

Addendum regarding
the legal merger between
Van Lanschot Kempen NV
and
Van Lanschot Kempen
Wealth Management NV



VAN LANSCHOT
KEMPEN

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1. INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Introduction

In its third quarter trading update in 2020 Van Lanschot Kempen announced that it was investigating a potential legal merger (*juridische fusie*) of the holding company Van Lanschot Kempen NV (**VLK Holding**) into its 100% subsidiary Van Lanschot Kempen Wealth Management NV (**VLKWM**) whereby VLK Holding will be the disappearing entity (the **Merger**). After having duly investigated the matter in close consultation with the various stakeholders involved, VLK Holding and VLKWM formally announced the intention to effect the Merger by publishing a merger proposal (*fusievoorstel*) and the related documentation on 15 April 2021. The Merger is subject to the approval of the general meeting of VLK Holding and this document is intended to inform the shareholders and the depositary receipts holders as to the reasons to pursue the Merger and the implications of the Merger from various perspectives.

Attached hereto as **Annex A** is a simplified schematic overview of the group structure of the Van Lanschot Kempen group (the **Group**) before and after the Merger. In addition, attached hereto as **Annex B** are copies of the merger proposal (*fusievoorstel*) that was published on 15 April 2021 as well as the explanatory memorandum (*de toelichting*) in relation to the Merger.

The Merger will enable the Group to optimise its capital structure. Furthermore, this merger is a next step in the endeavour to further simplify and streamline the corporate structure of the Group, building on the legal merger between VLKWM (then named Van Lanschot NV) and its then subsidiary Kempen & Co NV, which was effected on 1 January 2020. The Merger will also reduce financial and regulatory reporting obligations.

1.2 Executive summary

- The rationale for the Merger, as set out above, is to optimise the capital structure. More specifically, the Merger will lead to the following benefits:
 - a) In the current situation VLK Holding must apply a minority interest deduction in relation to the Additional Tier 1 (AT1) and Tier 2 instruments issued at the level of VLKWM, impacting AT1 and Tier 2 capital at the level of VLK Holding. As a result of the minority interest deduction, VLK Holding's lack of excess AT1 and Tier 2 capital resulting from the minority interest deduction, also limits the extent to which it can benefit from the recent changes in the Capital Requirements Regulation and Directive (CRR and CRD). The recent regulatory changes in the required composition of the Pillar 2 Requirement (P2R) create an opportunity to optimise the capital structure by partially replacing CET1 with AT1 and Tier 2 instruments. After the legal merger, the minority interest deduction is no longer applicable which consequently means that the capital ratios of the listed company after the legal merger are the same as VLKWM's current capital ratios.
 - b) The Merger leads to the reduction of a governance layer (currently there are two legal entities with a personal union of the statutory board and the supervisory board of VLK Holding and VLKWM) (see chapter 3).
 - c) Lastly, the internal workload associated with the financial and regulatory reporting will be reduced.
- VLK Holding does not engage in any activities other than holding the shares in VLKWM. Therefore, the Merger will not have an impact on clients, employees, the debtholders and the internal control framework of VLKWM and its subsidiaries. The only effect of the Merger which will be perceived by these parties will be the change of the name of VLKWM from Van Lanschot Kempen Wealth Management NV to Van Lanschot Kempen NV. "Van Lanschot Kempen" is already a trade name of VLKWM and this trade name will not change. All of VLKWM's other trade names (among which Van Lanschot, Kempen & Co, and Evi) will also remain in place.
- The Merger qualifies as a legal merger (*juridische fusie*) and therefore does not result in, or constitute, an offer of securities to the public (the issue of securities will take place as a result of the Merger becoming effective following a resolution of the general meeting), and the Merger does not result in a new admission to trading on a regulated market (the depositary receipts that are currently listed will remain listed and outstanding, and only the shares underlying them will be replaced as a result of the Merger). Furthermore, the current ISIN code of the depositary receipts will remain unchanged.
- If approved by the annual general meeting the Merger is intended to be completed by the end of Q2 2021 such that the Merger will be effected as per 1 July 2021.
- The potential risks relating to the Merger that have been identified are very limited. If these would materialize, the risks can be handled well. See chapter 5 for a further analysis of the impact of the Merger.

