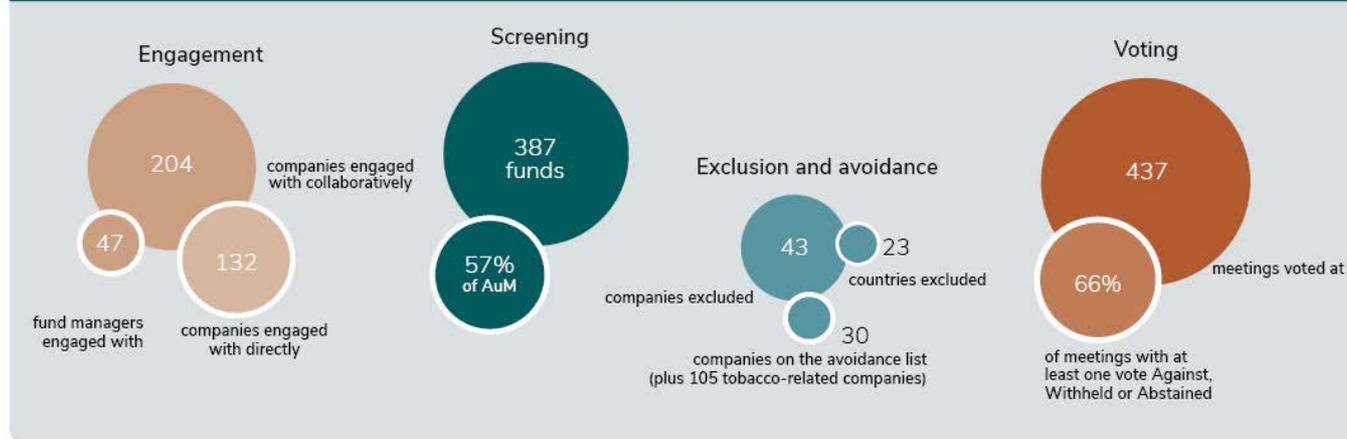
In our own organisation, our absolute carbon emissions in 2021 totalled 1,984 tonnes, or 1.10 tonnes per FTE (2020: 1,965 tonnes, or 1.17 tonnes per FTE). The slight absolute increase can be explained by the smaller impact of the Covid-19 pandemic in terms of how we conducted our daily operations in 2021 compared with 2020. Our relative emissions per FTE decreased because of the higher number of employees. In addition, we continued to offset all the remaining carbon emissions from our own organisation. Note that the figures relating to the carbon emissions of our own organisation exclude Mercier Vanderlinden.

<sup>1</sup> The 2020 score has been adjusted due to an expansion of the available data.

<sup>2</sup> Engagement consists of four stages. If it moves to the next stage, a milestone has been achieved. As of 2021, we apply a more stringent definition. In comparison with previous years, we no longer include the first milestone, which was to reach out to the company, meaning that a maximum of three milestones could be achieved per engagement. In line with this more stringent definition, the 2020 figure has been adjusted.

<sup>3</sup> The carbon footprint of our balance sheet has been restated from 47,879 tonnes in our 2020 Annual Report due to the application of revised emission factors (in accordance with factors prescribed by the Platform Carbon Accounting Financials (PCAF) NL), and applying the LTV at origination instead of based on the latest known appraisal (in line with PCAF International). In this KPI, CO<sub>2</sub>e/€ refers to the emissions per euro of property value at origination. In line with this change, we have updated the comparative figure for 2020 from 0.4% to -6.6%.

## Responsible investment dashboard 2021

Carbon footprint of our assets under management<sup>4</sup>

CO <sub>2</sub> e assets under management	Total AuM (€ billion)		Absolute footprint (million tCO <sub>2</sub> e)		Relative footprint (tCO <sub>2</sub> e/€ m invested)		Carbon intensity (tCO <sub>2</sub> e/€ m sales)		Coverage (CO <sub>2</sub> e based on % AuM)	
	2021	2020 <sup>5</sup>	2021	2020	2021	2020	2021	2020	2021	2020
Private Clients	44.6	28.5	1.6	1.5	60.2	98.1	—	—	59%	54%
Wholesale & Institutional Clients	67.6	70.5	2.1	3.4	52.4	100.1	123.5	148.2	58%	48%
<b>Total</b>	<b>112.1</b>	<b>99.0</b>	<b>3.6</b>	<b>4.9</b>	<b>55.5</b>	<b>99.5</b>	<b>—</b>	<b>—</b>	<b>59%</b>	<b>50%</b>

## Quantifying our value creation

## Overview of natural capital: inputs and outputs

Input (€ million)	From	Amount 2021	Amount 2020	Output (€ million)	For	Amount 2021	Amount 2020
Natural capital input is relatively limited				Client investments (AuM) <sup>6</sup>	S	7.3	-1.8
				Other products and solutions	S	n/a	n/a
				Carbon footprint own organisation (fully offset)	S	0	0

S: society

As the table shows, our impact on natural capital – both positive and negative – is mainly via the products and solutions we provide and our organisational footprint. By comparison, the value of our natural capital input is limited. Van Lanschot Kempen's primary inputs come from financial capital streams, and are transformed into natural capital outputs. In future, we aim to expand our assessment to gain more insight into these natural capital outputs.

## Our client investments and natural value creation

In 2021, we refined our methodology to quantify the natural capital outcomes of our clients' assets, which we had started quantifying in 2020. As shown in the table above,

the natural capital alignment of all our sustainable equity funds in aggregate (€1,081 million) is estimated at €7.3 million (2020: -€1.8 million). If the €1,081 million had been invested in benchmark funds instead, the natural capital alignment would be estimated at -€111.7 million (2020: -€101.1 million).

Our calculations were based on company sales data per investee, indicating which portion of sales could be linked (positively or negatively) to a set of natural and social themes, provided by a data vendor. Adding up the sales numbers for the natural themes resulted in the total contribution to natural capital. Although we recognise that this aggregation may result in a product or service of an

<sup>4</sup> CO<sub>2</sub>e figures based on 2020 data (scope 1 and 2); underlying assets under management as at 30/09/2021.

<sup>5</sup> The total AuM figures for 2020 reflect the previous reporting segments: Private Banking and Asset Management.

<sup>6</sup> Based on four sustainable funds with a total value of €1,081 million, and SDG alignment data based on the 2020 financial year.

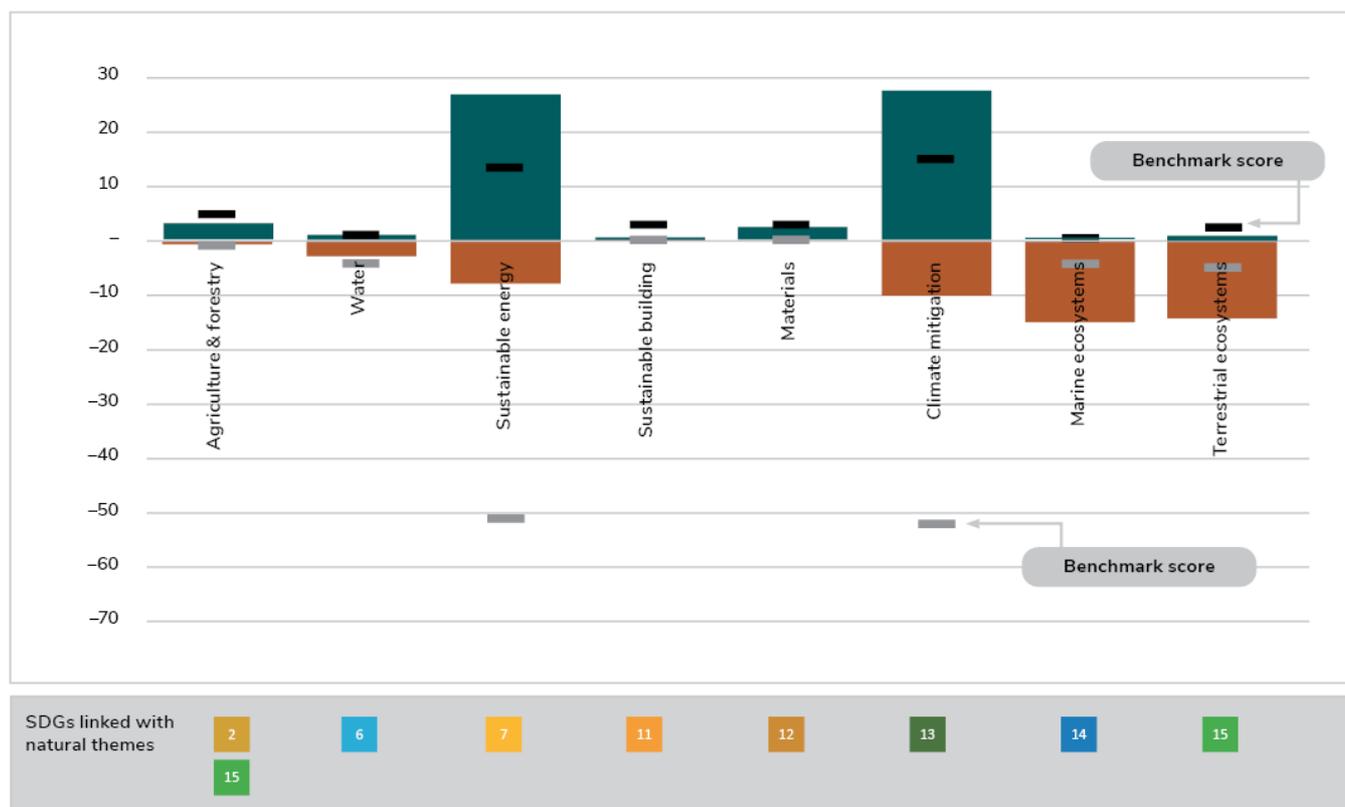
investee being attributed to more than one (natural or social) theme, we do not expect this to materially influence the final outcome of our analysis. The main reason is that our aggregation is conducted both for positive and negative impacts, and consequently smooths out the potential for double-counting.

As shown by the graph below, for every million euros invested in our sustainable equity funds in aggregate over 2021, there was a positive alignment of €19,130 per million euros invested with sustainable energy and €17,310 per million euros invested with climate mitigation. The graph

also shows negative alignments with some natural themes, especially sustainable energy, climate mitigation, marine ecosystems and terrestrial ecosystems. Some but not all of the impacts compare favourably with the benchmarks for these sustainable equity funds, as shown by the horizontal lines in the graph. For more information about benchmarks, visit [kempen.com/en/asset-management](https://kempen.com/en/asset-management).

As also indicated in the graph, the calculated impact can be mapped to the SDGs as well. However, the process of mapping the natural capital alignment with the SDGs is still in its infancy.

Alignment of our assets under management in our sustainable equity funds with natural themes (in €1,000 per million euros invested)



Net alignment compared with benchmark (in €1,000 per million euros invested)	Agriculture & forestry	Water	Sustainable energy	Sustainable building	Materials	Climate mitigation	Marine ecosystems	Terrestrial ecosystems
2021	0.17	0.30	57.17	-1.50	-0.23	54.00	-10.78	-10.95
2020	-1.19	-0.01	52.35	-1.29	1.19	49.14	-12.03	-13.39
Year-on-year change	1.36	0.31	4.82	-0.21	-1.42	4.85	1.25	2.44

### Kempen SDG Farmland Fund

In addition to sustainable equity funds, we also offer various other ways for clients to invest in solutions to sustainability challenges. One example is the Kempen SDG Farmland Fund that we launched in 2021 in cooperation with our client Stichting Pensioenfond PostNL. This fund aims to invest in land for sustainable agriculture across the globe, and to deliver attractive long-term returns to its investors in the process.

Following the launch of the Kempen SDG Farmland Fund, two insurance companies, Coöperatie DELA and De Goudse, also joined the fund. At year-end 2021, the fund had a committed volume of over €380 million.

### Our EU Taxonomy eligibility

In 2021, the European Commission published the first specific requirements to which we need to adhere. This EU Taxonomy provides a common classification system by which economic activities, loans or investments that facilitate these activities, are considered "green". During the reporting year, we assessed the eligibility of the assets on our balance sheet against the EU Taxonomy for the first time. Our disclosure is limited to "eligibility" as opposed to "alignment", in accordance with regulations, because investee companies were not yet obliged to report on how their activities were aligned with the EU Taxonomy over 2020. By marking assets on our balance sheet as "EU Taxonomy-eligible", we denote that these have been

earmarked as "potentially green" because they help to limit or mitigate the consequences of climate change. To improve our reporting on the EU Taxonomy eligibility of the assets on our balance sheet (as well as the EU Taxonomy alignment of these assets from 2023) and to facilitate risk management, we will: collect additional data on the energy efficiency of the residential real estate we finance; gather more information on the size and activities of family businesses, healthcare and business professionals, and other entrepreneurs we finance (included in Other private banking loans); and collect data on the EU Taxonomy eligibility and alignment of the entities in which our own funds and external fund managers invest.

At year-end 2021, €6,727 million out of our total €16,353 million in assets on our balance sheet was EU Taxonomy-eligible. This corresponds to 41.1% of total assets on our balance sheet being exposed to EU Taxonomy-eligible economic activities, and 58.9% not being exposed to such activities. The share of assets on our balance sheet that is not eligible comprises the categories that are not in scope for the EU Taxonomy: 25.1% of total assets on our balance sheet is exposed to central governments, central banks and supranational issuers; 1.5% comprises derivatives; and 17.5% is exposed to undertakings that are not obliged to publish non-financial information pursuant to the Non-Financial Reporting Directive (NFRD).

Summary of EU Taxonomy eligibility of activities	Total gross carrying amount (in € million)	Total assets (%)	GAR assets (%)
Exposures to EU Taxonomy-eligible economic activities	6,727	41.1	55.0
Exposures to EU Taxonomy-ineligible economic activities	4,446	27.2	36.4
– of which exposures to undertakings that are not in scope of the NFRD	2,860	17.5	23.4
Derivatives	253	1.5	2.1
On-demand interbank loans	102	0.6	0.8
Other assets not eligible for green asset ratio (GAR) calculation	692	4.2	5.7
<b>Total GAR assets</b>	<b>12,220</b>	<b>74.7</b>	<b>100.0</b>
Exposures to central governments, central banks and supranational issuers	4,101	25.1	—
Trading portfolio	31	0.2	—
<b>Total assets</b>	<b>16,353</b>	<b>100.0</b>	<b>100.0</b>

Our EU Taxonomy-eligible assets on our balance sheet comprise our mortgage portfolio and mortgages distributed by third parties: €6,727 million in total. As a consequence of our wealth management strategy, and compared with other financial institutions, we have a relatively limited portfolio of other loans. This portfolio generally comprises products that are supplemental to our private banking relationship model – for instance, loans provided to family businesses, business professionals, healthcare professionals and entrepreneurs. In the main, these counterparties are not marked as public interest entities – i.e. are not pursuant to the NFRD – and for this reason, these loans are not in scope for the EU Taxonomy.

Note that only a proportion of our EU Taxonomy-eligible assets will also be EU Taxonomy-aligned. For instance, based on reports issued by the European Commission, only mortgages used to finance residential real estate that is within the top 15% in terms of energy efficiency (at least Energy Label A), or that has realised an improvement of 30% in primary energy demand after renovation, can be classified as EU Taxonomy-aligned.

We have not included our positions in a selection of our own investment funds in our EU Taxonomy-eligible assets. At the time of reporting, only a small sample of the issuers in which these funds hold positions have reported on the EU Taxonomy eligibility and/or alignment of their activities. As these companies will provide more information about the EU Taxonomy eligibility and/or alignment of their activities in their reporting for 2021, we expect to be able to provide information on the eligibility of our positions in our own investment funds in our 2022 reporting.

We have embedded sustainability considerations into all of our products and services. We work continuously to improve the sustainability profile of our current investment products and to develop new sustainable investment products. Over time, this should translate into increased EU Taxonomy eligibility and alignment of the assets on our balance sheet.

For instance, we offer a sustainability discount via our Groenhypotheek (green mortgage) to clients who want to improve the energy efficiency of their homes. By extending the services we offer to our mortgage clients and the conditions of our green mortgage product, we encourage clients to take energy-efficient measures, such as installing solar panels. Since mortgages represent a large share of the assets on our balance sheet, this could potentially significantly increase the EU Taxonomy eligibility and alignment of the assets on our balance sheet. In parallel, this helps to realise our target on reducing the indirect carbon emissions related to our mortgage portfolio.

### Next steps

In 2021, we made various steps in refining and focusing our policies and targets. In 2022, we aim to implement these policies and further monitor whether we are on track to meet our more ambitious targets. Moreover, we will continue to work on gaining insight into our impact on biodiversity and other forms of natural capital via our assets under management and on our balance sheet. We also aim to develop policies on a smart and circular economy.



## CLOSE COMMUNICATION

I'm currently studying for my degree in Business Information and Technology at the University of Applied Sciences OST. In Switzerland, it's common to do an apprenticeship at the same time as studying, which is what I've been doing. I actually started in mechanical engineering, but realised it wasn't the right direction for me and that I was more interested in finance and investing. I then got the opportunity to do a six-month internship at ABN AMRO in the Netherlands, after which I got in touch via LinkedIn with someone at Van Lanschot Kempen in Switzerland. Being half-Swiss and half-Dutch, I'm proud to work for one of the only Dutch private banks in Switzerland.

I've been working here alongside my studies for two years, first as a relationship manager and now as a junior portfolio manager. Together with my colleague who's the

main portfolio manager, I help invest the portfolios of our clients in Switzerland. They're mostly Dutch and Belgian clients, but we can give them opportunities in Switzerland that they're not able to get elsewhere with our professional fund house, which offers an interesting product range.

Because we're a team of only around 40 people, we're all based in one building in Zurich – so it's very easy to communicate and solve issues in an agile and dynamic way. For example, the investment team and international wealth managers have a very close relationship with each other – they visit their clients together and collaborate on strategies, so they can better serve their clients.

Pascal Cadonau – Junior Portfolio Manager, Switzerland

## SOCIAL CAPITAL

We define social capital as the relationships within and between groups of stakeholders. In our case, social capital includes the social impact we make via our client assets.

### Our approach

We preserve and create wealth, growth and job opportunities for society by passing on financial capital to companies and other organisations. Our relationship with clients is one of our most important assets. We increase social capital by investing client assets in sustainable and impact funds that contribute specifically to social goals, such as living better for longer. But as a result of our investment of client assets and our lending activities, in some cases there may be negative impacts, such as on labour rights, human rights or other social issues in our supply chains.

### Responsible and sustainable investment

As with natural capital, the biggest social impact we make relates to how we invest our assets under management. Our responsible investment policy therefore also covers social issues extensively. We engage with fund managers and investee companies on a broad range of ESG topics, including social issues such as human rights and labour rights, and we exercise our voting rights at annual general meetings. If fund managers or investees are not willing to comply with our minimum social standards, we may choose to divest. In addition to our responsible investment approach, we also offer sustainable solutions. These contain more exclusion criteria and a best-in-class approach.

For a full description of our ESG policy (including our voting policy and voting records), see [kempen.com/en/asset-management/esg](https://kempen.com/en/asset-management/esg).

### Ethics and integrity

The financial sector is built on trust, and a healthy culture and ethical behaviour are needed to sustain this trust with all our stakeholders.

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. As stated in the Banking Code, the Management and Supervisory Boards are responsible for developing and maintaining standards of integrity and ethical behaviour.

Our Code of Conduct, to which every employee must adhere, goes further than complying with relevant legislation. It includes guidelines on how employees should act with integrity and balance the interests of all stakeholders. Our Code also includes the Banker's Oath, which all our employees are required to sign. For more information, see [vanlanschotkempen.com/en/governance](https://vanlanschotkempen.com/en/governance).

There are various internal mechanisms for employees who are seeking advice, or for reporting concerns about ethical issues, unethical or unlawful behaviour, and organisational integrity – for example, via their managers and the Compliance department. We have a whistleblower policy and a complaints procedure in place; we have also appointed internal advisers who employees can speak to confidentially.

We steer and monitor the value we create in terms of social capital through a number of KPIs:

KPIs	Targets	Performance in 2021	Performance in 2020
9. Net Promoter Score (NPS)			
a. Private Clients	10	36	26
b. Evi	10	15	5
c. Wholesale & Institutional Clients	20	38	n/a
10. Investment Banking Clients: number of successful transactions with repeat Corporate Finance clients (five-year period)	60-70%	46%	43% <sup>1</sup>
11. Investment Banking Clients: bundled commission paid by repeat Securities clients	> 80%	94%	95%
12. Investment Management: average Morningstar rating of investment strategies (institutional share class)	> 3.5	3.6	3.6
13. Percentage of employees who positively evaluate our culture regarding ethical behaviour and integrity	> industry average of 85%	90%	89%
14. Private Clients sustainability ambition: AuM invested in sustainable and impact investment wealth management solutions	last year +10%	2021: €4,367m + €1,304	2020: €3,063m + €1,017m
15. Investment Management sustainability ambition:			
a. Percentage of internal and external fund managers on the approved list that meet the sustainability criteria	> last year	76%	70% <sup>2</sup>
b. Engagement cases with companies that our funds invest in per year	80-100	132	116
c. Engagements for change for which at least one milestone has been reached in the past year <sup>2</sup>	10-15	55	54

<sup>1</sup> The 2020 figure has been adjusted, whereby all mandates that have been successfully completed are now included.

<sup>2</sup> Engagement consists of four stages. If it moves to the next stage, a milestone has been achieved. As of 2021, we apply a more stringent definition. In comparison with previous years, we no longer include the first milestone, which was to reach out to the company, meaning that a maximum of three milestones could be achieved per engagement. In line with this more stringent definition, the 2020 figure has been adjusted.

<sup>3</sup> The 2020 score has been adjusted due to an expansion of the available data.

## Client relations

The relationship with our clients is one of our most important assets. To measure their satisfaction and loyalty, we use the Net Promoter Score (NPS), which provides insight into client loyalty and the number of promoters of the organisation. The score lies within a range of -100 to 100 points, the higher the better. The formula is as follows:  $NPS = \% \text{ promoters} - \% \text{ detractors}$ . Promoters give the organisation a score of 9 or 10, whereas detractors award a score of between 0 and 6. The NPS that we measure is also known as Relationship NPS. We measure this four times a year for Private Clients and Evi, and once every two years for Wholesale & Institutional Clients.

In 2021, our private clients<sup>4</sup> awarded us an NPS of 36, higher than our target of 10. This can be attributed to satisfaction about contact with our employees as well as satisfaction regarding our investment services, which could relate to the positive market sentiment.

The NPS for Evi increased to 15 in 2021, higher than our target of 10. Compared with 2020, Evi clients indicated satisfaction regarding their investment results and the clear and straightforward communication. And 87% indicated it was "likely" to "very likely" that they would remain a client.

For the Wholesale & Institutional Clients segment, we measure the NPS once every two years, as the relationships with – and solutions provided to – institutional clients do not change as quickly as can be the case with private clients. The NPS of 38 awarded by wholesale and institutional clients is above our target of 20. The small increase from 31 in 2019 is mainly thanks to the quality of service and expertise of our employees.

Among our Corporate Finance clients, building long-term client relationships is measured via the percentage of successful transactions with repeat clients during a year. A client is defined as a repeat Corporate Finance client if they have made a successful transaction with us in the past five

years. The score on this KPI indicates whether existing clients are doing business with us again as well as our ability to acquire new clients. In 2021, 46% of transactions were with repeat clients, below our target range of 60-70%. This was due to the rise in the number of new clients for whom transactions were made, even though the absolute number of recurring clients is higher than in 2020.

Client satisfaction among our Securities clients is measured in a similar way: the percentage of repeat Securities clients paying bundled commission for our research in the past 12 months, compared with the previous 12-month period. Given the importance of building long-term client relationships, the target has been set at 80%. At 94%, the 2021 result is significantly above our target.

A crucial element in our relationship with clients is the extent to which their expectations are met by the quality and effectiveness of our solutions. The quality of our investment strategies is measured via the average Morningstar rating of these strategies in the institutional share class. At the end of 2021, the average rating was 3.6, meeting our target.

## Ethical behaviour

Our approach to ethical behaviour is described on the previous page. We monitor whether our employees positively evaluate our culture regarding ethical behaviour and integrity via employee surveys. Employees are asked to evaluate whether we operate with integrity in both our internal and external dealings, and if they feel they could report dishonest or unethical practices without fear of reprisal. The outcome is benchmarked against other financial services firms (by an external organisation) and was above the industry average at the end of 2021, in line with our target.

In 2021, two ethical incidents were reported (2020: one incident), which have since been handled according to the relevant policies and procedures.

## Quantifying our value creation

### Overview of social capital: inputs and outputs

Input (€ million)	From	Amount 2021	Amount 2020	Output (€ million)	For	Amount 2021	Amount 2020
Social capital input has not yet been quantified				Client investments (AuM)	S	48.6	31.9
				Other products and solutions	S	n/a	n/a

S: society

As the table shows, our main impact on social capital – both positive and negative – is via the products and solutions we provide. We currently only quantify the impact we make via our client investments. Although we acknowledge that we use social capital as inputs – such as our brand reputation and stakeholder recognition – we still need to quantify these in order to be able to report a monetary amount.

### Our client investments and social value creation

As with natural capital, in 2021 we refined our methodology to quantify the social capital outcomes of our clients' assets, which we had started quantifying in 2020. Based on our assessment, our sustainable equity funds in aggregate over 2021 (€1,081 million) made a net positive contribution of €48.6 million to seven social themes. If the €1,081 million had been invested in the benchmarks of these sustainable equity funds instead, the social capital alignment would be estimated at €32.9 million.

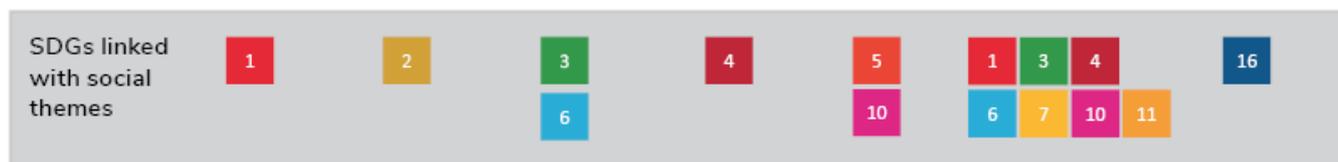
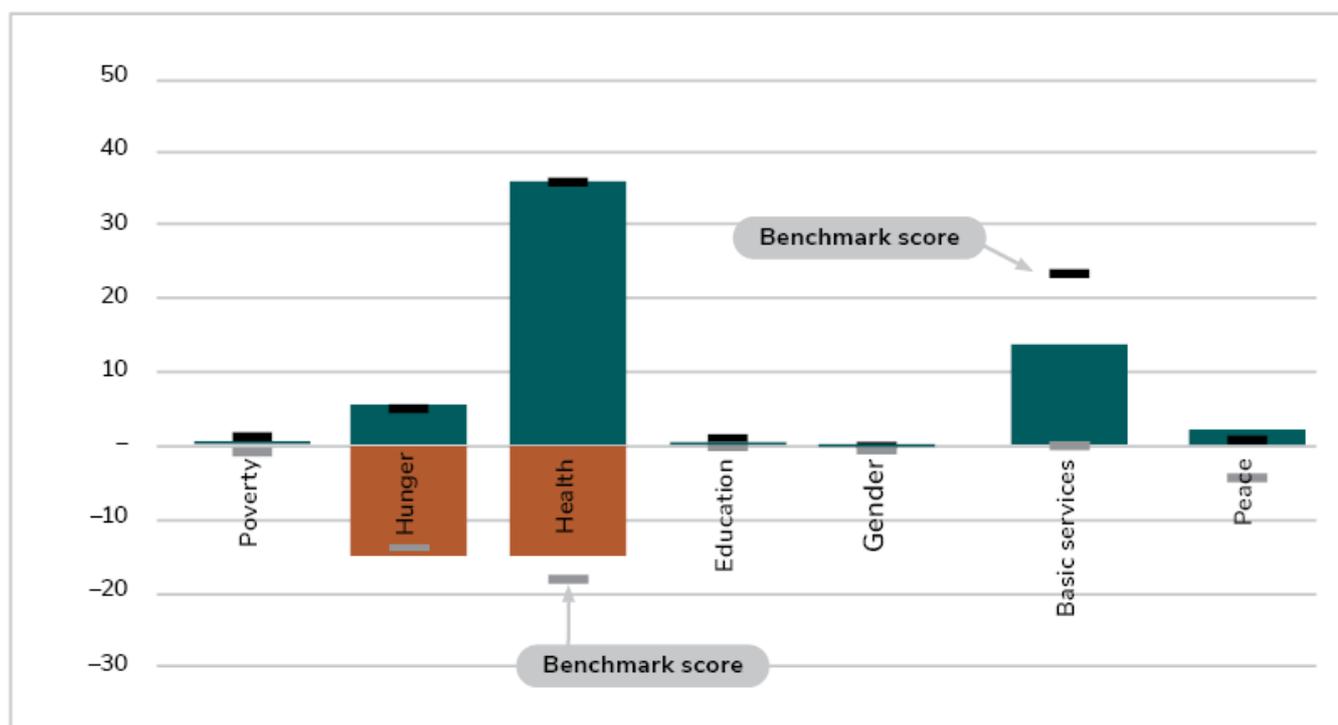
<sup>4</sup> Only clients who belong to the Private Clients segment's target group.

As shown by the graph below, for every million euros invested in our sustainable equity funds in aggregate over 2021, there was a positive alignment of €20,830 with health and €14,140 with basic needs such as no poverty, education, clean water and energy. There was also one net negative impact, on hunger. The overall alignment of the

funds with social themes was slightly lower than in 2020, primarily because of a lower allocation to companies active in health.

For more information about industry benchmarks, visit [kempen.com/en/asset-management](https://kempen.com/en/asset-management).

Alignment of our assets under management in our sustainable equity funds with social themes (in €1,000 per million euros invested)<sup>5</sup>



Net alignment compared with benchmark (in €1,000 per million euros invested)	Poverty	Hunger	Health	Education	Gender	Basic services	Peace
2021	-0.67	-0.43	2.81	-0.98	-0.14	-9.17	5.78
2020	0.16	3.82	8.61	-0.94	-0.14	-7.74	4.07
Year-on-year change	-0.83	-4.25	-5.79	-0.04	0.00	-1.43	1.71

### Social engagements

Engagement with companies plays a pivotal role in our active ownership approach. We engage on social issues to ensure that companies respect human rights in their operations and supply chains, perform human rights due diligence, ensure payment of living wages and safeguard labour rights. One of the companies that we have engaged where we saw tangible change is Coats Group, which manufactures and distributes industrial threads to the apparel and footwear industry. By conducting a global

analysis, we discovered that in the case of around 700 employees, or 4% of the workforce, remuneration was above the legal wage minimum but below the living wage benchmark. The company’s board approved additional budget to improve the situation. As of 2021, all identified employees in four countries that our engagement focused on are now paid a living wage. To learn more about our work and the Platform Living Wage Financials, visit [livingwage.nl](https://livingwage.nl).

<sup>5</sup> Based on four sustainable funds with a total value of €1,081 million, and SDG alignment data based on the 2020 financial year.

## Global Impact Pool

The Global Impact Pool (GIP) is a multi-asset impact fund that aims to realise market-based financial returns and a measurable, positive impact on society and the environment. In 2021, the GIP reached €133 million (2020: €108 million). The fund is organised around four themes, of which two directly link to social capital.

One of these themes is “basic needs & well-being”. By focusing on this theme, the GIP aims to reach underserved consumers around the world with access to safe drinking water and essential healthcare services. One company in which the GIP invests is MedGenome, which conducts vital research on the human genome. Currently, many global genome projects are based almost solely on the European population. This results in medical treatments that are not always relevant to other population groups. MedGenome is working to solve this problem by researching Indian and Asian human genomes.

The second theme linked to social capital is “SME development & decent work”. Here, the GIP focuses on sustainable SME development and the provision of decent jobs with fair employment practices. One example of how the GIP contributes to this theme is by investing in Sokowatch. Within the consumer goods market in Africa, due to a lack of infrastructure, small retailers are often dependent on inefficient stocking systems. Sokowatch tries to tackle this problem through a B2B e-commerce platform that connects merchants to local and multi-national suppliers, increasing profit margins for small family retailers in urban areas.

## Next steps

In 2021, we fine-tuned our policies and focused on validating and improving our impact assessment methodology. In the coming years, we will continue to focus on our living better for longer theme, aiming to create policies and targets, and to steer on those targets. In addition, we will focus on expanding our impact assessment – for example, by quantifying the social capital impact of our mortgages and other loans.

### VAN LANSCHOT KEMPEN FOUNDATION

We aim to support community projects that help create a better world for future generations. The activities of the Foundation focus on four themes: financial education and talent development, health, art and culture, and social cohesion via sport. The aim is to make the largest possible positive impact on people who need our support. 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 employees. Participation in Foundation activities connects our staff to new people and unfamiliar situations, resulting in new experiences and energy.

Again in 2021, the Covid-19 pandemic made it difficult to set up physical (in-person) activities in which our staff could participate. To compensate for this and to gain more commitment internally, the Foundation organised a competition among employees to select a charity project to be supported by their own department. The more employees involved, the higher the chance to win a financial donation. This competition was also in celebration of the fifth anniversary of the Foundation.

For further details on the Foundation and its annual report, see [vanlanschotkempen.com/en/vlkf](https://vanlanschotkempen.com/en/vlkf).



**VAN LANSCHOT  
KEMPEN** Foundation

### SPONSORSHIP

Ever since its inception in 1737, Van Lanschot Kempen has been committed to doing business with respect for the world around us and with an eye for future generations. We believe that wealth is more than money. Art and culture are part of the DNA of Van Lanschot Kempen. Supporting art, artists and museums is one way that we, as a wealth manager, can contribute to the preservation and creation of our cultural heritage. After all, art and culture show us the beauty and meaning of life.

Our main sponsorship activities in 2021 were as follows:

- Van Lanschot Kempen is the main sponsor of Het Concertgebouw in Amsterdam. This five-year partnership fits with our focus on preserving and creating wealth in the broadest sense of the word.
- Van Lanschot Kempen is a partner of the Topsport Community. This three-year partnership connects the worlds of top sport, business, science and culture, and focuses on sharing knowledge.
- Van Lanschot Private Banking is the main partner of the Van Gogh Museum. This three-year partnership is the result of successful collaboration between the museum and our company since 2015.
- Through the acquisition of Hof Hoorneman Bankiers, we also became sponsor of the Kröller-Müller Museum.



## OFFERING FINANCIAL INSIGHTS

I started at Van Lanschot Kempen as a trainee in 2004, and then became a private banker – serving private clients with mortgages, financial planning and investments. I realised I was most interested in financial planning, so I specialised in that, working at the Knowledge Centre. In the end, I combined my specialism with my enjoyment of client contact and started my current role in 2015.

I cover the western region of the Netherlands, which means I need to drive around a lot to visit my clients in their company offices, at home, or at one of our own offices. I give them insights into their personal financial situations as well as those of their companies. How much of a client's capital needs to be put to work to ensure their financial independence, versus how much can they leave to the next generation? Who will succeed them in the

business – a family member, private-equity investor or strategic partner?

I've been at the company for a long time – partly because it's always allowed me to grow and develop professionally, and partly because I like my colleagues so much. People are very open to helping out and seeking collaboration. For example, a client in The Hague sold his company and needed advice on investments and wealth structuring, but he was also very interested in sustainable investments. So I was on the team, but so were two colleagues from the solutions side who were able to present our in-house expertise on sustainable investing to him. And as a result, the client chose Van Lanschot Kempen to manage his money.

Yanka Ditewig – Wealth Structurer

# FINANCIAL PERFORMANCE

## Key financial data

€ million	2021	2020	H2 2021	H1 2021
<b>Statement of income</b>				
Net result	143.8	49.8	85.5	58.3
Underlying net result	159.9	51.0	100.7	59.2
Efficiency ratio (%)	68.9	85.7	65.5	73.1

€ billion	31/12/2021	31/12/2020		30/06/2021	
<b>Client assets</b>					
– Assets under management	131.1	115.0	14%	121.0	8%
– Assets under monitoring and guidance	112.1	99.0	13%	104.2	8%
– Assets under administration	3.5	3.2	10%	3.2	10%
– Assets under administration	3.8	2.7	40%	3.4	12%
– Savings and deposits	11.7	10.1	16%	10.2	15%

€ million	31/12/2021	31/12/2020		30/06/2021	
<b>Statement of financial position and capital management</b>					
Equity attributable to shareholders	1,308	1,254	4%	1,291	1%
Equity attributable to AT1 capital securities	102	102	0%	102	0%
Equity attributable to non-controlling interests	0	0		0	
Savings and deposits	11,730	10,141	16%	10,228	15%
Loans and advances to clients	8,876	8,448	5%	8,663	2%
Total assets	16,307	15,149	8%	15,030	8%
Loan-to-deposit ratio (%)	75.7	83.3		84.7	
Total risk exposure amount	3,927	4,195	-6%	4,586	-14%
Common Equity Tier 1 ratio (%) <sup>1</sup>	23.7	24.3		21.9	
Tier 1 ratio (%) <sup>1</sup>	26.3	25.4		23.1	
Total capital ratio (%) <sup>1</sup>	30.1	27.4		25.2	
Liquidity coverage ratio	172.0	177.4		158.8	
Net stable funding ratio	163.0	161.8		155.6	

Key figures <sup>2</sup>	2021	2020		H1 2021	
Weighted average of outstanding ordinary shares (x 1,000)	40,910	40,989	0%	40,986	0%
Underlying earnings per ordinary share (€)	3.74	1.08		1.36	
Return on average Common Equity Tier 1 capital (%) <sup>3</sup>	15.7	4.4		11.0	
Number of staff (FTEs at period end)	1,654	1,564	6%	1,588	4%

## Results

2021 was a strong financial year, which resulted in a net profit of €143.8 million (underlying net result: €159.9 million). This allows us to propose a dividend of €2.00 per share for 2021.

The increase in net result compared with 2020 is due to several factors. Firstly, thanks to growth in assets under management (AuM), commission income increased significantly by 30%. Secondly, book profits and valuation gains led to a substantially higher income. Thirdly, whereas we had to report a significant loss on our structured product activities in 2020, these activities performed only slightly negatively in 2021.

Client assets grew to €131.1 billion (2020: €115.0 billion), while our AuM increased by 13% to €112.1 billion. This growth was driven by a positive market performance of €9.5 billion as well as by the AuM from our partnership with Mercier Vanderlinden (€3.8 billion per July 2021). AuM in our Private Clients segment showed an exceptionally high net inflow of €3.8 billion, which was outweighed by a net outflow in our Wholesale & Institutional Clients segment of €4.0 billion. As the margin on inflows in our Private Clients segment is higher than the margin on outflows in our Wholesale & Institutional Clients segment, this combination led to a significant improvement in management fees.

<sup>1</sup> Full-year 2021 and 2020 including retained earnings; half-year 2021 excluding retained earnings.

<sup>2</sup> The comparative figures show the earnings per share for Van Lanschot Kempen NV prior to the legal merger with Van Lanschot Kempen Wealth Management NV.

<sup>3</sup> Return on average Common Equity Tier 1 capital is calculated based on underlying (annualised) net result.

In 2021, we entered into a partnership with Mercier Vanderlinden by acquiring 70% of the shares in this Belgian wealth manager. The remaining shares will be acquired within five years. We see this partnership as

transformational for our franchise in Belgium. We also finalised the on-boarding of clients, employees and funds of Hof Hoorneman Bankiers in 2021, as planned.

Financial results (€ million)	2021	2020		H2 2021	H1 2021
Commission	385.5	296.4	30%	209.9	175.7
– of which securities commissions	330.1	247.4	33%	183.4	146.7
– of which other commissions	55.4	49.1	13%	26.5	28.9
Interest	153.6	152.1	1%	77.5	76.1
Income from securities and associates	65.9	17.7		43.6	22.3
Result on financial transactions	-10.3	-32.3		-5.5	-4.8
<b>Income from operating activities</b>	<b>594.7</b>	<b>434.0</b>	<b>37%</b>	<b>325.4</b>	<b>269.3</b>
Staff costs	273.0	239.3	14%	143.6	129.3
Other administrative expenses	119.7	115.3	4%	60.3	59.4
– of which regulatory levies and charges	13.9	11.1	25%	4.0	9.9
Depreciation and amortisation	17.3	17.2	0%	9.2	8.1
<b>Operating expenses</b>	<b>409.9</b>	<b>371.8</b>	<b>10%</b>	<b>213.1</b>	<b>196.8</b>
<b>Gross result</b>	<b>184.8</b>	<b>62.2</b>		<b>112.3</b>	<b>72.5</b>
Addition to loan loss provisions	-11.7	1.9		-8.1	-3.5
Other impairments	-6.5	—		-4.3	-2.2
<b>Impairments</b>	<b>-18.1</b>	<b>1.9</b>		<b>-12.4</b>	<b>-5.7</b>
Operating profit before tax of non-strategic investments	4.8	1.7		4.1	0.7
<b>Operating profit before special items and tax</b>	<b>207.7</b>	<b>62.0</b>		<b>128.8</b>	<b>78.9</b>
Amortisation of intangible assets arising from acquisitions	11.3	6.2	82%	7.6	3.7
Expenses related to accounting treatment of Mercier Vanderlinden	8.5	—		8.5	—
Provision for revolving consumer credit	3.3	—		3.3	—
Restructuring charges	3.9	1.6		2.6	1.2
Other one-off items	2.3	—		2.3	—
<b>Operating profit before tax</b>	<b>178.5</b>	<b>54.2</b>		<b>104.5</b>	<b>74.0</b>
Income tax	34.6	4.4		19.0	15.7
<b>Net result</b>	<b>143.8</b>	<b>49.8</b>		<b>85.5</b>	<b>58.3</b>
<b>Underlying net result</b>	<b>159.9</b>	<b>51.0</b>		<b>100.7</b>	<b>59.2</b>

Underlying net result (€ million)	2021	2020		H2 2021	H1 2021
<b>Net result</b>	<b>143.8</b>	<b>49.8</b>		<b>85.5</b>	<b>58.3</b>
Expenses related to accounting treatment of Mercier Vanderlinden	8.5	—		8.5	—
Provision for revolving consumer credit	3.3	—		3.3	—
Restructuring charges	3.9	1.6		2.6	1.2
Other one-off items	2.3	—		2.3	—
Tax effects	-1.8	-0.4		-1.5	-0.3
<b>Underlying net result</b>	<b>159.9</b>	<b>51.0</b>		<b>100.7</b>	<b>59.2</b>

All segments made a positive contribution to the underlying result before tax.

The underlying result before tax for 2021 is the gross result adjusted for special and one-off items, namely expenses relating to the accounting treatment of the partnership with Mercier Vanderlinden, provision for revolving consumer credit, restructuring charges relating to the integration of Hof Hoorneman Bankiers and other one-off items (€17.9 million effect before tax).

Underlying result before tax by segment (€ million)



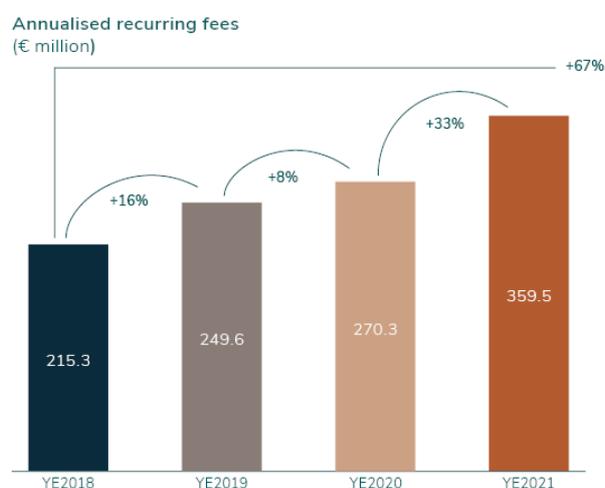
Operating segments in 2021 (€ million)	Private Clients	Wholesale & Institutional Clients	Investment Banking Clients	Other	Total
<b>Statement of income</b>					
Commission	244.4	81.4	55.3	4.5	385.5
Interest	140.2	—	0.0	13.4	153.6
Other income	2.4	—	4.8	48.4	55.6
<b>Total income from operating activities</b>	<b>387.0</b>	<b>81.4</b>	<b>60.1</b>	<b>66.2</b>	<b>594.7</b>
Staff costs	89.3	10.1	24.0	149.6	273.0
Other administrative expenses	59.0	6.7	7.8	46.2	119.7
Allocated expenses	106.2	54.2	9.3	-169.7	—
Depreciation and amortisation	1.4	—	0.3	15.6	17.3
<b>Total expenses</b>	<b>255.9</b>	<b>71.0</b>	<b>41.4</b>	<b>41.6</b>	<b>409.9</b>
<b>Operating result before tax</b>	<b>131.1</b>	<b>10.4</b>	<b>18.8</b>	<b>24.6</b>	<b>184.8</b>
Impairments	-10.9	—	—	-7.2	-18.1
Operating result before tax of non-strategic investments	—	—	—	4.8	4.8
<b>Operating result before one-off charges and tax</b>	<b>142.1</b>	<b>10.4</b>	<b>18.8</b>	<b>36.5</b>	<b>207.7</b>
Amortisation of intangible assets arising from acquisitions	9.8	0.8	—	0.8	11.3
Expenses related to accounting treatment of Mercier Vanderlinden	8.5	—	—	—	8.5
Provision for revolving consumer credit	3.3	—	—	—	3.3
Restructuring charges	3.9	—	—	—	3.9
Other one-off items	2.3	—	—	—	2.3
<b>Operating result before tax</b>	<b>114.3</b>	<b>9.6</b>	<b>18.8</b>	<b>35.8</b>	<b>178.5</b>
<b>Underlying result before tax</b>	<b>132.3</b>	<b>9.6</b>	<b>18.8</b>	<b>35.8</b>	<b>196.4</b>

## Commission

Commission (€ million)	2021	2020		H2 2021	H1 2021
Securities commissions	330.1	247.4	33%	183.4	146.7
– Management fees	305.5	225.4	36%	171.0	134.5
– Transaction fees	24.6	21.9	12%	12.4	12.2
Other commissions	55.4	49.1	13%	26.5	28.9
<b>Commission</b>	<b>385.5</b>	<b>296.4</b>	<b>30%</b>	<b>209.9</b>	<b>175.7</b>

Commission income grew by 30% compared with 2020 to €385.5 million, and accounted for 65% of our total operating income (2020: 68%). Securities commissions increased by 33% due to higher income from management fees, reflecting the fierce growth in assets under management in our Private Clients segment. Other commissions increased, mainly as a result of Corporate Finance and Equity Capital Markets (ECM) deals in our Investment Banking Clients segment.

Annualised recurring securities commission (run rate) was at a significantly higher level compared with year-end 2020, because of the strong growth in AuM. Annualised recurring fees are determined by multiplying the AuM on the reporting date by the management fee per client to determine the expected annualised management fee, assuming the AuM remains unchanged. The expected annual transaction fees relating to these client portfolios are then added to this number.



Private Clients' total commission income in 2021 was €244.4 million. The addition of Mercier Vanderlinden from July 2021 onwards contributed €16.0 million to the year's commission. Private Clients' margin on assets under management worked out at 62 basis points in 2021.

Wholesale & Institutional Clients' 2021 commission income amounted to €81.4 million, including a one-time performance fee of €5.5 million. The margin for the new Wholesale & Institutional Clients segment worked out at 12 basis points in 2021.

The Investment Banking Clients segment performed well in 2021, with commission income of €55.3 million at a higher level compared with 2020 (€48.9 million). The result of Corporate Finance and ECM deals was €42.3 million (17% higher than in 2020) on the back of multiple deals, driven by outperformance within ECM in particular.

## Interest

Interest (€ million)	2021	2020		H2 2021	H1 2021
Gross interest margin	172.7	169.9	2%	89.7	83.0
Interest income and charges on hedge derivatives	-15.1	-5.4		-9.5	-5.6
Interest equalisation	-16.2	-19.7		-7.9	-8.4
<b>Clean interest margin</b>	<b>141.3</b>	<b>144.8</b>	<b>-2%</b>	<b>72.3</b>	<b>69.0</b>
Miscellaneous interest income and charges	9.4	4.0		4.0	5.4
Loan commission	2.9	3.3	-11%	1.3	1.6
<b>Interest</b>	<b>153.6</b>	<b>152.1</b>	<b>1%</b>	<b>77.6</b>	<b>76.1</b>

The current interest rate climate continues to put pressure on our interest income, but we managed to stabilise total interest income. Our 2021 interest income of €153.6 million was up 1% on the €152.1 million realised in 2020. The decrease in interest margin is partly offset by growth in our total loan portfolio of €0.4 billion to €8.9 billion.

On average, we charged negative interest rates on €3.3 billion of savings in 2021 (H1: €2.5 billion; H2: €4.1 billion) compared with €0.9 billion of savings in 2020. The impact of charging negative interest rates increased from €4.6 million in 2020 to €16.6 million in 2021. This is the result of lowering the threshold for negative interest rates on savings to €250,000 per account as of 1 January 2021. Starting on 1 July 2021, the threshold was further lowered to €100,000 per account. We also introduced a wealth management arrangement to our private clients: this meets their need to retain a proportion of their wealth in savings without paying negative interest.

In comparison with year-end 2020, the interest margin fell by 5 basis points to an average of 98 basis points. The "clean interest margin" declined by 6 basis points compared with its level at the end of 2020, to 92 basis points at the end of 2021.

Miscellaneous interest income and charges went up from €4.0 million to €9.4 million because we needed to record €5.1 million in 2020 to compensate mortgage clients.

## Income from securities and associates

Income from securities and associates (€ million)	2021	2020		H2 2021	H1 2021
Dividend	10.9	8.3	31%	6.8	4.0
Realised capital gains	19.0	0.6		18.8	0.2
Valuation gains and losses	36.1	8.8		18.0	18.1
<b>Income from securities and associates</b>	<b>65.9</b>	<b>17.7</b>		<b>43.6</b>	<b>22.3</b>

Income from, and book value of, securities and associates (€ million)	Income 2021	Income 2020	Book value year-end 2021	Book value year-end 2020
Van Lanschot Participaties (minority interests)	36.5	14.2	52.2	47.4
Bolster Investment Coöperatief UA	3.9	4.1	51.3	37.0
Co-investments in own products	23.0	-0.9	202.3	146.3
Other equity investments	2.6	0.3	1.7	1.7
<b>Total from securities and associates</b>	<b>65.9</b>	<b>17.7</b>	<b>307.5</b>	<b>232.4</b>

Income from securities and associates relates to investments of our equity investment company Van Lanschot Participaties and our investment in Bolster Investments

Coöperatief UA. We also take positions in our own investment funds, for instance by providing seed capital or in order to align with our clients' interests.

Realised capital gains were up to €19.0 million in 2021, mainly as a result of the sale of our stakes in Fire Safety Holding BV (Gerco) (over €10 million) and Quint Wellington Redwood Holding BV (around €5 million). In addition, we sold 100% of the shares in Global Property Research BV (GPR). This transaction resulted in a book profit of €2.7 million and fits into our strategy to focus on wealth management.

Valuation gains and losses rose by almost €30 million to €36.1 million in 2021. This was made up of positive results

in our private equity portfolio, mainly due to a revaluation of almost €10 million of one of our fund investments, following a capital round for one of their portfolio companies, and the higher result of our own investment funds compared with 2020.

The total result of our own investment funds, excluding dividends, is €12.2 million – consisting of €22.0 million on our own funds and -€9.8 million on hedges. The hedges are reported under Result on financial transactions.

## Result on financial transactions

Result on financial transactions (€ million)	2021	2020		H2 2021	H1 2021
Result on securities trading	1.7	2.1	-21%	0.5	1.2
Result on currency trading	8.7	8.2	6%	4.3	4.4
Result on investment portfolio	3.0	0.4		2.7	0.3
Result on hedges	-20.7	-38.7		-9.2	-11.4
Other income	-3.0	-4.3		-3.8	0.8
<b>Result on financial transactions</b>	<b>-10.3</b>	<b>-32.3</b>		<b>-5.5</b>	<b>-4.8</b>

Result on financial transactions improved by €22.0 million, mainly driven by an improved result on hedges. Firstly, the result on hedges entails a €9.8 million negative result on futures that are used to mitigate risk relating to our investments in our own investment funds. Secondly, a €6.8 million negative hedging result applies to the Kempen Dutch Inflation Fund. This is almost entirely offset by interest income. Lastly, results relating to structured products activities decreased significantly to -€4.6 million (2020: -€35.1 million). This result is the combined effect of trading activities, secondary market sales and the wind-down of our macro-hedging portfolio. The negative result on structured products activities is largely offset by

€3.3 million in sales commission reported under Securities commissions.

In response to the loss in 2020, we tightened our risk appetite, and new positions are hedged almost exclusively back-to-back (see "Risk and capital management" on page 62 for more details). As a result of these developments, our current macro-hedging portfolio is down to €385 million (2020: €691 million).

Result on securities trading of €1.7 million reflects our trading book's positive performance. Trading activities are the result of client facilitation only, mainly providing liquidity to clients.

## Operating expenses

Operating expenses (€ million)	2021	2020		H2 2021	H1 2021
Staff costs	273.0	239.3	14%	143.6	129.3
Other administrative expenses	119.7	115.3	4%	60.3	59.4
– of which regulatory levies and charges	13.9	11.1	25%	4.0	9.9
Depreciation and amortisation	17.3	17.2	0%	9.2	8.1
<b>Operating expenses</b>	<b>409.9</b>	<b>371.8</b>	<b>10%</b>	<b>213.1</b>	<b>196.8</b>

Operating expenses increased by €38.1 million. In 2020, operating expenses were lower due to cost-saving measures – partly structural and partly one-off – as a response to the anticipated financial impact of Covid-19. Main drivers in 2021 included the partnership with Mercier Vanderlinden and the acquisition of Hof Hoorneman Bankiers (around €16 million) as well as an increase in staff costs due to higher variable remuneration as a result of significantly better financial performance.

### Staff costs

Staff costs increased by €33.7 million (14%) in 2021. Firstly, the partnership with Mercier Vanderlinden and the acquisition of Hof Hoorneman Bankiers led to an increase in staff costs of €10.3 million. Secondly, significantly better group financial performance led to €8.6 million higher variable remuneration and a one-off end-of-year payment (of €3,000 per employee) to all employees in the

Netherlands (with a total impact of €4.4 million). Thirdly, our staff grew by 90 FTEs to 1,654 FTEs (2020: 1,564 FTEs), primarily in the teams that contribute to our digital capabilities, compliance function and the development of investment solutions. The acquisition of the 70% stake in Mercier Vanderlinden also led to 35 additional FTEs.

### Other administrative expenses

Other administrative expenses were relatively stable, excluding regulatory costs that increased by €2.7 million.

### Efficiency ratio

The efficiency ratio – i.e. the ratio of operating expenses (excluding costs incurred for special items) to income from operating activities – significantly improved to 68.9% (2020: 85.7%). This improvement was driven by the increase in income from operating activities, which more than offset the increase in operating expenses.

## Impairments

Impairments (€ million)	2021	2020	H2 2021	H1 2021
Addition to loan loss provisions	-11.7	1.9	-8.1	-3.5
Other impairments	-6.5	—	-4.3	-2.2
<b>Impairments</b>	<b>-18.1</b>	<b>1.9</b>	<b>-12.4</b>	<b>-5.7</b>

### Addition to loan loss provisions

The credit quality of the loan portfolio further improved in 2021, which meant that €11.7 million was released from our loan loss provisions. We saw limited impact on our loan portfolio and impairments from Covid-19.

In 2020, IFRS 9 models were deemed too optimistic for certain clients and industries, given the uncertainty related to Covid-19. We therefore applied a management overlay of €4.9 million. This was the result of extensive client monitoring and sector analysis, leading to adjustments in the stage classification of some clients. In 2021, the €11.7 million net release from loan loss provisions included a release of €3.3 million out of the €4.9 million management overlay, meaning that the current management overlay amounts to €1.6 million.

In 2021, the release from loan loss provisions relative to average risk-weighted assets worked out at a release of 29 basis points (2020: addition of 4 basis points). Other impairments are reversed impairments on participating interests, taken in earlier years.

### Non-strategic investments

In the second half of 2021, we sold our stake in Holonite (Hollowell BV), a non-strategic investment. The sale of Holonite contributed €3.1 million in operating profit before tax of non-strategic investments. Due to tax treatment, the contribution to the net result was €2.2 million.

Following the sale of our stake in Holonite, our only remaining non-strategic investment is in Allshare. The total operating profit (before tax), including book profit, from our portfolio of non-strategic investments amounted to €4.8 million in 2021, up from €1.7 million in 2020.

## Special items

Special items (€ million)	2021	2020	H2 2021	H1 2021	
Amortisation of intangible assets arising from acquisitions	11.3	6.2	82%	7.6	3.7
Expenses related to accounting treatment of Mercier Vanderlinden	8.5	—	—	8.5	—
Provision for revolving consumer credit	3.3	—	—	3.3	—
Restructuring charges	3.9	1.6	—	2.6	1.2
Other one-off items	2.3	—	—	2.3	—
<b>Special items</b>	<b>29.3</b>	<b>7.8</b>	<b>24.3</b>	<b>5.0</b>	

We recognised several special items in 2021, totalling €29.3 million (2020: €7.8 million).

Due to the partnership with Mercier Vanderlinden and the acquisition of Hof Hoorneman Bankiers, the amortisation of intangible assets arising from acquisitions increased from €6.2 million in 2020 to €11.3 million in 2021. In July 2021, we completed the acquisition of 70% of the shares in Mercier Vanderlinden. We agreed to acquire the remaining 30% of the shares at the beginning of 2025 and beginning of 2026. In addition, earn-out agreements were made.

Based on the agreed transaction structure, IFRS requires the full consolidation of Mercier Vanderlinden at the time of the initial closing. As a consequence, certain elements from the transaction will need to be treated as profit and loss items until 2026. In our 2021 results, the following costs are included:

- Expenses related to the accounting treatment of Mercier Vanderlinden: interest costs (for the accrued time value of money) and staff costs relating to the liability, totalling €5.5 million (as we agreed on a discount if one of the partners were to leave prior to 2025 or 2026, as agreed);

- Expenses related to accounting treatment of Mercier Vanderlinden: given the good progress made in 2021 in terms of AuM and profitability, the estimated cost for the final purchase in 2025/2026 has increased by €3.0 million;
- Other one-off items: as the 2021 results of Mercier Vanderlinden were better than forecast, a specific one-off earn-out was revalued from nil at closing to €3.5 million at year-end.

We have made a provision of €3.3 million under a compensation scheme for the repayment of excess interest to (former) clients with variable-rate revolving consumer credits.

### Income tax

Income tax for 2021 amounted to €34.6 million (2020: €4.4 million), which translates to an effective tax rate of 19.4% compared with 8.1% in 2020. Our effective tax rate is lower than the general Dutch tax rate of 25%, due to income from our private equity portfolio being covered by equity exemption rules.

## Earnings per share

Earnings per share (€ million) <sup>4</sup>	2021	2020		H2 2021	H1 2021
<b>Net result</b>	143.8	49.8		85.5	58.3
Share of non-controlling interests	-0.1	-0.1	-13%	0.0	-0.1
Share of holders of AT1 capital securities	-6.8	-6.8		-3.4	-3.4
<b>Net result for calculation of earnings per ordinary share</b>	137.0	43.0		82.1	54.9
<b>Earnings per ordinary share (€)</b>	3.35	1.05		2.01	1.34
<b>Underlying net result for calculation of earnings per ordinary share</b>	153.1	44.2		97.3	55.8
<b>Underlying earnings per ordinary share (€)</b>	3.74	1.08		2.38	1.36
Weighted number of outstanding ordinary shares (x 1,000)	40,910	40,989			

Share of holders of AT1 capital securities relates to the coupon of the €100 million Additional Tier 1 bond we issued in March 2019. These securities count as Tier 1 qualifying capital when determining capital adequacy.

We propose paying a 2021 cash dividend to Van Lanschot Kempen shareholders of €2.00 per share, with a pay-out ratio of 53% based on the underlying net result attributable to shareholders (2020: €0.70, pay-out ratio of 65%). The pay-out ratio based on the net result attributable to shareholders amounts to 60% (2020: 67%).

## Client assets

Client assets (€ billion)	31/12/2021	31/12/2020		30/6/2021	
<b>Client assets</b>	131.1	115.0	14%	121.0	8%
Assets under management	112.1	99.0	13%	104.2	8%
Savings and deposits	11.7	10.1	16%	10.2	15%
Assets under monitoring and guidance	3.5	3.2	10%	3.2	10%
Assets under administration	3.8	2.7	40%	3.4	12%
<b>Client assets</b>	131.1	115.0	14%	121.0	8%
Private Clients	58.6	42.8	37%	48.7	20%
Wholesale & Institutional Clients	71.1	70.9	0%	70.6	1%
Other	1.5	1.3	18%	1.7	-10%

Total client assets had risen by 14% to €131.1 billion at year-end 2021, driven by growth in assets under

management of €13.1 billion and an increase of €1.6 billion in savings and deposits.

Client assets (€ billion)	Private Clients	Wholesale & Institutional Clients	Other	Total
<b>Client assets at 31/12/2020</b>	42.8	70.9	1.3	115.0
Assets under management in/outflow	3.8	-4.0	0.0	-0.2
Savings and deposits in/outflow	1.6	—	-0.1	1.6
Market performance of assets under management	5.7	3.8	0.0	9.5
Change in assets under monitoring and guidance	—	0.3	—	0.3
Change in assets under administration	0.8	—	0.3	1.1
Client assets acquisition	3.8	—	—	3.8
<b>Client assets at 31/12/2021</b>	58.6	71.1	1.5	131.1

### Private Clients

Client assets in the Private Clients segment grew by 37%, mainly as a result of the exceptionally high net inflow in assets under management of €3.8 billion, achieved in the

Netherlands, Belgium and Switzerland. The partnership with Mercier Vanderlinden led to an increase in client assets of €3.8 billion. The positive market performance of €5.7 billion reflects stock market growth.

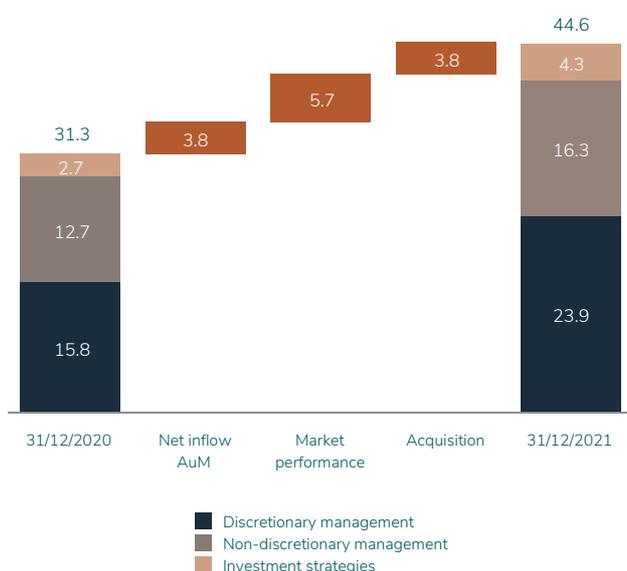
<sup>4</sup> The comparative figures show the earnings per share for Van Lanschot Kempen NV prior to the legal merger with Van Lanschot Kempen Wealth Management NV.

At the end of 2021, assets under discretionary management made up 54% of total assets under management. Total discretionary assets under management stood at €23.9 billion while total non-discretionary assets under management amounted to €16.3 billion. Total AuM also includes the positions of our private clients invested in our investment strategies (€4.3 billion).

In Belgium, we have been achieving good net inflow year on year. In 2021, the net inflow picked up further, leading to a net inflow of €0.8 billion. Coupled with the partnership with Mercier Vanderlinden and positive market performance, total AuM grew to €9.7 billion. Total client assets in Belgium amounted to €10.7 billion.

Evi is now part of the Private Clients segment. With an inflow of €0.2 billion combined with positive market performance, Evi's AuM grew by 34% to €1.6 billion, whereas savings volume came down.

#### AuM Private Clients (€ billion)



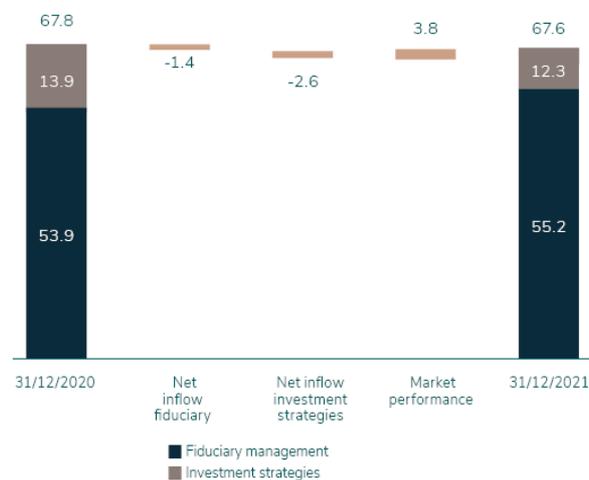
#### Wholesale & Institutional Clients

AuM in the Wholesale & Institutional Clients segment was fairly stable at €67.6 billion (2020: €67.8 billion), with positive market performance of €3.8 billion and net outflow of €4.0 billion.

Fiduciary mandates showed an outflow of €1.4 billion, primarily caused by the loss of two institutional mandates, both because of mergers (with an impact of €3.4 billion). This was partly offset by the addition of a new €1.1 billion mandate, while our UK fiduciary activities showed a net inflow of €1.1 billion.

Investment strategies saw a net outflow of €2.6 billion. This was mainly caused by outflow in our credit strategies and the loss of a government bond mandate. This was partly offset by our small-cap strategies driven by the inflow of two global small-cap mandates and both inflow and market performance of the Kempen Global Small-cap Fund.

#### AuM Wholesale & Institutional Clients (€ billion)



#### Loan portfolio

Loan portfolio (€ million)	31/12/2021	31/12/2020		30/6/2021	
Mortgages	6,337	6,039	5%	6,154	3%
Other loans	2,199	1,997	10%	2,137	3%
<b>Loan portfolio</b>	<b>8,536</b>	<b>8,036</b>	<b>6%</b>	<b>8,291</b>	<b>3%</b>
Mortgages distributed by third parties	389	476	-18%	432	-10%
<b>Total</b>	<b>8,925</b>	<b>8,512</b>	<b>5%</b>	<b>8,723</b>	<b>2%</b>
Impairments	-49	-64	-23%	-61	-20%
<b>Total loan portfolio</b>	<b>8,876</b>	<b>8,448</b>	<b>5%</b>	<b>8,663</b>	<b>2%</b>

Our total loan portfolio increased by €0.4 million to €8.9 billion, driven by an increase in both mortgages and other loans.

#### Mortgages

Mortgages increased to €6.3 billion (2020: €6.0 billion) and make up 71% of our loan portfolio (2020: 68%). These mortgages are primarily granted to high net-worth individuals.

The weighted average loan-to-value (LTV) ratio (based on foreclosure value) is 62%. Our methodology for determining the LTV on residential mortgages changed in 2021. The calculation is now based on the indexed foreclosure value; previously, it was based on the lower value out of the amount of the mortgage registration or the indexed foreclosure value. The adjusted methodology is in line with the generally accepted norms for LTV determination.

### Other loans

Other loans comprise loans to high net-worth individuals as well as commercial loans that fit into our Private Clients relationship model. In 2021, other loans grew to €2.2 billion (year-end 2020: €2.0 billion). The growth was predominantly in Lombard loans in Belgium and Switzerland.

Starting in 2021, we began reporting our corporate banking loan portfolio in this category as well. The winding down of this portfolio continued in 2021 and it now amounts to €132 million (2020: €195 million).

### Mortgages distributed by third parties

The portfolio of mortgages distributed by third parties consists of regular Dutch mortgages. It is intended to supplement our investment portfolio and enable us to generate attractive returns on available liquidity. It accounts for 4% of our total loan portfolio, with a volume of €0.4 million (2020: €0.5 million). The decrease is due to repayments and a competitive pricing environment.

### Impaired loans and provisions

We take provisions for the impaired loans in our loan book. Impaired loans totalled €153 million at the end of 2021, and decreased by 18% compared with 2020 (€186 million).

The Stage 3 provisions for these loans amounted to €42 million, working out at a coverage ratio of 28% (the same as in 2020). The total impaired ratio improved from 2.2% to 1.7% at the end of 2021, as impairments decreased faster than the total loan portfolio.

