Van Lanschot Kempen Performance report

2019 ANNUAL RESULTS

1737

VAN LANSCHOT KEMPEN

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NOTES TO THE READER

Deviating from their recognition in our (IFRS) financial statements, non-strategic investments, costs related to our strategic investment programme, amortisation of intangible assets arising from acquisitions, and restructuring charges are shown separately in our managerial reporting.

Total figures 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.

Some amounts in this document differ from previously published reports, reflecting changes that result from the accounting changes related to provisions for pensions.

FINANCIAL AND NON-FINANCIAL KPIs

Our financial and non-financial KPIs reflect both the interests of our stakeholders and our ambitions as a wealth manager. Please refer to pages 18-19 of our Annual Report 2019 for additional background information on our KPIs. An overview of our performance on the KPIs that we report externally is shown in the table below. See next page for more information.

Themes and mission	KPI	Target		Score 2019	Score 2018
Financial and risk management	1. CET 1 ratio	15-17%		23.8%	21.1%
	2. Return on equity (CET 1)	10-12%		10.5%	9.8%
	3. Efficiency ratio	70-72%		75.5%	79.4%
Ethics and integrity	4. Percentage of employees who feel the responsibility to act and behave ethically	> industry average: 81%		77%	n/a[1]
Client relations	5. Net Promoter Score (NPS):				
	a. Private Banking	10		23	2
	b. Evi	10		10	-20
	c. Asset Management	20		31	44[2]
Responsibility and sustainability	6. Private Banking: AuM invested in sustainable and/or impact investment wealth management solutions	> last year		2019: €2,046m + €728m	2018: €1,318m + €180m
	7. Engaging with companies in which our funds invest	80-100 engagements		84 engagements	91 engagements
	8. Asset Management: percentage of (internal and external) fund managers on our approved list that are scored on their overall sustainability profile	> last year		2019: 98%	2018: 37%
	9. Decrease in carbon emissions:				
	a. Direct emissions of our own organisation	-2.5%/FTE per year		-5.6%	-8.1%
	b. Indirect emissions via our balance sheet (mortgage portfolio)	CO_2/EUR < last year		-2.0%	-11.3%[3]
Employees	10. Employee engagement score	> 80%		82%	81%[2]
	11a. Employer Net Promoter Score (eNPS)[4]	> 10	n/a	n/a	n/a
	b. Employees that recommend VLK as a good place to work	> 80%		83%	82%[2]
	12. Gender balance in management positions	> 30% female > 30% male		21% female 79% male	20% female 80% male
Mission: Preservation and creation of wealth	13. Private Banking: 3-year relative performance of discretionary management mandates	> benchmark		-0.4%	-0.1%
	14. Evi: 3-year relative performance of discretionary management mandates	> benchmark		-0.9%	-0.4%
	15. Asset Management: average Morningstar rating of investment strategies (institutional share class)	> 3.5		3.9	4.0

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

[1] An employee engagement survey is conducted once every two years. In 2017 these questions were not included.
[2] Measured once every two years, score for 2017.
[3] A method of data cleaning has been applied retroactively to ensure that figures are comparable. This led to an adjustment of the 2018 score.
[4] In 2019 and 2017, no official eNPS was measured. Instead, the employee engagement survey included a comparable question. Please refer to KPI 11b.

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 2019, our CET 1 ratio increased to 23.8% and our return on CET 1 rose to 10.5%. Our efficiency ratio amounted to 75.5%. As of 2019, we have adjusted our target for the efficiency ratio to 70-72%. We believe this target aligns with our profile as a wealth manager and with the economic environment in which we operate. More information on the developments underlying these ratios is provided on pages 12 and 20.

ETHICS AND INTEGRITY

We strive to operate in an ethical manner and we encourage our employees to behave ethically and with integrity. We monitor the ethical behaviour of our employees by focusing on this in our employee engagement survey. In 2019, an employee engagement survey was conducted with questions on standards of ethical behaviour, operating with integrity in internal dealings, and reporting dishonest or unethical practices without fear of reprisal. The outcome was benchmarked against other financial services firms and shows a marginal negative deviation from the industry average (81%), which was primarily caused by the response on standards of ethical behaviour. We have initiated several actions to do better. In 2019, we harmonised our policies on performance and reward practices, providing greater transparency on the standards we set ourselves. To help us close the gap, we are stressing the importance of each activity within our value chain to achieve our goals. In addition, we are organising sessions to elaborate on our core values and engage in an active dialogue with our employees on these topics. As we conduct our employee engagement survey every two years, we plan on doing an extra “pulse check” on this important topic during 2020 to keep track of our development.

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 gives insight into client loyalty and the number of promoters of the organisation. The score lies within a range of -100 to 100 points, the higher the better. The formula is as follows: NPS = % promoters - % detractors. Promoters give the organisation a score of 9 or 10, whereas detractors award a score of between 0 and 6. The NPS that we measure is also known as Relationship NPS[5]. We measure this two times a year for Private Banking, once a year for Evi, and once every two years for Asset Management.

In 2019, our Private Banking clients awarded us an NPS of 23, well above our target of 10 and the 2 scored in 2018. This significant uptick can be attributed to better investment returns as well as our proactive approach to client contact – be it in person, by phone/email or via our apps. Clients indicated that they appreciate our personal contact and the level of expertise they receive from us. NPS for Evi increased to 10, which is on target, compared with -20 in 2018. Clients at Evi value the improved app, better market performance and the webinars offered to them since 2019. For Asset Management, we measure 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 31 awarded by clients of Asset Management in 2019 is above our target of 20, although lower than 44 scored in 2017. The decrease is due to more clients being passively satisfied rather than being promoters. Improved performance, more proactivity and more tailor-made communication that fits the client’s background and needs would lead to more active recommendations.

RESPONSIBILITY AND SUSTAINABILITY

We can achieve the most significant economic, environmental and social impact by investing the wealth of our clients in a responsible and sustainable manner. Private Banking assets under management (AuM) invested in sustainable (Duurzaam+) and impact investment (Impact Investing) rose to €2,046 million in 2019, from €1,318 million in 2018. In 2019, we undertook 84 engagements for change and awareness, which means we met our annual target of 80–100 cases. In 2018, we started rating internal and external fund managers on our approved list, with the ultimate aim to rate them all. In 2019, we ended up with 91 rated fund managers on our approved list, which means that 98% of the funds in scope[6] on the approved list have been scored, compared with 37% at year-end 2018. In addition, we reduced the carbon

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[5] Relationship NPS differs from Transactional NPS, which is also commonly used. Transactional NPS measures client satisfaction after a single transaction and tends to lead to a higher score than Relationship NPS.

[6] Asset classes covered by our ESG scorecard are listed equities, government bonds (developed and developing), corporate bonds (investment grade and high yield) and listed real estate. Funds with no material asset allocation are not in scope for rating.

emissions caused by our mortgage portfolio by 2.0%, reflecting the fact that the Netherlands is moving towards making its homes more sustainable. The score for 2018 has been adjusted retroactively as a result of data cleaning, to ensure that figures are better comparable. The method of data cleaning concerns removing mortgages without CO_2 data in a certain year, so that it will not lead to an increase or decrease of CO_2 emissions, if the data is available in another year. The 5.6% fall in emissions per FTE caused by our own organisation is mainly the result of less business air travel and the decision to increase our green gas use in the Netherlands to 100%.

EMPLOYEES

As a wealth manager, Van Lanschot Kempen depends on hiring and retaining knowledgeable, experienced and professional staff. That means we are highly motivated to create an attractive work environment for our workforce and to invest in our people. In 2019, an employee engagement survey was conducted that showed an employee engagement score of 82%. This survey did not measure an official eNPS. Instead, there was a question on recommending Van Lanschot Kempen as a good place to work, with a target of > 80%, on which we scored 83%. In 2019, the percentage of female employees in management positions marginally increased, to 21%. Internally, we have developed and are monitoring KPIs that reflect our ambition to encourage aspects of diversity within our organisation that go beyond gender alone (including nationality, for example).

MISSION: PRESERVATION AND CREATION OF WEALTH

As our mission is to preserve and create wealth for our clients in a sustainable way, our wealth management solutions should deliver positive performance in the long term, and our investment strategies should perform well against their benchmarks. In 2019, the three-year performances of Private Banking and Evi discretionary management mandates relative to their benchmarks stood at –0.4% and –0.9% respectively. At Asset Management, the average Morningstar rating of our investment strategies is 3.9, well above our target of 3.5.

KEY FINANCIAL DATA

€ million	2019	2018		H2 2019	H1 2019
Statement of income					
Net result	98.4	80.3	23%	14.8	83.6
Underlying net result	108.8	103.0	6%	16.3	92.5
Efficiency ratio (%)	75.5	79.4	-	75.5	75.5

€ billion	31/12/2019	31/12/2018		30/6/2019	
Client assets	102.0	81.2	26%	97.3	5%
- Assets under management	87.7	67.0	31%	82.6	6%
- Savings and deposits	9.5	9.1	5%	9.6	0%
- Assets under monitoring and guidance	3.1	3.4	-8%	3.3	-6%
- Assets under administration	1.6	1.7	-6%	1.8	-11%

€ million	31/12/2019	31/12/2018		30/6/2019	
Statement of financial position and capital management					
Equity attributable to shareholders	1,211	1,244	-3%	1,263	-4%
Equity attributable to AT1 capital securities	102	-	-	102	0%
Equity attributable to non-controlling interests	4	12	-67%	4	10%
Savings and deposits	9,545	9,091	5%	9,582	0%
Loans and advances to clients	8,598	8,561	0%	8,783	-2%
Total assets	14,319	13,983	2%	14540	-2%
Funding ratio (%)	111.0	106.2	-	109.1	2%
Risk-weighted assets	4,205	4,588	-8%	4462	-6%
Common Equity Tier 1 ratio (%)[7]	23.8	21.1	-	22.4	-
Tier 1 ratio (%)[7]	25.0	21.1	-	23.6	-
Total capital ratio (%)[7]	26.9	23.2	-	25.5	-

	2019	2018		H1 2019	
Key figures					
Weighted average of outstanding ordinary shares (x 1,000)	40,974	41,005	-	41,037	-
Underlying earnings per ordinary share (€)	2.52	2.37	6%	2.21	14%
Return on average Common Equity Tier 1 capital (%)[8]	10.5	9.8	-	13.1	-
Number of staff (FTEs at period end)	1,560	1,621	-4%	1,594	-2%

[7] Full-year 2019 and 2018 including retained earnings; half-year 2019 excluding retained earnings.
[8] Based on the (annualised) underlying net result.

