VAN LANSCHOT KEMPEN

Annual Report 2022

Notes to the reader

Disclaimer

This document is only a website version and is not the official annual report, including the audited financial statements thereto pursuant to article 361 of Book 2 of the Dutch Civil Code. The official annual report, including the audited financial statements and the auditor's opinion thereof, are included in the single report package which can be found via media.vanlanschot.nl/media/xbrl/vlk-2022-12-31-en.zip.

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

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

Unrounded figures

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

Changes to comparative figures

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

Naming conventions

On 28 November 2022, Kempen & Co was rebranded to Van Lanschot Kempen Investment Banking. On 31 December 2022, the legal name of Kempen Capital Management NV changed to Van Lanschot Kempen Investment Management NV.

Acquisition of Mercier Vanderlinden

At the beginning of July 2021, the acquisition of 70% of the shares in Mercier Vanderlinden was completed. We included the July-December 2021 figures for Mercier Vanderlinden in Van Lanschot Kempen's 2021 figures. In December 2022, we announced the acquisition of the remaining 30% of the shares.

Disclosure of Non-financial Information Act

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

Global Reporting Initiative

Communicating transparently on our policies and results is an important element of sustainability. To ensure this, our annual report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards. For further details, see the GRI content index on our website: vanlanschotkempen.com/en/sustainability/reporting.

For more information about how we report on tax in accordance with GRI 207: Tax, see our 2022 tax transparency report on our website: vanlanschotkempen.com/results.

International Integrated Reporting Framework

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

External assessment

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

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Message from the Chair

Dear stakeholders,

Reflecting on 2022, I'm proud of what we achieved amid tumultuous developments affecting our clients, staff and society as a whole. The war in Ukraine, the aftermath of the pandemic, the energy crisis in Europe, inflation and unfavourable market conditions are all leaving their mark. It's in times like these that we can really show the value of Van Lanschot Kempen: our uniquely personal approach, which allows us to stay close to our clients, combined with our entrepreneurial spirit and specialist expertise.

It was my first full year as Chair of the Management Board and I'm extremely grateful for the energy and grit I feel in the company, as well as for the trust that private and institutional clients continue to place in us.

I see it as a compliment to our teams that clients continued to entrust us with their assets, resulting in net inflows of €13.7 billion in assets under management from both existing and new clients – a good result given market circumstances in 2022. It's important to make sure we maintain this momentum going forward. And we're confident we can do so by delivering on our strategy, guiding our clients and offering personal service and advice.

The value of access, speed and solutions

The year was marked by a deep and broad decline across almost every asset class, a unique situation that had an impact on the wealth of every investor. Our clients remained invested, with a focus on their long-term objectives. Whether they looked to de-risk and diversify or to find new investment opportunities, they expect us – as their wealth manager – to act as a guide. In my conversations with our clients, they consistently indicate the three things that they appreciate from Van Lanschot Kempen: access, speed and solutions – the lines in our company are short, so there's immediate access to expertise and solutions. Many of these, we're able to create in-house in our own "investment engine".

Our strategy

In the reporting year, we completed our transformation into a specialist, independent wealth manager. In follow-up, we presented enhanced financial targets and growth ambitions at our Capital Markets Day in May. We continue to look for sustainable and profitable growth, both organically and through bolt-on acquisitions, with a capital-light balance sheet.

I'm pleased that we were able to announce a next step towards further growth in Belgium, our second home market: Van Lanschot Kempen is acquiring the remaining 30% stake in Mercier Vanderlinden. Following the transaction, Mercier Vanderlinden's partners will become shareholders in Van Lanschot Kempen – emphasising their trust in, and commitment to, the collaboration. An important and visible milestone in Belgium.

We also started moving towards a single brand, Van Lanschot Kempen, emphasising our combined expertise, network, talented teams and skills. We continue to put these to work for our clients, with the aim of preserving and creating wealth in a sustainable way. Throughout the company, we do this with four shared values as our compass: personal - specialised - entrepreneurial - decisive. We are committed to applying these in practice.

Sustainable entrepreneurs

In February, we introduced new carbon reduction targets, which you can read more about in the section on "Reducing our carbon footprint". We're committed to being there for our clients in the long term – and that means guiding them through the enormous transitions that society faces when it comes to energy, food and materials. The key to this is dialogue and an active approach: discussing how clients can make a positive impact with their money, engaging with the companies we invest in, and co-creating sustainable solutions and investment strategies with our institutional clients. Our ambition is for environmental and social factors to be an integral part of every decision-making process.

At our annual stakeholder dialogue meeting in November, we discussed our targets and ambitions with clients, shareholders, employees and other stakeholders representing four generations. We explicitly sought input from Generation Z, many of whom are highly driven to make a positive impact. Keeping up this dialogue is key to striking a balance between financial returns and societal returns.

A place people love to work

Our 2022 employee engagement score – at 88% – is testament to the fact that Van Lanschot Kempen is a company people enjoy working with and for. While the labour market remained tight, we were able to attract new talent – in part thanks to our investments in our employer brand. Retention also remained very strong: our employees are highly committed. Post-pandemic, we increased our investment in the well-being and connectivity of our staff.

We also stepped up our efforts on inclusion and diversity – integrating diversity factors into our recruitment and through-flow processes. We succeeded in reducing the gender pay gap to 2.7%. We're making progress here but we've still got work to do, and this will remain a key focus area for us.

Anchoring ownership across the company

We introduced a share plan for all employees, as well as a partnership plan for senior staff, as a way to encourage retention, entrepreneurship and alignment of employees' interests with those of our shareholders. You can read more about both of these in the section on "Engaging our employees". I'm proud to say that more than 70% of our employees are now also shareholders in the company, which shows how committed people are to Van Lanschot Kempen.

Shareholder returns

Our clients deserve a strong capital position, well in excess of the regulatory requirements. In May 2022, we committed to return additional capital in excess of a 17.5% CET 1 ratio to our shareholders, subject to regulatory approval. Thanks to our strong capital position and our profits in 2021, we were able to pay out €3.50 per share to our investors during the reporting year in dividends and capital returns.

Our priorities in 2023

In 2023, we will continue to focus on executing our strategy for sustainable and profitable growth. We will keep looking for bolt-on acquisitions, while aiming to maintain the momentum we have on organic growth in private wealth management, investment management and investment banking. We kicked off the year by announcing a strategic partnership with Robeco and the acquisition of their online investment platform. The platform's integration into Evi van Lanschot and welcoming its staff and clients will certainly be high on our list of priorities.

Although our balance sheet has been significantly de-risked over recent years, we have invested heavily in risk management and compliance. Given the current environment, continued focus on risk management and compliance with regulatory requirements requires our ongoing attention and dedication.

We need to keep up our strong presence in the labour market, and further align talent development and recruitment with inclusion and diversity. As we want to provide the best and most personal service to our clients, enabling our teams to reach their fullest potential is key.

This year will undoubtedly bring further turmoil, while the key sustainability transitions continue to pick up pace. With our fantastic team and the right focus, I have every confidence we can continue to be the guide that our clients need – together.

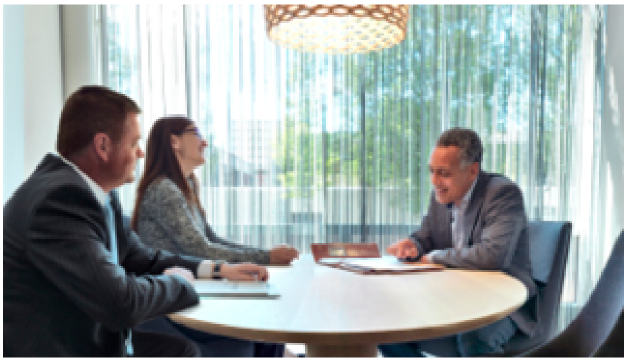
's-Hertogenbosch, the Netherlands, 22 February 2023

Maarten Edixhoven
Chair of the Management Board

2022: A year in review

In a tumultuous year on the financial markets, our clients continued to entrust us with their money, resulting in another year of very good net inflows in assets under management. As we have now completed our transformation from a universal bank to a specialist wealth manager, we introduced enhanced financial and non-financial targets for the medium and long terms.

2022 for our clients



The reporting year 2022 was a difficult one for our clients, as almost all asset classes saw significant losses. Our job was to steer clients through troubled waters, soften the impact as far as possible, and continue to look out for their interests at all times.

Private Clients

Our Private Clients segment recorded very good net inflows in assets under management (AuM) of €2.0 billion. Our personal approach to client service combined with our expert bankers, distinctive offering to entrepreneurs, standout client experience and unique advisory proposition are what differentiate us from our competitors. Our performance in this segment tells us that our combination of personal advice and real solutions with modern technology and our sole focus on wealth management are working.

Our clients continue to be satisfied with us, as evidenced by a Net Promoter Score (NPS) of 36 for Private Clients (the same as in 2021), exceeding our target of 20.

Wholesale & Institutional Clients

We had a successful year in the fiduciary management business, winning two large new mandates in 2022. The first was the KLM Cabin Crew pension fund, with almost €4 billion in AuM. The second was the BPF Schilders pension fund, overseeing the pensions of more than 100,000 members, with AuM of almost €8 billion. Overall, the Wholesale & Institutional Clients segment showed a total net inflow of €11.6 billion in the reporting year.

Investment Banking Clients

Our Investment Banking Clients segment had a robust year. Our strength lies in our focus on selected sectors: European real estate, life sciences & healthcare, tech & fintech and infrastructure & renewables. In 2022, 37 transactions were completed at a total value of €8.1 billion in six jurisdictions.

Within our Equities department, we established a new Sustainable Opportunities team, with the aim of increasing our relevance to our global investor base. The team offers comprehensive investment research on companies and industries driving the transition to a sustainable future. The key to long-term value creation is investing in sustainable corporations and, by doing so, in a more sustainable world.

Key figures	2022	2021
Net result (€ million)	84.3	143.8
Dividend per share (€)	1.75	2.00
Capital return per share (€)	1.50	—
Efficiency ratio, excluding special items (%)	73.1	68.9
CET 1 ratio (%)	20.6	23.7
Return on average CET 1 based on underlying net result (%)	12.3	15.7
Balance sheet total (€ billion)	17.0	16.3
Loan portfolio (€ billion)	9.4	8.9
Client assets (€ billion)	124.2	131.2
Assets under management (€ billion)	107.8	115.6 [1]
Employees (FTEs at year-end)	1,780	1,654

2022 for our employees

Over the course of 2022, we were able to grow our talented team. It's their dedication to clients, specialist approach and entrepreneurial spirit that allow us to deliver a unique proposition to our clients.

At Van Lanschot Kempen, we aim for a diverse and inclusive culture. To further support this, in 2022 we launched our new inclusion and diversity policy, in which we outlined our vision on diversity and introduced five pillars (for more information, see "Diversity in all its forms" on page 32). We also signed the Declaration of Amsterdam as part of Workplace Pride.

We took significant steps to improve our brand as an employer in order to attract and retain talent in a tight labour market. This strategy paid off, as we were able to make a considerable number of new hires in 2022 despite these challenging conditions. To retain our employees, we also introduced a new employee share plan. We're proud that more than 70% of our employees are now shareholders in Van Lanschot Kempen as a result.