Provision as at 31/12/2021 (€ million)	Loan portfolio	Impaired loans	Provision	Impaired ratio 31/12/2021	Coverage ratio 31/12/2021	Impaired ratio 31/12/2020	Coverage ratio 31/12/2020
Mortgages	6,337	30	2	0.5%	5%	0.8%	6%
Other loans	2,199	121	41	5.5%	34%	6.7%	36%
<b>Loan portfolio</b>	<b>8,536</b>	<b>152</b>	<b>42</b>	<b>1.8%</b>	<b>28%</b>	<b>2.3%</b>	<b>28%</b>
Mortgages distributed by third parties	389	1	0	0.2%	0%	0.2%	2%
<b>Total loan portfolio</b>	<b>8,925</b>	<b>153</b>	<b>42</b>	<b>1.7%</b>	<b>28%</b>	<b>2.2%</b>	<b>28%</b>
Provision	-49						
<b>Total</b>	<b>8,876</b>		<b>42</b>				
ECL Stage 1 and 2 (IFRS 9)			7				
<b>Total ECL (IFRS 9)</b>			<b>49</b>				

### Capital management

Capital and liquidity management (€ million)	31/12/2021	31/12/2020		30/06/2021	
Total risk exposure amount	3,927	4,195	-6%	4,586	-14%
Common Equity Tier 1 ratio (%) <sup>5</sup>	23.7	24.3		21.9	
Tier 1 ratio (%) <sup>5</sup>	26.3	25.4		23.1	
Total capital ratio (%) <sup>5</sup>	30.1	27.4		25.2	
Leverage ratio (%)	6.3	7.1		7.2	

Our CET 1 ratio decreased slightly in 2021, to 23.7%. Available CET 1 capital decreased by €90 million. This decrease is due to the Mercier Vanderlinden transaction (with an impact of 3.7 percentage points), partly compensated by adding retained profit (with an impact of 1.3 percentage points).

Total risk exposure amount (TREA) decreased to €3.9 billion in 2021 (year-end 2020: €4.2 billion), mainly as a result of initiatives to optimise TREA (with an impact of 2.1 percentage points), due to better use of data for capital calculations.

<sup>5</sup> Full-year 2021 and 2020 including retained earnings; half-year 2021 excluding retained earnings.

### Common Equity Tier 1 ratio (%)



### Events after the reporting period

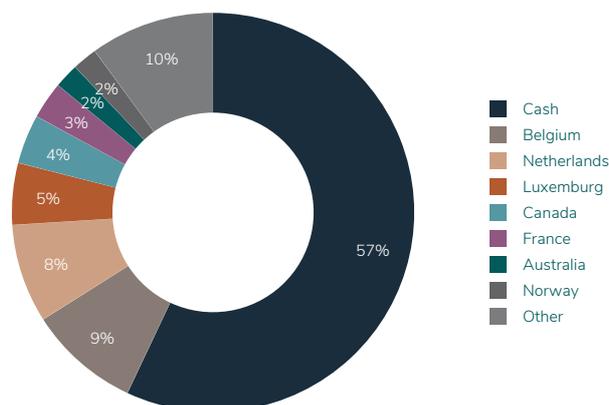
There have been no significant events since the reporting date that affect the relevance of information provided in the 2021 annual report.

Regulatory capital (€1,000)	31/12/2021	31/12/2020
Risk-weighted assets	3,926,625	4,194,667
Common Equity Tier 1	930,789	1,020,996
Required Common Equity Tier 1	330,339	409,582
Tier 1	1,030,789	1,066,584
Required Tier 1	407,644	511,041
Total capital	1,180,789	1,147,865
Required total capital	510,718	646,319

### Investment portfolio and cash

The total investment portfolio and cash<sup>6</sup> amounted to €6.3 billion at the end of 2021 (year-end 2020: €5.5 billion). Cash held with central banks stood at €3.6 billion. The investment portfolio is primarily held for asset and liability management purposes, and mainly comprises low-risk and highly liquid instruments.

#### Investment portfolio and cash by country at 31/12/2021 (100% = €6.3 billion)



### Loan-to-deposit ratio

We aim to retain access to both retail and wholesale markets through diversified funding. At the end of 2021, our loan-to-deposit ratio had decreased by 7.6 percentage points to 75.7% (year-end 2020: 83.3%).

In September 2021, we issued a €50 million Tier 2 loan. This loan replaced the €50 million Tier 2 bond that was redeemed in October.

<sup>6</sup> Investment portfolio and cash comprises the balance of financial assets at fair value through other comprehensive income, other financial assets at amortised cost, financial assets designated at fair value through profit or loss, cash withdrawable on demand from central banks, and highly liquid (cash) investments.



## EVERYONE'S VOICE IS HEARD

I joined Van Lanschot Kempen in 2015 and have headed up the Treasury department since 2017. Within Treasury, the various teams are responsible for the funding programmes, the interest rate risk we run and our liquidity portfolio, manufacturing structured notes and managing the equity risk that arises, and all foreign exchange transactions for our clients.

What's unique about the company is that your responsibilities are so broad, and the impact you can make is so pronounced. For instance, I'm the sponsor of the traineeship programme, currently consisting of five trainees. One of them has spent five months working on the KPIs and targets for the company's liquidity buffer. Based on her advice, we've even sold some assets

because of their longer-term sustainability risk. That just goes to show how everyone can speak up and be heard.

At Treasury, we're also working in the trading room – an interesting space to occupy because it brings together lots of different competencies in one room. For example, Treasury, Securities and the Investment Advisory team for professional clients work closely with the Asset, Research & Communication team – responsible for Van Lanschot Kempen's house views on economic developments, asset allocation and individual securities, as well as communication of these views to our clients and the wider audience.

**Gerben Zeilstra** – Head of Treasury

# RISK AND CAPITAL MANAGEMENT

Key risk themes for Van Lanschot Kempen	
<p><b>Interest rate risk: low interest rate environment</b> The low interest rate environment persisted in 2021. At the same time, during the uncertainties caused by the Covid-19 pandemic, monetary authorities stuck with their accommodating monetary policy stance. This has been mainly through asset purchase programmes, further expanding their balance sheets, and more forward guidance on policy rates to signal that interest rates will remain low for a longer period. This is despite the rise in inflation.</p>	<p><b>Actions</b> We expanded the range of client savings that are subject to negative interest rates to balances over €100,000. This is in combination with our wealth management arrangement through which we offer our clients with significant AuM with us the possibility to keep a certain amount of their assets invested with us in cash, without being charged a negative interest rate. Our aim is to find the right balance between the need for transaction cash for clients with significant AuM and mitigating our own interest rate risk. As a result of lowering the threshold, the risk of prolonged negative impact caused by low interest rates has decreased.</p>
<p><b>Operational risk: Covid-19</b> The global Covid-19 pandemic impacted us in many different ways: most notably in terms of lockdowns in the Netherlands, Belgium, the UK and Switzerland.</p> <p>Significant government and central bank intervention coupled with increasing vaccination rates resulted in a partial reopening of society, which caused a sharp rebound in economic activities. Furthermore, equity and commodity markets showed a strong increase, while other financial markets were relatively calm.</p>	<p><b>Actions</b> In 2021, we continued our crisis management governance, with a Crisis Management team and a Crisis Support team making decisions based on the continually changing Covid-19 situation. The focus moved from mitigating short-term operational risks to long-term initiatives to keep staff healthy, maintain social cohesion and deal with the social effects of the prolonged lockdown. In the second half of the reporting year, we shifted from crisis management to developing and implementing our way of working, whereby hybrid working became embedded in the organisation.</p> <p>We continue to monitor our loan book closely, while government support is still blurring credit risks to a certain extent. However, the fact that our main lending activities are in mortgages to private individuals, combined with the positive general economic trend in the Netherlands, means that credit risks have declined compared with the beginning of 2021.</p>
<p><b>Operational risk: implementing change</b> In this rapidly changing world, organisations only survive if they continuously adapt to new circumstances. However, changes in products, processes and the organisation in most cases lead to temporarily increasing operational risks.</p>	<p><b>Actions</b> In 2021, we developed new methodologies for project risk management, risk management in an Agile/DevOps environment and value chain assessments. Most of the focus was on the implementation of the new frameworks in major projects such as the integration of Hof Hoorneman Bankiers and our partnership with Mercier Vanderlinden.</p>
<p><b>Information risk: cybercrime and IT security</b> Our IT systems are the backbone of our organisation. Managing the security and availability of these systems is therefore crucial for us.</p>	<p><b>Actions</b> In 2021, we continued to improve the security and availability of our IT systems using a structured approach, managed by the security upgrade programme, known as Security 5.0. Many changes, large and small, have been implemented to increase our resilience against unwanted downtime and/or security threats.</p>
<p><b>Compliance risk: increasing requirements</b> Compliance risk remained a focal point for Van Lanschot Kempen in 2021, both from an internal and an external perspective. One example is the EU's new Sustainable Action Plan, implemented through regulatory provisions such as the Sustainable Financial Disclosure Regulation (SFDR). In addition, the regulatory focus on the prevention of financial crime remains high.</p>	<p><b>Actions</b> We are proactively responding to external regulatory developments through dedicated implementation working groups in which our Compliance department takes part, as well as through other control functions within the company. Special efforts have been made to implement various sustainability-related regulations, and we have been working extensively to adapt policies, procedures and controls to the new regulatory requirements as well as to the demands and expectations of clients and investors.</p> <p>In addition, we have devoted, and continue to devote, substantial resources to strengthening our compliance framework and team. In this context, the Management Board has completed a group-wide project to enhance our anti-financial crime framework and its policies, procedures and controls. We have implemented the enhancements identified by this overarching project.</p>

**Sustainability risk: climate change**

We have identified two types of climate change risk:

1. Physical risks: These refer to the financial impact of a changing climate, including more frequent and/or severe extreme weather events and gradual changes in climate, as well as environmental degradation, such as air, water and land pollution.
2. Transition risks: These result from the process of adjustment towards a carbon-neutral economy. These adjustments are driven by changes in climate-related policies, new low-carbon technologies and/or shifting market sentiment.

Given the floods in the Netherlands' southernmost province of Limburg in summer 2021 (physical risks), and consequent exclusion by some large asset managers of certain firms causing a potential reaction in market prices (transition risks), the risk of climate change is relevant today and will become even more important in the future.

**Actions**

We made further enhancements to our stress testing capabilities for both physical and transition risks. While stress testing depends on almost unlimited adverse scenarios, we intend to adopt scenarios used by well-established authorities as a starting point. For example, we used the DNB transition risk stress tests for equity holdings to screen all sustainability risks in our own funds and funds under management, and we provided portfolio managers with an ESG dashboard. For physical risks, we used flooding data provided by national authorities and the Dutch meteorological institute's weather forecasts.

## Risk management

### Risk profile and risk appetite

We seek to achieve a solid risk profile – expressed in transparent risk levels coupled with a robust liquidity and capital position. The risks we face are outlined 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.

We evaluate our risk appetite annually, and this 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 particular losses, decreasing buffers and reputational risks, and as such sets our operating boundaries. The statement is prepared by the Management Board and is subject to the Supervisory Board's approval.

Targets and risk limits are more dynamic and may occasionally be reviewed, at least annually. That said, we do not change the key principles that underlie our risk appetite and that 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 materially 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 company's Risk Committee every quarter, as well as periodically by the Risk Committee of the Supervisory Board. Risk-taking is in the nature of wealth managers; low risks are not a means to an end. For a number of reasons, it may be appropriate 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.

The risk appetite and the risk that materialised in 2021 for each individual risk type are shown in this simplified version of the risk dashboard below:

Risk dashboard	Low	Limited	Medium	High
Strategic risk		△	□	
Credit risk	△	□		
Market risk		△□		
Liquidity risk	△□			
Interest rate risk		△□		
Operational risk		△	□	
Information risk		△	□	
Compliance risk		□	△	
Sustainability risk		△□		

□ Risk appetite      △ Risk in 2021

Clients entrust their funds to us, which is only possible when they have no doubt about the financial and operational stability of the organisation. We can therefore only operate at limited risk levels. However, certain risks are unavoidable and can only be mitigated to a certain extent. Those three risk appetites are classified in the dashboard as medium: strategic risk, operational risk and information risk. Strategic risk appetite is medium while competition in both the private banking and investment management markets is fierce. These risks can only be managed by actively optimising our results and growing through M&A opportunities. Given our increasing volume of AuM, the complex nature of the business and the continuing innovation of our investment management offering, we need to have a medium level of operational risk appetite. Of course, we strive to continuously reduce operational risks by improving the functioning of the organisation. Lastly, information risk appetite is medium, while all financial services providers and the majority of companies are exposed to information risk threats. Here, too, we take significant efforts to mitigate these risks, but they cannot be further reduced without having a major impact on daily operations.

Our strategic risks can be managed by generating organic and inorganic growth to create enough scale for the future and to maintain solid performance. As a result of two acquisitions, strong organic growth in AuM and very strong financial results, the strategic risk that materialised in 2021 was limited. All financial risk indicators also scored well.

With an abundance of liquidity – mainly due to high client deposits – liquidity risks in 2021 were low. A net release of provisions reflects our low credit risks. We operated without any significant operational or IT security incidents in the reporting year, hence those risk scores for 2021 were limited as well.

Compliance risk appetite was limited, while the actual compliance risk level that we assessed in 2021 was medium. Regulatory requirements continue to be highly demanding and require continued, intense effort by the organisation. Lastly, our sustainability risks were limited in 2021. The stress tests we performed did not show significant impact on balance sheet levels and the majority of our investment funds are classified as Article 8 or 9 under the European Sustainable Finance Disclosure (SFDR).

We operate our risk management framework in accordance with the three lines of defence model. The management teams at individual departments and units (the first line) are responsible for managing their specific risks. The Risk Management department and Compliance department (the second line) support management by facilitating risk assessments, writing policies, providing relevant advice and assistance on applicable regulatory requirements and the design of controls and mitigating actions, providing reports, and challenging the first line on the management of their risks. The Internal Audit department (the third line) monitors whether the activities of the first and second lines are effectively mitigating the risks identified. Lastly, we use insurance to cover certain remaining risks.

### Strategic risk

Strategic risk is defined as the risk to Van Lanschot Kempen's performance resulting from failure to respond adequately to changes in external factors or from poor strategic decisions. External factors include the actions of competitors, clients, potential market entrants and public authorities, as well as public opinion. Keeping up with technological developments and fintech is also a key topic on our strategic agenda. Furthermore, a prolonged period of low interest rates puts pressure on our net interest income.

Other important elements are the capacity to meet all specific regulatory and client demands, the consequences of operating in specific niche markets, and the risks associated with a relatively small-scale organisation. We use a range of performance indicators – such as growth in assets under management, net result, efficiency ratio and FTE trends – together with a qualitative assessment to monitor and control strategic risk. Due to the challenging environment both economically and in terms of technological developments, our strategic risk appetite remains at a medium level going forward. The technological improvements we have made for our clients and to our internal processes over recent years show that we are continuously aware of, and acting to address, this challenge. Lastly, through our acquisitions in recent years, we are actively addressing the risk of consolidation in the sector, and are improving our economies of scale.

## Financial risks

### Credit risk

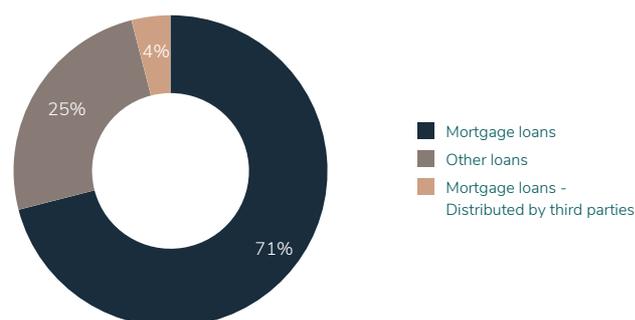
Credit risk is still one of our most significant financial risk types, but the risk profile is low. Our loan portfolio amounts to €8.9 billion and has manageable risks; 71% of the loan

portfolio consists of the Private Clients segment's Dutch residential mortgage loans. We aim to keep the size of this portfolio at least constant (or with modest growth) by generating enough new business to offset repayments and prepayments. New mortgages are primarily provided to private clients who also hold assets under management with Van Lanschot Kempen.

Credit quality in general further improved in 2021. Covid-19 did not have an impact on this, because the majority of the loan book consists of mortgages, and most of our clients have significant financial buffers. In 2021, loan losses continued to reach historically low levels. In order to monitor and measure credit risks for most of our loan portfolios, we use sophisticated risk models (internal ratings-based (IRB) approach). Only our residential mortgages IRB model is used for regulatory reporting. As observed in 2020, we are seeing positive rating migration in nearly all portfolios as an additional indicator of improved credit quality. Our loan portfolio and credit risks are concentrated in the Netherlands (93%); lending in Belgium and Switzerland is limited, and mainly involves Lombard loans with low risk profiles.

### Loan portfolio, excluding provision

(100% = €8.9 billion)



Although our exposure to the Dutch housing market is fairly significant, the concentration risk on single line items in the overall loan portfolio is relatively limited. The ten largest loans to individual counterparties, other than financial institutions, totalled €244 million at year-end 2021, compared with €180 million at year-end 2020. 96.9% of the Dutch loan portfolio consists of loans of less than €10 million at year-end 2021 (year-end 2020: 97.5%). Our policy is to keep credit-risk limits on any single debtor at an acceptable level in order to contain concentration risk and to mitigate its potential impact on Van Lanschot Kempen's results (see page 134 in the financial statements for more information).

### Mortgage loans

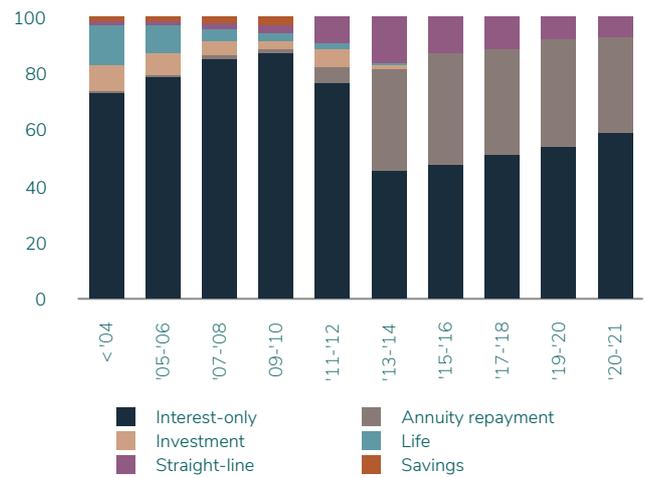
At year-end, 71% of our loan portfolio consisted of mortgages. Our portfolio differs from that of other Dutch mortgage lenders in that the average loan (approximately €542,000) is higher. This makes the portfolio a little more sensitive to a fall in underlying house prices, although the majority of our exposure is in urban areas – generally a more liquid segment of the housing market. Our methodology for determining the loan-to-value ratio (LTV) on residential mortgages changed in 2021. The calculation is now based on the indexed foreclosure value; previously, it was based on the lower value out of the amount of the mortgage registration or the indexed foreclosure value. The adjusted methodology is in line with the generally accepted norms for LTV determination. In 2021, house prices in the Netherlands

again increased significantly across the country; the portfolio's weighted average LTV, based on foreclosure value, therefore decreased to 62% at year-end. New issuances are, in general, issued for LTVs between 50% and 90%.

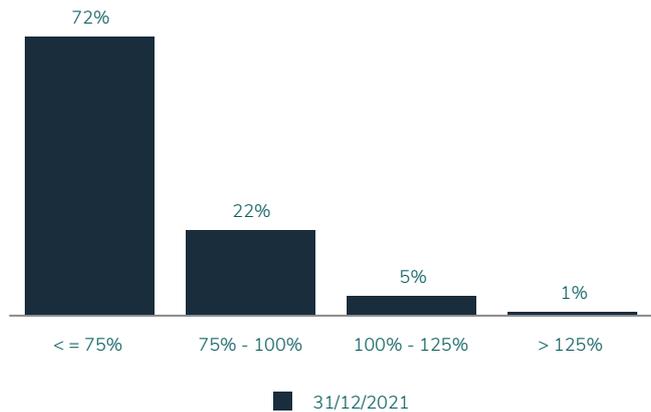
In 2015, we started to provide mortgages through a network of intermediaries, branded as Hypotrust and with Quion as our service provider for our white-label mortgages. Since then, we have built up a white-label portfolio with good risk characteristics and with very few loan losses. Our white-label mortgages are subject to strict acceptance criteria, and the size of this portfolio amounted to €389 million by year-end 2021 (year-end 2020: €476 million). This portfolio has decreased and now makes up 4% of the total loan portfolio.

In 2020, we started our "interest-only mortgage project", the aim of which is to enable clients to make conscious choices about their interest-only mortgages. For example, clients with potentially declining incomes (e.g. due to retirement) are actively assisted by us to limit the risk of not being able to pay off their loans at maturity date. To this end, we provide insights into the status of their mortgage and its future affordability and flexibility. All clients with interest-only mortgages (including investment-based mortgages) are plotted on a matrix based on guidelines from the Dutch Authority for the Financial Markets (AFM). The matrix is based on the LTV combined with the remaining financial term, term to retirement, or end of tax deductibility. All clients in the highest risk category (LTV above 100%) were approached personally in 2020, and results were recorded in our client relationship management system. In 2021, clients in the high and medium risk categories (LTV between 50% and 100%) were approached, as part of regular talks with our clients, and the results recorded. This project will continue in 2022 for clients in the low risk category (LTV below 50%). In this way, we increase awareness among clients and try to avoid potentially difficult situations.

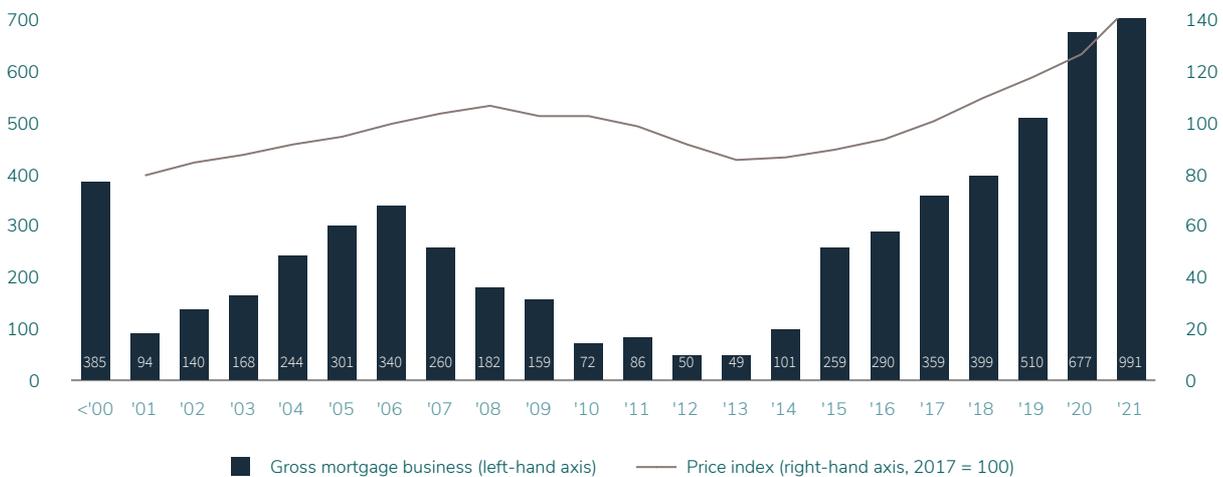
Mortgage loans: new production by type (%)



Mortgage loan-to-value (%)



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



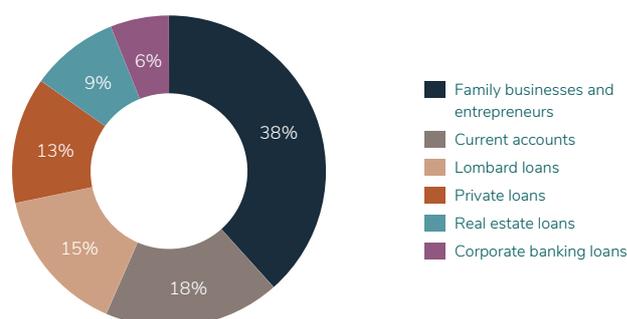
## Mortgage loans: outstanding volumes (€ million) and number of loans by size



## Other loans

This part of the loan portfolio comprises loans to high net-worth individuals, in the form of overdraft facilities or funding for a second home, for example. In the same category are commercial activities that fit into Private Clients' relationship model, such as funding investments for family businesses, business professionals and executives, healthcare professionals and entrepreneurs. These kinds of loans are supplementary to our wealth management strategy and typically involve the client bringing in AuM. Our aim is to keep the size of this portfolio stable.

Starting in 2021, we began reporting our corporate banking loan portfolio in this category as well. The winding down of this portfolio continued in 2021 and it now amounts to €132 million (2020: €195 million).

Other loans: type of loan  
(100% = €2.2 billion)

## Real estate loans

Our real estate loans, both those provided to private clients and corporate banking's legacy portfolio, amount to €381 million (2020: €331 million). These loans are provided primarily on the basis of a total quality assessment of the borrowers. We also take into account the quality and sustainability of the property, and the diversification and stability of the rental flows. 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 2021, 88% of our real estate loans generated sufficient rental income to cover interest and principal payments, i.e. had a DSCR of over 1 (year-end 2020: 86%). Clients with a DSCR of less than 1 often have other income-generating assets they can use to service their loan obligations. Lastly, the LTV of real estate loans also improved as a result of increasing real estate prices, despite the economic situation caused by the exceptional circumstances related to Covid-19.

## Impaired loans

Impaired loans are defaulted loans in IFRS 9 credit quality Stage 3. The impact of Covid-19 on our portfolio was closely monitored throughout the year. At year-end, the impact on our portfolios was once again limited. This is mostly due to the composition of the portfolio (mainly mortgages and very limited corporate exposure), coupled with our core clients having significant financial buffers.

Impaired loans accounted for 1.7% of the loan portfolio at the end of 2021 (year-end 2020: 2.2%). In 2021, a provision equal to 28% of impaired loans was taken (2020: 28%), resulting in specific provisions totalling €42.4 million.

## Loan loss provision

In 2021, we released €12.0 million in provisions (in 2020, we added €1.7 million). During 2021, we saw an increase in exposures in Stage 1 and a decrease in exposures in Stage 3. Because government interventions to support companies affected by Covid-19 were distorting the true risks in the portfolio, in 2020 we applied a so-called management overlay of €4.9 million. This was the result of extensive client monitoring and sector analysis, leading to adjustments in the stage classification of some clients. In 2021, the €12.0 million net release from loan loss provisions included a release of €3.3 million out of the €4.9 million management overlay, meaning that the current management overlay amounts to €1.6 million.

For more information about credit risk, please refer to the discussion of risk management in the financial statements, Section 3, "Credit risk".

### Market risk

Van Lanschot Kempen is exposed to market risk through client-facilitating transactions. Our Treasury department performs structured product transactions for clients, while our Investment Banking Clients team performs equity transactions for clients and provides market liquidity, which may result in trading positions. The same applies to Private Clients regarding 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 funds in order to align our interests with those of our clients and to support our investment management activities. We supported some newly launched Kempen funds (Kempen European Private Equity Funds I and II, European Direct Lending Pool) and divested some funds that reached maturity. The Risk Management department monitors market risks on a daily basis.

Financial markets in 2021 were relatively benign, and most equity markets rose significantly. All three activities exposed to market risk showed stable returns (equity brokerage, structured products, and interest and foreign exchange products for Private Clients). As a result of extreme financial market volatility in 2020, we made significant losses on structured products activities. This resulted in the strategic decision to reduce the risks on this activity significantly by moving from a macro-hedging strategy to an almost exclusively back-to-back hedging strategy, thereby decreasing most of the market risks in the portfolio. The structured products activities are being managed according to plan, with complex products now being almost exclusively hedged back-to-back. Structured products activities' trading limits have been decreasing in conjunction with the run-off of the macro-hedged portfolio, thereby reducing the market risks in the portfolio even further.

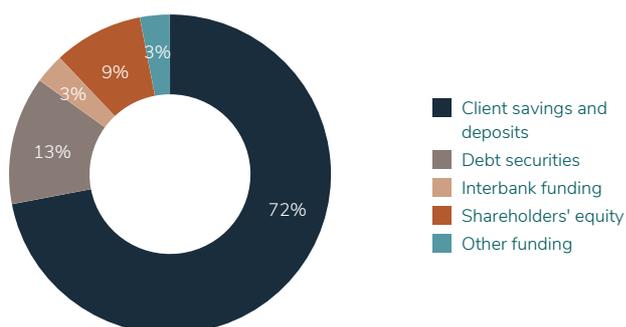
For further information on market risk, see Section 3, "Market risk", in the financial statements.

### Liquidity and funding risk

Our wealth management business model naturally comes with a large client deposits base. These entrusted funds grew from €10.1 billion to €11.7 billion in 2021 driven by high market liquidity, despite the fact that by year-end 2021 we were charging negative interest rates on about 40% of our total deposit base. Our December 2021 loan-to-deposit ratio amounted to 76% (2020: 83%), which reflects the fact that our client deposit base exceeds our client loan book volume.

### Funding mix

(100% = €16.3 billion)



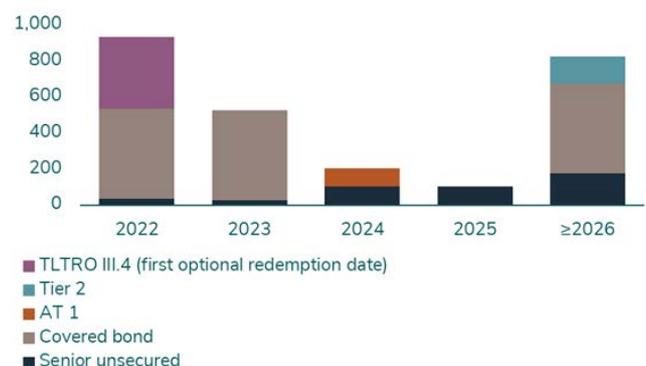
Because of this, our reliance on other funding sources is limited, and our liquidity risk profile is mostly driven by the potential occurrence of unanticipated deposit outflows. Although our deposit base has not resulted from a competitive pricing policy and has proven to be sticky over time, there is always a risk of unexpected outflows, particularly for balances not covered by the deposit guarantee scheme (DGS). We take a cautious approach to liquidity risk, and aim to hold solid liquidity buffers that would allow us to absorb severe unexpected liquidity stress situations. Outcomes of liquidity stress tests, which cover acute and persistent liquidity stress, are discussed by our Asset and Liability Committee (ALCO) on a monthly basis. Due to our strong liquidity buffer, stress test outcomes and other liquidity indicators such as the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) remained well within limits throughout the year. At year-end 2021, the LCR and NSFR stood at 172.0% and 163.0% respectively (2020: 177.4% and 161.8%).

Our liquidity risk management practices are outlined in our internal liquidity adequacy assessment process (ILAAP), which is assessed by our supervisory authority De Nederlandsche Bank (DNB) every year. DNB considers our liquidity and funding risk management to be adequate for a company of the size and complexity of Van Lanschot Kempen.

The main funding and liquidity planning objective remains to reduce the impact of excess liquidity on net interest income, while maintaining a solid liquidity cushion and sufficient funding diversification. Although our loan portfolio could be entirely funded by client deposits, we aim to keep sufficient diversification in our funding mix in terms of funding type and maturity by supplementing the savings and deposits base with secured debt instruments that are issued under the Conditional Pass-Through Covered Bond (CPTCB) programme. Due to our structurally high liquidity buffer, we did not issue any new benchmark wholesale debt instruments in 2021, except for the €50 million issuance of a Tier 2 instrument because we redeemed another Tier 2 instrument of the same value.

Total outstanding volume under the CPTCB programme remained at €1.5 billion throughout 2021. We do not have any benchmark-size unsecured debt issuances placed with investors. One covered bond will be redeemed in 2022. We are currently setting up an additional covered bond programme with a soft bullet structure. Going forward, we expect to issue new covered bonds via this programme.

### Funding and capital instruments redemption profile (€ million)

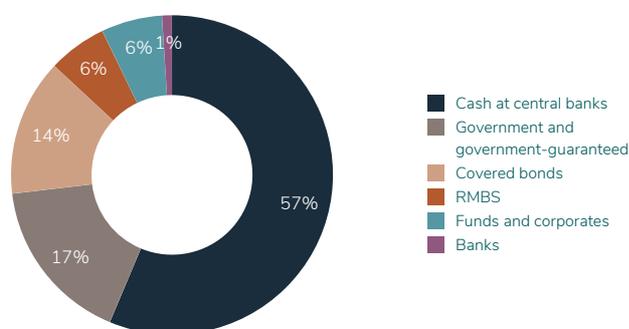


## Investment portfolio

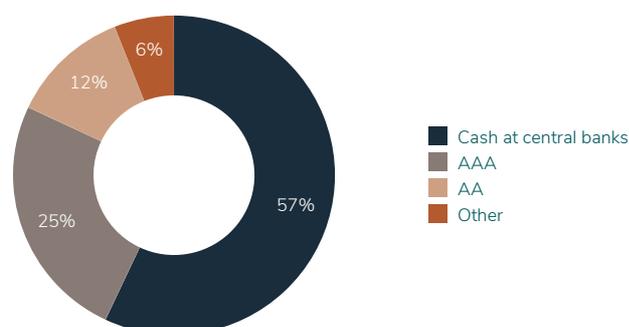
Our investment portfolio totalled €6.3 billion at year-end 2021, up from €5.5 billion at year-end 2020. It is maintained primarily for liquidity purposes, and consists mainly of liquid, low-risk instruments. The composition of the portfolio was relatively stable in 2021. There are strict limits on instrument types, counterparties, countries, ratings and credit spread risk. Despite lower yields and spreads, we maintained a liquid, low-risk investment portfolio in line with our investment policy. Even at the peak of Covid-19 market turmoil, the impact on the portfolio's value was mild.

In addition to day-to-day portfolio management, we review our investment portfolio annually to ensure it meets our environmental, social and governance criteria. We have not encountered any material sustainability issues in our investment portfolio to date.

### Investment portfolio and liquidity by counterparty (100% = €6.3 billion)



### Investment portfolio and liquidity by credit rating (100% = €6.3 billion)



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

## Interest rate risk

In 2021, interest rates remained very low. In line with the majority of Dutch banks, we expanded the range of client savings on which we charge negative interest rates. By year-end 2021, we charged negative interest rates on about 40% of our total deposit base.

Client preference for long interest rate maturities for mortgages continued as a result of the flat and historically low yield curve, both for newly agreed mortgages and for interest rate resets.

On the liability side of the balance sheet, clients held their balances in variable-rate accounts (current accounts, savings and securities accounts). Given that these products have

similar features and offer equal interest rates in the current environment, we observe that clients are becoming more indifferent as to which product they keep their balances in. Appetite for term deposits remained negligible, due to the low interest rates on these products. As of December 2021, our term deposit base amounted to only €363 million.

We manage our exposure to changing market interest rates (interest rate risk in the banking book) using both a value-based and an income-based approach. We address long-term interest rate risk mainly via the economic value approach, which examines how movements in interest rates impact the value of our assets and liabilities. Given the current asymmetrical character of our interest rate risk exposure (mostly driven by implicit or contractual rate floors in products), we have shifted our interest rate risk management focus to a more scenario-based approach. We apply scenarios to both net interest income and economic value changes, and have set risk appetite limits for these.

For net interest income at risk, we have set a limit of 15% net interest income loss in the first 12 months, relative to our baseline scenario. All stress scenarios remained within this limit throughout the reporting year.

From a risk management perspective, the combination of mortgages with long interest rate maturities, funded to a large extent by a variable-rate deposit base, poses a challenge: there is less room to adjust client loan rates if future funding costs rise. This risk is inherent to the banking business model and more prevalent in the current interest rate environment.

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

## Non-financial risks

Non-financial risks comprise operational, information, compliance and sustainability risks.

We have defined a non-financial risk appetite. On a quarterly basis, the current non-financial risk exposure related to the non-financial risk appetite is discussed with senior management in the Compliance and Operational Risk Committee. In 2021, we further strengthened our non-financial risk management by implementing risk management frameworks for change processes. We also continued to use value-chain assessments to improve knowledge and documentation on processes and to reassess the key controls per value chain. In addition, we harmonised the approach to non-financial risks that is taken by the Risk Management and Compliance departments, resulting in an improved and harmonised risk management framework. The second line of defence continues to interact closely with the businesses, aiming to encourage an increasingly risk-based approach in managing non-financial risks. Influencing human behaviour and our risk culture is a structural way of further mitigating operational risk.

### Operational risk

Operational risks are potential losses that result from inadequate or failed internal processes or systems, inadequate or incorrect human actions, external events and fraud. To identify and manage non-financial risks, we have created a group-wide risk management framework. Part of this framework is a set of key business controls on the part

of our value chains where residual risks are deemed to be elevated. Controls are regularly tested, allowing us to assess the effectiveness of key controls in our processes and systems. Other instruments we use for measuring and monitoring non-financial risks include incident registration, root cause analyses, risk self-assessments at both department level and value-chain level, and key risk indicators.

Since 1 January 2021, the risk management function of Kempen Capital Management has been successfully integrated with the group Risk Management department. Through this integration, the Risk Management department has better oversight and can apply a uniform risk management approach and procedures across all wealth management activities. The risk management framework combines all relevant regulatory requirements of the bank with requirements for an asset manager (IFR, AIFMD, UCITS). This framework identifies, measures, manages and monitors all relevant risks to which our AuM are exposed. Quantitative and qualitative risk limits are set where possible, and are described in the various risk policies. While we manage the risks in the AuM of our clients, these activities are reported as operational risks.

All client portfolios are monitored against regulatory guidelines, investment guidelines (e.g. fund prospectuses and investment management agreements, which put limits on credit, counterparty credit and liquidity risks) and our internal policies on a daily basis. There were no material findings from the investment compliance programme.

Financial markets in general performed well over the reporting year, resulting in strong performances by our investment funds, and the majority of our strategies outperforming the benchmarks. Even though volatility stayed relatively low throughout the year, there were some spikes in implied volatility. Our investment funds proved resilient. Bid-ask spreads came down from their high levels since mid-2020, and liquidity in the funds improved. Overall, our investment funds remained well within market, liquidity and counterparty risk limits throughout the year. Lastly, the risk profile of investment funds remained stable across all funds.

#### Information risk

Preventing cybercrime remains one of our key focus areas. We are aware of the risks concerning information security and cybercrime, and we have further invested in technological and process-related measures to mitigate them. In addition to awareness programmes and staff training, we continue to develop intelligent solutions and to work closely with industry partners. We use intelligent systems to analyse the transactions in our systems and search for fraudulent activities. As part of a multi-year programme, we have stepped up security measures to keep pace with increasing cyberthreats. Dedicated teams monitor security events, including threats posted on the dark web. We have teams that simulate cyberattacks and conduct physical penetration testing for training purposes. To monitor the risks involved in cybercrime, we have developed an integrated risk dashboard. The metrics in the dashboard are overseen by the interdepartmental Information Security Board. Issues related to cybercrime are reported directly to the Management Board.

For the continuation of operational processes during potential disruptions, threats and incidents, we have business continuity measures in place. These include a policy, a governance structure with a Business Continuity Committee and Crisis Management team, and working instructions. Moreover, multiple tests are performed during the year to assess whether these measures work in practice.

#### Internal fraud

Internal fraud occurs when fraud is committed as an intentional action by one or more employees in which deception or management override of controls is used with the intent of gaining unlawful advantage for oneself or a relation at the expense of others. Employees also include management, temporary workers, contractors and trainees. Internal fraud is in conflict with our Code of Conduct.

Maintaining our reputation as a trustworthy financial institution is of great importance to Van Lanschot Kempen. Assessing and mitigating fraud risks is therefore an important priority, because such risks can lead to financial damage to our clients and to our business. In addition, fraud can damage the public's trust in Van Lanschot Kempen's integrity as a financial institution. Our basic principles are set out in our Code of Conduct, and the guidelines and process for reporting and handling incidents are set out in our policy for handling integrity incidents.

Incidents such as internal fraud cases are dealt with in accordance with the incident management procedure, which requires a root cause analysis to be performed on the incident, reporting on the incident and, where required, action to implement mitigating measures to prevent the incident from happening again. In 2021, no internal fraud was identified nor any attempt to commit fraud. No investigation of any person regarding internal fraud therefore needed to be conducted.

Assessing and mitigating internal fraud risk is an integral part of our risk & control framework. Fraud risk is assessed through risk control self-assessments on processes and through the Systematic Integrity Risk Analysis (SIRA). Key controls have been implemented to mitigate internal fraud risk. These key controls are captured in the risk & control framework and are periodically reviewed by the first line of defence and monitored independently by the second line of defence.

Several initiatives have been (and are being) taken to mitigate internal fraud risk. Actions and priorities for continuous staff awareness and improvement are identified in the business-as-usual cycle. Staff training, starting with the on-boarding of new employees as well as periodic updates, are part of fraud mitigation measures.

Our internal fraud risk assessment was included in our annual SIRA during 2021. This included various scenarios, such as the risk of staff stealing financial assets, physical assets or client data. The risk of staff executing unauthorised payment or credit transactions (as a result of insufficient segregation of duties or collusion) is also part of the risk assessment. The inherent risk of fraud in our overall risk assessment was evaluated as high: internal fraud can lead to substantial financial and reputational damage. But this fraud risk is mitigated by several measures, some of the most important of which being key controls. Some of our

operational risk controls (four-eye principle, access authentications, etc.) also work to mitigate against fraud. Furthermore, there is a set of specific controls to mitigate fraud risk, such as authorisation checks, system-enforced checks on manual payments and automated segregation of duties for payment systems. All these controls are periodically tested, evaluated by the Internal Control department and further monitored by the second and third lines of defence: the Compliance, Non-Financial Risk Management and Internal Audit departments.

Based on effective testing, the residual risk of internal fraud was assessed as limited, which is within our risk appetite. The evidence of limited risk is based on the effectiveness of the controls combined with the absence of any major incidents: no major incidents have been reported in the last five years.

For more information about operational risk, please refer to the discussion of risk management in the financial statements, Section 5, "Operational risk".

### Compliance risk

When operating in financial markets, it is important that we conduct our business activities in accordance with the expectations of our clients, shareholders, employees and relevant authorities, but also that we follow high ethical standards, in alignment with our values and risk appetite, and within the boundaries of applicable laws, rules, regulations, internal policies and procedures, and industry standards relevant for our business.

Compliance is well embedded in our organisation and culture, with strong commitment and proactive involvement of the Management Board, and cooperation across the entire organisation to ensure compliance, taking into account the three lines of defence model.

The graphic below summarises:

- The responsibilities of the compliance function throughout Van Lanschot Kempen (three lines of defence);
- The key compliance risks that are assessed and monitored;
- The client segments in which these risks are assessed and monitored.

#### Three lines of defence (LoD)

<b>3<sup>rd</sup> LoD: Internal Audit</b>	- Assurance
<b>2<sup>nd</sup> LoD: Compliance</b>	- Policies and procedures - Training and awareness - Advice - Risk assessment, monitoring and reporting
<b>1<sup>st</sup> LoD: Client segments</b>	- Serving clients - Assessing client-related risks - Adherence to policies - Control effectiveness

#### Key compliance risk categories



#### Client segments across Van Lanschot Kempen

**Private Clients** in the Netherlands, Belgium and Switzerland

**Wholesale & Institutional Clients** in the EU and UK

**Investment Banking Clients** in the EU and US

### Compliance responsibilities

As a company, we maintain an independent and effective compliance function to identify, assess, monitor and report on compliance risks. This entails the risk of failure by Van Lanschot Kempen to comply with applicable laws, rules, regulations, internal policies and procedures, and industry standards relevant for our business. In managing compliance risk, we use the three lines of defence model. This means that employees working in the various client segments (first line of defence) are responsible for serving clients, but also for assessing client-related risks, adhering to policy requirements and assuring control effectiveness.

The Compliance department is headed up by the Chief Compliance Officer, who reports directly to the Chair of the Management Board. The Compliance department fulfils its responsibilities by providing advice and assistance to Van Lanschot Kempen's committees and management teams, including the Compliance and Operational Risk Committee, and by continuously monitoring adherence to regulations within the company's day-to-day operations in the various client segments.

### Key compliance risks

The key compliance risks can be grouped into four categories:

- **Financial crime risks:** risks relating to client due diligence, anti-money laundering, sanction screening, client tax integrity, anti-bribery & corruption and gifts & entertainment;
- **Business conduct risks:** risks relating to conflicts of interest, market conduct, secondary positions and personal account dealing;
- **Client protection risks:** risks relating to best execution/order handling, client suitability, client classification, marketing, inducements and product governance;
- **Personal data integrity risks:** risks relating to privacy, data retention/deletion and electronic communication/recording.

### Compliance in client segments and business lines across Van Lanschot Kempen

In the new organisational structure, the responsibilities for Client Management & Origination have been brought together. While respecting the different client segments, client needs, services provided by Van Lanschot Kempen and specific local regulatory requirements, compliance policies have been aligned to be applicable group-wide. This new organisational structure also enables best practices for one client segment to be applied to other client segments.

In addition to enhancing compliance in the various client segments, compliance related to products and services being offered by Investment Strategies & Solutions has also been enhanced. This means putting in place further procedures and controls to enhance adherence to compliance policies and regulations relating to product and investment advisory services.

### Developments in 2021

The Compliance department has continued to enhance the compliance framework through dedicated efforts to revise and ensure implementation of the company's policies and procedures across client segments, as well as through further enhancements of the compliance risk management programme. Regulatory requirements are ever-increasing. This requires continued efforts by Compliance and the client segments across our business.

As a company, we have devoted substantial resources to strengthening the compliance framework and function. The compliance function was further strengthened in 2021 by expanding the Compliance department. The Management Board established various group-wide projects to revise and enhance compliance policies, procedures and controls, including those relating to the company's anti-financial crime framework and client tax integrity. In 2021, the enhancements relating to the anti-financial crime framework were implemented. The objectives of the group-wide projects were met, and Van Lanschot Kempen is currently well positioned to implement the enhancements identified for the other key compliance risk categories by early 2022. We have also continued the development and rollout of a dedicated compliance training programme for employees.

### Privacy

As part of the Compliance department, we have a designated Data Protection Officer (DPO), who reports to the Management Board via the Privacy Committee. This is an independent position within the company. The DPO is responsible for representing the interests of people and

parties who trust us with their data. The DPO also sets our group-wide data privacy policies covering personal data integrity, including the awareness programme for employees and contractors. These policies are just some of the ways in which we put our core value of "discretion" into practice.

For more information about compliance risk, see the discussion of risk management in the financial statements, Section 12, "Compliance risk".

### Sustainability risk

Van Lanschot Kempen's risk management and control system is designed to manage internal and external risks. Sustainability risks, with climate change as the most prominent risk driver, fall into the category of external risks. Sustainability risk is a relatively new and highly complex focus area in the wealth management industry, affecting the whole organisation. Targets, processes and risks can only be efficiently addressed by an effective governance structure. To optimise our knowledge of sustainability risks, we have consolidated our overall expertise into our Sustainability Centre, while more direct sustainability expertise resides within the business. To promote efficient decision-making, we have created one main committee, the Sustainability Board, which includes two Management Board members. We have also created two sub-committees: the Sustainability Investment Council and the Sustainability Non-Investment Council, which cover our own balance sheet and organisation's sustainability risks. The Sustainability Board approves strategic sustainability priorities and monitors the implementation of the strategy and these priorities.

In 2021, our first sustainability risk policy was implemented, based on guidance on climate-related and environmental risks by the ECB. Our policy describes responsibilities for managing sustainability risks as well as the types of risk, whereby attention is mostly paid to physical and transition risks as a result of climate change. Physical risks include negative effects from adverse weather events, or businesses or assets becoming obsolete (stranded assets). Transition risks include risks that arise from the adjustment process towards aligning with sustainability requirements in a broad sense (i.e. regulatory risks, government measures, taxes, international treaties, etc.).

Given the nature of our clients, many environmental risks are not material for Van Lanschot Kempen as a firm. As a wealth manager, the majority of our lending exposure is to private individuals, and we do not have lending exposure to large corporates. For our limited lending to smaller businesses, we maintain a strict exclusion list for activities we do not wish to finance, and we carry out sustainability screening to identify other risks. In 2021, we improved methods to calculate impact and materiality. We also continued to enhance our dataset and monitor activities relating to the sustainability objectives of our own organisation, balance sheet and AuM, in order to establish a more accurate and dynamic overview of the (potential) impact of our actions on the environment. Lastly, we have been working to embed and integrate sustainability elements in all our core processes, controls, product development, reporting and so on, instead of creating separate activities that are additional to our existing processes.

Based on a methodology that looks at various risk types (e.g. credit risk, operational risk), the main sustainability risks (physical and transition) and the available data, there is currently no reason to apply a management overlay to the

IFRS 9 models (Stages 1 and 2). In addition, the IFRS provision for Stage 3 is determined per individual credit file by the Credit Risk, Restructuring & Recovery department. If there are significant climate risks relating to loans by this department that play a role during the period the file is in default, these climate risks are included in the determination of the provision. A management overlay is therefore not necessary for Stage 3 either.

### Risks to our operations

One of the more probable sustainability risks to our operations is the threat of flooding in certain parts of the Netherlands. Of our 29 office locations, 11 are well above sea level and are not exposed to river flooding; nine are protected by inland dikes; and nine are below sea level and/or exposed to river flooding. If some of our offices flood, the affected employees will be able to work from home or at one of our other offices. Covid-19 proved that working with the majority of the staff at home is possible without any major interruption to business activities. The necessary information and systems for employees can be provided in such a scenario, while both our data centres in Eindhoven and 's Hertogenbosch are well above sea level if the dikes are no longer able to withstand the sea. Our back-up data centre in 's-Hertogenbosch has limited exposure to river flooding (one in 1,000 years), while our primary site in Eindhoven has very low risk of river flooding. The combined extremely low risk is acceptable for our organisation.

### Risk to our balance sheet

Our responsible lending policy takes environmental and social impact into consideration. This policy covers periodic sustainability screening (due diligence), via a risk filter, of all existing and new corporate loans, and includes factors such as human rights, social and labour issues, environment, anti-corruption and bribery. During 2021, the screening did not identify any new material sustainability issues in the portfolio. The number of potentially high-risk borrowers totalled 16 at year-end 2021 (2020: nine). We continue to engage with these borrowers about specific sustainability risks and how they could be mitigated. For more information on this policy and its results, see our sustainability supplement and [vanlanschotkempen.com/en/sustainability/policy/banking-activities](https://vanlanschotkempen.com/en/sustainability/policy/banking-activities).

A decade ago, a separate policy was created to assess the sustainability of financial institutions with which Van Lanschot Kempen has a banking relationship ([vanlanschotkempen.com/en/sustainability/policy/banking-activities](https://vanlanschotkempen.com/en/sustainability/policy/banking-activities)). This policy aims to prevent the risk that client assets are exposed – through interbank loans or investments, for example – to institutions with weak or non-existent sustainability policies. Van Lanschot Kempen challenges financial institutions that have not developed sufficiently visible policies. In 2021, there was no need to engage with any financial institutions in our portfolio, as all complied with our policy.

Since 2016, we have been calculating and reporting on our balance sheet-related carbon emissions, mainly for mortgage loans, other loans and our investment portfolio. For our Private Clients segment, the most significant lending portfolio is our mortgage portfolio. While some climate change risks to this portfolio exist (e.g. financing homes exposed to flooding), we assess that the probability of these risks materialising is lower than other risk factors. For example, we expect that rising sea levels will be countered by additional infrastructure investments by the Dutch

government in sea/river defence structures. As a result, no separate restrictions have been put in place when granting new mortgages. We will undertake more granular stress testing in 2022.

Furthermore, we encourage our clients to improve the energy efficiency of their homes and other types of property we finance. For example, we offer our Groenhypotheek (green mortgage), which provides financing at reduced interest rates to clients who are looking to make their homes more sustainable and energy-efficient.

In our other loans portfolio and remaining corporate banking loan book, we see limited climate change risk, mainly because of the regional and sectoral characteristics of our portfolio. Coupled with this, our corporate banking loan exposure is minimal, reflecting our earlier strategic choice to wind down this activity.

We also see limited transition risks in our equity exposure, stemming from our equity brokerage activities. The holding period (only a few days) and net exposures are quite limited (€7.3 million at year-end 2021), while transition risks in general tend to be longer-term. Furthermore, as a specialist broker, we focus on certain sectors – real estate, life sciences & healthcare, tech & fintech, renewables and infrastructure – which limits the transition risks, while we have no exposure to polluting industries, for example.

To support our own managed funds, we provide seed capital and manage these funds in our management book. At year-end 2021, we had investments to the tune of nearly €200 million in our funds, of which 75% were in sustainable investment funds, categorised as such under the EU Sustainable Finance Disclosure Regulation (SFDR). These sustainable investment funds either promote environmental and/or social characteristics (SFDR Article 8) or have sustainable investment objectives (SFDR Article 9). Under the SFDR and related disclosure transparency rules, there are strict requirements about managing principal adverse impacts on sustainability factors for SFDR products categorised as Article 8 and Article 9. Our managed funds that are exposed to environmental risks – including climate change adaptation and mitigation risks – fall within these categories. They also fall under Van Lanschot Kempen's broader climate change policy, by which we actively engage with issuers in our investment portfolios to assess their path towards climate neutrality as well as related climate change risks. On the basis of this, we deem the sustainability risks in our management book to be acceptable.

We have also undertaken work to assess the potential impact of a global temperature increase of 2°C or less on our balance sheet. We are working to understand the complex and non-linear relationships between the various sustainability risk factors on our balance sheet.

### Risks to our assets under management

In our AuM activities, climate change risks are taken into account when investments are made or investment managers are selected. As part of our responsible and sustainable investing, we also have a climate change policy that was significantly strengthened in 2020. We have now set strong targets in line with the Paris Agreement on carbon emission reduction for our investment funds, to be met by 2025, 2030 and 2050 – enabling us to cope with the transition risks related to climate change. This also enhances resilience to physical climate change risks, as the companies

in these investment funds will take climate change into account. As physical risks will likely materialise more in certain regions and sectors (with physical assets) than others, we have started to gather physical climate data down to asset level for our real estate portfolios from a specialist climate data provider. We have further improved the implementation of our net-zero commitments by setting annual KPIs, starting in 2022, to reduce our carbon footprint according to the Paris Agreement targets.

We use climate scenarios for most of our managed global and European liquid portfolios to assess their climate resilience compared with the benchmark. We also use climate change risk indicators (proxies) from our climate data provider for several internal funds and some large clients. In 2020, we further integrated climate change mitigation into our current asset allocation scenarios via GDP assumptions (i.e. scenarios ranging from 1.5°C to 4°C of global heating). Central banks continue to provide more guidance on the impact of the inevitable energy transition on the global economy and at industry, sector and sub-sector levels. In 2021, we applied this guidance and incorporated DNB's climate stress tests for the equity market into our risk system. The results from these stress tests are presented on an absolute basis and compared with the benchmark. Drilling down to the impact of the stress tests on individual securities forms the basis of discussions with the portfolio managers.

For further information, see our disclosure in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD): [vanlanschotkempen.com/results](https://www.vanlanschotkempen.com/results).

## Regulatory impact

The increase and changes in regulations continued to pose a challenge for our organisation: Basel IV, sustainability and benchmark regulations all represent major changes for us going forward. In addition to new regulations, the number of data requests from regulators has also been increasing – in terms of both ad-hoc questionnaires and recurring reports.

In 2021, we continued with our Basel IV implementation, despite the postponement of the deadline. The impact of this revision to the regulatory framework on the business is still expected to be relatively limited. Our analysis includes changes to the approaches for credit risk and operational risk. Together with the Fundamental Review of the Trading Book (FRTB), these reforms will take effect as of 2025 with transitional arrangements. Implementing the new regulation will require substantial effort, as many definitions and reporting requirements have changed. Moreover, many activities were implemented to comply with the rapidly changing requirements on managing and reporting sustainability risks.

In October 2019, DNB announced its intention to introduce a minimum risk-weight floor for the residential mortgage loan portfolios of Dutch banks subject to the IRB approach in the autumn of 2020. This measure was postponed because of Covid-19, but was later implemented on 1 January 2022. The measure means that Dutch banks will need to hold more capital against their mortgage portfolios. It aims to support the banks' ability to absorb the impact of a potential housing price correction. The impact on our total risk exposure amount (TREA) was 15%, implying an impact on the CET 1 ratio of 3.2 percentage points. DNB previously indicated that the new measure will not be in addition to the Basel IV

framework, which means that the impact is expected to disappear after the introduction of Basel IV.

## Capital management

At the end of 2021, our Common Equity Tier 1 (CET 1) ratio stood at 23.7%. In September, the ECB recommendation to postpone dividends ended. We therefore paid out the 2019 and remaining 2020 dividends in October 2021. Since our CET 1 ratio remains well above our target range of 15-17%, we aim to engage in acquisitions, and intend to leave room for these in our capital position. Whenever possible, we will also continue to pay out excess capital to shareholders, subject to regulatory approval.

Our TREA declined by €268 million to approximately €3,927 million. At year-end 2021, our Tier 1 and total capital ratios stood at 26.3% (2020: 25.4%) and 30.1% (2020: 27.4%) respectively. The substantial improvements in Tier 1 and total capital ratios are due to the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV, which came into effect on 1 July 2021. As a result of this merger, we no longer need to apply a minority interest deduction to Tier 1 and total capital (at the consolidation level of Van Lanschot Kempen NV).

In July 2021, DNB informed us of a downward revision of the capital requirements that we need to meet. Our CET 1 requirement decreased from 7.8% to 5.9%, whereas the total supervisory review and evaluation process (SREP) capital requirement (TSCR) declined from 13.9% to 10.5%.

This decrease in capital requirements mainly stems from adjustments in the way we establish the required capital buffer for credit risk. Previously, we applied the internal ratings based (IRB) method to determine the capital requirements for the majority of our loan book. However, due to changes in our portfolio composition (winding down the corporate banking loan book) and increased regulation regarding IRB models in general, we thoroughly revised our IRB models. Over recent years, we developed new IRB models for residential mortgages and migrated all other credit risk exposure to the standardised approach. During this transition period, we held extra capital for credit risk. As we have now completed our IRB revision, the SREP capital requirements have decreased.

In addition to the 5.9% CET 1 SREP requirement, we are subject to combined buffer requirements and Pillar 2 guidance (P2G). Both elements must be met by CET 1 capital alone.

SREP and overall capital requirements from July 2021 (%)	CET 1	Tier 1	Total capital
Pillar 1	4.5	6.0	8.0
Pillar 2	1.4	1.9	2.5
Total SREP capital requirement	5.9	7.9	10.5
Capital conservation buffer	2.5	2.5	2.5
Countercyclical capital buffer	0.0	0.0	0.0
Overall capital requirement	8.4	10.4	13.0
Pillar 2 guidance (not disclosed)			
Capital ratios as per year-end 2021	23.7	26.3	30.1

The capital conservation buffer is currently the main element of the combined buffer requirements. It stands at 2.5% and reached its fully phased-in level in January 2019. The countercyclical buffer for the Netherlands is currently set at 0%. In its overview of financial stability, DNB indicated that it will gradually raise the countercyclical buffer to a "neutral" level of 2%, but only when the situation around the Covid-19 pandemic and its impact on banks has been normalised. The systemic risk buffer does not apply to us. We are expected to comply with P2G by holding CET 1 capital, but P2G does not have a binding status and does not automatically restrict dividend distributions in the event of a breach.

With a CET 1 ratio of 23.7% and a total capital ratio of 30.1% at year-end 2021, we met all capital requirements, including P2G. The leverage ratio decreased to 6.3% at year-end 2021 (year-end 2020: 7.1%), well above the minimum Basel requirement of 3%. The leverage ratio decline is mainly due to a slightly larger balance sheet.

Basel IV is an important dimension in our capital planning, as is the temporary minimum floor for residential mortgage risk weights that are derived from IRB models, imposed by DNB from January 2022. Taking Basel IV and the DNB risk weight floor into account, we expect our CET 1 ratio to remain above our target range of 15-17%.

#### **Minimum required eligible liabilities (MREL)**

As part of the single resolution mechanism (SRM) regulation, the National Resolution Authority (NRA) has imposed an indicative MREL target on us. This is not likely to become binding before 2024, although the NRA could request an intermediate target towards 2024 in the case of an MREL gap.

The MREL target has a loss absorption and a recapitalisation component (both 50%). Given the decline in our SREP capital requirements, we are awaiting a binding MREL target before we can assess any potential gaps. We will adjust our funding planning in the run-up to 2024 in order to fill the limited MREL gap that could arise after we receive the final targets.



## PERSONAL AND PROFESSIONAL PRIDE

Back in 2016, Van Lanschot Kemprenn had just acquired MN UK. They were looking for investment strategists to work on an entirely new investment philosophy that would resonate with the UK fiduciary management landscape, with the backing of a well-capitalised bank. It was an offer I couldn't refuse.

As Head of Investment Strategy in the UK, my responsibilities are four-fold: I'm responsible for asset allocation decisions on behalf of our UK clients; defining our research agenda; supporting colleagues in the Wholesale & Institutional Clients segment on winning new business; and working with the UK management team to set the growth direction of the UK business. In 2021, I was proud to be named Investment Manager of the Year by *Professional Pensions*, the biggest pensions-focused publication in the UK. They looked at what our portfolio

achieved during the previous year, and how we identified and took opportunities for our clients in the immediate aftermath of the start of the pandemic. Our portfolio was also deemed to have performed among the best, and with the lowest level of risk, compared with our competitors.

From a personal perspective, 2021 was also an exciting year. I moved house to get more green space, so it takes me a little longer on the train to work. But more importantly, my son was born in July and I was able to take shared parental leave to spend time with him. The company's attitude towards these personal milestones has been wonderful – they genuinely care about their employees as individuals.

**Nikesh Patel** – Head of Investment Strategy, UK

# VAN LANSCHOT KEMPEN SHARES

Van Lanschot Kempen's market capitalisation stood at €899 million at year-end 2021. 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).

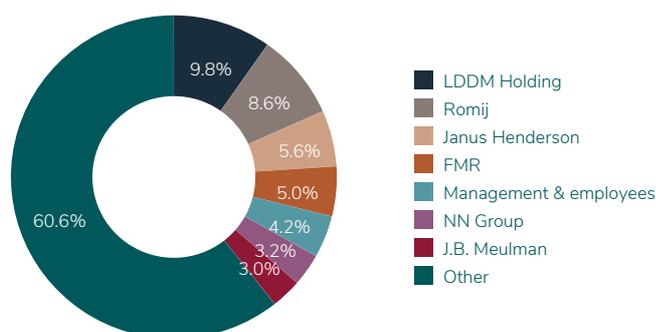
The issued share capital of Van Lanschot Kempen at 31 December 2021 consisted of 41,361,668 Class A ordinary shares ("shares") each having a nominal value of €1. We held 514,551 treasury shares at year-end 2021. Van Lanschot Kempen is included in the Amsterdam Small Cap Index and in the MSCI World Small Cap index.

## Shareholders and depositary receipt holders

Van Lanschot Kempen's shareholder base changed somewhat during 2021. APG Asset Management, Reggeborgh and B.H.F. ten Doeschot sold (part of) their stake; Romij and J.B. Meulman became new shareholders. Pursuant to Chapter 5.3 of the Dutch Financial Supervision Act, the disclosures below have been entered in the Register of Substantial Holdings as maintained by the Dutch Authority for the Financial Markets (AFM). The percentages reflect the number of shares or depositary receipts on the register on the disclosure dates and our current number of outstanding shares.

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 2021, Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen held over 99.99% of Van Lanschot Kempen shares. For more information on Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen, see "Corporate governance" on page 94.

### Van Lanschot Kempen's depositary receipt holders



Management and employees jointly owned around 4.2% of our issued share capital at year-end (2020: 4.0%). A new employee share plan will be introduced in 2022: each Van Lanschot Kempen share that an employee buys – up to a maximum value of €2,500 – will be matched by Van Lanschot Kempen.

## Credit ratings

Our creditworthiness is periodically assessed by Standard & Poor's (S&P) and Fitch Ratings (Fitch). Van Lanschot Kempen maintains its high creditworthiness by deploying its assets for the benefit of its clients and by taking on only such risks as can be understood and controlled. This ensures solid risk management processes as well as a strong capital and liquidity position. Our current credit ratings reflect our healthy capital and funding position along with our low risk profile. Van Lanschot Kempen currently has a BBB+ long-term credit rating from both S&P and Fitch.

Credit ratings	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 report	25 March 2021	12 July 2021
Date of latest press release	24 June 2021	7 July 2021

## Research coverage

Two sell-side analysts – from ABN AMRO and Kepler Cheuvreux respectively – actively track Van Lanschot Kempen and regularly publish equity research reports. Their details can be found at [vanlanschotkempen.com/share-information](https://vanlanschotkempen.com/share-information).

## Dividend policy and dividend for 2021

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, the share of AT1 capital securities holders, and the net effect of selected special items. In 2021, the underlying net result available for distribution to shareholders amounted to €153.1 million, working out at underlying earnings per share of €3.74.<sup>1</sup>

Our strong results and solid capital position enable us to propose a dividend distribution of €2.00 per share to our shareholders (2020: €0.70 per share). The shareholders at the annual general meeting to be held on 25 May 2022 will be invited to adopt the dividend proposal.

Based on the number of shares in issue at 31 December 2021 (excluding treasury shares), the proposed dividend payments will total €81.7 million, corresponding to a payout ratio of 53.4% of the underlying net result attributable to shareholders. This percentage amounts to 59.6% of net result attributable to shareholders. The proportion of net result attributable to shareholders that will not be paid out – i.e. €55.3 million – will be added to the reserves.

<sup>1</sup> Based on the weighted number of outstanding ordinary shares.

## Capital management policy

By year-end 2021, our CET 1 ratio of 23.7% was well ahead of our target range of 15-17%. Starting 1 January 2022, DNB introduced a minimum risk-weight floor for residential mortgages. The minimum floor has a negative impact of 3.2%, which still puts our CET 1 ratio well ahead of our target range.

We aim to engage in acquisitions, and intend to leave room for these in our capital position. Whenever possible, we will also continue to pay out excess capital to shareholders,

subject to regulatory approval. We consider dividend payment an appropriate and efficient way to return capital to our shareholders. In addition, we may consider other avenues, under the prevailing laws and regulations, to distribute excess capital to our shareholders, including share buybacks or capital returns. These are all subject to approval by our regulator.

Since 2016, we have paid out a total of over €420 million – excluding the 2021 dividend – to our shareholders in the form of both dividends and capital returns.

Key figures per ordinary share	2021	2020	2019	2018	2017
<b>Share price (€):</b>					
High	26.95	21.90	23.30	28.00	27.38
Low	20.35	9.23	17.28	18.40	19.46
Closing	22.00	21.00	20.05	19.82	26.15
Average daily trading volume in depositary receipts	51,184	87,525	32,920	23,333	46,232
Market capitalisation (€ million) (year-end) <sup>2</sup>	899	863	820	813	1,068
Net asset value per share (€)	32.01	30.54	29.59	30.32	32.63
Price-earnings ratio <sup>3</sup>	5.9	19.4	8.0	8.3	10.0

Information on dividend per ordinary share	2021	2020	2019	2018	2017
Underlying earnings per ordinary share (€) <sup>3</sup>	3.74	1.08	2.52	2.37	2.61
Dividend per ordinary share (€)	2.00	0.70	1.45	1.45	1.45
Dividend yield (%)	9.1	3.3	7.2	7.3	5.5
Pay-out ratio (%)	53.4	65.1	57.4	61.1	55.4
Total return for holders of ordinary shares (%)	15	5	16	-13	42

## Movements in Van Lanschot Kempen's share price compared with industry indices



<sup>2</sup> Calculated as: closing price x (issued share capital minus treasury shares).

<sup>3</sup> 2021 adjusted for expenses relating to accounting treatment of Mercier Vanderlinden, provision for revolving consumer credit, restructuring charges related to the acquisition of Hof Hoorneman Bankiers and other one-off items; 2020 adjusted for restructuring charges related to the acquisition of Hof Hoorneman Bankiers; 2019 and 2018 adjusted for costs incurred for our Strategy 2020 investment programme and restructuring charges; 2017 adjusted for additional charges for the derivatives recovery framework.

## Sustainability ratings

Van Lanschot Kempen is periodically assessed by the following organisations:

- Sustainalytics, a Dutch research company that reviews companies globally on their sustainability credentials, typically for clients such as institutional investors, banks and asset managers. We hold first place in our peer group of medium-sized banks.
- MSCI ESG, a rating designed to measure a company's resilience to long-term, industry-material environmental, social and governance (ESG) risks. We received an AA rating.
- ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc. We received a C+ rating.
- Principles for Responsible Investment (PRI). Our responsible investment process was rated A+ by PRI for Strategy & Governance, Manager Selection in Listed Equity and Fixed Income SSA, and ESG Integration in Listed Equity. The other modules received an A rating.
- The Dutch Ministry of Economic Affairs and Climate Policy, which has developed its own tool to measure the transparency of sustainability reporting: the annual Transparency Benchmark (TBM), which is carried out once every two years. In 2021, our 2020 annual report, sustainability supplement and TCFD reporting earned us eighth place in a league table of 486 entrants.

## 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 our 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](https://vanlanschotkempen.com/investorrelationspolicy).

All documents and other relevant information may be found at [vanlanschotkempen.com/en](https://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](https://vanlanschotkempen.com/pressreleases).

## More information

Investors and analysts with questions about Van Lanschot Kempen are welcome to contact our Investor Relations department by phone on +31 20 354 45 90 or by emailing [investorrelations@vanlanschotkempen.com](mailto:investorrelations@vanlanschotkempen.com).