FINANCIAL RESULTS

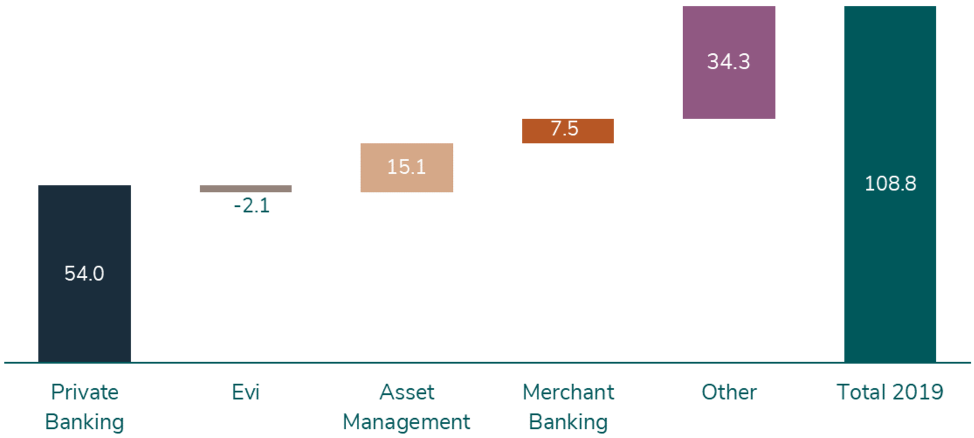
€ million	2019	2018		H2 2019	H1 2019
Commission	290.4	293.2	-1%	148.2	142.2
- Of which securities commissions	*241.8*	*238.5*	*1%*	*125.3*	*116.5*
- Of which other commissions	*48.6*	*54.7*	*-11%*	*22.9*	*25.7*
Interest	175.3	175.6	0%	90.6	84.7
Income from securities and associates	50.5	31.1	62%	17.1	33.4
Result on financial transactions	-7.4	-0.8	-	0.7	-8.1
Income from operating activities	**508.7**	**499.2**	**2%**	**256.6**	**252.1**
Staff costs	238.5	244.4	-2%	120.1	118.4
Other administrative expenses	127.9	146.8	-13%	64.8	63.0
- Of which regulatory levies and charges	*11.6*	*10.5*	*10%*	*2.8*	*8.8*
Depreciation and amortisation	17.7	5.2	-	8.7	9.0
Operating expenses	**384.1**	**396.4**	**-3%**	**193.7**	**190.4**
Gross result	**124.7**	**102.8**	**21%**	**62.9**	**61.7**
Addition to loan loss provision	-12.1	-12.7	-5%	-4.5	-7.5
Other impairments	34.9	-0.9	-	34.9	0.1
Impairments	**22.9**	**-13.7**	**-**	**30.3**	**-7.5**
Operating profit before tax of non-strategic investments	37.8	17.8	-	0.8	37.0
Operating profit before special items and tax	**139.6**	**134.3**	**4%**	**33.4**	**106.2**
Strategic investment programme	11.1	22.0	-50%	1.7	9.4
Amortisation of intangible assets arising from acquisitions	6.2	8.3	-25%	3.1	3.1
Restructuring charges	2.8	8.3	-67%	0.3	2.5
Operating profit before tax	**119.5**	**95.8**	**25%**	**28.3**	**91.2**
Income tax	21.1	15.5	37%	13.5	7.7
Net result	**98.4**	**80.3**	**23%**	**14.8**	**83.6**
Underlying net result	**108.8**	**103.0**	**6%**	**16.3**	**92.5**

UNDERLYING NET RESULT

€ million	2019	2018		H2 2019	H1 2019
Net result	**98.4**	**80.3**	23%	**14.8**	**83.6**
Strategic investment programme	11.1	22.0	-50%	1.7	9.4
Restructuring charges	2.8	8.3	-67%	0.3	2.5
Tax effects	-3.5	-7.6	-54%	-0.5	-3.0
Underlying net result	**108.8**	**103.0**	**6%**	**16.3**	**92.5**

All operating activities made a positive contribution to the underlying net result, with the exception of Evi. The underlying net result for 2019 is the net result adjusted for costs associated with the strategic investment programme and restructuring charges (€11.1 million and €2.8 million gross respectively).

Underlying net result by segment
€ million



As of 2019, we have integrated our remaining Corporate Banking activities into our Private Banking segment. The underlying net result of the Other segment includes the book profits of AIO II (€36.0 million), VLC & Partners (€17.1 million) and the impairment of goodwill related to Merchant Banking activities (€35.0 million).

2019 (€ million)	Private Banking	Evi	Asset Management	Merchant Banking	Other	Total
Commission	130.1	5.1	101.7	52.2	1.2	290.4
Interest	154.0	3.2	0.1	-0.1	18.1	175.3
Other income	1.2	0.0	-0.7	2.6	40.0	43.1
Income from operating activities	**285.3**	**8.2**	**101.1**	**54.7**	**59.3**	**508.7**
Staff costs	92.7	3.5	49.9	25.3	67.1	238.5
Other administrative expenses	55.4	5.4	16.3	8.8	42.0	127.9
Indirect costs	69.5	2.2	13.3	10.2	-95.2	0.0
Depreciation and amortisation	1.6	0.0	0.1	0.0	16.0	17.7
Operating expenses	**219.1**	**11.1**	**79.6**	**44.4**	**29.8**	**384.1**
Gross result	**66.2**	**-2.9**	**21.5**	**10.4**	**29.5**	**124.7**
Impairments	-11.2	0.0	0.0	0.0	34.0	22.9
Operating profit before tax of NSIs	0.0	0.0	0.0	0.0	37.8	37.8
Operating profit before one-off charges and tax	**77.4**	**-2.9**	**21.5**	**10.4**	**33.2**	**139.6**
Strategic investment programme	11.1	0.0	0.0	0.0	0.0	11.1
Amortisation of intangible assets arising from acquisitions	4.7	0.0	0.8	0.0	0.8	6.2
Restructuring charges	2.3	0.0	-0.1	0.0	0.6	2.8
Operating profit before tax	**59.3**	**-2.9**	**20.8**	**10.4**	**31.9**	**119.5**
Income tax	15.3	-0.8	5.6	2.9	-1.9	21.1
Net result	**44.0**	**-2.1**	**15.2**	**7.5**	**33.8**	**98.4**
Underlying net result 2019	**54.0**	**-2.1**	**15.1**	**7.5**	**34.3**	**108.8**

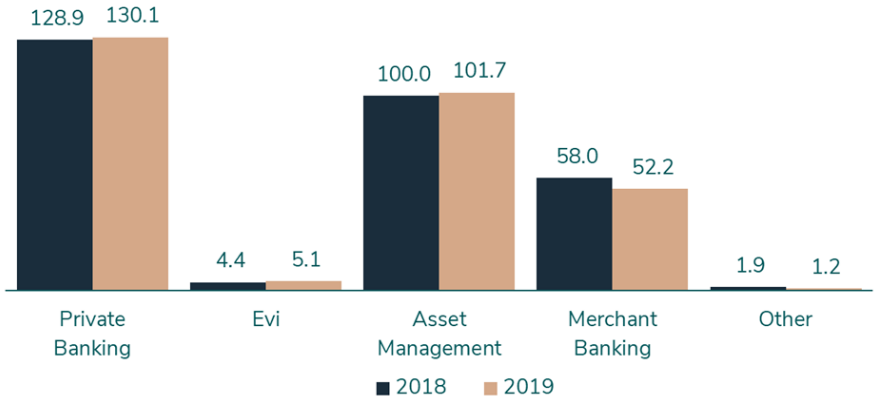
2018 (€ million)	Private Banking	Evi	Asset Management	Merchant Banking	Other	Total
Commission	128.9	4.4	100.0	58.0	1.9	293.2
Interest	159.3	2.5	-0.0	-0.0	13.8	175.6
Other income	1.1	0.0	-0.2	1.0	28.5	30.3
Income from operating activities	**289.2**	**6.9**	**99.8**	**58.9**	**44.3**	**499.2**
Staff costs	100.0	4.2	43.6	26.2	70.4	244.4
Other administrative expenses	48.4	9.1	23.5	9.1	56.7	146.8
Indirect costs	71.5	2.9	12.8	9.9	-97.1	0.0
Depreciation and amortisation	1.0	0.0	0.1	0.0	4.0	5.2
Operating expenses	**220.9**	**16.1**	**80.1**	**45.2**	**34.1**	**396.4**
Gross result	**68.3**	**-9.2**	**19.7**	**13.7**	**10.3**	**102.8**
Impairments	-13.8	0.0	0.0	-0.0	0.1	-13.7
Operating profit before tax of NSIs	0.0	0.0	0.0	0.0	17.8	17.8
Operating profit before one-off charges and tax	**82.1**	**-9.2**	**19.7**	**13.7**	**28.0**	**134.3**
Strategic investment programme	22.0	0.0	0.0	0.0	0.0	22.0
Amortisation of intangible assets arising from acquisitions	4.8	0.0	0.8	0.0	2.6	8.3
Restructuring charges	4.2	0.1	2.5	0.1	1.4	8.3
Operating profit before tax	**51.1**	**-9.3**	**16.3**	**13.6**	**24.0**	**95.8**
Income tax	13.0	-2.6	4.4	3.1	-2.5	15.5
Net result	**38.1**	**-6.7**	**11.9**	**10.5**	**26.5**	**80.3**
Underlying net result 2018	**57.7**	**-6.6**	**13.8**	**10.6**	**27.5**	**103.0**

COMMISSION

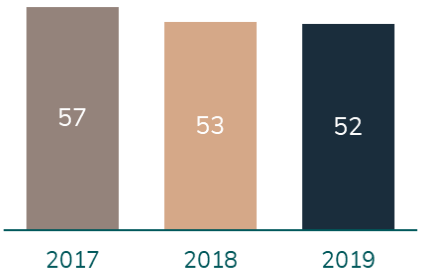
€ million	2019	2018		H2 2019	H1 2019
Securities commissions	241.8	238.5	1%	125.3	116.5
- Management fees	*219.7*	*215.2*	*2%*	*114.6*	*105.2*
- Transaction fees	*22.1*	*23.4*	*-6%*	*10.8*	*11.3*
Other commissions	48.6	54.7	-11%	22.9	25.7
Commission	**290.4**	**293.2**	**-1%**	**148.2**	**142.2**

Commission income accounted for 57% of our total operating income. Securities commissions increased by 1% due to higher management fees, which grew 9% in H2 2019 compared with H1 2019, and which reflect the growth in assets under management at Private Banking, Evi and Asset Management during the year. Other commissions fell, mainly due to lower commissions at Merchant Banking.