2. THE VAN LANSCHOT KEMPEN GROUP AND THE PREPARATIONS FOR THE MERGER

2.1 Introduction

In this chapter, we provide information about the Group, its core activities and strategy. We also describe the recent efforts in simplifying the legal group structure.

2.2 Business profile and strategy of the Group

Van Lanschot Kempen is the oldest independent financial institution in the Netherlands, and is listed on Euronext Amsterdam. The Group is a well-capitalised, profitable wealth manager. Our purpose is the preservation and creation of wealth, in a sustainable way, for our clients and the society we serve. We serve clients in several segments – private, wholesale & institutional and corporate clients – with a singular mission: to be a trusted partner and assist our clients to preserve and create wealth sustainably. We believe that serving the long-term interests of the clients helps create a platform for responsible investing and societal stability.

We have attained a strong position as an independent and integrated wealth manager due to our unique combination of private banking, asset management and merchant banking services. The core activities of the Group are combined in three strong brands: Van Lanschot, Kempen and Evi.

- Van Lanschot private banking aims to help its clients preserve and create wealth at every stage of their lives. Its bankers offer specialist services for entrepreneurs, family businesses, high net-worth individuals, business professionals and executives, healthcare professionals, foundations and associations. Business professionals are partners of accountancy firms, law firms and consultancies. Executives are members of managing boards and supervisory boards of listed companies in the Netherlands.
- Evi van Lanschot is the online investment coach of Van Lanschot Kempen. Evi guides new and experienced investors in the Netherlands and Belgium towards reliable investment and pension solutions. With Evi, Van Lanschot Kempen can offer people with smaller assets for savings and investments a private banking experience based on expert knowledge and advice.

- Kempen Asset Management is Van Lanschot Kempen's specialist asset manager with a sharp focus and a clear investment philosophy, catering for two core markets. Firstly, Asset Management focuses on a number of asset classes: small caps, property, high-dividend equities, fixed-income securities and funds of hedge funds. Secondly, it offer's institutional clients a fiduciary service that provides them with a fully comprehensive asset management solution based on their own specific needs, including strategic advice, manager selection, monitoring and integral risk management. Clients include institutional investors such as pension funds, insurance companies, banks and wealth managers, foundations and family offices. Van Lanschot Private Banking clients are an important client group for Kempen Asset Management.
- Van Lanschot Kempen's Merchant Banking arm comprises Kempen Corporate Finance and Kempen Securities. Kempen Corporate Finance has leading positions in its niches (European Real Estate, Life Sciences and Financial Institutions & FinTech) and offers specialist services in areas such as securities, mergers and acquisitions, capital market transactions and debt advisory services. Working within the same niches, Kempen Securities provides analyst research for listed companies and provides liquidity to institutional investors.

Since 2013, the Group has been transforming from a small universal bank to an integrated wealth manager. As per year-end 2020 the Corporate Banking loan book is almost completed and stood at €195 million. This enables the Group to focus on being an integrated wealth management house. The low risk exposure in the current loan portfolio has resulted in very limited additions to our loan loss provisions. This has once again proven the robustness of our wealth management model. Our current capital position remains strong and our CET1 ratio amounts to 24.3%¹.

In order to reap the benefits of scale, and to make use of the existing successful platform of the Group, VLKWM has acquired several Dutch competitors: the wealth management activities of UBS in the Netherlands, Staalbankiers, a client portfolio from a.s.r. bank, as well as Hof Hoorneman Bankiers NV. VLK Holding and VLKWM have intentionally maintained a wide margin in their capital position to be able to pursue further inorganic growth opportunities in addition to organic growth.

2.3 Recent efforts in simplifying the legal group structure

The Group aims to have a simple and transparent legal group structure. Therefore, there has been an ongoing effort in the past few years to identify legal entities within the legal structure of the Group that no longer need to be maintained. This has resulted in the liquidation and dissolution of several legal entities.