## KEY DATES 2022

Publication of 2022 Q1 trading update	11 May 2022
Capital Markets Day	11 May 2022
Retail Investor Day	12 May 2022
2022 annual general meeting	25 May 2022
Ex-dividend date	27 May 2022
Record date	30 May 2022
2021 dividend made payable	9 June 2022
Publication of 2022 half-year results	25 August 2022
Publication of 2022 Q3 trading update	4 November 2022



## NEW DAY, NEW CHALLENGE

In the Equity Capital Markets (ECM) team, we essentially advise companies that are publicly listed (or want to be) in order to raise capital. In the last couple of years, the number of capital raises in the healthcare and life sciences sector have gone up significantly – which can presumably be attributed to Covid-19. My job involves a lot of project management because every capital raise is different and brings new challenges, and we typically have several projects going on at once.

Before I joined Van Lanschot Kempen in 2019, I was actually studying law – first in Vienna (I'm from Austria originally) and then in Amsterdam. But I was looking for an internship that allowed law students to join, and have since discovered my passion for ECM.

I really enjoy working at Van Lanschot Kempen: it's a very flat organisation, which makes the learning curve a lot easier, and I work with a lot of smart (but also fun!) people. It's probably because of my colleagues that in October 2021 I joined the Works Council, as its first international member. Our role is to represent employees and their interests when it comes to things like employment conditions, pensions and – since the pandemic – working from home policies. We've recently been involved in the new transport policy, which means that my colleagues and I are compensated for whichever mode of transport we use to commute. For me, that means sometimes walking to work and sometimes taking public transport.

**Roxy Kashaipour** – Associate, Equity Capital Markets

# REPORT OF THE SUPERVISORY BOARD

This report gives an overview of the activities of the Supervisory Board and its committees in 2021. A description of the composition and operation of the Supervisory Board is set out in the notes on corporate governance (see page 94).

The report includes the achievement of corporate targets, the relationship with stakeholders and the relevant aspects of sustainability. It covers the internal organisation as well as the meetings of the Supervisory Board and its committees. It also covers the annual evaluation of the performance of the Supervisory Board, its committees and individual members.

## Supervision

### Achievement of corporate targets

The Supervisory Board can look back on a strong year, in which Van Lanschot Kempen showed growth in assets under management and earnings. In line with its strategy, this growth was achieved both organically and inorganically.

The Private Clients segment showed very strong organic growth with record net inflows. A different picture is shown by the Wholesale & Institutional Clients segment's net outflows. The Investment Banking Clients segment continued its high number of Corporate Finance/ECM transactions in 2021.

The company also continued to grow inorganically by entering into a partnership with Mercier Vanderlinden, acquiring a 70% stake in this Belgian wealth manager. This partnership is transformational for the franchise in Belgium. The integration of clients, employees and funds from Hof Hoorneman Bankiers was also completed, according to plan.

Even after these acquisitions, Van Lanschot Kempen's capital position remains very strong. The organisation will continue to optimise its capital position and ensure that there is still scope for potential acquisitions within the wealth management sector. If possible, the Management Board may also consider capital returns to shareholders, subject to regulatory approval.

Sustainability is important for both Van Lanschot Kempen and its stakeholders. In 2021, progress was made on setting more ambitious targets for reducing carbon emissions. The governance around sustainability has also been further enhanced through the introduction of a Sustainability Centre and a Sustainability Board.

Regulators are increasingly focusing on the prevention of money laundering and financial crime, and the impact of the energy transition on the financial sector. As a financial services company, complying with laws and regulations continues to be a key priority for Van Lanschot Kempen.

Diversity and inclusion is an increasingly important focus area. Based on the results of the employee engagement survey that happens once every two years, we can conclude that employees perceive Van Lanschot Kempen to be an inclusive organisation, but gender diversity among senior staff needs improvement.

### Structure and functioning of risk management

Van Lanschot Kempen's principal risks, as well as the structure and functioning of its risk management and control systems, are discussed by the Risk Committee. In 2021, the committee's chair 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. In 2021, four key compliance risks were included in the risk appetite statement (see page 58). The key compliance risks were discussed by the Risk Committee and the Audit and Compliance Committee. The statement for 2022 was approved at the Supervisory Board's December meeting. The 2022-24 capital and funding plan was also discussed and approved at the December meeting.

### Financial reporting

Financial reporting is discussed regularly at the Audit and Compliance Committee's meetings, which are also attended by the external auditors. After each meeting, the chair of the committee reports on committee discussions to the full Supervisory Board. All members of the Supervisory Board attended the Audit and Compliance Committee's meeting in 2021 at which the 2020 annual figures were discussed. The Supervisory Board approved the financial statements for 2020 on 24 February 2021.

The Supervisory Board decided to propose to the annual general meeting held on 27 May 2021 that it reappoint PricewaterhouseCoopers Accountants NV (PwC) as external auditors for the 2022 financial year. The annual general meeting has reappointed PwC as external auditors for the 2022 financial year. In January 2022, the Supervisory Board decided to propose the reappointment of PwC for the 2023 financial year to the annual general meeting to be held on 25 May 2022.

### Legal and regulatory compliance

The Supervisory Board is regularly provided with information on developments regarding the compliance framework; further development of the compliance programme; and group-wide projects to strengthen policies and control arrangements, especially concerning anti-money laundering and anti-terrorist financing, sanctions and client due diligence processes, and the supervision of the regulatory authorities regarding compliance with regulations. The Supervisory Board was informed periodically about the ongoing implementation of new legislation and regulations, such as the Sustainable Finance Disclosure Regulation (SDFR), preparation for the new ESG reporting requirements under the EU Taxonomy, the Gender Balance Act, the amended European Banking Authority (EBA) guidelines on internal governance, and the EBA and European Securities and Markets Authority (ESMA) guidelines on the assessment of the suitability of members of the management board and key function holders. In addition, the Supervisory Board was informed about progress on compliance projects relating to the anti-financial crime framework, revision of compliance policies, client tax integrity policy and the on-site inspection by De Nederlandsche Bank (DNB) of the internal governance and risk management of the compliance function.

### Relationship with stakeholders

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 succession of Karl Guha by Maarten Edixhoven, the progress made on executing the company's wealth management strategy, the strategy and targets for 2025, organic and inorganic growth opportunities, the acquisition of 70% of the shares in Mercier Vanderlinden, Van Lanschot Kempen's strong capital base and capital strategy, and the company's sustainability profile and approach.

The Supervisory Board values its constructive relationship with the Works Council. In August 2021, Frans Blom, Bernadette Langius and Karin Bergstein attended the Works Council's meeting with the Management Board, at which the general course of business at Van Lanschot Kempen was discussed.

### Relevant aspects of sustainability

Launched in 2021, a group-wide Sustainability Centre was formed to further achieve Van Lanschot Kempen's sustainability ambitions. The Risk Committee was informed about progress made on applying the company's responsible lending policy.

In October 2021, the Supervisory and Management Boards took part in an education session on sustainability. The Supervisory Board discussed climate change as well as the broader impacts of the process of adjusting to a lower-carbon economy. The scope and developments of the EU sustainability regulatory framework were also covered. This comprehensive set of sustainability regulations has an impact on various parts of the company's business, particularly through more stringent disclosure requirements. During the education session, the link between these regulations and Van Lanschot Kempen's sustainability ambitions was discussed, moving beyond compliance and recognising the strategic imperative and opportunities that these developments may bring for the financial sector in general and for Van Lanschot Kempen in particular. In that context, the conclusions of Maastricht University's research project (commissioned by Eumedion) on why and how sustainability is being embedded in Dutch listed companies were also shared.

The Supervisory Board is pleased to see that Van Lanschot Kempen has accelerated its efforts to integrate sustainability further into the organisation over the years, and put sustainability at the centre of its business operations and client solutions in 2021. Given the continuous developments in this field, as well as evolution towards a more purpose-driven and value-based leadership within companies, sustainability remains a topic that requires ongoing attention from Van Lanschot Kempen going forward. The next step is to further integrate all relevant aspects of sustainability into its daily business and risk management processes.

## Internal organisation

### Composition of the Management Board

On 27 May 2021, Erik van Houwelingen – Chair of the Management Board of Kempen Capital Management since 15 November 2020 – was appointed as member of the Management Board responsible for Investment Strategies & Solutions. With his appointment, the composition of the

Executive and Management Boards became identical. As a result, there was no further need for the Executive Board and it therefore ceased to exist in July 2021.

On 1 October 2021, Karl Guha stepped down as member and Chair of the Management Board. The Supervisory Board is sincerely grateful to him for his vision and leadership, and for his major contribution to the transformation of the company from a universal bank to an integrated wealth management firm with a clearly defined market position. Maarten Edixhoven succeeded Karl Guha as Chair of the Management Board on 1 October 2021. The Supervisory Board is very pleased with his appointment.

The Management Board currently consists of Maarten Edixhoven (Chair), Constant Korthout, Arjan Huisman, Richard Bruens and Erik van Houwelingen.

At the beginning of 2021, Van Lanschot Kempen changed its organisational structure by moving from a business line-driven organisation towards an integrated model. The new organisational structure also led to an adjustment in the areas of responsibility for most members of the Management Board. Richard Bruens became responsible for the newly formed Client Management & Origination domain, in which the company has combined all its client-focused staff and activities across its client groups. Erik van Houwelingen leads the newly set-up Investment Strategies & Solutions domain that covers all in-house and externally selected investment solutions and services. Arjan Huisman is responsible for Digital, Advanced Analytics & Technology as well as for Operations, which have now been centralised to streamline processes and increase efficiency. The portfolio of the Chair now also covers Business Innovation & Development and the Sustainability Centre, whilst Constant Korthout's areas of responsibility in Finance and Risk Management remain unchanged.

### Composition of the Supervisory Board

Jeanine Helthuis stepped down as member of the Supervisory Board after the annual general meeting on 27 May 2021, as her second four-year term expired that day. We are very grateful for her valuable contribution to the Board over the past eight years. She was succeeded by Brigitte Boone, who was appointed as a new member of the Supervisory Board at the extraordinary general meeting on 22 September 2021.

## Supervisory Board meetings

The Supervisory Board held 12 meetings in 2021. The Management Board attends the formal meetings of the Supervisory Board and prepares detailed supporting information. Regular items on the agenda of these meetings included the company's strategy, developments within the various business activities, corporate governance, risk management, compliance, IT, operations, financial results, the annual budget, capital strategy, the capital and funding plan and HR topics. The Supervisory Board was informed regularly about the impact of Covid-19 on Van Lanschot Kempen and its employees, as well as the measures that were implemented to guarantee the continuity of (operational) processes. In addition, the Supervisory Board discussed the further simplification of the legal structure of Van Lanschot Kempen through a legal merger between Van Lanschot Kempen Wealth Management NV and Van Lanschot Kempen NV, the postponement of part of the 2020 dividend payment and subsequent payout of the

postponed 2019 dividend and remaining 2020 dividend in October 2021, M&A opportunities, the integration of Hof Hoorneman Bankiers, the acquisition of 70% of the shares in Mercier Vanderlinden, the IT roadmap of investment management activities, progress on several compliance projects, DNB's on-site inspection of the internal governance and risk management of the compliance function, the Systematic Integrity Risk Analysis (SIRA) 2021, succession planning, the introduction of a share plan for employees and the branding of Van Lanschot Kempen.

The Supervisory Board held 13 additional meetings with Supervisory Board members only. These meetings give the Supervisory Board the opportunity to reflect on agenda items and discuss possible items that require attention in advance of the regular meetings, as well as to discuss matters such as the composition of the Management and Supervisory Boards and the evaluation of how both boards are functioning. The Chair of the Management Board was invited to attend some of these meetings, depending on the topics being discussed.

In 2021, specific attention was paid to the successor of the Chair of the Management Board. At the meeting in February, the Supervisory Board discussed the performance of the members of the Management Board in 2020. Because of restrictions relating to the Covid-19 pandemic, most of the meetings of the Supervisory Board in 2021 took place virtually.

The Supervisory Board received the information needed to perform its tasks from the Management Board. Information was also provided by the external auditors. Employees from

within the organisation regularly attended meetings to provide additional information on specific topics within their respective fields. The agendas for Supervisory Board meetings were drawn up by the Company Secretary, in consultation with the Chair of the Supervisory Board.

In June 2021, the Supervisory Board held a meeting off-site to discuss diversity, particularly in relation to the Management Board and senior staff. The Supervisory Board is encouraged by the steps that have been taken regarding diversity, and is keen to see further steps in 2022. This topic is an important priority for the Supervisory Board.

Supervisory Board members were rarely absent from the Supervisory Board meetings or meetings of its committees. The table below shows the composition of Supervisory Board committees, and the attendance rate of each member of the Supervisory Board at the Board and committee meetings.

## Supervisory Board committees

### Composition of Supervisory Board committees

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. These committees meet separately throughout the year. The main considerations and conclusions of the committees are shared with the Supervisory Board. The Supervisory Board remains fully responsible for all decisions.

Composition and attendance rate	Supervisory Board	Audit and Compliance Committee	Risk Committee	Selection and Appointment Committee	Remuneration Committee
Frans Blom	100% (Chair)	100%		100% (Chair)	100% <sup>2</sup>
Manfred Schepers	92.3%	100%	100% (Chair)		
Karin Bergstein	96.2%	100%			100%
Brigitte Boone <sup>1</sup>	100% <sup>1</sup>		100% <sup>2</sup>	100% <sup>2</sup>	
Jeanine Helthuis <sup>3</sup>	100%	100%		100%	100%
Bernadette Langius	100%		100%		100% (Chair)
Maarten Muller	100%		100%	100%	100%
Lex van Overmeire	100%	75% (Chair)	66.6%		

### Audit and Compliance Committee

As of 27 May 2021, Jeanine Helthuis stepped down as a member of the Audit and Compliance Committee, as her second four-year term as member of the Supervisory Board expired, reducing the number of committee members to four. The Audit and Compliance Committee held four meetings in 2021. A delegation from the Management Board attended these meetings. The external auditors, Managing Director of Internal Audit, Managing Director of Compliance and Managing Director of Finance, Reporting & Control were also present at the meetings to discuss financial performance and audit and compliance matters. The Audit and Compliance

Committee also met with the internal and external auditors without the members of the Management Board being present, to discuss the course of affairs during the financial year.

The Audit and Compliance Committee carried out a detailed assessment of the annual figures, half-year figures and information used for the trading updates. Particular attention was paid to significant financial items in relation to the company's (interim) financial statements and disclosures, which are shown in the table on the following page.

<sup>1</sup> From 22 September 2021.

<sup>2</sup> From 28 October 2021.

<sup>3</sup> Until 27 May 2021.

Key items for discussion	Audit and Compliance Committee review and conclusion
<p><b>Impairments of loans and advances to the public and private sectors</b>            Impairments for individually identifiable loans are based on IFRS 9. Van Lanschot Kempen recognises a loss allowance for expected credit losses (ECL) on all loans. The ECL is calculated by using purpose-built IFRS 9 models. For credit-impaired loans, the Credit Risk, Restructuring &amp; Recovery team provides input in determining the lifetime of ECL.</p> <p>Determining the appropriateness of the individual items involves elements of judgement and requires management to make assumptions. These judgements, assumptions and the uncertainties related to Covid-19 and its incorporation in the IFRS 9 models in particular were – as in previous years – a specific topic of discussion in 2021.</p>	<p>On the basis of periodic management reports and the outcome of the audit procedures performed by the auditors, we challenged the completeness and accuracy of the impairments made. We discussed the changes in loss allowances during the year as well as the loss allowances recognised in the profit and loss statement.</p> <p>We paid specific attention to the impact of Covid-19 on the credit portfolio and the impairments made. We discussed the methodology of incorporating the effects of Covid-19 in the IFRS 9 model. We discussed the impact of government support on the short- and longer-term creditworthiness of clients active in sectors that were impacted the most. We were informed about developments in the top-level adjustments that are being applied to the model outputs.</p> <p>We discussed the potential impact of climate change on our loan portfolio and agreed to further investigate how to include this element in our methodology.</p> <p>Based on our discussions and considering the acceptable range in the context of estimate uncertainty, we agree with the methodology applied by management in determining the provisions for impairments of loans and advances to the public and private sectors, and with the corresponding results. The disclosures relating to this item are set out in Note 7 to the financial statements.</p>
<p><b>Fair value measurement of financial instruments</b>            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 using net present value models, option models or the net asset value of the underlying investment.</p> <p>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.</p>	<p>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.</p> <p>We specifically discussed the valuation of the structured products activities and the changes in the set-up of the hedge relating to the company's inflation-breaker product.</p> <p>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.</p>
<p><b>Recognition and valuation of goodwill</b>            Van Lanschot Kempen annually conducts a goodwill impairment test regarding the valuation of goodwill on its balance sheet. This process is complex and subjective by nature as it is based on assumptions of future market and economic conditions. The assumptions used include future cash flow projections and, for each cash-generating unit (CGU), a cost of equity used as a discount rate.</p>	<p>Following the organisational changes that were implemented during 2021, the composition of the CGUs changed. The goodwill of the Asset Management CGU had to be allocated to the new Private Clients and Wholesale &amp; Institutional Clients CGUs. We acknowledged this allocation and agreed on the underlying analysis.</p> <p>In December 2021, we discussed the regular goodwill impairment test conducted by management. We were informed about the analyses made as well as their outcome. We made special inquiries into the projections and the cost of equity used. We concur with the conclusions from the goodwill impairment test that were drawn by management.</p>
<p><b>Acquisition of 70% stake in Mercier Vanderlinden</b>            In July 2021, Van Lanschot Kempen acquired 70% of the shares in the Belgian wealth management firm Mercier Vanderlinden. The remaining shares will be acquired in two parts in 2025 and 2026. The purchase price for this transaction needs to be allocated to the assets acquired, with the remaining amount being recognised as goodwill.</p>	<p>We took note of the purchase price allocation and the resulting goodwill. We paid special attention to the accounting treatment of the automatic purchase (in two parts) of the remaining shares in the company and concur with the treatment.</p>
<p><b>Provision for compensation of interest for revolving consumer credit</b>            Based on a decision by Kifid in a case involving another Dutch bank, it became clear that several clients of Dutch banks had paid too much interest on their revolving consumer credit. Determining the appropriate compensation scheme and estimating the amount of a provision involves elements of judgement and requires management to make assumptions.</p>	<p>Management prepared a calculation of the expected amount to compensate the clients impacted. We discussed the underlying assumptions extensively and concluded that we agree with the estimates applied in forming a provision.</p>

The committee discussed the external auditors' audit plan, reports and the board report prior to their consideration by the full Supervisory Board. The main topics discussed were the audit scope, materiality, key audit matters and (interim) findings as reported by the external auditors. In addition, the committee monitored the actions taken in response to these findings. The Audit and Compliance Committee works closely with the Risk Committee on monitoring the quarterly non-financial risk reports and on key audit matters such as reliability and continuity of the IT environment and the fair value measurement of specific financial instruments. The committee reviews the external auditors' independence, audit quality, communication and fees every year. On 27 January 2022, the functioning of PwC in 2021 was evaluated. The outcome of the evaluation resulted in the proposal to reappoint PwC for the 2023 financial year; the committee reached the decision to do this independently.

The Audit and Compliance Committee followed developments on compliance in the organisation and the execution of the compliance programme, and the work of the Internal Audit department throughout the year. Progress on key initiatives in both departments was discussed. The annual plan and quarterly reports from the Internal Audit and Compliance departments were discussed as part of the committee's evaluation of the quality and effectiveness of Van Lanschot Kempen's governance, policy framework, risk management and internal control systems. The committee discussed developments in cybersecurity, the annual evaluation of the Audit Charter, the new Compliance Charter, the further development of the compliance risk management framework, revisions to the compliance policies, the SIRA 2021, fraud prevention and initiatives to further mature compliance risk management at Van Lanschot Kempen. Close attention was paid to the anti-financial crime framework targeted at compliance with obligations under anti-money laundering, anti-terrorist financing and other relevant legislation. The committee also received detailed information on projects dedicated to further developing the anti-financial crime framework, such as the client tax integrity policy.

Extra attention was paid to the progress and final outcome of DNB's on-site inspection of the internal governance and risk management of the compliance function. Van Lanschot Kempen has acknowledged the observations and recommendations of DNB and has prepared a response that reflects its commitment to further enhancing its compliance function.

Internal Audit reports presented the results of reviews of the risk & control framework, the implementation and operation of IT systems, the performance of IT systems, the management of the loan portfolio, and the impact of the changes to the organisational structure by moving from a business-line driven organisation to an integrated model. The Audit and Compliance Committee discussed audit findings and coverage of the audit universe. The key areas discussed included the response to Covid-19, cybercrime, digitalisation, changes in the technological landscape, the consequences of using external parties and moving IT to cloud-based solutions, the transformation to an agile way of working, the product approval and review process (PARP), EU sustainability regulations, tax policies, the integration of the activities of Hof Hoorneman Bankiers and the acquisition of 70% of the shares in Mercier Vanderlinden.

Information provided by the compliance function included the quarterly compliance reports, as well as information on compliance-related projects, risk assessments and other developments with regard to the management of compliance risks and the strengthening of the compliance framework across the organisation. The quarterly compliance reports included information about all elements of the compliance programme, such as advisory, regulatory developments, compliance risk management, monitoring, policy management, and training and awareness. Compliance reports also provided information on the progress of the broader projects on policy harmonisation and the strengthening of risk and control arrangements in Van Lanschot Kempen's various client segments. Reporting by Compliance included reports by the Data Protection Officer on personal data integrity and adherence to the General Data Protection Regulation (GDPR). In addition, reports from Compliance and Internal Audit provided information about contact and communication with regulators.

Based on the reports by both internal and external auditors, the Audit and Compliance Committee concludes that the internal control environment is adequate for external financial reporting purposes.

#### Risk Committee

Brigitte Boone was appointed as a new member of the Risk Committee as of 28 October 2021. With her appointment, the number of members of the committee has increased to five. The Risk Committee met three times in 2021. Its meetings were also attended by the CEO, CFO/CRO, Managing Director of Risk Management and Managing Director of Credit Risk, Restructuring & Recovery. The committee paid careful attention to the credit, non-financial, market and interest rate risks to which the organisation is exposed. The committee also discussed internal developments in the Risk Management department, the integration of Kempen Capital Management's risk team with the group Risk Management department, and the new governance, risk and compliance (GRC) tool.

The quarterly risk appetite reports were discussed by the Risk Committee. In all meetings, specific attention was paid to reviewing whether Van Lanschot Kempen's risk profile was within the limits set by Van Lanschot Kempen's risk appetite. At its meetings, the committee discussed credit risk, execution risk of specific change projects, data management risk, cybercrime and IT risk, business continuity risk, the impact of Covid-19 on the risk profile of the organisation and the possible impact on provisioning. Interest rate and market risk developments were discussed based on factors including duration analyses, the development of value at risk, and stress tests. Continuous attention was paid to IT and internal control risks during periods that the majority of employees were working from home due to Covid-19 restrictions. Preventive measures were put in place, and no major incidents occurred. The results of these measures and their impact on employees and their working environment were discussed by the Risk Committee.

The committee was also informed about risk mitigation measures and developments in several strategic projects, such as the change in our organisational structure to an integrated model and the redevelopment of the internal ratings-based (IRB) model. The committee received confirmation of the mapping of all processes and controls of the new departments that were formed as a result of the new organisational structure.

At the committee's December 2021 meeting, the capital and funding plan for 2022-24 and Van Lanschot Kempen's risk appetite statement for 2022 were discussed. Both documents were submitted to the Supervisory Board with a positive recommendation. See [vanlanschotkempen.com/en/governance](https://vanlanschotkempen.com/en/governance) ("Banking Code") for the principles on which Van Lanschot Kempen's risk appetite is based.

In 2021, the Risk Committee paid special attention to the topics detailed in the table below.

Key items for discussion	Risk Committee review and conclusion
<p><b>Credit risk</b></p> <p>Developments concerning risks in the overall loan portfolio, including the non-performing part of the loan portfolio, were thoroughly reviewed and discussed. Extra attention was paid to the possibility of deterioration in the quality of the loan portfolio due to the Covid-19 crisis. The development of new IRB models for the mortgage portfolio was also monitored and discussed.</p>	<p>The Risk Committee received quarterly risk reports, including reporting on credit risk, and noted an ongoing improvement in both the performing and the non-performing parts of the loan portfolio. The potential negative impact on the quality of the loan portfolio due to the Covid-19 pandemic was monitored carefully. We concluded that despite Covid-19, credit risk is still decreasing and that developments in the loan portfolio are proceeding according to plan. Moreover, we were informed about the progress of the project to redevelop the IRB models in line with the new IRB regulations. We concluded that the new IRB models have been successfully implemented.</p>
<p><b>Market risk</b></p> <p>In response to the highly volatile markets in March and April 2020 and corresponding increased risk levels, we decided to implement several de-risking measures with regard to the structured products activities. These measures will result in a gradual winding down of the market risk of these activities.</p>	<p>Members of the Risk Committee were updated on the situation regarding structured products activities and the gradual winding down of these activities. The Risk Committee concluded that these developments are on schedule.</p>
<p><b>Cybercrime</b></p> <p>Cybercrime is and will remain one of the main threats facing the financial services industry. The Covid-19 pandemic resulted in even more cybercrime activities, and thus even higher risks. With our scale and budget, we need to follow a risk-based approach and develop intelligent solutions.</p>	<p>Management informed the Risk Committee on a regular basis about the developments in the company's cybersecurity strategy. The level of security is being continuously increased and we concluded that sufficient resources and attention are being dedicated to this important topic.</p>
<p><b>Non-financial risk</b></p> <p>The Covid-19 outbreak in 2020 changed our way of working dramatically, and continued to have an impact on our operations in 2021 as well. Meanwhile, the implementation of the new organisational structure caused significant impact on procedures, processes, controls and the composition of the non-financial risk management function. This required extra focus on the management of risks relating to the new organisational structure.</p>	<p>Through strong crisis management and IT efforts, the organisation shifted successfully to working from home. Operational stability was sound and several change projects, such as the implementation of the new organisational structure, could be resumed and successfully implemented. The Risk Committee also discussed fraud risks and the fraud control measures that were implemented accordingly. We concluded that operational risks linked to the new organisational structure were managed adequately.</p>
<p><b>Robustness of IT environment</b></p> <p>Van Lanschot Kempen is dependent on its IT environment for the reliability and continuity of its operations and financial reporting. In 2021, several medium- and high-risk IT-related projects were completed during a relatively short period of time. The dependencies between some of these projects made timely and successful implementation critical. Management made strong efforts to mitigate the projects risks – for example, through mutual alignment and coordination. Furthermore, plans to upgrade the IT systems of our investment management activities (the IT roadmap) were discussed.</p>	<p>The Risk Committee was informed about the progress made on the major IT projects and their implementation so far. Despite the additional risks entailed in some IT-related projects and the mutual dependency between projects, we concluded that these projects were successfully implemented. We welcomed the plans to further improve the IT systems of our investment management activities.</p>

### Selection and Appointment Committee

Jeanine Helthuis stepped down as a member of the Selection and Appointment Committee on 27 May 2021. Brigitte Boone was appointed as a new member of the committee on 28 October 2021. The Selection and Appointment Committee met 17 times in 2021. The committee discussed the recruitment of a new member of the Supervisory Board, which resulted in the nomination and appointment of Brigitte Boone. The committee also prepared for the succession of Karl Guha as Chair of the Management Board. This resulted in the appointment of Maarten Edixhoven as the new Chair of the Management Board as of 1 October 2021. An external

adviser supported the committee and the Supervisory Board in the selection process. The committee also discussed succession planning and the composition of the Supervisory and Management Boards in general.

### Remuneration Committee

Jeanine Helthuis stepped down as a member of the Remuneration Committee on 27 May 2021. Frans Blom was appointed as a member of the committee on 28 October 2021. The Remuneration Committee held five meetings in 2021. Representatives of the HR department also attended the meetings. The Chair of the Management Board was

invited to attend parts of the Remuneration Committee meetings, depending on the topics being discussed. At its February meeting, the committee discussed the Management Board's key performance indicators (KPIs) for 2021, the 2020 remuneration report and the 2020 variable remuneration paid to staff of Van Lanschot Kempen. The amount available for variable remuneration of Van Lanschot Kempen staff for 2021 was among the topics discussed at the December meeting.

## Assuring governance quality

### Evaluation of the Supervisory Board

The Supervisory Board performs an annual evaluation of the functioning of the Supervisory Board, its committees and individual members. The evaluation is carried out under the guidance of an external adviser once every three years. In 2021, the evaluation process was carried out using a questionnaire completed by each Supervisory Board member. The evaluation includes the participation and contribution of each member of the Supervisory Board, the knowledge and experience of the Supervisory Board collectively, the interaction and dynamics within the Supervisory Board, the communication and provision of information, the decision-making process and quality of the information provided for Supervisory Board meetings, the independence of mind of the individual members, and the relationship with the Management Board. The outcomes of the evaluation were discussed by the Supervisory Board at a meeting in January 2022, and recommendations will be implemented as a result.

The Supervisory Board concluded that the Board and its committees are functioning well, and that its composition is in line with the required profile in terms of suitability, expertise and diversity, and also complies with Principle 2.1 of the Dutch Corporate Governance Code. The Supervisory Board also concluded that the necessary knowledge of the Belgian market was achieved through the appointment of Brigitte Boone to the Supervisory Board. Furthermore, we decided to make cybersecurity an annual topic in the permanent education programme for the Supervisory and Management Boards. The Supervisory Board also concluded that it is important to meet informally more often, as this has been impacted by Covid-19. Conclusions and recommendations relevant to the Management Board will be shared with the Management Board.

### Evaluation of the Management Board

In February 2022, the Supervisory Board evaluated the functioning of the Management Board as a whole and that of its individual members based on the KPIs for 2021. The Supervisory Board sets the KPIs for the Management Board every year. These KPIs consist of Van Lanschot Kempen's external financial and non-financial KPIs, with additional KPIs on financial and risk management. The financial KPIs for 2021 include the return on CET 1, operating expenses, risk appetite and efficiency ratio. The non-financial KPIs include the sustainability ambitions of Private Clients and Wholesale & Institutional Clients, reductions in carbon emissions, employee engagement, diversity and inclusion, and the employer Net Promoter Score. For further information on performance against these KPIs, see page 22.

The assessment of the KPIs is included as the basis for the collective assessment of the Management Board and the individual assessment of its members for 2021. In addition, a delegation of the Supervisory Board reviewed the 2021 performance and lessons learned with the individual members of the Management Board in January 2022. The outcomes from these meetings were discussed by the members of the Supervisory Board, who concluded that the members of the Management Board performed well in 2021, both collectively and individually. The conclusions and recommendations relevant to the Management Board were shared with its members. The 2022 KPIs for the Management Board are in line with Van Lanschot Kempen's financial and non-financial KPIs for 2022 (see page 19).

The Management Board evaluated its own functioning and effectiveness on a regular basis during its off-sites. Board members gave each other feedback on their strengths and points to consider, and reflected on these.

### Tax integrity policy

In October 2021, it was made public that Maarten Muller had invested in an ecological impact company, with interests in Kenya and Tanzania, that is registered in the British Virgin Islands. In the interests of Van Lanschot Kempen, Maarten Muller has decided to sell his investment. At the request of the Supervisory Board, a policy on tax-related matters for members of the Supervisory and Management Boards was subsequently designed and is in the process of being implemented. On the basis of this policy, the personal investments of the members of the Supervisory and Management Boards will be assessed.

### On-boarding programme

All new members of the Management and Supervisory Boards complete an extensive on-boarding programme when appointed. The programme is tailor-made for each newly appointed Board member, as their knowledge and experience varies. The aim of the on-boarding programme is to ensure that new Board members have thorough knowledge of Van Lanschot Kempen and its business activities in order to fulfil their role within the Management and Supervisory Boards.

In 2021, specific attention was paid to the on-boarding programme for Maarten Edixhoven in preparation for his appointment as Chair of the Management Board. This resulted in a smooth leadership transition from Karl Guha to Maarten Edixhoven.

### Education

The members of the Supervisory and Management Boards take part in a continuous education programme. In 2021, three such meetings were organised. Topics covered included:

- Corporate governance;
- Shareholder activism;
- ESG, sustainability regulations and the sustainability ambitions of Van Lanschot Kempen;
- Client (tax) structures.

These education sessions were positively rated by the members of the Supervisory and Management Boards.

## Independence

The Supervisory Board attaches great importance to the independence of its members. 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 is not allowed to 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 2021, there were no conflicts of interest of material significance for members of the Supervisory or Management Boards.

## Financial statements

The Supervisory Board has reviewed and approved the annual report for 2021 and the 2021 financial statements. The 2021 financial statements have been audited by the external auditors, PwC. The independent auditors' report can be found on page 228. The external auditors have also issued an assurance report on the sustainability information in this annual report. This report can be found on page 252. We invite the annual general meeting to adopt the 2021 financial statements as submitted, and to discharge the Management Board in respect of its conduct of Van Lanschot Kempen's affairs and the members of the Supervisory Board in respect of their supervision.

## Acknowledgements

The Supervisory Board wishes to express its gratitude to all stakeholders for their continued trust in Van Lanschot Kempen and the Management Board.

We are very grateful to Karl Guha for his major contribution to Van Lanschot Kempen over the past nine years, and for the smooth transfer of leadership to his successor, Maarten Edixhoven. And we would like to thank the Management Board and all employees for their outstanding contribution and continuing commitment and flexibility.

's-Hertogenbosch, the Netherlands, 23 February 2022

## Supervisory Board

Frans Blom, *Chair*  
 Manfred Schepers, *Vice-Chair*  
 Karin Bergstein  
 Brigitte Boone  
 Bernadette Langius  
 Maarten Muller  
 Lex van Overmeire



## MAKING CHANGE HAPPEN

I started at Van Lanschot Kempen in 2012 after completing an internship. My career here has moved from operations to sales to IT – and now to optimisation of the client journey – but it's all revolved around change and improvement.

My team's role is two-fold: my colleagues in Client Experience take stock of client feedback, employee feedback and market sentiment/sector trends, and use these to map out processes and identify where they could be improved. My colleagues in Sales Management are essentially tasked with initiating and cultivating a shared sales culture across the company. In both cases, it's all focused on improving the way we do business. And that means we do a lot of talking to other departments, by definition!

My team's mission simply couldn't happen if we were working alone. We need our colleagues from other teams to implement and execute based on our advice. As an example, in 2021 we collected a lot of data about our mortgage process – that meant interviews with clients, of course, but also collaboration with the Product Management team, the Complaints department, IT and so on. We visualised all this input in a tool, recognised the opportunities for improvement, and are now activating the entire value chain to improve the mortgage process from end to end. We talk about acting as one a lot – and in this case we really acted as one to find the best solution.

**Rob van Valkenburg** – Head of Client & Prospect Journey Optimisation

# REMUNERATION REPORT

## Remuneration Committee

### Key objectives

To advise on the Management Board remuneration policy and its execution, and to prepare the Supervisory Board's decision-making.

### Responsibilities

The responsibilities of the Remuneration Committee include:

- Providing advice to the Supervisory Board on:
  - the determination of the policy on remuneration of the Management Board;
  - the total remuneration packages for the members of the Management Board;
  - the remuneration of the members of the Supervisory Board;
- Preparing the annual remuneration report;
- Overseeing remuneration policies and practices, including total variable remuneration paid to Van Lanschot Kempen employees, significant<sup>1</sup> individual variable remuneration, and individual variable remuneration to all identified staff.

The committee held four meetings in 2021.

### Composition

Chair  
Bernadette Langius



### Members

Karin Bergstein  
Frans Blom  
Jeanine Helthuis<sup>2</sup>

## Letter from the Chair of the Remuneration Committee

### Dear shareholder,

As Chair of the Remuneration Committee, I'm pleased to present Van Lanschot Kempen's remuneration report. This report is guided by requirements originating from the updated EU Shareholder Rights Directive (SRD II).

This report includes both a summary of our Management Board and Supervisory Board remuneration policies and our annual report on remuneration, which sets out how our policy was applied during 2021, and how it will be applied in 2022. On 28 May 2020, the annual general meeting (AGM) approved the remuneration policies for the Management Board with a majority of 93.7% of the votes cast and for the Supervisory Board with 100% of the votes cast.

The 2020 remuneration report was approved by the AGM (advisory vote) with a majority of 99.35% of the votes cast. There was no specific follow-up given the outcome of this vote. We did not receive any substantive comments on the 2020 remuneration report. The 2021 remuneration report will be subject to an advisory vote at our AGM on 25 May 2022.

### Alignment with our strategic framework

Van Lanschot Kempen is a specialist, independent wealth manager with a banking licence. This leads to specific challenges from a remuneration perspective, especially within the Dutch regulatory context.

We compete with large financial institutions in our sectors. We strongly believe that our future success requires a robust Management Board with a proven track record in wealth management and related investment banking activities, while experience in digitalisation and advanced analytics is also key. As a consequence, the remuneration of the Management Board members should be such that Van Lanschot Kempen is able to attract and retain the necessary talent, which includes future board members from highly specialist wealth management and technology firms. Moreover, the Management Board's remuneration package must be structured to fit properly within the Dutch context.

### Remuneration principles remained unchanged in 2021

We believe in rewarding long-term sustainable performance to help achieve our long-term strategy. This is reflected in our Management Board remuneration policy. Since 2015, this consists of fixed remuneration only (no variable remuneration) and includes a large proportion in depositary receipts for

<sup>1</sup> More than 50% of fixed remuneration.

<sup>2</sup> Until 27 May 2021.

shares (hereinafter: shares), with a five-year lock-up period, in combination with share ownership guidelines.<sup>3</sup> This creates a strong focus on long-term value creation.

In compliance with the law under which SRD II has been implemented in the Netherlands, certain textual additions have been made to the Management and Supervisory Board remuneration policy to explain our remuneration approach. These were approved at our 2020 AGM. The remuneration structure for the Management and Supervisory Boards remained unchanged in 2021.

### Total remuneration in 2021

We review total remuneration for the Management Board periodically, taking into account internal and external perspectives. When adopting the Management Board remuneration package, we consider pay ratios within the company and remuneration policies in place across the wider workforce. Moreover, the Remuneration Committee takes note of individual Management Board members' views regarding the amount and structure of their own remuneration.

In line with the Management Board remuneration policy approved by shareholders, the Supervisory Board indexed the fixed remuneration of the members of the Management Board. The indexation was applied on 1 January and 1 October 2021, in line with the wider workforce. The indexation amounted to 0.75% in January and 0.49% in October, and was maximised by the derived Consumer Price Index (CPI) applicable over 2020.

For more information about the Management Board's remuneration package and pay ratios, see "Remuneration of the Management Board in 2021" on page 88.

### Performance management

The Supervisory Board assesses and challenges the performance of the Management Board based on a set of financial and non-financial key performance indicators (KPIs). These KPIs are strongly aligned with KPIs for the rest of the organisation, and reflect both the interests of its stakeholders and its ambitions as a wealth manager. In assessing the performance of the Management Board, great value is attached to their performance as a team. This is the starting point of the performance assessment, given the company's integrated wealth management model. If the performance of a Management Board member is consistently under par, the Supervisory Board may dismiss the responsible Board member (after consulting the general meeting).

### Stakeholder engagement

We take stakeholders' views very seriously and welcome an open dialogue on all aspects of remuneration. In preparation for the 2020 AGM, a delegation from the Remuneration Committee of the Supervisory Board consulted with a large cross-section of the company's shareholder base, proxy advisers, the Works Council, various client groups and Dutch political parties. At these meetings, an explanation was given about SRD II; the Management and Supervisory Board remuneration policy; the Supervisory Board's view on rewarding long-term sustainable performance; and the Dutch context, such as the Dutch law on remuneration of financial undertakings, and the Dutch Corporate Governance and Banking Codes.

The dialogue with stakeholders was very constructive. Gaining their views on executive pay in general, and Van Lanschot Kempen's remuneration policy in particular, was very valuable.

### Looking ahead to 2022

The remuneration policy for the Management and Supervisory Boards will remain unchanged in 2022.

's-Hertogenbosch, the Netherlands, 23 February 2022

### Remuneration Committee



Bernadette Langius, Chair

<sup>3</sup> Management Board members must hold Van Lanschot Kempen shares with a value equal to or above the cash portion of two years' gross salary (for as long as they remain in office). They can gradually meet this requirement over the years.

## Our approach to remuneration: rewarding long-term sustainable performance

Our purpose is the preservation and creation of wealth, in a sustainable way, for our clients and the society we serve.

As a company, we believe that the generation of wealth and its redistribution through taxation are critical to the process of creating and maintaining stable, successful societies. Given that social cohesion necessitates such wealth creation, we believe that wealth management cannot be the preserve of a few but is a necessity for all. We create wealth, economic growth, jobs and tax income via our services to entrepreneurs, as well as contributing to the realisation of societal goals via the preservation and creation of wealth for asset owners, including private individuals and pension funds.

We believe that wealth is not just about financial assets; essential as these may be, wealth is about all the things that we value in life. In a broader sense, wealth represents the collective wisdom of a society and the cultural norms and values that sustain it. Although our primary objective is to help our clients with the financial aspects of wealth, we endeavour to serve their broader objectives as well.

We serve clients across the social spectrum and in several segments – Private Clients, Wholesale & Institutional Clients and Investment Banking Clients – as a trusted partner, and assist them in preserving and creating wealth sustainably. Investing for the long term is no longer just about looking for the greatest returns by a future date; it's also about ensuring the liveability of the planet for the generations to come. We believe that serving the long-term interests of our clients helps create a platform for sustainable investing and societal stability.

This view is reflected in our approach to remuneration. The remuneration of the Management Board consists of fixed remuneration only, and includes a large proportion in Van Lanschot Kempen shares (with a five-year lock-up period), creating a strong focus on the long-term continuity of the company and subsequent strong client relations.

### WE BELIEVE IN:

#### Focusing on the long term

Variable remuneration is scrutinised in Dutch society, especially in the financial sector. The use of variable remuneration can lead to a focus on short-term performance. As we believe in rewarding long-term sustainable performance, we ended all variable remuneration for the Management Board in 2015. Since then, we have only paid fixed remuneration to the Management Board.

#### Rewarding sustainable performance

We pay out a substantial proportion of fixed remuneration in shares to ensure our Board members focus on long-term, sustainable performance. To maximise this effect, these shares are subject to a five-year lock-up period (during which the shares cannot be sold).

#### Creating a sense of ownership

We believe in aligning our interests with those of our shareholders through a high level of personal share ownership. Our share ownership guidelines stipulate that Management Board members must hold Van Lanschot Kempen shares with a value equal to or above the cash portion of two years of their gross salary (for as long as they remain in office). If the share price is not performing, the Board members must keep increasing their holdings.

#### Performance management

The Supervisory Board assesses and challenges the performance of the Management Board based on a set of financial and non-financial KPIs. In assessing the Management Board's performance, great value is attached to their performance as a team. The Supervisory Board evaluates both the performance of the Management Board as a whole and that of the individual Management Board members on an annual basis. Performance discussions are held with the individual members. The Management Board also annually evaluates its own functioning as a whole and that of its individual members. If an individual Management Board member underperforms, they are held accountable. If no improvement is realised, the Management Board member can be dismissed by the Supervisory Board at any time (after consulting the annual general meeting).

Van Lanschot Kempen has developed a set of KPIs focusing on long-term value creation. These financial and non-financial KPIs reflect both the interests of stakeholders and our ambitions as a wealth manager. They are in line with the company's values and will be reassessed from time to time. The KPIs that are relevant from a strategy and stakeholder perspective are disclosed in the sections about our value creation per type of capital on pages 26-44. These KPIs are also applicable to the members of the Management Board. Van Lanschot Kempen aims for the KPIs and performance management applicable to the Management Board to be fully aligned with the rest of the organisation.

## Our remuneration policy at a glance

The remuneration policy for members of Van Lanschot Kempen's Management Board was approved and adopted by the AGM on 28 May 2020, and applied from that date.

Our remuneration policy aims to ensure a balanced, sustainable and competitive remuneration package. The key features of our remuneration policy are as follows:

	Purpose	Operation
<b>Fixed salary – cash</b>	To reflect the scale and complexity of our company, enabling us to attract and retain the highest calibre talent needed to continue the company's growth	Fixed salary in cash, paid during the year in 12 instalments, taking into account the following factors: <ul style="list-style-type: none"> <li>– Level of skill, experience and scope of responsibilities;</li> <li>– Business performance, scarcity of talent, economic climate and market conditions;</li> <li>– Developments elsewhere within Van Lanschot Kempen, including pay ratios;</li> <li>– Developments in our external comparator groups (which are used for reference purposes only).</li> </ul>
<b>Fixed salary – shares</b>	To reflect the scale and complexity of our company, enabling us to attract and retain the highest-calibre talent needed; to align rewards with long-term sustainable performance; and to align the interests of the Management Board with shareholders	Fixed salary in shares, paid in one instalment: <ul style="list-style-type: none"> <li>– A lock-up period of five years applies to these shares.</li> </ul>
<b>Indexation</b>	To compensate for inflationary pressure on real wages	The remuneration of the Management Board can be increased annually at the discretion of the Supervisory Board. The indexation is maximised by: i) the general increase granted to the wider workforce; and ii) the derived CPI applicable over the previous year. It will only be applied if: i) the overall performance of the Management Board member is (at least) on target; and ii) it can be justified by the financial performance of the company. The indexation is granted fully in cash.
<b>Share ownership guidelines</b>	To align the interests of the Management Board with those of shareholders	Management Board members must hold Van Lanschot Kempen shares with a value equal to or above the cash portion of two years' gross salary (for as long as they remain in office). They can gradually meet this requirement over the years. If the share price is not performing, the Management Board members must keep increasing their holdings.
<b>Pension and disability insurance</b>	To secure income after retirement or in case of disability	<ul style="list-style-type: none"> <li>– The members of the Management Board are responsible for their own pension provision, towards which they receive a fixed cash payment of 30% of their fixed remuneration. This percentage is in line with our reference market.</li> <li>– They also receive a payment of 2.59% of their fixed remuneration for taking out disability insurance.</li> <li>– There are no early retirement schemes for Management Board members.</li> <li>– We monitor external developments regarding alignment between executive pensions and broader employee pension arrangements, and the possible impact that these may have in the Netherlands.</li> </ul>

## Remuneration of the Management Board in 2021

In 2021, there were two Management Board appointments. Erik van Houwelingen was appointed as a member of the Management Board by the AGM on 27 May 2021. He has been Chair of Kempen Capital Management NV since November 2020 and is responsible for Investment Strategies & Solutions. His compensation is in line with the Management Board remuneration policy.

On 22 September 2021, Maarten Edixhoven was appointed as member and Chair of the Management Board by the extraordinary general meeting (EGM), effective 1 October 2021. His remuneration package is in line with the Management Board remuneration policy, as approved by the AGM on 28 May 2020. The main elements of the agreement for services between Maarten Edixhoven and Van Lanschot Kempen are specified in Appendix 3 to the agenda of the EGM. His remuneration consists of fixed remuneration only. This fixed remuneration is paid partly in cash and partly in depositary receipts for shares in Van Lanschot Kempen with a lock-up period. This aligns the Management Board members' interests with those of the shareholders.

The Supervisory Board indexed the fixed remuneration of the members of the Management Board. The indexation was applied on 1 January and 1 October 2021 (in line with the wider workforce). The indexation amounted to 0.75% in January and 0.49% in October, and was maximised by the derived CPI applicable over 2020. It was granted fully in cash, in accordance with the Management Board remuneration policy. The remuneration paid to the Management Board in 2021 and 2020 is presented in the table on the following page.

Total remuneration of the individual members of the Management Board in 2021<sup>4</sup> (€1,000)

	Maarten Edixhoven (from 1 October 2021)		Karl Guha* (until 1 October 2021)		Constant Korthout		Arjan Huisman		Richard Bruens		Erik van Houwelingen <sup>^</sup>	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Fixed salary in cash	201	—	601	730	456	415	456	415	456	415	456	—
Fixed salary in shares <sup>5</sup>	97	—	291	388	312	312	312	312	312	312	312	—
Sign-on payment in cash	250	—	—	—	—	—	—	—	—	—	—	—
Sign-on payment in shares	100	—	—	—	—	—	—	—	—	—	—	—
<b>Total fixed salary</b>	<b>648</b>	<b>—</b>	<b>892</b>	<b>1,118</b>	<b>768</b>	<b>727</b>	<b>768</b>	<b>727</b>	<b>768</b>	<b>727</b>	<b>768</b>	<b>—</b>
Pension and disability insurance	97	—	291	381	251	246	251	246	251	246	251	—
<b>Total remuneration<sup>6</sup></b>	<b>745</b>	<b>—</b>	<b>1,183</b>	<b>1,499</b>	<b>1,019</b>	<b>973</b>	<b>1,019</b>	<b>973</b>	<b>1,019</b>	<b>973</b>	<b>1,019</b>	<b>—</b>

In response to the Covid-19 pandemic, the members of the Management Board decided to take a 10% pay cut on the cash component of their 2020 compensation on a voluntary basis, from 1 May until the end of 2020.

### Compliance with our remuneration policy

We have continued to ensure that decisions on Management Board remuneration are made in accordance with our policy, as approved by our shareholders and in the context of developments inside and outside Van Lanschot Kempen. We have not made use of any discretion when applying the policy, except for using the indexation clause for the Management Board.

### Total remuneration management

We review total remuneration for the Management Board periodically, taking into account internal and external considerations.

### Internal pay ratios, fairness and wider workforce considerations

When adopting the Management Board remuneration package, we consider pay ratios within the company – attaching importance to the need for a sound pay ratio. The development of the pay ratio is discussed annually with the Works Council.

A comparison of the CEO's remuneration package and the average labour cost<sup>7</sup> of an employee within Van Lanschot Kempen results in a pay ratio of 11:1, the same as in 2020. Trade unions apply the rule of thumb that the pay ratio should be a maximum of 20:1.

As part of the review of Management Board remuneration, we take into account the remuneration policies in place across the wider workforce. This includes considering the structure of remuneration packages at each level of the business to ensure there is a strong rationale for how these evolve across the different levels of the organisation. For more detailed information on Management Board remuneration versus remuneration for the wider workforce (as well as company

performance), see "Supplementary disclosure related to Management Board remuneration" on page 90.

### External considerations

We periodically assess the remuneration levels of the Management Board versus external market levels. For this purpose, we use a well-balanced, focused group of companies, which reflects our talent market for Management Board positions. This serves as one of many checks in the determination of remuneration levels.

We are convinced that market capitalisation does not drive talent. Our talent market is much broader than that of our direct competitors. This is evidenced by our current Management Board members, who were consistently hired from top-notch larger firms. The relevant market includes both financial services companies and non-financial industry companies, both Dutch and international, and companies that are similar to and larger in size than Van Lanschot Kempen. The relative size of the company versus our competitors drives the need to attract better people than the competition. Prompted by our business strategy, we are willing to pay for the best people in the market. Typically, this talent comes from companies that are larger than ours.

Our external reference market consists of the following types of company:

- **Specialist wealth management companies:** We are a (highly) specialist company and need to be able to attract specialists to further grow the business. As there are no other standalone specialist wealth management companies of comparable size in the Netherlands, we look at companies active in Western Europe. We take into account standalone companies, broadly comparable in terms of number of employees and type of professional setting.
- **Dutch banks:** Although not all of the country's banks are directly comparable in terms of activities and size, these companies are subject to the same regulatory framework and are part of the same public debate.

<sup>4</sup> To be able to make a comparison between 2021 and 2020, the same definition of total remuneration (total fixed salary plus pension and disability insurance) has been used. Business expenses have not been included.

<sup>5</sup> Expenses (in €1,000) recognised under IFRS-EU accounting for Van Lanschot Kempen shares differ due to treatment under IFRS 2. For 2021, expenses under IFRS for Maarten Edixhoven amounted to €219, for Karl Guha to €324 (2020: €432), for Constant Korthout to €348 (2020: €348), for Arjan Huisman to €348 (2020: €348), for Richard Bruens to €348 (2020: €348), and for Erik van Houwelingen to €348. A proportion of fixed salary is paid in the form of Van Lanschot Kempen shares. Maarten Edixhoven received 7,985 shares, Karl Guha received 13,556 shares (2020: 19,456) while the other members of the Management Board each received 14,565 shares (2020: 15,677). The number of shares granted is based on the average share price for the first four trading days in January. For Maarten Edixhoven, it is based on the first four trading days in the month of joining Van Lanschot Kempen (October). For 2021, the average share price amounted to €21.44 in January (2020: €19.92) and €24.66 in October. IFRS takes the share price at grant date as the basis for recognition. This price also amounted to €21.44 in 2021 (2020: €19.92).

<sup>6</sup> Expenses recognised under IFRS-EU accounting for total remuneration differ due to treatment under IFRS 2. For 2021, expenses under IFRS for Maarten Edixhoven amounted to €863 (including a buy-out of €200 of which €95 is recognised under IFRS), for Karl Guha to €1,216 up to 1 October 2021 (2020: €1,543), for Constant Korthout to €1,055 (2020: €1,009), for Arjan Huisman to €1,055 (2020: €1,009), for Richard Bruens to €1,055 (2020: €1,009), and for Erik van Houwelingen to €1,055.

<sup>7</sup> The average labour cost is calculated by dividing total staff costs (excluding costs for redundancy, mobility, training and other staff costs) by the average number of FTEs working for Van Lanschot Kempen.

\* Karl Guha resigned as Chairman of the Management Board on 1 October 2021. He received remuneration under the same conditions for the remainder of 2021. Expenses recognised under IFRS-EU accounting for total remuneration differ due to treatment under IFRS 2. For 2021, expenses under IFRS for Karl Guha amounted to €1,620 (2020: €1,543).

<sup>^</sup> Remuneration reported as of 1 January 2021; Erik van Houwelingen was appointed as a member of the Management Board on 27 May 2021.

- **Other Dutch companies:** Although other banks and specialist wealth management companies are important from a talent market perspective, our talent pool does not only consist of financial services companies. For example, in pursuing our wealth management strategy, professional qualifications are key – including the ability to adapt to technological changes. Because of this, our peer group also consists of other, non-financial Dutch companies. These companies are larger than ours, reflecting our experience that talent suitable for our Management Board is likely to be attracted (and lost) to larger companies.

The peer group is in line with requirements as laid down in the Dutch Banking Code. This code prescribes that the peer group should be composed of comparable positions both inside and outside the financial industry, including the relevant international context. If we change our remuneration policy in the future, we will also review our Management Board peer group. The composition of the peer group currently is set out in the table below.

Management Board peer group		
Specialist wealth management companies	Dutch banks	Other Dutch companies
BIL	ABN AMRO	Aegon
Degroef Petercam	ING Groep	ASML
Julius Bär	NIBC Bank	Boskalis Westminster
Quintet	Rabobank	DSM
Lombard Odier		KPN
Vontobel		NN Group
		Vopak

As for the Management Board's overall total remuneration level, the objective is to remain competitive and to occupy a position below the median of the peer group. When establishing more specific positioning against market data, we take into account that some of the companies are substantially larger than ours. As a result, the current remuneration packages of our Management Board members occupy a position far below the median of the peer group.

Following feedback from stakeholders, in 2019 we asked Willis Towers Watson (WTW) to update the market assessment for the Management Board. No changes were made in the companies selected, but we asked WTW to benchmark one level deeper in the organisation for the larger firms in the peer group (at similar job levels). This means that our CEO was compared with positions that report to the CEO (CEO-1 level); for the other Management Board positions, divisional heads were included that report to CEO-1 level (i.e. CEO-2 level). As these positions do not have formal board responsibilities, a standard board premium (in line with market practice) was applied to the base salary levels. Based on this updated analysis, we found that the CEO and CFO are still placed below median market levels (in the 40<sup>th</sup> percentile for the CEO and 44<sup>th</sup> percentile for the CFO), while the other Management Board members are placed at median market levels.

### Management Board performance

As indicated in our approach to remuneration, the performance of the Management Board is assessed based on non-financial and financial KPIs. For 2021, the following KPIs (selected from a strategic and stakeholder perspective) were included in the KPIs of the Management Board. For a comprehensive overview of the Management Board KPIs, see the sections about our value creation per type of capital on pages 26-44.

	KPIs	Targets	Performance in 2021 <sup>8</sup>	Supervisory Board assessment 2021
<b>Financial</b>	CET 1 ratio	15-17%	23.7%	●
	Return on equity (CET 1)	10-12%	15.7%	●
	Efficiency ratio	70-72%	68.9%	●
<b>Non-financial</b>	Net Promoter Score (NPS)			
	a. Private Clients	10	36	●
	b. Evi	10	15	●
	c. Wholesale & Institutional Clients	20	38	●
	Employer Net Promoter Score (eNPS)	> 10	13	●

● KPI more than achieved   ● KPI achieved   ● KPI almost achieved   ● KPI not achieved   ● KPI far from achieved

In addition to these, the members of the Management Board had KPIs regarding the level of operating expenses, run-rate revenue per client segment, active involvement in relevant M&A opportunities and risk appetite.

<sup>8</sup> Van Lanschot Kempen set its targets for 2023. The 2021 targets differ from the 2023 targets because of the annual development towards these future goals.

## Supplementary disclosure related to Management Board remuneration

Annual change in Management Board remuneration versus wider workforce and company performance <sup>9</sup>						
	2021	2020	2019	2018	2017	2016
CEO remuneration (€1,000) <sup>10</sup>	1,576	1,499	1,538	1,538	1,229	1,194
Other Management Board members' remuneration <sup>10</sup> (€1,000)	1,019	973	994	994	795	772
Average employee remuneration (€1,000) <sup>11</sup>	149	140	131	139	130	122
Underlying net profit (€ million)	159.9	51.0	108.8	103.0	112.3	81.3

In response to the Covid-19 pandemic, the members of the Management Board decided to take a 10% pay cut on the cash component of their 2020 compensation on a voluntary basis, from 1 May until the end of 2020.

Number of shares held by Management Board members in 2021				
	At 1 January 2021	Bought/awarded	Sold/post-employment	At 31 December 2021
Maarten Edixhoven (from 1 October 2021)	—	4,947	—	4,947
Karl Guha (until 1 October 2021)	75,777	11,199	—	86,976
Constant Korthout	71,756	9,024	—	80,780
Arjan Huisman	51,369	9,024	—	60,393
Richard Bruens	67,718	9,024	—	76,742
Erik van Houwelingen	15,870	9,024	—	24,894
<b>Total</b>	<b>282,490</b>	<b>52,242</b>	<b>—</b>	<b>334,732</b>

At 31 December 2021, the members of the Management Board held no options for shares.

No advances or guarantees have been granted to members of the Management Board. No impairments or write-offs have occurred on loans granted to Management Board members.

Loans to Management Board members are only granted within the scope of normal operations and in keeping with conditions laid down in the financial services regulations for directors of Van Lanschot Kempen, subject to the approval of the Remuneration Committee.

Loans to Management Board members at 31 December 2021 (€1,000)				
	At 31 December 2021	Repaid in the year	Interest range	Type
Maarten Edixhoven	—	—	—	—
Constant Korthout	675	—	1.25-1.70%	Mortgage
Arjan Huisman	—	—	—	—
Richard Bruens	2,369	29	1.40-1.90%	Mortgage
Erik van Houwelingen	2,015	10	1.45-2.10%	Mortgage
<b>Total</b>	<b>5,059</b>	<b>39</b>		

<sup>9</sup> The Dutch implementation of SRD II requires disclosure of the compensation of the Supervisory Board members in a way that allows comparison. The members of the Supervisory Board received fixed remuneration during the years covered by the table above, ranging from €60,000 (lowest full-time amount in 2016) to €127,000 (highest full-time amount in 2019). They are not entitled to any variable remuneration. For more information, see "Remuneration of the Supervisory Board in 2021".

<sup>10</sup> Total remuneration awarded. In the case of the 2021 figures: Karl Guha's remuneration is reported up to 1 October. From 1 October, Maarten Edixhoven's remuneration is reported (excluding sign-on payment).

<sup>11</sup> As of 2020, an FTE equals 40 working hours for all employees, instead of 36 hours for some employees, as previously. This adjustment had an impact of around 40 FTEs as of 1 January 2020.

## Remuneration of the Supervisory Board in 2021

The remuneration policy for members of the Supervisory Board was adopted by the AGM on 28 May 2020 and applied from that date. The remuneration of the Supervisory Board is summarised in the tables below.

Remuneration of the Supervisory Board	Chair	Vice-Chair	Member
Supervisory Board	€90,000	€70,000	€60,000
Audit and Compliance Committee	€15,000		€10,000
Risk Committee	€15,000		€10,000
Remuneration Committee	€10,000		€7,000
Selection and Appointment Committee	€10,000		€6,000

Remuneration of the Supervisory Board in 2021 (€1,000)		
	2021	2020
Frans Blom	111	96
Manfred Schepers	95	95
Jeanine Helthuis (until 27 May 2021)	35	83
Bernadette Langius	80	80
Maarten Muller	76	75
Lex van Overmeire	85	85
Karin Bergstein (from 28 May 2020)	77	40
Brigitte Boone (from 22 September 2021)	19	—

No share-based remuneration, loans, advances or guarantees have been granted to the members of the Supervisory Board.

The Supervisory Board peer group is composed of Dutch banks and Dutch listed companies that operate a two-tier board structure. As a specialist wealth manager in the financial sector, Van Lanschot Kempen wants to be able to appoint and retain high-quality Supervisory Board members. If we change our remuneration policy in the future, we will also review our Supervisory Board peer group.

Supervisory Board peer group		
Dutch banks	Dutch companies with a two-tier board structure	
ABN AMRO	Aegon	KPN
ING Groep	Ahold Delhaize	NN Group
NIBC Bank	Akzo Nobel	Philips
Rabobank	ASML Holding	Randstad Holding
	Boskalis Westminster	SBM Offshore
	DSM	Vopak
	Heineken	Wolters Kluwer

## Remuneration of other employees

We aim to provide a remuneration package for all employees that is competitive and fair. Our remuneration policy for other employees is in line with our strategy and purpose, and contributes to long-term value creation.

### Fixed remuneration

Employees' fixed remuneration reflects their relevant work experience and organisational responsibilities. In 2019, we implemented a new job and career framework that consistently links the weight of each job to a pay line. The pay lines are based on external market data and are differentiated to ensure we pay competitive salaries across the organisation. The pay lines are fully transparent, promote better pay-for-performance focus, and have been set up with clear guidelines on pay-related decisions and governance.

### Equal pay

Van Lanschot Kempen operates a merit-based remuneration policy, seeking not to discriminate on the basis of gender, age, nationality, social status or cultural background. We periodically investigate this and, if necessary, make adjustments to equalise pay. In 2021, we further analysed the gender pay gap at different levels in the organisation to determine whether there are any unexplained differences. As a result, we concluded that our unexplained (corrected) gender pay gap is under 4%. While there is work to be done to correct this, it compares favourably with the average pay gap in the Netherlands of 5.5% and the average within Dutch financial institutions of 13%.

### Variable remuneration

Our variable remuneration policies cover all employees (excluding the members of the Management Board). Each individual grant is subject to meeting the criteria as described in this section.

Our variable remuneration policies comply with all relevant laws and regulations. The average variable remuneration of all Van Lanschot Kempen employees who work (largely) in the Netherlands does not exceed 20% of their fixed remuneration. However, for a small number of employees, we may grant variable remuneration of up to 100% of fixed remuneration. These deviations require separate approval from the Supervisory Board.

### Variable remuneration funding

The Management Board annually establishes a variable remuneration pool, from which individual variable remuneration awards are made. The size of the pool (or the pool funding) depends on achievement of financial and non-financial KPIs, and is subject to Supervisory Board approval. Once the size of the variable remuneration pool has been established, the Management Board decides how the pool will be allocated.

### Variable remuneration allocation

The individual allocation of variable remuneration depends on individual performance, market competitiveness and special factors.

Individual performance is measured by assessing the achievement of KPIs, as set at the beginning of the year. These indicators can be financial and non-financial, with some departments applying only non-financial criteria. For the departments that use both financial and non-financial indicators, at least 50% of the allocation of any variable remuneration is based on non-financial criteria, such as showing the desired professional behaviour, improving client satisfaction, developing new products or solutions for clients, and improving internal processes, policies or systems. The financial performance indicators include nothing that might encourage irresponsible risk-taking.

Variable remuneration is only awarded if:

- Van Lanschot Kempen's financial position allows;
- It is justified by the performance of Van Lanschot Kempen, the relevant client segment and the individual employee;
- 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;
- The risks taken have been reassessed and no material risks have occurred that were not expected or factored in;
- 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 appetite.

#### Variable remuneration pay-out

Variable remuneration up to €50,000 gross is paid out in cash directly. Above this amount, 50% of any variable remuneration is paid out directly, whereas the other 50% is deferred for a period of four years. Pay-out of the deferral is conditional on Van Lanschot Kempen meeting the prevailing buffer requirements (as mentioned above).

The Management Board may, with the approval of the Supervisory Board, hold or claw back all or part of the pay-out if pay-outs have taken place on the basis of incorrect information, or have been made in conflict with the variable remuneration policy and/or applicable legislation and regulations:

- Deferred, conditional, variable remuneration previously awarded to an employee (or former employee), if payment of the variable remuneration would be considered unfair or unreasonable (hold back);
- Unconditional variable remuneration previously paid to an employee (or former employee). This might occur if, for instance, payment was based on incorrect information about performance or about the conditions on which the variable remuneration depended (claw back).

#### Remuneration in 2021

Variable remuneration totalling €23.0 million was awarded to employees (including identified staff) over 2021 (2020: €12.2 million). Five people received total annual remuneration of over €1 million in 2021 (2020: two people).

#### Long-term share plan

Our 2011 long-term share plan allows us to award variable remuneration in the form of Van Lanschot Kempen shares to certain key employees (including identified staff). In this case, 60% of each award is unconditional, whereas 40% of each award is deferred for a period of four years. Pay-out of the deferral is conditional on Van Lanschot Kempen meeting the prevailing buffer requirements (as mentioned above).

#### Pensions

As of 2020, all our employees participate in the new Van Lanschot Kempen defined contribution pension plan. Management Board members do not participate in this plan as they receive an individual pension contribution. We monitor external developments regarding alignment between executive pensions and broader employee pension arrangements, and the possible impact that these may have in the Netherlands.

#### Remuneration policy for identified staff

Identified staff are employees whose activities have a material impact on the risk profile of the business. For these employees, performance measurement is the same as for other employees, but additional rules for the pay-out of variable remuneration apply.

As a general rule, any pay-out to identified staff is made 50% in cash and 50% in Van Lanschot Kempen shares. As an exception<sup>12</sup> to this, the variable remuneration of identified staff working at Kempen Capital Management is paid 50% in cash and 50% in a flexible mix of Van Lanschot Kempen shares and investments in funds managed.

A lock-up period of one year applies to the shares that have become unconditional. In all cases, 60% of the award is paid out unconditionally (both the cash part and the non-cash part), whereas 40% is conditionally deferred for a period of four years. Pay-out of the deferral is conditional on a re-assessment of the five conditions mentioned for any award of regular variable remuneration. If this re-assessment leads to an adjustment of the deferred remuneration, the hold and/or claw-back system applies.

#### Remuneration policy governance

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

The Management Board is responsible for implementing the remuneration policy. The Supervisory Board approves the variable remuneration policy, including its general principles, and oversees its implementation. Approval by the Supervisory Board is also required for the variable remuneration pools, any significant<sup>13</sup> 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.

More information about the remuneration policy for identified staff can be found in our 2021 Pillar 3 disclosure, available via our website from 10 March 2022.

<sup>12</sup> Based on the Alternative Investment Fund Managers Directive (AIFMD) and Undertakings for the Collective Investment in Transferable Securities (UCITS) guidelines on sound remuneration policies.

<sup>13</sup> More than 50% of fixed remuneration.



## DIGITAL TOOLS AT YOUR FINGERTIPS

I joined Van Lanschot Kempen in March 2021 from Hof Hoorneman Bankiers, so it was quite a change to move from an organisation of around 70 people to one of over 1,600! So far, I've really appreciated the benefits of working at a larger company: it's organised and well-structured, with all the digital tools you need at your fingertips. And I've also been pleasantly surprised by everyone's willingness to help.

The teamwork at the company is very strong. In Digital, Advanced Analytics & Technology especially, the teams are very diverse – which really helps broaden your perspective and ensures you're developing solutions for all kinds of people. My team is responsible for all the websites of our company brands as well as the careers site. Our job is to maintain these sites but also to implement and test new functionalities to develop our business.

In 2021, we created an online request for proposal (RFP) environment that allows the Pre-sales team to make personalised web pages for their prospects. A pension fund might be interested in our investment management capabilities, for instance, and now we can give them a web page with all the information they need during the RFP phase – specific documents, contact details and so on. And all that information is carefully secured behind a personalised login. It was a great exercise in teamwork between the Pre-sales team, our colleagues in Marketing and Communications, the UX designers, the Security team and my team's developers, as we needed to figure out all the requirements, functionality, design and security together.