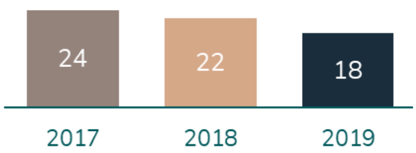
Commission income by segment
€ million



AuM margin – Private Banking
bps



AuM margin – Asset Management
bps



Private Banking's total commission income rose by €1.2 million compared with 2018 on the back of the growth in assets under management. Private Banking's margins on assets under management are fairly stable. The decrease from 2017 to 2018 was caused by relatively high transaction volumes in 2017 and by the acquisition in H2 2017 of the Dutch private banking activities of UBS, which had comparatively lower margins. Commission income on payments went down, mainly as a result of the further run-off of our Corporate Banking activities.

Evi's commission income went up by €0.6 million to €5.1 million on the back of growth in assets under management and less cash incentives for new clients offered as part of a marketing campaign as compared to 2018.

Asset Management's 2019 commissions increased by €1.7 million compared with 2018. This growth was mainly driven by an increase in commissions from new fiduciary mandates. Average margins fell from 22 basis points in 2018 to 18 basis points in 2019, due to a change in the composition of assets under management, as inflow was mainly achieved in fiduciary management; €9.1 billion out of total inflow of €9.8 billion.

Merchant Banking performed well in 2019, but commission income declined by €5.7 million to €52.2 million (2018: €58.0 million), reflecting the fairly high level of commission income in 2018. 2019 saw a slight decrease in all types of commissions, despite an increase in realised ECM fees.

INTEREST

€ million	2019	2018		H2 2019	H1 2019
Gross interest margin	186.9	186.9	0%	95.4	91.5
Interest income and charges on hedge derivatives	-2.1	-6.0	-66%	-1.2	-0.9
Interest equalisation	-16.9	-13.8	22%	-9.5	-7.4
Clean interest margin	*167.9*	*167.0*	*1%*	*84.7*	*83.2*
Miscellaneous interest income and charges	4.9	5.9	-16%	4.4	0.5
Loan commission	2.4	2.6	-7%	1.4	1.0
Interest	**175.3**	**175.6**	**0%**	**90.6**	**84.7**

Total interest income in 2019 was comparable with that in 2018. The gross interest margin includes the one-off effect of a positive revaluation of interest claim to the tune of €3.9 million, to be received from DSB Bank NV[9]. If this payment is stripped out, the gross interest margin fell by 2%. The current interest rate climate continues to put pressure on our interest income, while the run-off of Corporate Banking loans has also led to lower interest income. The Corporate Banking loan portfolio contracted by €0.2 billion to €0.3 billion.

In comparison with year-end 2018, the interest margin[10] fell by two basis points to an average of 119 basis points. The "clean interest margin" also declined by two basis points compared with its level at the end of 2018, to 113 basis points at the end of 2019.

The balance of interest income and charges on hedge derivatives improved from a negative €6.0 million in 2018 to a negative €2.1 million in 2019. As of Q4 2018, some previously discontinued interest rate hedges have been fully amortised.

Miscellaneous interest income and charges went down from €5.9 million to €4.9 million. Implementation of IFRS 16 Leases has impacted interest income in 2019, by –€0.9 million, as it requires recognising finance costs in profit and loss due to the unwinding of the discount on lease liabilities.

INCOME FROM SECURITIES AND ASSOCIATES

€ million	2019	2018		H2 2019	H1 2019
Dividend	7.7	3.2	-	3.6	4.1
Capital gains	24.0	15.5	55%	7.9	16.1
Valuation gains and losses	18.9	12.5	51%	5.6	13.2
Income from securities and associates	**50.5**	**31.1**	**62%**	**17.1**	**33.4**

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 be aligned with our clients' interests.

The 2019 capital gains of €24.0 million were related to the sale of our 49% stake in VLC & Partners and the sale of our stake in Marfo Food Group. The sale of our stake in VLC & Partners generated a book profit of €17.1 million, which includes the expected value of the agreed earn-out. The capital gain from the Marfo Food Group sale amounted to €6.5 million.

Dividend income rose to €7.7 million, from €3.2 million in 2018. Valuation gains and losses rose, with positions in our own investment funds in positive territory.

[9] DSB Bank NV was a Dutch bank that failed in 2009. All Dutch banks contributed to the deposit guarantee scheme to indemnify DSB savers.
[10] The interest and clean interest margin are calculated on the basis of a 12-month moving average and exclude the one-off DSB Bank NV effect.

2019 saw particularly high income from securities and associates. Over the last decade, this income has, on average, amounted to €25-€30 million a year.

Result on financial transactions

€ million	2019	2018		H2 2019	H1 2019
Result on securities trading	3.5	-0.7	-	1.9	1.7
Result on currency trading	8.9	8.0	11%	4.7	4.2
Result on investment portfolio	0.6	1.9	-68%	0.2	0.4
Result on hedges	-13.2	-2.6	-	-5.9	-7.3
Other income	-7.3	-7.5	-3%	-0.2	-7.1
Result on financial transactions	-7.4	**-0.8**	**-**	**0.7**	**-8.1**

Result on financial transactions decreased by €6.6 million. The €3.5 million result recorded on securities trading reflects a positive performance of the trading book. Trading activities are the result of client facilitation only, mainly providing liquidity to clients.

The result on currency trading was relatively stable compared with 2018. In 2019, a couple of bonds from the hold-to-collect-and-sell portfolio were sold, with a positive result that is reflected in the result on investment portfolio.

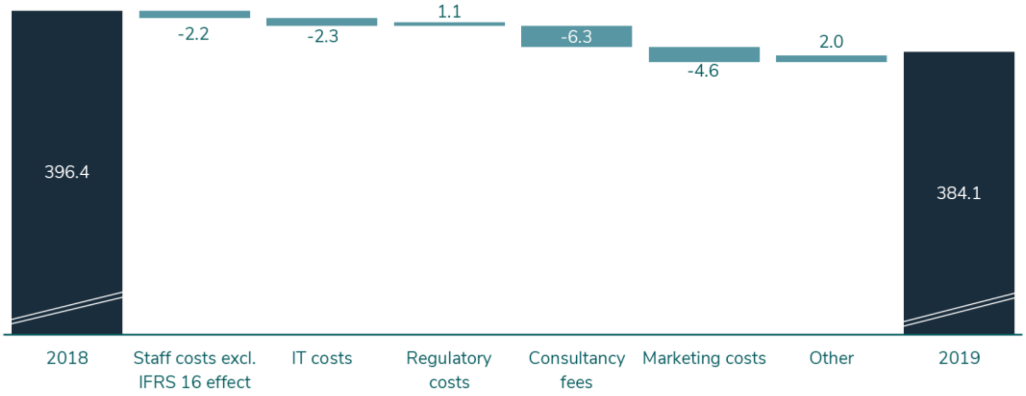
Result on hedges fell in comparison with 2018, by €10.6 million, mainly due to adverse results on futures – which hedge the positions in our own investment funds (the income from which is reported in income from securities and associates) – and on the hedge of our Kempen Dutch Inflation Fund. This is an alternative fund that invests in Dutch leasehold contracts, primarily in connection with residential real estate, to create an investment in long-term inflation-linked cash flows. We have also chosen to apply a more prudent valuation to one of the commercial contracts in this fund, resulting in a charge of €2.1 million in H1 2019.

In H1 2019, our valuation model for structured products was found to contain an inaccuracy, with H1 2019 seeing a negative adjustment of €2.7 million, recognised under Other income. The interest charges on medium-term notes are also included in Other income.

Operating expenses

Total operating expenses were down 3% to €384.1 million (2018: €396.4 million) and stayed within our target of around €390 million in 2019. Despite the regulatory costs in the first half-year, total expenses in H2 2019 increased in comparison with H1 2019 as a result of redundancy costs and IT project costs. With the completion of the investment programme, more capacity went to regular IT projects. Costs are expected to increase in 2020 due to a new pension agreement and harmonisation and modernisation of employment conditions.

Operating expenses
€ million



€ million	2019	2018		H2 2019	H1 2019
Staff costs	238.5	244.4	-2%	120.1	118.4
Other administrative expenses	127.9	146.8	-13%	64.8	63.0
- Of which regulatory levies and charges	*11.6*	*10.5*	*10%*	*2.8*	*8.8*
Depreciation and amortisation	17.7	5.2	-	8.7	9.0
Operating expenses	384.1	**396.4**	**-3%**	**193.7**	**190.4**

Staff costs
At €238.5 million, staff costs were 2% down on 2018. As well as a 4% staff reduction, this also reflected a higher level of training costs in 2018, driven by the one-off costs of setting up the Private Banking Academy and the rollout of the Advanced Leadership Programme. Pension costs also decreased as a result of a plan amendment to Kempen pensions, which compensated for higher redundancy costs. The implementation of IFRS 16 Leases for car leases led to €3.6 million being shifted from staff costs to depreciation.

At the end of 2019, we employed 1,560 full-time equivalent staff (FTEs), excluding employees at our non-strategic investments. This was 61 FTEs fewer than at year-end 2018 (1,621) and was largely the result of staff reductions at Private Banking, partly due to the outsourcing of payments.

Other administrative expenses
Other administrative expenses amounted to €127.9 million in 2019, 13% below the figure for 2018 (€146.8 million). Implementation of IFRS 16 Leases for rental property led to €9.1 million being shifted from other administrative expenses to depreciation. The decrease was also related to lower consultancy fees, as well as marketing costs and IT project costs. IT project expenses, excluding our strategic investment programme, amounted to €19.8 million (2018: €21.8 million).

Depreciation and amortisation
Depreciation and amortisation was up by €12.5 million, mainly as a result of the implementation of IFRS 16 Leases. Costs shifted to this item from staff costs (€3.6 million) and other administrative expenses (€9.1 million).

Efficiency ratio
The efficiency ratio, i.e. the ratio of operating expenses (excluding costs incurred for our strategic investment programme, amortisation of intangible assets arising from acquisitions and restructuring charges) to income from operating activities, improved to 75.5% in 2019 from 79.4% in 2018. This improvement was partly driven by a book profit from the sale of our stake in VLC & Partners and lower costs. Excluding the book profit from this sale, the efficiency ratio would work out at 78.1%.