In 2018, we started the process of simplifying the core structure of the Group, which resulted in the merger of Kempen & Co NV (licensed investment firm) and Van Lanschot NV (licensed credit institution). This merger was successfully effected as per 1 January 2020. Kempen & Co NV was the disappearing entity, and the statutory name of Van Lanschot NV changed into Van Lanschot Kempen Wealth Management NV (defined in this document as VLKWM). The trade names and businesses of Van Lanschot (i.e. Private Banking and Evi) and Kempen & Co (i.e. Merchant Banking) continued as is.

The initiative to further explore the Merger at hand arose in 2020 and, aside from the desire to further simplify the Group's legal structure, was prompted by (i) the changes in CRDV regarding the composition of P2R and the possibilities to improve the capital position of VLK and (ii) the successful recent mergers of holding companies by ABN AMRO and de Volksbank in 2019.

2.4 Envisaged timeline of the Merger

The Merger is intended to be completed by the end of Q2 2021 such that the Merger will be effected as per 1 July 2021.

3. ENVISAGED LEGAL GROUP STRUCTURE AND CORPORATE GOVERNANCE

3.1 Introduction

This chapter sets out the Group's current and envisaged legal group structure and describes the changes with respect to corporate governance in further detail.

3.2 Consequences of the Merger (juridische fusie)

The Merger will be a so-called legal merger (*juridische fusie*) under Dutch law. This means that as a consequence of the Merger, all assets and liabilities of VLK Holding will transfer automatically, by operation of law, to VLKWM. Through the Merger, VLK Holding will disappear as a legal entity, and will be fully absorbed by VLKWM.

The statutory name of Van Lanschot Kempen Wealth Management NV will be amended at the time of the implementation of the Merger into Van Lanschot Kempen NV. "Van Lanschot Kempen" is already a trade name of VLKWM. Also, all of VLKWM's other trade names (among which Van Lanschot, Kempen & Co, and Evi) will remain in place.

As a consequence of the Merger, and with VLK Holding being a holding company without any material or operational activities or contracts in its name, VLKWM will not acquire any significant assets or liabilities. The most important contracts concluded at the level of VLK Holding are the Group's main insurance policies. As a consequence of the Merger, these and other contracts will automatically transfer to VLKWM by operation of law. The Merger will not have any material implications for clients, suppliers or holders of debt instruments of the Group, as all of these external relationships are entered into at the level of VLKWM which will be the surviving entity. The only effect of the Merger for these parties will be the change of the name of VLKWM from Van Lanschot Kempen Wealth Management NV to Van Lanschot Kempen NV.

The Merger will lead to the allocation of shares in VLKWM to the shareholders of VLK Holding, meaning that the VLK Trust Office will be allocated shares in VLKWM in accordance with an exchange ratio of 1:1. After the Merger, the shares underlying the depositary receipts will have been 'replaced' by shares in VLKWM and the VLK Trust Office depositary receipts will henceforth represent the shares in VLKWM that are allocated to it. The relationship between the depositary receipt-holders and the VLK Trust Office will not be affected.

The depositary receipts that are currently listed on Euronext Amsterdam will remain listed and outstanding, and only the shares underlying them will be replaced as a result of the Merger. The current ISIN code of the depositary receipts will remain in place. The Merger will have no consequences for the indexes in which the depositary receipts are included.

3.3 Legal group structure before and after the Merger

In the current situation (please refer to **Annex A** for a schematic overview), VLK Holding is listed on Euronext via the VLK Trust Office. The VLK Trust Office holds approximately 99.99% of the shares in VLK Holding in exchange for which it has issued depositary receipts which are publicly listed on Euronext. Stichting Preferente Aandelen C Van Lanschot Kempen (**Pref C**) is an independent foundation that holds an option to acquire newly issued preferred C class shares in the capital of VLK Holding. The purpose of Pref C is to safeguard the interests of 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.