[1] In 2022, €3.0 billion was reclassified from assets under monitoring and guidance to assets under management. Comparative figures as at 31 December have been adjusted accordingly.

In summer 2022, we launched a long-term partnership plan for key senior employees, with the joint aims to anchor leadership more broadly in our organisation, encourage ownership and create more long-term alignment with our clients and shareholders.

2022 for our shareholders

In May 2022, we organised a Capital Markets Day to update stakeholders on the completion of our transformation from a universal bank into a specialist wealth manager. As we achieved our financial targets in 2021, we presented enhanced medium-term financial targets. For more information, see "Enhanced financial targets" on page 25.

We also shared our ambition for sustainable and profitable growth. Over the past few years, our AuM have added around 10% a year on average, reflecting organic growth, growth by acquisition and market performance. Based on our growth plans and under normal market conditions, we'll be looking for comparable growth going forward, with a capital-light balance sheet.

In June 2022, we paid out the 2021 dividend of €2.00 per share (totalling €82 million). In December 2022, we returned excess capital to shareholders of €1.50 per share (totalling €61 million). In total, this means we paid out €3.50 per share.

Our business in Belgium

Following our acquisition of a 70% stake in Mercier Vanderlinden in 2021, we made good steps in the collaboration process. Since October 2022, Van Lanschot Kempen in Belgium has been a custodian for Mercier Vanderlinden's clients. And some of our solutions in Belgium – such as Lombard loans – are already available to Mercier Vanderlinden's clients.

In December 2022, we announced the next step in our collaboration by accelerating the acquisition of the remaining 30% stake in Mercier Vanderlinden. Their partners will become shareholders in Van Lanschot Kempen, with a significant holding that further anchors their commitment. The combined company will continue under the name of Mercier Van Lanschot in the course of 2023.

Net inflow in Belgium was €0.7 billion in 2022, of which €0.4 billion came from Van Lanschot Belgium and €0.3 billion from Mercier Vanderlinden's clients.

Sustainability

In 2022 we set more ambitious targets to reduce carbon emissions across our business. Since our 2019 baseline, the carbon emissions of our own organisation have fallen by 40% per FTE. The carbon footprint per euro of our mortgage portfolio increased by 8.7% year on year, due to the colder weather in 2021 compared with 2020 (energy consumption data is only available one year later). The carbon footprint of our AuM went down by 17% per million euros invested. At year-end, the percentage of AuM in sustainable and impact investment solutions totalled 20.6%.

In addition, we focused on the publication of our first biodiversity policy and on updating our human rights policy. For more information, see "Reducing our carbon footprint" on page 36 and "Human rights" on page 42 respectively.

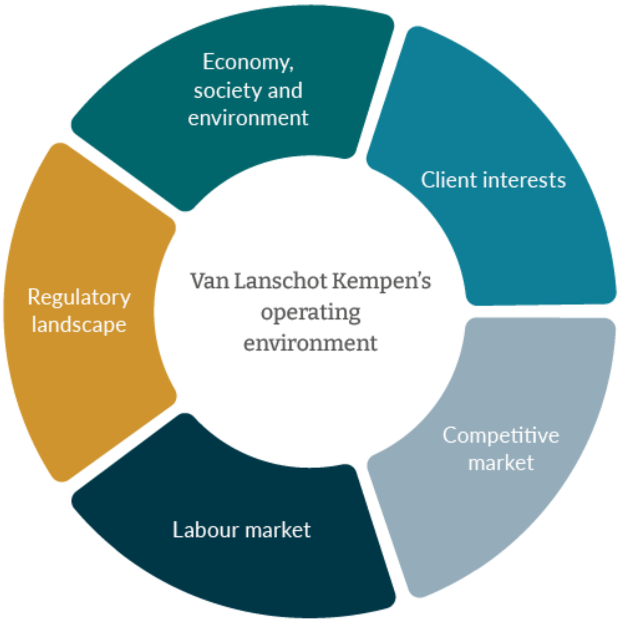
Recognition through awards and rankings

Van Lanschot Kempen was recognised for its work with several awards and rankings during the reporting year:
– We were awarded "Best Private Bank in the Netherlands 2022" at the annual Global Private Banking Awards by *Professional Wealth Management* and *The Banker* (publications from the *Financial Times*). The jury said: "Van Lanschot Kempen triumphed in the Netherlands category, against a backdrop where several much larger banks typically compete for the attention of high net-worth customers. Significant organic growth in managed assets was facilitated partly by the openness of the firm to partnerships and acquisitions in the Benelux region."

- We won the award for "Best Fund House Overall (small)" at the annual Refinitiv Lipper Fund Awards for the Netherlands. The Lipper Awards honour funds and fund houses that excel in providing consistently strong risk-adjusted performance.
- At the 2022 International Customer Experience Awards, we won silver for "Best Measurement in Customer Experience – Financial Services and Telecommunications" and bronze for "Best Contact Centre".
- Evi van Lanschot was awarded five stars by Finner, the largest Dutch independent advice/comparison platform for investors.

The world around us

The economy, society and environment in which we operate as a wealth manager, the interests of our clients and prospects, what our competitors are doing, the state of the labour market and regulatory developments – all of these external factors have an impact on our business.



Economy, society and the environment

The reporting year 2022 was a tumultuous one. The war in Ukraine that broke out in February had serious and far-reaching consequences – not only for the people directly involved but across Europe and the world. Our sympathy goes out to all those affected by this tragedy.

The war caused a surge in energy prices, exacerbating an energy crisis that was already being felt at the end of 2021, and accelerating the deglobalisation trend. In Europe in particular, the focus changed quickly and dramatically from reducing our dependence on fossil fuels to prioritising energy security at all costs. Coal mines and nuclear plants that had previously shut down were reopened in a bid to ensure that Europe is no longer dependent on Russia for its energy. In the short term, this energy crisis evidently had a negative impact on Europe achieving its climate goals. In the longer term, however, the expectation is that the situation will accelerate the transition to renewable forms of energy.

Inflation also soared, in part due to the war in Ukraine, but also as a result of very loose monetary and fiscal policies by central banks and governments in the years prior, coupled with much faster than anticipated recovery in demand following the Covid pandemic. From a societal perspective, inflation has had more impact on lower income groups. Wage increases are not currently keeping up with inflation. Changes in fiscal policies, however, will have more impact on higher income groups: in the Netherlands and across Europe, the trend is for governments to shift from taxing labour to taxing wealth.

The reporting year saw the biggest hikes in key interest rates ever experienced in the eurozone, with the European Central Bank (ECB) deposit rate rising from -0.5% in January to 2% in December. This has had, and will continue to have, an impact on every aspect of the economy, from the housing market to savings. There was also major volatility in currency markets, with the dollar reaching parity with the euro in August before losing 50% of its gains later in the year. And in the UK, turmoil hit the markets in September 2022, when the new Prime Minister announced a “mini-budget” with large, unfunded spending increases. The Bank of England had to step in to stabilise financial markets. Two weeks later, a new Prime Minister was in office and the government had changed its budget plans.

In many respects, 2022 was unique: the deep and broad decline across almost every asset class, from equities to traditional fixed income, had an impact on the wealth of every investor – whether their portfolios were diversified or not. Clients suffered as a result, because the preservation of capital was virtually impossible: even savers lost money in real terms due to the impact of inflation.

On the flip side, a certain amount of normalisation was inevitable on the back of several years of extremely low bond yields and strong growth. For the first time in years, fixed income as an asset class is now becoming a more viable option again.

With a recession potentially taking hold in 2023, the big questions are how deep it will be and whether inflation can be brought under control. In unstable times, what can be done to mitigate the risks from an economic, social and environmental point of view?

Client interests

Given the economic turbulence of 2022, individual clients have broadly fallen into two categories. For some clients, the economic downturn offered an opportunity to invest money they've saved. For others, there's anxiety about the state of the economy – these clients are looking for some comfort in their portfolios. In all cases, clients are looking for a strong guardian for their investments.

We've also seen a shift in demand when it comes to asset classes: bonds are becoming increasingly attractive again, leading to higher demand for fixed income strategies. The search for illiquid alternatives continues, especially in times of economic stress: such alternatives can provide some comfort over the long term. Clients are also increasingly looking for active portfolio management, following a period when passive management was more popular.

In the fiduciary business, Van Lanschot Kempen focuses on the Netherlands and the UK – markets with distinctive characteristics. The UK is characterised by clients continuing to search for a fiduciary manager while UK pension funds still have room to consolidate. Meanwhile, the Netherlands has experienced consolidation of pension funds in the past, and all pension funds are now looking for support on major upcoming Dutch pension reforms.

Across all client groups, sustainability remains a key topic, especially given the energy crisis during 2022. Our clients – whether private, wholesale, institutional or investment banking – increasingly expect their wealth to be managed in a sustainable way. And we need to go further and do better to ensure we meet these expectations. For more information about how we're serving all client groups and integrating sustainability into our solutions, see "Our strategic pillars" on page 18.

Competitive market

Financial institutions are competing more and more on their sustainability credentials, with added scrutiny from society on the definition of sustainability. And it's up to each financial institution to get its data right.

Technology continues to evolve, and our competitors evolve with it. A few years ago, the trend was to go fully digital. But that tide is now turning: the industry as a whole has realised that wealth management is a people business that requires the right balance between personal interaction and online convenience. At the same time, technology has become more agile, enabling financial services companies to change the way they work and respond more quickly to clients' needs.

One of the challenges for financial services companies is client due diligence: a necessary part of doing business that requires us and our competitors to collect a large amount of information about clients. Here again, having a personal relationship with clients is a key advantage: we understand our client segments very well. At the same time, we invest a lot of time and attention in ensuring we stay on top of our client due diligence process.

Labour market

The labour market tightened further in 2022, with significantly more job openings than unemployed people. While this is the case across all sectors and at all levels of expertise, the talent war is particularly fierce in the digital, IT and finance sectors – bringing yet more competition when it comes to attracting professionals to our industry. In short, demand is outstripping supply, meaning that financial services companies are operating in an employee's market rather than an employer's market.

When candidates can pick and choose, organisations need to work even harder to attract and retain talent. A competitive salary is no longer sufficient. Companies need to offer outstanding career development opportunities, as well as taking care of their employees' physical and mental well-being. People from Generation Z are starting to enter the workforce and their priorities are different from those of previous generations. They're looking for a healthier work-life balance and are more critical about whether a prospective company's core values fit with their own. They also tend to prioritise sustainability and look at the value a company adds to society.

With every trend and development pointing in the same direction, professional services companies like ours need to find more and better ways to attract the best people. And that means hiring external contractors as well as permanent employees – both internationally and in the Benelux region.

For more information on competition for talent at Van Lanschot Kempen, see "Attracting, retaining and developing talent" on page 31.

Regulatory landscape

The main regulatory impact in 2022 was felt in the sustainability sphere. The EU Sustainable Finance Disclosure Regulation (SFDR) requires detailed disclosures designed to improve transparency around sustainable investment products. Such disclosures are required across multiple channels, including websites, prospectuses, annual accounts, client reports and terms & conditions.