IMPAIRMENTS

€ million	2019	2018		H2 2019	H1 2019
Private Banking	-11.2	-13.8	-19%	-3.8	-7.4
- Of which Corporate Banking loans	*-4.3*	*-10.6*	*-60%*	*-1.2*	*-3.1*
Other	-0.9	1.0	-	-0.8	-0.1
Addition to loan loss provision	-12.1	**-12.7**	-5%	**-4.5**	**-7.5**
Impairment on investments and participating interests	34.9	-0.9	-	34.9	0.1
Other impairments	34.9	**-0.9**	-	**34.9**	**0.1**
Impairments	22.9	**-13.7**	-	**30.3**	**-7.5**

ADDITION TO LOAN LOSS PROVISION

A total of €12.1 million was released from loan loss provisions in 2019. Private Banking loans accounted for a release of €6.9 million. As in 2018, the favourable economic climate contributed to the release from loan loss provisions, while a few large files have developed positively.

In 2019, the release from loan loss provisions relative to average risk-weighted assets worked out at 27 basis points, equal to the figure for 2018.

OTHER IMPAIRMENTS

The impairment on investments and participating interests relates to the write-down of goodwill involved in the acquisition of Kempen & Co in 2007, and more specifically to its Merchant Banking activities, and is prompted by an adjustment in the discount rate and flattening growth expectations for these activities (€35 million).

NON-STRATEGIC INVESTMENTS

After disposal of AIO II, we currently have majority stakes in two non-strategic financial investments, Holonite (Holowell BV) and Allshare. Our aim is to divest our shareholdings in these non-strategic investments over time. Our stake in AIO II was sold in the first quarter of 2019, and generated a book profit of €36.0 million. The operating profit (before tax) from non-strategic investments amounted to €37.8 million in 2019, up from €17.8 million in 2018 (of which €16.3 million related to AIO II). Excluding the book profit and operating result of AIO II, the non-strategic investments in 2019 contributed to €1.8 million against €1.5 million in 2018.

SPECIAL ITEMS

We recognised €20.1 million in special items in 2019 compared with €38.5 million in 2018, due to lower costs of the strategic investment programme and lower restructuring charges.

€ million	2019	2018		H2 2019	H1 2019
Strategic investment programme	11.1	22.0	-50%	1.7	9.4
Amortisation of intangible assets arising from acquisitions	6.2	8.3	-25%	3.1	3.1
Restructuring charges	2.8	8.3	-67%	0.3	2.5
Special items	20.1	**38.5**	**-48%**	**5.1**	**15.0**

VAN LANSCHOT KEMPEN

STRATEGIC INVESTMENT PROGRAMME

As part of our strategy update, we launched our strategic investment programme in April 2016. Between mid-2016 and the end of 2019, we planned to invest €60 million in developing an omni-channel Private Banking model, outsourcing our mortgage servicing and payment services, and completing the transformation of our IT landscape. At the end of 2019, we finished the programme with a total spend of €61.8 million. A total of €11.1 million was invested in 2019.

Good progress has been made on the development of our omni-channel service for our clients: we have continued to expand client functionality in the client portal and investment apps, merged two investment apps into one, launched a significant upgrade of our log-in app and rolled out digital tooling to a wider audience within Private Banking. With the introduction of the new platform, we were able to switch off the mainframe. As a result of using the new platform we could switch off the mainframe. The outsourcing of our mortgage administration to Stater also formed part of the strategic investment programme and was completed on schedule in September 2017.

Our investment programme was completed at year-end 2019. As of 2020, IT investments, including further development of our omni-channel service, will be included in our regular operational cost base.

OTHER SPECIAL ITEMS

Amortisation of intangible assets arising from acquisitions came down by €2.0 million, as a proportion of this is now fully amortised.

In the course of 2018, management took several cost-saving measures. These led to a restructuring charge in 2018 and an additional restructuring charge of €2.8 million in 2019 due to higher than expected costs for the 2018 restructuring.

INCOME TAX

Income tax for 2019 amounted to €21.1 million (2018: €15.5 million), which translates to an effective tax rate of 17.7% compared with 16.1% in 2018. Our effective tax rate is lower than the general Dutch tax rate of 25% due to income covered by equity exemption rules, for example on the sale of our stakes in VLC & Partners and AIO II. The impairment on goodwill is not deductible.

EARNINGS PER SHARE

€ million	2019	2018	H2 2019	H1 2019
Net result	98.4	**80.3**	**14.8**	**83.6**
Share of non-controlling interests	-0.4	-5.7	-0.2	-0.2
Share of holders AT1 capital securities	-5.1	-	-3.4	-1.7
Net result for calculation of earnings per ordinary share	92.9	**74.6**	**11.3**	**81.7**
Earnings per ordinary share (€)	2.27	**1.82**	**0.28**	**1.99**
Underlying net result for calculation of earnings per ordinary share	103.3	**97.3**	**12.7**	**90.6**
Underlying earnings per ordinary share (€)	2.52	**2.37**	**0.31**	**2.21**
Weighted number of outstanding ordinary shares (x 1,000)	40,974	41,005		41,037

The line item Share of holders AT1 capital securities relates to the coupon of the €100 million Additional Tier 1 bond we issued in March 2019. The coupon on this bond is 6.75%. These securities count as Tier 1 qualifying capital when determining capital adequacy. Profit attributable to non-controlling interests of €0.4 million in 2019 largely relates to the management investment plan for selected staff at Kempen (Kempen MIP). As a result of the merger of Van Lanschot NV and Kempen & Co NV into Van Lanschot Kempen Wealth Management NV, Kempen MIP has been discontinued as of 2020. The decrease relative to 2018 is due to the sale of our 72% stake in AIO II.

VAN LANSCHOT KEMPEN

CLIENT ASSETS

Total client assets had risen by 26% to €102.0 billion at year-end 2019, driven by growth in assets under management of €20.7 billion, mainly at Asset Management.

€ billion	31/12/2019	31/12/2018		30/06/2019	
Client assets	102.0	**81.2**	**26%**	**97.3**	**-5%**
Assets under management	87.7	67.0	31%	82.6	6%
Savings and deposits	9.5	9.1	5%	9.6	0%
Assets under monitoring and guidance	3.1	3.4	-8%	3.3	-6%
Assets under administration	1.6	1.7	-6%	1.8	-11%
Client assets	102.0	**81.2**	**26%**	**97.3**	**5%**
Private Banking	34.5	30.6	13%	33.1	4%
Evi	1.5	1.4	8%	1.5	1%
Asset Management	65.2	48.2	35%	61.8	6%
Other	0.8	0.9	-20%	0.9	-13%

€ billion	Private Banking	Evi	Asset Management	Other	Total
Client assets at 31/12/2018	**30.6**	**1.4**	**48.2**	**0.9**	81.2
Assets under management in/outflow	0.1	0.0	9.8	0.0	9.9
Savings and deposits in/outflow	0.4	0.0	0.1	-	0.5
Market performance of assets under management	3.3	0.1	7.3	0.0	10.8
Change in assets under monitoring and guidance	-	-	-0.3	-	-0.3
Change in assets under administration	0.1	-	-	-0.2	-0.1
Client assets at 31/12/2019	**34.5**	**1.5**	**65.2**	**0.8**	102.0

VAN LANSCHOT PRIVATE BANKING

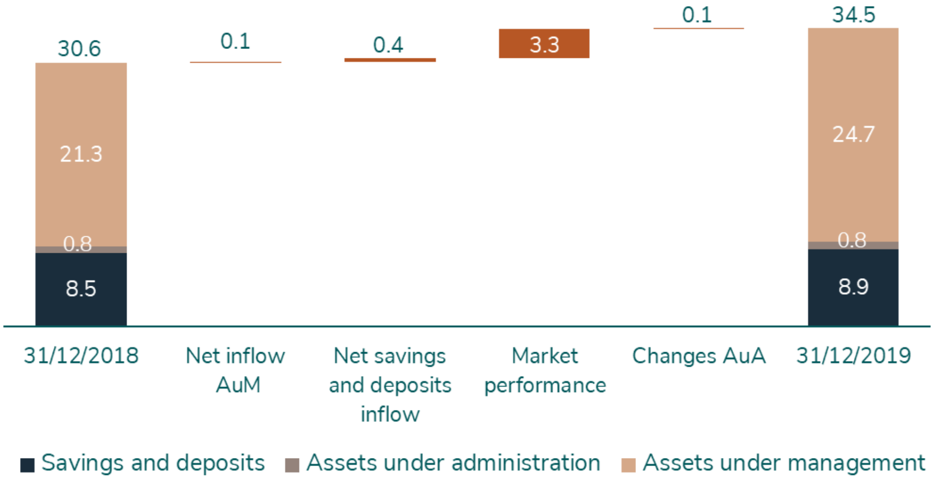
Client assets at Private Banking grew by 13%, mainly on the back of positive market performance and net inflow of savings and deposits.

Our Private Banking clients showed some reluctance to invest in the wake of the adverse stock market climate in the fourth quarter of 2018, and political and economic uncertainty throughout 2019, while a number of clients also took profits after the steep price rises at the beginning of 2019. As a result, savings and deposits showed a net inflow of €0.4 billion. Net inflow of assets under management amounted to €0.1 billion, mainly realised in Belgium and Switzerland.

At the end of 2019, assets under discretionary management made up 55% of total assets under management (year-end 2018: 56%). Total discretionary assets under management stood at €13.6 billion (year-end 2018: €11.8 billion) and total non-discretionary assets under management amounted to €11.2 billion (year-end 2018: €9.4 billion).