As a consequence of the Merger, VLK Holding will be fully absorbed into VLKWM and will disappear as a legal entity. Furthermore:

- The current shareholders of VLK Holding, including VLK Trust Office, will henceforth hold shares in VLKWM. The depositary receipts will remain unchanged and listed on Euronext with the only difference that henceforth they represent VLKWM shares; and
- In accordance with article 2:230 of the Dutch Civil Code, the existing option of Pref C. to acquire newly issued preferred C class shares in the capital of VLK Holding will be replaced by a new option to acquire newly issued preferred C class shares in the capital of VLKWM, subject to the condition precedent that the Merger is effected.

VLK Holding currently qualifies as a large company (*structuurvennootschap*) and therefore it is obliged by law to apply the large companies regime (*structuurregime*). VLKWM also fulfils the criteria of the large companies regime, however, as a 100% subsidiary of VLK Holding

that already mandatorily applies the large companies regime, VLKWM is exempt. Once the Merger is effected the exemption will no longer apply to VLKWM, but application of the large companies regime will only become mandatory under Dutch law after observance of a statutory waiting period. Since the Merger is not intended to result in any substantive changes to the governance of the Group, the large companies regime will be applied as per the moment of implementation of the Merger, initially on a voluntary basis. Three years after the Merger application the large companies regime will become mandatory for VLKWM as well.

3.4 Simplification of corporate governance

VLK Holding and VLKWM have a so-called full personal union, meaning that the composition of their governing bodies (management board and supervisory board) is identical. After the Merger, VLK Holding ceases to exist as a separate legal entity and, this extra layer of boards will then also cease to exist. This will simplify the governance structure. The current members of the governing bodies will retain their current positions as members of the management board and supervisory board of VLKWM with all of their duties and powers.

The administrative burden from having separate board decisions and regulations on both the level of VLK Holding and VLKWM will decrease, although this will only be a limited benefit as, in practice, the additional administrative overhead is not significant. The simplification would make the governance structure more transparent and easier to understand for third parties.

The Merger will not lead to any changes in the composition of the management board of the VLK Trust Office and the VLK Trust Office will continue to fulfil the same role.

3.5 Amendments to articles of association and board regulations

We aim to effect the Merger in such a way that no substantive changes will occur in the way the Group is governed. This means that, in principle, the documents regarding the governance of VLKWM will only be amended and updated in order to fully reflect the current documents regarding the governance of VLK Holding. More specifically this means that:

- compared to the current articles of association of VLK Holding will be certain changes to the absence and inability provisions (*belet en ontstentenis*) in order to reflect recent changes to the Dutch Civil Code. A document showing the changes in the articles of association is attached hereto as **Annex C**.
- The board regulations of the management board and supervisory board of VLKWM are already combined with the board regulations of VLK Holding. After the Merger they will be amended to reflect that they only refer to VLKWM. This is a minor technical change.

- The articles of association of VLKWM will, in principle, be fully replaced by the articles of association of VLK Holding. However, given the broader scope of activities carried out by VLKWM as an operational company and licensed credit institution the objects clause in the articles of association of VLKWM will be maintained in the new articles of association of VLKWM. Other than that the only change in the articles of association,

4. BENEFITS OF THE MERGER ON THE CAPITAL POSITION AND REPORTING

4.1 Introduction

This chapter sets out the most important benefits of the Merger from a financial structure perspective. The capital position of the Group and VLKWM will improve as a result of the minority interest deduction no longer being applicable after completion of the Merger. As a result, part of CET1 capital currently utilised to meet Pillar 1 Requirement (**P1R**) and Pillar 2 Requirement (**P2R**) can be replaced by AT1 and Tier 2 capital following the changes in the Capital Requirements Directive (**CRDV**) regarding the composition of the P2R. Furthermore, the Merger will lead to administrative efficiency relating to financial and regulatory reporting, because VLK Holding will cease to exist as a legal entity.