Further to SFDR, additions to the Markets in Financial Instruments Directive (MiFID II) have entered into force, which require financial institutions such as ours to ask clients about their sustainability preferences, in order to encourage investors to direct their capital towards sustainable investments. The Dutch regulator has also asked for more sustainability-related impact analysis and control frameworks on the basis of an ECB best practices document. And finally, the Corporate Sustainability Reporting Directive (CSRD), which enters into force in 2025 (covering the 2024 reporting year), will require additional disclosures from all listed companies relating to their environmental and social impact activities. In short: the number and depth of regulations is increasing rapidly. We're expecting more clarity on definitions and further regulations to follow.

From a financial perspective, Basel IV has been postponed; but when it does take effect, it will increase capital requirements in general for European banks. There are also new laws coming into play in relation to anti-money laundering and prevention of financial crime. Client due diligence and transaction monitoring continue to be a focus area: fulfilling compliance requirements is a necessity for all banks.

For more information about risks, regulations and compliance, see "Risk and capital management" on page 59.

Key risk themes for Van Lanschot Kempen

In addition to the trends and developments that impact our operating environment, as a wealth manager we face specific risks associated with our sector. In 2022, we identified the following key risk themes:

- Interest rate risk: higher and more volatile interest rates
- Operational risk: implementing change
- Compliance risk: increasing regulatory requirements for sustainability
- Sustainability risk: climate change

See "Risk and capital management" (page 59) for more details.

Improving the client experience

A large part of my job as Commercial Director is about improving the client experience. One of the things I value about Van Lanschot Kempen is that we're able to make improvements quickly, because we have short lines of communication. People are prepared to go the extra mile.

Take our Next Gen programme, for example: in 2022, we carried out surveys on the wishes and needs of the next generation of investors – in other words, the children of our clients. The feedback was that they're looking for education in wealth management and a chance to meet other people in the same situation. So in 2023, we'll be launching a series of master classes on topics like how to get started on investing, how to make sustainable investments, and how to handle money and assets in a smart way.

We've also made improvements to our client communications. In our internal client management system, we've added extra filters so that it's now possible for bankers to select a specific group of clients and send them more relevant content. For instance, if the banker selects "has children", they can then send a blog post or podcast about giving endowments to children only to the clients who actually have kids. And this leads to greater client satisfaction.

Daniëlle van Leest – Commercial Director, Hilversum Office

Stakeholders' expectations

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

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

Our various stakeholder groups have different expectations regarding Van Lanschot Kempen. The overview below[1] outlines our assessment of these expectations.

Clients
Excellent client experience, strong personal relationships, holistic advice, relevant and sustainable solutions and products, and risk-rewarding returns with reasonable terms and conditions

Employees
Inspiring and inclusive work environment, competitive salary, development and growth opportunities, and personal autonomy

Shareholders
Solid performance, attractive returns and sustainable – preferably growing – dividend

Governments/regulators
Practices within the letter and the spirit of the law (e.g. duty of care, anti-money laundering, client due diligence, privacy regulations and Basel IV) and positive contribution to society and the environment

Other stakeholders
Fair business opportunities and positive contribution to society and the environment

How we assess materiality

To determine which topics are valued most by our stakeholders, we conduct a materiality assessment every two years, the most recent of which was in 2021. The starting point was a longlist of topics, derived from external standards and assessments. These were reduced to a shortlist by internal experts, based on which topics they considered could significantly impact or influence our stakeholders. This shortlist was approved by the Management Board, and formed the basis for a survey via which stakeholders were asked to assess the extent to which each topic influences the decisions they make regarding Van Lanschot Kempen. They were asked to indicate which five topics on the shortlist were most and least important to them when assessing our performance. In addition, a group of senior managers ranked the significance of the impact[2] Van Lanschot Kempen has via each of the topics. This ranking was subsequently cross-checked with a panel of external sustainability experts, after which it was discussed among the Management Board members prior to their approval.

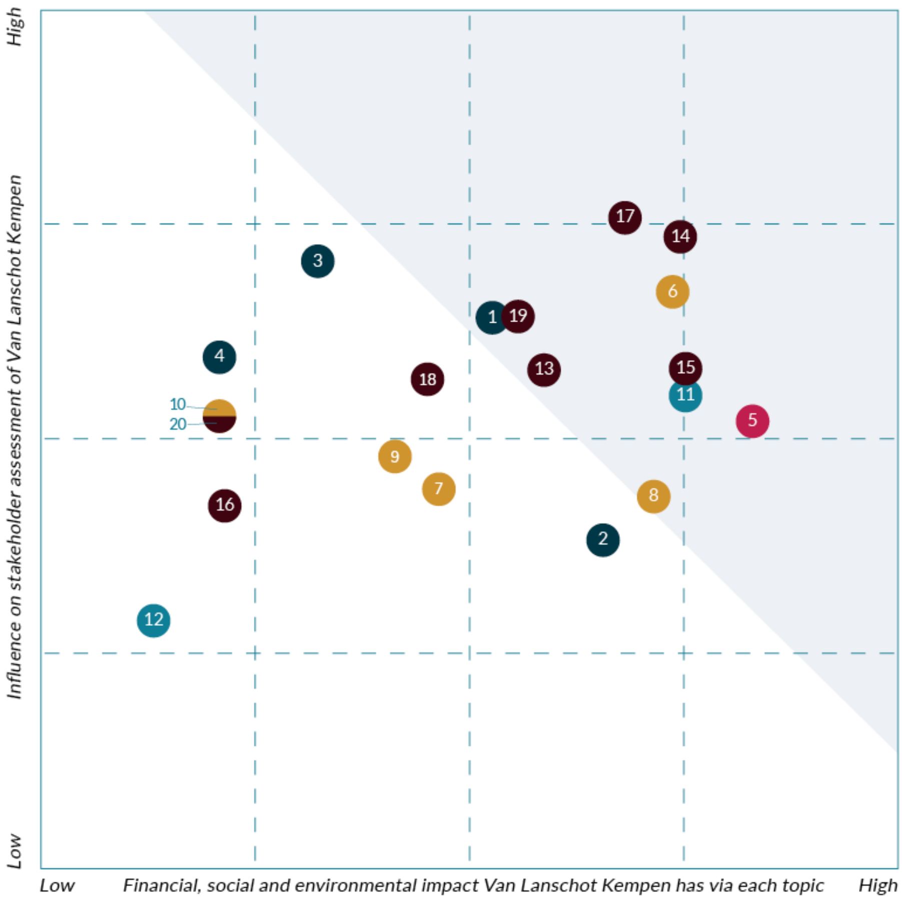
The table and matrix overleaf show the 11 topics (out of the 20 in total) deemed most material. The table lists the topics in order of materiality. In the materiality matrix, the topics marked in bold indicate those deemed to be most material. These correspond with the topics listed in the table.

The Global Reporting Initiative (GRI) Standards were recently updated to determine materiality based on an organisation's most significant impacts on the economy, environment and people, including human rights – corresponding to the horizontal axis of our materiality matrix. In line with this, we have added topic 2, "Growth", to the topics we consider to be material.

[1] See our sustainability supplement for further details.
[2] Impact refers to positive impact and prevention of negative impact, and may be economic, environmental or social in nature.

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

Our materiality matrix



Financial capital
1. **Profitability and cost effectiveness**
2. **Growth**[3]
3. Risk management
4. Capital position

Manufactured capital
5. **Contribution to clients' wealth**

Human and intellectual capital
6. **Quality of the workforce**
7. Well-being of the workforce
8. **Diverse and inclusive workforce**
9. Responsible reward policy
10. IT systems and platforms

Natural capital
11. **Natural impact of our solutions**
12. Natural impact via our own organisation

Social capital
13. **Client experience**
14. **Quality and relevance of solutions**
15. **Social impact of our solutions**
16. Social impact via our own organisation
17. **Ethics and integrity**
18. Stakeholder involvement
19. **Compliance with law and regulations**
20. Transparent reporting

[3] Our materiality matrix reflects the outcomes of our latest materiality assessment. This assessment was based on the GRI Standards that were valid at the time, but which have subsequently been updated. Following this update, we also consider topic 2, "Growth" to be material, which represents a change compared with the materiality matrix published in our 2021 Annual Report.

Van Lanschot Kempen at a glance

Our purpose – to preserve and create wealth for our clients and for society in a sustainable way – informs everything we do. Our shared values provide a compass to help us achieve our purpose. They define how we work together, what our clients and other stakeholders can expect from us, and what we can expect from each other. We've defined specific client segments, which we serve in an integrated way via our combined business activities.

As part of our wealth management strategy, we established five strategic pillars that enable us to deliver on our ambition to generate sustainable and profitable growth, while maintaining a capital-light balance sheet, and to create both financial and non-financial value. In order to monitor our progress, we've developed a number of key performance indicators (KPIs).

Our purpose

To preserve and create wealth for our clients and for society in a sustainable way

Our shared values

Personal – Specialised – Entrepreneurial – Decisive

Our client segments

Private Clients – Wholesale & Institutional Clients – Investment Banking Clients

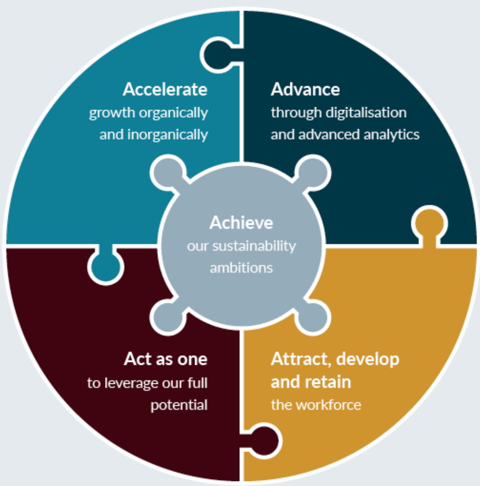
Our business activities

Private Banking – Investment Management – Investment Banking

Our strategic ambition

To generate sustainable and profitable growth, while maintaining a capital-light balance sheet

Our strategic pillars



How we steer and monitor our business

Financial and non-financial KPIs

Our purpose
Our purpose is to preserve and create wealth for our clients and for society in a sustainable way. In this section and the next, you can read about how we fulfil our purpose – guided by our shared values, our sustainably entrepreneurial approach, and our strategic ambition and pillars.

Our licence to operate
Van Lanschot Kempen is the oldest independent financial institution in the Netherlands. Founded in 1737 in 's-Hertogenbosch, Van Lanschot Kempen has brought several entities together over time. Our ability to continuously adapt to the changing needs of our clients is what allows us to succeed, now and in the future.

Wealth is not just about financial resources; it encompasses everything that is valuable in life. It's about safeguarding our clients' heritage for generations to come – or starting to build that heritage. It's about pursuing growth or handing over a business that has been built over the years. It's about seizing opportunities and creating peace of mind. In short: it's about security, dreams, ambitions, wishes and decisions – and all of these are specific to each individual.

At Van Lanschot Kempen, we're driven to understand the complete picture for our clients. We use our collective expertise and talents to present them with fitting solutions and products in support of their long-term goals.

Our sustainability approach
Throughout our history, we have evolved and adapted to the changing world around us. We recognise that sustainability is an urgent need: we therefore see both a responsibility and an opportunity to achieve positive impact and returns over the long term for our clients and for society. To keep up the pace, we proactively engage with our clients and the companies in which we invest on their behalf. We aim to hold ourselves to the same standards that we ask from the companies in which we invest. We are sustainable entrepreneurs.