Client assets at Private Banking

€ billion

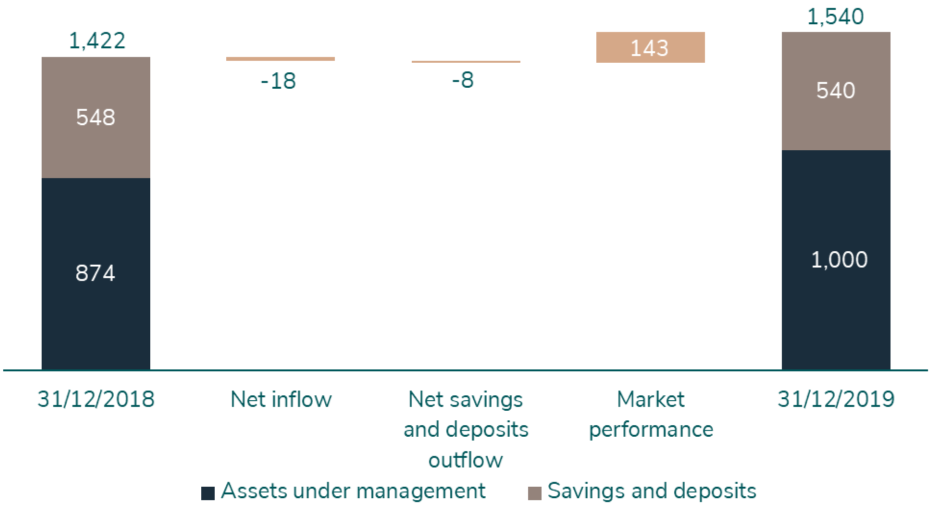


EVI VAN LANSCHOT

Assets under management grew by €0.1 to €1.0 billion in 2019, on the back of positive market performance. We are currently working on several initiatives to support the next phase of growth for Evi. Our focus is on mass-affluent clients and we are leveraging our experience at Private Banking to further strengthen the proposition and increase efficiency.

Client assets at Evi

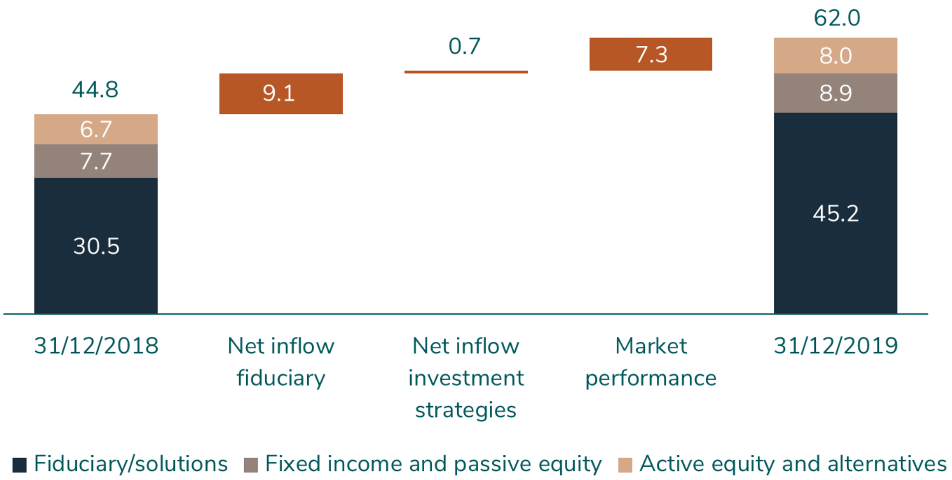
€ million



KEMPEN ASSET MANAGEMENT

Assets under management at Asset Management rose to €62.0 billion, with positive market performance of €7.3 billion. Fiduciary mandates showed a strong inflow, thanks to the €9.0 billion mandate for Stichting Pensioenfonds PostNL. We also saw an inflow of €0.7 billion from investment strategies. Total client assets at Asset Management stood at €65.2 billion at year-end (2018: €48.2 billion).

AuM Asset Management
€ billion



In addition to third-party funds, Asset Management also manages our Private Banking discretionary management mandates and the Evi Beleggen products, with total assets under management of €11.1 billion at the end of 2019 (this amount is not included in Asset Management's total assets under management of €62.0 billion).

STATEMENT OF FINANCIAL POSITION

€ million	31/12/2019	31/12/2018		30/6/2019	
Statement of financial position and capital management					
Equity attributable to shareholders	1,211	1,244	-3%	1,263	-4%
Equity attributable to AT1 capital securities	102	-	-	102	0%
Equity attributable to other non-controlling interests	4	12	-67%	4	10%
Savings and deposits	9,545	9,091	5%	9,582	0%
Loans and advances to clients	8,598	8,561	0%	8,783	-2%
Total assets	14,319	13,983	2%	14,540	-2%
Funding ratio (%)	111.0	106.2	5%	109.1	2%
Return on assets (%)	0.76	0.74	3%	0.91	-17%

LOAN PORTFOLIO

€ million	31/12/2019	31/12/2018		30/06/2019	
Mortgages	5,885	5,756	2%	5,916	-1%
Other loans	1,906	1,793	6%	1,992	-4%
Private Banking loans	**7,791**	**7,550**	**3%**	**7,908**	**-1%**
Corporate Banking loans	318	523	-39%	399	-20%
Mortgages distributed by third parties	553	602	-8%	578	-4%
Total	**8,662**	**8,674**	**0%**	**8,885**	**-3%**
Impairments	-64	-113	-44%	-101	-37%
Total	**8,598**	**8,561**	**0%**	**8,783**	**-2%**

Our loan portfolio remained stable at €8.6 billion. The run-off of Corporate Banking loans resulted in a decrease of €0.2 billion in this portfolio, but this was offset by growth in both Private Banking loan categories.

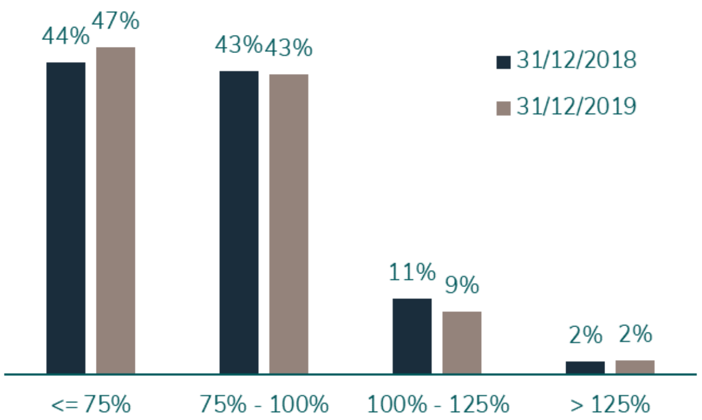
VAN LANSCHOT PRIVATE BANKING LOANS

The Private Banking loan portfolio breaks down into mortgages and other loans. Private Banking mortgages increased to €5.9 billion (2018: €5.8 million). Part of the mortgages item comprises a value adjustment for fair value hedge accounting, which increased by €73 million. Private Banking mortgages make up 68% of our loan portfolio, primarily to high net-worth individuals.

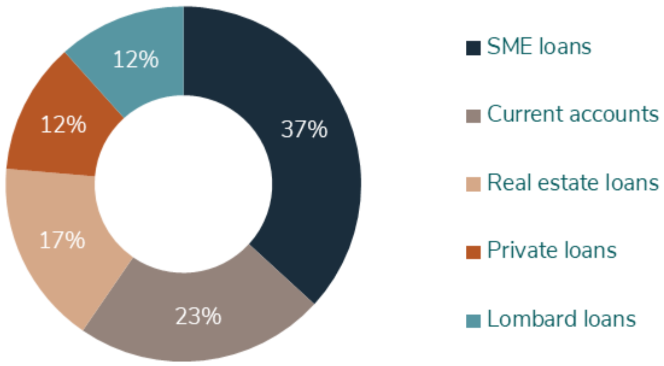
The weighted average loan-to-value (LTV) ratio (based on foreclosure value) remained stable at 76%.

Other Private Banking loans comprise loans to high net-worth individuals as well as business loans that fit into the Private Banking relationship model. These other loans increased to €1.9 billion (year-end 2018: €1.8 billion), driven by an increase in Lombard loans and current accounts, and including credit provided to the family office Reggeborgh for the VolkerWessels transaction.

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



Private Banking loans: other loans
% type of loan



VAN LANSCHOT CORPORATE BANKING LOANS

At the end of 2019, Corporate Banking loans totalled €0.3 billion (year-end 2018: €0.5 billion) and accounted for 4% of our total loan portfolio. Risk-weighted assets came down by €0.2 billion and worked out at €0.3 billion.

The collateral assets against which the loans are secured are typically located in the Randstad conurbation, comprising the cities of Amsterdam, Rotterdam, The Hague and Utrecht.

MORTGAGES DISTRIBUTED BY THIRD PARTIES

The portfolio of mortgages distributed by third parties consists of regular Dutch mortgages and is intended to supplement our investment portfolio and enable us to generate attractive returns on available liquidity. It accounts for 6% of our total loan portfolio, with a volume of €0.6 billion.

PROVISIONS

We take provisions for the impaired loans in our loan book. Impaired loans totalled €234 million at the end of 2019. The Stage 3 provisions for these loans amounted to €54 million, working out at a coverage ratio of 23%.

The total impaired ratio improved from 3.8% to 2.7% at the end of 2019 and the total coverage ratio fell from 31% to 23%. The impaired ratio of other Private Banking loans fell from 6.2% to 3.8% as a result of our decision to write off €31 million in residual debts. These had been under management of our Credit Restructuring & Recovery department for a long time, with virtually no prospect of recovery, and were fully provisioned. The coverage ratio is also impacted by this decision.

The coverage ratio for mortgages decreased from 12% to 10%. The impaired ratio for Corporate Banking loans increased to 31.6% (year-end 2018: 29.8%). The coverage ratio of Corporate Banking loans fell to 13% (year-end 2018: 15%). The relatively low coverage ratio is explained by the sufficiently high quality of the collateral pledged to secure these loans.

31/12/2019 *€ million*	Loan portfolio	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,885	60	6	1.0%	10%
Other loans	1,906	73	36	3.8%	49%
Private Banking loans	**7,791**	**133**	**42**	**1.7%**	**31%**
Corporate Banking loans	318	101	13	31.6%	13%
Mortgages distributed by third parties	553	0	0	0.1%	0%
Total	**8,662**	**234**	**54**	**2.7%**	**23%**
Provision	-64				
Total	**8,598**		**54**		
ECL stage 1 and 2 (IFRS 9)			9		
Total ECL (IFRS 9)			**64**		

31/12/2018 *€ million*	Loan portfolio	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,756	63	8	1.1%	12%
Other loans	1,793	112	69	6.2%	62%
Private Banking loans	**7,550**	**175**	**77**	**2.3%**	**44%**
Corporate Banking loans	523	156	24	29.8%	15%
Mortgages distributed by third parties	602	0	0	0.0%	3%
Total	**8,674**	**331**	**101**	**3.8%**	**31%**
Provision	-113				
Total	**8,561**		**101**		
ECL stage 1 and 2 (IFRS 9)			12		
Total ECL (IFRS 9)			**113**		

Capital and Liquidity Management

Our Common Equity Tier 1 ratio (CET 1 ratio) recorded a strong increase to 23.8% from 21.1% in 2018. The robust capital position enabled us to pay a capital return to shareholders of €1.50 per share in December 2019. A total of over €330 million has now been paid out, in the form of both dividends and capital returns since 2016. In the future, we will continue to optimise our capital base, while leaving room for potential acquisitions. When possible, we will also consider paying out excess capital to shareholders, subject to approval by the regulator.