**Leonie Janssen Daalen** – Product Owner, Omni-channel Acquisition team

# CORPORATE GOVERNANCE

The key elements of corporate governance at 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](https://vanlanschotkempen.com/en/governance) and [vanlanschotkempen.com/management-supervision](https://vanlanschotkempen.com/management-supervision).

## Corporate governance structure

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

Van Lanschot Kempen is a *structuurvennootschap*. Under Dutch corporate law this means that in addition to the tasks already mentioned, the Supervisory Board is responsible for appointing and dismissing the Management Board and for approving some of its decisions. Both the Management Board and the Supervisory Board report to Van Lanschot Kempen's general meeting.

On 1 July 2021, the former listed company Van Lanschot Kempen NV was merged into Van Lanschot Kempen Wealth Management NV as the surviving company. At the same time, Van Lanschot Kempen Wealth Management changed its name to Van Lanschot Kempen.

## Management Board

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

The Supervisory Board notifies the general meeting of any proposed appointment of a member of the Management Board. Appointment of a member of the Management Board is subject to the approval of De Nederlandsche Bank (DNB). A member is appointed by the Supervisory Board. The maximum term for appointment or reappointment is four years. The Supervisory Board may dismiss a member of the Management Board at any time, but only after consulting the general meeting.

In strategic decisions, the Management Board takes all material environmental and social factors into account. Periodically, it determines the financial and non-financial key performance indicators (KPIs) for Van Lanschot Kempen.

## Supervisory Board

In performing its duties, the Supervisory Board focuses on the interests of the company and its associated business. 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. Appointment of a member of the Supervisory Board is subject to the approval of DNB. 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 another two years. 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. In addition, the general meeting may pass a motion of no confidence in the Supervisory Board as a whole, in accordance with Article 161(a) of Book 2 of the Dutch Civil Code. Such a resolution results in the immediate dismissal of all members of the Supervisory Board.

## Diversity policy

Van Lanschot Kempen's Supervisory Board has adopted a diversity policy for the composition of the Supervisory and Management Boards (the policy can be found at [vanlanschotkempen.com/management-supervision](https://vanlanschotkempen.com/management-supervision) under "Diversity Policy Supervisory Board and Management Board", hereafter referred to as "diversity policy").

On 1 January 2022, the act to achieve a more balanced male/female ratio on management and supervisory boards entered into force in the Netherlands. As a result of this new legislation, at least one-third of the members of the Supervisory Board of Van Lanschot Kempen must be female and one-third male. Furthermore, Van Lanschot Kempen must set appropriate and ambitious targets for gender diversity in the Management Board and for senior staff.

In response to this new legislation, we have adjusted our diversity policy. It contains the following features: We are committed to supporting, valuing and leveraging inclusion and diversity, and aim for a diverse composition of the Supervisory and Management Boards in the areas relevant to us, such as gender, nationality, background, experience, expertise and age. We apply the principle that, in cases where qualifications and skills are equal or of a similar level, the candidate with the more diverse profile will be selected.

The gender diversity of the Supervisory and Management Boards must be such that at least one-third of their members are women and at least one-third men. An action plan to reach the target for the female/male ratio on the Management Board will be drawn up in 2022.

We strive for a reasonable spread across ages and nationalities in the composition of the Supervisory and Management Boards, but we do not believe that age or nationality are suitable criteria for setting specific diversity targets so we 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 enable 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 to the Management Board. Our diversity policy describes the relevant areas of background, experience and expertise of the Supervisory Board and the Management Board respectively.

In implementing our diversity policy, the individual profiles drawn up for vacancies in the Supervisory and Management 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 Management Boards. These criteria and objectives are also taken into account when evaluating the performance of the Supervisory and Management 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 Management and Supervisory Boards can be found at [vanlanschotkempen.com/management-supervision](https://vanlanschotkempen.com/management-supervision), under "Policy Recruitment and Selection Van Lanschot Kempen".

## Composition and performance of the Management Board

The Management Board must consist of at least three members, with the actual number set by the Supervisory Board. The composition of the Management Board changed in 2021. On 27 May 2021, Erik van Houwelingen was appointed as a member of the Management Board, responsible for Investment Strategies & Solutions. With his appointment, the number of members of the Management Board increased from four to five. The Management Board consists of the Chair, Chief Financial & Risk Officer, Chief Operating Officer, the member responsible for Client Management & Origination and the member responsible for Investment Strategies & Solutions. With the appointment of Erik van Houwelingen, all members of the Management Board were members of the Executive Board, and the Executive Board therefore ceased to exist.

On 1 October 2021, Karl Guha stepped down as member and Chair of the Management Board. He was succeeded by Maarten Edixhoven.

The Management Board evaluates its 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 Management Board as a whole and members' performance individually. The Supervisory Board has concluded that the composition of the Management Board meets the objectives of our diversity policy in most respects. The composition of the Management Board is

complementary and there is a sufficient degree of diversity with regard to background, expertise and experience.

However, the target for at least one-third of the members of the Management Board to be women has not yet been met. During the recruitment and selection process for the new Chair of the Management Board, the Supervisory Board paid extra attention to possible female candidates. Despite this, after a careful and extensive recruitment process, Maarten Edixhoven was selected as the person with the best qualifications and skills for the position. As a result, currently all members of the Management Board are men.

Gender diversity still holds the attention of the Supervisory Board, and as such will continue to be an important element in the profile for future vacancies on the Management Board. In addition, if a vacancy in a senior position needs to be filled, specific attention is paid to female talent. As mentioned above, an action plan to reach the target for the female/male ratio on the Management Board will be drawn up in 2022.

## 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 Frans Blom (Chair), Manfred Schepers (Vice-Chair), Karin Bergstein, Brigitte Boone, Bernadette Langius, Maarten Muller and Lex van Overmeire. After the annual general meeting held on 27 May 2021, Jeanine Helthuis stepped down as a member of the Supervisory Board. She was not available for reappointment as her second four-year term expired that day. Brigitte Boone was appointed as a member of the Supervisory Board at the extraordinary general meeting held on 22 September 2021. Brigitte Boone filled the vacancy created by the resignation of Jeanine Helthuis.

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 page 77 of the Report of the Supervisory Board.

The Supervisory Board has drawn up a profile<sup>1</sup> 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 Management Board being present. The Supervisory Board appraises its own performance with independent support once every three years. One of the conclusions of the Supervisory Board's self-assessment is that the composition of the Board complies with the requirements set out in the Board's profile. More information about the conclusions of the Supervisory Board's self-assessment of their performance in 2021 can be found on page 81 of the Report of the Supervisory Board.

<sup>1</sup> The profile can be viewed at [vanlanschotkempen.com/management-supervision](https://vanlanschotkempen.com/management-supervision).

Diversity in general and gender diversity in particular are important factors in the recruitment and selection process for candidates for the Supervisory Board. The Supervisory Board meets the objectives of our diversity policy, with its diverse composition in terms of gender, nationality, background, experience, expertise and age. This composition enables the Supervisory Board as a collective to carry out its responsibilities and duties effectively. The following areas of expertise are represented in the Supervisory Board: executive experience, strategy formulation and execution, banking and finance, clients and markets, audit, financial reporting, risk management, IT, digitalisation, transformation, sustainability (social and environmental), legal and compliance, and remuneration. The Supervisory Board currently has seven members, three of whom are female. This means that 42.9% of the positions on the Supervisory Board are held by women and the target for at least one-third of its members to be female/male, as included in the diversity policy, has been met.

## Dutch Corporate Governance Code

The revised Dutch Corporate Governance Code 2016<sup>2</sup> (the Code) came into force starting in the 2017 financial year, and contains principles and best practice provisions that regulate relations between the management board, supervisory board and shareholders (including the general meeting). The Code aims to define responsibilities for long-term value creation, risk control, effective management and supervision, remuneration, and relationships with shareholders and other stakeholders. We fully complied with the Code in the 2021 reporting year.

## Dutch Banking Code

The Dutch Banking Code<sup>3</sup> 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 DNB. It therefore applies to Van Lanschot Kempen because we hold a banking licence in the Netherlands.

Van Lanschot Kempen complied with the Banking Code in 2021. An explanation (in Dutch) of how Van Lanschot Kempen applied the Banking Code during the reporting year is provided on our website: [vanlanschotkempen.com/en/governance](https://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. Our outstanding capital consisted entirely of Class A ordinary shares at 31 December 2021; a total of 41,361,668 Class A ordinary shares had been issued. There were no outstanding Class C preference shares in 2021.

## Depository 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 depository receipts for these shares.

The receipts have been listed on the official market of the Euronext Amsterdam stock market since 1999. A depository receipt can be converted into its underlying share without any restrictions, although administrative costs may be charged. Stichting Administratiekantoor fully complies with Principle 4.4 of the Code, which specifies that "Depository receipts for shares can be a means of preventing a majority (including a chance majority) of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting. Depository receipts for shares should not be issued as an anti-takeover protective measure."

Stichting Administratiekantoor grants proxies so that holders of depository receipts can always exercise their voting rights. In the case of shares for which Stichting Administratiekantoor has not granted proxies to the holders of depository receipts and for which no voting instructions have been received, Stichting Administratiekantoor's Board decides how the votes are to be cast. Stichting Administratiekantoor exercises the voting rights in the interest of the holders of depository receipts for shares, taking into account the interest of Van Lanschot Kempen, the enterprise associated therewith and all parties concerned. Its Board has three members and is independent of Van Lanschot Kempen. It appoints its own members, without requiring the approval of Van Lanschot Kempen. Before appointing a member, the Board allows the holders of depository receipts for shares the opportunity to recommend candidates for appointment as members of the Board. A meeting of holders of depository receipts takes place at least once every two years. At this meeting, the Board reports on its activities, vacancies in the Board, and candidates the Board intends to appoint as members of the Board. Once every two years, the Board requests the holders of depository receipts at this meeting to confirm their confidence in the Board. At the meeting that was held on 16 November 2020, holders of depository receipts confirmed this. The Board reports on its activities annually. This report can be found on page 257.

## 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 exercise of the call option, less one share. A general meeting, 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 depository 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 or holder of depository receipts for shares to place an item on the agenda that represents a potential threat to Van Lanschot Kempen's continuity, identity and/or independence.

<sup>2</sup> The 2016 Dutch Corporate Governance Code can be downloaded from [mccg.nl](https://mccg.nl).

<sup>3</sup> The Banking Code can be downloaded from [nvb.nl](https://nvb.nl).

## Interests in Van Lanschot Kempen notifiable under Chapter 5.3 of the Financial Supervision Act

Pursuant to the Dutch Financial Supervision Act, shareholders and holders of depositary receipts of Van Lanschot Kempen 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 or holders of depositary receipts with an interest of 3% or more in Van Lanschot Kempen other than Stichting Administratiekantoor, LDDM Holding BV, Romij BV, Janus Henderson Group plc, FMR LLC, NN Group NV and J.B. Meulman. For more information on Van Lanschot Kempen's shareholders, see the Van Lanschot Kempen shares section on page 71. Stichting preferente aandelen has reported a potential interest of 100% in Van Lanschot Kempen under the call option agreement between Stichting preferente aandelen and Van Lanschot Kempen.

In 2021, no transactions took place 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 page 71.

### 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 Management Board, any such resolution being subject to the approval of the Supervisory Board. The relevant authority of the Management 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 Management 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. Maarten Muller 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 or, in the case of a virtual meeting, at the moment they log in to the designated platform to attend the virtual 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 Management 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 Management Board's authority to issue ordinary shares, including the granting of rights to acquire these shares, was extended at the annual general meeting held on 27 May 2021 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.

## 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 Management Board to this effect. This authorisation applies for up to a maximum of 18 months. Repurchase occurs pursuant to a decision by the Management Board, subject to Supervisory Board and DNB approval.

The Management Board was authorised at the annual general meeting held on 27 May 2021 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 Management 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, which is the 28<sup>th</sup> day prior to that meeting. The registration date determines who qualifies as a voting shareholder or depositary receipt holder for the relevant general meeting. 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.

The powers of the general meeting include the following:

- Approving decisions of the Management 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 policy for the Supervisory Board;
- Passing a motion of no confidence in the Supervisory Board;
- Setting the remuneration policy for the Management Board;
- Approving schemes in the form of shares and/or rights to acquire shares for the Management 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 Management Board;
- Discharging the Supervisory Board;
- Granting the Management Board the authority to issue shares and to limit or exclude pre-emption rights on the issue of shares;
- Granting the Management 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 Management Board which has been approved by the Supervisory Board.

In addition, the general meeting has an advisory vote with regard to the remuneration report.

## 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 Risk Management and Compliance, which oversee the first line. The Internal Audit department 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 Management 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.

The Internal Audit department is responsible for carrying out IT and operational audits. All of its reports are submitted to (members of) the Management Board. Internal Audit, Compliance and 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 risk & control framework is evaluated annually by the Risk Management and Compliance departments, while the Internal Audit department also assesses its quality and effectiveness. The results of these evaluations feature in these departments' quarterly reports.

For more detailed information on risk management within Van Lanschot Kempen, see page 57. The financial statements also include a more detailed explanation of risk management at Van Lanschot Kempen (see "Risk management", beginning on page 126).

### Financial reporting risk

The Management 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 the Internal Audit department. The main findings are discussed with the Management Board, the Audit and Compliance Committee and the Supervisory Board;
- Assessment and approval of the annual report by the Management 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. Risk Management and Compliance evaluated the 2021 in-control statements.

Setting out its main findings, the Internal Audit department's quarterly reports were discussed with the Management 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 Management 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 board report and the audit by the external auditors.

The key audit findings and other observations cited in the independent auditors' report were discussed with the Management Board and the Audit and Compliance Committee, and formed part of the organisation's management and control. The non-financial information is subject to internal controls and reviews, whereas the sustainability reporting is drawn up in accordance with GRI reporting standards and SFDR requirements, and is also subject to a limited assurance engagement performed by the independent external auditors.

## Statement by the Management Board

In accordance with best practice provision 1.4.3 of the Dutch Corporate Governance Code, the Management 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 12 months after the preparation of this report;
- Based on the analysis of in-control statements and the quarterly reports from Risk Management, Compliance and Internal Audit, it is justified to state that the financial statements are free of any material misstatements caused by fraud.

## External auditors

PricewaterhouseCoopers Accountants NV (PwC) were reappointed as Van Lanschot Kempen's external auditors for the 2022 financial year at the annual general meeting on 27 May 2021. PwC's audit plan for 2021 and risk analysis were discussed in June 2021 at meetings of the Management Board and the Audit and Compliance Committee.

PwC issued a board report for 2021 in February 2022. The subjects set out in this 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 in relation to their audit, and will be attending the meeting for this reason. The Management Board and the Audit and Compliance Committee evaluated the functioning of PwC in January 2022.

### STATEMENT BY THE MANAGEMENT BOARD

As required by Article 5:25c (2c) of the Financial Supervision Act, each of the undersigned hereby confirms that to the best of their knowledge:

- The 2021 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 2021 Report of the Management 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 2021 financial year, and describes the material risks that Van Lanschot Kempen faces.

's-Hertogenbosch, the Netherlands, 23 February 2022

### Management Board

Maarten Edixhoven, Chair  
Constant Korthout  
Arjan Huisman  
Richard Bruens  
Erik van Houwelingen



## TEAM EFFORT

I'm originally from Albania, but I came to the Netherlands in 2006 and decided to put down roots. My background being in law, I joined Van Lanschot Kempen's Legal department in 2018. I specialised in corporate mergers and acquisitions (M&A), which meant that in my day-to-day work I had a lot of contact with many different departments, especially the Strategy & Corporate Development (S&CD) team. When looking at acquisitions, we would work together closely to translate strategic objectives and concerns into contractual terms. All that working together and acting as one eventually led to my moving to join the S&CD team in November 2021.

I still work on M&A, but now from a commercial and economic angle rather than from a legal perspective.

When Van Lanschot Kempen comes across an opportunity to expand the group or sell off non-core parts of it, the S&CD team gets involved. But so do lots of colleagues in other departments. Take the recent partnership with Mercier Vanderlinden, for example: we had a dedicated team working on this. The process started with due diligence: the management team of our Belgian branch looked into Mercier Vanderlinden's positioning and client proposition; Legal looked at the company's legal documents and contracts; Compliance checked whether the client due diligence files were up to scratch; and the list goes on. It was definitely a team effort!

Andi Bimo – Corporate Development Director

## MANAGEMENT BOARD MEMBERS



From left to right: Erik van Houwelingen, Arjan Huisman, Maarten Edixhoven, Richard Bruens, Constant Korthout

### Maarten Edixhoven

**Chair of the Management Board of Van Lanschot Kempen**

**Born**

1971, male

**Nationality**

Dutch

**Appointed**

1 October 2021

**Areas of responsibility**

Business Innovation & Development, Communication, Company Secretariat/Legal, Compliance, Internal Audit, Human Resource Management, Strategy & Corporate Development, Sustainability Centre

**Total number of board and/or supervisory positions**

One

**Significant supervisory board memberships and/or (board) positions**

UMC Alzheimercentrum: Member of advisory board

**Background**

2017–21: Aegon: CEO of Aegon Netherlands and member of management board of Aegon NV

2014–16: Aegon: Director Pension and member of management board of Aegon Netherlands

2010–14: Zwitserleven: CEO and member of management committee of SNS Reaal NV

1995–2010: ING Group: Various positions

### Constant Korthout

**Member of the Management Board, Chief Financial Officer/Chief Risk Officer of Van Lanschot Kempen**

**Born**

1962, male

**Nationality**

Dutch

**Appointed**

27 October 2010

**Areas of responsibility**

Credit Risk, Restructuring & Recovery, Finance, Reporting & Control, Risk Management, Treasury

**Total number of board and/or supervisory positions**

Four

**Significant supervisory board memberships and/or (board) positions**

Dijklander Hospital: Member of supervisory board

ANWB: Member of supervisory board

**Background**

2002–10: Robeco: CFO, including Risk Management, Treasury and Corporate Development  
 1992–2002: Robeco: Group Controller, CFO and member of executive board of Weiss, Peck & Greer in New York, and Corporate Development Director  
 1990–92: KPMG Management Consultants: Financial Management Consultant  
 1985–90: ABN AMRO: Management Trainee, Senior Account Manager Corporate Clients

**Arjan Huisman**

**Member of the Management Board, Chief Operating Officer of Van Lanschot Kempen**

**Born**

1971, male

**Nationality**

Dutch

**Appointed**

6 May 2010

**Areas of responsibility**

Digital, Advanced Analytics & Technology: Advanced Analytics, Data Management, Digital & Innovation, IT Platforms & Security  
 Operations: Client Administration & Monitoring, Operational Services, Procurement & Facilities

**Total number of board and/or supervisory positions**

Two

**Background**

2008–10: BCG Amsterdam office: Partner and Managing Director  
 2004–08: BCG Prague office: Partner and Managing Director  
 1995–2004: BCG Amsterdam and Boston offices: Various consulting positions, with a strong focus on financial services

**Richard Bruens**

**Member of the Management Board of Van Lanschot Kempen**

**Born**

1967, male

**Nationality**

Dutch

**Appointed**

15 May 2014

**Areas of responsibility**

Client Management & Origination: Competence Centre, Investment Banking Clients, Private Clients Regions, Private Clients Specialties, Semi-Institutional Clients, Wholesale & Institutional Clients  
 Van Lanschot Belgium, Van Lanschot Switzerland

**Total number of board and/or supervisory positions**

Five

**Significant supervisory board memberships and/or (board) positions**

Mercier Vanderlinden Asset Management: Non-executive director

**Background**

2010–13: ABN AMRO: Global Head Products & Solutions and Global Head Private Wealth Management  
 2007–08: Renaissance Capital: Member of group managing board  
 1991–2007: ABN AMRO: Various managerial positions in the Global Markets division, Managing Director of Investor Relations

**Erik van Houwelingen**

**Member of the Management Board of Van Lanschot Kempen**

**Born**

1965, male

**Nationality**

Dutch

**Appointed**

27 May 2021

**Areas of responsibility**

Investment Strategies & Solutions: Asset Allocation & Research, Core Strategies, Fiduciary Management & Institutional Solutions, Manager Research & Multi-management Solutions, Portfolio Implementation, Private Client Solutions, Product & Solutions Development

**Total number of board and/or supervisory positions**

Three

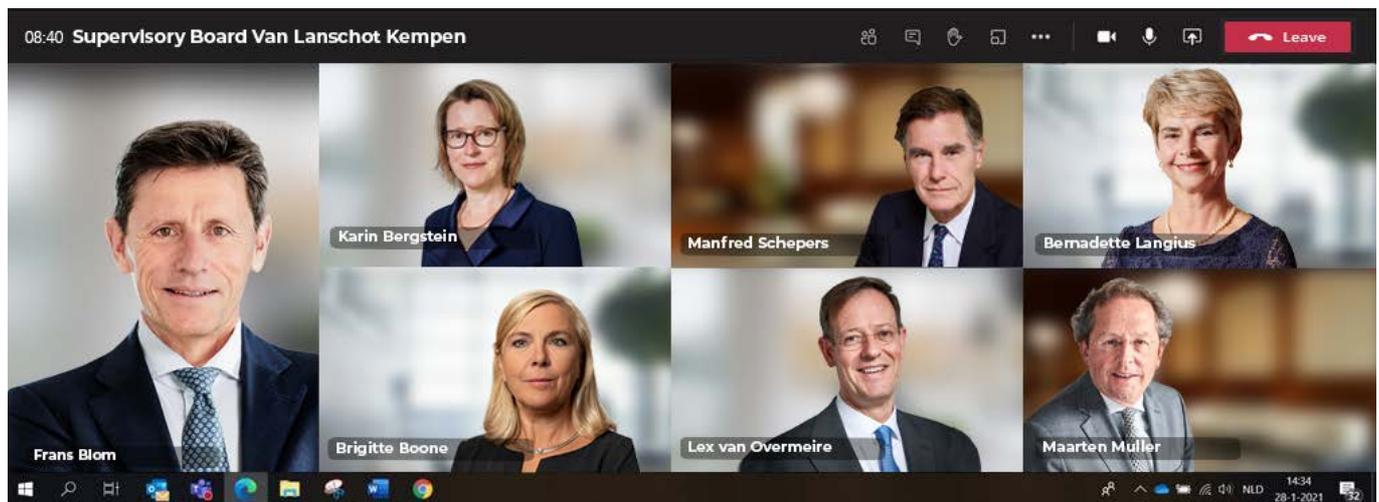
**Significant supervisory board memberships and/or (board) positions**

Kempen Capital Management: Chair of management board  
 DUFAS: Board member

**Background**

2018–20: Dimensional Fund Advisor: Head of Client Group Europe  
 2012–18: ABP: Member of the board of trustees, Chair of the investment committee and member of the risk & balance sheet committee  
 2015–18: Achmea Investment Management: Chair of supervisory board  
 2008–10: AEGON Asset Management: CEO  
 1993–2010: AEGON: Various positions

# SUPERVISORY BOARD MEMBERS



## Frans Blom

### Chair of the Supervisory Board

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

#### Born

1962, male

#### Nationality

Dutch

#### Appointed

5 October 2018; first term of office expires in 2023

#### Total number of supervisory board memberships and/or board positions

Two

#### Principal other positions

Boston Consulting Group: Senior adviser  
 American European Community Association (AECA-NL):  
 Chair  
 INSEAD: Member of board of directors  
 INSEAD Global Alumni Association: President

#### Previous positions held

Boston Consulting Group: Member of global executive committee

## Manfred Schepers

### Vice-Chair of the Supervisory Board

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

#### Born

1960, male

#### Nationality

Dutch

#### Appointed

18 May 2017; second term of office expires in 2025

#### Total number of supervisory board memberships and/or board positions

Two

#### Significant other supervisory board memberships and/or (board) positions

NWB Bank: Member of supervisory board

#### Principal other positions

ILX Management: CEO

#### Previous positions held

European Bank for Reconstruction and Development: Vice President and Chief Financial Officer

## Karin Bergstein

### Member of the Supervisory Board

Supervisory Board committees: Audit and Compliance, Remuneration

#### Born

1967, female

#### Nationality

Dutch

#### Appointed

28 May 2020; first term of office expires in 2024

#### Total number of supervisory board memberships and/or board positions

Six

#### Significant other supervisory board memberships and/or (board) positions

BNG Bank: Member of supervisory board  
UMC Groningen: Member of supervisory board  
Chesnara: Non-executive director

#### Previous positions held

a.s.r.: Member of board of directors/COO  
ING Bank Nederland: Member of managing board

## Brigitte Boone

### Member of the Supervisory Board

Supervisory Board committees: Risk, Selection and Appointment

#### Born

1960, female

#### Nationality

Belgian

#### Appointed

22 September 2021; first term of office expires in 2026

#### Total number of supervisory board memberships and/or board positions

Eight

#### Significant other supervisory board memberships and/or (board) positions

NN Group Belgium: Non-executive director  
Wereldhave Belgium: Non-executive director  
SD Worx: Non-executive director  
GIMV: Non-executive director  
Imec VZW, Fidimec: Non-executive director

#### Previous positions held

Fortis Bank: CEO Commercial and Investment Banking, member of management board

## Bernadette Langius

### Member of the Supervisory Board

Supervisory Board committees: Remuneration (Chair), Risk

#### Born

1960, female

#### Nationality

Dutch

#### Appointed

13 May 2015; second term of office expires in 2023

#### Total number of supervisory board memberships and/or board positions

Four

#### Significant other supervisory board memberships and/or (board) positions

IBM Nederland: Member of supervisory board  
BDO Nederland: Member of supervisory board

#### Previous positions held

VU Amsterdam: Member of executive board  
ABN AMRO: CEO Commercial Banking NL, CEO Private Banking NL

## Maarten Muller

### Member of the Supervisory Board

Supervisory Board committees: Risk, Selection and Appointment

#### Born

1954, male

#### Nationality

Dutch

#### Appointed

31 May 2018; first term of office expires in 2022

#### Total number of supervisory board memberships and/or board positions

One

#### Significant other supervisory board memberships and/or (board) positions

Stichting continuïteit TomTom: Chair of board  
Stichting Vopak: Chair of board

#### Previous positions held

Allen & Overy LLP: Partner

## Lex van Overmeire

### Member of the Supervisory Board

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

### Born

1956, male

### Nationality

Dutch

### Appointed

30 January 2017; second term of office expires in 2025

### Total number of supervisory board memberships and/or board positions

Three

### Significant other supervisory board memberships and/or (board) positions

NWB Bank: Member of supervisory board

Centrum indicatiestelling zorg (CIZ): Chair of audit advisory committee

Stichting ARQ: Member of supervisory board

### Previous positions held

EY Accountants LLP: Audit Partner



2021  
consolidated  
financial  
statements



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER  
(€1,000)

		2021	2020
<b>Assets</b>			
Cash and cash equivalents and balances at central banks	1	3,714,194	2,227,803
Financial assets from trading activities	2	30,876	61,678
Due from banks	3	71,275	210,584
Derivatives	4	252,872	376,702
Financial assets at fair value through profit or loss	5	299,126	290,987
Financial assets at fair value through other comprehensive income	6	2,130,327	2,576,063
Loans and advances to the public and private sectors	7	8,875,601	8,448,326
Other financial assets at amortised cost	8	257,399	448,518
Investments in associates using the equity method	9	82,441	72,202
Property and equipment	10	77,463	90,317
Goodwill and other intangible assets	11	321,861	155,007
Current tax assets	12	5,474	6,842
Deferred tax assets	12	7,758	16,313
Other assets	13	179,929	167,684
<b>Total assets</b>		<b>16,306,596</b>	<b>15,149,026</b>
<b>Equity and liabilities</b>			
Financial liabilities from trading activities	14	53	26
Due to banks	15	501,411	501,129
Public and private sector liabilities	16	11,729,556	10,141,109
Derivatives	4	180,117	488,802
Financial liabilities at fair value through profit or loss	17	560,421	740,869
Issued debt securities	18	1,418,865	1,469,897
Provisions	19	52,569	64,586
Current tax liabilities	20	18,295	955
Deferred tax liabilities	20	19,045	105
Other liabilities	21	245,412	212,973
Subordinated loans	22	171,527	172,479
<b>Total liabilities</b>		<b>14,897,271</b>	<b>13,792,930</b>
Issued share capital		41,362	40,000
Treasury shares		-11,853	—
Share premium reserve		323,719	154,753
Other reserves		817,333	1,016,720
Undistributed profit attributable to shareholders		136,983	43,009
<b>Equity attributable to shareholders</b>		<b>1,307,544</b>	<b>1,254,481</b>
AT1 capital securities		100,000	100,000
Undistributed profit attributable to holders of AT1 capital securities		1,688	1,688
<b>Equity attributable to AT1 capital securities</b>		<b>101,688</b>	<b>101,688</b>
Other non-controlling interests		21	-158
Undistributed profit attributable to other non-controlling interests		74	85
<b>Equity attributable to other non-controlling interests</b>		<b>95</b>	<b>-73</b>
<b>Total equity</b>	23	<b>1,409,327</b>	<b>1,356,096</b>
<b>Total equity and liabilities</b>		<b>16,306,596</b>	<b>15,149,026</b>
Contingent liabilities		107,314	106,570
Irrevocable commitments		1,159,058	1,055,366
<b>Contingent liabilities and irrevocable commitments</b>	24	<b>1,266,372</b>	<b>1,161,936</b>

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

CONSOLIDATED STATEMENT OF INCOME  
(€1,000)

		2021	2020
<b>Income from operating activities</b>			
Interest income calculated using the effective interest method		205,561	212,537
Other interest income		28,347	28,055
Interest expense calculated using the effective interest method		50,059	46,013
Other interest expense		35,401	42,787
<b>Net interest income</b>	25	<b>148,448</b>	<b>151,792</b>
Income from associates using the equity method		28,744	12,779
Other income from securities and associates		40,306	4,962
<b>Income from securities and associates</b>	26	<b>69,050</b>	<b>17,741</b>
Commission income		395,871	303,338
Commission expense		9,911	7,003
<b>Net commission income</b>	27	<b>385,960</b>	<b>296,335</b>
<b>Result on financial transactions</b>	28	<b>-15,634</b>	<b>-32,289</b>
Net sales		14,164	13,333
Cost of sales		3,584	4,172
<b>Other income</b>	29	<b>10,580</b>	<b>9,161</b>
<b>Total income from operating activities</b>		<b>598,405</b>	<b>442,740</b>
<b>Expenses</b>			
Staff costs	30	284,506	249,335
Other administrative expenses	31	123,884	112,608
<b>Staff costs and other administrative expenses</b>		<b>408,390</b>	<b>361,943</b>
Depreciation and amortisation	32	29,401	24,712
<b>Operating expenses</b>		<b>437,791</b>	<b>386,655</b>
Impairments of financial instruments		-11,681	1,871
Other impairments		-6,156	—
<b>Impairments</b>	33	<b>-17,837</b>	<b>1,871</b>
<b>Total expenses</b>		<b>419,954</b>	<b>388,526</b>
<b>Operating profit before tax</b>		<b>178,450</b>	<b>54,214</b>
Income tax	34	34,643	4,370
<b>Net result</b>		<b>143,807</b>	<b>49,844</b>
Of which attributable to shareholders		136,983	43,009
Of which attributable to holders of AT1 capital securities		6,750	6,750
Of which attributable to other non-controlling interests		74	85
Earnings per ordinary share (€) <sup>1</sup>	35	3.35	1.05
Diluted earnings per ordinary share (€) <sup>1</sup>	36	3.34	1.05
Proposed dividend per ordinary share (€) <sup>1</sup>		2.00	0.70

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

<sup>1</sup> The comparative figures show the (diluted) earnings and proposed dividend per share for Van Lanschot Kempen NV prior to the legal merger with Van Lanschot Kempen Wealth Management NV.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(€1,000)

		2021	2020
<b>Net result (as per consolidated statement of income)</b>		<b>143,807</b>	<b>49,844</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>			
<b>Other comprehensive income through revaluation reserve</b>			
Revaluation of financial assets at fair value through other comprehensive income		-1,576	1,851
Income tax effect		373	-540
<b>Total other comprehensive income through revaluation reserve</b>	23	<b>-1,203</b>	<b>1,311</b>
<b>Other comprehensive income from value changes of derivatives (cash flow hedges)</b>			
Increase in value of derivatives directly added to equity		8,214	15
Income tax effect		-1,964	638
<b>Total other comprehensive income from value changes of derivatives (cash flow hedges)</b>	23	<b>6,250</b>	<b>653</b>
<b>Other comprehensive income from currency translation differences</b>			
Other comprehensive income from currency translation differences		626	-109
Income tax effect		—	—
<b>Total other comprehensive income from currency translation differences</b>	23	<b>626</b>	<b>-109</b>
<b>Total other comprehensive income to be reclassified in subsequent periods to profit or loss</b>		<b>5,673</b>	<b>1,855</b>
<b>Other comprehensive income not to be reclassified in subsequent periods to profit or loss</b>			
<b>Change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss</b>			
Change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss		-5,462	7,600
Income tax effect		1,418	-1,613
<b>Total change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss</b>		<b>-4,044</b>	<b>5,987</b>
<b>Remeasurement of defined benefit plans</b>			
Remeasurement of defined benefit plans		8,501	-10,993
Income tax effect		-2,189	3,164
<b>Total remeasurement of defined benefit plans</b>	23	<b>6,313</b>	<b>-7,829</b>
<b>Total other comprehensive income not to be reclassified in subsequent periods to profit or loss</b>		<b>2,268</b>	<b>-1,842</b>
<b>Total other comprehensive income</b>		<b>7,941</b>	<b>13</b>
<b>Total comprehensive income</b>		<b>151,748</b>	<b>49,857</b>
Of which attributable to shareholders		144,924	43,022
Of which attributable to holders of AT1 capital securities		6,750	6,750
Of which attributable to other non-controlling interests		74	85

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN 2021  
(€1,000)

	Share capital	Treasury shares	Share premium reserve <sup>1</sup>	Other reserves <sup>1</sup>	Undistributed profit	Total equity attributable to shareholders	Equity attributable to AT1 capital securities	Equity attributable to other non-controlling interests	Total equity
<b>At 1 January</b>	40,000	—	154,753	1,016,720	43,009	1,254,481	101,688	-73	1,356,096
Net result (as per consolidated statement of income)	—	—	—	—	136,983	136,983	6,750	74	143,807
Total other comprehensive income	—	—	—	7,941	—	7,941	—	—	7,941
<b>Total comprehensive income</b>	—	—	—	7,941	136,983	144,924	6,750	74	151,748
Share plans	—	—	—	-5,037	—	-5,037	—	—	-5,037
To/from other reserves	1,362	-11,853	168,966	-115,466	-43,009	—	—	—	—
Dividends/Capital return	—	—	—	-87,808	—	-87,808	-6,750	—	-94,558
Other changes	—	—	—	983	—	983	—	—	983
Change in non-controlling interests	—	—	—	—	—	—	—	94	94
<b>At 31 December</b>	41,362	-11,853	323,719	817,333	136,983	1,307,544	101,688	95	1,409,327

In October 2021, Van Lanschot Kempen paid out the postponed 2019 dividend and the remainder of the 2020 dividend, as the European Central Bank (ECB) and De Nederlandsche Bank (DNB) ended their recommendation not to pay out dividends on 1 October 2021. We had paid out a small portion of the 2020 dividend in June 2021. 2019 and 2020 dividends totalled €59.2 million and €28.6 million respectively.

During 2021, the composition of Van Lanschot Kempen's equity changed due to the legal merger (see "Summary of significant accounting principles"). For more information on the transfer from Other reserves to the Share premium reserve and Share capital, see Note 35, Earnings per ordinary share.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN 2020  
(€1,000)

	Share capital	Share premium reserve <sup>1</sup>	Other reserves <sup>1</sup>	Undistributed profit	Total equity attributable to shareholders	Equity attributable to AT1 capital securities	Equity attributable to other non-controlling interests	Total equity
<b>At 1 January</b>	40,000	154,753	923,172	92,929	1,210,853	101,688	4,029	1,316,570
Net result (as per consolidated statement of income)	—	—	—	43,009	43,009	6,750	85	49,844
Total other comprehensive income	—	—	13	—	13	—	—	13
<b>Total comprehensive income</b>	—	—	13	43,009	43,022	6,750	85	49,857
Share plans	—	—	-889	—	-889	—	—	-889
To/from other reserves	—	—	92,929	-92,929	—	—	—	—
Dividends/Capital return	—	—	637	—	637	-6,750	-326	-6,439
Other changes	—	—	858	—	858	—	—	858
Change in non-controlling interests	—	—	—	—	—	—	-3,862	-3,862
<b>At 31 December</b>	40,000	154,753	1,016,720	43,009	1,254,481	101,688	-73	1,356,096

<sup>1</sup> For additional information on the nature and composition of the share premium reserve and other reserves, see Note 23.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
 (€1,000)

		2021	2020
<b>Cash flow from operating activities</b>			
Operating profit before tax		178,450	54,214
Adjustments for			
- Depreciation and amortisation	32	29,515	27,376
- Costs of share plans		2,949	2,401
- Results on associates using the equity method	9	-28,374	-12,398
- Valuation results on financial assets at fair value through profit or loss		-29,223	-2,059
- Valuation results on financial liabilities at fair value through profit or loss		18,546	-16,660
- Valuation results on derivatives		-77,604	-11,918
- Impairments	33	-17,837	1,871
- Changes in provisions		23,770	11,261
<b>Cash flow from operating activities</b>		<b>100,192</b>	<b>54,088</b>
<b>Net change in operating assets and liabilities</b>			
- Financial assets/liabilities from trading activities		30,829	-14,540
- Due from/to banks		151,000	423,399
- Loans and advances to public and private sectors / Public and private sector liabilities		1,098,287	773,510
- Derivatives		-48,086	-69,586
- Withdrawals from restructuring provision and other provisions		-27,286	-7,264
- Other assets and liabilities		33,939	13,995
- Deferred tax assets and liabilities		—	113
- Tax assets and liabilities		26,163	-5,875
- Income taxes paid		-16,768	-1,885
- Dividends received		10,854	8,317
<b>Total net change in operating assets and liabilities</b>		<b>1,258,932</b>	<b>1,120,184</b>
<b>Net cash flow from operating activities</b>		<b>1,359,124</b>	<b>1,174,272</b>
<b>Cash flow from investing activities</b>			
Investments and acquisitions			
- Debt instruments		-823,833	-641,640
- Equity instruments		-85,352	-52,122
- Associates using the equity method	9	-13,510	-15,057
- Property and equipment		-10,371	-12,045
- Goodwill and other intangible assets		-181,775	-20,386
Divestments, redemptions and sales			
- Debt instruments		1,501,826	498,792
- Equity investments		40,973	13,678
- Associates using the equity method		31,085	2,217
- Property and equipment		5,056	3,563
- Goodwill and other intangible assets		3,276	—
Dividends received	9	6,838	5,572
<b>Net cash flow from investing activities of continuing operations</b>		<b>474,213</b>	<b>-217,428</b>

The number beside each item in the consolidated statement of cash flows refers to the Notes to the consolidated statement of financial position and the Notes to the consolidated statement of income.

Consolidated statement of cash flows (continued)  
(€1,000)

	2021	2020
<b>Cash flow from financing activities</b>		
Share plans	-7,985	-3,290
Change in non-controlling interests	94	-3,862
Redemption of subordinated loans	-113	-113
Redemption of issued debt securities	-16,242	-1,281
Receipts on financial liabilities at fair value through profit or loss	28,414	116,571
Redemption of financial liabilities at fair value through profit or loss	-232,871	-259,044
Payment of lease liabilities	-12,274	-13,304
Dividends paid	-94,558	-6,439
<b>Net cash flow from financing activities of continuing operations</b>	<b>-335,535</b>	<b>-170,762</b>
<b>Net change in cash and cash equivalents and balances at central banks</b>	<b>1,497,801</b>	<b>787,649</b>
Cash and cash equivalents and balances at central banks at 1 January <sup>1</sup>	2,224,030	1,436,381
Cash and cash equivalents and balances at central banks at 31 December <sup>1</sup>	3,721,831	2,224,030
<b>Additional disclosure</b>		
Cash flows from interest received	237,811	241,606
Cash flows from interest paid	94,122	93,860

The table below provides a reconciliation of changes in liabilities arising from financing activities.

Reconciliation of liabilities arising from financing activities in 2021	Subordinated loans	Issued debt securities	Financial liabilities at fair value through profit or loss	Total
At 1 January	172,479	1,469,897	740,869	2,383,244
Cash flows	-113	-16,242	-204,457	-220,812
Non-cash changes				
- Fair value changes	-839	-34,790	24,009	-11,620
At 31 December	171,527	1,418,865	560,421	2,150,813

Reconciliation of liabilities arising from financing activities in 2020	Subordinated loans	Issued debt securities	Financial liabilities at fair value through profit or loss	Total
At 1 January	173,090	1,545,109	907,602	2,625,801
Cash flows	-113	-1,281	-142,473	-143,867
Non-cash changes				
- Fair value changes	-499	-73,931	-24,260	-98,690
At 31 December	172,479	1,469,897	740,869	2,383,244

<sup>1</sup> 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 NV (Van Lanschot Kempen Wealth Management NV until 30 June 2021) is an independent wealth manager specialising in the preservation and creation of wealth, in a sustainable way, for both its clients and the society of which it is part. On 1 July 2021, the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV became effective. As a result of this merger, Van Lanschot Kempen NV ceased to exist as a legal entity and Van Lanschot Kempen Wealth Management NV acquired the assets and liabilities of Van Lanschot Kempen NV under universal title of succession. In addition, the statutory name of Van Lanschot Kempen Wealth Management NV changed to Van Lanschot Kempen NV as of 1 July 2021.

Van Lanschot Kempen NV ("Van Lanschot Kempen") 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 16038212 at the Chamber of Commerce. Depositary receipts for Class A ordinary shares are publicly traded on the Euronext markets.

The consolidated financial statements of Van Lanschot Kempen at 31 December 2021 were prepared by the Management Board and approved by the Supervisory Board on 23 February 2022, and will be submitted to the annual general meeting of shareholders for adoption on 25 May 2022.

## 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. Unless stated otherwise, assets and liabilities are measured at historical cost.

## Continuity

The Management Board has examined the ability of Van Lanschot Kempen to continue as a going concern for the foreseeable future and concluded that we are able to do so. Moreover, the Management 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.

## Economic context and Covid-19

The impact of the Covid-19 pandemic for Van Lanschot Kempen is considered to be limited. During the pandemic we have not experienced major disquiet among our clients, and instead observed a net inflow in assets under management (AuM) in the Private Clients segment, from both existing and new clients.

If our clients run into financial difficulties, this can lead to higher credit losses. In 2021, Covid-19's impact on our credit portfolio was minor, even after application of a risk management overlay. This is captured in the decrease in expected credit loss (ECL) during 2021. The risk

management overlay takes into account uncertainties at specific clients and in specific industries which are not (yet) reflected in the model parameters. For more information, see "Risk management", under 3.8, Loss allowance for expected credit loss (including sensitivity analyses performed by us).

Van Lanschot Kempen has a solid capital and liquidity position. Our capital and liquidity are above our targets and our net result in 2021 amounted to €143.8 million, significantly above the figure for 2020 (€49.8 million).

The partnership with Mercier Vanderlinden announced in 2021 will further strengthen our position in the wealth management market in Belgium. This partnership fits perfectly into the strategy of becoming a real challenger in this country.

To summarise, Van Lanschot Kempen is well able to cope with the Covid-19 pandemic thanks to its solid capital and liquidity position, and strong financial performance. Considering the above, we can affirm that the continuity of the company is not under pressure and that there are no indications that cast significant doubt over Van Lanschot Kempen's ability to continue as a going concern.

## Functional and reporting currency

The consolidated financial statements are denominated in euros, Van Lanschot Kempen's functional and reporting currency. Unless stated otherwise, all amounts are presented in thousands of euros. The totals may not always match the sum of the individual values due to rounding.

## Changes in accounting policies

The accounting policies adopted in the preparation of our consolidated financial statements for the year ended 31 December 2021 remain unchanged, except for the adoption of new standards and interpretations effective from 1 January 2021.

## Changes in published IFRS standards and interpretations

The IFRS standards listed below became effective from 1 January 2021 and have been applied to our financial statements for 2021. Unless stated otherwise, application of these standards had no impact on Van Lanschot Kempen's equity or result. Application of the amended standards generally entails amendment or expansion of notes.

### IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2

The amendments provide temporary reliefs that enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. We have chosen to apply hedge accounting for micro fair value hedges based on IFRS 9 from 1 January 2022 onwards and the hedge documentation has been adjusted accordingly. The amendments do not materially impact group results. The primary change compared with IAS 39 is that the hedge effectiveness assessment is done only

prospectively instead of retrospectively. Hedge effectiveness will be assessed based on our risk management policy and the nature of the risk exposure, using different scenarios. If possible, changes will be made to further improve the effectiveness of the hedge relationship.

## 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 2022. We have not applied the following standards in the 2021 financial statements. Unless stated otherwise, standards will be applied as soon as they become effective and have been endorsed by the EU.

### Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments are intended to update a reference to the Conceptual Framework without significantly changing the requirements of IFRS 3. The amendments add an exception to the recognition principle of IFRS 3 that requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively. The amendments are not expected to have a material impact on group results.

### Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in which the entity first applies the amendment. The amendments are not expected to have a material impact on group results.

### Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on group results.

## Annual Improvements to 2018-20 Cycle

Changes to standards concern:

### IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments have been made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applicable to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a material impact on group results.

### IFRS 9 Financial Instruments – Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a material impact on group results.

## 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, assumptions and judgements 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 most significant estimates and assumptions relate to the determination of significant influence, fair value of financial instruments, acquisitions, impairments of financial assets, goodwill and intangible assets.

These estimates and assumptions are based on the most recent information available and include the impact of Covid-19. The actual amounts may differ in the future. Where applicable, the impact of Covid-19 on assumptions used are explained further in the consolidated financial statements.

### Determination of significant influence

We have applied critical judgement to determine significant influence in companies in which we hold minority interests smaller than 20%. Our influence on the financial and operating policy decisions at some minority interests is more in line with that in an associate, e.g. veto rights in decisions on the issuance of new shares and decisions on amendments to the Articles of Association. For that reason, we classify these as minority interests and apply equity accounting instead of IFRS 9 fair value accounting. For further information, see the disclosure on Investments in associates using the equity method.

### Determination of fair value

The determination of 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 ask 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 "Risk management", under 14, Fair value.

### 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 not traded on an active market. Management consideration is also needed to determine the moment of the change of control and thus the moment of consolidation of an acquired entity.

### Impairments of financial assets

We recognise a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost or fair value through other comprehensive income, as well as for financial guarantees and loan commitments. When there has been no significant deterioration in credit risk since initial recognition, ECL is recognised based on a 12-month expected credit loss (Stage 1). When a significant increase in credit risk has occurred, ECL is recognised based on a lifetime expected credit loss (Stage 2). For impaired loans (Stage 3), a lifetime ECL is recognised. The impairments of financial assets are determined as a critical estimate. For more information on deterioration in credit risk, see "Risk management", under 3.8, Loss allowance for expected credit loss.

### Impairments of goodwill and other intangible assets

To measure the recoverable amounts, we calculate the value in use for each cash-generating unit (CGU) or group of CGUs. This calculation reflects an estimate of future cash flows, base-case scenario analysis 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 client relationships, cost structure, trends in interest rates and risks, and other circumstances specific to the industry and sector. In addition, an annual test is carried out for indications of impairment of other intangible assets with a finite useful life. For more information on the discount rates used, see Note 11, Goodwill and other intangible assets.

## Other accounting estimates

### Impairments of non-financial assets

The recoverable amount of a non-financial asset is the higher of the fair value of the 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 the sale of an asset or paid on the 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.

### 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.

### Actuarial assumptions of provisions

Pension liabilities are determined using actuarial calculations. These calculations use assumptions regarding elements such as the discount rate, future trends in salaries and returns on investments. These assumptions are subject to estimation uncertainty. See Note 19, Provisions.

### Other provisions

Other provisions are determined on the basis of the most recent estimates of the expected costs. The timing of the cash outflow related to these provisions is by nature uncertain, given the unpredictability of the outcome and time required to conclude these claims. In determining these provisions, where applicable, we take into consideration the opinion of legal experts.

# BASIS OF CONSOLIDATION

## Subsidiaries

The consolidated financial statements of Van Lanschot Kempen comprise the financial statements of Van Lanschot Kempen and its subsidiaries. These have been prepared at 31 December 2021 using accounting policies consistent with those used in the previous year, 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 effecting 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 recognised in the statement of financial position), liabilities and obligations not recognised 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 recognised 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. Goodwill is not amortised. For more information on its valuation, see Note 11, Goodwill and other intangible assets.

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.

### Mercier Vanderlinden

On 7 April 2021, Van Lanschot Kempen and Mercier Vanderlinden Asset Management ("Mercier Vanderlinden") announced agreement on a partnership between Van Lanschot Kempen and Mercier Vanderlinden.

The transaction was effected by the transfer of 70% of the shares of Mercier Vanderlinden to Van Lanschot Kempen. Commitment was made to acquire the remaining 30% in two separate tranches in the first quarters of 2025 and 2026. Effective July 2021, Mercier Vanderlinden has been 100% consolidated with the recognition of a deferred contingent liability for the remaining shares.

# 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;
- 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 the statement of income, 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 translation on the reporting date, currency 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.

### 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 at fair value through other comprehensive income, or other financial assets at amortised costs, 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 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;
- We have retained the right to receive the cash flows from an asset, but have an obligation to pay these in full to a third party under a special agreement;
- We have transferred our rights to the cash flows from the asset and have transferred substantially all the risks and rewards;
- We 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 relevant line item (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.

### Special purpose entities

We have placed parts of our loan portfolio in special purpose entities (SPEs), which comprise only covered bond companies. 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.

### 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, or 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. During 2021, we made the necessary preparations to change the hedge accounting method for micro fair value hedges to IFRS 9. We have chosen to apply hedge accounting for micro fair value hedges based on IFRS 9 from 1 January 2022 onwards.

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 may expect, both upon inception and during the term of the hedge, 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.

A hedge relationship ends if the 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. Debt securities at fair value through other comprehensive income 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 the statement of income.

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 the statement of income.

#### Embedded derivatives

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

If the hybrid contract contains a host that is not an asset, the embedded derivatives are separated from the host contract and treated as separate derivatives when:

- The economic characteristics are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

### 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. See 3.7, Risk management.

## 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 De Nederlandsche Bank (DNB) arising from the minimum reserve requirement is also included in this item.

### Financial assets from trading activities

Financial assets from trading activities are transactions for our own account whereby the aim is to actively sell these instruments in the short term. Financial assets from trading activities consist of the trading portfolio of both equity instruments and debt instruments. The financial assets from trading activities 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 instruments 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 at fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss (FVPL). Additionally, any instrument for which the contractual cash flow characteristics are not solely payments of principal and interest (SPPI) are measured at FVPL. No restrictions are set for sales within the fair value through profit or loss portfolio. 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.

### Financial assets at fair value through other comprehensive income

A debt instrument that is held within the hold to collect and sell business model and meets the SPPI test is measured at fair value, with fair value adjustments recognised in Other comprehensive income unless the asset is designated at fair value through profit or loss. Sales as a result of managing everyday liquidity needs, maintaining a particular interest yield profile on the secondary market, or to match the duration and sales required by regulators, are consistent with the objective of the hold to collect and sell portfolio.

Under FVOCI, a financial asset is measured at its fair value and movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Result on financial transactions. Interest income from these financial assets is included in Interest income using the effective interest method.

### Loans and advances to the public and private sectors

Loans and advances to the public and private sectors are initially recognised at fair value plus transaction costs directly attributable to the acquisition of the financial asset, and are subsequently amortised using the effective interest rate method less any allowance for impairment. The impairment is recognised in the statement of income.

### Other financial assets at amortised cost

A debt instrument that is held within the hold to collect business model and meets the SPPI test is measured at amortised cost unless the asset is designated at fair value through profit or loss. Under this measurement category, the financial asset is initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, and subsequently recognised at amortised cost less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any impairment allowance. The impairment is recognised in the statement of income. Interest income from these financial assets is included in Interest income using the effective interest rate 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 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.

Lease contracts which we entered into as a lessee are classified as right-of-use assets. Right-of-use assets are presented as part of Property and equipment in the statement of financial position and are measured at cost, comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs;
- Restoration costs.

Depreciation is applied using the same method as for wholly-owned tangible assets.

The recoverable amount of individual property items within the different CGUs or group of CGUs 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 to sell or the value in use. The fair value less costs to sell is set by an independent surveyor. If the fair value less costs to sell 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 to sell 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
Right-of-use assets	1-10

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 for which each CGU or group of CGUs may be sold. The recoverable amount is therefore deemed to be equal to the value in use. The value in use is determined by discounting the future equity cash flows generated by each CGU or group of CGUs to their net present value using a cost of equity for each CGU or group of CGUs. 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 relationships, 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 relationships	5-20
Third-party distribution channels	12-20
Brand names	5-20
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.

Deferred tax assets and liabilities are assessed at every reporting date and reduced to the extent necessary. 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.

**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 initially recognised at fair value excluding transaction costs. After initial recognition, they are recognised at amortised cost using the effective interest method.

**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. These instruments are stated at fair value, with movements in value 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 at fair value through profit or loss

Financial liabilities 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; or
- 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. Own credit risk is recognised in equity under the line item Own credit risk reserve. The remaining amount of change in the fair value is recognised in Result on financial transactions.

### 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 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.

### Provision 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.

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.

Differences between the expected and actual return on plan assets, actuarial gains and losses and changes in the effect of the asset ceiling 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.

### Restructuring provision

A provision for restructuring is recognised only if the recognition criteria 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.

### Other liabilities

Other 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.

Lease liabilities are presented in the statement of financial position as part of Other liabilities. Interest payments and amortisation in the year are charged to the income statement on a straight-line basis over the term of the lease, and disclosed within the statement of income.

Lease liabilities consist of interest and amortisation payments and are initially measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

### Subordinated loans

Subordinated loans are initially recognised at fair value excluding transaction costs. After initial recognition, they are carried at amortised cost. Purchases of our own subordinated loans are offset 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 new share issues 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 and where it is either not probable that it will lead to an outflow of resources or that a reliable estimate can be made. For the other obligations not recognised in the statement of financial position, see "Commitments" in the supplementary notes.

### Contingent assets and liabilities and irrevocable commitments

Contingent liabilities are carried at the contract value and relate in particular to guarantees and irrevocable letters of credit. 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 when 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 presented 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.

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 income from these as part of our operating activities.

### Net commission income

This item comprises the income, other than income similar to interest, earned on wealth management services provided to third parties. It also includes fees charged to the managed investment funds. 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. commission on buying and selling shares) 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 at fair value through profit or loss comprises unrealised value differences and interest expenses on financial liabilities at fair value through profit or 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 payments

Employees may be eligible to receive remuneration in the form of share-based payments. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the equity instruments are granted. The fair value is determined based on the share price on the grant date, taking into account the discounted value of expected dividends over the vesting period. The cost of equity-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).

### 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, including those on financial instruments, on investments in associates using the equity method, on goodwill and intangible assets, and on assets acquired through foreclosures.

### 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, for example, outstanding option rights.

### Statement of cash flows

The statement of cash flows is prepared using the indirect method. It distinguishes between cash flows from operating, investing and financing activities. Cash flows from operating activities include net changes in loans and advances, deposits from/with banks, and public and private sector liabilities. Investing activities include acquisition, redemption and sales of debt instruments, equity investments, associates using the equity method, property and equipment, and goodwill and other intangible assets. Financing activities include issues and repayments of share plans, debt instruments and issued debt securities. 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. Investing and financing transactions that do not require the use of cash or cash equivalents are excluded from the statement of cash flows.

### 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 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, capital management and compliance

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 comply 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, credit valuation adjustment (CVA) risk, strategic risk, interest rate risk, liquidity risk, securitisation risk, climate change risk, financial reporting risk and assets at fair value. An overview of compliance risk is also provided.

### 1.1 Risk appetite

Solid capital and liquidity ratios are essential prerequisites for a successful proposition to our clients and the financial stability of Van Lanschot Kempen in general. This is reflected in our risk appetite statement. We aim to have a simple and transparent balance sheet.

We have a robust risk appetite framework in place. Each year, the Management 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. Quarterly risk appetite reports serve as important discussion documents for the continuous review of our risk profile.

### 1.2 Organisation of risk, capital management and compliance

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) including internal control activities. Compliance, 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. Internal Audit forms the third line of defence and is responsible for performing independent audits on the risk management framework and activities of the first and second line. This set-up creates a clear, balanced and appropriate division of tasks, powers and responsibilities, and ensures independent and effective operation of the risk management function.

Risk Management stands at the core of capital management. We actively manage our capital base to cover risks inherent to 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 through the Capital Requirements Regulation (CRR). This legal framework also forms the basis for supervision by DNB through the Capital Requirements Directive (CRD) and the Financial Supervision Act (Wft). 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, capital management and compliance framework**

Supervision § 1.2.1	<b>Supervisory Board</b> – Risk Committee – Audit and Compliance Committee			
Risk and capital management § 1.2.2	<b>Management Board</b> – Risk Committee – Credit Risk Committee – Market Risk Committee – Asset & Liability Committee – Compliance & Operational Risk Committee – Credit Committee – Product Approval & Review Committee			
Implementation and review § 1.2.3	Risk Management	Finance, Reporting & Control	Compliance	Internal Audit
Execution § 1.2.4	Client Management & Origination	Investment Strategies & Solutions	Treasury	Credit Risk, Restructuring & Recovery

### 1.2.1 Supervision

The Supervisory Board oversees the risks and capital requirements in relation to the group'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 group's business activities, as well as the risk management framework. The Committee also prepares decision-making by the Supervisory Board on risk matters.

The Audit and Compliance Committee is tasked with advising the Supervisory Board on financial reporting, internal and external audits, compliance and matters regarding duty of care.

### 1.2.2 Risk, capital management and compliance

The Management Board is responsible for developing and executing the strategy of the group. This includes the capital and funding plan, which is based on a number of risk, capital and compliance 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. These adjustments are under constant review by the Management Board. Finally, requests or demands by our supervisors DNB and/or ECB can also influence capital management.

The Management Board also bears responsibility for ensuring the proper operation of the processes that safeguard the group'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 group. To ensure the various risk types are managed properly, the Management Board has set up the following risk committees:

#### Risk Committee

The Risk Committee, which includes all members of the Management Board and the heads of Risk Management and Compliance, 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.

#### Credit Risk Committee

The Credit Risk Committee sets and adjusts the group'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 Management Board serve on this committee (the CFRO and the member of the Management Board responsible for Client Management & Origination (CMO)), along with representatives of Risk Management, Private Clients, Credit Approval, and Credit Risk, Restructuring & Recovery.

#### Market Risk Committee

This committee focuses on all market risks within Van Lanschot Kempen and is chaired by the CFRO. 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 Investment Banking Clients occur due to the trading of securities (mainly equities and equity derivatives). Van Lanschot Kempen is exposed to a certain amount of market risk (mainly FX and structured products activities) through its treasury activities. The FX risk is limited, as the majority of transactions and positions in the statement of financial position are denominated in euros. Van Lanschot Kempen is also exposed to market risk as a result of management book investments.

### Asset & Liability Committee

The Asset & Liability Committee (ALCO) is responsible for managing risks that result from mismatches between assets and liabilities (interest rate and liquidity risks), as well as the capital position of the bank. ALCO's main tasks are:

- Overseeing the asset-liability management (ALM) process;
- Setting policies on interest rate risk in the banking book<sup>1</sup>, 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.

ALCO's members comprise:

- The Chair of the Management Board;
- The Management Board member responsible for Client Management & Origination;
- Representatives of Treasury, Risk Management and Finance, Reporting & Control.

### 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 Non-Financial Risk Management and Compliance departments. It is chaired by the CFRO. Among other things, the root causes of major operational risk incidents are discussed in this committee.

Risk Management takes the lead in the committees described above, with the exception of the Compliance and Operational Risk Committee, where both Compliance and Risk Management are in charge. We also 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, capital management and compliance policies

Implementation and monitoring of our risk and capital policies is carried out by Risk Management and Finance, Reporting & Control. In addition, Compliance carries out the implementation, monitoring and/or review of compliance policies.

Internal Audit is in some cases also involved in reviewing the policies described above if this is included in their annual audit plan.

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 strategic risks;
- Business continuity management;
- Information security;
- The risk appetite process;
- Preparing, developing and maintaining policy documents;
- Preparing ICAAP and ILAAP documentation as well as the recovery plan;
- 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 responsible for the financial accounting and business control function. Through its various reports, Finance, Reporting & Control fulfils an important role in challenging the businesses.

Compliance has both an advisory and a monitoring role with respect to compliance with applicable laws, rules, regulations, internal policies and procedures, and industry standards relevant for Van Lanschot Kempen. As compliance risks are part of the overall risk governance of Van Lanschot Kempen, Compliance as an independent function is involved in and supports the management of compliance risks by identifying, assessing, monitoring and reporting on such risks. Compliance risks include risks such as personal data integrity, financial crime, business conduct and client protection risks.

Internal Audit periodically reviews the design and effectiveness of the risk organisation and the execution of our risk, capital management and compliance policies in accordance with their annual audit plan. The department reports to the Management Board. The applicable policies form the starting point for the independent review by Internal Audit. Processes, infrastructure, organisation and systems are audited based on these policies in order to determine whether the organisation adequately executes its risk, capital management and compliance policies.

#### 1.2.4 Execution of risk, capital management and compliance policies

The commercial departments, i.e. the departments shown under "Execution" in Table 1.2 (excluding Treasury and Credit Risk, 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 ALCO.

### 1.3 Capital requirements

The standards set by the Basel Committee on Banking Supervision, and translated into law (CRR and CRD, Wft), apply to all Dutch banks. The Basel framework consists of three pillars:

- Pillar 1 stipulates capital requirements for credit, market and operational risk.
- Pillar 2 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 1. The Supervisory Review and Evaluation Process (SREP) is also part of Pillar 2.
- Pillar 3 sets out requirements for disclosure of information about the institution's risk profile to external stakeholders.

Our website has Pillar 3 information (unaudited) and a detailed breakdown of our portfolio of loans to companies and institutions (unaudited), published once a year.

<sup>1</sup> The banking book comprises all assets that are not held for trading purposes under the regulatory definition.

Our remuneration policy is explained in the remuneration section and in a Pillar 3 remuneration disclosure (unaudited), which can also be found on our website.

#### 1.4 Individual risks

The following sections detail the individual risk types to which we are exposed. They therefore cover a combination of Pillar 1 and Pillar 2 capital requirements. The risk types covered are:

- Strategic risk (Section 2);
- Credit risk (Section 3);
- Market risk (Section 4);
- Operational risk (Section 5);
- Settlement risk (Section 6);
- CVA risk (Section 7);
- Interest rate risk (Section 8);
- Liquidity risk (Section 9);
- Securitisation risk (Section 10);
- Climate change and sustainability risks (Section 11);
- Compliance risk (Section 12);
- Financial reporting risk (Section 13).

## 2. Strategic risk

Strategic risk can be defined as the threat to our results or equity arising from a 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. Strategic risk is not inherently undesirable, since there can also be an upside to taking on these risks. We take a forward-looking approach to strategic risk, keep a close eye on external developments and set our strategic priorities accordingly. Our strategy puts a strong focus on advanced data analytics, among other areas. Existing risk management practices and measures are assessed regularly to ensure that possible new risks that may arise from changes in strategic direction or in the business environment are captured adequately.

## 3. 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;
- Foreign exchange (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.

### 3.1 Loans and advances

#### 3.1.1 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 teams, mainly our Credit Approval team.

The authority to approve large loans rests with the Credit Committee, which comprises representatives of the relevant divisions as well as members of the Management Board.

The mid- and back-office for nearly all residential mortgage loans is carried out by a third party. A service level agreement (SLA) has been signed to ensure adequate control of the operational risks, including the outsourcing risk.

The acceptance process is not outsourced, with the exception of our white label loans – residential mortgages offered by a third party. The acceptance and management of credit risks has been outsourced to this third party, within our strict guidelines and in accordance with prevailing legal requirements.

These activities are closely monitored using detailed data from the mortgage portfolio. This makes it possible, for example, to recognise any arrears. We also review random samples of mortgage loans. An SLA has been signed to ensure adequate control of the operational risks, including the outsourcing risk.

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.

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 credit risk concentration mainly lies within our Private Clients segment in the Netherlands.

#### 3.1.2 Credit management – policy and processes

To achieve and attain a high-quality loan portfolio, strict credit management is required. 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 reviews varies according to the individual borrower's risk profile, but they take 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 Credit Risk, Restructuring & Recovery department or a combination of these measures. It may also lead to a stage transfer under IFRS 9 – see Section 3.8.

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 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 Credit Risk, 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 the Credit Risk, Restructuring & Recovery department draws up an impairment proposal. The Impairment Committee determines the impairment for the whole credit portfolio on a quarterly basis.

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 Credit Risk, Restructuring & Recovery department will supervise the client. Increased credit risk occurs in situations including the following:

- If clients fail to meet their payment obligations;
- If clients report difficulties in meeting future payments, e.g. because of a divorce, unemployment etc.;
- In the event of a default (see Section 3.1.3.1);
- For business clients, in the event of a significant decrease in turnover, breach of one or more covenants, a debt service coverage ratio < 1, etc.

The primary goal of the Credit Risk, Restructuring & Recovery department is to migrate clients back to accounts with regular status (i.e. not under the supervision of Credit Risk, 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 forbearance exposures can be found in Section 3.2.

### 3.1.3 Credit risk measurement

We have developed internal models for measuring and monitoring credit risk for the majority of the loan portfolio. Some of these internal models are also used to determine the required capital that has to be set aside for absorbing unexpected credit losses. For this reason, 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. We use SA and A-IRB for our loan portfolios.

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 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 SA.

We have approval from DNB to determine and report the required regulatory capital for our residential mortgage exposures portfolio using the A-IRB approach. 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.

The PD model is 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.

For all our other retail and non-retail portfolios the SA approach has been used for capital calculations.

#### 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 Van Lanschot Kempen's company statement of financial position. 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 that are 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, such as the debt securities in our investment portfolio managed by the Treasury department (i.e. excluding retail, non-retail and equity), are calculated on the basis of the standardised approach.

##### 3.1.3.1 Definition of default and credit-impaired assets

In November 2020, we introduced the new definition of default according to the EBA guidelines. Most notably, the materiality threshold was changed to a uniform European standard. The new definition of default had no material impact on ECL levels. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred:

- A breach of contract such as a more than 90 days past due event with a materiality of more than €100 and more than 1% of total credit obligation (retail exposures) or more than €500 and more than 1% of total credit obligation for non-retail exposures;
- Significant financial difficulty of the issuer or the borrower and an inability to meet future payments;
- Concession(s) granted to the borrower that the lender would not otherwise consider, relating to the borrower's financial difficulties (forbearance);
- A growing likelihood that the borrower will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial market difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit loss.

It may not always be possible to identify a single discrete event; instead the combined effect of several events may have caused financial assets to become impaired. All impaired assets are also classified as defaulted by Van Lanschot Kempen under CRR rules. Van Lanschot Kempen has implemented one definition that serves for all the different purposes.

### 3.2 Forborne exposures

A loan is considered forborne if the borrower is unable to meet its contractual obligations towards the bank and the bank 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 that the client cannot meet 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.

Applying forbearance measures is exclusively reserved for the Credit Risk, Restructuring & Recovery department, which pursues a policy based on general principles and translates this to the specific situation of the individual client. Given the nature of these loans, the Credit Risk, 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. If a forbearance measure is granted, the client is classified as a non-performing credit.

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 are reanalysed and a strategy is redefined. 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. During 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 Credit Risk, Restructuring & Recovery department. Each quarter, and where appropriate more frequently for specific loans, an individual assessment is carried out of forborne exposures which are in default, 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.

As a result of the Covid-19 pandemic, a limited number of clients asked for financial assistance. In the 2020 March-September period, we assisted these clients with tailor-made solutions: temporary payment suspension for a maximum of six months or temporary liquidity support. In accordance with the *EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis*, these amendments were not registered as forbearance measures and, as a result, these exposures are not treated as non-performing. If further assistance or amendment of the terms and conditions were necessary, these exposures are classified as forborne and non-performing. At year-end 2021, only a very limited number of clients were unable to meet these amendments. As a result, these clients have been classified as non-performing exposures.

Tables 3.2.A through 3.2.C show the total volume of forbore exposures. We apply several types of forbearance measures (see Table 3.2.A). A new classification of types of forbore exposures is in place as of 2021 due to new non-performing exposures (NPE) guidance (Annex 5 of the EBA Guidelines on management of non-performing and forbore exposures).

Following the decision to apply such a measure, a loan remains under the supervision of the Credit Risk, Restructuring & Recovery department until the forbearance situation has ended.

Table 3.2.A Types of forbore exposure	31/12/2021	31/12/2020
<b>Total</b>	<b>34,877</b>	<b>43,155</b>
Refinancing or new loan	7,299	n/a
Interest payment only	—	n/a
Reduction of repayments	23,717	n/a
Extension of loan term	1,265	n/a
Reduction in interest rate	2,596	n/a
Repayments/reviews temporarily reduced/suspended	n/a	33,538
Provision of (temporary) additional funding (emergency loan)	n/a	7,729
Temporary reduction in interest rate or loan is made interest-free	n/a	1,887

Additions and repayments are related to clients that have a forbore exposure in place.