Our shared values
Our values, and the behaviours that come with them, define what we do and how we do it. They unite us. They drive our decision-making process and our Code of Conduct. In 2022, we articulated four values to which we all subscribe:
- **Personal**: We invest in building long-term relationships. We're driven by our client's interests. We're proactive on their behalf. And our personal approach to the way we work with our clients also extends to the way we work with each other.
- **Specialised**: We love our craft. We work together with in-depth knowledge of specific sectors and disciplines. We're resourceful. We set the bar for quality high. And we aim to continuously learn and improve.
- **Entrepreneurial**: We're ambitious and results-focused. We anticipate and see opportunities – always aligned with the interests and goals of our clients. We believe in sustainable solutions. And we actively look for investments and initiatives that contribute to these.
- **Decisive**: We take a solutions-oriented approach. We aim to keep things as simple as possible. We're clear in our advice and our service offering. And we do what we say we're going to do.

You can read about how we put our values into practice in our daily work in the testimonials from employees throughout this annual report.

Our client segments and business activities
We have a clear focus on our client groups – and those we wish to attract. They include private clients, such as wealthy individuals, entrepreneurs, business professionals, charities, foundations and associations; wholesale and institutional clients, such as pension funds and other (retail) banks; and investment banking clients in our focus sectors (European real estate, life sciences & healthcare, tech & fintech and infrastructure & renewables).

We combine our private banking activities with in-house investment management and investment banking expertise. We are active in several geographies: private banking in the Netherlands, Belgium and Switzerland; investment management in the Netherlands, the UK and western Europe; and investment banking in western Europe and the US.

Our transformation
In 2022, we completed our transformation from a universal bank into a specialist wealth manager. Our organisation is large enough to matter yet small enough to be nimble. We have a clear ambition to be a leading wealth manager in the Benelux region, by focusing on sustainable and profitable growth while maintaining a capital-light balance sheet.

The transition to a unified brand – Van Lanschot Kempen – illustrates our commitment to unlocking our full potential for our clients. We put our entire investment engine to work for all client groups: for example, by offering private clients access to the same in-depth research and tailored services as institutional clients.

Our organisational structure

VAN LANSCHOT KEMPEN

Private Clients

- Wealth mangement services for entrepreneurs, family businesses, high net-worth individuals, business professionals and executives, healthcare professionals, foundations and associations
- Online wealth management for mass-affluent individuals
- Discretionary asset management, investment advice, structured products, investment strategies, financial planning, savings and deposits, and lending
- Assets under management: €40.5 billion
- Savings and deposits: €12.3 billion
- Loans: €8.8 billion
- Offices in the Netherlands, Belgium and Switzerland
- 585 FTEs

Wholesale & Institutional Clients

- Comprehensive fiduciary wealth management services for institutional clients, such as pension funds
- Niche investment strategies for wholesale clients
- Assets under management: €67.3 billion
- Offices in the Netherlands, the UK and France
- 44 FTEs

Investment Banking Clients

- Corporate finance, equity capital markets, debt advisory, research, sales, trading and corporate access
- Focus on European corporates with access to investors around the world
- Active in the following sectors: European real estate, infrastructure & renewables, tech & fintech, life sciences & healthcare
- Offices in the Netherlands, Belgium and the US
- 115 FTEs

Investment Strategies & Solutions

Investment strategies: sustainable equity, real estate, infrastructure, private markets, small-caps, high-dividend equities, euro credits, alternative credit, uncorrelated strategies, global impact pool, SDG farmland and private equity
169 FTEs

Data, Advanced Analytics & Technology
Corporate and support departments

867 FTEs

Focusing on our clients' interests

As one of four Managing Partners at Mercier Vanderlinden, I'm responsible for the finance and IT side of the business, as well as for one of our investment funds. We only have three investment funds and two strategies, which allows us to be really focused and effective. I like to think of it as an ice cream parlour: some shops sell every different flavour of ice cream but at very average quality. We sell only vanilla and chocolate, but they're the best quality on the market.

To put that in financial terms, we have one equities strategy with about 50 stocks, and we have one bonds strategy. All our clients' assets fall into three funds, and as managing partners in the firm, we're investors in those funds, too. This has a couple of major benefits for our clients. Firstly, their interests are aligned with our own: when they're happy, we're happy, and vice versa. And secondly, we make things very simple and efficient. For us, being decisive means choosing an investment solution that's the best for our clients and at the same time being efficient and giving them great service. We saw that the partnership with Van Lanschot Kempen was going well, so in December 2022 we decided to step up a gear to realise gains in efficiency and service more quickly. It's all about playing to your strengths, doing your best, taking a decision and then really going for it.

Frederic van Doosselaere – Managing Partner, Mercier Vanderlinden, Belgium

Our strategy

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

Our strategic ambition

Supported by our strong client relationships, we aim to generate sustainable and profitable growth, while maintaining a capital-light balance sheet.

Over the past few years, our assets under management (AuM) have added around 10% a year on average, reflecting organic growth, growth by acquisition and market performance. Based on our growth plans and under normal market conditions, we'll be looking for comparable growth going forward.

Our strategic pillars

Economic, social and environmental shifts, evolving client interests, advances among our competitors, the labour market and regulatory changes all impact our operating environment. We are convinced we can remain successful by delivering on our strategic pillars:

Accelerate growth organically and inorganically

To remain relevant for our clients and accelerate our organic growth, we believe that we have to truly understand our clients, anticipate their needs and help them to fulfil their interests in a sustainable manner.

In addition to organic growth, inorganic growth is part of our strategy. We keep a keen eye on potential bolt-on acquisitions in the Dutch and Belgian private banking space, and in investment management in the Netherlands.

How we performed

Organic growth within our Private Clients segment has accelerated over recent years, with 2022 showing net inflows of €2.0 billion in AuM. These inflows are driven by disciplined client servicing as well as tailoring our offering to our clients' needs.

Our Wholesale & Institutional Clients segment also showed good net inflows of €11.6 billion in AuM, driven by two large new mandates. The first was the KLM Cabin Crew pension fund, with almost €4 billion. The second was the BPF Schilders pension fund, overseeing the pensions of more than 100,000 members, with AuM of almost €8 billion.

Over recent years, we've successfully expanded our activities with several bolt-on acquisitions and partnerships. Our high post-acquisition client retention rates show that clients value our proposition. In 2021, we acquired a 70% stake in the Belgian wealth manager Mercier Vanderlinden. And in December 2022, we announced the next step in our collaboration by accelerating the acquisition of the remaining 30% stake.

The partnership between Van Lanschot Belgium and Mercier Vanderlinden is progressing very well, as proven by the strong organic net inflow for both entities, the issuance of Lombard loans to Mercier Vanderlinden clients and the fact that we're now custodian for these clients.

Profitability of the Wholesale & Institutional Clients segment in 2022 was not in line with our ambitions. We will therefore focus on profitable growth for investment strategies in western Europe and for fiduciary management in the Netherlands and the UK, in the years ahead.

Advance through digitalisation and advanced analytics

Changes in clients' needs and economic developments require us to respond quickly. Technology and digitalisation allow us to improve our productivity and service by speeding up processes, reducing operational errors and improving the availability, quality and interpretation of data. We've invested, and we'll continue to invest, heavily in our capabilities in this area. Digital interaction is crucial: it offers both clients and employees increased flexibility in terms of means of communication and the time needed to communicate. Digitalisation of management information is also crucial for our leaders, as it offers better agility when it comes to adapting to changing stakeholder expectations.

Technology is an integral part of how we provide service to our clients, while continuing to maintain a personal touch. We therefore give our clients the choice whether they want to communicate with us face-to-face, online or by phone. We also use technology to ensure that our communications are as individually tailored as possible – by using dashboards to gain insights into our clients' portfolios, for example.

How we performed

As part of our focus on improving the profitability of our Wholesale & Institutional Clients segment, we started a programme to accelerate improvements in the IT infrastructure within this segment. This programme is funded out of our normal running costs.

We invested in improving our banking app, a digital tool that aims to help our private clients gain insight into their accounts. Our clients awarded the app a score of 4.6 out of 5 on the App Store – indicating that they're very satisfied with the user experience.

A good example of our progress on advanced analytics is our global real estate strategy, which is based on a data-driven investment process. The Advanced Analytics team supported the development of a quantitative approach to determine the relationship between building-quality factors and real estate company performance. This input supports better investment decisions.

Achieve our sustainability ambitions

Being a sustainable wealth manager with a long-term focus means that we proactively strive to prevent negative consequences for all stakeholders in line with the UN Global Compact, while aiming to create positive long-term financial and non-financial value. We can achieve the most significant social and environmental impact via our client investments. Our ambition is therefore to move towards more sustainable investing, together with our clients.

We're helping our clients navigate the fundamental transitions of this decade, such as the energy, food and materials transitions. We aim to find the opportunities in these transitions, avoid the pitfalls and help those companies that need improvement to make progress, by being active stewards on behalf of our clients.

In the future, we intend to raise the bar and make all investment categories more sustainable. To achieve this, we will leverage the drive and ambition that our employees already have in this area, while continuing to raise awareness across the whole organisation.

How we performed

As a wealth manager committed to net-zero emissions, we have set shorter-term ambitions as well as long-term ambitions to 2050. Starting in 2022, we enhanced our targets to reduce the carbon emissions from our investment funds and own operations by 7% per year (against a 2019 baseline).

In order to reduce the carbon footprint of our own organisation, we introduced a new, stricter travel policy and are in the process of switching our new lease cars to electric models. We are in proactive dialogue with our institutional clients to encourage them to commit to the net-zero goals of the Paris Agreement. We also engage with the management teams of our investee companies to urge them to play their part in the energy transition and set ambitious short- and medium-term targets.

In addition, we developed a biodiversity policy and updated our human rights policy in the reporting year. On an ongoing basis, we're also implementing the new EU sustainability regulations, such as the EU Taxonomy, the Sustainable Finance Disclosure Regulation (SFDR) level 2 and the Markets in Financial Instruments Directive (MiFID II).

Act as one to leverage our full potential

In order to unlock the full potential of our solutions-led organisation for our clients, we must be able to offer solutions that build on the knowledge and expertise of the entire group as well as our open architecture platform.

How we performed

Our decision to move to a single Van Lanschot Kempen brand for all our business activities strengthens our positioning as a specialist independent wealth manager in the Benelux region. In 2022, we moved the first business activities to the new brand; the rest will follow in 2023.

To support working in a client-centric way, we serve all our client groups from our Client Management & Origination department. One example of operating across client groups is the collaboration between our Private Clients segment and our Investment Banking Clients segment. More and more clients are being referred – in both directions.

In summer 2022, we launched a long-term partnership plan for key senior employees, with the joint aims to anchor leadership more broadly in our organisation, encourage ownership and create more long-term alignment with our clients and shareholders. Currently, the partnership consists of the Management Board and 36 senior colleagues. A number of colleagues will be invited to join the partnership each year.

Attract, develop and retain the workforce

Our people's knowledge, experience and professionalism are key to the way we operate. Investing in our people enables them to embrace both sustainability and new technology.