€ million	31/12/2019	31/12/2018		30/6/2019	
Risk-weighted assets	4,205	4,588	-8%	4,462	-6%
Common Equity Tier 1 ratio (%)[11]	23.8	21.1	-	22.4	-
Tier 1 ratio (%)[11]	25.0	21.1	-	23.6	-
Total capital ratio (%)[11]	26.9	23.2	-	25.5	-
Leverage ratio (%)	7.3	6.9	-	7.4	-

CAPITAL MANAGEMENT

Our CET 1 ratio improved again in 2019, to 23.8%. The available CET 1 capital increased by €31 million, despite the capital return of €61 million in December, mainly due to retained earnings (with an impact of 150 basis points on the CET 1 ratio). As a result of the sale of our stake in AIO II, goodwill will no longer be deducted from CET 1 capital (a change that impacts the CET 1 ratio by 48 basis points).

Risk-weighted assets declined by 8% to €4.2 billion in 2019 (year-end 2018: €4.6 billion) as a result of changes in market risk, rating improvements and the run-off of Corporate Banking loans. The changes in market risk stem from improved netting of hedges related to structured products. The implementation of IFRS 16 led to a slight increase in risk-weighted assets. Note that the improvements in RWA will influence the relative impact of future regulation, such as the relative impact of the minimum risk weights for residential mortgages (as announced by De Nederlandsche Bank – DNB).

In the autumn of 2020, DNB will introduce a minimum risk-weight floor for residential mortgages loan portfolios. We currently expect the proposed measure to increase total RWA by around 15%. This assessment is based on our current balance sheet, estimates and models. The relative impact is slightly higher than previously disclosed due to a current lower level of absolute total RWA and the further rating improvements in our residential mortgages portfolio. DNB has indicated that the new measure will not be in addition to the new Basel IV framework, which means we expect early absorption of the Basel IV impact for Van Lanschot Kempen. Taking Basel IV and the proposed risk weight floor into account, we expect our CET 1 ratio to remain above our target range of 15-17%.

The total capital ratio strengthened to 26.9% (year-end 2018: 23.2%), mainly due to our successful placement of a €100 million additional Tier 1 security in March.

CET 1 ratio
%

We hold regulatory capital to be able to mitigate Pillar 1 and Pillar 2 risks. Part of this capital consists of Common Equity Tier 1, which comprises share capital, share premium, retained earnings including current year profit, and other reserves

[11] Full-year 2019 and 2018 including retained earnings; half-year 2019 excluding retained earnings.

less net long positions in own shares and after other capital deductions (e.g. goodwill, deferred tax assets, IRB shortfall). Certain adjustments are made to IFRS-based results and reserves, as legally required. The other components of our regulatory capital consist of Additional Tier 1 and Tier 2 capital instruments, including subordinated long-term debt.

€ 1,000	31/12/2019	31/12/2018	30/6/2019
Risk-weighted assets	4,204,916	4,588,025	4,462,166
Common Equity Tier 1	1,000,439	969,739	998,815
Required Common Equity Tier 1	500,385	521,888	535,460
Tier 1	1,051,642	969,739	1,053,637
Required Tier 1	563,459	521,888	602,392
Total capital	1,131,729	1,063,950	1,136,392
Required total capital	647,557	682,469	691,636

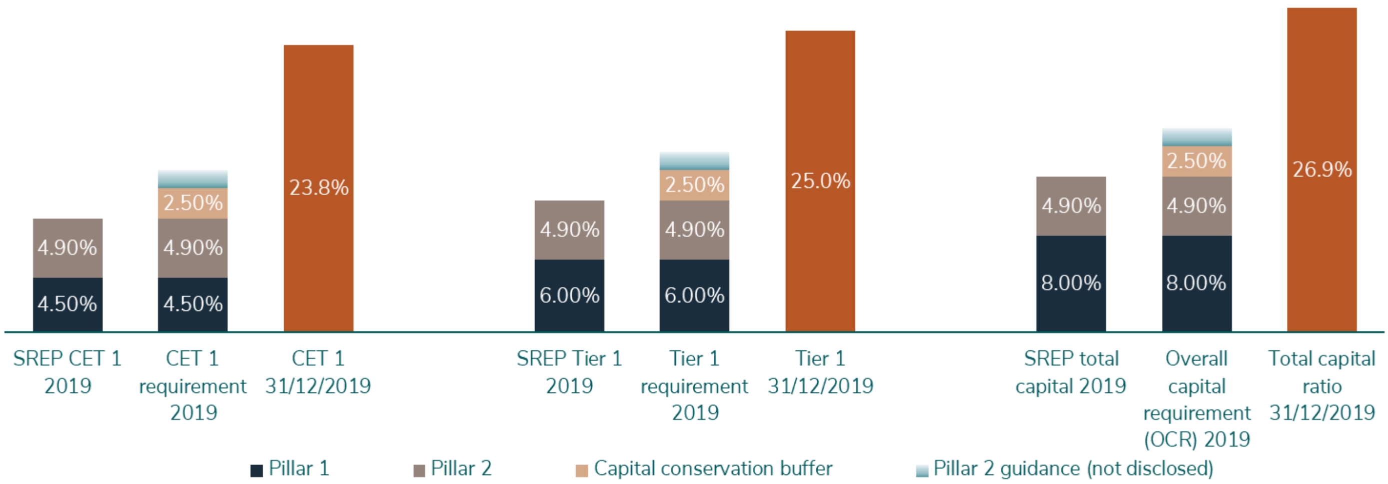
SREP REQUIREMENT

Following the annual supervisory review evaluation process (SREP), the Dutch Central Bank (DNB) informed us of the capital requirements we will have to meet as from June 2019. The minimum capital requirements comprise a CET 1 ratio of 9.4%, a Tier 1 ratio of 10.9% and a total capital ratio of 12.9%. SREP requirements cover both Pillar 1 and Pillar 2 risks.

In addition to the 9.4% CET 1 requirement, we have to comply with the combined buffer requirements, which must be met by CET 1 capital. This buffer consists of several elements. In 2019, the capital conservation buffer reached its fully phased-in level of 2.5%. The countercyclical buffer for the Netherlands is currently set at 0%. As the systemic risk buffer does not apply to us, the total CET 1 requirement for 2019 adds up to 11.9% and the total capital ratio to 15.4%. This requirement excludes “Pillar 2 guidance” (P2G). Institutions are expected to comply with P2G by holding CET 1 capital, but P2G is not binding and does not automatically restrict dividend distributions in the event of a breach.

With a CET 1 ratio of 23.8% and a total capital ratio of 26.9% at the end of 2019, we comfortably meet all capital requirements, including P2G.

SREP requirement for 2019



VAN LANSCHOT KEMPEN

IFRS 16

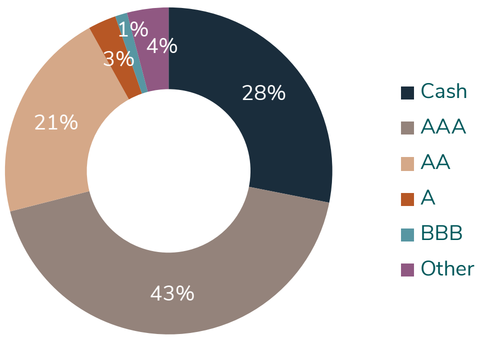
IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and will result in almost all leases being recognised on the balance sheet. The ultimate impact of applying IFRS 16 as of 1 January 2019 resulted in a decrease of 0.3 percentage points on our CET 1 ratio.

INVESTMENT PORTFOLIO AND CASH

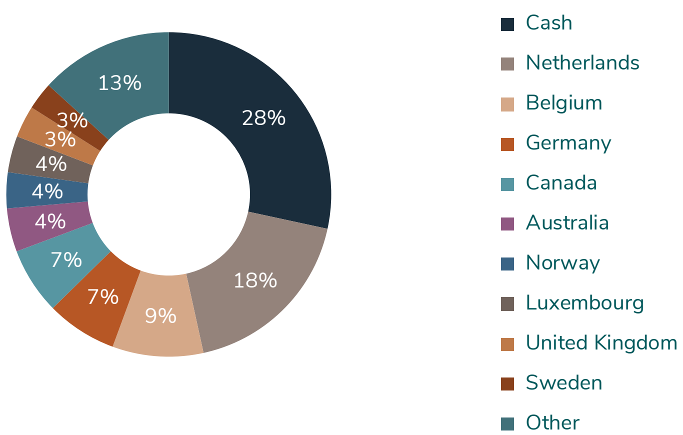
The total investment portfolio and cash[12] amounted to €4.4 billion at the end of 2019 (year-end 2018: €3.9 billion). Cash held with central banks stood at €1.2 billion. Financial assets at fair value through other comprehensive income increased by €0.6 million to €2.4 million.

The investment portfolio is primarily held for asset and liability management purposes, and mainly comprises low-risk and highly liquid instruments.