4.2 Merger results in increase of reported Tier 1, total capital and leverage Ratios because of the absence of the minority interest deduction

In 2017, the EBA published an interpretation of certain capital regulations applicable to European banks. This interpretation prevents the full inclusion by a holding company of instruments issued by a subsidiary at a consolidated level. The EBA interpretation has a particularly adverse impact on consolidated capital ratios of bank holding companies with a single subsidiary, such as VLK Holding. As a result of the interpretation, a portion of the 'surplus capital' of AT1 and T2 instruments issued by VLKWM can no longer be included in full in the 'consolidated own funds'. This impacts the consolidated Tier 1 capital, total capital and leverage ratios of the Group and leads to differences in capital ratios on the level of VLK Holding and VLKWM.

After the Merger, the minority interest deduction will no longer be applicable, because VLK Holding ceases to exist and VLKWM will be both the holding company for regulatory purposes and the bank. This means that headline reported capital and capital ratios of the listed entity will effectively be the higher ratios currently being reported for VLKWM. The level of improvement is a function of the impact of the minority interest deduction, which is a function of surplus capital components being reported at VLKWM level. The Tier 1 capital ratio will increase by 130 bps and the total capital ratio will increase by 293 bps based on the financial results reported per 31 December 2020.

4.3 The Merger improves the position with respect to Pillar 1 and Pillar 2 requirements and provides an opportunity to unlock CET1 capital

Another consequence of the minority interest deduction no longer being applicable is that available AT1 and Tier 2 capital can be fully utilised to meet P1R and P2R requirements partly replacing CET1 capital currently used to meet these capital requirements. Furthermore, the AT1 and Tier 2 P1R of 1.5% and 2.0% respectively can be fully met with AT1 and Tier 2 capital instead of partly with CET1 capital.

4.4 The Merger lowers administration costs and internal work load

The disappearance of VLK Holding as a legal entity will reduce the administrative work load in connection with the financial and regulatory administration.

4.5 Credit rating will likely not change because of the Merger

VLKWM has its creditworthiness periodically assessed by the rating agencies Standard and Poor's (S&P) and FitchRatings (Fitch). The current credit ratings reflect a healthy capital and funding position and a low risk profile. The outlook has been revised as a consequence of Covid-19 in April 2020. The latest rating report from S&P was published in March 2021 and the latest rating report from Fitch was published in August 2020:²

Credit ratings	S&P	Fitch
Long-term credit rating	BBB+	BBB+
Outlook long term credit rating	Negative outlook	Negative outlook
Short-term credit rating	A-2	F2
Press release (PDF)	24-04-2020 (download)	10-07-2020 (download)
Most recent rating report (PDF)	25-03-2021 (download)	06-08-2020 (download)
Website	> S&P	> Fitch Ratings

It is expected that the credit rating will not change as a consequence of the Merger.

² [vanlanschotkempen.com/nl/creditratings](https://www.vanlanschotkempen.com/nl/creditratings). The reports of S&P and Fitch are also available via this website.

5. IMPACT AND RISK ANALYSIS

VLKWM has conducted an impact analysis for the Merger. Based on that analysis it is concluded that the impact is very limited, because VLK Holding does not have any activities other than holding the shares in VLKWM and VLKWM, the entity which engages in extensive business operations and activities will be the acquiring entity, meaning that its identity will not be affected by the Merger (i.e. it will continue to exist as is).