How we performed

In 2022, we strengthened our brand as an employer and increased our recruitment capacity. The number of vacancies that were filled during the year demonstrates that we're an attractive employer, while our growth strategy means that there are always new vacancies to fill.

Inclusion and diversity are important priorities for us. To support inclusion and diversity on the work floor, we launched some new initiatives and continued some of the activities started in 2021 – for example, the Inclusion & Diversity Community, signing the Declaration of Amsterdam from Workplace Pride, and the Van Lanschot Kempen Women's Network. Over recent years, the number of vacancies filled by colleagues with an international background has been increasing, which also helps to achieve more diverse teams.

We facilitate and encourage development and training of our existing workforce. With this in mind, in 2022 we implemented a new learning management system that will support our development plans.

How we steer and monitor our business

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

Our KPIs are focused on value creation themes, both financial and non-financial. We explain both our KPIs and our results against them in the sections on our value creation per type of capital on pages 25-44.

The table below shows our targets for 2022 and 2023 and our performance in 2021 and 2022. The colour coding of our performance is based on a predefined scoring table.

Value creation themes	KPIs	Targets		Performance in 2022	Performance in 2021
Financial capital	1. CET 1 ratio	15% + M&A add-on of 2.5%		20.6%	23.7%
	2. Return on equity (CET 1)	12% through the cycle		12.3%	15.7%
	3. Efficiency ratio	70%		73.1%	68.9%
Manufactured capital	4. Three-year relative performance of our managed propositions	> benchmark		0.2%	n/a
Human and intellectual capital	5. Employer Net Promoter Score (eNPS)	> 10		18	13
	6. Employee engagement score (EES)	> 80%		88%	88%
	7. Percentage of employees who believe they have the opportunity for personal development and growth	≥ benchmark ≥ last pulse/EES (if below benchmark)		81%	n/a
	8. Gender balance among senior staff	> 30% female > 30% male		17.9% female 82.1% male	15.1% female 84.9% male
	9. Gender pay gap	< 2.0%		2.7%	4%
	10. Staff turnover	5-10%		6.4%	5.2%
	11. Absenteeism	< industry average (all: 3.1%; long: 2.0%)		2.8% all 2.0% long	2.2% all 1.3% long
Natural capital	12. Sustainability rating of all Kempen funds by Morningstar	≥ 3.5		3.6	n/a
	13. Decrease in carbon emissions:				
	a. Direct emissions via our own organisation	-7.0% per FTE per year, against 2019 baseline		1.45 tonnes CO_2e (-40% compared with 2019)	1.10 tonnes CO_2e (-54% compared with 2019)
	b. Alignment of our solutions with Paris Agreement:				
	i. Kempen funds and discretionary management solutions	80% of funds comply with 7% average annual emission intensity reduction		88%	n/a
	ii. Fiduciary management (FM) solutions	> 50% of FM clients have Paris Agreement-aligned goals		59%	n/a
	c. Indirect emissions via our assets under management (AuM)	Coverage grows to 55-60% of CO_2e emissions by end 2022		56%	59%
	d. Indirect emissions via our mortgage portfolio	CO_2e/€ < last year		+8.7%	-6.1%
	14. Investment Strategies & Solutions sustainability ambition:				
	a. Percentage of AuM invested in sustainable and/or impact wealth management solutions	+5 percentage points per year	n/a	20.6%	n/a
	b. Percentage of AuM in internal and external funds/ mandates on the approved list that meet the basic sustainability criteria	> last year	n/a	95%	n/a
	c. Kempen listed funds engage with companies representing > 50% of carbon footprint of the fund	Engaged with companies representing > 50% of carbon footprint out of total portfolio		54 out of 55 companies (1 divested)	n/a

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

Value creation themes	KPIs	Targets		Performance in 2022	Performance in 2021
Social capital	15. Net Promoter Score (NPS):				
	a. Private Clients	20	●	36	36
	b. Evi	10	●	-1	15
	c. Wholesale & Institutional Clients	20	●	n/a[1]	38
	16. Investment Banking Clients: number of successful transactions with repeat Corporate Finance clients (five-year period)	50-60%	●	78%	n/a
	17. Number of interactions (indexed) with institutional investors by Securities	130 (2020 baseline: 100)	●	103	n/a
	18. Average Morningstar analyst rating	≥ last year	●	1 gold 1 silver 4 neutral	1 gold 1 silver 2 bronze 2 neutral
	19. Engagements for change on social and governance issues for which at least one milestone has been reached in the past year	10-15 engagements per year	●	30	n/a
	20. Percentage of employees who believe they have a responsibility to behave ethically	≥ benchmark (86%) ≥ last pulse/EES (if below benchmark)	●	90%	90%
	21. Percentage of employees who believe the company culture holds everyone to the same standards of ethical behaviour and promotes transparent communication	≥ benchmark (79%) ≥ last pulse/EES (if below benchmark)	●	85%	n/a
	22. Products and services are subject to strict approval and review procedures, including relevant assessments by Compliance	Yes	●	Yes	n/a

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

[1] We only measure the NPS for Wholesale & Institutional Clients once every two years.

Trying new approaches

I've been working in the Digital Adoption team for a year, focusing on data analytics – that means things like mining data, creating dashboards and generating insights into our clients' and employees' usage of our digital apps and tools. I started at Van Lanschot Kempen as an intern doing my thesis: I was interviewing bankers about their adoption of digital tools and, from that, I was able to create various dashboards from scratch. The company really gave me the opportunity to take chances, try new approaches and iterate as I went along.

That entrepreneurial spirit is important to me both personally and professionally. We're a very small, new team with lots of freedom to innovate. One example in 2022 was the "5Miles" micro-learning platform, which allows colleagues to learn in five minutes every day with just one challenge. Initially, the challenges were all based around Microsoft Office programs, but we've now created a specific course for our bankers to learn how to use our client-focused tools. We're also analysing the correlation between digital adoption by bankers and client satisfaction, to see whether clients who have more digital contact points available to them are happier with our service. There's lots to learn from data analytics!

Oumaima Charkaoui – Advanced Analytics Specialist & Scrum Master

Our value creation

As a society, we need to find a sustainable equilibrium between people, planet and prosperity. That's why, at Van Lanschot Kempen, we aim to create value – not only financially but also for society and for the environment. For us, value creation means generating sustainable, long-term growth and maintaining long-standing relationships with our clients.

Our value creation per type of capital

Our value creation model on the following page provides an overview of our inputs, outputs and impact via five types of capital identified by the International Integrated Reporting Framework. We improved and updated this model in 2022.

Inputs

As a wealth manager, Van Lanschot Kempen attracts various types of capital as inputs:

- **Financial capital**: The pool of funds available to our organisation with which to run our operations.
- **Manufactured capital:** The money entrusted to us by our various client groups.
- **Human and intellectual capital:** Our employees and external parties, who bring in their knowledge and expertise. The majority of our intellectual capital is embodied in our human capital; we therefore combine the two types of capital for reporting purposes.
- **Natural capital:** All natural resources that we directly or indirectly use via our operations, such as energy and water.
- **Social capital:** The network we have as an organisation and the trust that other stakeholders place in us.

Outputs and outcomes

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

- **Financial capital:** The pool of funds that we are able to redistribute to our stakeholders.
- **Manufactured capital:** The accumulated wealth of our clients that has been invested via our various products and services, and the loans that we provide to our clients.
- **Human and intellectual capital:** The hiring, training and development of our employees, as well as the impact on our staff in terms of work-related illness and the gender pay gap.
- **Natural capital:** The investment of our client assets in sustainable and impact funds that contribute to natural or environmental goals such as the energy transition and biodiversity. As a result of our investment of client assets and lending activities, however, there will be negative environmental outcomes under certain circumstances, such as waste production, pollution and carbon emissions.
- **Social capital:** The creation and preservation of growth and job opportunities for society, by passing on financial capital to companies and other organisations. We increase social capital by investing client assets in sustainable and impact funds that contribute to social goals, such as health and the food transition. But as a result of our investment of client assets and our lending activities, and despite our policies and efforts, in some cases there may be negative social outcomes, such as on labour rights, human rights or other social issues in our supply chains.

Note that input via one form of capital may be transformed into output via another form of capital. For example, financial capital inputs may lead to investment returns or home ownership (manufactured capital).

Impact on stakeholders

When we put these various types of capital to work, this has an impact on our clients, employees, shareholders, bondholders and society. This impact may be positive (as indicated by the green bars in the value creation model) or negative (as indicated by the red bars).

Over the next five sections, we define what each type of capital comprises, describe our approach to it, provide an indication of how we quantify our contribution, and offer concrete examples of how we create value.

Our focus on sustainability goals

In 2021, we defined three themes – climate change and biodiversity, living better for longer, and a smart and circular economy. In 2022, we recognised that these themes need to contribute to the three most important transitions of our age: energy, food and materials. Until now, we have been focusing our efforts on climate change and the energy transition. In the future, we intend to make meaningful progress on the food and materials transitions as well.

We aim to be a good corporate citizen by reducing the negative impact of our operations. As a wealth manager, we seek to act as a steward by helping our clients allocate their capital to organisations that are part of, or are well prepared for, these transitions. We are continually improving our products and solutions for our clients to make them more sustainable over time. We primarily offer three different types of investment solutions: responsible, sustainable and impact. All our products and solutions are responsible as a baseline: they meet UN and OECD guidelines on human and labour rights, and they meet governance and stewardship standards. We call this “doing no harm”. Through our sustainable and impact investment solutions, we proactively focus on “doing good” – aiming to create positive impact.

For examples of ways in which we're improving our products and solutions to become more sustainable, see "Reducing our carbon footprint" and "Engaging on social issues" on pages 36-44.

Value creation model

INPUTS

Financial capital

Fees & commissions	€408
Net interest income	€194
Capital shareholders	€1,281
Capital bondholders	€2,087

Manufactured capital

Savings/deposits	€12,700
AuM	€107,800

Human and intellectual capital

Total FTEs	1,780
Consultancy fees	€14
Gender balance among senior staff	17.9% female
Employees who believe in the opportunity for development and growth	81%

Natural capital

Energy, water, etc.	n/a

Social capital

Private clients	not disclosed
Evi clients	26,000
Fiduciary mandates	not disclosed
Investment banking transactions	37

BUSINESS MODEL

Purpose

To preserve and create wealth for our clients and for society in a sustainable way

PRIVATE BANKING

INVESTMENT BANKING

INVESTMENT MANAGEMENT

1737 VAN LANSCHOT KEMPEN

Values

Personal
Specialised
Entrepreneurial
Decisive

OUTPUTS AND OUTCOMES

Financial capital

Return on equity (CET 1)	12.3%
Payments to shareholders	€107
Payments to bondholders	€40
Staff costs	€311
Corporate tax	€35

Manufactured capital

Three-year relative performance of managed propositions	-€2,900
Net new mortgages	€335
Net new other loans	€492
Financing arranged	€8,100
Wealth creation via home ownership	€375
Total economic impact other loans	€1,665

Human and intellectual capital

Employee engagement	88%
Gender pay gap	-€1.8
Staff turnover	6.4%
Absenteeism	2.8%
Social value of having work	€21

Natural capital

Sustainability rating of Kempen funds	3.6
Reduction in carbon emissions:	
Direct emissions via own operations	+32%
Kempen funds on track for -7%	88%
Indirect emissions via AuM	-22%
Indirect emissions via mortgages	+8.7%
Percentage of AuM invested in sustainable and/or impact wealth management solutions	20.6%
Positive contribution via sustainable and impact investing	€33
Impact of total carbon footprint	-€487

Social capital

Private clients	NPS 36
Evi clients	NPS -1
Wholesale & Institutional clients	NPS n/a[1]
Repeat clients investment banking	78%
Positive contribution via sustainable and impact investing	€37[2]

\+ Increase in capital – Decrease in capital

2022 figures. Monetary amounts are in millions unless otherwise stated.