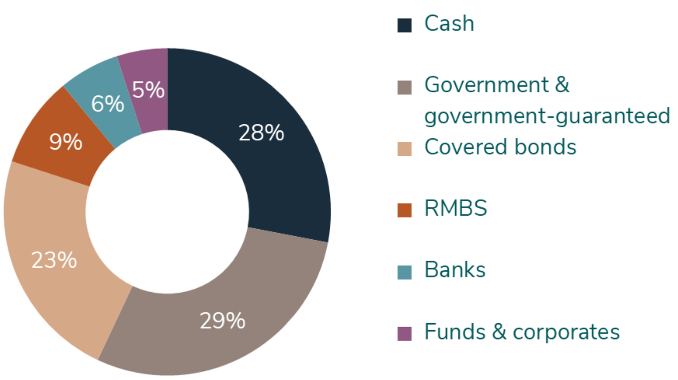
Investment portfolio and cash by rating at 31/12/2019
100% = €4.4 billion



Investment portfolio and cash by country at 31/12/2019
100% = €4.4 billion



Investment portfolio and cash by counterparty at 31/12/2019
100% = €4.4 billion



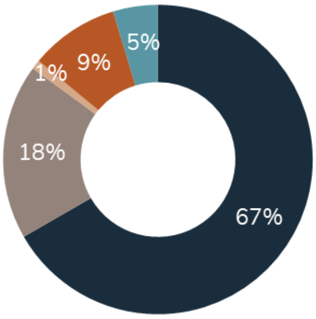
[12] Investment portfolio and cash comprises the balance of financial assets at fair value through other comprehensive income, other financial assets at amortised cost, financial assets designated at fair value through profit or loss, cash withdrawable on demand from central banks, and highly liquid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

VAN LANSCHOT KEMPEN

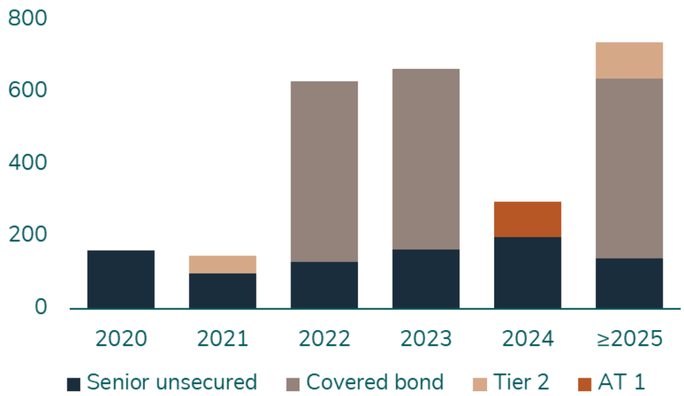
Funding

We aim to retain access to both retail and wholesale markets through diversified funding. At the end of 2019, our funding ratio had increased by 4.8 percentage points to 111.0% (year-end 2018: 106.2%).

Funding mix at 31/12/2019
100% = €14.3 billion



Redemption profile[13]
€ million



Ratios

The Net Stable Funding Ratio and the Liquidity Coverage Ratio under the EU's Capital Requirements Regulation (CRR) were as follows:

	31/12/2019	Requirement	31/12/2018	30/6/2019
Liquidity coverage ratio (%)	156.9	> 100	140.6	155.5
Net stable funding ratio (%)[14]	154.4	> 100	129.6	131.1

EVENTS AFTER THE REPORTING PERIOD

On 1 January 2020, the legal merger between Van Lanschot NV and Kempen & Co NV was finalised and the company's name was changed to Van Lanschot Kempen Wealth Management NV. This merger has no impact on the 2019 figures.

[13] Breakdown by years is based on the first call dates of the instruments.
[14] Half-year 2019 and 2018 figures are based on Basel III rules.

VAN LANSCHOT KEMPEN

RECONCILIATION OF IFRS AND MANAGEMENT REPORTING

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

€ million	IFRS	Non-strategic investments	Investment programme	Amortisation of intangible assets arising from acquisitions	Restructuring charges	Managerial
Commission	290.4	0.0	0.0	0.0	0.0	290.4
Interest	174.9	0.4	0.0	0.0	0.0	175.3
Income from securities and associates	86.5	-36.0	0.0	0.0	0.0	50.5
Result on financial transactions	-7.4	0.0	0.0	0.0	0.0	-7.4
Other income	8.8	-8.8	0.0	0.0	0.0	0.0
Income from operating activities	**553.2**	**-44.5**	**0.0**	**0.0**	**0.0**	**508.7**
Staff costs	250.6	-8.4	-1.0	0.0	-2.8	238.5
Other administrative expenses	135.1	2.9	-10.1	0.0	0.0	127.9
Depreciation and amortisation	25.2	-1.3	0.0	-6.2	0.0	17.7
Operating expenses	**410.8**	**-6.7**	**-11.1**	**-6.2**	**-2.8**	**384.1**
Gross result	**142.4**	**-37.8**	**11.1**	**6.2**	**2.8**	**124.7**
Impairments	22.9	0.0	0.0	0.0	0.0	22.9
Operating profit before tax of non-strategic investments	0.0	37.8	0.0	0.0	0.0	37.8
Operating profit before special items and tax	**119.5**	**0.0**	**11.1**	**6.2**	**2.8**	**139.6**
Strategic investment programme	0.0	0.0	11.1	0.0	0.0	11.1
Amortisation of intangible assets arising from acquisitions	0.0	0.0	0.0	6.2	0.0	6.2
Restructuring charges	0.0	0.0	0.0	0.0	2.8	2.8
Operating profit before tax	**119.5**	**0.0**	**0.0**	**0.0**	**0.0**	**119.5**
Income tax	21.1	0.0	0.0	0.0	0.0	21.1
Net result	**98.4**	**0.0**	**0.0**	**0.0**	**0.0**	**98.4**

GLOSSARY

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

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

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

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

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

DISCLAIMER AND CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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

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

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

Van Lanschot Kempen's annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU"). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2018 Van Lanschot Kempen consolidated annual accounts. The annual financial statements for 2019 are in progress and may be subject to adjustments due to subsequent events. The financial data in this document have not been audited, unless specifically stated otherwise. Small differences in tables may be the result of rounding.

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

VAN LANSCHOT KEMPEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

Before profit appropriation

€1,000	31/12/2019	31/12/2018
Assets		
Cash and cash equivalents and balances at central banks	1,417,164	1,406,864
Financial assets from trading activities	49,263	62,468
Due from banks	297,556	539,180
Derivatives	367,279	332,719
Financial assets at fair value through profit or loss	321,509	218,583
Financial assets at fair value through other comprehensive income	2,384,261	1,803,584
Loans and advances to the public and private sectors	8,597,894	8,561,497
Other financial assets at amortised cost	425,606	554,209
Investments in associates using the equity method	52,452	54,071
Property and equipment	102,521	48,238
Goodwill and other intangible assets	141,311	183,083
Tax assets	18,566	29,118
Assets classified as held for sale	-	68,058
Other assets	143,469	121,513
Total assets	**14,318,853**	**13,983,184**
Equity and liabilities		
Financial liabilities from trading activities	2,150	333
Due to banks	141,715	334,902
Public and private sector liabilities	9,545,095	9,090,939
Derivatives	449,826	469,316
Financial liabilities at fair value through profit or loss	907,602	940,361
Issued debt securities	1,545,109	1,521,504
Provisions	49,597	44,461
Tax liabilities	792	5,764
Liabilities classified as held for sale	-	20,871
Other liabilities	187,306	125,383
Subordinated loans	173,090	173,473
Total liabilities	**13,002,283**	**12,727,308**
Issued share capital	41,362	41,362
Treasury shares	-10,007	-8,678
Share premium reserve	323,719	385,115
Other reserves	762,852	751,233
Undistributed profit attributable to shareholders	92,929	74,631
Equity attributable to shareholders	**1,210,853**	**1,243,663**
AT1 capital securities	100,000	-
Undistributed profit attributable to holders of AT1 capital securities	1,688	-
Equity attributable to AT1 capital securities[1]	**101,688**	**-**
Other non-controlling interests	3,606	6,529
Undistributed profit attributable to other non-controlling interests	423	5,684
Equity attributable to other non-controlling interests	**4,029**	**12,213**
Total equity	**1,316,570**	**1,255,876**
Total equity and liabilities	**14,318,853**	**13,983,184**
Contingent liabilities	105,706	134,449
Irrevocable commitments	939,156	853,276
Contingent liabilities and irrevocable commitments	**1,044,862**	**987,725**

1 This relates to capital securities issued by Van Lanschot Kempen Wealth Management NV.

VAN LANSCHOT KEMPEN

CONSOLIDATED STATEMENT OF INCOME FOR 2019

€1,000	2019	2018
Income from operating activities		
Interest income calculated using the effective interest method	236,165	251,985
Other interest income	32,116	52,359
Interest expense calculated using the effective interest method	49,912	66,518
Other interest expense	43,473	62,612
Net interest income	**174,897**	**175,213**
Income from associates using the equity method	33,426	28,728
Other income from securities and associates	53,109	2,594
Income from securities and associates	**86,535**	**31,323**
Commission income	305,622	307,714
Commission expense	15,232	14,467
Net commission income	**290,390**	**293,247**
Result on financial transactions	**-7,407**	**-805**
Net sales	13,066	11,020
Cost of sales	4,258	3,716
Other income	**8,808**	**7,304**
Total income from operating activities	**553,222**	**506,282**
Expenses		
Staff costs	250,577	263,724
Other administrative expenses	135,062	162,043
Staff costs and other administrative expenses	**385,639**	**425,766**
Depreciation and amortisation	25,201	14,427
Operating expenses	**410,840**	**440,193**
Impairments of financial instruments	-12,059	-12,737
Other impairments	34,913	-679
Impairments	**22,854**	**-13,416**
Total expenses	**433,693**	**426,778**
Operating profit before tax	**119,529**	**79,504**
Income tax	**21,114**	**12,086**
Net profit from continuing operations	**98,414**	**67,418**
Net profit from discontinued operations	-	12,897
Net result	**98,414**	**80,315**
Of which attributable to shareholders	92,929	74,631
Of which attributable to holders of AT1 capital securities	5,063	-

Of which attributable to other non-controlling interests	423	5,684
Earnings per ordinary share (€)	2.27	1.82
Earnings per ordinary share from continuing operations (€)	2.27	1.51
Diluted earnings per ordinary share (€)	2.26	1.81
Diluted earnings per ordinary share from continuing operations (€)	2.26	1.49
Proposed dividend per ordinary share (€)	1.45	1.45