Tables 3.2.B and 3.2.C provide an insight into the underlying collateral of forbore 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 3.2.B Forbore exposures by collateral at 31/12/2021	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Total primary collateral	Secondary collateral and unsecured loans
<b>Total</b>	<b>34,877</b>	<b>1,425</b>	<b>10,104</b>	<b>12,931</b>	<b>24,459</b>	<b>10,418</b>
Mortgage loans	1,425	1,425	—	—	1,425	—
Current accounts	20,214	—	—	12,931	12,931	7,284
Loans	13,238	—	10,104	—	10,104	3,134

Table 3.2.C Forbore exposures by collateral at 31/12/2020	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Total primary collateral	Secondary collateral and unsecured loans
<b>Total</b>	<b>43,155</b>	<b>2,150</b>	<b>16,856</b>	<b>15,960</b>	<b>34,965</b>	<b>8,189</b>
Mortgage loans	2,150	2,150	—	—	2,150	—
Current accounts	22,520	—	—	15,960	15,960	6,560
Loans	18,485	—	16,856	—	16,856	1,630

### Write-off policy

We write off loans as soon as there is sufficient certainty about the loss after the sale of collateral and after exploring other redress opportunities.

### 3.3 Breakdown of the loan portfolio

We adopt a cautious approach to granting unsecured loans. Our loan book mainly consists of loans to Private Clients such as loans secured by residential real estate, a number of

commercial real estate loans and securities-backed loans. 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. The mortgage loans also include Kempen Dutch Inflation Fund, a fund that invests in leasehold contracts primarily in connection with Dutch residential real estate to create an investment in long-term Dutch inflation-linked cash flows.

	31/12/2021		31/12/2020	
	Limit	Utilisation	Limit	Utilisation
<b>Total</b>	<b>9,382,558</b>	<b>8,925,054</b>	<b>8,821,157</b>	<b>8,512,402</b>
Van Lanschot Kempen (formerly Van Lanschot Kempen Wealth Management)	8,832,356	8,490,584	8,342,971	8,124,092
Kempen Capital Management	164,431	164,431	175,614	175,614
Other	385,771	270,039	302,573	212,696

### 3.4 Collateral

In general, collateral can be used for all current and future amounts owed by a debtor. In addition to residential mortgage collateral and guarantees provided by governments and credit institutions, commercial real estate, financial collateral, receivables, stocks and inventories may serve as collateral.

The majority of collateral is not directly linked to a specific financing arrangement.

Tables 3.4.A and 3.4.B provide insight into the underlying collateral of the loan portfolio. An improved method to allocate the collateral over the different loan types was introduced. The comparative figures have been adjusted accordingly.

	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Other	Total collateralised loans	Unsecured loans
<b>Total</b>	<b>8,875,601</b>	<b>6,969,569</b>	<b>235,165</b>	<b>604,609</b>	<b>49,738</b>	<b>7,859,082</b>	<b>1,016,520</b>
Mortgage loans	6,723,806	6,485,017	6,131	3,621	6,645	6,501,415	222,391
Loans	1,387,468	389,320	203,117	220,336	29,525	842,297	545,170
Current accounts	484,107	61,900	25,916	182,411	13,568	283,794	200,312
Securities-backed loans and settlement receivables	280,221	33,333	—	198,242	—	231,575	48,646
Subordinated loans	—	—	—	—	—	—	—

	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Other	Total collateralised loans	Unsecured loans
<b>Total</b>	<b>8,448,326</b>	<b>6,433,364</b>	<b>435,126</b>	<b>124,151</b>	<b>153,958</b>	<b>7,146,599</b>	<b>1,301,728</b>
Mortgage loans	6,512,265	6,184,439	14,962	144	9,269	6,208,814	303,451
Loans	1,274,792	192,107	384,599	51,859	25,148	653,713	621,079
Current accounts	363,652	31,612	35,565	49,716	18,983	135,877	227,775
Securities-backed loans and settlement receivables	297,418	25,206	—	22,431	100,557	148,194	149,223
Subordinated loans	199	—	—	—	—	—	199

The category Other 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 3.4.A and 3.4.B have been drawn up on the basis of the definitions contained in the Basel regulations. The collateral value 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 loan-to-value (LTV) of our mortgage loans is based on indexed foreclosure values. The average LTV at year-end 2021 is 62%. Our methodology for determining the LTV on residential mortgages changed in 2021. The calculation is now based on indexed foreclosure value instead of the amount of the mortgage registration. As the housing market has shown a strong upward trend in recent years, this results in a decrease in the LTV. The adjusted methodology is in line with the generally accepted norms for LTV determination.

### 3.5 Concentration within the loan portfolio

About 85% of our loan portfolio consists of loans to private clients. For the credit risk in this portfolio, see Section 3.8, Loss allowance for expected credit loss. We aim for a diversified loan portfolio, reflecting our risk appetite. We have set limits for concentrations in individual sectors.

#### 3.5.1 Individual loan concentrations

The ten largest loans to individual counterparties other than financial institutions totalled €244 million at year-end 2021, compared with a total loan portfolio of €8.9 billion (2020: €180 million; total loan portfolio €8.5 billion).

#### 3.5.2 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.

	31/12/2021	31/12/2020
<b>Total</b>	<b>8,875,601</b>	<b>8,448,326</b>
Netherlands	8,276,319	7,761,852
Belgium	340,186	265,105
Other	259,096	421,369

### 3.6 Encumbered and unencumbered assets

Certain items in the statement of financial position are classified as encumbered. Tables 3.6.A and 3.6.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 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.

	Encumbered assets		Unencumbered assets		31/12/2021
	Pledged as collateral	Other	Eligible as collateral	Not eligible as collateral	Total
<b>Total</b>	<b>2,302,328</b>	<b>62,919</b>	<b>1,785,809</b>	<b>11,196,866</b>	<b>15,347,922</b>
Cash and cash equivalents and balances at central banks	—	58,212	—	3,655,982	3,714,194
Due from banks	16,045	4,707	—	50,522	71,275
Financial assets at fair value through profit or loss	—	—	47,293	251,833	299,126
Financial assets at fair value through other comprehensive income	546,050	—	1,309,153	275,124	2,130,327
Loans and advances to the public and private sectors	1,612,196	—	300,000	6,963,405	8,875,601
Other financial assets at amortised cost	128,036	—	129,363	—	257,399

Table 3.6.B Encumbered and unencumbered assets					
	Encumbered assets		Unencumbered assets		31/12/2020
	Pledged as collateral	Other	Eligible as collateral	Not eligible as collateral	Total
<b>Total</b>	<b>2,445,557</b>	<b>22,270</b>	<b>2,386,330</b>	<b>9,348,124</b>	<b>14,202,281</b>
Cash and cash equivalents and balances at central banks	—	14,647	—	2,213,155	2,227,803
Due from banks	154,125	7,623	—	48,836	210,584
Financial assets at fair value through profit or loss	—	—	101,696	189,291	290,987
Financial assets at fair value through other comprehensive income	487,364	—	1,713,669	375,030	2,576,063
Loans and advances to the public and private sectors	1,626,514	—	300,000	6,521,812	8,448,326
Other financial assets at amortised cost	177,554	—	270,965	—	448,518

### 3.7 Netting of financial assets and liabilities

Tables 3.7.A and 3.7.B show the netting of financial assets and liabilities. The right to net derivatives is laid down in a master netting agreement per counterparty. For information about the netting criteria, please see “Summary of significant accounting principles”.

Table 3.7.A Netting of financial assets and liabilities 31/12/2021					
	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)	274,774	21,902	252,872	1,042	251,830
Derivatives (liabilities)	202,019	21,902	180,117	1,042	179,075

Table 3.7.B Netting of financial assets and liabilities 31/12/2020					
	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)	398,389	21,686	376,702	9,293	367,409
Derivatives (liabilities)	510,489	21,686	488,802	9,293	479,509

### 3.8. Loss allowance for expected credit loss

Under the IFRS 9 standard, we recognise a loss allowance for ECL on financial assets measured at amortised cost or fair value through profit or loss, as well as for financial guarantees and loan commitments. When there is no significant deterioration in credit risk since initial recognition, ECL is recognised based on a 12-month expected credit loss (Stage 1). When a significant increase in credit risk has occurred, ECL is recognised based on a lifetime ECL (Stage 2). For impaired loans (Stage 3), a lifetime ECL is recognised.

#### 3.8.1. Expected loss measurement

We measure expected credit losses by using a sophisticated approach and an alternative approach. For the sophisticated approach we use models to calculate the ECL, governed by a model governance framework. Under this framework, the performance of the models is periodically monitored, and these models are also periodically validated. The IFRS9 models were externally validated in 2021 and are also subject to quarterly performance monitoring. If models are performing below the agreed threshold, recalibration or ultimate redevelopment will follow. In recent years, several recalibrations have been carried out; no redevelopment has yet been necessary.

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

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

The key elements of the ECL calculation are the probability of default (PD), exposure at default (EAD), loss given default (LGD), and loss given non-cure (LGN). The loss given non-cure is an estimate of the loss arising in the event of a default without cure occurring at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

In addition to these four key elements, we incorporate forward-looking information for the sophisticated approach.

We identify macroeconomic variables and consider three macroeconomic scenarios in calculating ECL:

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

These scenarios are associated with different PDs, EADs and LGNs. In the process of building the PD, cure rate and LGN models for IFRS, we included several macroeconomic risk drivers in the long list of risk drivers. Those determined

as best-performing during modelling were selected to be part of the model. The macroeconomic scenarios are generated based on inputs from the Bureau for Economic Policy Analysis (CPB), DNB, ECB and Van Lanschot Kempen's economic experts. The reported ECL (12-month or lifetime, depending on the stage) is a weighted average of ECLs per macroeconomic scenario. The table below shows the macroeconomic variables used for the sophisticated approach.

Model	Macroeconomic variables
PD calibration	<ul style="list-style-type: none"> <li>– Gross domestic product (GDP)</li> <li>– Volume of exports (EXP)</li> </ul>
Cure rate	<ul style="list-style-type: none"> <li>– Total investments (TI)</li> <li>– Private consumption (PC)</li> <li>– Residential real estate price (RREP)</li> <li>– Government consumption (GC)</li> </ul>
LGN	<ul style="list-style-type: none"> <li>– Gross domestic product (GDP)</li> <li>– Residential real estate price (RREP)</li> </ul>

### 3.8.2. Significant deterioration in credit risk

To determine the deterioration in credit risk of a financial instrument since initial recognition, we compare the risk of default at the reporting date with the risk of default on initial recognition.

To calculate the lifetime probability of default (LPD) at origination and the LPD at reporting date, we use four PD models: private individuals, small and medium-sized enterprises, corporates, and commercial real estate. If the increase in LPD exceeds the designated threshold, the exposure is transferred to Stage 2 and the lifetime ECL is calculated.

We use the following thresholds for the different PD models:

– Private investments	0.8
– Small and medium-sized enterprise	0.9
– Corporates	1.3
– Commercial real estate	0.9

A backstop is applied and financial instruments that are materially overdrawn and more than 30 days past due are transferred from Stage 1 to Stage 2. If the financial instrument is credit-impaired, it is transferred to Stage 3.

#### Threshold

An exposure will be regarded as "significantly deteriorated" if the result of the following formula exceeds the limit:

$$\log \left[ \frac{LPD_{reporting}}{1 - LPD_{reporting}} \right] - \log \left[ \frac{LPD_{origination}}{1 - LPD_{origination}} \right]$$

### 3.8.3. Financial instruments following sophisticated approach

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

- Various models that provide the expected flow of exposures to the default state;
- A PD calibration model giving the flow from performing to default;
- A full prepayment model and amortisation model giving the outflow from the portfolio of an entire exposure due to prepayment or contract expiration;
- A migration model providing flows from performing rating classes to other performing rating classes;
- A cure rate model giving the flow from default to performing classes and the non-cure state;

- Various product-level models that give the expected exposure at the moment a client goes into default;
- An amortisation model showing the contractual payments during the lifetime of a product and the part of the exposure flowing out of the portfolio due to partial prepayments;
- An EAD model giving the exposure as a function of the limit or outstanding amount just before default;
- A product-level model evaluating the part of EAD that may be lost – the loss given loss (LGL) model;
- A discount factor to discount the loss from the moment of default to the moment of reporting.

### 3.8.4. Financial instruments following the alternative approach

We apply an alternative approach for cash and cash equivalents, due from banks, debt instruments at amortised cost, debt instruments at fair value through other comprehensive income, and loans and security-backed loans issued by the Belgian branch and F. van Lanschot Bankiers

(Schweiz) AG. The alternative approach comprises an investments model and a foreign loan model. During 2021, we further improved the investments model by making use of more forward-looking information, including European macroeconomic scenarios.

### 3.8.5. Investments model

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

### 3.8.6. Foreign loans model

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

### 3.8.7. Covid-19 impact

The International Accounting Standards Board (IASB) and banking regulators have emphasised that entities should apply appropriate judgement when determining the effects of Covid-19 on ECL during this period of enhanced economic uncertainty arising from the pandemic. This is necessary because models based on historic data cannot make a reliable estimate of the increased credit risk stemming from Covid-19. Consequently, we have performed an additional

review of the loan portfolio. We monitored and examined client payment behaviour in the light of Covid-19, looking at whether we were able to derive additional signals from our list of arrears, monthly risk checks, a check on signals of declining savings or AuM, or, for commercial real estate, a combination of a low debt service coverage ratio and high LTV to determine whether there had been a deterioration in credit quality. Based on this client-by-client analysis, we have implemented a management overlay on clients that have shown an increase in credit risk. This resulted in a PD increase, leading us to move these clients one risk bucket higher and transferring them from Stage 1 to Stage 2. In addition to the client-by-client analysis, we also investigated whether certain economic sectors showed a significant increase in credit risk. We concluded that this applies to the following industries: hospitality, leisure and commercial real estate (excluding residential real estate). We increased the PD of these sectors by moving these exposures one risk bucket higher and transferring them to Stage 2. We excluded exposures which were originated in 2021, because for these exposures the Covid-19 impact was already reflected in the interest rate of the loan. The total management overlay applied for individual clients and economic sectors resulted in a provision of €1.6 million (2020: €4.9 million).

Even after incorporating this management overlay, the net impact on our credit portfolio was relatively limited. This is reflected in the comparatively small increase in expected credit loss (ECL).

### 3.8.8. Loss allowances

The table below shows the ECL loss allowances and the corresponding book values, categorised by balance sheet line item and ECL by stage, as at 31 December 2020 and 31 December 2021.

Table 3.8 Loss allowance for expected credit loss	31/12/2021		31/12/2020	
	Carrying value (excluding impairments)	Expected credit loss	Carrying value (excluding impairments)	Expected credit loss
<b>Total</b>	<b>16,364,629</b>	<b>51,572</b>	<b>15,137,318</b>	<b>64,863</b>
Cash and cash equivalents and balances at central banks	3,714,195	0	2,227,803	0
Due from banks	71,275	0	210,584	0
Financial assets at fair value through other comprehensive income	2,130,327	328	2,576,063	416
Loans and advances to the public and private sectors	9,266,829	49,452	8,731,280	64,075
Other financial assets at amortised cost	257,406	8	448,530	12
Financial guarantees and loan commitments	924,597	1,784	943,057	358

The table below shows the total loss allowances recognised by IFRS 9 stage. The total change in Stage 3 amounted to a decrease of €9.7 million; of this amount, €3.9 million is related to write-offs and €5.8 million to releases of loss allowances at Stage 3.

IFRS 9	31/12/2021	31/12/2020	Write-offs	Change in provision	Total change
Stage 1	4,651	3,926	—	725	725
Stage 2	4,517	8,786	—	-4,269	-4,269
Stage 3	42,404	52,151	-3,868	-5,879	-9,747
<b>Total</b>	<b>51,572</b>	<b>64,863</b>	<b>-3,868</b>	<b>-9,423</b>	<b>-13,291</b>

The table below shows the IFRS 9 stage and coverage ratios for loss allowances recognised in the loan portfolio, categorised by ECL stage, as at 31 December 2021 and 31 December 2020.

€ million	As at 31 December 2021				As at 31 December 2020			
	Loan portfolio	Provision	Coverage ratio	Stage ratio	Loan portfolio	Provision	Coverage ratio	Stage ratio
<b>STAGE 1</b>								
Mortgages	6,135	0.3	0.0 %	96.8 %	5,669	0.4	0.0 %	93.9 %
Other loans	1,528	3.3	0.2 %	69.5 %	1,242	2.9	0.2 %	62.2 %
Loan portfolio	7,663	3.6	0.0 %	89.8 %	6,910	3.3	0.0 %	86.0 %
Mortgages distributed by third parties	388	0.0	0.0 %	99.8 %	475	0.1	0.0 %	99.8 %
<b>Total</b>	<b>8,051</b>	<b>3.6</b>	<b>0.0 %</b>	<b>90.2 %</b>	<b>7,386</b>	<b>3.4</b>	<b>0.0 %</b>	<b>86.8 %</b>
<b>STAGE 2</b>								
Mortgages	172	0.4	0.2 %	2.7 %	319	1.0	0.3 %	5.3 %
Other loans	549	3.1	0.6 %	25.0 %	622	7.8	1.3 %	31.1 %
Loan portfolio	721	3.5	0.5 %	8.4 %	941	8.7	0.9 %	11.7 %
Mortgages distributed by third parties	—	—	—	—	—	—	—	—
<b>Total</b>	<b>721</b>	<b>3.5</b>	<b>0.5 %</b>	<b>8.1 %</b>	<b>941</b>	<b>8.7</b>	<b>0.9 %</b>	<b>11.0 %</b>
<b>STAGE 3</b>								
Mortgages	30	1.6	5.4 %	0.5 %	51	3.2	6.2 %	0.8 %
Other loans	121	40.7	33.5 %	5.5 %	134	48.7	36.3 %	6.7 %
Loan portfolio	152	42.4	27.9 %	1.8 %	185	51.9	28.0 %	2.3 %
Mortgages distributed by third parties	1	0.0	0.0 %	0.2 %	1	0.0	1.7 %	0.2 %
<b>Total</b>	<b>153</b>	<b>42.4</b>	<b>27.8 %</b>	<b>1.7 %</b>	<b>186</b>	<b>51.9</b>	<b>27.9 %</b>	<b>2.2 %</b>
<b>TOTAL</b>								
Mortgages	6,337	2.3	0.0 %		6,039	4.5	0.1 %	
Other loans	2,199	47.1	2.1 %		1,997	59.4	3.0 %	
Loan portfolio	8,536	49.4	0.6 %		8,036	63.9	0.8 %	
Mortgages distributed by third parties	389	0.0	0.0 %		476	0.1	0.0 %	
<b>Total</b>	<b>8,925</b>	<b>49.5</b>	<b>0.6 %</b>		<b>8,512</b>	<b>64.1</b>	<b>0.8 %</b>	

### Stage 1

The model-based Stage 1 provisions on loans increased slightly to €3.6 million during 2021. Newly originated loans and regular redemptions and prepayments led to an increase in exposures of €555 million and an increase of €0.8 million in provisions. Transfers to and from Stages 2 and 3 led to an increase in exposures of €185 million and a decrease of €0.6 million in provisions. The total increase in provisions therefore amounted to €0.2 million. There were three main causes for this rise. Firstly, the increase in newly originated loans, mostly residential mortgages. Secondly, the transfers from and to Stage 2: due to improved credit quality, exposures were transferred from Stage 2 to Stage 1. These credit risk improvements are supported by low arrears in the loan portfolio and positive macroeconomic expectations for 2022 and 2023, taking into account the effects of lockdown restrictions and government support and relief measures. Some of the transfer of exposures to Stage 2 is caused by the management overlay. The macroeconomic figures published by CPB and DNB in November and December 2021 predict fairly stable economic growth in 2022. As stated last year, we still assume that for some economic sectors the model outcome does not (yet) fully reflect the present credit risks, and we have again applied a management overlay to exposures to adjust the credit risks in these sectors. As a result of the overlay, €199 million of exposures and their provisions were transferred to Stage 2. Thirdly, we applied various recalibrations of the IFRS 9 models during 2021. This has led to a very slight increase in Stage 1 provisions.

### Stage 2

Stage 2 provisions decreased to €3.5 million. This includes the management overlay of €1.6 million, which was much lower than in 2020. This was due to improving economic circumstances, reflected in the economic growth figures from CPB and DNB mentioned above. Furthermore, improved credit quality led to lower provisions and a transfer of exposures to Stage 1. Most of these exposures are mortgages. In total, the amount of exposures in Stage 2 decreased by €175 million. The coverage ratio slightly changed compared with 2020.

### Stage 3

The baseline for Stage 3 provisions is determined by our Credit Risk, Restructuring & Recovery department, with limited IFRS 9 model adjustments. In 2021, Stage 3 exposures and provisions decreased significantly. Due to a release of provisions caused by fewer impaired exposures and limited new defaults, provisions fell to €42.4 million. This release was driven by a recovery in a broad part of the portfolio. Provisions for fully written off exposures increased slightly in comparison with 2020. The total impaired exposure fell by €33 million, while the coverage ratio hardly changed.

Loss allowances for ECL change over time for several reasons: the credit risk of financial instruments may significantly increase or decrease, financial instruments may become credit-impaired, or new financial assets may be originated. The following tables explain the changes in the loss allowances during the year and the loss allowance recognised in the statement of income.

Changes in impairments of Financial assets at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	416	—	—	416
Additions or releases without transfer	-130	—	—	-130
New financial assets originated or purchased	41	—	—	41
<b>Total through profit or loss</b>	<b>328</b>	<b>—</b>	<b>—</b>	<b>328</b>
At 31 December 2021	328	—	—	328

Changes in impairments of Financial assets at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	549	—	—	549
Additions or releases without transfer	-187	—	—	-187
New financial assets originated or purchased	55	—	—	55
<b>Total through profit or loss</b>	<b>416</b>	<b>—</b>	<b>—</b>	<b>416</b>
At 31 December 2020	416	—	—	416

Changes in impairments of Loans and advances to the public and private sectors	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	3,426	8,746	51,904	64,075
Additions or releases without transfer	-1,777	-6,102	-5,443	-13,322
Transfer to Stage 1	239	-2,385	-439	-2,585
Transfer to Stage 2	-325	3,316	-362	2,629
Transfer to Stage 3	-585	-98	591	-92
New financial assets originated or purchased	2,615	—	—	2,615
<b>Total through profit or loss</b>	<b>3,593</b>	<b>3,477</b>	<b>46,251</b>	<b>53,320</b>
Amounts written off	—	—	-3,868	-3,868
<b>At 31 December 2021</b>	<b>3,593</b>	<b>3,477</b>	<b>42,383</b>	<b>49,452</b>

Changes in impairments of Loans and advances to the public and private sectors	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	3,664	5,546	54,558	63,768
Additions or releases without transfer	-1,746	3,559	-872	941
Transfer to Stage 1	543	-3,044	-91	-2,592
Transfer to Stage 2	-315	2,900	-520	2,065
Transfer to Stage 3	-208	-213	2,048	1,626
New financial assets originated or purchased	1,487	—	—	1,487
<b>Total through profit or loss</b>	<b>3,426</b>	<b>8,746</b>	<b>55,124</b>	<b>67,295</b>
Amounts written off	—	—	-3,220	-3,220
<b>At 31 December 2020</b>	<b>3,426</b>	<b>8,746</b>	<b>51,904</b>	<b>64,075</b>

Changes in impairments of Financial guarantees and loan commitments	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	46	40	273	359
Additions or releases without transfer	359	334	-252	441
Transfer to Stage 1	3	-13	—	-10
Transfer to Stage 2	-12	680	—	668
Transfer to Stage 3	-14	—	—	-14
New financial assets originated or purchased	340	—	—	340
<b>Total through profit or loss</b>	<b>722</b>	<b>1,041</b>	<b>21</b>	<b>1,784</b>
<b>At 31 December 2021</b>	<b>722</b>	<b>1,041</b>	<b>21</b>	<b>1,784</b>

Changes in impairments of Financial guarantees and loan commitments	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	62	6	8	76
Additions or releases without transfer	-20	22	17	19
Transfer to Stage 1	—	-4	—	-3
Transfer to Stage 2	-1	16	—	15
Transfer to Stage 3	-405	—	247	-157
New financial assets originated or purchased	410	—	—	410
<b>Total through profit or loss</b>	<b>46</b>	<b>40</b>	<b>273</b>	<b>359</b>
<b>At 31 December 2020</b>	<b>46</b>	<b>40</b>	<b>273</b>	<b>359</b>

All financial instruments included in the line items Cash and cash equivalents, Due from banks, and Debt instruments at amortised cost are classified in Stage 1, and no transfers have taken place.

### 3.8.9. Credit quality

Van Lanschot Kempen allocates each exposure to a credit risk grade based on a variety of data that are determined to be predictive of the risk of default. Credit risk grades are

defined using qualitative (applying experienced credit judgement) and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

We use internally developed rating pools for the line items Loans and advances to the public and private sectors and Financial guarantees and loan commitments.

Credit grade	Description
Investment grade	Non-credit-impaired financial assets that are not placed under the supervision of the Credit Risk, Restructuring & Recovery department, internal rating pool 1
Standard monitoring	Non-credit-impaired financial assets that are not placed under the supervision of the Credit Risk, Restructuring & Recovery department, internal rating pools 2 to 4
Special monitoring	Non-credit-impaired financial assets that are placed under the supervision of the Credit Risk, Restructuring & Recovery department, internal rating pools 1 to 4
Default	Credit-impaired financial assets

All financial instruments under the line items Cash and cash equivalents, Due from banks, Debt instruments at amortised cost and Debt instruments at fair value through other comprehensive income are investment grade, which means their external rating is at least BBB-. We use external ratings for these line items.

The credit quality of the line items Loans and advances to the public and private sectors and Financial guarantees and loan commitments is shown in the tables below. Assessment of credit quality is based on our internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Credit quality of Loans and advances to the public and private sectors 31/12/2021	Stage 1	Stage 2	Stage 3	Total
<b>Credit grade</b>				
Investment grade (AAA to BBB-)	6,644,307	—	—	6,644,307
Standard monitoring (BB+ to B-)	1,667,285	715,979	—	2,383,264
Special monitoring (CCC to C)	—	77,050	—	77,050
Default (DDD to D)	—	—	162,207	162,207
<b>Gross carrying amount</b>	<b>8,311,593</b>	<b>793,029</b>	<b>162,207</b>	<b>9,266,829</b>
Loss allowance	3,593	3,477	42,383	49,452
<b>Carrying amount</b>	<b>8,308,000</b>	<b>789,552</b>	<b>119,824</b>	<b>9,217,376</b>

Credit quality of Loans and advances to the public and private sectors 31/12/2020	Stage 1	Stage 2	Stage 3	Total
<b>Credit grade</b>				
Investment grade (AAA to BBB-)	6,051,103	—	—	6,051,103
Standard monitoring (BB+ to B-)	1,518,430	888,666	—	2,407,096
Special monitoring (CCC to C)	—	80,306	—	80,306
Default (DDD to D)	—	—	192,776	192,776
<b>Gross carrying amount</b>	<b>7,569,532</b>	<b>968,972</b>	<b>192,776</b>	<b>8,731,280</b>
Loss allowance	3,426	8,746	51,904	64,075
<b>Carrying amount</b>	<b>7,566,107</b>	<b>960,226</b>	<b>140,873</b>	<b>8,667,205</b>

Credit quality of Financial guarantees and loan commitments 31/12/2021	Stage 1	Stage 2	Stage 3	Total
<b>Credit grade</b>				
Investment grade (AAA to BBB-)	763,957	—	—	763,957
Standard monitoring (BB+ to B-)	34,634	120,345	—	154,979
Special monitoring (CCC to C)	—	3,656	—	3,656
Default (DDD to D)	—	—	2,006	2,006
<b>Gross carrying amount</b>	<b>798,591</b>	<b>124,001</b>	<b>2,006</b>	<b>924,597</b>
Loss allowance	722	1,040	21	1,783
<b>Carrying amount</b>	<b>797,869</b>	<b>122,960</b>	<b>1,985</b>	<b>922,814</b>

Credit quality of Financial guarantees and loan commitments 31/12/2020	Stage 1	Stage 2	Stage 3	Total
<b>Credit grade</b>				
Investment grade (AAA to BBB-)	818,252	—	—	818,252
Standard monitoring (BB+ to B-)	37,095	83,844	—	120,940
Special monitoring (CCC to C)	—	550	—	550
Default (DDD to D)	—	—	3,315	3,315
<b>Gross carrying amount</b>	<b>855,348</b>	<b>84,394</b>	<b>3,315</b>	<b>943,057</b>
Loss allowance	46	40	273	358
<b>Carrying amount</b>	<b>855,302</b>	<b>84,355</b>	<b>3,042</b>	<b>942,699</b>

### 3.8.10. Macroeconomic variables

We incorporate forward-looking information for the sophisticated approach. We use macroeconomic variables and consider three macroeconomic scenarios in calculating ECL: a base-case scenario, an upside scenario, and a downside scenario. The weightings of the scenarios were 25% for both the positive and negative scenarios and 50% for the base-case scenario as at 31 December 2020 and 31 December 2021. The table below shows the macroeconomic variables used for the sophisticated approach as at 31 December 2020 and 31 December 2021.

Macroeconomic variables	As at 31 December 2021			As at 31 December 2020		
	2021	2022	2023	2020	2021	2022
<b>Gross domestic product</b>						
Base-case scenario	4.86%	3.96%	2.06%	-3.92%	3.28%	3.28%
Upside scenario	6.82%	5.92%	4.02%	-2.36%	4.84%	4.84%
Downside scenario	1.46%	0.56%	-1.34%	-6.98%	0.22%	0.22%
<b>Volume of exports</b>						
Base-case scenario	7.58%	6.18%	5.28%	-3.25%	5.95%	4.45%
Upside scenario	11.79%	10.39%	9.49%	-0.17%	9.03%	7.53%
Downside scenario	0.28%	-1.12%	-2.02%	-9.29%	-0.09%	-1.59%
<b>Total investments</b>						
Base-case scenario	3.09%	4.99%	4.99%	-5.97%	5.23%	5.23%
Upside scenario	10.56%	12.46%	12.46%	1.53%	12.73%	12.73%
Downside scenario	-9.87%	-7.97%	-7.97%	-20.70%	-9.50%	-9.50%
<b>Private consumption</b>						
Base-case scenario	3.60%	6.00%	2.50%	-6.75%	5.15%	4.85%
Upside scenario	5.72%	8.12%	4.62%	-5.30%	6.60%	6.30%
Downside scenario	-0.09%	2.31%	-1.19%	-9.59%	2.31%	2.01%
<b>Residential real estate price</b>						
Base-case scenario	15.26%	11.56%	5.26%	7.42%	2.32%	1.42%
Upside scenario	16.63%	12.93%	6.63%	8.74%	3.64%	2.74%
Downside scenario	12.88%	9.18%	2.88%	4.84%	-0.26%	-1.16%
<b>Government consumption</b>						
Base-case scenario	3.47%	4.37%	1.27%	-0.45%	4.15%	3.75%
Upside scenario	3.86%	4.76%	1.66%	-0.23%	4.37%	3.97%
Downside scenario	2.79%	3.69%	0.59%	-0.88%	3.72%	3.32%

For the portfolios that fall under the scope of IFRS9, we perform a scenario analysis to calculate the sensitivity of the ECL to macroeconomic variables. The main economic drivers of the ECL are gross domestic product (GDP), volume of

exports (EXP), total investments (TI), private consumption (PC), residential real estate price (RREP) and government consumption (GC). In the table below, ECLs are shown per stage and per scenario.

Sensitivity analysis as at 31 December 2021	Stage 1	Stage 2	Stage 3	Total	Change
Original situation	4,651	4,517	42,404	51,572	
Base-case scenario	4,331	4,346	41,980	50,657	-915
Upside scenario	3,299	3,741	40,210	47,250	-4,322
Downside scenario	6,743	5,635	45,446	57,824	6,252

### 3.9 Collateral credit-impaired financial instruments

In general, collateral can be used for all current and future amounts owed by a debtor. In addition to residential mortgage collateral and guarantees provided by governments and credit institutions, commercial real estate, financial collateral, receivables, stocks and inventories may serve as collateral. The majority of collateral is not directly linked to a specific financing arrangement.

For credit-impaired financial assets, the Credit Risk, Restructuring & Recovery department determines the liquidation or recovery value of the available collateral, based on the most recent valuation reports and applying the applicable haircuts.

The table below shows the collateral for financial assets considered credit-impaired.

Collateral for credit-impaired assets as at 31 December 2021				
	Gross exposure	Impairment	Carrying amount	Value of collateral
Loans and advances to public and private sectors	162,207	42,383	119,824	224,495
Financial guarantees and loan commitments	2,006	21	1,985	3,459

No impairment is recognised for credit-impaired financial instruments if the collateral is sufficient to cover the outstanding obligation. The total carrying amount of credit-impaired financial instruments for which there is no impairment recognised is €50.4 million (2020: €73.1 million).

## 4. 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, long-term dividend expectations 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 Treasury (part of the Other activities operating segment) is exposed in respect of its necessary market maintenance, its structured products activities and services to clients. Market risk stemming from trading activities in institutional securities is concentrated at the Investment Banking Clients operating segment.

### 4.1 Trading activities in securities

Our trading activities in securities mainly comprise equities and equity derivatives. Equities are concentrated at the Investment Banking Clients operating segment (equity brokerage) while equity derivatives are concentrated at Van Lanschot Kempen Treasury (structured products activities). A governance structure has been created to facilitate effective risk management. The risks are managed using value at risk (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 level 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, which are mainly embedded in our structured notes, are expressed in “the Greeks” (e.g. Delta, Vega, Rho) 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 one Management Board member) on a daily basis. The embedded derivatives sold to our clients are hedged by Van Lanschot Kempen. In the second quarter of 2020, we moved from a macro-hedging strategy to an almost exclusively back-to-back hedging strategy. This means that the complex derivatives sold to clients were broken down into individual risk drivers (i.e. delta exposure on S&P500 or EurostoXX 50). The total macro exposure per risk driver is calculated and this is hedged by using relatively simple (mostly listed) options. All risk drivers have individual limits and we monitor them daily and/or intra-day, although some basis risks remain. Given that new business in structured products is almost exclusively hedged back-to-back, the total macro risk exposure will diminish significantly over time.

Lastly, exposure to market risks is also generated by investments in Van Lanschot Kempen’s management book (notional €198.4 million; 2020: €115.9 million). These investments provide seed capital for newly launched Kempen funds and allow us to co-invest with our clients.

Table 4.1 Trading activities VaR	2021		2020	
	Derivatives-related	Share-related	Derivatives-related	Share-related
At 31 December	123	174	431	156
Highest VaR	599	333	1,515	388
Lowest VaR	55	79	141	84
Average VaR	233	162	434	192

### 4.2 Market risk due to foreign exchange positions

To a limited degree, treasury activities (mainly foreign exchange exposure, comprising client transactions and own positions) result in positions exposed to market risks. The Treasury department is part of the Other activities operating segment. 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 4.2.B and include all cash, forward and option positions of the entities in scope of consolidation.

Table 4.2.A Exchange rate risk of treasury trading activities (total gross nominal foreign exchange position translated to x €1,000)	2021	2020
At 31 December	442	293
Highest position	449	791
Lowest position	-246	-61
Average position	185	242

Table 4.2.B Foreign exchange positions (€1,000)	2021	2020
Total	976	915
Pound sterling	350	48
US dollar	396	58
Hong Kong dollar	303	14
Australian dollar	154	1,037
Singapore dollar	38	1
Norwegian krone	37	-68
New Zealand dollar	18	7
Swiss franc	-181	-221
Canadian dollar	-258	-74
Other	119	112

The capital requirement for exchange rate risk was €0.13 million at year-end 2021 (2020: €0.11 million). This amounts to 6% of the net open positions in each currency (2020: 6%).

Credit spread risk in the banking book (CSRBB) is the risk of volatility in earnings and/or equity, caused by spread movements of the yield on banking book instruments that are classified at fair value, versus the swap curve. For Van Lanschot Kempen, 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.

**4.3 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 from trading activities (see Table 4.3).

Table 4.3 Market risk	31/12/2021		31/12/2020	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
<b>Total</b>	281,270	22,502	241,258	19,301
Interest-related instruments	149,660	11,973	110,333	8,827
Share-related instruments	126,191	10,095	130,462	10,437
Currency-related instruments	5,419	434	463	37

#### Weighting and requirements

We use the standardised approach for all types of market risk. The market risk of interest rate derivatives is included under Interest rate-related instruments; the market risk of share-related derivatives is included under Share-related instruments; and the market risk of currency derivatives is included under Currency-related instruments.

## 5. Operational risk

Operational risks are potential losses that result from inadequate or failed internal processes, systems, inadequate or incorrect human actions, external events and fraud. Within Van Lanschot Kempen, operational losses are classified

using operational loss event types as set out in the Basel framework. Managing operational risks is the responsibility of line management (the first line of defence); this also includes the responsibility for information security and business continuity.

We have created a range of instruments for identifying, evaluating, monitoring and managing operational risks to support the bank's management in their roles as risk owners.

- **Operational risk appetite:** This appetite defines the level of – quantitative and qualitative – operational risk we are willing to accept. Exceeding this appetite requires the attention of the Management Board and will lead to additional mitigation measures as necessary.

- **Risk identification and assessment** via risk and control self-assessments and scenario analysis:
  - **Risk and control self-assessment** is a tool that allows line managers to systematically identify and assess risks so that steps can be taken to manage any risks outside the risk appetite. Risk and control self-assessments are carried out, at tactical (department) level, on the most important value chains of the organisation and on our most important programmes and projects. These assessments are re-performed periodically in order to reassess and update the existing operational risk level.
  - **Scenario analyses** are used to assess low frequency but high-impact risks. The results of these analyses are used to provide insight into the adequacy of the Pillar 1 capital requirement vis-à-vis the operational risk profile.
- **Risk response:** Management is responsible for deciding how to treat risk, and whether to mitigate, accept or transfer (insure) it:
  - **Action tracking:** Action tracking is used to track progress made in the delivery of actions to mitigate identified risks, arising from risk and control self-assessments, failing controls, analysis of incidents or complaints, findings by Internal Audit and external regulators, and other relevant events.
  - **Control effectiveness monitoring:** To ensure that the most important risks (key risks) are mitigated sufficiently, key controls have been defined; these are assessed on a regular basis to determine their effectiveness.
  - **Risk insurance:** 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 speaking, these policies are a combination of fraud and professional liability insurance, directors' liability insurance and various other liability and accident insurance policies.
  - **Risk acceptance:** If a risk is assessed to be outside of the risk appetite and it is not possible or economically viable to lower the risk, the risk can be accepted at Management Board level.
- **Risk monitoring:**
  - **Incident management:** Risks that materialise through an incident are registered in our database via the incident management process. For severe incidents, root cause analyses are carried out. The incidents database allows the systematic recording and analysis of losses resulting from operational risks. It contains information about losses incurred as a result of operational risks in prior years and forms the foundation of Van Lanschot Kempen's operational risk management measurement system. A total of 99 incidents entailing a loss of more than €1,000 were logged in the database in 2021 (2020: 140 incidents).
  - **Risk measurement:** This is based on key risk indicators (early warnings), which highlight trends and/or provide prospective information about operational risks.
  - **Risk meetings:** Periodic meetings with risk owners are held to monitor the development of the risk profile in relation to the risk appetite.

### Information Risk

Information risk assesses and monitors 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 and access to this data is ensured.

### Business continuity management

Coming out of the Covid-19 pandemic, Van Lanschot Kempen is following government guidance. After a period of gradually starting to go back to the office, with a number of basic rules applying, presence in the office was scaled down again at the end of 2021 due to lockdown restrictions. Our goal remains to ensure the health of our employees and provide our services at the same level as before the pandemic.

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 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 thus has universal scope within the bank; it comprises policies, standards and procedures aimed at safeguarding 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.

## 6. 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 2021, financial transactions totalling €14.5 million (2020: €25.1 million) had to be reported in the context of settlement risk.

## 7. CVA risk

Under the CRR, account must also be taken of the risk-weighted assets in relation to credit valuation adjustment (CVA), which must be adequate to cover the risk of a deterioration in the creditworthiness of the counterparty in a derivatives transaction (OTC or cleared). This CVA capital adequacy requirement is additional to requirements applying to the risk-weighted assets in relation to the "regular" default risk of a counterparty. We use the SA-CCR method to calculate the capital requirement for CVA.

## 8. Interest rate risk

Interest rate risk in the banking book (IRRBB) is the exposure to adverse market interest rate movements, arising from banking book activities. Adverse interest rate movements may impact a bank's current and/or future earnings, capital and market value. Responsibility for IRRBB management has been delegated by the Management Board to ALCO. Interest rate risks in non-banking book items are managed as part of market risk.

Our main source of interest rate risk is the maturity mismatch between assets and liabilities. In general, assets have longer interest rate maturities than liabilities, contractually as well as behaviourally. 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. Client behaviour risk is another 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 pursue a prudent interest rate risk policy that aims to mitigate the effect of prospective interest rate movements which could affect future net interest income, while balancing the costs of hedging activities on current earnings.

Table 8.A Interest rate risk metrics	31/12/2021	31/12/2020
Delta net interest income ( $\Delta$ NII)	-6.4%	-6.5%
Delta economic value of equity ( $\Delta$ EVE)	-7.4%	-1.4%

We address long-term interest rate risk by means of the economic value approach, which looks at how movements in interest rates impact the value of the bank's assets and liabilities. The rule-of-thumb metric for economic value analysis is duration of equity, which indicates the net impact of parallel interest rate changes on economic value, assuming a linear relationship between these parameters.

In the current interest rate environment, however, the relationship between economic value and interest rate changes is less linear due to, among other factors, "floors" in interest rates on various balance sheet items. For this reason, we focus not only on duration and delta NII, but also on the "true" economic value changes under various scenarios, in which all interest rate cash flows are re-plotted and revalued at shocked interest rate curves. In calculating economic values, we use coupon rates that are "stripped" from margins. In 2021, all delta economic value of equity ( $\Delta$ EVE) scenarios remained within risk appetite limits. By year-end 2021, the most adverse scenario was an instant upwards shock of 200 basis points. The  $\Delta$ EVE for this scenario was -7.4% at the end of 2021 (end of 2020: -1.4%).

We aim to neutralise the impact of differences in accounting classifications on interest rate steering. Hence, we mostly hedge the interest rate risk in fair value items in the banking book on a back-to-back basis, by means of interest rate swaps. By doing so, we make sure that Result on financial transactions – to the extent that it arises from banking book items – is only impacted by market changes in credit spreads over the swap curve and that there is no net impact from changes in the swap curve itself. For this reason, the  $\Delta$ NII scenarios we use to assess our interest rate risk profile do not affect the Result on financial transactions. We use hedge accounting to offset changes in the market value of derivatives that are used for hedging portfolios classified at amortised cost.

## 9. Liquidity risk

The main objective of our liquidity risk management is to ensure that we are able to maintain or generate sufficient cash resources to meet our payment obligations in full as they come due, on acceptable terms. One of the key elements of

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 (delta net interest income, or  $\Delta$ NII). This involves an analysis of the interest income under a number of market interest rate scenarios, relative to the baseline scenario in which interest rates are expected to develop based on forward rates.

In 2021, all  $\Delta$ NII scenarios remained within risk appetite limits. By year-end 2021, the most adverse scenario was a scenario in which yield curves flatten. In this scenario, we would have to swiftly increase the client interest rate on all deposit balances which are currently under a negative interest rate regime.

The  $\Delta$ NII for this scenario was -6.4% at the end of 2021 (end of 2020: -6.5%, in a scenario in which short term interest rates fall). Table 8.A shows the interest rate risk metrics.

our approach towards liquidity risk management is to maintain stakeholder confidence in the bank's solidity at all times.

The main source of liquidity risk that we are exposed to relates to the share of client deposits in our funding base. Although 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 less substantial for us, since our client deposit base comfortably funds our entire loan book. To still obtain a certain degree of diversification in our funding mix, we have a covered bond programme in place.

To manage liquidity risks, we use a forward-looking liquidity risk management 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 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, along with in- and outflows in the client deposit base. Finally, each year we outline our capital and funding planning for a three-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.

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 Contractual maturity

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, without taking behavioural aspects into account. These amounts correspond with the amounts included in the consolidated statement of financial position. Items with no maturity, such as equity instruments, assets and liabilities classified as held for sale, and provisions are presented separately.

Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included.

As savings and current accounts do not have fixed terms, the balances of non-maturity instruments are presented within the withdrawable on demand category.

Due from banks and amounts due to banks include collateral delivered and received related to derivative transactions. Allocation of this collateral over the maturity buckets is conducted in accordance with the maturity classification of the derivative contracts.

Table 9.1.A Contractual maturity of assets and liabilities at 31/12/2021								
	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Subtotal	Maturity not applicable	Total
<b>Assets</b>								
Cash and cash equivalents and balances at central banks	3,714,194	—	—	—	—	3,714,194	—	3,714,194
Financial assets held for trading	—	—	—	—	—	—	30,876	30,876
Due from banks	41,560	2,370	390	20,172	6,783	71,275	—	71,275
Derivatives	—	26,708	79,675	85,885	60,603	252,872	—	252,872
Financial assets at fair value through profit or loss	183,917	10,006	35,390	25,175	—	254,489	44,638	299,126
Financial assets at fair value through other comprehensive income	—	122,536	240,608	1,538,825	228,358	2,130,327	—	2,130,327
Loans and advances to the public and private sectors	749,616	32,345	119,661	496,237	7,477,742	8,875,601	—	8,875,601
Other financial assets at amortised cost	—	75,799	181,599	—	—	257,399	—	257,399
Investments in associates using the equity method	—	—	—	—	—	—	82,441	82,441
Other assets <sup>1</sup>	—	145,551	35,119	41,169	15,490	237,328	355,157	592,485
<b>Total assets</b>	<b>4,689,288</b>	<b>415,315</b>	<b>692,442</b>	<b>2,207,463</b>	<b>7,788,976</b>	<b>15,793,485</b>	<b>513,112</b>	<b>16,306,596</b>
<b>Total assets excluding derivatives</b>	<b>4,689,288</b>	<b>388,607</b>	<b>612,767</b>	<b>2,121,578</b>	<b>7,728,373</b>	<b>15,540,613</b>	<b>513,112</b>	<b>16,053,725</b>
<b>Equity and liabilities</b>								
Financial liabilities from trading activities	—	53	—	—	—	53	—	53
Due to banks	23,040	890	5,600	434,565	37,316	501,411	—	501,411
Public and private sector liabilities	11,142,976	275,406	44,478	96,997	169,698	11,729,556	—	11,729,556
Derivatives	—	26,610	69,406	81,956	2,145	180,117	—	180,117
Financial liabilities at fair value through profit or loss	—	11,363	50,463	425,840	72,755	560,421	—	560,421
Issued debt securities	—	—	475,764	443,101	500,000	1,418,865	—	1,418,865
Lease liabilities	—	36	713	29,585	16,369	46,703	—	46,703
Other liabilities <sup>2</sup>	—	57,057	178,991	—	—	236,048	52,569	288,617
Subordinated loans	—	—	—	16,563	154,964	171,527	—	171,527
Equity	—	—	—	—	—	—	1,409,327	1,409,327
<b>Total equity and liabilities</b>	<b>11,166,016</b>	<b>371,416</b>	<b>825,414</b>	<b>1,528,607</b>	<b>953,247</b>	<b>14,844,701</b>	<b>1,461,895</b>	<b>16,306,596</b>
<b>Total equity and liabilities excluding derivatives</b>	<b>11,166,016</b>	<b>344,806</b>	<b>756,008</b>	<b>1,446,652</b>	<b>951,102</b>	<b>14,664,584</b>	<b>1,461,895</b>	<b>16,126,479</b>
<b>On-balance gap</b>	<b>-6,476,728</b>	<b>43,899</b>	<b>-132,972</b>	<b>678,856</b>	<b>6,835,729</b>	<b>948,784</b>	<b>-948,783</b>	<b>—</b>

<sup>1</sup> Includes Property and equipment, Goodwill and other intangible assets, Tax assets and Other assets as presented in the consolidated statement of financial position.

<sup>2</sup> Includes Provision, Tax liabilities and Other liabilities as presented in the consolidated statement of financial position.

Table 9.1.B Contractual maturity of assets and liabilities at 31/12/2020

	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Subtotal	Maturity not applicable	Total
<b>Assets</b>								
Cash and cash equivalents and balances at central banks	2,227,803	—	—	—	—	2,227,803	—	2,227,803
Financial assets held for trading	—	—	—	—	—	—	61,678	61,678
Due from banks	32,133	820	10,742	131,713	35,176	210,584	—	210,584
Derivatives	—	32,940	77,422	139,976	126,364	376,702	—	376,702
Financial assets at fair value through profit or loss	117,567	3,854	50,190	71,219	—	242,830	48,157	290,987
Financial assets at fair value through other comprehensive income	—	101,441	394,267	2,036,817	43,538	2,576,063	—	2,576,063
Loans and advances to the public and private sectors	610,176	57,362	122,762	524,037	7,133,990	8,448,326	—	8,448,326
Other financial assets at amortised cost	—	105,073	80,875	262,570	—	448,518	—	448,518
Investments in associates using the equity method	—	—	—	—	—	—	72,202	72,202
Other assets <sup>1</sup>	—	130,759	37,759	39,375	33,687	241,580	194,584	436,163
<b>Total assets</b>	<b>2,987,678</b>	<b>432,249</b>	<b>774,017</b>	<b>3,205,707</b>	<b>7,372,755</b>	<b>14,772,406</b>	<b>376,621</b>	<b>15,149,026</b>
<b>Total assets excluding derivatives</b>	<b>2,987,678</b>	<b>399,309</b>	<b>696,595</b>	<b>3,065,731</b>	<b>7,246,391</b>	<b>14,395,704</b>	<b>376,621</b>	<b>14,772,325</b>
<b>Equity and liabilities</b>								
Financial liabilities from trading activities	—	26	—	—	—	26	—	26
Due to banks	32,613	8,100	1,127	453,039	6,250	501,129	—	501,129
Public and private sector liabilities	9,775,835	34,391	57,991	152,320	120,571	10,141,109	—	10,141,109
Derivatives	—	29,771	84,375	127,744	246,912	488,802	—	488,802
Financial liabilities at fair value through profit or loss	—	11,833	65,509	582,738	80,789	740,869	—	740,869
Issued debt securities	—	—	16,263	1,453,634	—	1,469,897	—	1,469,897
Lease liabilities	—	—	836	16,344	35,123	52,303	—	52,303
Other liabilities <sup>2</sup>	—	53,040	108,690	—	—	161,730	64,586	226,316
Subordinated loans	—	—	—	16,909	155,570	172,479	—	172,479
Equity	—	—	—	—	—	—	1,356,096	1,356,096
<b>Total equity and liabilities</b>	<b>9,808,448</b>	<b>137,161</b>	<b>334,791</b>	<b>2,802,729</b>	<b>645,216</b>	<b>13,728,344</b>	<b>1,420,682</b>	<b>15,149,026</b>
<b>Total equity and liabilities excluding derivatives</b>	<b>9,808,448</b>	<b>107,390</b>	<b>250,416</b>	<b>2,674,985</b>	<b>398,303</b>	<b>13,239,542</b>	<b>1,420,682</b>	<b>14,660,224</b>
<b>On-balance gap</b>	<b>-6,820,770</b>	<b>295,088</b>	<b>439,226</b>	<b>402,978</b>	<b>6,727,539</b>	<b>1,044,062</b>	<b>-1,044,061</b>	<b>—</b>

The assets comprise many long-term mortgage loans while the liabilities are made up of many short-term deposits. This results in a gap between the "Withdrawable on demand" and "More than five years" columns. 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 and take behavioural aspects into account.

For each transaction we have 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.

<sup>1</sup> Includes Property and equipment, Goodwill and other intangible assets, Tax assets and Other assets as presented in the consolidated statement of financial position.

<sup>2</sup> Includes Provision, Tax liabilities and Other liabilities as presented in the consolidated statement of financial position.

## 9.2 Contractual maturities of undiscounted cash flow of financial liabilities

Tables 9.2.A and 9.2.B show liabilities by maturity based on contractual, undiscounted cash flows and including related future cash flows, such as interest payments. Repayments

which are subject to notice are treated as if notice were to be given immediately. However, we expect that many clients will not request repayment at the earliest possible date, and the tables below do not reflect the expected cash flows as indicated by our deposit retention history.

**Table 9.2.A Contractual maturities of undiscounted cash flow of liabilities at 31/12/2021**

	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities from trading activities	—	53	—	—	—	53
Due to banks	1,090	22,840	5,600	434,565	37,316	501,411
Public and private sector liabilities	11,159,954	269,016	47,003	147,834	178,232	11,802,040
Derivatives	153,605	16,477	4,567	4,821	648	180,117
Financial liabilities at fair value through profit or loss	—	10,972	50,665	424,161	75,315	561,113
Issued debt securities	—	5,547	477,594	444,772	504,375	1,432,288
Of which covered bond	—	5,547	477,594	444,772	504,375	1,432,288
Of which floating-rate notes	—	—	—	—	—	—
Subordinated loans	—	2,119	9,871	60,739	232,261	304,990
<b>Total undiscounted liabilities</b>	<b>11,314,649</b>	<b>327,024</b>	<b>595,300</b>	<b>1,516,892</b>	<b>1,028,147</b>	<b>14,782,012</b>

**Table 9.2.B Contractual maturities of undiscounted cash flow of liabilities at 31/12/2020**

	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities from trading activities	—	26	—	—	—	26
Due to banks	9,316	31,397	1,127	453,039	6,250	501,129
Public and private sector liabilities	9,804,403	34,603	59,786	154,580	159,540	10,212,912
Derivatives	149,545	30,472	35,769	121,669	151,347	488,802
Financial liabilities at fair value through profit or loss	—	12,094	65,794	585,177	79,262	742,327
Issued debt securities	—	5,575	18,899	936,053	508,750	1,469,277
Of which covered bond	—	5,575	1,792	936,053	508,750	1,452,170
Of which floating-rate notes	—	—	17,107	—	—	17,107
Subordinated loans	—	956	8,046	43,145	207,186	259,334
<b>Total undiscounted liabilities</b>	<b>9,963,264</b>	<b>115,123</b>	<b>189,421</b>	<b>2,293,663</b>	<b>1,112,335</b>	<b>13,673,806</b>

## 10. Securitisation risk

We treat securitisation as an asset class in our investment portfolio. We are not party to any synthetic securitisations and have no trading position in securitisation transactions.

### Funding

We do not structure securitisations for other entities and have no outstanding securitisations in which we act as a sponsor, seller and/or servicer.

### Investments

Part of our liquidity investment portfolio is invested in RMBS. We invest only in the most senior and AAA tranches of RMBS transactions. If they comply with the simple, transparent and standardised (STS) requirements, these securitisations qualify as high-quality liquid assets in an assessment of the liquidity coverage ratio. All tranches are ECB eligible, meaning that they have at least two ratings from an external credit assessment institution (ECAI).

As the investments are part of the liquidity buffer, they can be used as collateral, in repo transactions, or sold if necessary. The RMBS portfolio represents a small share of the total investment portfolio.

### Risk exposures within the investment portfolio

The credit risks of the investments are not hedged. Our investment portfolio as a whole is monitored by the Treasury department and the Credit Risk Approval team on a daily basis. The portfolio is monitored on nominal limits as well as on credit risk limits.

### 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 SEC-ERBA methodology to calculate the total risk exposure of RMBS investments.

## 11. Climate change and sustainability risks

Climate change risk reflects the physical and/or transitional impacts of a change in the climate on Van Lanschot Kempen's financial position and/or reputation. The risk of climate change to our activities is periodically assessed.

Climate change risks are addressed in the following ways in the different parts of our organisation.

In investment management, they are taken into account when investments are made or investment managers are selected. On both a quantitative and qualitative basis, Risk Management measures and analyses the sustainability risks to our investment management activities. We aim to monitor limits set by regulators, our Sustainability Board or clients and provide insight into the sustainability profile of all of Van Lanschot Kempen's investment activities.

In our own investment book, we observe the Van Lanschot Kempen sustainability principles. With respect to climate change and environmental impact, objectives are currently determined on the basis of total carbon emissions. For the positions in our management book, the same Van Lanschot Kempen sustainability principles are adhered to.

The climate change risk to our Private Clients activities – the mortgage portfolio and, to a lesser extent, other loans – is assessed on the basis of total carbon emissions. Based on a methodology that looks at various risk types (e.g. credit risk, operational risk), the main sustainability risks (physical and transition) and the available data, there is currently no reason to apply a management overlay to the IFRS 9 models (Stages 1 and 2). In addition, the IFRS provision for Stage 3 is determined per individual credit file by the Credit Risk, Restructuring & Recovery department. If there are significant climate risks relating to loans by this department that play a role during the period the file is in default, climate risks are included in the determination of the provision. A management overlay is therefore not necessary for Stage 3 either.

For our own organisation, climate-related risks are defined as the risk of flooding, earthquakes, drought and other natural hazards that could put the regular execution of our operations at risk. This risk is included in our business continuity stress-testing methodology as one of several scenarios that could lead to a prolonged disruption of facility usage.

In addition to climate change-related risks, Risk Management also looks at more broadly defined sustainability risks, such as biodiversity, human rights, and diversity and inclusion. These could very well lead to a combination of financial, reputational and legal problems in the long term when not addressed proactively. Risk Management closely monitors developments in these areas, as we recognise the increased awareness and importance of these. To reflect this, we have identified three themes (climate and biodiversity, smart and circular economy, and living better for longer) in which we can make a social and environmental impact and which we want to invest in together with our clients (see "Our value creation" on page 24).

## 12. Compliance risk

As a specialist wealth manager, it is Van Lanschot Kempen's purpose to preserve and create wealth, in a sustainable way, for our clients and the societies we serve. When operating in

financial markets, it is crucially important that we conduct our business activities in accordance with the expectations of our clients, shareholders, employees and competent authorities, but also that we follow high ethical standards, in alignment with our values and risk appetite, and within the boundaries of applicable laws, rules, regulations, internal policies and procedures and industry standards relevant to Van Lanschot Kempen. This increases the long-term sustainability of our business activities and helps us to fulfil our purpose.

We maintain a permanent, independent and effective compliance function to identify, assess, monitor and report on compliance risk, i.e. the risk of failure by Van Lanschot Kempen to comply with regulations as applicable to Van Lanschot Kempen and/or of undertaking or failing to undertake those activities prohibited or mandated under applicable regulations. Additionally, we have put in place policies and procedures, systems and controls necessary to manage compliance risk.

The Compliance department is headed by the Chief Compliance Officer, who reports directly to the Chair of the Management Board. The Compliance department fulfils its responsibilities by providing advice and assistance to Van Lanschot Kempen committees and staff, and by continuously monitoring adherence to regulations within Van Lanschot Kempen's day-to-day operations.

Compliance risk remained a focal point for Van Lanschot Kempen in 2021, both from an internal and an external perspective. Externally, 2021 again brought changes that impact our regulatory landscape. One example was the EU's new Sustainable Action Plan, implemented through regulatory provisions such as the Sustainable Financial Disclosure Regulation (SFDR).

We are proactively responding to these external regulatory developments through the constitution of dedicated implementation working groups in which Van Lanschot Kempen's Compliance team takes part, as well as through other control functions within the company. Special efforts have been dedicated to the implementation of various sustainability-related regulatory developments, and we have been working extensively to adapt policies, procedures and controls to the new regulatory requirements as well as to the demands and expectations of clients and investors.

In addition to these external regulatory developments, we have devoted, and continue to devote, substantial resources to the strengthening of our compliance framework and our Compliance team. In this context, the Management Board has completed a group-wide project to enhance our anti-financial crime framework and its policies, procedures and controls. We have implemented the enhancements identified by this overarching project.

Separately, the Compliance team has continued to enhance the compliance framework through dedicated efforts to strengthen our policies and procedures across business lines as well as through the compliance risk management programme. We have also continued to develop and deliver a dedicated compliance training programme for staff. The Compliance team was strengthened in 2021 by the hiring of additional senior compliance experts, including a new Head of Compliance Risk Management & Monitoring. Further optimising Compliance is integral to our strategic direction.

### 13. Financial reporting risk

The Management 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 and 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 operational effectiveness of the internal control system by Internal Audit, which are discussed with the Management 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 Management Board and discussion of this by the Audit and Compliance Committee and by the Supervisory Board.

The management teams of the relevant divisions have provided the Management Board with in-control statements on the extent of internal control, based on the results of testing procedures for the risk and control framework, the risks reported on a quarterly basis, the follow-up of these risks, and the incidents reported. Risk Management and Compliance have evaluated these statements.

## 14. Fair value

### 14.1 Financial assets at fair value through profit or loss

A portion of the financial instruments are measured at fair value in the statement of financial position. Tables 14.1.A and 14.1.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. Using 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 14.1.A Financial instruments at fair value at 31/12/2021

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets from trading activities (FVPL)	29,704	1,136	36	30,876
Derivatives (FVPL)	48,478	204,168	225	252,872
Financial assets at fair value through profit or loss	224,196	46,170	28,760	299,126
Financial assets at fair value through other comprehensive income	2,130,327	—	—	2,130,327
<b>Total assets</b>	<b>2,432,705</b>	<b>251,474</b>	<b>29,021</b>	<b>2,713,200</b>
<b>Liabilities</b>				
Financial liabilities from trading activities (FVPL)	53	—	—	53
Derivatives (FVPL)	48,255	131,119	743	180,117
Financial liabilities at fair value through profit or loss	—	466,217	94,204	560,421
<b>Total liabilities</b>	<b>48,308</b>	<b>597,336</b>	<b>94,947</b>	<b>740,591</b>

Table 14.1.B Financial instruments at fair value at 31/12/2020

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets from trading activities (FVPL)	56,622	4,576	480	61,678
Derivatives (FVPL)	45,381	326,756	4,565	376,702
Financial assets at fair value through profit or loss	201,308	68,580	21,099	290,987
Financial assets at fair value through other comprehensive income	2,576,063	—	—	2,576,063
<b>Total assets</b>	<b>2,879,374</b>	<b>399,912</b>	<b>26,144</b>	<b>3,305,430</b>
<b>Liabilities</b>				
Financial liabilities from trading activities (FVPL)	26	—	—	26
Derivatives (FVPL)	44,083	442,860	1,859	488,802
Financial liabilities at fair value through profit or loss	—	693,406	47,464	740,869
<b>Total liabilities</b>	<b>44,109</b>	<b>1,098,590</b>	<b>86,998</b>	<b>1,229,697</b>

#### 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 threshold values. Our policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period.

In 2021, 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 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 at fair value through profit or loss were transferred

to Level 2 as a result of the input variables' 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 €0.0 million from Level 2 to Level 3 and a transfer of €3.6 million from Level 3 to Level 2. In the case of Financial liabilities at fair value through profit or loss, it involved a transfer of €0.0 million from Level 2 to Level 3. The transfer of Derivatives (liabilities) includes a €0.5 million shift from Level 3 to Level 2.

#### Breakdown of movements in financial assets and liabilities classified under Level 3

Tables 14.1.C and 14.1.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 14.1.C Breakdown of changes in financial liabilities classified as Level 3 in 2021

	At 1 January	To statement of income	To equity <sup>1</sup>	Issues	Settlements	Transfers	At 31 December
<b>Assets</b>							
Financial assets from trading activities (FVPL)	480	-2	—	16	-458	—	36
Derivatives (FVPL)	4,565	207	—	—	-1,088	-3,459	225
Financial assets at fair value through profit or loss	21,099	8,370	—	82	-791	—	28,760
<b>Total assets</b>	<b>26,144</b>	<b>8,575</b>	<b>—</b>	<b>98</b>	<b>-2,336</b>	<b>-3,459</b>	<b>29,021</b>
<b>Liabilities</b>							
Derivatives (FVPL)	1,859	—	—	743	-1,049	-810	743
Financial liabilities at fair value through profit or loss	47,464	-11,134	—	101,550	-6,000	-37,676	94,204
<b>Total liabilities</b>	<b>49,323</b>	<b>-11,134</b>	<b>—</b>	<b>102,293</b>	<b>-7,049</b>	<b>-38,486</b>	<b>94,947</b>
<b>Total assets less liabilities</b>	<b>-23,179</b>	<b>19,710</b>	<b>—</b>	<b>-102,195</b>	<b>4,713</b>	<b>35,026</b>	<b>-65,926</b>

1. The changes in value recognised in equity are included in the statement of comprehensive income as Revaluation of financial assets at fair value through other comprehensive income.

Table 14.1.D Breakdown of changes in financial liabilities classified as Level 3 in 2020

	At 1 January	To statement of income	To equity <sup>1</sup>	Issues	Settlements	Transfers	At 31 December
<b>Assets</b>							
Financial assets from trading activities (FVPL)	463	40	—	—	-23	—	480
Derivatives (FVPL)	6,539	604	—	18	-3,357	761	4,565
Financial assets at fair value through profit or loss	13,539	7,442	—	118	—	—	21,099
<b>Total assets</b>	<b>20,541</b>	<b>8,086</b>	<b>—</b>	<b>136</b>	<b>-3,380</b>	<b>761</b>	<b>26,144</b>
<b>Liabilities</b>							
Derivatives (FVPL)	3,410	-1,263	—	—	-319	31	1,859
Financial liabilities at fair value through profit or loss	9,111	-2,085	—	4,000	-7,195	43,633	47,464
<b>Total liabilities</b>	<b>12,521</b>	<b>-3,348</b>	<b>—</b>	<b>4,000</b>	<b>-7,514</b>	<b>43,664</b>	<b>49,323</b>
<b>Total assets less liabilities</b>	<b>8,020</b>	<b>11,434</b>	<b>—</b>	<b>-3,864</b>	<b>4,134</b>	<b>-42,903</b>	<b>-23,179</b>

Table 14.1.E Fair value changes recognised in profit or loss of financial instruments classified as Level 3

	2021			2020		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net interest income	—	—	—	—	—	—
Income from securities and associates	-2	8,670	8,668	40	7,240	7,280
Result on financial transactions	—	11,042	11,042	—	4,155	4,155
Impairments	—	—	—	—	—	—
<b>Total</b>	<b>-2</b>	<b>19,712</b>	<b>19,710</b>	<b>40</b>	<b>11,395</b>	<b>11,434</b>

1. The changes in value recognised in equity are included in the statement of comprehensive income as Revaluation of financial assets at fair value through other comprehensive income.

Table 14.1.F Notes on fair value determination using unobservable market inputs (Level 3)

	Fair value		Valuation method	Significance of unobservable market inputs
	31/12/2021	31/12/2020		
<b>Assets</b>				
<b>Financial assets from trading activities</b>				
Shares, unlisted	36	480	– Net asset value	– Net asset value – Face value
<b>Derivatives</b>				
Structured product derivatives				
– Options <sup>1</sup>	—	3,786	– Option model	– Volatility – Correlation
– Equity swaps <sup>1</sup>	225	779	– Discounted cash flow model – Option model	– Volatility – Correlation
<b>Financial assets at fair value through profit or loss</b>				
Debt instruments: company cumprefs (shareholdings) (FVPL mandatory) <sup>1</sup>	1,496	2,227	– Discounted cash flow model	– Interest rate – Discount rates
<b>Shares, unlisted</b>				
	21,106	12,204	– Net asset value	– Most recent published net asset values of the underlying assets – Kempen: Cost or lower market value
	4,034	4,563	– Net asset value	– Net asset value – Market value
	1,789	1,789	– 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
	336	316	– Net asset value	– EBITA – Issue or transfer price – Market price on final trading day – Face value less provisions
<b>Total assets</b>	<b>29,022</b>	<b>26,144</b>		
<b>Liabilities</b>				
<b>Derivatives</b>				
Structured product derivatives				
– Credit-linked swaps	—	31	– Discounted cash flow model	n/a
– Options <sup>1</sup>	—	1,828	– Option model	– Volatility – Correlation
– Equity swaps <sup>1</sup>	743	—	– Discounted cash flow model – Option model	n/a
<b>Financial liabilities at fair value through profit or loss</b>				
Structured debt instruments <sup>1</sup>	94,204	47,464	– Discounted cash flow model – Option model	– Volatility – Correlation
<b>Total liabilities</b>	<b>94,947</b>	<b>49,323</b>		

1 Please refer to Tables 14.1.G and 14.1.H for the range and sensitivity of these financial instruments. No range or sensitivity information is available for the other financial instruments.