[1] We only measure the NPS for Wholesale & Institutional Clients once every two years.
[2] Figures are based on four sustainable investment funds amounting to €731 million.

Sustainable and profitable growth

Financial capital

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

Our approach

Van Lanschot Kempen is a specialist wealth manager with a capital-light balance sheet. Our profitability, growth and cost effectiveness are important to our clients, employees, shareholders and bondholders, governments/regulators and other stakeholders. We are aware that we have both direct and indirect impacts on the economy, environment and communities via our business: investing our clients' assets, increasing our assets under management (AuM) and managing our loan portfolio. We include more detail on these impacts and how we manage them under "Reducing our carbon footprint" and "Engaging on social issues" on pages 36-44.

Profitability versus growth

Striking the right balance between profitability and growth is an ongoing priority. In our Wholesale & Institutional Clients segment in 2022, we faced a dilemma: whether we should continue to grow, or whether we may need to accept that lower AuM is needed temporarily to increase profitability. At the same time, our focus on the long term means that we may need to accept lower profitability in the short term during adverse market circumstances and periods of high inflation. We continue to weigh up these factors carefully.

Enhanced financial targets

Having met our financial targets in 2021, in the reporting year we set enhanced medium-term targets in order to align with our growth ambitions:

- A Common Equity Tier 1 (CET 1) ratio of 15% plus an M&A add-on of 2.5% for acquisitions, the latter offering enough scope for bolt-on acquisitions appropriate to our wealth management strategy. As announced in May 2022, we plan to return additional capital in excess of a 17.5% CET 1 ratio to our shareholders in both 2022 and 2023, subject to regulatory approval. At that time, excess capital amounted to €145 million;
- An efficiency ratio of 70%, reflecting our ambition to grow our revenues coupled with controlled cost growth;
- A 12% CET 1 return through the cycle;
- A dividend policy of 50–70% of underlying net profit attributable to shareholders. This target is unchanged.

These new targets were communicated at the Capital Markets Day in 2022.

Over the past few years, our AuM have added around 10% a year on average, reflecting organic growth, growth by acquisition and market performance. Based on our growth plans and under normal market conditions, we will be looking for comparable growth going forward.

We steer and monitor the value we create in terms of financial capital through a number of key performance indicators (KPIs):

KPIs	Targets	Performance in 2022	Performance in 2021
1. CET 1 ratio	15% + M&A add-on of 2.5%	20.6%	23.7%
2. Return on equity (CET 1)	12% through the cycle	12.3%	15.7%
3. Efficiency ratio	70%	73.1%	68.9%

Financial performance 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 2022, our CET 1 ratio was 20.6%, down from 23.7% in 2021. This decrease reflects the introduction of steeper capital requirements for residential mortgages by De Nederlandsche Bank from 1 January 2022. We also returned excess capital to our shareholders of €1.50 per share (totalling €61 million) in December 2022, which impacted our CET 1 ratio as well.

Our return on CET 1 stood at 12.3%, meeting our through-the-cycle target. Our efficiency ratio amounted to 73.1%, above our medium-term target. For more details on our financial results, including the developments underlying this ratio, see "Financial performance" on page 47.

Quantifying our value creation

Overview of financial capital: inputs and outputs

Input (€ million)	From	Amount 2022	Amount 2021	Output (€ million)	For	Amount 2022	Amount 2021
Shareholders and bondholders							
Capital shareholders	H	1,281	1,308	Payments to shareholders (three-year average)	H	107	107
Capital bondholders	H	2,087	2,151	Payments to bondholders	H	40	28
Operating income and expenditures							
Fees & commissions	C	408	386	Staff costs	E	311	285
Net interest income	C	194	197	Corporate taxes	S	35	35
				Remittances to regulators	S	11	14
				Purchase of goods and services	S	64	64
				Donations	S	NP	NP

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

How to read these tables

The table above, and the equivalent tables in the four sections that follow, show the various capital values used and generated by Van Lanschot Kempen in 2021 and 2022. On the left-hand side, the capital deployed by Van Lanschot Kempen in our business model is listed, divided into separate categories. On the right-hand side, the capital generated is listed, also divided into categories. The items listed in the tables are intended as examples, and should not be used to calculate our overall value creation. We have not included totals in these tables because inputs and outputs of one type of capital can also be deployed and transformed into another type of capital.

As this table shows, our financial capital inputs consist mainly of our operating income and the capital received from shareholders and bondholders. Our financial capital outputs can, for the most part, be considered as redistribution of our revenues (for example, shareholder returns). For society at large, the main outputs relate to the taxes we pay.

For more information on the development of commission income, interest income and costs, see "Financial performance" on page 47.

Tax governance

In May 2022, Dutch employers' federation VNO-NCW presented the Tax Governance Code, which was drafted in consultation with internationally operating companies in the Netherlands. It drew on input from the trade union movement, NGOs, tax experts and academics. The Tax Governance Code aims to provide more insight into the tax strategy of large international companies and what they pay in the countries in which they operate.

Van Lanschot Kempen has subscribed to the Tax Governance Code, thereby contributing to building trust in the tax system and in companies. For more information about how we report on tax, see our 2022 tax transparency report on our website: vanlanschotkempen.com/results.

Next steps

Our strategy is to focus on sustainable and profitable growth while maintaining a capital-light balance sheet. In the years ahead, we will continue to invest to achieve future growth. The profitability of the Wholesale & Institutional Clients segment is a priority for us: we will focus on profitable growth for investment strategies in western Europe and for fiduciary management in the Netherlands and the UK, in the years ahead.

Building relationships

I've been working at Van Lanschot Kempen for almost three decades now, which shows how I feel about the company. After a three-year stint as Head of Investment Research, in 2011 I moved back to the client side and became a Private Banker. A large reason is the personal relationships I get to build with my clients. Several factors go into these: firstly, we get to know each other over the long term, which is quite unique. Secondly, we have very direct communication: all my clients have my mobile number, so they can get through to me any time, and I have plenty of face-to-face meetings with them as well. And lastly, we have lots of personal conversations: we generally start off talking about money, but behind that there are always wishes, desires and fears.

The best conversations happen when the laptop stays in its bag and the word "investing" isn't even mentioned. An entrepreneur who's selling their company might not primarily be looking for investment advice at all. They might be struggling with completely different issues: what does this new phase of life mean to them personally, and to their partner and children? What makes my job so special is coming into contact with my clients' dreams and concerns – those moments when we connect not from banker to client but from person to person – and then translating those into solutions that are in the clients' best interests.

Jacco Vreugdenhil – Private Banker

Preserving and creating wealth

Manufactured capital

We define manufactured capital as the accumulated wealth of our clients that has been invested via our various products and services, and the loans that we provide to our clients. It also includes the impact that we make via home ownership and mortgages.

Our approach

Creating value, by putting the money entrusted to us by our clients to work, is our licence to operate. We take a personal approach, which differentiates us from the competition.

Wealth generation for our clients

Our clients trust us to manage their wealth effectively and to make a positive contribution via our investment solutions. They expect risk-rewarding returns that enable the preservation and growth of their financial assets, in a sustainable way.

Our wealth management solutions and investment strategies should also perform well compared with their benchmarks. To achieve this, we have set up professional investment processes that focus on long-term value creation for our investment strategies and the portfolios of our private and institutional clients. Each of our investment strategies uses a process that is best suited to take advantage of the opportunities in its respective sector.

In line with our values, our portfolio managers have the freedom to create and manage a strategy that is in line with their clients' interests as well as our own investment beliefs. These portfolios bring together the collective expertise from teams that focus on investment strategies, manager selection and portfolio management.

Each team plays a pivotal role in the investment process, governance (including clear responsibilities) and optimum use of systems and tools, in order to achieve the most positive outcomes.

In addition to comparing the relative financial returns of our managed propositions against that of their respective benchmarks, we assess the quality and relevance of our solutions via external assessments (for example, Morningstar analyst ratings and sustainability globes). We consider the sustainability performance of our products to be directly linked to the long-term preservation and growth of capital, and an integral element of the quality and relevance of our solutions. Via our assets under management (AuM), we have an indirect impact on the economy, environment and communities – and these factors have an impact on our long-term performance. We include more detail on these impacts and how we manage them under "Reducing our carbon footprint" and "Engaging on social issues" on pages 36-44.

Long-term sustainability versus short-term returns

Delivering sustainable value is part of our purpose, and this sometimes presents a dilemma: on occasion, we need to ask ourselves whether it's acceptable to sacrifice higher returns on a client's investments for the sake of sustainability. In 2022, some asset managers started re-directing money to oil and gas because of the energy crisis. Despite the potential for short-term gains, we concluded that in the interests of long-term sustainability, this was not an avenue we wanted to pursue.

We steer and monitor the value we create in terms of manufactured capital through the key performance indicator (KPI) shown below:

KPIs	Targets	Performance in 2022	Performance in 2021
4. Three-year relative performance of our managed propositions	> benchmark	0.2%	n/a

Return on assets under management

Our wealth management solutions aim to deliver positive performance in the long term, with our investment strategies performing well against their benchmarks. In 2022, the three-year average performance of our managed propositions relative to their benchmarks stood at 0.2%, meeting our target to outperform the benchmark. These figures are calculated by comparing the year-end absolute performance of our three largest discretionary solutions over the last three years with their respective benchmarks.

Quantifying our value creation

Overview of manufactured capital: inputs and outputs

Input (€ million)	From	Amount 2022	Amount 2021	Output (€ million)	For	Amount 2022	Amount 2021
Investments							
AuM	C	107,800	115,600	New AuM invested	S	13,700	-200
				Investment return for clients (three-year average)	C	-2,900	7,900
Advice (Investment Banking Clients)							
No manufactured capital input				Financing arranged	C	8,100	5,800
Savings and lending							
Savings and deposits	C	12,700	11,700	Net new mortgages	C	335	284
				Net new other loans	C	492	203
				Wealth creation through home ownership	C	375	1,028
				Investments in home improvements	S	10	16
				Mortgage interest deduction	S	-32	-33
				Total economic impact via other loans	S	1,665	2,106

C: clients, S: society

As this table shows, our manufactured capital inputs consist mainly of investments, savings and deposits from our clients. Our manufactured capital outputs consist mainly of investment returns for our clients, and the financing we arrange for them.

AuM and investment returns

One of the ways in which we help our clients preserve and create wealth is by introducing them to new asset categories that they might otherwise not have access to. For example, in 2022 we introduced the Private Real Estate Pool for our private clients.

Despite turbulent markets, clients continue to entrust us with their funds because we're able to offer them the right solutions and put their interests front and centre, as proven by total net inflows of €13.7 billion in AuM in 2022. We saw strong new inflow of AuM within our Private Clients segment, which was well spread across the Netherlands, Belgium and Switzerland. And we were awarded two large new pension fund mandates in our Wholesale & Institutional Clients segment, of almost €4 billion and almost €8 billion respectively.