VAN LANSCHOT KEMPEN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2019

€1,000	2019	2018
Net result (as per statement of income)	98,414	80,315
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Other comprehensive income through revaluation reserve		
Revaluation of financial assets at fair value through other comprehensive income	6,302	-12,881
Realised return on financial assets at fair value through other comprehensive income	-657	-3,764
Impairments of financial assets at fair value through other comprehensive income	402	-86
Income tax effect	-1,151	3,985
Total other comprehensive income through revaluation reserve	4,895	-12,746
Other comprehensive income from value changes of derivatives (cash flow hedges)		
Increase in value of derivatives directly added to equity	-2,148	-3,892
Income tax effect	437	208
Total other comprehensive income from value changes of derivatives (cash flow hedges)	-1,711	-3,684
Other comprehensive income from currency translation differences		
Other comprehensive income from currency translation differences	768	-1,499
Total other comprehensive income from currency translation differences	768	-1,499
Total other comprehensive income to be reclassified in subsequent periods to profit or loss	3,952	-17,929
Other comprehensive income not to be reclassified in subsequent periods to profit or loss		
Change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss		
Change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss	5,755	-2,931
Income tax effect	-1,180	733
Total change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss	4,575	-2,198
Remeasurement of defined benefit plans		
Remeasurement of defined benefit plans	-10,263	765
Income tax effect	2,490	-930
Total remeasurement of defined benefit plans	-7,772	-165
Total other comprehensive income not to be reclassified in subsequent periods to profit or loss	-3,197	-2,363
Total other comprehensive income	755	-20,292
Total comprehensive income	99,169	60,024
Of which attributable to shareholders	93,169	54,339
Of which attributable to holders of AT1 capital securities	5,063	-
Of which attributable to other non-controlling interests	423	5,684
Total comprehensive income to shareholders		
Of which continuing operations	93,684	46,460
Of which discontinued operations	-	7,880
	93,684	54,339

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN 2019

Before profit appropriation

€1,000	Share capital	Treasury shares	Share premium reserve[1]	Other reserves[1]	Undistri-buted profit	**Total equity attributable to shareholders**	Equity attributable to AT1 capital securities	Equity attributable to other non-controlling interests	Total equity
At 1 January	41,362	-8,678	385,115	751,233	74,631	**1,243,663**	-	12,213	1,255,876
Net result (as per statement of income)	-	-	-	-	92,929	**92,929**	5,063	423	98,414
Total other comprehensive income	-	-	-	755	-	**755**	-	-	755
Total comprehensive income	**-**	**-**	**-**	**755**	**92,929**	**93,684**	**5,063**	**423**	99,169
Share plans	-	6,622	-	-2,608	-	**4,015**	-	-	4,015
To other reserves	-	-	-	15,194	-15,194	**-**	-	-	-
Repurchased equity instruments	-	-7,952	-	-	-	**-7,952**	-	-	-7,952
Dividends / Capital return	-61,396	-	-	-	-59,437	**-120,833**	-3,375	-309	-124,517
To share capital	61,396	-	-61,396	-	-	**-**	-	-	-
Increase/(decrease) of capital	-	-	-	-	-	**-**	100,000	-	100,000
Other changes	-	-	-	-1,724	-	**-1,724**	-	-	-1,724
Change in non-controlling interests	-	-	-	-	-	**-**	-	-8,298	-8,298
At 31 December 2019	**41,362**	**-10,007**	**323,719**	**762,852**	**92,929**	**1,210,853**	**101,688**	**4,029**	1,316,570

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN 2018

Before profit appropriation

€1,000	Share capital	Treasury shares	Share premium reserve[1]	Other reserves[1]	Undistri-buted profit	**Total equity attributable to shareholders**	Equity attributable to AT1 capital securities	Equity attributable to other non-controlling interests	Total equity
At 1 January	41,147	-7,869	441,459	754,234	89,508	**1,318,478**	-	16,264	1,334,742
Adjustment opening balance	-	-	-	-11,861	-	**-11,861**	-	-	-11,861
Adjusted 1 January opening balance			441,459	742,374	89,508	**1,306,617**		16,264	1,322,881
Net result (as per statement of income)	-	-	-	-	74,631	**74,631**	-	5,684	80,315
Total other comprehensive income	-	-	-	-20,292	-	**-20,292**	-	-	-20,292
Total comprehensive income	**-**	**-**	**-**	**-20,292**	**74,631**	**54,339**	**-**	**5,684**	60,024
Shares issued	215	-5,397	5,182	-	-	**-**	-	-	-
Share plans	-	14,780	-	-445	-	**14,334**	-	-	14,334
To other reserves	-	-	-	30,139	-30,139	**-**	-	-	-
Repurchased equity instruments	-	-10,192		-	-	**-10,192**	-	-	-10,192
Dividends/Capital return	-61,526	-	-	-	-59,369	**-120,894**	-	-895	-121,789
To share capital	61,526	-	-61,526	-		**-**	-	-	-
Other changes	-	-	-	-542	-	**-542**	-	-	-542
Change in non-controlling interests	-	-	-	-	-	**-**	-	-8,840	-8,840
At 31 December	**41,362**	**-8,678**	**385,115**	**751,233**	**74,631**	**1,243,663**	**-**	**12,213**	1,255,876

VAN LANSCHOT KEMPEN

Consolidated statement of cash flows for 2019

€1,000	2019	2018
Cash flow from operating activities		
Operating profit before tax	119,529	79,504
Adjustments for		
- Depreciation and amortisation	27,845	16,799
- Costs of share plans	1,996	2,989
- Results on associates using the equity method	-13,469	-11,759
- Valuation results on financial assets at fair value through profit or loss	-15,305	19,803
- Valuation results on financial liabilities at fair value through profit or loss	57,967	-46,177
- Valuation results on derivatives	-7,693	-4,818
- Impairments	22,853	-13,416
- Changes in provisions	6,332	8,458
Cash flow from operating activities	**200,055**	**51,383**
Net movement in operating assets and liabilities		
- Financial assets/liabilities from trading activities	15,022	-25,800
- Due from/to banks	14,445	-33,238
- Loans and advances to public and private sectors/Public and private sector liabilities	502,352	506,713
- Derivatives	-107,517	129,920
- Withdrawals from restructuring provision and other provisions	-11,060	-2,931
- Other assets and liabilities	-30,820	-15,640
- Deferred tax assets and liabilities	113	-
- Tax assets and liabilities	1,269	1,382
- Income taxes paid	-14,858	-9,523
- Dividends received	7,677	3,192
Total net movement in operating assets and liabilities	**376,623**	**554,076**
Net cash flow from operating activities	**576,679**	**605,459**
Net cash flow from discontinued operations	**27,269**	**-6,027**
Cash flow from investing activities		
Investments and acquisitions		
- Investments in debt instruments	-1,287,393	-1,302,486
- Investments in equity instruments	-6,562	-48,331
- Investments in associates using the equity method	-4,447	-9,609
- Property and equipment	-10,727	-5,016
- Goodwill and other intangible assets	-167	-878
Divestments, redemptions and sales		
- Investments in debt instruments	769,714	1,307,076
- Investments in equity investments	-5,996	92,589
- Investments in associates using the equity method	15,311	27,115
- Property and equipment	2,399	4,686
- Goodwill and other intangible assets	-	1,873

Dividends received	4,516	3,473
Net cash flow from investing activities of continuing operations	**-523,351**	**70,492**
Net cash flow from investing activities of discontinued operations	**-154**	**154**
Cash flow from financing activities		
Share plans	2,019	11,345
Repurchased equity instruments[1]	-7,952	-10,192
AT1 capital securities	100,000	-
Change in non-controlling interests	-736	-8,133
Redemption of subordinated loans	-113	-113
Redemption of issued debt securities	-1,232	-907,256
Receipts on financial liabilities at fair value through profit or loss	60,427	129,771
Redemption of financial liabilities at fair value through profit or loss	-145,530	-116,872
Dividends paid	-124,517	-121,789
Net cash flow from financing activities of continuing operations	**-117,634**	**-1,023,239**
Net cash flow from financing activities of discontinued operations	-	-
Net change in cash and cash equivalents and balances at central banks	**-37,191**	**-353,161**
Cash and cash equivalents and balances at central banks at 1 January[2]	1,473,572	1,826,733
Cash and cash equivalents and balances at central banks at 31 December[2]	1,436,381	1,473,572
Additional disclosure		
Cash flows from interest received	265,370	310,702
Cash flows from interest paid	97,456	135,195

[1] Van Lanschot Kempen grants unconditional and conditional rights to acquire depositary receipts for Class A ordinary shares for no consideration. To meet open positions, Van Lanschot Kempen holds depositary receipts for Class A ordinary shares. In 2019 and 2018, Van Lanschot Kempen carried out a share buy-back programme.

[2] Cash and cash equivalents and balances at central banks also includes amounts due from/to banks available on demand.

Operating segments in 2019 (€ million)	Private Banking	Evi	Asset Management	Merchant Banking	Other activities	Total
Statement of income						
Net interest income	154.0	3.2	0.1	-0.1	17.7	174.9
Income from securities and associates	-	-	-0.7	-	87.3	86.5
Net commission income	130.1	5.1	101.7	52.2	1.2	290.4
Profit on financial transactions	1.2	-	0.0	2.6	-11.3	-7.4
Other income	-	-	-	-	8.8	8.8
Total income from operating activities	**285.3**	**8.2**	**101.1**	**54.7**	**103.8**	553.2
Staff costs	97.0	3.5	49.8	25.3	75.0	250.6
Other administrative expenses	63.2	5.4	16.3	8.8	41.3	135.1
Allocated internal expenses	70.7	2.2	13.3	10.2	-96.5	0
Depreciation and amortisation	6.2	0.0	0.9	0.0	18.0	25.2
Impairments	-11.2	-	-	-	34.0	22.9
Total expenses	**226.0**	**11.1**	**80.3**	**44.4**	**71.9**	433.7
Operating result before tax	**59.3**	**-2.9**	**20.8**	**10.4**	**31.9**	119.5
Operating result of discontinued operations before tax	-	-	-	-	-	-

Operating segments in 2018 (€ million)	Private Banking	Evi	Asset Management	Merchant Banking	Other activities	Total
Statement of income						
Net interest income	159.3	2.5	-0.0	-0.0	13.5	175.2
Income from securities and associates	-	-	-0.2	-	31.5	31.3
Net commission income	128.9	4.4	100.0	58.0	1.9	293.2
Profit on financial transactions	1.1	-	-0.0	1.0	-2.8	-0.8
Other income	-	-	-	-	7.3	7.3
Total income from operating activities	**289.2**	**6.9**	**99.8**	**58.9**	**51.4**	506.3
Staff costs	106.6	4.2	45.8	26.3	80.7	263.7
Other administrative expenses	67.7	9.1	23.8	9.1	52.3	162.0
Allocated internal expenses	71.5	2.9	12.8	9.9	-97.1	-0
Depreciation and amortisation	5.8	0.0	1.0	0.0	7.6	14.4
Impairments	-13.5	0.0	-	-0.0	0.1	-13.4
Total expenses	**238.1**	**16.2**	**83.4**	**45.3**	**43.7**	426.8
Operating result before tax	**51.1**	**-9.3**	**16.3**	**13.6**	**7.8**	79.5
Operating result of discontinued operations before tax	-	-	-	-	16.3	16.3