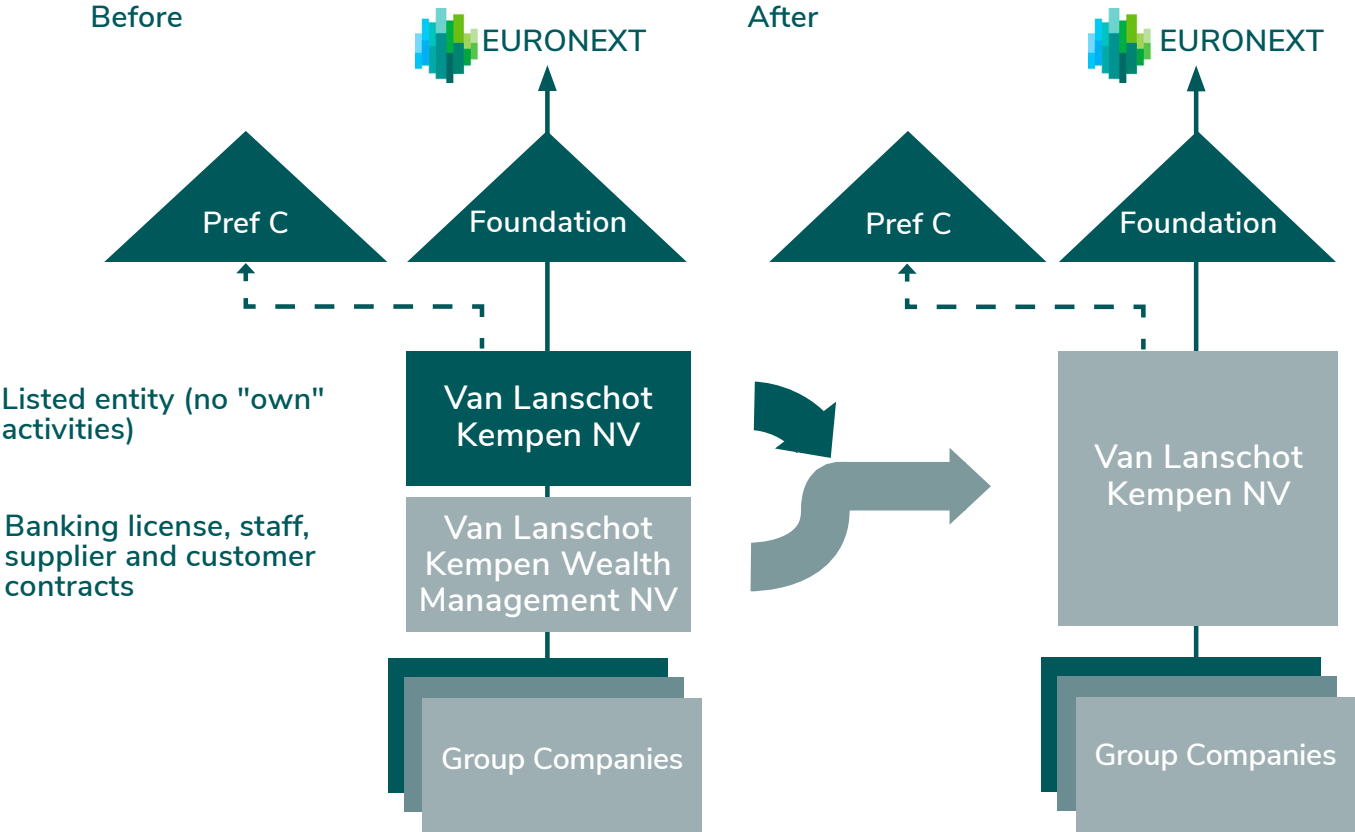
Impact per stakeholder:

- Business, clients, employees, debt holders: all client contracts regarding private banking, Evi and the merchant banking business, employee contracts and the issuance of the debt instruments are situated at the level of VLKWM and therefore already signed with VLKWM. The clients of Kempen Capital Management NV or other subsidiaries are also not affected by the Merger (although change of control provisions may be triggered).
- Internal control framework: the internal control framework is also not affected by the Merger. The current control functions, such as Compliance, Risk Management, Internal Audit and other supporting functions can continue as usual. In practice, VLK Holding and VLKWM are already fully integrated with respect to risk exposure and risk management. The internal documents and policies will be amended in order to reflect the correct description of the legal structure and statutory name.

Although the business, clients, employees and debt holders will not be affected by the Merger, they will be informed about the Merger or will receive amended documents reflecting the new statutory name and legal structure where this is necessary.

ANNEX A

Structure



ANNEX B

Part 1: Merger Proposal

Part 2: Explanatory Notes

[attached separately]

ANNEX C

Articles of Association
compare vs current articles of VLK Holding

[attached separately]