Table 14.1.G Notes on range and sensitivity of unobservable market inputs (Level 3) at 31/12/2021

	Significant unobservable market inputs	Range (weighted average)	Sensitivity
<b>Assets</b>			
<b>Derivatives</b>			
Derivatives fair value hedge accounting			
– Inflation-linked swaps	– Seasonality	6,9% - 8.4% (7.6%)	Total impact €0.2m
Structured products derivatives			
– Options	– Correlation	n/a	n/a
	– Volatility	16,4% - 24.2% (20.3%)	Total impact €0.9m
	– Dividend	0.9% - 2.8% (1.6%)	Total impact €0.2m
– Equity swaps	– Correlation	n/a	Total impact €0.0m
	– Volatility	16.3% - 20.2% (18.2%)	Total impact €0.0m
	– Dividend	2,3% - 2.9% (2.6%)	Total impact €0.0m
<b>Financial assets at fair value through profit or loss</b>			
Debt instruments: company cumprefs (shareholdings)			
	– Interest rates	6% - 12% (9%)	Change of 1% - change of €0.0m
	– Discount rates	6% - 12% (9%)	Change of 1% - change of €0.0m
<b>Liabilities</b>			
<b>Derivatives</b>			
Derivatives fair value hedge accounting			
– Inflation-linked swaps	– Seasonality	-8.4% - 4.5% (-1.0%)	Total impact €0.6m
Structured products derivatives			
– Options	– Correlation	n/a	n/a
	– Volatility	16.4% - 21.9% (19.1%)	Total impact €0.1m
	– Dividend	2.1% - 2.8% (2.4%)	Total impact €0.0m
– Equity swaps	– Correlation	-20.4% - 23.7% (0.9%)	Total impact €0.1m
	– Volatility	15.6% - 26.0% (19.1%)	Total impact €0.6m
	– Dividend	0.4% - 5.4% (2.8%)	Total impact €0.8m
<b>Financial liabilities at fair value through profit or loss</b>			
Structured debt instruments			
	– Correlation	n/a	n/a
	– Volatility	n/a	n/a

Table 14.1.H Notes on range and sensitivity of unobservable market inputs (Level 3) at 31/12/2020

	Significant unobservable market inputs	Range (weighted average)	Sensitivity
<b>Assets</b>			
<b>Derivatives</b>			
Structured products derivatives			
– Options	– Correlation	-10.6%-11.7% (0.6%)	Total impact €0.1m
	– Volatility	13.8%-29.9% (21.8%)	Total impact €3.1m
	– Dividend	-1.0%-3.4% (1.8%)	Total impact €0.5m
– Equity swaps	– Correlation	-24.6%-28.4% (1.2%)	Total impact €0.0m
	– Volatility	-12.3%-27.5% (20.0%)	Total impact €0.0m
	– Dividend	-1.0%-3.4% (2.0%)	Total impact €0.1m
<b>Financial assets at fair value through profit or loss</b>			
Debt instruments: company cumprefs (shareholdings)	– Interest rates	-6% - 12% (1%)	Change of 1% - change of €0.0m
	– Discount rates	-6% - 12% (1%)	Change of 1% - change of €0.0m
<b>Liabilities</b>			
<b>Derivatives</b>			
Structured products derivatives			
– Options	– Correlation	-25.1%-34.3% (2.2%)	Total impact €0.3m
	– Volatility	n/a	n/a
<b>Financial liabilities at fair value through profit or loss</b>			
Structured debt instruments	– Correlation	n/a	n/a
	– Volatility	n/a	n/a

## 14.2 Financial instruments at amortised cost

Table 14.2 shows the carrying amount and fair value of financial instruments at amortised cost, 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 at amortised cost 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 14.2 are estimated on the basis of the present value or using other estimation or valuation methods.

Table 14.2 Financial instruments at amortised cost							
	31/12/2021		31/12/2020		Level	Valuation method	Significant observable and unobservable market inputs
	Fair value	Carrying amount	Fair value	Carrying amount			
<b>Assets</b>							
Due from banks	71,248	71,275	210,420	210,584	2	Discounted cash flows using applicable money market rates	Interest rate and discount rate
Loans and advances to the public and private sectors	9,153,124	8,875,601	8,652,262	8,448,326	3	Discounted cash flows using current market fees for comparable loans and taking into account the creditworthiness of the counterparty	Interest rate, discount rate and counterparty credit risk
Other financial assets at amortised cost	260,785	257,399	457,808	448,518	1	Quoted prices in active markets	-
<b>Liabilities</b>							
Due to banks	501,244	501,411	500,796	501,129	2	Discounted cash flows using applicable money market rates for liabilities	Interest rate and discount rate
Public and private sector liabilities	11,796,789	11,729,556	10,210,451	10,141,109	3	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk	Interest rate, discount rate and own credit risk
Issued debt securities	1,426,738	1,418,865	1,474,494	1,469,897	1	Quoted prices in active markets	Interest rate and discount rate
Subordinated loans	220,153	171,527	225,531	172,479	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 AT 31 DECEMBER  
(€1,000)

1. Cash and cash equivalents and balances at central banks	2021	2020
<b>Total</b>	<b>3,714,194</b>	<b>2,227,803</b>
Cash	30	33
Balances at central banks	3,554,120	2,099,782
Statutory reserve deposits at central banks	58,212	14,647
Amounts due from banks	101,833	113,341
Impairments	0	0

The increase in Balances at central banks is mainly explained by the increase of Public and private sector liabilities.

requirement. We cannot use these balances in our day-to-day operations. The increase is due to changed regulation in Belgium on the scope of minimum balances allowed.

Statutory reserve deposits comprise balances at central banks within the scope of the minimum reserves

Reconciliation with consolidated statement of cash flows	2021	2020	Changes
Cash and cash equivalents	3,714,194	2,227,803	1,486,391
Due from banks, available on demand	30,677	28,841	1,836
Due to banks, available on demand	-23,040	-32,614	9,574
Due from/to banks, available on demand, net	7,637	-3,773	11,410
<b>Total</b>	<b>3,721,831</b>	<b>2,224,030</b>	<b>1,497,801</b>

2. Financial assets from trading activities	2021	2020
<b>Total</b>	<b>30,876</b>	<b>61,679</b>
<b>Debt instruments</b>		
Structured debt instruments	1,136	4,502
<b>Total debt instruments</b>	<b>1,136</b>	<b>4,502</b>
<b>Equity instruments</b>		
Shares, listed	29,704	56,697
Shares, unlisted	36	480
<b>Total equity instruments</b>	<b>29,740</b>	<b>57,177</b>

3. Due from banks	2021	2020
<b>Total</b>	<b>71,275</b>	<b>210,584</b>
Deposits	34,555	164,953
Receivables arising from unsettled securities transactions	30,677	28,841
Loans and advances	6,043	16,790
Impairments	—	—

Deposits include a total of €16.0 million (2020: €154.1 million) serving as collateral for liabilities arising from derivatives transactions. The decrease in Deposits is mainly explained by the unwinding of inflation-linked swaps used as hedging instruments.

4. Derivatives			
At 31 December 2021	Asset	Liability	Contract amount
<b>Total</b>	<b>252,872</b>	<b>180,117</b>	<b>5,255,321</b>
<b>Derivatives used for trading purposes</b>			
Currency derivatives	290	277	21,403
Client option positions	48,188	47,978	48,188
<b>Total derivatives used for trading purposes</b>	<b>48,478</b>	<b>48,255</b>	<b>69,591</b>
<b>Derivatives used for hedge accounting purposes</b>			
Derivatives: fair value hedge accounting	33,141	4,386	2,447,000
Derivatives: portfolio fair value hedge accounting	33,826	3,696	1,314,000
Derivatives: cash flow hedge accounting	139	132	—
<b>Total derivatives used for hedge accounting purposes</b>	<b>67,106</b>	<b>8,214</b>	<b>3,761,000</b>
<b>Other derivatives</b>			
Economic hedges	16,044	17,236	150,979
Structured product derivatives	121,243	106,413	1,273,751
<b>Total other derivatives</b>	<b>137,287</b>	<b>123,649</b>	<b>1,424,730</b>
<b>At 31 December 2020</b>	<b>Asset</b>	<b>Liability</b>	<b>Contract amount</b>
<b>Total</b>	<b>376,702</b>	<b>488,802</b>	<b>10,048,314</b>
<b>Derivatives used for trading purposes</b>			
Currency derivatives	146	137	13,663
Equity derivatives	63	97	160
Client option positions	45,172	43,849	45,172
<b>Total derivatives used for trading purposes</b>	<b>45,381</b>	<b>44,083</b>	<b>58,995</b>
<b>Derivatives used for hedge accounting purposes</b>			
Derivatives: fair value hedge accounting	123,730	126,386	3,865,360
Derivatives: portfolio fair value hedge accounting	-508	82,900	1,693,000
Derivatives: cash flow hedge accounting	365	20,665	100,000
<b>Total derivatives used for hedge accounting purposes</b>	<b>123,587</b>	<b>229,951</b>	<b>5,658,360</b>
<b>Other derivatives</b>			
Economic hedges	20,003	17,955	119,329
Structured product derivatives	187,731	196,813	4,211,630
<b>Total other derivatives</b>	<b>207,734</b>	<b>214,768</b>	<b>4,330,959</b>

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 types of currency derivatives are used:

- Currency options;
- FX forwards.

The following types of equity derivatives are used:

- Equity forwards;
- Futures;
- Long and short structured product options;
- Equity swaps.

We use interest rate swaps as hedging instruments in our hedge accounting.

The decrease in derivatives used for hedge accounting purposes is mainly explained by our tightened risk appetite. Inflation-linked swaps are no longer used and new positions are almost exclusively hedged back-to-back.

Ineffectiveness of derivatives for hedge accounting purposes	2021		2020	
	Fair value	Ineffective	Fair value	Ineffective
<b>Total</b>	<b>58,893</b>	<b>703</b>	<b>-106,364</b>	<b>820</b>
Fair value hedge accounting model	28,755	101	-2,657	465
Portfolio fair value hedge accounting model	30,130	602	-83,407	355
Cash flow hedge accounting model	8	—	-20,300	—

The total ineffectiveness of fair value hedges at year-end 2021 was €0.7 million (2020: €0.8 million), comprising €61.7million in positive value changes in hedging instruments (2020: €28.8 million negative) and negative changes in the value of the hedged items of €61.0 million (2020: €29.7 million positive).

Hedged items in cash flow hedge accounting by term at 31/12/2021	Within 1 year	1 to 3 years	3 to 5 years	5 years and longer
<b>Total</b>	—	—	—	<b>-8,318</b>
Cash inflow	—	—	—	—
Cash outflow	—	—	—	-8,318

Hedged items in cash flow hedge accounting by term at 31/12/2020	Within 1 year	1 to 3 years	3 to 5 years	5 years and longer
<b>Total</b>	—	—	—	<b>-14,568</b>
Cash inflow	—	—	—	—
Cash outflow	—	—	—	-14,568

5. Financial assets at fair value through profit or loss	2021	2020
<b>Total</b>	<b>299,126</b>	<b>290,987</b>
<b>Debt instruments</b>		
Government paper and government-guaranteed paper	25,175	25,332
Sovereign, supranationals and agencies (SSA) bonds	10,006	62,759
Banks and financial institutions, listed	—	1,351
Covered bonds	35,390	35,821
Puttable investment funds	183,917	117,567
Company cumprefs (shareholdings) (FVPL mandatory)	1,496	2,227
<b>Total debt instruments</b>	<b>255,984</b>	<b>245,057</b>
<b>Equity instruments (FVPL mandatory)</b>		
Shares, listed	—	—
Shares, unlisted	43,142	45,930
<b>Total equity instruments</b>	<b>43,142</b>	<b>45,930</b>

With the exception of puttable investment funds, company cumprefs (shareholdings) and equity instruments, all financial assets at fair value through profit or loss are designated at fair value through profit or loss on initial recognition because this significantly reduces inconsistency in measurement or recognition.

The maximum credit risk to which we were exposed in the reporting period is equal to the carrying amount.

Changes in financial assets at fair value through profit or loss	2021	2020
At 1 January	290,987	321,509
Purchases	104,523	123,982
Sales	-72,750	-42,701
Redemptions	-53,850	-113,797
Value changes	30,549	3,450
Other changes	-333	-1,456
<b>At 31 December</b>	<b>299,126</b>	<b>290,987</b>

6. Financial assets at fair value through other comprehensive income	2021		2020	
	Fair value	Face value	Fair value	Face value
<b>Total</b>	<b>2,130,327</b>	<b>2,095,915</b>	<b>2,576,063</b>	<b>2,520,600</b>
<b>Debt instruments</b>				
Government paper and government-guaranteed paper	307,564	297,750	633,251	616,650
Sovereign, supranationals and agencies (SSA) bonds	529,133	521,273	522,013	506,662
Banks and financial institutions, listed	32,778	32,500	—	—
Covered bonds	839,770	827,378	1,007,503	988,670
Asset-backed securities	364,082	361,014	351,968	349,098
Companies, listed	57,000	56,000	61,328	59,520
<b>Total debt instruments</b>	<b>2,130,327</b>	<b>2,095,915</b>	<b>2,576,063</b>	<b>2,520,600</b>

Changes in gross carrying amount of Financial assets at fair value through other comprehensive income	Stage 1
At 1 January 2021	2,520,600
Additions or releases without transfer	-1,217,185
New financial assets originated or purchased	792,500
<b>At 31 December 2021</b>	<b>2,095,915</b>

Changes in gross carrying amount of Financial assets at fair value through other comprehensive income	Stage 1
At 1 January 2020	2,335,985
Additions or releases without transfer	-291,985
New financial assets originated or purchased	476,600
<b>At 31 December 2020</b>	<b>2,520,600</b>

Changes in Financial assets at fair value through other comprehensive income	2021	2020
At 1 January	2,576,063	2,384,261
Purchases	814,569	502,135
Sales	-891,494	-51,680
Redemptions	-345,108	-255,476
Value changes	-13,139	9,497
Other changes	-10,564	-12,674
<b>At 31 December</b>	<b>2,130,327</b>	<b>2,576,063</b>

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

7. Loans and advances to the public and private sectors	2021	2020
<b>Total</b>	<b>8,875,601</b>	<b>8,448,326</b>
Mortgage loans	6,608,797	6,324,624
Loans	1,408,666	1,306,949
Current accounts	509,920	390,815
Securities-backed loans and settlement claims	280,221	297,418
Subordinated loans	—	199
Value adjustments fair value hedge accounting	117,450	192,398
Impairments	-49,452	-64,075

Impairments	2021	2020
<b>Total</b>	<b>-49,452</b>	<b>-64,075</b>
Mortgage loans	-2,440	-4,756
Current accounts	-25,814	-32,157
Other loans and advances	-21,199	-27,163

Impairments on Loans and advances to the public and private sectors amounted to €49.5 million at year-end 2021 (2020: €64.1 million). For more information, see "Risk management", under 3.8, Loss allowance for expected credit loss.

Changes in gross carrying amount of Loans and advances to the public and private sectors	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	7,569,532	968,972	192,776	8,731,280
Additions or releases without transfer	-1,508,384	41,871	-39,289	-1,505,802
Transfer to Stage 1	1,405,485	-1,413,491	-13,958	-21,964
Transfer to Stage 2	-1,190,159	1,208,661	-13,876	4,627
Transfer to Stage 3	-27,793	-12,984	40,422	-355
New financial assets originated or purchased	2,062,910	—	—	2,062,910
Amounts written off	—	—	-3,868	-3,868
<b>At 31 December 2021</b>	<b>8,311,593</b>	<b>793,029</b>	<b>162,207</b>	<b>9,266,829</b>

Changes in gross carrying amount of Loans and advances to the public and private sectors	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	8,205,162	1,022,094	242,334	9,469,589
Additions or releases without transfer	-1,811,778	-530,063	-74,150	-2,415,991
Transfer to Stage 1	613,657	-615,869	-5,161	-7,373
Transfer to Stage 2	-1,104,905	1,112,705	-9,894	-2,094
Transfer to Stage 3	-23,116	-19,895	42,867	-144
New financial assets originated or purchased	1,690,513	—	—	1,690,513
Amounts written off	—	—	-3,220	-3,220
<b>At 31 December 2020</b>	<b>7,569,532</b>	<b>968,972</b>	<b>192,776</b>	<b>8,731,280</b>

We acquired no significant financial or non-financial assets during the year through the seizure of collateral held as security (2020: 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 3, Credit risk) for more information about Loans and advances to the public and private sectors.

8. Other financial assets at amortised cost	2021		2020	
	Fair value	Face value	Fair value	Face value
<b>Total</b>	<b>257,399</b>	<b>254,500</b>	<b>448,518</b>	<b>440,293</b>
<b>Debt instruments</b>				
Government paper and government-guaranteed paper	223,112	220,300	227,781	220,300
Banks and financial institutions, listed	14,995	15,000	172,047	172,000
Covered bonds	19,299	19,200	29,882	29,200
Asset-backed securities	—	—	18,820	18,793
Impairments	-8	—	-12	—

Changes in gross carrying amount of Other financial assets at amortised cost	Stage 1
At 1 January 2021	440,293
Additions or releases without transfer	-185,793
New financial assets originated or purchased	—
<b>At 31 December 2021</b>	<b>254,500</b>

Changes in gross carrying amount of Other financial assets at amortised cost	Stage 1
At 1 January 2020	412,000
Additions or releases without transfer	-39,999
New financial assets originated or purchased	68,292
<b>At 31 December 2020</b>	<b>440,293</b>

Changes in Other financial assets at amortised cost	2021	2020
At 1 January	448,518	425,606
Purchases	—	81,436
Sales	-9,970	—
Redemptions	-175,793	-51,855
Value changes	-7	16
Other changes	-5,349	-6,684
<b>At 31 December</b>	<b>257,399</b>	<b>448,518</b>

9. Investments in associates using the equity method		
Changes in associates using the equity method	2021	2020
At 1 January	72,202	52,452
Acquisitions and contributions	13,510	15,056
Sales and repayments	-31,085	-2,217
Income from associates	28,374	12,398
Impairments	6,455	—
Dividend received	-6,838	-5,572
Other changes	-176	85
<b>At 31 December</b>	<b>82,441</b>	<b>72,202</b>

All associates valued using the equity method are unlisted investments. In 2021, we sold the associates Fire Safety Holding BV (Gerco) and Quint Wellington Redwood

Holding BV at a gain. See also Note 26, Income from securities and associates. For information on the reversal impairments of €6.5 million, see Note 33, Impairments.

10. Property and equipment	2021	2020
<b>Total</b>	<b>77,463</b>	<b>90,317</b>
Buildings	24,968	28,670
Right-of-use – buildings	36,759	42,975
Right-of-use – transport equipment	7,409	7,765
IT, operating system software and communications equipment	3,464	4,592
Other assets	4,380	6,315
Work in progress	484	—

The total value of Property and equipment fell from €90.3 million to €77.5 million at year-end 2021, mainly due to depreciation on Right-of-use assets – buildings.

Lease liabilities amounted to €46.7 million at year-end 2021 (2020: €52.3 million) and are included in Other liabilities.

Changes in property and equipment in 2021	Buildings	Right-of-use – buildings	Right-of-use – transport equipment	IT, operating system software and communications equipment	Other assets	Work in progress	Total
At 1 January	28,670	42,975	7,765	4,592	6,315	—	90,317
Acquisition due to business combination	206	9	—	128	528	—	871
Additions	60	2,493	3,080	1,879	251	484	8,247
Disposals	-1,865	—	—	-285	-1,654	—	-3,804
Depreciation	-2,102	-8,420	-3,437	-2,849	-1,060	—	-17,868
Impairments	—	-299	—	—	—	—	-299
<b>At 31 December</b>	<b>24,968</b>	<b>36,759</b>	<b>7,409</b>	<b>3,464</b>	<b>4,380</b>	<b>484</b>	<b>77,463</b>
Historical cost	46,632	63,458	18,276	59,676	14,474	484	203,000
Accumulated depreciation and impairments	-21,664	-26,699	-10,867	-56,212	-10,094	—	-125,536
<b>Net carrying amount at 31 December</b>	<b>24,968</b>	<b>36,759</b>	<b>7,409</b>	<b>3,464</b>	<b>4,380</b>	<b>484</b>	<b>77,463</b>

Changes in property and equipment in 2020	Buildings	Right-of-use – buildings	Right-of-use – transport equipment	IT, operating system software and communications equipment	Other assets	Work in progress	Total
At 1 January	31,517	51,648	7,318	5,168	6,840	30	102,521
Capital expenditure	168	676	524	—	—	—	1,368
Additions	2,815	—	3,533	2,883	895	—	10,126
Disposals	-3,643	—	—	—	—	—	-3,643
Capitalisation of investments	—	—	—	—	—	-30	-30
Depreciation	-2,186	-9,802	-3,823	-3,454	-1,420	—	-20,685
Other	—	453	213	-6	—	—	660
<b>At 31 December</b>	<b>28,670</b>	<b>42,975</b>	<b>7,765</b>	<b>4,592</b>	<b>6,315</b>	<b>—</b>	<b>90,317</b>
Historical cost	51,602	61,831	15,232	61,362	24,215	—	214,242
Accumulated depreciation and impairments	-22,932	-18,856	-7,467	-56,770	-17,900	—	-123,925
<b>Net carrying amount at 31 December</b>	<b>28,670</b>	<b>42,975</b>	<b>7,765</b>	<b>4,592</b>	<b>6,315</b>	<b>—</b>	<b>90,317</b>

11. Goodwill and other intangible assets	2021	2020
Total	321,861	155,007
Goodwill	176,761	103,057
Other intangible assets	145,100	51,950

The carrying amounts of goodwill arising from acquisitions in earlier years and other intangible assets are given in the table above.

Changes in goodwill and other intangible assets in 2021	Goodwill	Client relationships	Brand names	Application software	Total
At 1 January	103,057	45,252	4,599	2,099	155,007
Additions	76,671	99,624	5,480	—	181,775
Disposals	-2,967	—	—	-309	-3,276
Amortisation	—	-9,326	-1,315	-1,004	-11,645
Impairments	—	—	—	—	—
<b>At 31 December</b>	<b>176,761</b>	<b>135,549</b>	<b>8,764</b>	<b>787</b>	<b>321,861</b>
Historical cost	176,761	163,337	20,810	62,252	423,160
Accumulated amortisation and impairments	—	-27,787	-12,046	-61,465	-101,298
<b>Net carrying amount at 31 December</b>	<b>176,761</b>	<b>135,549</b>	<b>8,764</b>	<b>787</b>	<b>321,861</b>

Changes in goodwill and other intangible assets in 2020	Goodwill	Client relationships	Brand names	Application software	Total
At 1 January	95,247	37,509	5,366	3,189	141,311
Additions	7,810	12,513	—	63	20,386
Amortisation	—	-4,770	-767	-1,154	-6,691
Impairments	—	—	—	—	—
<b>At 31 December</b>	<b>103,057</b>	<b>45,252</b>	<b>4,599</b>	<b>2,099</b>	<b>155,007</b>
Historical cost	103,057	63,713	15,330	62,560	244,660
Accumulated amortisation and impairments	—	-18,461	-10,731	-60,461	-89,653
<b>Net carrying amount at 31 December</b>	<b>103,057</b>	<b>45,252</b>	<b>4,599</b>	<b>2,099</b>	<b>155,007</b>

The accumulated impairments on goodwill amounted to €88 million at 31 December 2021 (2020: €88 million) and have been deducted from the historical cost. The additions to Goodwill, Client relationships and Brand names are due to the shareholding in Mercier Vanderlinden that we acquired as part of the partnership with Mercier Vanderlinden in Belgium in 2021; see "Business combinations in 2021". The goodwill in Non-strategic investments is derecognised due to the sale of our subsidiary Holowell.

As of 1 January 2021, we changed our organisational structure by moving from a business line-driven organisation towards an integrated model. As a consequence, the cash-generating unit (CGU) level at which the goodwill is monitored for internal management purposes has changed accordingly. The goodwill is reallocated to the newly determined CGUs.

We have defined six CGUs, namely Private Clients, Wholesale & Institutional Clients, Investment Banking Clients, Mercier Vanderlinden, Non-strategic investments,

and Other. These correspond to our operating segments (see section on segment information) except for CGU Non-strategic investments and CGU Mercier Vanderlinden. Segment Other is split between the CGUs Other and Non-strategic investments. CGU Mercier Vanderlinden is part of the Private Clients segment. Goodwill from the partnership with Mercier Vanderlinden is allocated, for the purpose of the annual impairment test, to the CGU Private Clients.

The impact of the Covid-19 pandemic on the performance of the CGUs with allocated goodwill has been limited during 2021, as it was in 2020. The Private Clients and Investment Banking Clients segments have performed strongly. Although the Wholesale & Institutional Clients segment faced AuM outflow during the year, its financial performance was solid and the projected financial results do not indicate a trigger for impairment.

We carried out our annual impairment test on the goodwill arising from acquisitions in the current and prior years. To determine whether an impairment is necessary, the recoverable amount of each CGU or group of CGUs is compared with its carrying amount. The recoverable amount is calculated on the basis of value in use. This calculation uses equity cash flow projections for each CGU or group of CGUs for a five-year period. These projections are based on the current year and on the financial estimates for the years 2022 until 2025 used by management in its strategic forecast at the end of 2021. For the period after the explicit projections per CGU or group of CGUs, the growth rate is set at the long-term market growth rate of 1.0%. This growth rate applies to all CGUs, as in the long term all CGUs will be impacted by the same economic market developments. The rate is based on our own projections and on wealth management market projections by market experts.

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 stock and bond market developments, effects of mergers and acquisitions, competitive conditions, client behaviour and changes in the client relationships, cost structure, trends in inflation, interest rates and risks, and other circumstances specific to the industry and sector. Equity cash flows are discounted using a cost of equity for each CGU or group of CGUs that reflects the risk-free interest rate, supplemented with a surcharge for the market risk exposure of the CGU or group of CGUs, and a small-firm premium.

CGU	Discount rate before tax %		Discount rate after tax %	
	2021	2020	2021	2020
Private Clients	11.4	n/a	8.6	n/a
Wholesale & Institutional Clients	13.6	n/a	10.2	n/a
Investment Banking Clients	12.6	12.3	9.5	9.2
Non-strategic investments	n/a	13.4	n/a	10.1
Private Banking (until 1 January 2021)	n/a	8.5	n/a	6.4
Asset Management (until 1 January 2021)	n/a	10.8	n/a	8.1
Merchant Banking (until 1 January 2021)	n/a	12.3	n/a	9.2

The impairment test performed in 2021 did not result in goodwill impairments. The model uses one base-case scenario. For the CGUs with allocated goodwill, a sensitivity analysis was also carried out on the base-case scenario, focusing particular attention on changes in long-term growth, the discount rate and the long-term EBIT margin. This analysis is captured in the sensitivity table below and underlines our conclusion that no impairment is needed.

In addition, an annual test is carried out for indications of impairment of other intangible assets with a finite useful life. For the line item Client relationships, movements in the assets under management volume are assessed. The useful life tests carried out in 2021 provided no indication of a need for further examination, nor of impairments.

Sensitivity analysis	Change required in each key assumption for headroom to equal zero, in percentage points			Headroom with terminal growth rate at 0%
	Headroom	Net profit margin	Cost of equity	
Private Clients	500,294	-10.6%	5.0%	442,692
Wholesale & Institutional Clients	71,615	-8.5%	12.6%	65,134
Investment Banking Clients	64,904	-10.7%	7.5%	58,303

	2022	2023	2024	2025	2026	2027-33
Expected amortisation of intangible assets	15,108	14,281	13,982	11,671	11,122	78,937

12. Tax assets	2021	2020
<b>Total</b>	<b>13,232</b>	<b>23,155</b>
Current tax assets	5,474	6,842
Deferred tax assets	7,758	16,313

Changes in deferred taxes in 2021	At 1 January 2021	Acquisition subsidiary	Through statement of income	To equity	Tax rate adjustments	At 31 December 2021
<b>Deferred tax assets</b>						
Employee benefits	11,757	8	-148	-2,341	228	9,504
Property and equipment	245	105	582	1,786	11	2,729
Lease liabilities	12,558	—	-1,033	-15	357	11,867
Intangibles	105	—	-105	—	—	—
Derivatives	4,856	—	—	-2,053	90	2,892
Loss available for set-off	3,273	—	-717	192	299	3,047
Commission	195	—	-83	—	—	111
Other	2,276	—	100	-407	53	2,021
<b>Total deferred tax assets before offsetting</b>	<b>35,264</b>	<b>113</b>	<b>-1,404</b>	<b>-2,838</b>	<b>1,037</b>	<b>32,171</b>
Offsetting deferred tax assets	-18,951					-24,413
<b>Total deferred tax assets after offsetting</b>	<b>16,313</b>					<b>7,758</b>
<b>Deferred tax liabilities</b>						
Right-of-use assets – buildings	10,238	—	-1,336	118	283	9,303
Right-of-use assets – transport equipment	1,811	—	42	—	53	1,906
Intangible assets	5,581	26,276	-1,584	—	969	31,242
Investment portfolio	1,047	—	—	-394	21	674
Other	379	—	—	-46	—	333
<b>Total deferred tax liabilities before offsetting</b>	<b>19,056</b>	<b>26,276</b>	<b>-2,878</b>	<b>-322</b>	<b>1,326</b>	<b>43,458</b>
Offsetting deferred tax liabilities	-18,951					-24,413
<b>Total deferred tax liabilities after offsetting</b>	<b>105</b>					<b>19,045</b>

Changes in deferred taxes in 2020	At 1 January 2020	Acquisition subsidiary	Through statement of income	To equity	Tax rate adjustments	At 31 December 2020
<b>Deferred tax assets</b>						
Employee benefits	8,631	—	-413	2,703	836	11,757
Property and equipment	1,736	345	-1,403	-244	161	595
Lease liabilities – buildings	10,710	—	-1,921	257	1,691	10,737
Lease liabilities – transport equipment	1,271	—	-916	1,261	205	1,821
Intangibles	—	105	—	—	—	105
Derivatives	4,218	—	—	-4	642	4,856
Loss available for set-off	3,832	—	-274	-285	—	3,273
Commission	249	—	-54	—	—	195
Other	3,241	—	363	-1,615	287	2,276
<b>Total deferred tax assets before offsetting</b>	<b>33,887</b>	<b>450</b>	<b>-4,618</b>	<b>2,073</b>	<b>3,822</b>	<b>35,614</b>
Offsetting deferred tax assets						-19,301
<b>Total deferred tax assets after offsetting</b>						<b>16,313</b>
<b>Deferred tax liabilities</b>						
Property and equipment	1,189	300	-1,034	-242	137	350
Right-of-use assets – buildings	10,813	—	-2,452	257	1,620	10,238
Right-of-use assets – transport equipment	1,262	—	-933	1,259	223	1,811
Intangible assets	2,354	3,128	-303	—	402	5,581
Investment portfolio	507	—	—	463	77	1,047
Other	234	—	—	145	—	379
<b>Total deferred tax liabilities before offsetting</b>	<b>16,359</b>	<b>3,428</b>	<b>-4,722</b>	<b>1,882</b>	<b>2,459</b>	<b>19,406</b>
Offsetting deferred tax assets						-19,301
<b>Total deferred tax liabilities after offsetting</b>						<b>105</b>

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 sufficient future taxable profits will be available to offset the existing tax losses.

The non-current portion of deferred tax assets that is expected to be recovered or settled after more than 12 months amounts to €32.2 million. See Note 34, Income tax, for more information.

Tax losses to be offset Financial year	Amount	Final year for offsetting
2016	4,235	indefinitely
2017	736	indefinitely
2018	1,457	indefinitely
2019	613	indefinitely
2020	—	indefinitely
2021	4,323	indefinitely

The total amount of tax losses is recognised as a deferred tax asset based on the prevailing tax rate. The losses of 2016 through 2020 arose from the permanent establishment in Belgium.

The loss of 2021 arose from KCM UK Ltd in the UK. As neither country applies a time limit for offsetting losses, they can be carried forward indefinitely. In 2021, a loss amount of €6.4 million was set off against the current year result.

	2021	2020
Unrecognised losses	7,038	9,499

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. The decrease in

unrecognised losses is due to a positive result at Allshare and the liquidation of Van Lanschot Invest in Belgium.

13. Other assets	2021	2020
<b>Total</b>	<b>179,929</b>	<b>167,684</b>
Interest receivable	17,308	19,871
Commission receivable	76,142	48,260
Transitory items	52,065	62,627
Inventories	—	917
Other	34,414	36,009

The increase in commission receivable is mainly explained by further growth in assets under management related, in part, to the consolidation of Mercier Vanderlinden.

14. Financial liabilities from trading activities	2021	2020
<b>Total</b>	<b>53</b>	<b>26</b>
<b>Equity instruments</b>		
Shares, listed	53	26
<b>Total equity instruments</b>	<b>53</b>	<b>26</b>

15. Due to banks	2021	2020
<b>Total</b>	<b>501,411</b>	<b>501,129</b>
Deposits	78,371	68,516
Payables arising from unsettled securities transactions	21,950	23,297
Loans and advances drawn	1,090	9,316
Special loans from ECB	400,000	400,000

Special loans from the ECB consist of funding obtained under the targeted longer-term refinancing operations III programme (TLTRO III). The programme is an initiative of the ECB aimed at providing long-term funding at favourable cost so long as banks support lending to firms and households. In response to Covid-19, in Decision (EU) 2020/614 of 30 April 2020 and Decision (EU) 2021/124 of 29 January 2021, the ECB introduced measures that provide for a temporary reduction in interest rates when certain conditions are met by TLTRO III participants. The TLTRO III loans are accounted for as a financial liability under IFRS 9 (at amortised cost), and collateralised by eligible securities. This programme has a maturity of three

years with an option to redeem every quarter from September 2021 onwards.

The interest rate is linked to the ECB deposit rate. The benefit of the below-market rate of interest is accounted for in accordance with IFRS 9 and is included in the calculated effective interest rate of the loan. This is recognised in the income statement under "Interest income calculated using the effective interest method" over the term of the TLTRO III loans. Based on the current information, it is highly probable that we will meet the eligibility criteria as at year-end 2021 and thus receive the forecast below-market rate of interest.

16. Public and private sector liabilities	2021	2020
<b>Total</b>	<b>11,729,556</b>	<b>10,141,109</b>
Savings	3,803,623	3,129,519
Deposits	362,547	132,617
Current accounts	7,170,291	6,510,092
Other client assets	392,021	366,837
Value adjustments fair value hedge accounting	1,072	2,044

The increase in Public and private sector liabilities is largely driven by clients waiting to (gradually) invest (fully or partly) and to some extent by clients switching from assets to cash.

17. Financial liabilities at fair value through profit or loss	2021	2020
<b>Total</b>	<b>560,421</b>	<b>740,869</b>
Unstructured debt instruments	33,466	35,882
Structured debt instruments	526,955	704,987

All financial liabilities at fair value through profit or loss are designated at fair value through profit or loss on initial recognition because this significantly reduces inconsistency in measurement or recognition. Structured debt instruments decreased mainly due to sales and redemption.

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 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 increased by €5.5 million (2020: down €7.6 million), reflecting a decrease of €5.6 million on the back of our improved own credit quality, together with an increase of €11.1 million for the passage of time and for the decrease in the notional amount. The cumulative change in the fair value of Financial liabilities at fair value through profit or loss which can be allocated to the changes in own credit risk amounted to a total increase of €6.6 million (2020: €1.1 million).

18. Issued debt securities	2021	2020
<b>Total</b>	<b>1,418,865</b>	<b>1,469,898</b>
Covered bonds	1,398,361	1,409,034
Floating-rate notes	—	16,263
Value adjustments fair value hedge accounting	20,504	44,601

Issued debt securities comprise debt instruments with interest rates that are either fixed or variable, in so far as not subordinated. Of these debt securities, €475.8 million becomes payable on demand in 2022 (2021: 16.3 million).

#### 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 31/12/2021	Face value	Value adjustments fair value hedge accounting	Premium/discount	Carrying amount
<b>Total</b>	<b>1,401,910</b>	<b>20,504</b>	<b>-3,549</b>	<b>1,418,865</b>
Covered bond	1,401,910	20,504	-3,549	1,418,865
Floating-rate notes	—	—	—	—

Face value versus carrying amount of issued debt securities at 31/12/2020	Face value	Value adjustments fair value hedge accounting	Premium/discount	Carrying amount
<b>Total</b>	<b>1,430,603</b>	<b>44,601</b>	<b>-5,306</b>	<b>1,469,897</b>
Covered bond	1,414,360	44,601	-5,326	1,453,635
Floating-rate notes	16,243	—	20	16,263

19. Provisions	2021	2020
<b>Total</b>	<b>52,569</b>	<b>64,586</b>
Provision for pensions	38,610	49,030
Provision for long-service benefits	3,515	3,335
Provision for restructuring	1,743	3,319
Provision for interest rate derivatives recovery framework	160	200
Provision for financial guarantees and loan commitments	1,784	358
Other provisions	6,757	8,344

Compared with 2020, provisions decreased by €12.0 million, mainly due to the provision for pensions.

In line with previous rulings by the Dutch Institute for Financial Disputes (Kifid), we will repay current and former clients for too much variable interest charged on revolving consumer credit. We conducted a full review of the revolving consumer credit products that have been offered to our clients. Our investigations revealed that only a small group of clients was affected, as Van Lanschot Kempen mainly focuses on growing its clients' capital and less on revolving consumer credit. Van Lanschot Kempen has earmarked €3.3 million to provide for the interest to be compensated and the costs incurred in carrying out the scheme. The impact on the income statement is reflected in Note 25, Net interest income, under line item Interest income on banks and private sector (€2.4 million) and in Note 31, Other administrative expenses, under line item Other (€0.9 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.

The following defined benefit schemes were valued for the purpose of the 2021 financial statements:

- Van Lanschot Kempen employees were eligible for discounted mortgage interest rates. Entitlement to this discount continued beyond retirement from active service. This plan was closed to new entrants after 2015.
- The long-service benefits depend on the number of years of service.
- The early retirement plan concerns a limited number of employees who were working at the Belgian branch. The outstanding amount is diminishing as this plan has been terminated.
- 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 a defined benefit plan in the consolidated financial statements.
- Until year-end 2019, Kempen operated an average salary scheme under which 1.875% of the pensionable salary – salary less state pension offset, with an annual ceiling of €41,232 – was accrued for each year of service and which was based on a retirement age of 68. The surviving dependants' pension was 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.

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 Van Lanschot Kempen.

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.

Van Lanschot Kempen's pension schemes were adjusted and replaced from 1 January 2020 by a single new plan. The new scheme is an individual defined contribution scheme. The former Van Lanschot scheme is classified as a collective defined contribution scheme, and the change of scheme has no impact from an accounting perspective. Because there is still an obligation to pay guarantee costs and to provide indexation on the accrued pension benefits, the remainder of the provision (€27.9 million) stays on the balance sheet. As it has no legally enforceable right to use the surplus in plan assets for settling the obligations for indexation and guarantee costs, Van Lanschot Kempen applies an asset ceiling to the relevant assets in the pension scheme.

The defined benefit obligations are calculated using the projected unit credit method.

Obligations/assets included in the statement of financial position by scheme at 31/12/2021	Pensions	Early retirement	Employee discounts	Long-service benefits
Defined benefit obligations	248,435	17	69	3,515
Fair value of plan assets	209,841	—	—	—
Surplus/deficit	-38,594	-17	-69	-3,515
Obligation at year-end	-38,594	-17	-69	-3,515

Obligations/assets included in the statement of financial position by scheme at 31/12/2020	Pensions	Early retirement	Employee discounts	Long-service benefits
Defined benefit obligations	300,791	30	95	3,335
Fair value of plan assets	251,792	—	—	—
Surplus/deficit	-48,999	-30	-95	-3,335
Obligation at year-end	-48,999	-30	-95	-3,335

Changes in defined benefit obligations for pension scheme	2021	2020
Defined benefit obligations at 1 January	300,791	266,206
Current service costs	2,947	2,527
Interest costs	1,655	2,879
Members' contributions	325	294
Gross benefits	-8,083	-3,843
Transfers	575	-553
Remeasurements arising from changes in financial assumptions	-49,402	30,019
Remeasurements arising from changes in demographic assumptions	—	1,761
Experience adjustments	-609	1,677
Effect of foreign exchange rates	236	-176
<b>Defined benefit obligations at 31 December</b>	<b>248,435</b>	<b>300,791</b>

At 31 December 2021, the weighted average duration of the defined benefit obligation was 24.5 years (2020: 24.4 years).

Changes in defined benefit obligations for early retirement scheme	2021	2020
Defined benefit obligations at 1 January	30	45
Current service costs	-14	-15
<b>Defined benefit obligations at 31 December</b>	<b>17</b>	<b>30</b>

Changes in defined benefit obligations for long-service benefits scheme	2021	2020
Defined benefit obligations at 1 January	3,335	2,552
Current service costs	223	156
Interest costs	10	13
Financial assumptions	-240	450
Gross benefits	378	-37
Experience adjustments	-191	201
<b>Defined benefit obligations at 31 December</b>	<b>3,515</b>	<b>3,335</b>

Changes in fair value of pension plan assets	2021	2020
Fair value at 1 January	251,792	226,411
Expected return on plan assets	1,421	2,563
Financial assumptions	-40,351	21,894
Employer's contribution	3,682	4,409
Gross benefits	-7,847	-3,543
Transfers	502	-553
Effect of foreign exchange rates	642	611
<b>Fair value at 31 December</b>	<b>209,841</b>	<b>251,792</b>
Actual return on plan assets	-38,933	24,457

Current service costs of pension scheme included in statement of income	2021	2020
Current service costs	2,947	2,527
Net interest income	1,655	2,879
Expected return on plan assets	-1,421	-2,563
<b>Net costs</b>	<b>3,181</b>	<b>2,843</b>

Current service costs of early retirement included in statement of income	2021	2020
Current service costs	-14	-14
<b>Net costs</b>	<b>-14</b>	<b>-14</b>

Current service costs of long-service benefits included in statement of income	2021	2020
Current service costs	223	156
Net interest income	10	13
Financial assumptions	-240	450
<b>Net costs</b>	<b>-7</b>	<b>619</b>

The assets in the pension plan of Van Lanschot Kempen are funded through insurance contracts with insurance companies. Consequently, the asset value in the measurement of the pension liability is based on these insurance contracts.

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% of fixed income and 27% of 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	2021	2020
Actuarial interest rate pension	0.20% - 1.20%	0.15% - 0.60%
Actuarial interest rate employee discounts	0.0%	0.0 %
Actuarial interest rate long-service benefits	0.70% - 0.70%	0.20% - 0.20%
Expected return on investments	0.20% - 1.20%	0.15% - 0.60%
Price inflation	2.00% - 2.00%	1.75% - 2.00%
General salary increase	1.00% - 2.00%	1.00% - 1.75%
Retirement age	64-68 years	64-68 years

The mortality rate is based on publicly available mortality tables for the relevant countries. For the calculations at 31 December 2021, the following mortality tables were used:

- Kempen's former pension plans: the mortality tables as published by the Dutch Association of Actuaries (Prognosetafel AG2020);
- 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 2020 GT).

For Kempen's former pension plans, a rise of ten basis points in the actuarial interest rate will lead to a decrease of 2.6% in the pension obligations and will have no effect on

the current service costs in the statement of income, as no future contributions will be made due to the change in pension scheme.

For the Belgian branch, a reduction of 25 basis points in the actuarial interest rate will lead to an increase of 2.8% in the pension obligations and a rise of 25 basis points in the actuarial interest rate will lead to a decrease of 2.5% 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 9.6% in the pension obligations and a rise of 50 basis points in the actuarial interest rate will lead to a decrease of 8.2% in the pension obligations.

History of changes in pension scheme gains and losses	2021	2020	2019	2018	2017
Defined benefit obligations	248,435	300,791	266,206	213,343	207,094
Fair value of plan assets	209,841	251,792	226,411	182,592	176,818
<b>Surplus/deficit</b>	<b>-38,594</b>	<b>-48,999</b>	<b>-39,795</b>	<b>-30,751</b>	<b>-30,276</b>
Actuarial gains/losses on obligations	-50,011	33,456	43,929	-3,811	-3,010
Actuarial gains/losses on investments	-40,351	21,894	36,625	-3,230	120

Expected contributions for 2022	Pension obligations	Employee discounts	Long-service benefits scheme
<b>Total</b>	<b>2,263</b>	<b>3</b>	<b>237</b>
Expected employer's contributions	1,925	3	237
Expected employees' contributions	338	—	—

Provision for restructuring	2021	2020
At 1 January	3,319	3,426
Withdrawals	-4,417	-2,966
Additions	2,841	2,859
<b>At 31 December</b>	<b>1,743</b>	<b>3,319</b>

Provision for interest rate derivatives recovery framework	2021	2020
At 1 January	200	184
Withdrawals	-40	-202
Additions	—	218
<b>At 31 December</b>	<b>160</b>	<b>200</b>

Provision for financial guarantees and loan commitments	2021	2020
At 1 January	358	76
Withdrawals	—	—
Additions	1,426	282
<b>At 31 December</b>	<b>1,784</b>	<b>358</b>

Other provisions	2021	2020
At 1 January	8,344	3,518
Withdrawals	-6,694	-212
Release	-335	-79
Additions	5,442	5,117
<b>At 31 December</b>	<b>6,757</b>	<b>8,344</b>

Other provisions include provisions made for various legal claims and defined benefit obligations for employee discount schemes. The decrease compared with last year is mainly due to the payout of a provision for interest payments in response to a Kifid ruling for an amount of €5.1 million.

The additions mainly consist of €3.3 million of provision for revolving consumer credit.

An amount of €2.7 million has an expected maturity of one year or longer.

20. Tax liabilities	2021	2020
<b>Total</b>	<b>37,339</b>	<b>1,060</b>
Current tax liabilities	18,295	955
Deferred tax liabilities	19,045	105

For movements in deferred tax liabilities, see Note 12, Tax assets. See Note 36, Income tax, for more information.

21. Other liabilities	2021	2020
<b>Total</b>	<b>245,412</b>	<b>212,973</b>
Interest payable	9,840	17,164
Other accruals and deferred income	47,730	42,610
Lease liabilities	46,703	52,303
Other	141,139	100,896

Other liabilities comprise lease liabilities, income received to be credited to future periods and amounts payable such as accrued interest, payables, suspense accounts and unsettled items.

In the increase in Other liabilities, the Other line item is partly due to the contingent consideration regarding the partnership with Mercier Vanderlinden; see "Business combinations in 2021".

The contingent consideration related to Mercier Vanderlinden was further increased during the second half of 2021 from €47.8 million to €54.2 million, mainly due to revaluation of the fair value of €6.5 million. Other movements include interest charges for the time value of money which were compensated by paid-out dividends. The increase in Other is partly offset by the payment of the purchase price (-€31.5 million) and revaluation of the contingent consideration (-€1.2 million) related to the acquisition of Hof Hoorneman Bankiers.

Payments not included in lease liability measurement	2021	2020
<b>Total</b>	<b>-47</b>	<b>247</b>
Leases of low-value assets	237	532
Variable lease payments	-284	-285

Interest expense on leases amounted to €0.6 million at year-end 2021 (2020: €0.8 million) and was recognised in

the profit or loss under line item Other interest expense in Note 25, Net interest income.

22. Subordinated loans	2021	2020
<b>Total</b>	<b>171,527</b>	<b>172,479</b>
Certificates of indebtedness	154,964	155,570
Other subordinated loans	16,223	16,336
Value adjustments fair value hedge accounting	340	573

#### 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 31/12/2021	Amortised cost	Value adjustments fair value hedge accounting	Premium/discount	Carrying amount
<b>Total</b>	<b>166,223</b>	<b>340</b>	<b>4,964</b>	<b>171,527</b>
9.935% subordinated bond loan 08/33	25,000	—	831	25,831
9.884% subordinated bond loan 08/38	25,000	—	1,243	26,243
9.833% subordinated bond loan 08/43	50,000	—	3,080	53,080
2.000% subordinated bond loan 21/32	50,000	—	-190	49,810
Other subordinated loans	16,223	340	—	16,563

Amortised cost versus carrying amount subordinated loans at 31/12/2020	Amortised cost	Value adjustments fair value hedge accounting	Premium/discount	Carrying amount
<b>Total</b>	<b>166,336</b>	<b>573</b>	<b>5,570</b>	<b>172,479</b>
7.320% subordinated bond loan 08/33	25,000	—	956	25,956
7.218% subordinated bond loan 08/38	25,000	—	1,350	26,350
7.269% subordinated bond loan 08/43	50,000	—	3,264	53,264
3.396% subordinated bond loan 16/26	50,000	—	—	50,000
Other subordinated loans	16,336	573	—	16,909

The average coupon on the other subordinated loans in 2021 was 6.04% (2020: 6.05%).

23. Total equity	2021		2020	
<b>Total</b>	<b>1,409,327</b>		<b>1,356,096</b>	
Equity attributable to shareholders				
Issued share capital	41,362		40,000	
Treasury shares	-11,853		—	
Share premium reserve	323,719		154,753	
Revaluation reserve	1,939		3,142	
Actuarial results on defined benefit schemes	-39,199		-45,511	
Currency translation reserve	763		763	
Cash flow hedge reserve	-8,318		-14,568	
Own credit risk reserve	-4,876		-832	
Retained earnings	867,024		1,013,750	
Postponed dividend	—		59,975	
Other reserves	817,333		1,016,720	
Undistributed profit (attributable to shareholders)	136,983		43,009	
<b>Total equity attributable to shareholders</b>	<b>1,307,544</b>		<b>1,254,481</b>	
<b>Equity attributable to AT1 capital securities</b>				
AT1 capital securities	100,000		100,000	
Undistributed profit attributable to AT1 capital securities	1,688		1,688	
<b>Total equity attributable to AT1 capital securities</b>	<b>101,688</b>		<b>101,688</b>	
<b>Equity attributable to other non-controlling interests</b>				
Other non-controlling interests	21		-158	
Undistributed profit attributable to other non-controlling interests	74		85	
<b>Total equity attributable to other non-controlling interests</b>	<b>95</b>		<b>-73</b>	

During 2021, the composition of Van Lanschot Kempen's equity changed due to the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV. In preparation for the merger, Van Lanschot Kempen Wealth Management NV amended its Articles of Association. These amendments aim to make the outstanding share capital and share premium reserve of Van Lanschot Kempen Wealth Management NV equal to

that of the holding Van Lanschot Kempen NV (which was the listed entity before the merger). As a result, the number of shares in issue changed compared with the prior year. The table below shows the changes resulting from these amendments.

Share capital	31/12/2021		31/12/2020	
	Number	Nominal value	Number	Nominal value
Class A ordinary shares	41,361,668	41,362	400,000	40,000
Unissued shares	108,638,332	108,638	600,000	60,000
<b>Authorised capital</b>	<b>150,000,000</b>	<b>150,000</b>	<b>1,000,000</b>	<b>100,000</b>
Changes in share capital	2021		2020	
	Number	Nominal value	Number	Nominal value
At 1 January	400,000	40,000	400,000	40,000
<b>At 31 December<sup>1</sup></b>	<b>41,361,668</b>	<b>41,362</b>	<b>400,000</b>	<b>40,000</b>

In addition to the number of shares, also the composition of the equity attributable to shareholders was changed with the aim to keep the composition the same as it was at Van Lanschot Kempen NV before the merger. The table below shows the changes resulting from these amendments.

<sup>1</sup> The 2021 amounts are after the amendments of the Articles of Association.

Equity attributable to shareholders	Before amendment	After amendment	Changes
Issued share capital	40,000	41,362	1,362
Share premium reserve	154,753	323,719	168,966
Other reserves	1,016,719	846,391	-170,328
Undistributed profit attributable to shareholders	43,009	43,009	—
<b>Total</b>	<b>1,254,481</b>	<b>1,254,481</b>	<b>—</b>

All shares were paid up in cash. During the financial year, Van Lanschot Kempen conditionally granted 46,696 depositary receipts for Class A ordinary shares. Van Lanschot Kempen holds 514,511 depositary receipts for Class A ordinary shares to meet open positions (2020: 289,849). For more information on share-based payments, see Note 30, Staff costs.

For more information about share schemes for staff and the Management Board, see page 84.

Awards of unconditional shares and depositary receipts to staff are linked to performance and employment contracts.

Changes in reserves in 2021	Revaluation reserve financial assets at fair value through other comprehensive income	Actuarial results on defined benefit schemes	Currency translation reserve	Cash flow hedge reserve	Own credit risk reserve	Retained earnings	Postponed dividend	Total
At 1 January	3,142	-45,511	763	-14,568	-832	1,013,750	59,975	1,016,720
Net changes in fair value	-1,203	—	—	6,250	—	—	—	5,047
Value change own credit risk	—	—	—	—	-4,044	—	—	-4,044
Profit appropriation	—	—	—	—	—	15,176	27,833	43,009
Dividend	—	—	—	—	—	—	-87,808	-87,808
Share plans	—	—	—	—	—	-5,037	—	-5,037
Actuarial results	—	—	—	—	—	—	—	—
Other changes	—	6,313	626	—	—	-157,492	—	-150,553
At 31 December	1,939	-39,199	1,389	-8,318	-4,876	866,397	—	817,333
Tax effects	373	-2,189	—	-1,964	1,418	—	—	-2,361

The Other changes are mainly related to the change in the composition of equity due to the legal merger. For information on the transfer from Other reserves to the Share premium reserve, see Note 35, Earnings per share.

The proposed dividend for 2021 is set at €2.00 per ordinary share (2020: €0.70 per share and 2019: €1.45 per share). At the general meeting to be held on 25 May 2022, shareholders will be invited to approve the distribution of the dividend. With the 2019 and 2020 dividends approved by the AGMs on 28 May 2020 and 27 May 2021, we paid out part of the 2020 dividend (€0.20 per share) in June 2021 as well as the 2019 dividend and the remainder of the 2020 dividend (€1.95 per share) in October 2021, in line with the recommendation by the ECB and DNB.

Changes in reserves in 2020	Revaluation reserve financial assets at fair value through other comprehensive income	Actuarial results on defined benefit schemes	Currency translation reserve	Cash flow hedge reserve	Own credit risk reserve	Retained earnings	Postponed dividend	Total
At 1 January	1,831	-37,682	872	-15,221	-6,819	980,191	—	923,172
Net changes in fair value	1,311	—	—	653	—	—	—	1,964
Value change own credit risk	—	—	—	—	5,987	—	—	5,987
Profit appropriation	—	—	—	—	—	32,954	59,975	92,929
Share plans	—	—	—	—	—	-889	—	-889
Actuarial results	—	-7,829	—	—	—	—	—	-7,829
Other changes	—	—	-109	—	—	1,494	—	1,385
At 31 December	3,142	-45,511	763	-14,568	-832	1,013,750	59,975	1,016,720
Tax effects	-540	3,164	—	638	-1,613	—	—	1,649

#### Nature and purpose of other reserves

**Treasury shares:** This includes the cost price of treasury shares kept by Van Lanschot Kempen for shares awarded to staff under current remuneration and equity schemes.

**Share premium reserve:** This includes amounts paid to Van Lanschot Kempen by shareholders above the nominal value of purchased shares.

**Revaluation reserve:** This includes movements in the fair value of FVOCI investments.

**Actuarial results on defined benefit schemes:** This includes 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) includes 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.

**Own credit risk reserve:** This includes the changes in Van Lanschot Kempen's own credit risk of financial liabilities at fair value through profit or loss.

**Cash flow hedge reserve:** This includes 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:** This includes past profits added to equity and changes in connection with the share scheme.

24. Contingent liabilities and irrevocable commitments	2021	2020
Total	1,266,372	1,161,935
Guarantees, etc.	107,314	106,570
Unused credit facilities	1,101,320	1,032,845
Other	57,738	22,520

For several group companies, guarantees of €397.6 million (2020: €239.5 million) have been issued. It is impossible to predict whether, when and how much of these contingent liabilities will be claimed.

#### Contingent assets

In 2015, Van Lanschot Kempen started an appeal against the Dutch tax authorities (*Belastingdienst*) regarding the applied pro-rata percentage which is used for the calculation of its VAT returns in the Netherlands. In March 2020, the Court in Den Bosch ruled in favour of Van Lanschot Kempen. This ruling results in Van Lanschot Kempen being able to claim VAT from the Dutch tax authorities for the previous years (2014-20), which had already been paid. In August 2020, the Dutch tax authorities appealed against the ruling at the Supreme Court. In November 2021, we received the opinion of the

Advocate General of the Supreme Court. The indicated time frame for the Supreme Court's ruling is now May-July 2022.

The following movements are related to the gross carrying amount of the contingent liabilities and the irrevocable commitments. These figures only include IFRS 9-related items and do not therefore reconcile with the table above.

Changes in gross carrying amount of Guarantees and loan commitments in 2021	Stage 1	Stage 2	Stage 3	Total
At 1 January	855,348	84,394	3,315	943,057
Additions or releases without transfer	-112,561	18,606	-1,167	-95,122
Transfer to Stage 1	15,723	-15,448	-276	—
Transfer to Stage 2	-36,452	36,452	—	—
Transfer to Stage 3	-129	-5	133	—
New financial assets originated or purchased	76,662	—	—	76,662
<b>At 31 December</b>	<b>798,591</b>	<b>124,001</b>	<b>2,006</b>	<b>924,597</b>

The following tables show the contingent items (contingent liabilities and irrevocable commitments) based on their remaining contractual terms to maturity at the reporting date.

For each obligation arising from an irrevocable commitment, the committed amount is classified in the relevant term bucket.

For each transaction that we have guaranteed, the maximum guaranteed amount is included in the relevant term bucket.

Contractual maturity of contingent items at 31/12/2021						
	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
<b>Total</b>	<b>1,508</b>	<b>248,756</b>	<b>11,394</b>	<b>40,488</b>	<b>964,226</b>	<b>1,266,372</b>
Guarantees	1,508	4,827	10,322	31,692	58,965	107,314
Unused credit facilities	—	243,929	1,072	6,015	850,304	1,101,320
Other irrevocable commitments	—	—	—	2,781	54,957	57,738

Contractual maturity of contingent items at 31/12/2020						
	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
<b>Total</b>	<b>361</b>	<b>188,188</b>	<b>9,512</b>	<b>39,013</b>	<b>924,862</b>	<b>1,161,936</b>
Guarantees	361	4,664	7,538	26,905	67,102	106,570
Unused credit facilities	—	183,524	1,974	9,263	838,084	1,032,845
Other irrevocable commitments	—	—	—	2,844	19,676	22,520

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME  
(€1,000)

25. Net interest income	2021	2020
<b>Total interest income</b>	<b>233,908</b>	<b>240,592</b>
Interest income on cash equivalents	2	—
Interest income on balances at central banks	4,035	2,122
Interest income on banks and private sector	197,378	203,682
Interest income on financial assets at fair value through other comprehensive income	217	254
Interest income on other financial assets at amortised cost	3,929	6,479
<b>Interest income calculated using the effective interest method</b>	<b>205,561</b>	<b>212,537</b>
Interest income on financial assets at fair value through profit or loss	110	337
Interest income on derivatives	22,383	20,372
Other interest income	5,854	7,345
<b>Other interest income</b>	<b>28,347</b>	<b>28,055</b>

Interest expense	2021	2020
<b>Total interest expense</b>	<b>85,460</b>	<b>88,800</b>
Interest expense on balances at central banks	9,394	4,586
Interest expense on banks and private sector	18,756	21,907
Interest expense on issued debt securities	10,072	10,591
Interest expense on subordinated loans	10,767	8,408
Interest expense on financial assets at fair value through other comprehensive income	1,072	521
<b>Interest expense calculated using the effective interest method</b>	<b>50,059</b>	<b>46,013</b>
Interest expense on financial assets at fair value through profit or loss	167	154
Interest expense on derivatives	28,135	36,617
Other interest expense	7,099	6,016
<b>Other interest expense</b>	<b>35,401</b>	<b>42,787</b>
<b>Net interest income</b>	<b>148,448</b>	<b>151,792</b>

In 2021, interest result was €3.3 million lower than in 2020. Net interest income includes a provision for revolving consumer credit of €2.4 million. For more information, see Note 19, Other provisions.

The interest income on balances at central banks is related to the negative interest paid on the special loans from the ECB recognised under Due to banks. The interest result on loans subject to impairment was €1.8 million (2020: €2.9 million).

26. Income from securities and associates	2021	2020
<b>Total</b>	<b>69,050</b>	<b>17,741</b>
Income from associates using the equity method	12,489	12,192
Realised result of associates using the equity method	16,255	588
Realised and unrealised gains/losses on investments at fair value through profit or loss	34,456	4,962
Other gains on sales	5,850	—

Income from securities and associates increased by €51.3 million, partly due to realised results on associates using the equity method. In July, we sold our 42.5% interest in Fire Safety Holding BV (Gerco) with a gain of €11.2 million. Also in July, the 18% stake in Quint Holding was sold and a gain of €4.7 million was realised. Realised and unrealised gains on investments at fair value through profit or loss rose significantly compared with year-end 2020, mainly due to positive market performance and consequently higher result in our management book. Main

contributor to the valuation gains was Newion II (€9.9 million), as its interest in Colibra increased in value on a new capitalisation round. Other gains on sales increased mainly due to the sale of our non-strategic investment in Holowell (€3.1 million) and Global Property Research BV (€2.7 million).

27. Net commission income	2021	2020
<b>Total</b>	<b>385,960</b>	<b>296,335</b>
Securities commissions	28,355	24,785
Management commissions	301,503	222,419
Cash transactions and funds transfer commissions	5,379	5,245
Corporate Finance and Equity Capital Markets commissions	42,866	36,188
Other commissions	7,857	7,699

Management commissions increased significantly by €79.1 million during 2021 due to a positive market performance and the Mercier Vanderlinden partnership. The latter was completed in July 2021 and contributed €16.0 million to this increase.

For more information on the partnership with Mercier Vanderlinden, see "Business combinations in 2021".

28. Result on financial transactions	2021	2020
<b>Total</b>	<b>-15,634</b>	<b>-32,289</b>
Gains/losses on securities trading	1,692	2,149
Gains/losses on currency trading	8,667	8,174
Gains/losses on derivatives under hedge accounting	-6,055	-4,259
Realised gains on financial assets at fair value through other comprehensive income	2,824	177
Gains/losses on economic hedges/hedge accounting not applied	18,834	-37,901
Gains/losses on financial assets and liabilities at fair value through profit or loss	-41,596	-629

Compared with 2020, result on financial transactions was up by €16.7 million. The balance of losses on economic hedges and losses on financial assets at fair value through profit or loss came in €15.8 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.

Exceptional volatility and illiquidity in certain segments of the financial markets in reaction to the Covid-19 pandemic that began in March 2020 led to pre-tax losses of €35.1 million at our structured product activities in 2020.

This was recognised in the line item Gains/losses on economic hedges/hedge accounting not applied. In response to the loss in 2020, we are working with a lower risk appetite.

The revaluation of the contingent consideration related to the acquisitions of Mercier Vanderlinden and Hof Hoorneman Bankiers resulted in a net loss of €5.3 million in the line item Gains/losses on financial assets and liabilities at fair value through profit or loss. For further information, see Note 21, Other liabilities.

29. Other income	2021	2020
<b>Total</b>	<b>10,580</b>	<b>9,161</b>
Net sales	14,164	13,333
Cost of sales	-3,584	-4,172

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 granted by 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.

30. Staff costs	2021	2020
<b>Total</b>	<b>284,506</b>	<b>249,335</b>
Salaries and wages	216,008	189,789
Pension costs for defined contribution schemes	24,551	23,615
Pension costs for defined benefit schemes	2,899	3,101
Other social security costs	21,026	20,240
Share-based payments for variable remuneration	4,696	2,614
Other staff costs	15,326	9,976

Staff costs were up by €35.2 million. The partnership with Mercier Vanderlinden and the acquisition of Hof Hoorneman Bankiers led to an increase in staff costs of €10.3 million. In addition, significantly better group financial performance led to €8.6 million higher variable remuneration and a one-off end-of-year payment (of €3,000 per employee) to all employees in the Netherlands (with a total impact of €4.4 million). Also, our staff numbers grew.

In 2021, share-based payments added €2.1 million to equity (2020: €1.6 million). Of the total expenses arising from share-based payments, €1.4 million is included in Salaries and wages (2020: €1.6 million). Pension costs for defined contribution schemes include €1.5 million for Management Board members (2020: €1.1 million).

The number of staff at year-end 2021 was 1,828 (2020: 1,801). The average number of staff in full-time equivalents was 1,696 (2020: 1,630), as shown below:

Average number of staff (FTEs) during the year	2021	2020
<b>Total</b>	<b>1,696</b>	<b>1,630</b>
Netherlands	1,484	1,444
Belgium	148	132
Other	65	53

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).

Conditional depositary receipts for shares granted to staff (excluding Management Board)	2021	2020
At 1 January	112,224	150,613
Granted	43,994	46,696
Vested	-61,320	-84,241
Forfeited rights	-2,357	-844
<b>At 31 December</b>	<b>92,541</b>	<b>112,224</b>

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's annual figures. The fair value is equal to the share price less discounted value of expected dividends during the vesting period. Depositary receipts granted in 2021 had a weighted-average fair value of €16.41 (2020: €16.10).

In 2021, 8,096 conditional depositary receipts for shares were granted under the LTP to a number of senior managers other than members of the Management Board (2020: 10,296).

#### 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 LTP, 60% of the Van Lanschot Kempen shares are awarded immediately and unconditionally, while 40% are awarded conditionally over a period of three years for LTP plans

before 2021. For LTP plans from 2021 onwards, 40% are awarded conditionally over a period of four years.

Conditional depositary receipts for shares will vest if:

- Van Lanschot Kempen's financial position allows this in the year of vesting;
- Risks have been reviewed and no material, unforeseen risks have occurred; and
- The individual has not left the company in the three or four-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.

31. Other administrative expenses	2021	2020
<b>Total</b>	<b>123,884</b>	<b>112,608</b>
Accommodation expenses	9,070	7,339
Marketing and communication	7,239	6,543
Office expenses	5,800	4,549
IT expenses	37,300	37,679
External auditors' fees	4,001	3,726
Consultancy fees	16,051	14,459
Travel and hotel fees	1,169	1,038
Information providers' fees	14,382	14,140
External service provider charges	10,189	10,483
Other	18,682	12,651

Other administrative expenses rose, partly due to increased regulatory levies. In addition, accommodation expenses were higher, as we partially returned to office working and as staff numbers increased.

Consultancy fees relate to advisory services (business consultancy, tax) and the implementation and maintenance of software and hardware.

The increase in consultancy fees reflects higher costs related to legal advice and strategic and regulatory projects.

Fees charged by the external independent auditors (and their network of offices) can be broken down as follows:

Fees charged by external independent auditors in 2021	Auditor PwC	Other auditors	Total auditors
<b>Total</b>	<b>3,537</b>	<b>464</b>	<b>4,001</b>
Financial statements audit fee	2,773	284	3,057
Fee for other audit services	175	32	207
Other non-audit assurance fees	589	148	737

Fees charged by external independent auditors in 2020	Auditor PwC	Other auditors	Total auditors
<b>Total</b>	<b>3,542</b>	<b>184</b>	<b>3,726</b>
Financial statements audit fee	2,979	132	3,111
Fee for other audit services	172	—	172
Other non-audit assurance fees	391	53	444

This is a summary of the services rendered by our external independent auditor PricewaterhouseCoopers Accountants NV and its network:

- Financial statements audit;
- Financial statements audit for funds managed by Kempen Capital Management NV;
- Statutory audit of controlled and related entities;
- Audit of the regulatory returns to be submitted to De Nederlandsche Bank;
- ISAE 3402 type II engagement in respect of (semi-) institutional clients administering asset management services of Van Lanschot Kempen NV;
- Non-audit assurance engagements on safeguarding client assets and non-financial information;
- Agreed-upon procedures regarding interest rate risk;
- Review procedures on the condensed consolidated report in the context of Article 26.2 of Capital Requirements Regulation No. 575/2013 as of 31 December 2021;
- Non-audit assurance engagement cost price models for the Dutch Authority for the Financial Markets (AFM);
- Comfort letters issued as part of funding transactions and based on Dutch Accounting Standard 3850N;
- Reasonable assurance engagement regarding the third series of the targeted longer-term refinancing operations (TLTRO III).

32. Depreciation and amortisation	2021	2020
<b>Total</b>	<b>29,401</b>	<b>24,712</b>
Buildings	2,102	2,186
Right-of-use assets – buildings	8,420	9,802
Right-of-use assets – transport equipment	3,437	3,823
IT, operating system software and communications equipment	2,849	3,454
Application software	1,006	1,154
Intangible assets arising from acquisitions	10,649	5,537
Results on disposals of property and equipment	-121	-2,664
Other depreciation and amortisation	1,060	1,420

Amortisation on intangible assets arising from acquisitions increased during 2021, mainly due to the acquired client relationships in the partnership with Mercier Vanderlinden.

33. Impairments	2021	2020
<b>Total impairments</b>	<b>-17,837</b>	<b>1,871</b>
Cash and cash equivalents and balances at central banks	0	—
Due from banks	—	-1
Financial assets at fair value through other comprehensive income	-89	-132
Loans and advances to the public and private sectors	-12,058	1,739
Other financial assets at amortised cost	-5	-15
Financial guarantees and loan commitments	470	282
<b>Impairment of financial instruments</b>	<b>-11,682</b>	<b>1,871</b>
Investments in associates using the equity method	-6,455	—
Property and equipment	299	—
<b>Other impairments</b>	<b>-6,156</b>	<b>—</b>

Total impairments decreased by €19.7 million compared with 2020 to a gain of €17.8 million. Impairments on Loans and advances to the public and private sectors fell by €13.8 million in 2021 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 taken, thus releasing part of the provision. See subsection 3.8 "Loss allowance for expected credit loss" of the Risk management section for more information on impairments related to financial instruments.