Investment return is a material topic for our clients. The three-year average return amounted to -€2.9 billion overall, with 2020 and 2021 adding positive returns for our clients. However, 2022 was a difficult year across almost all asset classes. For example, pension holders saw large losses and may not have the long-term horizons required to wait for the next upturn. Our bankers needed to stay even closer to their clients in order to guide them through the bear markets.

Residential mortgages

By providing mortgages, we help our clients purchase homes and thereby create various forms of value. We estimate the increased personal wealth of our Dutch clients due to home ownership (compared with renting a property) at €375 million in 2022. Within this estimate, we take into account the interest costs, tax benefits linked to mortgage interest deduction, real-estate taxes for home owners and increases in housing prices – compared with a reference scenario in which our mortgage clients would rent a property.

We attribute the increased personal wealth due to home ownership to the "clients" stakeholder group.

In general, home owners invest more in home improvements. This represents a boost to the building and construction sector, which we estimate to be worth €10 million in 2022. We attribute this value to the "society" stakeholder group.

In the Netherlands, the tax benefits extended to home owners via the mortgage interest deduction scheme reduce tax income for the Dutch government, in comparison with the reference scenario in which our clients would rent a property. We estimate this loss in tax income at €32 million in 2022, and attribute this to the "society" stakeholder group.

Other loans

The other loans portfolio comprises loans to high net-worth individuals as well as commercial loans that fit into our private clients relationship model, such as loans to healthcare clients, family businesses and business professionals. Through these business loans, we facilitate economic activities that in turn boost other economic activities via the so-called multiplier effect. Using input-output modelling, we estimate the total economic impact of these loans to be approximately €1,665 million.

Next steps

In line with our strategy, we continue to aim for investment returns for our clients that are above the benchmarks.

Our goal is to keep our mortgage portfolio stable, which could be challenging in 2023 because of increasing interest rates. Despite lower prepayments, in general these higher interest rates are also driving less business.

We aim to better support our clients in making their homes more sustainable. Currently, our *Groenhypotheek* (green mortgage) solution offers lower interest rates to clients financing measures to make their homes more energy efficient. In 2023, we will enhance this proposition for clients buying or refinancing homes: the higher the energy efficiency, the lower the interest rate for the client.

Taking a clear stance

I joined Van Lanschot Kempen in January 2020 and have been leading the Compliance Office – one of the teams within the Compliance department – since 2022. My team is responsible for coordinating the interactions with supervisory authorities, policy management, compliance training and awareness, and the way we organise and monitor employee integrity within our organisation. For example, in collaboration with various experts, we design our in-house compliance training and make sure new joiners have all the necessary compliance information during their onboarding. We're often asked for advice on compliance topics by different parts of the business or by the Management Board, and it's our job to take a clear stance and build evidence for that.

What's unique about Van Lanschot Kempen is its relatively small size compared with peers: we serve specific client segments and have short lines of communication between the various departments, so there's not a lot of hierarchy. There's also plenty of collaboration within the company: everyone knows who to go to for a particular type of expertise. Not just a desk or an email address, but an actual person. All these factors make it easier not only to take decisions but to take responsibility, too.

Kim Raaijmakers – Manager of the Compliance Office

Engaging our employees

Human and intellectual capital

We define human capital as people's competencies, capabilities and experience; their motivation to innovate; and their ability to understand our clients' needs, collaborate with their colleagues and lead by example. We define intellectual capital as organisational, knowledge-based intangibles, including specific expertise and intellectual property.

Our approach

In a knowledge and service-based organisation such as ours, people make all the difference. Their professionalism, skills and engagement determine the quality of our service and client experience. We believe that well-trained, knowledgeable people provide better service to our clients and are more engaged. And the extremely tight labour market in 2022 made the need for strong recruitment and retention practices more important than ever.

Attracting, retaining and developing talent

Our strategy is to be an attractive and inclusive employer for the talent available in the labour market. We continuously strive to recruit a diverse range of talented professionals. Instead of looking for individuals on a case-by-case basis, our aim is to create a continuous flow of new talent.

In 2022, we therefore focused on our employer branding and attractiveness as an employer, increased our recruitment capacity, and took significant steps on inclusion and diversity. We implemented a new learning management system – our Van Lanschot Kempen Academy – that will support our development plans. We also aligned our labour conditions and policies across the board – updating our travel policy and working abroad policy, to name just a couple.

We steer and monitor the value we create in terms of human and intellectual capital through a number of key performance indicators (KPIs):

KPIs	Targets	Performance in 2022	Performance in 2021
5. Employer Net Promoter Score (eNPS)	> 10	18	13
6. Employee engagement score (EES)	> 80%	88%	88%
7. Percentage of employees who believe they have the opportunity for personal development and growth	≥ benchmark ≥ last pulse/EES (if below benchmark)	81%	n/a
8. Gender balance among senior staff	> 30% female > 30% male	17.9% female 82.1% male	15.1% female 84.9% male
9. Gender pay gap	< 2.0%	2.7%	4%
10. Staff turnover	5-10%	6.4%	5.2%
11. Absenteeism	< industry average (all: 3.1%; long: 2.0%)	2.8% all 2.0% long	2.2% all 1.3% long

Employee engagement

In 2022, our Employer Net Promoter Score (eNPS) was 18, up from the 13 scored in 2021 and higher than the target of 10. This is a strong outcome and a sign that employees feel connected to the organisation. The eNPS is a method used to measure employee satisfaction with, and loyalty to, our organisation. It's based on the percentage of employees who are promoters of the organisation, minus the percentage of employees who are detractors.

During the reporting year, we carried out our annual employee engagement survey and we held one pulse survey. The response rate was 81% for the annual engagement survey and 76% for the pulse survey.

Our engagement score remained unchanged for 2022 at 88%, slightly higher than the financial services industry benchmark of 87%. And our score on inclusion and diversity also remained unchanged at 88%. Outcomes for specific questions about growth and retention indicate that career development in particular requires our attention. The results of the survey also indicate that our internal processes and our ability to move quickly from idea to implementation can be further improved.

In the reporting year, we started tracking our employees' experience at two key points: after the first 90 days of working at Van Lanschot Kempen and on leaving the company. Exit interviews showed that the most cited reason for leaving is a perceived lack of career development and growth opportunities (see "Employee development" on page 34). Whereas after the first 90 days of employment, many employees feel that their team made sure they felt welcome, they were provided with the information they needed and they had made the right choice when accepting the job.

Inclusion and diversity

Our commitment to inclusion and diversity goes hand in hand with our ambition to positively contribute to a more sustainable and inclusive world. In 2022, we launched our updated inclusion and diversity policy, in which we outline our vision. In short, we firmly believe that we need to foster an inclusive workplace where everyone's unique contributions are valued and where we optimise our combined talents. Our willingness to gain new perspectives, value differences and adapt to change is instrumental in making diversity work for us. To read the full inclusion and diversity policy, see vanlanschotkempen.com/inclusion-and-diversity.

Diversity in all its forms

We aim for diversity not only in terms of gender, nationality, age, educational background, sexual orientation, gender identity, religion, ethnic background, disability or distance to the labour market, but also across personal experiences, characteristics, socio-economic backgrounds and the different skills that people bring. We recognise the value of bringing diverse perspectives to the table, and realise it takes time to learn and adapt in order to get there. In line with this, we are committed to ensuring we take steps to attract, develop and retain a diverse range of talent.

As part of our inclusion and diversity policy, and in consultation with numerous internal and external stakeholders, we defined five pillars (see graphic below) to enable us to work towards and achieve our ambitions to add value for our clients, employees, shareholders and society as a whole. We elaborate more extensively on the initiatives related to each pillar in the Appendix of our policy.

In 2022, we further embedded inclusion and diversity in our core HR processes and activities, with a particular focus on our recruitment and selection processes. In terms of gender diversity, we aim for 50% male and 50% female in our inflow across all levels. To support the business in achieving this balance, we put a number of additional recruitment-related measures in place:

- We use labour market insights and deploy talent sourcing for specific roles.
- We established new partnerships with agencies and networks focusing on female talent.
- We offer flexible hours and working conditions.

The results of these extra efforts are evident when we compare the inflow of female employees year-on-year. At year-end 2022, this was 8 percentage points higher than at year-end 2021: up from 34% to 41%.

In line with the Ingrowth Quota and Target Ratios Act that took effect on 1 January 2022, we also aim for a minimum of 30% women and 30% men in the three levels immediately below the Management Board (senior staff) – see KPI 8. To achieve this target, we drafted concrete action plans in collaboration with the business and our Management Board, which were presented to our Supervisory Board. For instance, when it comes to recruiting for senior staff positions, we mandate that:

- The final recruitment shortlist should be 50% male and 50% female.
- The Management Board must approve appointments for positions immediately below Board level.

Regarding through-flow, we apply the principles that:

- Female promotions should be proportional to the total percentage of the female population of the company (2022: 33%).
- The internal pipeline should be activated through talent reviews, succession planning and workforce planning.

To maintain continuous awareness of our target for senior staff, and to foster commitment to achieving our shared action plan, the topic of gender diversity is regularly discussed within our business unit management teams.

At year-end 2022, the gender balance among senior staff was 17.9% female, which represents an improvement of 2.8 percentage points compared with year-end 2021, though well below our target of 30%.

Reducing the gender pay gap

In 2021, we reported a corrected gender pay gap of 4%. During the 2021 end-of-year compensation calibration, we took steps to address individual outliers. For 2022 – using the same approach and methodology as in 2021 – we reported an unexplained corrected pay gap of 2.7%, above our KPI target range of <2%.

In the reporting year, we ran a project to collect additional variables – including educational background and work experience – to understand whether our pay gap could be further explained. Keeping all other inputs constant, the resulting corrected pay gap remained at 2.7%.

Internally, the steps we are taking to further reduce the pay gap include addressing outliers in the end-of-year compensation calibrations; running a new-hire calibration; and addressing gender biases within our inclusive leadership sessions for managers.

Externally, we contributed to a roadmap – compiled by WOMEN Inc. – that other companies can follow to start addressing their own gender pay gaps. By contributing to this initiative, we hope to make positive steps towards closing the gender pay gap in the Netherlands. For more information, see gelijkebeloonwijzer.nl.

Key staff data	2022	2021
Employees (FTEs at year-end)	1,780	1,654
Investment in training (€ million)	4.7	2.9
Training hours (estimated total number of hours, individually and collectively)	103,600	90,800
Female/male ratio (%)	33/67	32/68

Staff at year-end (FTEs)	2022	2021
Private Clients	585	587
Wholesale & Institutional Clients	44	43
Investment Banking Clients	115	107
Investment Strategies & Solutions	169	157
Other	867	760
Total	**1,780**	**1,654**

Quantifying our value creation

Overview of human and intellectual capital: inputs and outputs

Input (€ million)	From	Amount 2022	Amount 2021	Output (€ million)	For	Amount 2022	Amount 2021
Opportunity costs of work	E	n/a	n/a	Social value of having work	E	20.9	19.1
				Work-related illness	E	-1.7	-1.6
				Gender pay gap	E	-1.8	n/a

E: employees

As this table shows, our human capital inputs consist of the opportunity costs of work by our employees, meaning the value of the hours our employees devote to Van Lanschot Kempen. We aim to add value to these human capital inputs through our business model – for example, by creating attractive jobs that result in additional social value for our employees. However, such outputs can also be negative – as in the case of work-related illnesses.