Investments in associates using the equity method includes impairments on investments whose realisable values are below their carrying amounts. In 2021, impairment reversals were realised amounting to €6.5 million on the back of structural improvements.

Property and equipment includes impairments on office buildings whose estimated realisable values are below their carrying amounts.

34. Income tax	2021	2020
Operating profit before tax	178,450	54,214
<b>Total gross result</b>	<b>178,450</b>	<b>54,214</b>
Prevailing tax rate in the Netherlands	25%	25%
Tax	34,643	4,370
<b>Total tax</b>	<b>34,643</b>	<b>4,370</b>
Expected tax on the basis of the prevailing tax rate in the Netherlands	44,613	13,554
<b>Increase/decrease in tax payable due to</b>		
Non-deductible interest	209	157
Tax-free income from securities and associates	-11,698	-7,911
Taxed release of tax reserves	927	266
Non-deductible costs	1,767	1,341
Non-deductible losses	-287	-81
Adjustments to taxes for prior financial years	-193	-980
Impact of foreign tax rate differences	317	121
Addition/(release) deferred tax assets	640	-510
Other changes	-1,652	-1,558
	<b>-9,970</b>	<b>-9,155</b>
<b>Total tax</b>	<b>34,643</b>	<b>4,370</b>

This 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, deductibility of coupon payments on our AT1 instrument and non-deductible costs. In both 2020 and 2021, the effective tax rate also changed as a result of changes to the statutory tax rate in the Netherlands.

Key income tax components	2021	2020
<b>Total</b>	<b>34,643</b>	<b>4,370</b>
Standard tax	33,934	4,829
Income/expense from foreign tax rate differences	-317	-93
Income/expense from changes in deferred tax assets	-740	-1,725
Income/expense from changes in deferred tax liabilities	1,573	2,340
Income/expense from prior-year adjustments	193	-980

The breakdown of deferred tax assets and liabilities (including tax rate adjustments) through the statement of income is as follows:

Deferred tax assets	2021	2020
<b>Total</b>	<b>-740</b>	<b>-1,725</b>
Employee benefits	-149	423
Commissions	-83	-54
Property and equipment	591	-1,242
Lease liabilities	-676	-941
Intangibles	-105	—
Tax-loss carry-forwards	-418	-274
Other	100	363

Deferred tax liabilities	2021	2020
<b>Total</b>	<b>1,573</b>	<b>2,340</b>
Property and equipment	958	2,439
Intangible assets	615	-99

35. Earnings per ordinary share	2021	2020
<b>Net result</b>	<b>143,807</b>	<b>49,844</b>
Share of AT1 capital securities	-6,750	-6,750
Share of other non-controlling interests	-74	-85
<b>Net result for calculation of earnings per share</b>	<b>136,983</b>	<b>43,009</b>
Weighted average number of ordinary shares in issue	40,910,434	400,000
Earnings per ordinary share (€)	3.35	107.52
Proposed dividend per ordinary share (€)	2.00	72.38

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. The table below shows, by way of comparison, the earnings per share for Van Lanschot Kempen NV as at year-end 2021 and for Van Lanschot Kempen NV at year-end 2020 prior to the merger.

Van Lanschot Kempen NV earnings per ordinary share	2021	2020
<b>Net result</b>	<b>143,807</b>	<b>49,844</b>
Share of AT1 capital securities	-6,750	-6,750
Share of other non-controlling interests	-74	-85
<b>Net result for calculation of earnings per share</b>	<b>136,983</b>	<b>43,009</b>
Weighted average number of shares in issue	40,910,434	40,989,428
Earnings per ordinary share (€)	3.35	1.05
Proposed dividend per ordinary share (€)	2.00	0.70

36. Diluted earnings per ordinary share	2021	2020
Net result for calculation of diluted earnings per share	136,983	43,009
Weighted average number of ordinary shares in issue	40,910,434	40,989,428
Potential shares	114,594	161,887
<b>Weighted average number of ordinary shares in issue, fully diluted</b>	<b>41,025,029</b>	<b>41,151,315</b>
Diluted earnings per ordinary share (€)	3.34	1.05

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.

The comparative figures in the table above show the diluted earnings per share for Van Lanschot Kempen NV prior to the legal merger with Van Lanschot Kempen Wealth Management NV.

## BUSINESS COMBINATIONS IN 2021

On 7 April 2021, Van Lanschot Kempen and Mercier Vanderlinden Asset Management ("Mercier Vanderlinden") announced agreement on a partnership between Van Lanschot Kempen and Mercier Vanderlinden. The transaction was effected by the transfer of 70% of the shares of Mercier Vanderlinden to Van Lanschot Kempen. Commitment was made to acquire the remaining 30% in two separate tranches in the first quarters of 2025 and 2026. This partnership is in line with our strategy and enables us to expand our wealth management services and reach critical mass in Belgium. The assets under management of Mercier Vanderlinden amounted to €3.8 billion at acquisition date. The assets acquired included Mercier Vanderlinden's client relationships, brand name and products and services. On 26 July 2021, Van Lanschot Kempen announced the completion of this transaction and took control. We consolidated Mercier Vanderlinden in our statement of financial position as at July 2021, as part of our Private Clients segment.

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 relationships and brand name. The goodwill is attributable to the future profitability of the acquired business in anticipation of synergies achieved from the business combination.

Mercier Vanderlinden (€ million)	Fair value of acquisition	Carrying amount of acquisition
Cash and cash equivalents	8.5	8.5
Property and equipment	0.7	0.7
Intangible assets	105.3	0.1
Financial assets at fair value through other comprehensive income	0.4	0.4
Other assets	6.9	6.9
Current tax assets	2.0	2.0
Deferred tax asset	0.3	0.3
<b>Total identifiable assets</b>	<b>124.0</b>	<b>18.9</b>
Subordinated loans	0.8	0.8
Other liabilities	1.2	1.2
Current tax liabilities	2.5	2.5
Deferred tax liabilities	26.6	0.3
<b>Total identifiable liabilities</b>	<b>31.1</b>	<b>4.8</b>
<b>Total net assets</b>	<b>92.9</b>	<b>14.1</b>
Goodwill	76.7	
<b>Consideration</b>	<b>169.6</b>	

The consideration includes a contingent amount of €47.8 million related to the deferred consideration for the 30% remaining shares (€46.2 million) and for the earn-out agreements (€1.6 million) recognised under Other liabilities. As Mercier Vanderlinden was 100% consolidated with the recognition of a deferred contingent liability effective July 2021, its financial performance contributed to our 2021 statement of income.

The deferred contingent liability will be remeasured on reporting dates, based on the projected financial performance of Mercier Vanderlinden. The remeasurement at year-end 2021 resulted in an additional contingent liability of €6.5 million. See also Note 21, Other liabilities.

## RELATED PARTIES

In the normal course of business, we enter into various related party transactions. Parties are considered related if one party exercises control or has significant influence over the other party regarding financial or operating decisions. Parties related to us include our key management personnel, our subsidiaries, affiliates and parties with significant influence in Van Lanschot Kempen. These transactions are conducted at arm's length.

The Management Board comprises our key management personnel and is responsible for implementing our strategy and managing our activities (see "Management Board members").

Management Board remuneration	2021	2020
<b>Total</b>	<b>6,398</b>	<b>7,662</b>
Fixed salary, amount in cash	2,828	2,882
Fixed salary, amount in shares <sup>1</sup>	1,733	1,987
Sign-on bonus, amount in cash	250	—
Sign-on bonus, amount in shares <sup>2</sup>	100	400
Termination benefit, amount in cash	—	438
Termination benefit, amount in shares <sup>3</sup>	—	312
Fixed payment for pension and disability insurance costs	1,487	1,643

For transactions with key management personnel, see "Remuneration of the Management and Supervisory Boards".

Affiliates	2021		2020	
	Income	Expenses	Income	Expenses
Stichting Pensioenfonds F. van Lanschot	1,055	—	1,058	—

### 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 2021				
	Income	Expenses	Amount receivable	Amount payable
Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen	—	—	—	42
LDDM Holding BV	6	—	—	1,132
Romij BV	—	—	—	—
Janus Henderson Group plc	—	—	—	—

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 2021 or 2020, and neither were impairments recognised for receivables.

- Expenses recognised under IFRS-EU accounting for Van Lanschot Kempen shares differ due to the treatment under IFRS 2. For 2021, expenses under IFRS amounted to €1,936,000 (2020: €2,205,000).
- Expenses recognised under IFRS-EU accounting for Van Lanschot Kempen shares differ due to the treatment under IFRS 2. For 2021, Sign-on bonus expenses under IFRS amounted to €111,000 (2020: 446,00).
- Expenses recognised under IFRS-EU accounting for Van Lanschot Kempen shares differ due the treatment under IFRS 2. For 2020, Redundancy expenses under IFRS amounted €348,000.

Parties with significant influence in Van Lanschot Kempen in 2020				
	Income	Expenses	Amount receivable	Amount payable
Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen	—	—	—	64
APG Asset Management NV	—	—	—	—
LDDM Holding BV	3	—	—	679
Janus Henderson Group plc	—	—	—	—
Reggeborgh Invest BV	4,126	—	—	—

## List of shareholders

Based on the requirements of 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 percentages reflect the number of shares on the register on the dates listed and the current number of shares. This list includes the notifications until 31 December 2021.

Shareholder	Notification date	Interest
Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen	24 May 2013	96.80%

Depository receipt holder	Notification date	Interest
LDDM Holding BV	3 June 2014	9.68%
Janus Henderson Group plc	17 October 2016	5.56%
FMR LLC	7 July 2016	4.96%
NN Group NV	23 December 2019	3.23%
Romij BV	29 January 2021	8.59%
J.B. Meulman	15 September 2021	3.02%

Disclosure is required once a shareholder's interest reaches or exceeds certain threshold values, and it should be noted that current stakes of listed shareholders and/or depository 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 (%)	2021	2020
F. van Lanschot Bankiers (Schweiz) AG	100	100
Kempen Finance BV	100	100
Kempen Capital Management BV	100	100
Kempen Bewaarder BV	100	n/a
Kempen AM NL BV	100	n/a
Kempen & Co USA Inc.	100	n/a
Van Lanschot Participaties BV	100	100
Beheermaatschappij "Orthenstraat" BV	100	n/a
BV Foton, Maatschappij tot beheer van industrie- en handelsondernemingen	100	n/a
BV Beleggingsmaatschappij De Gevulde Trom	100	n/a
Sapphire Investments BV	100	n/a
Beheers en Beleggings Compagnie Silva Ducis BV	100	n/a
Van Lanschot Mezzaninefonds II BV	100	n/a
Vakan BV	100	n/a
Quion 17 BV	100	100
Efima Hypotheken BV	100	n/a
LansOg Beheer BV	100	n/a
Hof Hoorneman Bankiers NV	100	100
Mercier Vanderlinden Asset Management NV (70% stake)	100	n/a
Holowell Holding BV	n/a	93

## 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. Therefore, these structured entities do not qualify as a transfer of financial assets and are not derecognised from our statement of financial position.

We consolidate the following structured entities:

- Van Lanschot Conditional Pass-Through Covered Bond Company BV
- Van Lanschot Conditional Pass-Through Covered Bond Company 2 BV

### Conditional Pass-Through Covered Bond Programme (CPTCB)

Van Lanschot Kempen established a CPTCB programme in March 2015. 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. In April 2015, the bank launched the first bond loan of €500 million (maturity of seven years: coupon of 0.275%). The second bond loan of €500 million was placed in March 2016 (maturity of seven years: coupon of 0.375%) and the third bond loan of €500 million was placed in February 2017 (maturity of ten years: coupon of 0.875%). All loans were placed with institutional investors.

### Conditional Pass-Through Covered Bond Programme 2 (CPTCB2)

Van Lanschot Kempen established a retained CPTCB programme in July 2019. In September 2019, the bank launched the first bond loan of €300 million (maturity of five years: coupon of 0.400%). All loans were retained.

The tables below show the total amounts of the mortgage loans involved in each covered bond programme.

	31/12/2021		31/12/2020	
	Fair value	Carrying amount	Fair value	Carrying amount
<b>Total</b>	2,259,340	2,127,663	2,250,690	2,151,711
Covered Bond Programme	1,879,285	1,767,512	1,886,670	1,803,700
Covered Bond Programme 2	380,055	360,151	364,020	348,011

Van Lanschot Kempen provides no financial or other support to the covered bond entities, and has no intention of providing such support.

#### Non-consolidated structured entities

Asset-backed securities are classified as financial assets at fair value through other comprehensive income. These investments are structured entities. We do not consolidate these 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 €368.1 million at 31 December 2021 (2020: €355.2 million).

Van Lanschot Kempen is not required to provide financial or other support to non-consolidated structured entities, and has no intention of providing such support.

Non-consolidated structured entities 2021				
	Interest income	Comprehensive income	Total income	Investments
<b>Total</b>	306	-1,979	-1,037	364,082
Asset-backed securities	306	-1,979	-1,037	364,082

Non-consolidated structured entities 2020				
	Interest income	Comprehensive income	Total income	Investments
<b>Total</b>	554	-1,591	-1,037	351,968
Asset-backed securities	554	-1,591	-1,037	351,968

#### 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	31/12/2021	31/12/2020
<b>Total</b>	64	-73
Consolidated investment funds	64	79
Consolidated shareholdings	—	-151

Van Lanschot Kempen's minority interests are recognised under non-controlling interests as part of equity.

Changes in non-controlling interests	2021			2020		
	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	-158	85	-73	3,606	423	4,029
Profit appropriation	85	-85	—	97	-97	—
Dividend	-58	—	-58	—	-326	-326
Result for the reporting period	—	74	74	—	85	85
Other changes	120	—	120	-3,861	—	-3,861
<b>At 31 December</b>	<b>-10</b>	<b>74</b>	<b>64</b>	<b>-158</b>	<b>85</b>	<b>-73</b>

### Consolidated investments

We consolidate one investment in which a non-controlling minority interest is included. This comprises a minority stake in MedSciences Capital BV. During 2021, we sold our interest in Holowell Holding BV (7.37%).

The table below provides aggregated information on consolidated investments.

Financial information consolidated investments	2021	2020
Total assets	81	6,630
Total liabilities	1	8,684
Equity attributable to shareholders	17	-1,903
Equity attributable to non-controlling interests	64	-151
Total income from operating activities	66	7,588
Total expenses	12	6,219
Taxes	—	356
Net income	54	1,013
Of which attributable to shareholders	11	939
Of which attributable to non-controlling interests	43	75

### 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 between 20% and 49%. These investments are classified as investments in associates using the equity method.

The table below shows the largest investments in associates based on the carrying amount.

In 2021, our interests in Fire Safety Holding BV (Gerco) and Quint Wellington Redwood Holding BV were sold; see also Note 26, Income from securities and associates.

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 pursuing a flexible, long-term investment horizon, allowing its companies' portfolios to achieve their long-term growth potential.	Amsterdam	29.75%
Bolster Investments II Coöperatief UA	Bolster II is a long-term investor specialising in taking minority shareholdings of 20-50% in private companies and pursuing a flexible, long-term investment horizon, allowing its companies' portfolios to achieve their long-term growth potential.	Amsterdam	22.00%
Movares Group BV	Movares provides engineering and consultancy services in the fields of mobility, infrastructure, spatial planning and transport systems.	Utrecht	32.64%
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	32.20%
Ploeger Oxbo Holding BV	Ploeger Oxbo develops, manufactures and sells a wide range of specialist harvesting equipment to customers across the world.	Roosendaal	11.87%
Tecnotion Investment BV	Tecnotion designs, produces and sells linear motors across the world, to the semiconductor, electronics, LCD, automotive and robotics industries among other sectors.	Almelo	37.98%

Aggregated financial information of associates for which Van Lanschot Kempen applies the equity method	2021		2020	
	Associates, equity method	Attributable to Van Lanschot Kempen	Associates, equity method	Attributable to Van Lanschot Kempen
<b>Total</b>	<b>292,261</b>	<b>82,324</b>	<b>262,057</b>	<b>72,201</b>
Current assets	186,808	38,321	183,385	37,996
Non-current assets	414,877	89,574	395,674	83,961
Current liabilities	-84,382	-20,169	-86,007	-20,849
Non-current liabilities	-225,042	-32,343	-230,995	-32,906
Goodwill		10,297		13,969
Impairments		—		-6,455
Other		-3,356		-3,515
<b>Other financial information</b>				
Dividend received		6,838		5,572
Income from operational activities		10,999		11,423
Share of net income		28,374		12,398
Unrecognised share of losses		117		117
Comprehensive income		—		—

The table below 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 Investments in associates using the equity method	2021	2020
Income	9	1
Amount payable	854	1,272
Guarantees	47,204	13,209

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 2021 or 2020.

### Van Lanschot Participaties

Investments using the equity method are managed by Bolster Investment Partners. 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 stake resulting from debt conversions and consolidated in the Van Lanschot Kempen financial statements (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 associates	Impairments	Total
Direct investment	Investment in associates using the equity method	31,107	—	24,482	6,546	31,028
Shareholdings	Financial assets at fair value through profit or loss	1,496	196	—	—	196
Subordinated loans	Loans and advances to the public and private sectors	—	1	—	—	1
Fund investment	Financial assets at fair value through profit or loss	21,105	—	9,440	—	9,440
<b>Total</b>		<b>53,708</b>	<b>197</b>	<b>33,922</b>	<b>6,546</b>	<b>40,665</b>

### Joint ventures in which Van Lanschot Kempen is a partner

We have no joint ventures.

## COMMITMENTS

### IT contracts

Van Lanschot Kempen has entered into several IT contracts, e.g. for hiring services and capacity, and for licensing and maintenance of our systems. Our future contractual payment commitments for IT contracts amount to €39.4 million and exclusively consist of intangible asset expenditures.

Early termination of these contracts could result in additional costs. Potential exit fees are linked to the remaining term of the contracts.

Future payments for IT contracts	
Total	39,437
Within 1 year	14,603
1 to 5 years	24,834
More than 5 years	—

## SEGMENT INFORMATION

As a specialist wealth manager, we serve the entire spectrum of client groups, ranging from private clients to institutional investors and corporates. Key to our strategy is the ability to adapt quickly to changing client needs and market circumstances. At the beginning of 2021, we fundamentally changed our organisational structure by moving from a business line-driven organisation towards an integrated model. This allows us to work across client groups, use a broader range of products and further improve the efficiency of our organisation.

This new organisational structure means that our segment reporting has also changed to client groups from 2021 onwards, these being Private Clients, Wholesale & Institutional Clients, Investment Banking Clients, and Other activities. Intersegment transactions between these operating segments are conducted on an arm's length basis and internal cost allocation is based on the use of services.

The operating segments have changed so significantly that the information to restate the corresponding information for earlier periods is not available and the cost to develop it would be excessive. Therefore, in line with IFRS 8, no comparative figures for year-end 2020 are made available.

### Private Clients

Private Clients offers private clients and entrepreneurs a broad range of products in the private banking market, while also focusing on business professionals and executives, healthcare professionals, family businesses, foundations and associations. The activities of Evi, Van Lanschot Kempen's online investment coach, are integrated in this segment and specifically target mass affluent individuals and Millennials.

### Wholesale & Institutional Clients

Wholesale & Institutional Clients focuses on a range of investment strategies and offers fiduciary services to domestic and international clients such as banks, wealth managers, family offices, pension funds and insurers.

### Investment Banking Clients

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

### Other

These comprise activities in the fields of interest rate, market and liquidity risk management, structured products activities, staff departments, as well as the activities of Van Lanschot Participaties/Bolster and consolidated investments.

Operating segments in 2021 (€ million)					
	Private Clients	Wholesale & Institutional Clients	Investment Banking Clients	Other	Total
<b>Statement of income</b>					
Net interest income	135.2	0.0	0.0	13.2	148.4
Income from securities and associates	—	—	2.7	66.3	69.1
Net commission income	244.3	81.4	55.9	4.4	386.0
Result on financial transactions	-2.9	0.0	2.1	-14.8	-15.6
Other income	—	—	—	10.6	10.6
<b>Total income from operating activities</b>	<b>376.7</b>	<b>81.4</b>	<b>60.7</b>	<b>79.7</b>	<b>598.4</b>
Staff costs	93.6	10.1	24.0	156.9	284.5
Other administrative expenses	62.0	6.7	8.3	46.9	123.9
Allocated expenses	106.2	54.2	9.3	-169.7	—
Depreciation and amortisation	11.2	0.8	0.3	17.1	29.4
Impairments	-10.6	—	—	-7.2	-17.8
<b>Total expenses</b>	<b>262.3</b>	<b>71.8</b>	<b>41.9</b>	<b>43.9</b>	<b>420.0</b>
<b>Operating result before tax</b>	<b>114.3</b>	<b>9.6</b>	<b>18.8</b>	<b>35.8</b>	<b>178.5</b>

The tables below give additional information on the geographical spread of income from operations.

Geographical segments in 2021 (€ million)				
	Netherlands	Belgium	Other	Total
<b>Statement of income</b>				
Total income from operating activities	522.1	54.6	21.8	598.4
Of which income from other segments	-2.6	1.6	1.0	—
<b>Statement of financial position</b>				
Due from banks	27.0	—	—	27.0
Investments in associates using the equity method	82.4	—	—	82.4
<b>Total non-current assets<sup>1</sup></b>	<b>109.4</b>	<b>—</b>	<b>—</b>	<b>109.4</b>

Geographical segments in 2020 (€ million)				
	Netherlands	Belgium	Other	Total
<b>Statement of income</b>				
Total income from operating activities	389.6	35.0	18.1	442.7
Of which income from other segments	-3.8	2.6	1.3	—
<b>Statement of financial position</b>				
Due from banks	166.9	—	—	166.9
Investments in associates using the equity method	72.2	—	—	72.2
<b>Total non-current assets<sup>1</sup></b>	<b>239.1</b>	<b>—</b>	<b>—</b>	<b>239.1</b>

1 Other than financial instruments, deferred tax assets and post-employment assets.

Country-by-country reporting on a consolidated basis at 31 December 2021							
Country	Name of main subsidiary	Nature of activities	Average number of staff (FTEs)	Total income from operating activities (€ million)	Operating result before tax (€ million)	Income tax (€ million)	Government subsidies (€ million)
<b>Total</b>			<b>1,696</b>	<b>598.4</b>	<b>178.5</b>	<b>-34.6</b>	<b>—</b>
Netherlands	VLK NV	Wealth management	1,484	522.1	165.1	-30.7	—
Belgium	VLK NV branch	Wealth management	148	54.6	15.6	-4.4	—
Switzerland	F. van Lanschot Bankiers (Schweiz) AG	Wealth management	33	12.4	1.7	-0.4	—
United Kingdom	KCM UK Ltd	Asset management	26	5.0	-5.2	1.3	—
United States	Kempen & Co USA Inc.	Securities trading and research distribution	4	3.3	1.1	-0.4	—
France	Kempen Capital Management NV branch	Asset management	1	0.7	0.0	0.0	—
Sweden	VLK NV branch	Wealth management	1	0.4	0.0	0.0	—

Country-by-country reporting on a consolidated basis at 31 December 2020							
Country	Name of main subsidiary	Nature of activities	Average number of staff (FTEs)	Total income from operating activities (€ million)	Operating result before tax (€ million)	Income tax (€ million)	Government subsidies (€ million)
<b>Total</b>			<b>1,630</b>	<b>442.7</b>	<b>54.2</b>	<b>-4.4</b>	<b>—</b>
Netherlands	VLKWM NV	Wealth management	1,444	389.6	56.1	-4.4	—
Belgium	VLKWM NV branch	Wealth management	132	35.0	-1.7	0.1	—
Switzerland	F. van Lanschot Bankiers (Schweiz) AG	Wealth management	31	9.8	0.1	-0.1	—
United Kingdom	KCM London Ltd	Asset management	17	4.7	-1.0	0.2	—
United States	Kempen & Co USA Inc.	Securities trading and research distribution	6	3.2	0.7	-0.2	—
France	Kempen Capital Management NV branch	Asset management	—	0.5	0.0	—	—

## 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	2021	2020
Total	136,983	43,009
Addition to reserves	55,289	14,259
Dividend on Class A ordinary shares	81,694	28,750

# REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARDS

For further details of remuneration received in 2021, see "Remuneration" on page 84.

Total direct compensation of the individual members of the Management Board in 2021					
	Fixed salary, amount in cash	Fixed salary, amount in shares <sup>1</sup>	Sign-on, amount in cash	Sign-on, amount in shares	Total fixed salary
<b>Total</b>	<b>2,626</b>	<b>1,636</b>	<b>250</b>	<b>100</b>	<b>4,612</b>
Karl Guha* (until 1 October 2021)	601	291	—	—	892
Maarten Edixhoven (from 1 October 2021)	201	97	250	100	648
Constant Korthout	456	312	—	—	768
Arjan Huisman	456	312	—	—	768
Richard Bruens	456	312	—	—	768
Erik van Houwelingen**	456	312	—	—	768

Total direct compensation of the individual members of the Management Board in 2020			
	Fixed salary, amount in cash	Fixed salary, amount in shares <sup>1</sup>	Total fixed salary
<b>Total</b>	<b>1,975</b>	<b>1,324</b>	<b>3,299</b>
Karl Guha	730	388	1,118
Constant Korthout	415	312	727
Arjan Huisman	415	312	727
Richard Bruens	415	312	727

Pension and disability insurance costs for the individual members of the Management Board	2021	2020
<b>Total</b>	<b>1,392</b>	<b>1,119</b>
Karl Guha (until 1 October 2021)	291	381
Maarten Edixhoven (from 1 October 2021)	97	—
Constant Korthout	251	246
Arjan Huisman	251	246
Richard Bruens	251	246
Erik van Houwelingen	251	—

Total remuneration related to 2021, consisting of fixed salary, pension and disability insurance amounted to €1,183,000 for Karl Guha (2020: €1,499,000); €746,000 for Maarten Edixhoven including sign-on payment; €1,019,000 for Constant Korthout (2020: €973,000); €1,019,000 for Arjan Huisman (2020: €973,000); €1,019,000 for Richard Bruens (2020: €973,000); and €1,019,000 for Erik van Houwelingen.

<sup>1</sup> Expenses (in €1,000) recognised under IFRS-EU accounting for Van Lanschot Kempen shares differ due to treatment under IFRS 2. For 2021, expenses under IFRS for Karl Guha amounted to €324 (2020: €432), for Maarten Edixhoven to €219, for Constant Korthout to €348 (2020: €348), Arjan Huisman to €348 (2020: €348), for Richard Bruens to €348 (2020: €348), and for Erik van Houwelingen to €348. A proportion of fixed salary is paid in the form of Van Lanschot Kempen shares. Karl Guha received 13,556 shares (2020: 19,456), Maarten Edixhoven received 7,985 shares, and the other members of the Management Board each received 14,565 shares (2020: 15,677). The number of shares granted is based on the average share price for the first four trading days of 2021: €21.44 (2020: €19.92); and for the shares received by Maarten Edixhoven the share price was €24.66. IFRS takes the share price at grant date as the basis for recognition. This price amounted to €21.44 (2020: €19.92).

\* Karl Guha resigned on 1 October 2021 as Chairman of the Management Board. He received remuneration under the same conditions for the remainder of 2021. Expenses recognised under IFRS-EU accounting for total remuneration differ due to treatment under IFRS 2. For 2021, expenses under IFRS for Karl Guha amounted to €1,620 (2020: €1,543).

\*\* Remuneration reported as of 1 January 2021; Erik van Houwelingen was appointed as a member of the Management Board on 27 May 2021.

Number of depositary receipts for shares held by Management Board members in 2021				
	At 1 January	Bought/awarded	Sold/post-employment	At 31 December
<b>Total</b>	<b>282,490</b>	<b>52,242</b>	<b>—</b>	<b>334,732</b>
Karl Guha (until 1 October 2021)	75,777	11,199	—	86,976
Maarten Edixhoven (from 1 October 2021)	—	4,947	—	4,947
Constant Korthout	71,756	9,024	—	80,780
Arjan Huisman	51,369	9,024	—	60,393
Richard Bruens	67,718	9,024	—	76,742
Erik van Houwelingen	15,870	9,024	—	24,894

Loans to Management Board members at 31 December 2021				
	At 31 December	Repaid in the year	Interest range	Type
<b>Total</b>	<b>5,059</b>	<b>39</b>		
Maarten Edixhoven	—	—	—	—
Constant Korthout	675	—	1.25% - 1.70%	Mortgage
Arjan Huisman	—	—	—	—
Richard Bruens	2,369	29	1.40% - 1.90%	Mortgage
Erik van Houwelingen	2,015	10	1.45% - 2.10%	Mortgage

Loans to Management Board members at 31 December 2020				
	At 31 December	Repaid in the year	Interest range	Type
<b>Total</b>	<b>1,348</b>	<b>27</b>		
Richard Bruens	1,348	27	1.72% - 1.90%	Mortgage

No advances or guarantees have been granted to members of the Management Board. No impairments or write-offs have occurred on loans granted to Management Board members.

Remuneration of the Supervisory Board	2021	2020
<b>Total</b>	<b>578</b>	<b>607</b>
Frans Blom	111	96
Willy Duron (until 28 May 2020)	—	53
Manfred Schepers	95	95
Karin Bergstein (from 28 May 2020)	77	40
Jeanine Helthuis (until 27 May 2021)	35	83
Brigitte Boone (from 22 September 2021)	19	—
Bernadette Langius	80	80
Maarten Muller	76	75
Lex van Overmeire	85	85

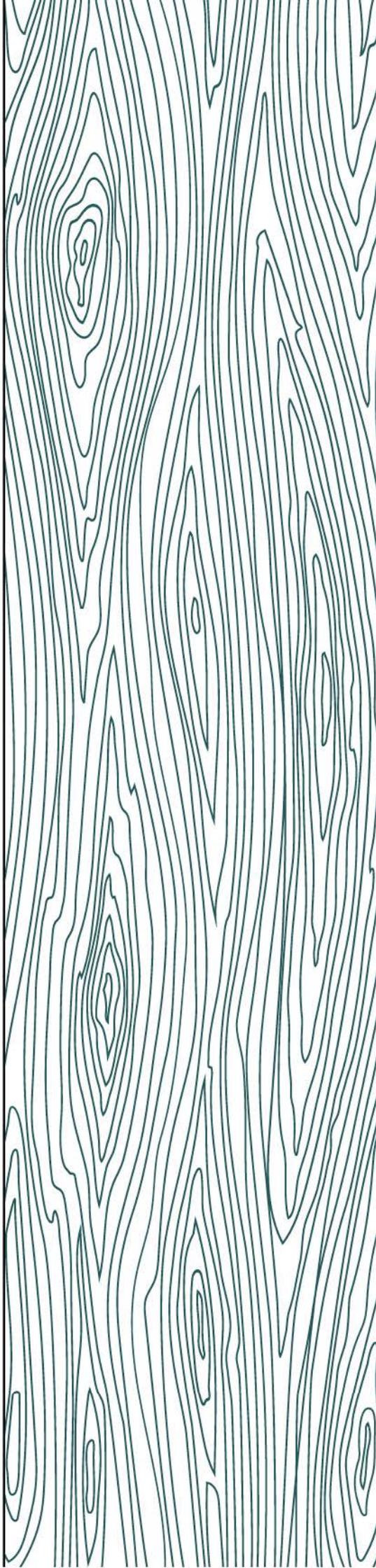
No loans or advances had been granted to members of the Supervisory Board at 31 December 2021 and 31 December 2020.

The company and its subsidiaries only grant personal loans, guarantees etc. to Supervisory Board members as part of normal operations and in keeping with conditions laid down in financial services regulations. Any such loans or guarantees are subject to the approval of the Supervisory Board. Loans are not forgiven.

## EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the reporting date that affect the relevance of information provided in the 2021 financial statements.

Company  
financial  
statements



## Company statement of financial position at 31 December Before profit appropriation (€1,000)

		2021	2020
<b>Assets</b>			
Cash and cash equivalents and balances at central banks	1	3,612,849	2,040,901
Government paper eligible for central bank refinancing	2	555,851	886,365
Due from banks	3	196,500	332,415
Loans and advances to the public and private sectors	4	8,849,639	8,321,997
Debt instruments	5	1,905,420	2,259,669
Equity instruments	6	31,980	86,455
Investments in group companies	7	361,725	244,831
Investments in associates using the net asset value method	8	51,333	37,027
Goodwill and other intangible assets	9	217,313	147,368
Property and equipment	10	73,677	81,367
Other assets	11	34,047	59,017
Derivatives	12	247,957	296,078
Accrued assets	11	119,856	128,535
<b>Total assets</b>		<b>16,258,147</b>	<b>14,922,025</b>
<b>Liabilities</b>			
Due to banks	13	1,056,157	893,422
Public and private sector liabilities	14	11,159,260	9,619,002
Issued debt securities	15	1,979,286	2,210,766
Other liabilities	16	211,777	185,764
Derivatives	12	175,919	376,282
Accrued liabilities	16	44,326	47,051
Provisions	17	50,663	61,090
Subordinated loans	18	171,527	172,479
<b>Total liabilities</b>		<b>14,848,915</b>	<b>13,565,856</b>
Issued share capital		41,362	40,000
Treasury shares		-11,853	—
Share premium reserve		323,719	154,753
Revaluation reserve		1,939	3,142
Reserves required by law		36,105	29,348
Other reserves		779,289	984,230
Undistributed profit attributable to shareholders		136,983	43,009
<b>Equity attributable to shareholders</b>		<b>1,307,544</b>	<b>1,254,481</b>
AT1 capital securities		100,000	100,000
Undistributed profit attributable to holders of AT1 capital securities		1,688	1,688
<b>Equity attributable to AT1 capital securities</b>		<b>101,688</b>	<b>101,688</b>
<b>Total equity</b>	19	<b>1,409,232</b>	<b>1,356,169</b>
<b>Total equity and liabilities</b>		<b>16,258,147</b>	<b>14,922,025</b>
Contingent liabilities		476,352	322,005
Irrevocable commitments		1,153,297	1,003,921
<b>Contingent liabilities and irrevocable commitments</b>	20	<b>1,629,649</b>	<b>1,325,926</b>

The number beside each item refers to the Notes to the company statement of financial position.

## Company statement of income (€1,000)

		2021	2020
<b>Income from operating activities</b>			
Interest income		217,952	224,707
Interest expense		88,365	91,524
<b>Net interest income</b>	22	<b>129,587</b>	<b>133,182</b>
Income from associates using the net asset value method		3,892	4,213
Other income from securities and associates		95,503	43,980
<b>Income from securities and associates</b>	23	<b>99,395</b>	<b>48,193</b>
Commission income		239,505	199,540
Commission expense		6,517	18,658
<b>Net commission income</b>	24	<b>232,988</b>	<b>180,882</b>
<b>Result on financial transactions</b>	25	<b>-1,527</b>	<b>-28,516</b>
<b>Total income from operating activities</b>		<b>460,443</b>	<b>333,742</b>
<b>Expenses</b>			
Staff costs	26	216,147	181,279
Other administrative expenses	27	67,882	78,163
<b>Staff costs and other administrative expenses</b>		<b>284,029</b>	<b>259,442</b>
Depreciation and amortisation	28	23,319	27,850
<b>Operating expenses</b>		<b>307,348</b>	<b>287,292</b>
Impairments of financial instruments		-11,514	2,095
<b>Impairments</b>	29	<b>-11,514</b>	<b>2,095</b>
<b>Total expenses</b>		<b>295,834</b>	<b>289,387</b>
<b>Operating profit before tax</b>		<b>164,609</b>	<b>44,354</b>
Income tax	30	20,876	-5,404
<b>Net result</b>		<b>143,733</b>	<b>49,759</b>
Of which attributable to shareholders		136,983	43,009
Of which attributable to holders of AT1 capital securities		6,750	6,750

The number beside each item refers to the Notes to the company statement of income.

Company statement of changes in equity in 2021  
Before profit appropriation  
(€1,000)

	Share capital	Treasury shares	Share premium reserve	Other reserves	Undistributed profit	Total equity attributable to shareholders	Equity attributable to AT1 capital securities	Total equity
At 1 January	40,000	—	154,753	1,016,720	43,009	1,254,481	101,688	1,356,169
Net profit (as per company statement of income)	—	—	—	—	136,983	136,983	6,750	143,733
Total other comprehensive income	—	—	—	7,315	—	7,315	—	7,315
<b>Total comprehensive income</b>	—	—	—	<b>7,315</b>	<b>136,983</b>	<b>144,298</b>	<b>6,750</b>	<b>151,048</b>
Share plans	—	—	—	-5,037	—	-5,037	—	-5,037
To other reserves	1,362	-11,853	168,966	-115,466	-43,009	—	—	—
To reserves required by law	—	—	—	—	—	—	—	—
Dividends/capital return	—	—	—	-87,808	—	-87,808	-6,750	-94,558
Other changes	—	—	—	1,609	—	1,609	—	1,609
<b>At 31 December</b>	<b>41,362</b>	<b>-11,853</b>	<b>323,719</b>	<b>817,333</b>	<b>136,983</b>	<b>1,307,544</b>	<b>101,688</b>	<b>1,409,232</b>

## Company statement of changes in equity in 2020

### Before profit appropriation

(€1,000)

	Share capital	Share premium reserve	Revaluation reserves	Reserves required by law	Other reserves	Undistributed profit	Total equity attributable to shareholders	Equity attributable to AT1 capital securities	Total equity
<b>At 1 January</b>	40,000	154,753	1,831	21,014	900,327	92,929	1,210,853	101,688	1,312,541
Net profit (as per company statement of income)	—	—	—	—	—	43,009	43,009	6,750	49,759
Total other comprehensive income	—	—	1,311	-109	-1,189	—	13	—	13
<b>Total comprehensive income</b>	—	—	1,311	-109	-1,189	43,009	43,022	6,750	49,772
Share plans	—	—	—	—	-889	—	-889	—	-889
To other reserves	—	—	—	—	92,929	-92,929	—	—	—
To reserves required by law	—	—	—	8,443	-8,443	—	—	—	—
Dividends/capital return	—	—	—	—	637	—	637	-6,750	-6,113
Other changes	—	—	—	—	858	—	858	—	858
<b>At 31 December</b>	40,000	154,753	3,142	29,349	984,230	43,009	1,254,481	101,688	1,356,169

### Company financial statements: basis of preparation

The company financial statements of Van Lanschot Kempen NV (Van Lanschot Kempen Wealth Management NV until 30 June 2021) ("Van Lanschot Kempen") have been prepared in accordance with the legal requirements as set out in Part 9, Book 2 of the Dutch Civil Code.

We have taken the option offered in Article 362(8), Book 2 of the Dutch Civil Code to apply the same accounting principles of recognition, measurement and determination of profit in the company financial statements that are used for the preparation of the consolidated financial statements (including the accounting principles for the presentation of financial instruments as equity or liabilities). The line items Investments in group companies and Investments in associates are exceptions to this general rule; these are accounted for using the net asset value method.

The company financial statements are denominated in euros, Van Lanschot Kempen's functional and reporting currency. All amounts are in thousands of euros unless otherwise stated. The totals may not always match because rounding is applied.

NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER  
(€1,000)

1. Cash and cash equivalents and balances at central banks	2021	2020
<b>Total</b>	<b>3,612,849</b>	<b>2,040,901</b>
Balances at central banks	3,488,213	1,943,793
Statutory reserve deposits at central banks	55,825	13,047
Amounts due from banks	68,811	84,061
Impairments	0	0

Statutory reserve deposits at central banks comprise balances at central banks within the scope of the minimum reserve requirement. These balances cannot be used by Van Lanschot Kempen in its day-to-day operations. The increase in Balances at central banks is mainly explained by the increase in Public and private sector liabilities.

2. Government paper eligible for central bank refinancing	2021		2020	
	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
<b>Total</b>	<b>555,851</b>	<b>590,334</b>	<b>886,365</b>	<b>913,592</b>
Government paper at fair value	332,739	334,140	658,584	657,399
Government paper at amortised cost	223,112	256,194	227,781	256,194

Changes in government paper eligible for central bank refinancing	2021	2020
At 1 January	886,365	778,850
Purchases	178,749	273,700
Sales	-330,248	-20,706
Redemptions	-170,300	-141,447
Amortisation of premiums/discounts on debt instruments	-2,405	-7,569
Value changes to equity	-6,285	3,528
Value changes to profit and loss	-25	10
<b>At 31 December</b>	<b>555,851</b>	<b>886,365</b>

The nominal value of government paper eligible for central bank refinancing amounted to €0.5 billion in 2021 (2020: €0.9 billion), while cumulative revaluation amounted to -€0.2 million (2020: €7.0 million). Accumulated depreciation and impairments were nil (2020: nil). In 2022, €254.7 million of government paper eligible for central bank refinancing will be repayable on demand (2021: €220.3 million). In 2021 and 2020, we held no government paper eligible for central bank refinancing with an original maturity of less than two years.

In 2021, €3 million in government paper was pledged as collateral to De Nederlandsche Bank (2020: €3 million). The carrying amount of government paper serving as collateral to financial institutions amounted to €121 million (2020: €82 million) and to nil for group companies (2020: nil). We do not have free access to these debt instruments.

3. Due from banks		2021	2020
<b>Total</b>		<b>196,500</b>	<b>332,415</b>
Payable on demand		30,677	28,841
Other receivables		165,823	303,574
Impairments		—	—

The line item Other receivables comprises deposits to the value of €16.0 million (2020: €154.1 million) serving as collateral for obligations arising from derivatives transactions. The decrease in Deposits is mainly explained by the unwinding of inflation-linked swaps used as hedging instruments in our hedge accounting.

Due from banks includes €143.7 million from group companies (2020: €131.8 million).

4. Loans and advances to the public and private sectors		2021	2020
<b>Total</b>		<b>8,849,639</b>	<b>8,321,997</b>
Mortgage loans		6,115,938	5,726,535
Loans		1,878,991	1,850,559
Current accounts		831,182	576,001
Securities-backed loans and settlement receivables		23,197	107,178
Value adjustment fair value hedge accounting		48,596	124,284
Impairments		-48,265	-62,561

The credit risk in the company financial statements is similar to that described in the consolidated financial statements. For more information, see Risk Management, subsection 2, Credit risk.

in-depth review of the criteria and the way in which we determine impairments and the write-down of loans and advances to the public and private sectors.

Please refer to the consolidated financial statements' "Summary of significant accounting principles" for a more

Loans and advances to the public and private sectors include €796.3 million from group companies (2020: €752.9 million).

5. Debt instruments	2021		2020	
	Carrying amount	Purchase price	Carrying amount	Purchase price
<b>Total</b>	<b>1,905,420</b>	<b>1,915,404</b>	<b>2,259,669</b>	<b>2,262,883</b>
Debt instruments at fair value	1,871,134	1,880,352	2,048,907	2,040,116
Debt instruments at amortised cost	34,286	35,052	210,762	222,767

Changes in debt instruments	2021	2020
At 1 January	2,259,669	2,220,515
Purchases	655,400	370,633
Sales	-581,916	-51,680
Redemptions	-404,451	-279,682
Amortisation of premiums/discounts on debt instruments	-10,585	-12,130
Value changes to equity	-9,962	5,992
Value changes to statement of income	181	-144
Other changes	-2,916	6,165
<b>At 31 December</b>	<b>1,905,420</b>	<b>2,259,669</b>

The cumulative revaluation amounted to €3.7 million in 2021 (2020: €20.6 million). Accumulated depreciation and impairment was nil (2020: nil). The nominal value of these debt instruments amounted to €1.9 billion in 2021 (2020: €2.2 billion). In 2022, €406.3 million will be available on

demand (2021: €373.2 million). Debt instruments from group companies were nil (2020: nil).

In 2021, debt instruments serving as collateral to De Nederlandsche Bank amounted to €425 million (2020: €426 million). The carrying amount of debt instruments serving as collateral to financial institutions amounted to

€125 million (2020: €154 million) and to nil for group companies (2020: nil). We do not have free access to these debt instruments.

6. Equity instruments	2021		2020	
	Fair value	Purchase price	Fair value	Purchase price
<b>Total</b>	<b>31,980</b>	<b>22,655</b>	<b>86,455</b>	<b>93,250</b>
Listed shares	29,704	20,568	61,100	59,582
Unlisted shares	2,276	2,087	25,355	33,668

Changes in equity instruments	2021	2020
At 1 January	86,455	24,595
Purchases	458	8,629
Sales	-41,884	-3,844
Value changes to statement of income	2,791	546
Other changes	-15,840	56,529
<b>At 31 December</b>	<b>31,980</b>	<b>86,455</b>

We purchased 7.0% of these shares (2020: 33.9%), with the intention to hold them for an indefinite period.

The decrease in Other changes is mainly explained by the merger between Van Lanschot NV and Kempen & Co NV as at 1 January 2020.

7. Investments in group companies	2021	2020
<b>Total</b>	<b>361,725</b>	<b>244,831</b>
Subsidiaries – credit institutions	23,656	19,781
Other subsidiaries	338,069	225,050

Investments in group companies are measured in accordance with the net asset value method, with the share in the profit of these interests recognised under Income from securities and associates in the company statement of income.

Changes in investments in group companies	2021	2020
At 1 January	244,831	212,365
Purchases	95,363	15,621
Derecognition	—	-10,025
Liquidation	-4,512	-14,586
Share of profit/(loss)	90,376	42,438
Revaluations	3,231	443
Dividend received	-67,618	-52,791
Other changes	53	51,366
<b>At 31 December</b>	<b>361,725</b>	<b>244,831</b>

Cumulative revaluations of investments in group companies stood at nil in 2021 (2020: nil). Accumulated impairments also stood at nil (2020: nil).

The increase in the share of profit is due to the sale of Quint Wellington Redwood Holding BV and Fire Safety Holding BV (Gerco) by Van Lanschot Participaties BV. The decrease in Other changes is explained by the merger between Van Lanschot NV and Kempen & Co NV as at 1 January 2020 (€51.2 million).

Name	Head office	Interest
F. van Lanschot Bankiers (Schweiz) AG	Zürich	100%
Kempen Finance BV	Amsterdam	100%
Kempen Capital Management NV	Amsterdam	100%
Kempen Bewaarder BV	Amsterdam	100%
Kempen AM NL BV	Amsterdam	100%
Kempen & Co USA Inc.	East Hanover, New Jersey	100%
Van Lanschot Participaties BV	s-Hertogenbosch	100%
Beheermaatschappij "Orthenstraat" BV	s-Hertogenbosch	100%
BV Foton, Maatschappij tot beheer van industrie- en handelondernemingen	s-Hertogenbosch	100%
BV Beleggingsmaatschappij De Gevulde Trom	s-Hertogenbosch	100%
Sapphire Investments BV	Amsterdam	100%
Beheers en Beleggings Compagnie Silva Ducis BV	s-Hertogenbosch	100%
Van Lanschot Mezzaninefonds II BV	s-Hertogenbosch	100%
Vakan BV	Amsterdam	100%
Quion 17 BV	Capelle aan den IJssel	100%
Efima Hypotheken BV	s-Hertogenbosch	100%
LansOG Beheer BV	s-Hertogenbosch	100%
Hof Hoorneman Bankiers NV	Gouda	100%
Mercier Vanderlinden Asset Management NV (70% stake)	Antwerp	100%

Entities in which Van Lanschot Kempen exercises control:

- Van Lanschot Conditional Pass-Through Covered Bond Company BV
- Van Lanschot Conditional Pass-Through Covered Bond Company 2 BV

All investments in group companies are unlisted holdings.

8. Investments in associates using the net asset value method	2021	2020
<b>Total</b>	<b>51,333</b>	<b>37,027</b>
Investments in associates	51,333	37,027

Investments in associates are measured in accordance with the net asset value method, with the share in the profit of these interests recognised under Income from securities and associates in the company statement of income.

Changes in investments in associates	2021	2020
At 1 January	37,027	19,312
Purchases	12,556	14,875
Sales	-2,142	-1,267
Share of profit/(loss)	3,892	4,107
<b>At 31 December</b>	<b>51,333</b>	<b>37,027</b>

Cumulative revaluations of the investments in associates stood at nil in 2021 (2020: nil). Accumulated depreciation and impairments also stood at nil (2020: nil).

Name	Head office	Interest
Bolster Investments Coöperatief UA	Amsterdam	29.75%
Bolster Investment II Coöperatief UA	Amsterdam	22.00%

Bolster Investments Coöperatief UA and Bolster Investments II Coöperatief UA are unlisted interests.

9. Goodwill and other intangible assets	2021	2020
<b>Total</b>	<b>217,313</b>	<b>147,368</b>
Goodwill	176,761	100,090
Brands	3,832	4,599
Other intangible assets	36,720	42,679

The goodwill shown above represents goodwill arising from acquisitions. For the impairment test, this goodwill is allocated to the relevant cash-generating units. In 2021, the

impairment test did not result in a goodwill impairment. Additional information is included in Note 11 to the consolidated financial statements.

Changes in goodwill and other intangible assets in 2021	Goodwill	Brands	Other intangible assets	Total
<b>At 1 January</b>	<b>100,090</b>	<b>4,599</b>	<b>42,679</b>	<b>147,368</b>
Additions	76,671	—	24	76,695
Amortisation	—	-767	-5,983	-6,750
Impairments	—	—	—	—
<b>At 31 December</b>	<b>176,761</b>	<b>3,832</b>	<b>36,720</b>	<b>217,313</b>
Historical cost	176,761	15,330	115,433	307,524
Accumulated amortisation and impairments	—	-11,498	-78,713	-90,211
<b>Net carrying amount at 31 December</b>	<b>176,761</b>	<b>3,832</b>	<b>36,720</b>	<b>217,313</b>

Changes in goodwill and other intangible assets in 2020	Goodwill	Brands	Other intangible assets	Total
<b>At 1 January</b>	<b>92,280</b>	<b>5,366</b>	<b>35,484</b>	<b>133,129</b>
Additions	7,810	—	9,487	17,297
Amortisation	—	-767	-2,292	-3,058
Impairments	—	—	—	—
<b>At 31 December</b>	<b>100,090</b>	<b>4,599</b>	<b>42,679</b>	<b>147,368</b>
Historical cost	100,090	15,330	115,409	230,828
Accumulated amortisation and impairments	—	-10,731	-72,730	-83,461
<b>Net carrying amount at 31 December</b>	<b>100,090</b>	<b>4,599</b>	<b>42,679</b>	<b>147,368</b>

10. Property and equipment	2021	2020
<b>Total</b>	<b>73,677</b>	<b>81,367</b>
Buildings	22,979	24,858
Right-of-use – buildings	35,799	40,892
Right-of-use – transport equipment	7,409	7,242
Other property and equipment	7,007	8,375
Work in progress	484	—

Changes in property and equipment in 2021	Buildings	Right-of-use – buildings	Right-of-use – transport equipment	Other property and equipment	Work in progress	Total
At 1 January	24,858	40,892	7,242	8,375	—	81,367
Additions	60	3,047	3,604	2,087	484	9,282
Disposals	—	—	—	-282	—	-282
Depreciation	-1,938	-8,140	-3,437	-3,174	—	-16,689
<b>At 31 December</b>	<b>22,979</b>	<b>35,799</b>	<b>7,409</b>	<b>7,007</b>	<b>484</b>	<b>73,677</b>
Historical cost	44,146	60,376	18,276	71,683	484	194,964
Accumulated depreciation and impairments	-21,979	-24,577	-10,867	-64,676	—	-121,287
<b>Net carrying amount at 31 December</b>	<b>22,979</b>	<b>35,799</b>	<b>7,409</b>	<b>7,007</b>	<b>484</b>	<b>73,677</b>

Changes in property and equipment in 2020	Buildings	Right-of-use – buildings	Right-of-use – transport equipment	Other property and equipment	Work in progress	Total
At 1 January	29,454	49,732	5,647	9,569	30	94,432
Acquisition of subsidiaries	168	—	—	—	—	168
Additions	875	—	3,533	2,754	—	7,162,000
Disposals	-3,643	—	—	—	-30	-3,673
Depreciation	-1,996	-8,840	-3,823	-3,948	—	-18,607
Other	—	—	1,884	—	—	1,884
<b>At 31 December</b>	<b>24,858</b>	<b>40,892</b>	<b>7,241</b>	<b>8,375</b>	<b>—</b>	<b>81,367</b>
Historical cost	44,618	57,855	14,709	71,535	—	188,717
Accumulated depreciation and impairments	-19,760	-16,963	-7,467	-63,160	—	-107,350
<b>Net carrying amount at 31 December</b>	<b>24,858</b>	<b>40,892</b>	<b>7,242</b>	<b>8,375</b>	<b>—</b>	<b>81,367</b>

The line item Buildings is related to real estate in own use (€23.0 million; 2020: €24.9 million) and real estate not in own use (€0.0 million; 2020: €0.0 million). Our policy is to sell, over time, any real estate no longer in own use.

We have entered into lease contracts for buildings – including service fees and rent for any parking spaces – as well as car lease and computer lease contracts. These contracts are recognised as right-of-use assets.

Other property and equipment comprises information technology, furniture and fixtures, and communications and safety equipment.

For more information about property and equipment, please refer to the consolidated financial statements “Summary of significant accounting principles”.

## 11. Other assets and accrued assets

Other assets relate to current tax assets (2021: €0.0 million; 2020: €6.0 million), deferred tax assets 2021: €6.2 million; 2020: €16.9 million) and amounts receivable, such as debtors, suspense accounts and intercompany assets. The decrease in current tax assets is due to an increase in profit before tax, and the decrease in deferred tax assets is due to a decrease in losses, derivatives and the netting position.

Accrued assets relate to interest receivables, commission receivables and transitory items.

All current receivables fall due in less than one year. The fair value of the receivables approximates the carrying amount due to their short-term nature and the fact that provisions for bad debt are recognised, where necessary.

12. Derivatives			
At 31 December 2021	Asset	Liability	Contract amount
<b>Total</b>	<b>247,957</b>	<b>175,919</b>	<b>5,229,997</b>
Derivatives used for trading purposes	44,267	44,057	44,267
Derivatives used for hedge accounting purposes	67,106	8,213	3,761,000
Other derivatives	136,584	123,649	1,424,730
At 31 December 2020	Assets	Liabilities	Contract amount
<b>Total</b>	<b>296,078</b>	<b>376,282</b>	<b>5,776,411</b>
Derivatives used for trading purposes	41,221	39,932	41,158
Derivatives used for hedge accounting purposes	53,669	126,416	4,806,250
Other derivatives	201,188	209,934	929,003

We use derivatives for both trading and hedging purposes. This note shows both the positive and negative market values of the derivatives, as well as their notional values.

The following types of derivatives are used: interest rate, currency and equity derivatives, as well as forward contracts.

13. Due to banks	2021	2020
<b>Total</b>	<b>1,056,157</b>	<b>893,422</b>
Liabilities withdrawable on demand	564,575	419,209
Other liabilities	491,582	474,214

Due to banks includes €555.4 million from group companies (2020: €394.5 million). Other liabilities include special loans from the ECB, consisting of funding obtained under the Targeted Longer-Term Refinancing Operations III programme (TLTRO III).

Additional information on the TLTRO programme is included in Note 15 to the consolidated financial statements.

14. Public and private sector liabilities	2021	2020
<b>Total</b>	<b>11,159,260</b>	<b>9,619,002</b>
<b>Savings</b>		
Savings withdrawable on demand	2,129,136	2,249,589
Savings not withdrawable on demand	77,606	90,143
<b>Total savings</b>	<b>2,206,742</b>	<b>2,339,732</b>
<b>Other public and private sector liabilities</b>		
Other public and private sector liabilities withdrawable on demand	8,284,765	6,882,290
Other public and private sector liabilities not withdrawable on demand	667,753	396,980
<b>Total other public and private sector liabilities</b>	<b>8,952,518</b>	<b>7,279,270</b>

Savings include all deposit and savings accounts held by private individuals and not-for-profit organisations.

Public and private sector liabilities include €142.0 million from group companies (2020: €89.5 million).

15. Issued debt securities	2021	2020
<b>Total</b>	<b>1,979,286</b>	<b>2,210,766</b>
Listed debt securities	1,522,393	1,615,516
Unlisted debt securities	456,893	595,250

Changes in issued debt securities	2021	2020
At 1 January	2,210,766	2,483,895
Purchases	153,553	121,937
Sales	-322,245	-96,817
Redemptions	-99,481	-179,049
Amortisation of premiums/discounts on debt instruments	1,758	171
Other changes	34,935	-119,370
<b>At 31 December</b>	<b>1,979,286</b>	<b>2,210,766</b>

This item consists of debt instruments with rates of interest that are either fixed or variable, in so far as not subordinated. In 2022, €538.4 million of these debt securities will become payable on demand (2021: €99.5 million). The discount on issued debt securities amounted to €3.5 million (2020: €5.3 million) and is included in the item's carrying value.

## 16. Other liabilities and accrued liabilities

Other liabilities relate to lease liabilities, tax liabilities and amounts payable such as creditors, accruals and intercompany obligations. The increase in Other liabilities is partly due to the contingent consideration regarding the partnership with Mercier Vanderlinden; please refer to the consolidated financial statements' "Business combinations in 2021". The increase was partly offset by the payment of purchase price of Hof Hoorneman Bankiers.

Lease liabilities stood at €46.4 million (2020: €50.7 million). Payments not included in the lease liability measurement amounted to -€0.1 million (2020: -€0.2 million).

Accrued liabilities relate to interest payable and other accruals.

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term nature.

The decrease in issued debt securities is mainly explained by the sale and redemption of structured debt instruments. Issued debt securities from group companies stood at nil in 2021 (2020: nil).

Van Lanschot Kempen NV forms a corporate income tax group with Van Lanschot Participaties 2 BV, Diezeland Holding BV (*in liquidation*), BV Beleggingsmaatschappij De Gevulde Trom, Beheermaatschappij "Orthenstraat" BV, BV Foton, Maatschappij tot beheer van industrie en handelondernemingen, Langosta BV, Van Lanschot Participaties BV, Van Lanschot Mezzaninefonds II BV (*in liquidation*), Beheers & Beleggings Compagnie Silva Ducis BV (*in liquidation*), Efima Hypotheken BV, Global Property Research BV, Kempen Finance BV, Kempen Capital Management NV, Kempen AM NL BV, Kempen Dutch Inflation Fund I NV, Quion 17 BV, Sapphire Investments BV, LansOG Beheer BV, Hof Hoorneman NV and Hof Hoorneman Fund Management NV. Under the standard conditions, the members of the tax group are jointly and severally liable for any taxes payable by the income tax group.

17. Provisions	2021	2020
<b>Total</b>	<b>50,663</b>	<b>61,090</b>
Pension provision	37,794	46,338
Other provisions	12,869	14,751

The pension provision is a long-term obligation on behalf of employees in our entities and branches. We operate both defined benefit and defined contribution schemes. For more information about these schemes, please refer to Note 19, Provisions, in the consolidated financial statements.

Other provisions comprise provisions taken for restructuring, the jubilee benefits scheme, the interest rate derivatives recovery framework, employee discounts, financial guarantees, and all other provisions. These provisions are 49% long-term (2020: 42%) and 51% short-term (2020: 58%). For more information about other provisions, please refer to Note 19, Provisions, in the consolidated financial statements.

18. Subordinated loans	2021	2020
<b>Total</b>	<b>171,527</b>	<b>172,479</b>
9.935% subordinated bond loan 08/33	25,831	25,956
9.884% subordinated bond loan 08/38	26,243	26,350
9.833% subordinated bond loan 08/43	53,080	53,264
2.000% subordinated bond loan 21/32	49,810	50,000
6.020% subordinated bond loan 04/24	16,222	16,456
Other subordinated loans	340	453

Changes in subordinated loans	2021	2020
At 1 January	172,479	173,090
Redemptions	-113	-113
Amortisation of premiums/discounts on debt instruments	-607	-416
Other changes	-233	-82
<b>At 31 December</b>	<b>171,527</b>	<b>172,479</b>

Subordinated loans provide solvency capital for Van Lanschot Kempen. Holders of our subordinated loans have a position in our capital structure between senior claims and share capital. This implies that, in the event of liquidation or bankruptcy, a holder of a subordinated bond will only be repaid after all senior claims have been settled.

Depending on the instrument's terms and conditions, early repayment (at its nominal amount) may take place at the optional redemption date and all subsequent interest payment dates.

Interest paid on subordinated loans amounted to €10.8 million (2020: €8.4 million).

19. Total equity	2021	2020
<b>Total</b>	<b>1,409,232</b>	<b>1,356,169</b>
<b>Equity attributable to shareholder</b>		
Issued share capital	41,362	40,000
Treasury shares	-11,853	—
Share premium reserve	323,719	154,753
Revaluation reserve	1,939	3,142
Actuarial results on defined benefit pension scheme	-39,199	-45,511
Cash flow hedge reserve	-8,318	-14,568
Own credit risk reserve	-4,876	-831
Reserves required by law	36,105	29,348
Freely available reserves	831,682	985,165
Postponed dividend	—	59,975
Other reserves	817,333	1,016,720
Undistributed profit attributable to shareholder	136,983	43,009
<b>Total equity attributable to shareholder</b>	<b>1,307,544</b>	<b>1,254,481</b>
<b>Equity attributable to AT1 capital securities</b>		
AT1 capital securities	100,000	100,000
Undistributed profit attributable to AT1 capital securities	1,688	1,688
<b>Total equity attributable to AT1 capital securities</b>	<b>101,688</b>	<b>101,688</b>

The reserves required by law comprise a reserve in the amount of the share in the positive income from associates of €33.0 million (2020: €26.3 million), a reserve for currency translation differences on associates of €0.8 million (2020: €0.8 million) and a reserve required under the Articles of Association from subsidiaries of €2.4 million (2020: €2.3 million). Tax effects on changes in the revaluation

reserves amounted to €0.4 million negative in 2021 (2020: €0.5 million positive).

Liability capital comprises equity and subordinated loans, which are accounted for under non-current liabilities. At year-end 2021, this liability capital amounted to €1,479 million (2020: €1,427.0 million).

Distributable items	2021	2020
Other reserves incl. retained earnings	817,333	1,016,720
Revaluation reserve	1,939	3,142
Actuarial results on defined benefit pension scheme	-39,199	-45,511
Cash flow hedge reserve	-8,318	-14,568
Own credit risk reserve	-4,876	-831
Reserves required by law	36,105	29,348
Postponed dividend	—	59,975
Freely available reserves	831,682	985,165
Share premium reserve	323,719	154,753
<b>Total distributable items</b>	<b>1,155,401</b>	<b>1,139,918</b>

20. Contingent liabilities and irrevocable commitments	2021	2020
<b>Total</b>	<b>1,629,649</b>	<b>1,325,926</b>
Guarantees, etc.	476,352	322,005
Unused credit facilities	1,098,914	984,756
Other irrevocable commitments	54,384	19,165

In 2021, we issued guarantees for a number of group companies for an amount of €372.1 million (2020: €220.4 million).

#### Contingent assets

In 2015, Van Lanschot Kempen started an appeal against the Dutch tax authorities (Belastingdienst) regarding the applied pro-rata percentage which is used for the calculation of its VAT returns in the Netherlands. In March 2020, the Court in Den Bosch ruled in favour of Van Lanschot Kempen. This ruling results in Van Lanschot Kempen being able to claim VAT from the Dutch tax authorities for the previous years (2014-20), which had already been paid. In August 2020, the Dutch tax authorities appealed against the ruling at the Supreme Court. In November 2021, we received the opinion of the Advocate General of the Supreme Court. The indicated time frame for the Supreme Court's ruling is now May-July 2022.

## 21. Other notes to the statement of financial position

#### Foreign currency balance converted to euros

The sum of assets in foreign currencies converted to euros amounted to €240 million (2020: €216.7 million) and the sum of liabilities in foreign currencies to €834 million (2020: €537.8 million).

#### Contractual maturity of assets and liabilities

The tables below show the assets and liabilities based on their remaining contractual terms to maturity at the reporting date, without taking behavioural aspects into account. These amounts reconcile with the values disclosed in the company statement of financial position.

Contractual maturity of assets and liabilities at 31/12/2021						
	Withdrawable on demand	< 3 months	≥ 3 months < 1 years	≥ 1 years < 5 years	≥ 5 years	Total
<b>Assets</b>						
Due from banks	30,677	125,381	20,337	13,322	6,783	196,500
Loans and advances to the public and private sectors	1,210,868	32,262	99,371	479,761	7,027,377	8,849,639
<b>Total assets</b>	<b>1,241,545</b>	<b>157,643</b>	<b>119,708</b>	<b>493,083</b>	<b>7,034,160</b>	<b>9,046,139</b>
<b>Liabilities</b>						
Due to banks	564,575	6,183	13,519	434,565	37,316	1,056,157
Public and private sector liabilities	10,586,575	270,115	36,559	96,716	169,295	11,159,260
Issued debt securities	—	11,363	526,227	868,941	572,755	1,979,286
Subordinated loans	—	—	—	16,563	154,964	171,527
<b>Total liabilities</b>	<b>11,151,150</b>	<b>287,661</b>	<b>576,305</b>	<b>1,416,785</b>	<b>934,330</b>	<b>14,366,231</b>

**Contractual maturity of assets and liabilities at 31/12/2020**

	Withdrawable on demand	< 3 months	≥ 3 months < 1 years	≥ 1 years < 5 years	≥ 5 years	Total
<b>Assets</b>						
Due from banks	32,138	123,199	19,333	122,570	35,175	332,415
Loans and advances to the public and private sectors	1,233,462	60,548	202,442	344,108	6,481,438	8,321,997
<b>Total assets</b>	<b>1,265,600</b>	<b>183,747</b>	<b>221,775</b>	<b>466,678</b>	<b>6,516,613</b>	<b>8,654,412</b>
<b>Liabilities</b>						
Due to banks	419,193	6,170	1,127	453,039	13,893	893,422
Public and private sector liabilities	9,254,194	34,387	57,985	134,145	138,291	9,619,002
Issued debt securities	—	11,833	81,772	2,036,373	80,789	2,210,766
Subordinated loans	—	—	—	16,909	155,570	172,479
<b>Total liabilities</b>	<b>9,673,387</b>	<b>52,390</b>	<b>140,884</b>	<b>2,640,466</b>	<b>388,543</b>	<b>12,895,670</b>

**Financial instruments measured at fair value**

The tables below show financial instruments designated at fair value through profit or loss. For a review of valuation

models and techniques and for information about these instruments, see Risk management, Section 14, Fair value.

**Financial instruments at fair value at 31/12/2021**

Item	Fair value determination using listed market prices	Fair value determination using observable market inputs	Fair value determination using non-observable market inputs	Total
<b>Assets</b>				
Government paper eligible for central bank refinancing	332,739	—	—	332,739
Debt instruments	1,869,998	1,136	—	1,871,134
Equity instruments	29,704	—	2,276	31,980
Derivatives (receivables)	44,267	203,690	—	247,957
<b>Total assets</b>	<b>2,276,708</b>	<b>204,826</b>	<b>2,276</b>	<b>2,483,810</b>
<b>Liabilities</b>				
Issued debt securities	—	466,217	94,204	560,421
Other liabilities	53	—	—	53
Derivatives (liabilities)	44,057	131,862	—	175,919
<b>Total liabilities</b>	<b>44,110</b>	<b>598,079</b>	<b>94,204</b>	<b>736,393</b>

**Financial instruments at fair value at 31/12/2020**

Item	Fair value determination using listed market prices	Fair value determination using observable market inputs	Fair value determination using non-observable market inputs	Total
<b>Assets</b>				
Government paper eligible for central bank refinancing	658,584	—	—	658,584
Debt instruments	2,048,907	—	—	2,048,907
Equity instruments	61,100	22,655	2,700	86,455
Derivatives (receivables)	41,158	254,990	—	296,148
<b>Total assets</b>	<b>2,809,749</b>	<b>277,645</b>	<b>2,700</b>	<b>3,090,094</b>
<b>Liabilities</b>				
Issued debt securities	—	655,730	85,139	740,869
Other liabilities	26	—	—	26
Derivatives (liabilities)	40,348	335,934	—	376,282
<b>Total liabilities</b>	<b>40,374</b>	<b>991,664</b>	<b>85,139</b>	<b>1,117,177</b>

The table below shows value changes recognised in profit or loss and in the revaluation reserve of financial instruments designated at fair value.

Value changes of financial instruments designated at fair value						
Item	2021			2020		
	Value changes recognised in profit or loss	Value changes to revaluation reserve	Total value changes	Value changes recognised in profit or loss	Value changes to revaluation reserve	Total value changes
Government paper eligible for central bank refinancing	-25	-6,285	-6,310	10	3,528	3,538
Debt instruments	181	-9,962	-9,781	-144	5,985	5,841
Equity instruments	2,362	—	2,362	2,655	—	2,655
Derivatives	29,040	—	29,040	-37,545	—	-37,545
Issued debt securities	-36,450	—	-36,450	-494	—	-494
<b>Total</b>	<b>-4,892</b>	<b>-16,247</b>	<b>-21,139</b>	<b>-35,518</b>	<b>9,513</b>	<b>-26,005</b>

### Financial instruments at amortised cost

The table below shows the nominal and fair values of financial instruments at amortised cost, with the exception of financial instruments where the nominal value is a reasonable approximation of the fair value. This includes positions arising from group companies. The value of financial instruments at amortised cost 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 the table are estimated on the basis of the present value or other estimation or valuation methods.

Financial instruments at amortised cost						
	2021		2020		Valued using	Valuation method
	Fair value	Carrying amount	Fair value	Carrying amount		
<b>Assets</b>						
Government paper eligible for central bank refinancing	226,357	223,112	236,360	227,781	Listed market prices	Listed market prices
Due from banks	195,918	196,500	332,251	332,415	Observable market inputs	Discounted cash flows using applicable money market rates
Loans and advances to the public and private sectors	9,095,340	8,849,639	8,520,343	8,321,997	Unobservable market inputs	Discounted cash flows using current market fees for comparable loans and taking into account the creditworthiness of the counterparty
<b>Debt instruments</b>						
– Other debt instruments at amortised cost	34,436	34,286	211,409	210,762	Listed market prices	Listed market prices
<b>Liabilities</b>						
Due to banks	1,055,990	1,056,157	893,089	893,422	Observable market inputs	Discounted cash flows using applicable money market rates for liabilities
Public and private sector liabilities	11,226,535	11,159,260	9,688,389	9,619,002	Unobservable market inputs	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk
Issued debt securities	1,426,738	1,418,865	1,474,494	1,469,897	Listed market prices	Quoted prices in active markets
Subordinated loans	220,153	171,527	225,531	172,479	Unobservable market inputs	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk

### Commitments not recognised in the statement of financial position

Van Lanschot Kempen has entered into several IT contracts, e.g. for hiring services and capacity, and for licensing and maintenance of our systems. Our future contractual payment commitments for IT contracts amount to €39.4 million, of which €14.6 million within one year and €24.8 million between one and five years.

Van Lanschot Kempen has issued 403 statements pursuant to Article 403, Book 2, of the Dutch Civil Code for the following entities:

- Efima Hypotheken BV
- Beheermaatschappij "Orthenstraat" BV
- Van Lanschot Participaties BV

## NOTES TO THE COMPANY STATEMENT OF INCOME (€1,000)

22. Net interest income	2021	2020
<b>Total interest income</b>	<b>217,952</b>	<b>224,707</b>
Interest income on cash equivalents	2	—
Interest income on balances at central banks	4,035	2,122
Interest income on banks and private sector	181,634	188,001
Interest income on derivatives	22,383	20,372
Other interest income	9,897	14,211

Interest expense	2021	2020
<b>Total interest expense</b>	<b>88,365</b>	<b>91,524</b>
Interest expense on balances at central banks	9,099	4,586
Interest expense on banks and private sector	19,573	22,000
Interest expense on issued debt securities	10,072	10,591
Interest expense on subordinated loans	10,767	8,408
Interest expense on derivatives	28,135	36,617
Other interest expense	10,719	9,322
<b>Net interest income</b>	<b>129,587</b>	<b>133,182</b>

The line item Other interest expense includes interest expense on leases, which amounted to €0.6 million at year-end 2021 (2020: €0.8 million). Total interest income includes €6.2 million from group companies (2020: €5.8 million). Total interest expense from group companies amounted to €3.5 million (2020: €2.6 million).

## 23. Income from securities and associates

This item includes the income realised by associates and by securities, and other income related to associates and securities. The income from investments in group companies of €91.2 million is included in Other income related to associates and securities.

24. Net commission income	2021	2020
<b>Total</b>	<b>232,988</b>	<b>180,882</b>
Securities commissions	24,073	20,953
Management commissions	155,244	112,406
Cash transactions and funds transfer commissions	5,370	5,230
Corporate Finance and Equity Capital Markets commissions	41,735	35,629
Other commissions	6,566	6,664

25. Result on financial transactions	2021	2020
<b>Total</b>	<b>-1,527</b>	<b>-28,516</b>
Gains/losses on securities trading	1,692	2,149
Gains/losses on currency trading	6,558	7,332
Gains/losses on derivatives under hedge accounting	703	820
Realised gains on debt instruments	2,780	177
Gains/losses on economic hedges – hedge accounting not applied	28,336	-38,365
Gains/losses on financial assets and liabilities at fair value through profit or loss	-41,596	-629

The result on financial transactions increased mainly due to changes in capital market yields in the marked-to-market portfolio and a number of derivatives positions. In 2020, exceptional volatility and illiquidity in certain segments of

the financial markets led to pre-tax losses of €35.1 million in our structured product activities. Additional information is included in Note 28 to the consolidated financial statements.

## 26. Staff costs

The number of staff at year-end 2021 was 1,512 (2020: 1,390). The average number in staff in full-time equivalents was 1,381 (2020: 1,227). Of these, 184 were employed outside the Netherlands (2020: 160).

Staff costs	2021	2020
<b>Total</b>	<b>216,147</b>	<b>181,279</b>
Salaries and wages	162,029	137,044
Pension costs	22,487	20,596
Other social security costs	16,252	15,312
Other staff costs	15,379	8,328

Staff costs increased by €34.9 million, mainly due to increases in Salaries and wages resulting from an increase in the average number of staff and higher variable remuneration driven by an improved financial performance. For details of remuneration in 2021, see "Remuneration of the Management and Supervisory Boards".

## 27. Other administrative expenses

Other administrative expenses comprise IT expenses, accommodation expenses, costs of marketing and communication, consultancy fees, office expenses and other administrative expenses.

For more information about our external auditors' fees, please refer to Note 31, Other administrative expenses, in the consolidated financial statements.

## 28. Depreciation and amortisation

This item includes the depreciation and amortisation on buildings, IT, operating system software and communications equipment, application software, intangible assets arising from acquisitions, results on disposals of property and equipment, and other depreciation and amortisation.

## 29. Impairments

This item comprises the recognised impairments and reversals of such impairments.

## 30. Income tax

This item consists of the income tax expense for the financial year on the operating result as recognised in the statement of income, also allowing for any tax relief facilities. We have applied currently existing tax rules to determine the tax amount. The effective tax rate amounts to 12.2% (2020: 12.2%). Changes in the effective tax rate were mainly due to the equity holding exemption and non-deductible costs. The tax effect due to the deduction of coupon payments on our AT1 instrument is included in Other changes.

Income tax	2021	2020
Operating profit before tax	163,647	44,354
Prevailing tax rate in the Netherlands	25%	25%
Expected tax	40,912	11,089
<b>Increase/decrease in tax payable due to:</b>		
Tax-free interest	209	157
Tax-free income from securities and associates	-21,562	-14,621
Taxed release of tax reserves	927	266
Non-deductible costs	1,265	1,121
Adjustments to taxes for prior financial years	-65	-1,092
Impact of foreign tax differences	—	—
Addition/(release) deferred tax assets	903	-655
Other changes	-1,712	-1,669
	-20,036	-16,493
<b>Total tax</b>	20,876	-5,404

's-Hertogenbosch, 23 February 2022

#### Supervisory Board

- Frans Blom, Chair
- Manfred Schepers, Vice-Chair
- Karin Bergstein
- Jeanine Helthuis (until 27 May 2021)
- Brigitte Boone (from 22 September 2021)
- Bernadette Langius
- Maarten Muller
- Lex van Overmeire

#### Management Board

- Maarten Edixhoven (from 1 October 2021), Chair
- Karl Guha (until 1 October 2021), Chair
- Constant Korthout
- Arjan Huisman
- Richard Bruens
- Erik van Houwelingen (from 27 May 2021)

Other  
information





## *Independent auditor's report*

To: the general meeting and the supervisory board of Van Lanschot Kempen N.V.

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### *Report on the financial statements 2021*

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#### *Our opinion*

In our opinion:

- the consolidated financial statements of Van Lanschot Kempen N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2021 and of its result and 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 company financial statements of Van Lanschot Kempen N.V. ('the Company' or 'Van Lanschot Kempen') give a true and fair view of the financial position of the Company as at 31 December 2021 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 2021 of Van Lanschot Kempen N.V., Den Bosch. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the following statements for 2021: the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2021;
- the company statement of income for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework 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.

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### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards 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 Union 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 regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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### *Our audit approach*

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### *Overview and context*

Van Lanschot Kempen N.V. is an independent wealth manager whose purpose is the preservation and creation of wealth, in a sustainable way, for its clients and the society it serves. The Group operates its business through the client segments 'Private Clients', 'Wholesale & Institutional Clients', and 'Investment Banking Clients'. The Group is comprised of several components and therefore we have considered and assessed the 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.

The considerable organic growth in assets under management, the integration of Hof Hoorneman Bankiers N.V. ('Hof Hoorneman Bankiers') and the acquisition of 70% of the shares of wealth management firm Mercier Vanderlinden Asset Management N.V. ('Mercier Vanderlinden') in Belgium shaped the financial year 2021 and the continuing execution of the strategy of the Group. These events and overall financial market conditions contributed to the 2021 overall financial result and affected the determination of materiality as described in the section 'Materiality'. The integration of Hof Hoorneman Bankiers and the acquisition of 70% of the shares of Mercier Vanderlinden had an impact on the scope of our group audit. More specifically in response to the acquisition of Mercier Vanderlinden, our audit procedures in relation to the recognition and measurement of goodwill and other intangible assets were impacted which is described in more detail in the section 'Key audit matters'.



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 management 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 these considerations, we paid attention to, amongst others, the assumptions underlying the estimates impacted by physical and transition climate-related risks. In the section 'Summary of significant accounting principles', subsection 'Significant accounting judgements and estimates' of the financial statements, the Group describes areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the impairment assessment of financial assets, the determination of the fair value of level 2 and 3 financial instruments, and the recognition and measurement of goodwill and other intangible assets, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

Furthermore, we identified the 'reliability and continuity of IT systems' as a key audit matter following the implicit significance of the reliability and continuity of information to the Group's operational, regulatory and financial reporting processes. Also, IT change initiatives (such as the implementation of digital solutions, moving infrastructure and applications to the cloud and the realisation of a more integrated IT environment across the Group) bring inherent operational and reputation risks that could also have an indirect and direct impact on the business and financial reporting processes of the Group. Since these change initiatives affect systems, (outsourcing) processes and the effectiveness of controls, they also affect the financial statements and consequently our audit.

In the section 'Climate change and sustainability risks' in the financial statements and the section 'Our value creation – Natural capital' in the director's report, the management board explains the possible effects of climate change and the impact on the financial position, as well as their targets and KPIs for further reducing their carbon footprint. We discussed the Group's assessment and governance thereof with management and evaluated the potential impact on the financial position including the underlying assumptions and estimates in respect of, amongst others, the expected credit losses of loans and advances to the public and private sectors and the measurement of goodwill. The impact of climate change is not considered a separate key audit matter.

Other areas of focus, that were not considered as key audit matters, were, amongst others, the assessment of compliance with laws and regulations and our procedures in response to the risk of fraud. More details on our procedures performed in this respect are described in the section 'Audit approach fraud risks and non-compliance with laws and regulations' below.

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of a wealth management organisation with banking operations and a Dutch banking license. We therefore involved experts and specialists in the areas of, amongst others: IT, accounting and valuation of financial instruments, hedge accounting, impairment assessment of goodwill, purchase price allocation, employee benefits and actuarial expertise, real estate valuation, taxation and sustainability.



The outline of our audit approach was as follows:



#### **Materiality**

- Overall materiality: €6.0 million (2020: €3.8 million).

#### **Audit scope**

- The group engagement team conducted audit work on the Dutch components in scope.
- We paid specific attention to the acquisition of 70% of the shares of Mercier Vanderlinden and the respective accounting.
- We held several video conferencing meetings with our local (component) audit teams and local Van Lanschot Kempen management in the Netherlands, Belgium and Switzerland throughout the year.
- Audit coverage: 93% of consolidated income from operating activities, 93% of consolidated total assets and 96% of consolidated profit before tax.

#### **Key audit matters**

- Impairments of loans and advances to the public and private sectors.
- Recognition and measurement of goodwill and other intangible assets.
- Fair value measurement of level 2 and 3 financial instruments.
- Reliability and continuity of IT systems.

### **Materiality**

The scope of our audit was 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 judgement 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.

<b>Overall group materiality</b>	€6.0 million (2020: €3.8 million).
<b>Basis for determining materiality</b>	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of a three-year weighted average of profit before tax from continuing operations, normalised for the 2019 gain from the sale of one of the Group's non-strategic operations. The current and previous two years have been weighted with current year receiving twice the weight in the measurement of materiality as we consider the current year to be more relevant.
<b>Rationale for benchmark applied</b>	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. On this basis, we believe that profit before tax is an important metric for users of the financial statements to evaluate the financial performance of the Group.



	To avoid significant fluctuations (positive and negative) in our materiality calculation due to one-off events, we assessed relevant performance indicators (i.e. profit before tax, operational income, regulatory capital requirements) and we deemed that a three-year weighted average of 5% profit before tax, is the most appropriate benchmark to apply in calculating our materiality level for our audit 2021 in line with the determination of materiality in our audit 2020.
<b>Component materiality</b>	Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between €0.8 million and €5.8 million.

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 any misstatement identified during our audit above €300,000 (2020: €190,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. For reclassifications, we agreed to report the aggregate of unadjusted reclassification items > 1% of a particular financial statement or disclosure line item and consider 5% of a particular financial statement or disclosure line item the overall materiality.

### *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, in aggregate, provide sufficient coverage of the financial statements for us to be able to provide 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 in place, and the markets in which the respective components of the Group operate. In establishing the overall group audit strategy and plan, we determined the work required to be performed at component level by the group engagement team and by each component auditor.

Our audit primarily focused on the significant component Van Lanschot Kempen as this component is considered to be individually financially significant to the Group. This component was subject to the audit of the complete financial information (full scope audit). Additionally, we selected two other components (Van Lanschot Belgian Branch and Kempen Capital Management N.V.) for a full scope audit as well as five other components (Mercier Vanderlinden Asset Management N.V., Van Lanschot Participaties B.V., Kempen Finance B.V., Kempen AM NL B.V. and Quion 17 B.V.) for specified audit procedures to support the group audit and to achieve appropriate coverage on relevant financial statement line items in the consolidated financial statements.

We updated our scope of the group audit to reflect relevant developments in the Group in 2021. As a result, in comparison to prior year, we excluded the component Hof Hoorneman Bankiers due to the finalisation of the integration of clients and products within Van Lanschot Kempen N.V. in September 2021. We included Kempen AM NL N.V. due to its financial relevance on specific financial statement line items. We changed the scope of procedures of Van Lanschot Participaties B.V. from a full scope audit to specified audit procedures to support the group audit and to achieve appropriate coverage on financial statement line items in the consolidated financial statements.



In total, in performing these procedures, we achieved the following coverage on the financial statement line items:

<i>Income from operating activities</i>	93%
<i>Total assets</i>	93%
<i>Profit before tax</i>	96%

None of the remaining components represented more than 3% of total group income from operating activities, total group assets or total group profit before tax. For those 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.

The group engagement team performed the audit work for the group entities Van Lanschot Kempen N.V., Kempen Capital Management N.V., Van Lanschot Participaties B.V., Kempen Finance B.V., Kempen AM NL B.V. and Quion 17 B.V. For the components Van Lanschot Belgian Branch and Mercier Vanderlinden Asset Management N.V. we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their work to be able to conclude whether we have obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in audit scope. These instructions included amongst others, our risk analysis, materiality, the scope of the work and reporting requirements. We explained to the component audit teams the structure of the Group, the main developments that were relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual video calls with each of the in-scope component audit teams both during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, that could be of relevance for the audit of the consolidated financial statements.

Normally, the group engagement team visits the component teams and local management and reviews a selection of working papers of component auditors on a rotational basis. Since the COVID-19 outbreak limited our ability to physically visit the components in scope of our group reporting this year, we conducted a series of video conference meetings with local management along with our component teams. During these meetings, we discussed the strategy and financial performance of the local businesses, as well as the audit plan and execution, significant risks and other relevant audit topics.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items such as the measurement of derivative financial instruments, hedge accounting, the purchase price allocation of Mercier Vanderlinden and associated accounting, the reallocation and impairment assessment of goodwill and other intangibles, as well as the impairments of loans and advances to the public and private sector.

Van Lanschot Kempen N.V. has outsourced various parts of its services to third parties amongst which: payment services, mortgage administration services and parts of its IT software management. In our assessment related to these service providers, we evaluated the design and tested the operating effectiveness of the internal controls in place at Van Lanschot Kempen N.V. over these outsourced services. Furthermore, where available, we evaluated the ISAE 3402 type 2 assurance reports rendered by independent auditors and/or we performed additional substantive audit procedures ourselves.



More specifically, in relation to the outsourced mortgage administration services by Van Lanschot Kempen N.V. and Quion 17 B.V., we have evaluated the work performed by the external service organisation's auditors and assessed their capability and objectivity. We discussed and evaluated the ISAE 3402 type 2 assurance report and, to the extent necessary for the purpose of our audit, the special purpose auditor's reports related to the mortgage portfolio of Van Lanschot Kempen N.V. and Quion 17 B.V. once they were finalised including performing audit file reviews.

Based on the procedures performed, we conclude that in the context of our audit of the financial statements of Van Lanschot Kempen N.V., we could rely on the ISAE 3402 type 2 assurance reports in combination with the special purpose auditor's reports and our substantive audit procedures performed.

By performing the procedures outlined above at the components, combined with additional procedures executed at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

#### *Audit approach fraud risks and non-compliance with laws and regulations*

##### *Fraud risks*

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Group and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We refer to section 'Risk and capital management – Internal fraud' of the director's report for management's fraud risk assessment and the 'Report of the Supervisory Board' in which the supervisory board reflects on this fraud risk assessment.

We evaluated the design and relevant aspects of the Group's system of internal control and in particular the fraud risk assessment, as well as amongst others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks. We performed inquiries with a selection of members of the management board and senior management to evaluate their fraud awareness, the group control environment in relation to fraud, the 'tone at the top' and entity level controls.

As part of our process of identifying fraud risks, we evaluated, discussed and assessed fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. An example of such a fraud risk factor is staff executing unauthorised payments or credit transactions. We evaluated whether the respective fraud risk factors indicate that a risk of material misstatement due to fraud is present or should be defined in light of the audit of the financial statements.

Based on this assessment and an overall evaluation, we identified the following fraud risks and performed the following specific procedures:



<b>Identified fraud risk</b>	<b>Our audit work and observations</b>
<p><b>The risk of management override of controls</b></p> <p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why we, in our audits, pay attention to the risk of management override of controls, including risks of potential misstatements due to fraud based on an analysis of potential interests of management.</p> <p>In this respect, we gave specific consideration to:</p> <ul style="list-style-type: none"> <li>• the appropriateness of journal entries and other adjustments made in the preparation of the financial statements;</li> <li>• possible management bias in management estimates; and</li> <li>• significant transactions, if any, that are outside the normal course of business for the Group.</li> </ul> <p>In assessing the fraud risk and discussing and evaluating the interrelation between incentive/pressure, opportunity and rationalisation, we consider; 1. authenticity of documentation, 2. validity of respective data used, and 3. accuracy of calculations made in relation to management's estimates as an important cornerstone of our fraud related specific audit work.</p> <p>We also considered the risk of management override of controls in relation to our audit work on IT systems and environment.</p>	<p>Where relevant to our audit, we evaluated the design of the internal control measures that are intended to mitigate the risk of management override of controls and assessed the effectiveness of the measures in the processes of generating and recording journal entries, making estimates, and monitoring projects. We paid specific attention to the access safeguards in the relevant IT systems and the possibility that these lead to violations of the segregation of duties.</p> <p>We concluded that we, in the context of our audit of the financial statements, could rely on the internal control procedures relevant to this risk.</p> <p>We have selected journal entries based on risk criteria and conducted specific audit activities for these entries, as part of which we assessed whether any significant transactions outside the normal course of business occurred.</p> <p>We also performed fraud related specific audit work on important estimates of management. In this context, we paid specific attention to the following estimates:</p> <ul style="list-style-type: none"> <li>• the measurement of the loans and advances to the public and private sector and corresponding loan loss provisions;</li> <li>• the purchase price considerations, the measurement of the fair values for assets and liabilities acquired as part of the acquisition of Mercier Vanderlinden;</li> <li>• the measurement of goodwill and other intangible assets; and</li> <li>• the measurement of level 2 and 3 financial instruments.</li> </ul> <p>For an overview of audit procedures performed, including those related to fraud or error, we refer to the section 'Key audit matters'.</p> <p>Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override or violations of the internal controls.</p>
<p><b>The risk of fraud in revenue recognition (commission income)</b></p> <p>As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we evaluated which types of revenue transactions or assertions give rise to the risk of fraud in revenue recognition.</p>	<p>Where relevant to our audit, we assessed the design and tested the operating effectiveness of the internal control measures related to revenue recognition. This includes both automated controls (e.g. system calculations and segregation of duties in the core applications) and (IT dependent) manual controls (e.g. monthly reconciliations). We also paid specific attention to the access safeguards in the relevant IT systems and the possibility that this could lead to breaches of the segregation of duties.</p>



<b>Identified fraud risk</b>	<b>Our audit work and observations</b>
<p>The risk of fraud in revenue recognition for Van Lanschot Kempen is specifically identified in the commission income stream due to the complexity and diversity in calculations and agreements in place, specifically focused on the accuracy and cut-off risk. There is a high level of relatively smaller transactions and/or a high level of automation, but overall, this revenue stream incorporates a higher risk profile as compared to interest income, and therefore, we identified a fraud risk related to this revenue stream.</p>	<p>We concluded that we, in the context of our audit of the financial statements, could rely on the internal control procedures relevant to this risk.</p> <p>Per material sub-stream of commission income, we designed substantive procedures which entail either an independent recalculation based on the underlying net asset value and contractual conditions or testing of a sample of transactions with reconciliation to underlying supporting documentation (e.g. contract, invoices, bank statements) also covering the cut-off risk.</p> <p>Finally, as part of our journal entry testing, queries have been run to identify higher risk journal entries, specifically on the commission income streams, based on pre-defined risk criteria (unusual account combination) and we assessed their appropriateness through the substantiation with supporting evidence.</p> <p>Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the completeness of the revenue reporting.</p>

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures, consistently evaluated the authenticity of audit evidence obtained and evaluated whether any findings were or could be indicative of fraud or non-compliance.

We considered available information and made inquiries of relevant executives, directors (including internal audit, legal, compliance, and risk) and the supervisory board.

This did not lead to indications for fraud potentially resulting in material misstatements in light of our financial statements audit.

#### *Laws and regulations*

There is an industry risk that emerging compliance areas have not been identified and/or addressed by management for financial statement purposes. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure on the future outcome of legal or regulatory processes.

In line with Standard 250 we made a distinction between those laws and regulations which:

- have a direct effect on the determination of material amounts and disclosures in the financial statements. For this category we believe that, for the purpose of our audit, we obtained sufficient audit evidence regarding compliance with applicable laws and regulations; and
- not have a direct effect on the determination of material amounts and disclosures in the financial statements (e.g. Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft)), but where compliance may be fundamental to the operating aspect of the business, to the Group's ability to continue its business or to avoid material penalties. For this category, we performed specific procedures to identify non-compliance with those laws and regulations that may have a material effect on the financial statements.



We refer to section 12. 'Compliance Risk' of the financial statements where the management board included its risk assessment on non-compliance with laws and regulations and we refer to the 'Report of the Supervisory Board' where the supervisory board reflects thereon.

### *Audit approach going concern*

As disclosed in section 'Continuity' in the financial statements, the management board performed their assessment of the Group's ability to continue as a going concern for the foreseeable future and has not identified events or conditions that may cast significant doubt on the Group's ability to continue as a going concern (hereafter: going-concern risks).

We evaluated management's assessment of the Group's ability to continue as a going concern. In doing so, we, amongst others:

- considered whether management's going-concern assessment includes all relevant information of which we are aware as a result of our audit and inquire with management regarding management's most important assumptions underlying their going-concern assessment. These assumptions include the capital and liquidity position, financial performance and economic context (including COVID-19);
- moreover, as the Group is a wealth management organisation with banking operations and a Dutch banking license, we evaluated the developments in respect of funding, liquidity and solvency of the Group and, where applicable, assessed these in light of the prudential requirements imposed by the Dutch Central Bank;
- evaluated management's 2022 budget and capital funding plan 2022-2024 including cash flows in comparison with last year, current developments in the industry and all relevant information of which we are aware as a result of our audit; and
- performed inquiries of management as to their knowledge of going-concern risks beyond the period of management's assessment.

Our procedures did not result in outcomes contrary to management's assumptions and judgements used in the application of the going-concern assumption.

### *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 supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we describe the key audit matters and include a summary of the audit procedures we performed on those matters.

We addressed the key audit matters 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 comment or observation we made on the results of our procedures should be read in this context.

Compared to last year, the recognition and valuation of goodwill and intangible assets is considered a key audit matter following the goodwill re-allocation resulting from the organisational change by moving from a business line-driven organisation towards a function-based model in 2021 and the acquisition and relating purchase price allocation of Mercier Vanderlinden. The other key audit matters did not change compared to previous year as these are related to the daily operations of the Group and are also not likely to disappear in the coming years. Changes in facts, circumstances, risk, processes and audit approach can however change the content of a key audit matter from year to year.



### Key audit matter

#### **Impairments of loans and advances to the public and private sectors**

See note 7 to the consolidated financial statements for the disclosures of loans and advances to the public and private sectors including impairments, the paragraph 'Impairments of financial assets' of the summary of significant accounting principles and subsection 3.8 of the 'Risk Management' paragraph containing the disclosures in view of credit risk including the implications of COVID-19.

As at 31 December 2021 the gross loans and advances to the public and private sectors amounts to €8,925 million (2020: €8,512 million). The impairment allowance amounts to €49.5 million as at 31 December 2021 (2020: €64.1 million).

In accordance with the requirements of IFRS 9 'Financial instruments', the Group applies a three-stage expected credit loss impairment model. The Group determines loan impairments in stage 1 (allowance equal to twelve-month expected credit loss), and stage 2 (amount equal to the life-time expected credit loss) on a modelled basis. For stage 3 exposures, a case-by-case impairment allowance is determined on which a limited IFRS 9 model adjustment is applied to account for macro-economic variables and forward-looking information.

#### **Model methodology and inputs (stage 1 and 2)**

For the modelled loan impairments, the Group utilises the point in time probability of default (PD), the loss given default (LGD), loss given non-cure (LGN) and the exposure at default (EAD) models for the majority of its loan portfolio. The critical data as input for these models are retrieved from the core banking systems. Macro-economic variables and three global macro-economic scenarios are incorporated as assumptions into these models with the probability of the scenarios being weighted. When specific macro-economic aspects are not sufficiently covered by the models or when data limitations or other inherent model limitations are identified, a technical model overlay is applied.

#### **Stage 3 – specific impairment allowance**

For each individually impaired loan, the Group determines an impairment allowance based on

### Our audit work and observations

#### **Control design and operating effectiveness**

We evaluated the design and tested the operating effectiveness of relevant controls in the following areas:

- the loan origination process;
- the internal credit risk management process to assess the loan quality classification including the identification of impaired loans;
- the methodology and controls applied in measuring and determining significant increase in credit risk resulting in stage transfers;
- the review and approval process that management has in place for timely, accurate and complete determination of stage 3 specific impairment allowances; and
- the review and approval process that management has in place for the outputs of the impairment models, and any adjustments that are applied to the model outputs.

Based on the testing of controls, we determined that it was appropriate to place reliance on the above controls for the purpose of our audit.

#### **Assessment of model-based impairments stage 1 and 2**

With support of our valuation experts, we tested how management made the estimate on the model-based impairment allowance (stage 1 and 2) by inquiry and evaluation of the applied model methodology, the IFRS 9 model validation report of the external model validator engaged by the Group, the (updated) model performance monitoring dashboard, the evaluation of the macro-economic variables and the macro-economic scenarios applied and the assessment of stage transfers as at 31 December 2021.

Considering the complexity of the models and assumptions, together with our valuation experts and IT specialists, we performed the following:

- inspection and assessment of the scope, procedures and conclusions regarding the IFRS 9 model validation performed by a management expert in 2021;
- verification and assessment of periodic model monitoring activities (i.e. IFRS 9 model monitoring report) to ensure that models are still suitable for their intended purpose;



### Key audit matter

management's most likely scenario taking into account assumptions and data like timely identification of impairment triggers, expected future cash flows, discount rates and the value and recoverability of the corresponding collateral. This impairment allowance is considered to be the neutral scenario (baseline). A model adjustment is applied to calculate for alternative scenarios and the impact of macro-economic variables and forward-looking information. The final ECL is a weighted average over scaled ECLs under the neutral and alternative scenarios.

### Judgements and estimation uncertainty

The judgements and estimation uncertainty in the impairment allowance of loans and advances is primarily linked to the following aspects:

- the identification of impaired loans including the assessment for which loans credit risk has significantly (de)/increased since inception (stage transfers);
- the determination of the future cash flows based on the appropriate use of key parameters (such as forward-looking information) and the valuation of the recoverable collateral for the specific loan by loan (stage 3) impairment allowance. Furthermore, the probability weighting of each impairment scenario in this category is subjective in nature;
- the assumptions regarding the PDs, LGDs, LGNs and EADs applied, including the assumptions applied in overlay models in the model-based impairment allowances (stages 1 and 2);
- the uncertainties related to the incorporation of the implications of COVID-19 in the ECL models (macro-economic scenarios and predictions, model performance, etc.) for which a management overlay is applied; and
- any adjustments that management applies across the impairment allowances either representing a technical overlay or a management overlay.

Due to the high degree of estimation uncertainty, the complexity and subjectivity of the credit impairment models used, the sensitivity to assumptions of management, and other inherent risk factors, this area is subject to a higher risk of material misstatement due to error or fraud. Therefore, we consider the impairment allowance of loans and advances to the

### Our audit work and observations

- determined that appropriate change control policies and procedures are in place;
- determined that management uses appropriate skills and knowledge in applying the relevant models;
- performed substantive procedures regarding the completeness and accuracy of relevant data and significant assumptions as part of the estimation process;
- tested operating effectiveness of relevant controls (e.g. controls around automated interfaces) that safeguard completeness and accuracy of significant assumptions and data within the estimation process;
- determined whether the significant assumptions (e.g. macro-economic variables and scenarios, PDs, LGDs, LGNs and EADs) used by management for their estimate are appropriate in the context of the applicable financial reporting framework;
- determined whether the data used (e.g. contractual terms of financial assets, macro-economic predictions) is appropriate in the context of the applicable financial reporting framework and relevant and reliable in the respective circumstances; and
- assessed the adequacy of the technical overlay following the recalibration of the LGN and cure model in 2021.

Finally, together with our valuation experts, we specifically addressed the implications of COVID-19 on the ECL models by performing the following:

- we performed enquiries with the departments Group Risk Management, Special Recovery & Restructuring, and Finance, Reporting & Control;
- we verified whether changes were needed and whether appropriate changes were made to models, underlying assumptions and/or staging policy following the implications of COVID-19;
- we reconciled the applied updated macro-economic predictions with the latest publications of the external parties (i.e. CPB and DNB);
- we assessed the sensitivity analysis performed by management related to, amongst others, the applied macro-economic variables and scenarios; and
- we assessed the management overlay amounting to €1.6 million by verifying management's



<i>Key audit matter</i>	<i>Our audit work and observations</i>
public and private sectors as a key audit matter in our audit.	<p data-bbox="911 591 1378 640">assumptions and methodology in determining this overlay.</p> <p data-bbox="869 674 1378 752">Based on the above, we considered the methodology and inputs for the stage 1 and 2 models to be in line with market and industry practice.</p> <p data-bbox="869 786 1378 887"><i>Assessment of specific impairment allowance stage 3</i> Considering the inherent estimation uncertainty of individually impaired loans, we performed risk-based sample testing for which we selected samples from:</p> <ul data-bbox="869 898 1378 1055" style="list-style-type: none"> <li>• the total loan portfolio to gather evidence as to the correct classification of exposures as being in stage 1, 2 or 3; and</li> <li>• the stage 3 population to gather evidence as to the correct estimate for the impairment allowance was made by management.</li> </ul> <p data-bbox="869 1088 1378 1189">In the selection of our risk-based sample, we specifically considered the implications of COVID-19 for certain industries deemed to be at higher-risk (e.g. leisure, hospitality and commercial real estate).</p> <p data-bbox="869 1223 1378 1357">We analysed the latest available information about the borrower as described below and considered whether the key judgements applied in the impairment allowance are reasonable for the balance as at 31 December 2021.</p> <p data-bbox="869 1391 1378 1435">The following judgemental areas were tested for the risk-based sample:</p> <ul data-bbox="869 1447 1378 1895" style="list-style-type: none"> <li>• classification as a performing or non-performing loan based on the (non-)existence of triggering events;</li> <li>• nature and accuracy of the assumptions and data related to expected future cash flows with reference to the current economic performance (including implications of COVID-19), the assumptions most commonly used in the industry, and a comparison with external evidence or historical trends (if available); and</li> <li>• the valuation of the corresponding collateral (e.g. using appraisal reports and/or other information) with support of our valuation experts, with reference to industry standards and inspection of legal agreements and supporting documentation to confirm the existence and legal right to collateral.</li> </ul>




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**Key audit matter**


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**Our audit work and observations**

Based on the above, we considered the methodology and inputs in determining the stage 3 impairment allowance to be in line with market and industry practice.

As mentioned in the section 'Our audit approach', in our procedures in respect of the expected credit losses of loans and advances to the public and private sectors we paid attention to the potential impact of physical and transition climate-related risks. In this context, we assessed the self-assessments performed by management including the evaluation of the risk and any risk mitigating measures present within the Group.

Finally, we assessed the completeness, accuracy and adequacy of the disclosures relating to the provision for impairment losses, as disclosed in note 9 to the consolidated financial statements, to evaluate compliance with EU-IFRS 9 disclosure requirements.

We note that procedures performed in relation to this key audit matter implicitly and explicitly (e.g. management overlay) cover the fraud risk of management override of controls. We evaluated whether judgements and decisions made by management in making this accounting estimate, and together with other estimates, included in the financial statements, even if they are individually reasonable, were indicators of possible management bias. Based on the procedures outlined above, we have not identified indicators of possible management bias.

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**Recognition and measurement of goodwill and other intangible assets**

*See note 11 to the consolidated financial statements for the disclosures of goodwill and other intangible assets, the paragraphs 'Acquisitions' and 'Impairments of goodwill and other intangible assets' of the summary of significant accounting principles and chapter 'Business combinations in 2021'.*

The value of goodwill as at 31 December 2021 amounts to €176.8 million (2020: €103.0 million). The value of other intangible assets as at 31 December 2021 amounts to €145.1 million (2020: €52.0 million).

At the beginning of 2021, Van Lanschot Kempen changed its organisational structure by moving from a

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**Assessment of re-allocation of goodwill**

Following the changes in the organisational structure as at 1 January 2021, we, together with our valuation experts, performed the following procedures:

- evaluated the new client segmentation and operational segmentation reported in the consolidated financial statements;
- determined that the methodology applied by management in respect of the re-allocation of the goodwill of the former CGU Asset Management to the new CGUs Private Clients and Wholesale & Institutional Clients is in line with the applicable financial reporting framework (i.e. the relative value approach per IAS 36.87);



<i>Key audit matter</i>	<i>Our audit work and observations</i>
<p>business line-driven organisation towards a function-based model.</p> <p>As a consequence, the cash-generating unit ('CGU') level at which the goodwill is monitored for internal management purposes has changed accordingly. As at 1 January 2021, the goodwill is reallocated to the newly defined CGUs.</p> <p>On 7 April 2021, Van Lanschot Kempen and Mercier Vanderlinden announced an agreement on a partnership between both companies. The resulting financial transaction encompassed the transfer of 70% of the shares of Mercier Vanderlinden to Van Lanschot Kempen and the acquisition of the remaining 30% at later dates. The effective date of the transaction was 23 July 2021. The assets acquired included Mercier Vanderlinden's client relationships, brand name and products and services being additions to goodwill, client relationships and brand names in 2021.</p> <p>Following the changes to the organisational structure, management has defined six CGUs, namely Private Clients, Wholesale &amp; Institutional Clients, Investment Banking Clients, Mercier Vanderlinden, Non-strategic investments, and Other. Goodwill from the partnership with Mercier Vanderlinden is allocated, for the purpose of the annual impairment test, to the CGU Private Clients.</p> <p>Management carried out an annual impairment test on the goodwill arising from its respective acquisitions over the years. To determine whether an impairment would be necessary, the recoverable amount of each CGU or group of CGUs is compared to its carrying amount. The recoverable amount is calculated on the basis of the so-called value in use. This calculation uses equity cash flow projections for each CGU or group of CGUs for a five-year period (2021-2025). For the period after the explicit projections per CGU or group of CGUs, the growth rate is set at the long-term market growth rate. Cash flow estimates are based on strategic plans and potential future trends. Equity cash flows are discounted using a cost of equity for each CGU or group of CGUs that reflects the risk-free interest rate, supplemented with a surcharge for the market risk exposure of the CGU or group of CGUs, and a small-firm premium.</p>	<ul style="list-style-type: none"> <li>• tested whether the calculations applied are methodologically correct and are mathematically accurate;</li> <li>• determined whether the significant assumptions (e.g. cost of equity and projected future cash flows) used by management are appropriate in the context of the applicable financial reporting framework and, if applicable, in line with observable market data.</li> </ul> <p>Based on the procedures performed, we consider the re-allocated €49.3 million goodwill from the former CGU Asset Management to the new CGUs Private Clients (€33.3 million, being the equivalent of 67%) and Wholesale &amp; Institutional Clients (€16.0 million, being the equivalent of 33%) to be reasonable.</p> <p><i>Acquisition Mercier Vanderlinden</i></p> <p>In response to the acquisition and relevant financial impact in 2021, we, together with our valuation experts, performed the following procedures:</p> <ul style="list-style-type: none"> <li>• evaluated the sale and purchase agreement stipulating the details of the acquisition of 70% of the shares in 2021 and the remaining 30% in tranches to be completed in 2025 and 2026;</li> <li>• reviewed and challenged the purchase price allocation analysis ('PPA') prepared by management's external expert;</li> <li>• assessed whether the applied methodology in the PPA regarding the determination of the purchase price consideration, the recognition and the valuation of intangible assets acquired and the resulting goodwill is in accordance with the applicable financial reporting framework;</li> <li>• evaluated and challenged management's key judgements and assumptions by amongst others comparison to observable market data and by performing sensitivity analysis.</li> </ul> <p>Furthermore, we engaged specialists in the fields of accounting and employee remuneration to assess the accounting treatment of this transaction with specific attention for the accounting of the contingent consideration and the good and bad leaver clauses for management as included in the sale and purchase agreement.</p>




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**Key audit matter**

Due to the high degree of estimation uncertainty, the complexity and subjectivity of the valuation techniques used, the sensitivity to assumptions of management, the magnitude of the acquisition of Mercier Vanderlinden and other inherent risk factors, this area is subject to a higher risk of material misstatement due to error or fraud. Therefore, we consider the recognition and measurement of goodwill and other intangible assets a key audit matter in our audit.

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**Our audit work and observations**

Based on the above, we deem the methodology as applied in the determination of the purchase price consideration and the identification and valuation of intangible assets in line with generally acceptable market practices. We further consider the accounting treatment of the acquisition as applied by management, resulting in the recognition of 100% of the shares and the recording of a contingent consideration (liability) for the commitment to purchase the remaining tranches of respectively 15% in 2025 and 15% in 2026 in accordance with EU-IFRS.

**Assessment of annual impairment test**

With the support of our valuation experts, we assessed management's goodwill impairment test as follows:

- determined that the methodology applied by management is in line with the requirements of IAS 36;
- determined that changes and updates to the methodology are reasonable and in conformity with the applicable financial reporting framework;
- determined that management applied appropriate skills and knowledge;
- tested whether the calculations are performed in accordance with the defined methodology and are mathematically accurate;
- performed substantive procedures regarding completeness and accuracy of data and significant assumptions applied in the model;
- determined whether significant assumptions (e.g. cost of equity and projected future cash flows (including terminal growth rate)) used by management are appropriate in the context of the applicable financial reporting framework and, if available, in line with observable market data and reflecting the potential impact, if any, of physical and transition climate-related risks; and
- determined whether the data used is appropriate in the context of the applicable financial reporting framework and relevant and reliable in the respective circumstances.

Based on the above, we consider the methodology and assumptions applied in the annual goodwill impairment test appropriate and have not observed indications of impairment of the goodwill.

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**Key audit matter**


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**Our audit work and observations**


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**Fair value measurement of level 2 and 3 financial instruments**

*See subsection 14 'fair value' of the Risk Management paragraph 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 level 2 and 3 as at 31 December 2021 amounts to €280.5 million (2020: €426.1 million). The total liability value of financial instruments measured at fair value level 2 and 3 as at 31 December amounts to €692.3 million (2020: €1,185.6 million).

The fair value measurement of financial instruments consists of:

- financial assets and liabilities from trading activities;
- derivatives;
- financial assets and liabilities at fair value through profit or loss; and
- financial assets at fair value through other comprehensive income.

**Level 2 and 3 financial instruments**

In the determination of the fair value of financial assets and liabilities, management applies a so-called 'market approach method'.

Finally, we assessed the completeness, accuracy and adequacy of the disclosures relating to goodwill and other intangible assets and the business combination with Mercier Vanderlinden, as disclosed in note 11 and chapter 'Business Combinations in 2021' of the consolidated financial statements, to verify compliance with EU-IFRS disclosure requirements.

We note that procedures performed in relation to this key audit matter implicitly and explicitly (e.g. valuation of the intangible assets) cover the fraud risk of management override of controls. We evaluated whether judgements and decisions made by management in making this accounting estimate, and together with other estimates, included in the financial statements, even if they are individually reasonable, were indicators of possible management bias. Based on the procedures outlined above, we have not identified indicators of possible management bias.

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**Control design and operating effectiveness**

We evaluated the design and tested the operating effectiveness of the internal controls with respect to the governance over the applied valuation models, the financial instrument deal capturing process, the source data management and the valuation of financial instruments.

We determined that we could rely on these controls for the purpose of our audit.

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**Assessment of the fair value valuation of financial instruments**

Considering the complexity of the fair value valuation for each type of level 2 and 3 instruments, together with our valuation experts, we applied a combination of testing how management made the estimate and developed our own auditor's point estimate or acceptable range. Specifically, we performed the following procedures:

- For financial instruments tested we determined that the models used for valuation were validated prior to usage and when changes to the model are applied, periodic reviews are in place to ensure that the models used are still suitable for their intended use.
- For financial instruments for which we developed our own auditor's point estimate or acceptable



<i>Key audit matter</i>	<i>Our audit work and observations</i>
<p>For level 2 and 3 financial instruments, directly observable data like market prices or other market information are not available causing the fair value to be subject to (significant) judgement and estimation uncertainty.</p> <p>The fair value of such financial instruments is determined using either proxy valuations (level 2) or valuation techniques (such as discounted cash flow models and option valuation models) (level 3), in which judgements made by management and the use of data and assumptions such as market prices, credit spreads, yield curves, correlations and volatilities, are important factors.</p> <p>Due to the high degree of estimation uncertainty, the complexity and subjectivity of the valuation techniques used in the measurement of such financial instruments, and other inherent risk factors like the implications of COVID-19, if any on key assumptions and potential volatility and illiquidity in the markets this area is subject to a higher risk of material misstatement due to error or fraud. Therefore, we consider the measurement of level 2 and 3 financial instruments a key audit matter in our audit.</p>	<p>range, we developed for a sample of financial instruments our own auditor's point estimate or acceptable range.</p> <p>For both testing strategies applied, we:</p> <ul style="list-style-type: none"> <li>• determined that appropriate change management control policies and procedures are in place;</li> <li>• determined that management applies the appropriate skills and knowledge;</li> <li>• performed substantive procedures regarding the completeness and accuracy of data and significant assumptions as part of the estimation process;</li> <li>• tested operating effectiveness of relevant controls (e.g. controls around automated interfaces) that safeguard completeness and accuracy of significant assumptions and data as part of the estimation process;</li> <li>• determined whether the significant assumptions (e.g. discount rate, projected future cash flows) used by management to develop estimates are appropriate in the context of the applicable financial reporting framework;</li> <li>• determined whether the data used (e.g. risk-free rate, market data related to similar transactions and contractual terms and conditions of the instruments) are appropriate in the context of the applicable financial reporting framework and are relevant and reliable in the respective circumstances; and</li> <li>• reconciled the assumptions and data to available external sources.</li> </ul> <p>Based on the above procedures, we found that management's assessment of the model results and classification of the fair value of the level 2 and 3 financial instruments are reasonable.</p> <p>We assessed the completeness, accuracy and adequacy of the disclosures relating to the financial instruments measured at fair value and verified compliance with relevant disclosure requirements in EU-IFRS 7.</p> <p>We note that procedures performed in relation to this key audit matter implicitly and explicitly (e.g. valuation of the level 3 financial instruments) cover the fraud risk of management override of controls. We evaluated whether judgements and decisions made by management in making this accounting estimate, and</p>



Key audit matter	Our audit work and observations
<p><b>Reliability and continuity of IT systems</b> See subsection 'Business continuity management' in chapter '5. Operational risk' of the Risk Management paragraph</p> <p>The Group relies on the reliability and continuity of information technology (IT) systems for its operational, regulatory and financial reporting processes.</p> <p>The Group's accounting and reporting processes are to a large extent 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.</p> <p>The Group is executing a considerable number of IT projects (e.g. the IT roadmap and Agile/DevOps) in order to be able to continue to meet the reporting standards and expectations from stakeholders relating to operating effectiveness, efficiency, cybersecurity and data quality. In this way, the Group is accommodating the ongoing regulatory changes imposed to the banking and asset management industry. These projects result in changes in several of the Group's internal control activities related to financial reporting. This increases the inherent risk of material misstatement in financial reporting.</p> <p>Further, we consider the integration of Hof Hoorneman Bankiers' clients and products in the core banking, and other platforms of Van Lanschot Kempen in the Netherlands being one of the relevant IT projects that was completed during the year.</p> <p>Deficiencies in ITGCs as such could have a pervasive impact across the Group's internal control framework. Also, outsourcing activities within the Group and to third party service providers is considered an additional focus area to our audit as this brings extra complexity to the IT environment. Through the period of change, there is an increased risk that ITGCs are not operating as intended giving a potential opportunity for fraud. As a result of the above developments, in combination</p>	<p>together with other estimates, included in the financial statements, even if they are individually reasonable, were indicators of possible management bias. Based on the procedures outlined above, we have not identified indicators of possible management bias.</p> <p>We focused on the ITGCs to the extent relevant for the purpose of our audit of the financial statements.</p> <p>As part of our audit, our procedures were focused on:</p> <ul style="list-style-type: none"> <li>• entity level controls over information technology in the IT organisation, including IT governance, IT risk management and cybersecurity management;</li> <li>• governance over the strategic IT transformational projects including vendor risk and third party assurance;</li> <li>• for the procedures performed on the outsourced activities relevant to our audit work, we refer to the paragraph 'The scope of our group audit' above;</li> <li>• management of access to programs and data, including user access to the network, access to and authorisations within applications, privileged access rights to applications, databases and operating systems;</li> <li>• management of changes to applications and IT infrastructure, including the change of the management process and the implementation of changes in the production systems;</li> <li>• computer operations, including batch monitoring, back-up and recovery and incident management; and</li> <li>• management of cybersecurity, through understanding of the Group's approach to enhancing and managing cybersecurity.</li> </ul> <p>The integration of Hof Hoorneman Bankiers' clients and products in the operational core banking, and other platforms was part of our audit procedures. We evaluated and assessed the adequate and complete migration of transaction records and master data and verified these clients and products are brought within Van Lanschot Kempen's internal key control framework.</p> <p>We evaluated the Group's governance and procedures related to cybersecurity and determined the cybersecurity factors that are considered relevant to our</p>




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**Key audit matter**

with the increased threat and probability of cyberattacks also following COVID-19, we considered the reliability and continuity of information technology of the Group a key audit matter.

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**Our audit work and observations**

audit of the financial statements. We inspected the security reports prepared on a quarterly basis including the status of the security 5.0 program. Our procedures in relation to business continuity management, in particular on the integration of cyberattack scenarios as a part of business continuity management did not reveal any material shortcomings.

Our audit procedures indicate that we could place reliance on ITGCs for the purpose of our audit.

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**Report on the other information included in the annual report**

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon. 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 all the information regarding the director's report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the 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 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the director's report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The management board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

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**Report on other legal and regulatory requirements and ESEF**
**Our appointment**

We were appointed as auditors of Van Lanschot Kempen N.V. on 13 May 2015 by the supervisory board. This followed the passing of a resolution by the shareholders at the annual general meeting held on 13 May 2015. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of six years.



### ***European Single Electronic Format (ESEF)***

Van Lanschot Kempen N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially marked-up consolidated financial statements as included in the reporting package by Van Lanschot Kempen N.V. complies, in all material respects, with the RTS on ESEF.

The management board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the management board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the Group's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

### ***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 Group or its controlled entities, for the period to which our statutory audit relates, are disclosed in note 31 to the consolidated financial statements.

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## ***Responsibilities for the financial statements and the audit***

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### ***Responsibilities of the management board and the supervisory board for the financial statements***

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management 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 management board is responsible for assessing the Group's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Group's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Group's financial reporting process.

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### ***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 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered 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, 23 February 2022  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by C.C.J. Segers RA




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## ***Appendix to our auditor's report on the financial statements 2021 of Van Lanschot Kempen N.V.***

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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 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 Group's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management 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 Group'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 Group 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 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 actions taken to eliminate threats or safeguards applied.

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 general meeting and the supervisory board of Van Lanschot Kempen N.V.

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## *Assurance report on the sustainability information 2021*

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### *Our conclusion*

Based on our review nothing has come to our attention that causes us to believe that the sustainability information included in the annual report 2021 of Van Lanschot Kempen N.V. ('the company') does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 31 December 2021

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as included in the section 'Reporting criteria'.

### *What we have reviewed*

We have reviewed the sustainability information included in the following sections of the annual report:

- Message from the Chair;
- 2021: A year in review;
- Who we are and what we do;
- Our strategic framework; and
- Our value creation,

And the following reports:

- The 'Sustainability Supplement 2021'; and
  - The GRI Content Index
- (hereafter: "the sustainability information")

This review is aimed at obtaining a limited level of assurance.

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### *The basis for our conclusion*

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'). Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of our report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At [www.pwc.nl](http://www.pwc.nl) more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.



### *Independence and quality control*

We are independent of Van Lanschot Kempen N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

### *Reporting criteria*

The sustainability information needs to be read and understood together with the reporting criteria. The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria, as disclosed in the section 'Notes to the reader, Global Reporting Initiative' of the annual report.

The absence of an 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.

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### *Limitations to the scope of our review*

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans and estimates and risk assessments. Inherent to prospective information, the actual future results are uncertain, and are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information.

In the sustainability information references are made to external sources or websites. The information on these external sources or websites is not part of the sustainability information reviewed by us. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect to these matters.

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### *Responsibilities for the sustainability information and the review thereon*

#### *Responsibilities of the management board and the supervisory board for the sustainability information*

The management board of Van Lanschot Kempen N.V. is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in section 'reporting criteria', including selecting the reporting criteria, the identification of stakeholders, determining the material matters and determining that the applicable reporting criteria are acceptable in the circumstances taking into account applicable law and regulations related to reporting.



The choices made by the management board regarding the scope of the sustainability information and the reporting policy are summarized in the section 'Notes to the reader, Global Reporting Initiative' of the annual report.

Furthermore, the management board is responsible for such internal control as the management board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing company's reporting process on the sustainability information.

### *Our responsibilities for the review of the sustainability information*

Our responsibility is to plan and perform a review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Our objectives are to obtain a limited level of assurance to determine the plausibility of the *sustainability information*. The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a review is therefore substantially less than the assurance obtained in an audit in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

### *Procedures performed*

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements. Our procedures included, amongst other things of the following:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the management board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis.
- Our other procedures consisted amongst others of:
  - Interviewing management and relevant staff at corporate and business level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
  - Obtaining assurance evidence that the sustainability information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends.
- Reconciling the relevant financial information with the financial statements.
- Evaluating the consistency of the sustainability information with the information in the annual report, which is not included in the scope of our review.



- Evaluating the presentation, structure and content of the sustainability information.
- Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amsterdam, 23 February 2022  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by C.C.J. Segers RA

# 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<sup>1</sup> must first be paid from distributable profits (Article 32(1)). The Management 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 Management Board may decide that a dividend distribution on Class A 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)).

<sup>1</sup> There are no Class C preference shares in issue.

# STICHTING ADMINISTRATIEKANTOOR VAN GEWONE AANDELEN A VAN LANSCHOT KEMPEN

## Board report

The board ("the Board") of Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen ("the Stichting") reports on its activities in 2021.

## Purpose, policies and activities

The Stichting issues depositary receipts for shares that are exchangeable for their underlying Class A ordinary shares in Van Lanschot Kempen NV ("Van Lanschot Kempen"). The Stichting's policy is solely aimed at pursuing what is described in its objects clause as included in Article 2 of its Articles of Association (*statutaire doelomschrijving*). Its activities exclusively concern holding and managing shares in Van Lanschot Kempen; the Stichting does not engage in any commercial activities.

In line with the Dutch Corporate Governance Code, at every Van Lanschot Kempen general meeting the Stichting grants a proxy to depositary receipt holders that either attend the meeting in person or are represented by a third party. In other words, depositary receipt holders can always vote at their own discretion for the number of shares for which they hold depositary receipts.

In 2021, the Stichting's activities consisted of:

- Convening board meetings (at which the matters mentioned below were discussed);
- Granting proxies for Van Lanschot Kempen's general meetings;
- Attending Van Lanschot Kempen's general meetings; and
- Exercising the voting rights on Van Lanschot Kempen shares held by the Stichting at Van Lanschot Kempen's general meetings, to the extent that no proxies had been granted to depositary receipt holders.

The Stichting will continue to pursue its policies and activities in 2022 in accordance with its objects clause and in keeping with past practice.

The Stichting's income consists of an "independence donation" paid by Van Lanschot Kempen. The costs incurred by the Stichting typically only consist of the remuneration due to its Board members and administrative charges (such as accountants' fees). As the Stichting does not have any discretionary funds, it has no policies in place related to such spending. The Board expects the Stichting's budget for 2022 to be similar to the budget (as well as the profit and loss account) for 2021.

In view of the nature of the activities of the Stichting and especially the fact that the Stichting does not conduct any commercial activities, the Stichting has not been directly impacted by the consequences of the Covid-19 pandemic. The Board is not aware of any indications and therefore has no expectation that the pandemic will in any way have an impact on the funding provided to the Stichting by Van Lanschot Kempen.

## Board meetings

In 2021, the Board held three board meetings. The topics covered in these meetings included:

- Van Lanschot Kempen's 2020 financial statements;
- The state of affairs within Van Lanschot Kempen;
- The agenda of the general meeting of Van Lanschot Kempen held on 27 May 2021 ("the AGM") and the Stichting's voting intentions;
- Van Lanschot Kempen's 2021 half-year results;
- The succession of the chairman of Van Lanschot Kempen's Management Board;
- The agenda of the extraordinary general meeting of Van Lanschot Kempen held on 22 September 2021 ("the EGM") and the Stichting's voting intentions;
- The succession of Mr J. Meijer Timmerman Thijssen as a member of the Board in 2022.

## Van Lanschot Kempen's general meetings

The Board attended the AGM and the EGM. The Stichting granted proxy votes to holders of depositary receipts for shares that attended these meetings in person or were represented by third parties. This enabled these depositary receipt holders to vote at their own discretion for the number of Class A ordinary shares corresponding to the depositary receipts of Class A ordinary shares held by them at record date. The Stichting voted, at its own discretion, on the Class A ordinary shares for which no proxy votes had been requested. Such shares represented 52.10% of the total number of votes that could be cast at the AGM and 55.77% of the total number of votes that could be cast at the EGM.

The Board carefully considered each of the items put to the ballot and after due consideration decided to vote in favour of all items put to the ballot. This included the remuneration report for the year 2020, the proposal for the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV and the proposal to appoint Ms Brigitte Boone as a member of the Supervisory Board of Van Lanschot Kempen.

## Composition of the Board

The Board's current members are:

J. Meijer Timmerman Thijssen, Chair  
C.M.P. Mennen-Vermeule, Secretary  
W.F. Hendriksen

Mr Meijer Timmerman Thijssen is a consultant with Freshfields Bruckhaus Deringer.

Ms Mennen-Vermeule is Chief Executive Officer at Brand Loyalty Group.

Mr Hendriksen is a partner at Van Doorne.

The annual remuneration of the Chair of the Board amounts to €10,000 (excluding VAT) and that of each other Board member to €7,500 (excluding VAT).

### Expenses

Other expenses incurred by the Stichting amounted to €23,072 in 2021.

### Outstanding depositary receipts

On 31 December 2021, the Stichting held 41,359,667 Class A ordinary shares with a nominal value of €1 each, for which depositary receipts with the same nominal value have been 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:  
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, 2 January 2022

# STICHTING PREFERENTE AANDELEN C VAN LANSCHOT KEMPEN

## Board report

The board ("the Board") of Stichting Preferente aandelen C Van Lanschot Kempen ("the Stichting") reports on its activities in 2021.

## Purpose, policies and activities

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 NV (Van Lanschot Kempen) and its stakeholders, and to avert outside influences that could threaten its 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 any Class C preference shares.

The Stichting's policy is exclusively aimed at pursuing the purpose as described above. The Stichting does not in any way engage in commercial activities, or any other type of activities as long as there are no circumstances that, pursuant to its objects clause, would give the Stichting cause to act and exercise its powers.

In 2021, the Stichting's activities consisted of convening a Board meeting as well as holding ad hoc consultations as and when required.

The Stichting's income consists of an "independence donation" paid by Van Lanschot Kempen. The costs incurred by the Stichting typically only consist of a commitment fee due to ING Bank in relation to the funding agreement, the remuneration due to its Board members and administrative charges (such as accountancy fees). As the Stichting does not have any discretionary funds, it has no policies in place related to such spending. The Board expects the Stichting's budget for 2022 to be similar to the budget (as well as the profit and loss account) for 2021.

In view of the nature of the activities of the Stichting and especially the fact that the Stichting does not conduct any commercial activities, the Stichting has not been directly impacted by the consequences of the Covid-19 pandemic. The Board is not aware of any indications and therefore has

no expectation that the pandemic will in any way have an impact on the funding provided to the Stichting by Van Lanschot Kempen.

## Board meetings

In 2021, the Board convened for one meeting. Topics discussed at that meeting included:

- The state of affairs within Van Lanschot Kempen;
- Van Lanschot Kempen's annual accounts for 2020;
- The minutes of the Board meeting held in 2020.

## Replacement of agreements (novation)

In connection with the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV which became effective on 1 July 2021 (the merger) the Stichting was required to replace the call option agreement with Van Lanschot Kempen as well as the facility agreement with ING Bank. The agreements were replaced under the pre-existing terms and under the condition that the merger would come into effect. The merger came into effect on 1 July 2021 and therefore the new option agreement and facility agreement came into effect on 1 July 2021.

## Composition of the Board

The Board appoints its own members. The present members of the Board are:

A.A.M. Deterink, Chair  
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 Chair of the Board of Swinkels Family Brewers.

Mr Kivits is the former Chair of Stage Entertainment.

The annual remuneration of the Chair of the Board amounts to €10,000 (excluding VAT), and that of each other Board member to €7,500 (excluding VAT).

## Expenses

Other expenses incurred by the Stichting amounted to €123,148 in 2021.

## Other

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, 2 January 2022

# 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 (AuA)

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

## Assets under discretionary management

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

## Assets under management (AuM)

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

## Assets under monitoring and guidance

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.

## Basel III

The 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.

## Basel IV

The reform of Basel III, commonly referred to as "Basel IV", involves the final calibration and design of capital output floors, based on revised standardised approaches. It also includes reforms of the IRB approach and the standardised approach for credit and operational risk.

## Centraal Planbureau (CPB)

CPB Netherlands' Bureau for Economic Policy Analysis.

## Capital conservation buffer

Capital Requirements Directive IV (CRD IV) requires Van Lanschot Kempen to maintain Common Equity Tier 1 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.

## 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, subject to transitional provisions, institutions have been 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 institution-specific countercyclical capital buffer. The G-SII buffer, O-SII buffer and systemic risk buffer are not applicable to Van Lanschot Kempen.

## Common Equity Tier 1 (CET 1) capital

Also referred to as core capital. CET 1 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 1 (CET 1) ratio

CET 1 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 1 capital equivalent to the total risk exposure amount (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 EU 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.

### 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.

### 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.

### 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.

### Delta

The change in the value of an option as a proportion of the change in the value of the underlying asset.

### Delta economic value of equity ( $\Delta$ EVE)

A long-term economic measure used to assess the degree of interest rate risk exposure. The measure reflects how movements in interest rates impact the value of the bank's assets and liabilities.

### Delta net interest income ( $\Delta$ NI)

A short-term analysis of the interest income under a number of market interest rate scenarios, relative to the baseline scenario in which interest rates are expected to develop based on forward rates.

### 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.

### 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  $EL = PD * EAD * LGD$ .

### Expected credit loss (ECL) IFRS 9

The probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of a financial instrument.

### Exposure at default (EAD) Basel

Exposure at the time of a client's default, also referred to as net exposure.

### Exposure at default (EAD) IFRS 9

The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

**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, for example. Hedge relations are typically exact hedges, involving debt securities 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.

**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).

**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.

**Global Reporting Initiative (GRI)**

An independent organisation which develops guidelines for sustainability reports. Van Lanschot Kempen's integrated annual report is based on GRI.

**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.

**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 only the advanced internal ratings-based (A-IRB) approach.

**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 have been applied by us 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.

**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: Significance of unobservable 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.

**Leverage ratio (LR)**

The leverage ratio represents the relationship between total assets plus contingent items and the Basel III Tier 1 capital. It is calculated in accordance with the CRR.

**Lifetime probability of default (LPD)**

See "Probability of default".

**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)**

The loss given default is an estimate of the loss arising in the event of a default occurring at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including

from the realisation of any collateral. It is typically expressed as a percentage of EAD.

**Loss given loss (LGL) model**

A product-level model evaluating the part of exposure at default (EAD) that may be lost.

**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.

**Morningstar**

Morningstar rates mutual funds and ETFs from 1 to 5 stars based on how well they have performed in comparison to similar funds and ETFs.

**Net stable funding ratio (NSFR)**

The relationship between available stable funding and the required amount of stable funding.

**Non-performing loans (NPL)**

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.

**Net Promoter Score (NPS)**

The 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:  $NPS = \% \text{ promoters} - \% \text{ detractors}$ . Promoters give the organisation a score of 9 or 10, whereas detractors award a score of between 0 and 6.

**Non-controlling interests**

Non-controlling interests in entities that are fully consolidated by Van Lanschot Kempen.

**OECD Guidelines**

The OECD Guidelines describe what the Dutch government expects from multinational enterprises when it comes to corporate social responsibility. The Guidelines provide companies with guidance in the field of e.g. supply chain management, human rights, child labour, environment and corruption.

**Principles for Responsible Investment (PRI)**

The Principles for Responsible Investment (PRI) provide a framework for incorporating environmental, social and governance criteria in investment policies.

**Probability of default (PD)**

The probability of default is an estimate of the likelihood of default over a given time horizon. In our IRB models (Basel), this time horizon is one year. For IFRS 9 purposes, we use the one-year PD as well as the lifetime PD. A default may only happen at a certain time during the assessed period if the facility has not already been derecognised and is still in the portfolio.

### Proxy voting

Kempen regards it as its fiduciary responsibility to vote at shareholder meetings for its own (Kempen) funds and – at the request of clients – for discretionary mandates. Its proxy voting policy describes how it fulfils this responsibility.

### Rho

The change in the value of an option as a proportion of the change in the interest rate.

### 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.

### SEC-ERBA

Securitisation: External-ratings-based approach. Provided that securitisations meet operational requirements and have an external rating, the risk weight of a securitisation can be derived from, among other factors, the external rating, seniority and tranche maturity.

### Settlement risk

The risk 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.

### 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 1 capital.

### Solvency

The bank’s buffer capital expressed as a percentage of risk-weighted assets.

### Standard & Poor’s

Credit rating agency.

### 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 external factors 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.

### Tier 1 capital ratio

The ratio between total Tier 1 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 risk exposure amount (TREA)

The sum of risk weighted exposure amounts for credit risk, foreign-exchange risk, settlement risk, counterparty risk, operational risk, market risk and for credit valuation adjustment (CVA) risk.

### Total Tier 1 capital

Total Tier 1 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 2 capital

Capital instruments and subordinated loans may be designated Tier 2 capital under certain conditions.

### UN Global Compact

A non-binding United Nations pact to encourage and support global businesses to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for companies, setting out ten principles in the areas of human rights, labour, the environment and anti-corruption.

### 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 Kempen Wealth Management NV until 30 June 2021).

### Vega

The change in the value of an option as a proportion of the change in volatility.

### 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

	2021	2020	2019	2018 <sup>2</sup>	2017
<b>Results (€1,000)</b>					
Total income from operating activities	598,405	442,740	553,222	506,282	522,539
Operating expenses	437,791	386,655	410,840	440,193	428,990
Impairments	-17,837	1,871	22,854	-13,416	-11,461
Operating profit before tax	178,450	54,214	119,529	79,504	105,010
Net result (group profit)	143,807	49,844	98,414	80,315	94,945
<b>Statement of financial position (€1,000)</b>					
Equity attributable to shareholders	1,307,544	1,254,481	1,210,853	1,243,663 <sup>3</sup>	1,332,860
Public and private sector liabilities	11,729,556	10,141,109	9,545,095	9,090,939	9,145,119
Loans and advances to the public and private sectors	8,875,601	8,448,326	8,597,894	8,561,497	9,103,327
Total assets	16,306,596	15,149,026	14,318,853	13,983,184 <sup>3</sup>	14,658,875
<b>Key data</b>					
Number of ordinary shares at year-end (excluding treasury shares)	40,847,117	41,071,819 <sup>1</sup>	40,920,773	41,017,021	40,846,973
Average number of ordinary shares	40,910,434	40,989,428 <sup>1</sup>	40,974,330	41,004,769	40,959,989
Earnings per ordinary share based on average number of ordinary shares (€)	3.35	1.05	2.27	1.82	2.19
Dividend per ordinary share (€)	2.00	0.70	1.45	1.45	1.45
Efficiency ratio (%)	73.2	87.3	74.3	86.9	82.1

<sup>1</sup> The number of shares for Van Lanschot Kempen NV, for the years 2020 and before, are prior to the legal merger with Van Lanschot Kempen Wealth Management NV.

<sup>2</sup> As of 2018, the figures have been prepared in accordance with IFRS 9; those for the years prior to 2018 in accordance with IAS 39.

<sup>3</sup> Some amounts differ from previously published reports, reflecting changes that result from the accounting changes related to provision for pensions.

	2016	2015	2014	2013	2012
<b>Results (€1,000)</b>					
Total income from operating activities	524,400	561,140	566,187	551,193	541,764 <sup>6</sup>
Operating expenses	440,729	422,516	337,138	408,633	449,200 <sup>6</sup>
Impairments	-2,115	61,937	95,529	105,117	258,021 <sup>6</sup>
Operating profit before tax	85,785	54,284 <sup>4</sup>	133,520	37,443	-165,457 <sup>6</sup>
Net result (group profit)	69,800	42,754	108,701	33,506	-147,281 <sup>6</sup>
<b>Statement of financial position (€1,000)</b>					
Equity attributable to shareholders	1,340,470	1,299,358	1,292,274	1,283,487	1,262,348 <sup>6</sup>
Public and private sector liabilities	9,679,764	9,908,391 <sup>5</sup>	10,499,160	10,161,397	11,368,814
Loans and advances to the public and private sectors	9,624,048	10,504,423 <sup>5</sup>	11,021,107	12,490,723	13,464,234
Total assets	14,877,411	15,831,775	17,259,438	17,670,365	17,940,865 <sup>6</sup>
<b>Key data</b>					
Number of ordinary shares at year-end (excluding treasury shares)	40,873,462	40,961,353	40,826,361	40,926,249	40,879,922
Average number of ordinary shares	40,908,194	40,919,503	40,918,849	40,917,566	40,883,330
Earnings per ordinary share based on average number of ordinary shares (€)	1.61	0.83	2.42	0.71	-3.67 <sup>6</sup>
Dividend per ordinary share (€)	1.20	0.45	0.40	0.20	0.00
Efficiency ratio (%)	84.0	75.3	59.5	74.1	82.9 <sup>6</sup>

<sup>4</sup> Includes the result from sale of loans and advances to the public and private sectors, amounting to €22.4 million

<sup>5</sup> The 2015 figures have been adjusted to reflect the discontinuing of offsetting current account balances.

<sup>6</sup> Some amounts differ from the 2012 financial statements, reflecting changes resulting from the implementation of revised standard IAS 19 Employee Benefits.

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We welcome your views and opinions – please see our contact details above.

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