Opportunity costs of work

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

Social value of having work

Numerous studies show that people with a job are more satisfied with their lives than people without one. Several of these studies also focus specifically on quantifying this social value, usually by means of a "well-being valuation". Through this econometric method, developed to measure the value of so-called non-market goods, we can determine the monetary value of increased life satisfaction as a result of having a job.

Based on estimates of the value that employees attach to their work beyond their remuneration, the social value of all jobs at Van Lanschot Kempen in 2022 amounted to €20.9 million – attributed to employees – compared with €19.1 million in 2021. For our calculations, we use a generic estimate from a study by Fujiwara[1] and apply different valuations for employees aged up to 30, between 30 and 50, and over 50.

Work-related illness

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

We combine this data with illness-related absentee data for the average Dutch employee (from the Dutch National Institute for Public Health and the Environment – RIVM) and the value of one year of life (from CE Delft, an independent research organisation) to calculate the total impact. Based on this calculation, the total negative impact from arm, neck and shoulder complaints, back pain and burnout in 2022 amounted to €1.7 million, compared with €1.6 million in 2021.

Other achievements and developments

Hybrid working

Post-pandemic, hybrid working (partially from home, partially from the office) became the new normal. However, it has also given rise to some dilemmas.

On the one hand, the flexibility of working from home is much appreciated by colleagues, and many people have seen an increase in productivity and a better work-life balance. On the other, we were faced with a new challenge: how to maintain a strong company culture and stay connected while physically in different places. Studies have also shown that employees who are more visible in the office are more likely to be promoted, which can unfairly disadvantage employees who prefer working from home. And the feeling of needing

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

to be "always on" can be particularly pervasive when working from home, which can impact employees' work-life balance and overall well-being. From a client perspective, wealth management is a people business, and the personal touch is what differentiates us from our competitors – so meeting people face-to-face is valuable.

Employee development

Career development is cited as one of the most important priorities for employees, as evidenced by our engagement surveys and exit interviews that show this is an area for improvement. At the same time, the quality of our workforce has a direct impact on the experience of the clients we serve. In 2022, we therefore launched both a programme to develop our leaders at strategic and operational levels, and a programme to support managers in successfully managing their teams.

We organised more than 50 team workshops in 2022 using Management Drives interventions, with more than 750 individual profiles created. The focus of these workshops is on better understanding the diversity of perspectives that each individual brings to a team.

Over the course of the reporting year, we updated our Private Banking Academy with new modules. The Academy was recognised by the Federation of Financial Planners, meaning all private bankers who graduate will be admitted to the Certified Financial Planners register. We also implemented a new learning management system that will support our growth and development ambitions going forward.

Sustainable employment policies

Following the introduction of several benefits in 2021, we brought in a number of policies during 2022 that were designed to reduce our carbon footprint.

Since the pandemic, we and our clients realised that we no longer need to travel as much as we used to in order to work together effectively. In light of the considerable impact on the environment, we have set guidelines to limit our travel to those occasions when the added value outweighs the environmental impact, and not to fly when travelling any distance less than 700 kilometres.

Employer brand

In 2022, we took significant steps to improve our brand as a potential employer, in order to attract and retain talent in an extremely tight labour market. We launched a new employer branding campaign: *Jouw talent is ons vermogen* ("Your talent is our asset").

In the reporting year, we also launched a new employee participation plan, known as the Matching Share Plan: each Van Lanschot Kempen share that an employee buys — up to a maximum value of €2,500 — is matched by Van Lanschot Kempen. The plan offers an attractive investment opportunity in Van Lanschot Kempen, as well as the chance to share in the company's successes. We are proud that more than 70% of our employees are now also shareholders in Van Lanschot Kempen.

Partnership for leadership

In summer 2022, the Van Lanschot Kempen Partnership was launched: a long-term participation plan for key senior employees. Its purpose is to anchor leadership more broadly in the organisation, further promote ownership and entrepreneurial spirit, and create more long-term alignment with our shareholders and clients.

As the partnership is a participation plan, partners are asked to make a minimum individual contribution of at least €50,000 in year one and to increase their total contribution to a minimum of €150,000 and a maximum of €500,000 over the course of five years (with a minimum contribution of €25,000 per year). Contributions can be made either in cash or through conversion of a participant's (net) fixed remuneration in shares in the respective year. Shares have a lock-up period of five years, allowing Van Lanschot Kempen to provide a discount of 18.5% on the shares bought.

The individual contributions are collected in a so-called *fonds voor gemene rekening* (FGR – fund for joint account). Partners' contributions remain in this fund during their full tenure as a partner. This structure has been selected to combine the shares as one voting block and to reflect the collective and collaborative nature of the partnership. In return for their contribution, partners receive FGR units, each corresponding to a share in Van Lanschot Kempen. When votes are cast on the shares held by the FGR, voting instructions are obtained from the partners. In the absence of such instructions, the FGR will either abstain or allow individual partners to vote according to their own discretion. The partnership does not affect the governance and management structure of the company.

Next steps

In 2023, we will implement a company-wide through-flow process, including a KPI to monitor the vacancies that are filled by internal candidates. We will also further upgrade our Van Lanschot Kempen Academy.

Being brave, thinking nimble

I'm responsible for the investment proposition of our institutional clients in the UK. We focus on understanding their investment problems and coming up with solutions that most efficiently solve them. This means being innovative and nimble, taking advantage of opportunities and being brave. I joined the company in 2020 in the midst of the pandemic, and while in some ways that was a tough time, I was impressed by the laser focus of the UK team to grow and be successful. As global markets were reeling from significant falls, we saw a chance to invest in opportunistic credit. Together with our Amsterdam colleagues, we recognised this as a once-in-a-decade opportunity to invest in that asset class, and delivered strong performance for our clients. Fast forward to 2022 with high inflation and fears of recession, and that opportunity has come around again. And because of the rigorous work we've done in the past, we're well set to take advantage of the situation and dynamically allocate to benefit our clients.

I believe we're unique as a UK fiduciary manager, supported by a pan-European wealth manager. This allows us to be truly entrepreneurial. We understand alternative perspectives on the investment world, both geographically and by investor type. And we have diverse thinking to support and benefit our clients. This breadth of experience really informs our ability to innovate.

Arif Saad – Co-head of Investment Strategy, UK

Reducing our carbon footprint

Natural capital

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

Our approach

In recent decades, society globally has used up too much natural capital and not reinvested enough, causing adverse effects. For instance, the large-scale use of fossil fuels is an important cause of climate change. To limit these harmful effects, society and the global economy need to transition to more sustainable consumption patterns and business models. As a wealth manager, we seek to act as a steward by helping our clients allocate their capital to organisations that are part of, or are well prepared for, these transitions. Furthermore, as an organisation, we impact natural capital through our daily operations, for which we consume energy, water and other inputs that harm the environment. We aim to lead by example, by reducing the impact of our own operations.

In the reporting year, we focused on the implementation of our climate change policy and progress against the corresponding targets. As a result, we made less progress on biodiversity preservation than we were initially aiming for.

Enhanced non-financial targets

We've been working to limit climate change for well over a decade, continuously enhancing our policies and approach. Having met our previous targets, in 2022 we set more ambitious targets across our business:

- Reduce direct carbon emissions via our own organisation by 7% per FTE per year, against 2019 baseline;
- 80% of funds and discretionary management solutions to comply with 7% average annual emission intensity reduction, against 2019 baseline;
- Grow coverage of the assessment of the carbon footprint of our assets under management (AuM) to 55-60% of carbon dioxide equivalent (CO_2e) emissions by end 2022;
- Reduce indirect carbon emissions via our mortgage portfolio per euro invested compared with previous year.

In addition, we have expanded the scope of our previous target for our private clients' AuM invested in sustainable and/or impact solutions, to all AuM invested in these solution categories. And we have set targets for the sustainability rating of our Kempen funds and the percentage of AuM in internal and external funds/mandates on the approved list that meet our basic sustainability criteria.

For more details on the KPIs and targets relating to our natural capital impact, see overleaf.

Responsible and sustainable investment

Given the size of our AuM, the biggest environmental impact we make relates to how we invest our clients' money. We therefore have an extensive responsible investment policy in place for all AuM. This policy has been developed and implemented internally, and is based on a long-term, focused investment philosophy coupled with an active ownership approach. We believe that an actively managed investment portfolio creates the most value in the long term, in both financial and non-financial (environmental, social and governance – ESG) terms.

We engage with fund managers and investee companies on a broad range of ESG topics, including environmental issues, and we exercise our voting rights at annual general meetings (AGMs). If fund managers or investees are not willing to comply with our minimum environmental standards, we may choose to divest. In addition to our responsible investment approach, we offer sustainable solutions. These contain more exclusion criteria, take a best-in-class approach and focus on creating positive impact.

Engagement versus divestment

As the world is now over two years into the critical decade in the fight against climate change, we increasingly face a dilemma: whether to continue to engage with oil and gas companies or to divest. Although alignment with the Paris Agreement is important for all companies, we believe the oil and gas sector in particular plays an essential role in the energy transition, and we therefore urge oil and gas companies to be at its forefront. Over the last two years, many oil and gas companies have increased climate change reduction ambitions – though not yet enough to align with the Paris Agreement. Through engaging with these companies, we hope to convince them to further raise their ambitions, thereby realising real-world impact.

At the same time, we're aware that the returns on many low-carbon solutions, such as wind energy, are lower than on oil and gas, and do not fit well within the current risk profile of energy companies. We're also aware of the energy supply crisis affecting much of the world right now. Both of these factors make it challenging for oil and gas companies to increase the availability of low-carbon solutions and set production targets aligned with the low-carbon energy mix needed to limit global heating to +1.5°C.

We aim to address this dilemma by cooperating with like-minded investors. Together with a group of other Dutch asset managers, in 2022 we published two statements urging oil and gas companies to increase their ambitions and prove their commitment to the Paris Agreement. In cooperation with these peers, we have set a two-year time limit within which we want to see significant progress. If insufficient progress is made, we will consider further actions, such as filing shareholder resolutions or divesting.

You can read more about how we weigh up this dilemma and fulfil our responsible investment approach in our upcoming Stewardship and Sustainable Investment Report.

Responsible and sustainable banking

Our banking activities are underpinned by our sense of corporate social responsibility. Our client due diligence policy supports sustainability, and we have a responsible lending policy in place.

We aim to better support our clients in making their homes more sustainable. Currently, our *Groenhypotheek* (green mortgage) solution offers lower interest rates to clients financing measures to make their homes more energy efficient. In 2023, we will enhance this proposition for clients buying or refinancing homes: the higher the energy efficiency, the lower the interest rate for the client.

Acting as a good corporate citizen

We want to lead by example, which is why we aim to continuously reduce the environmental impact of our own operations as well. To further reduce our carbon footprint in 2022, we adopted a new lease car policy and a new travel policy. As a result, we are in the process of switching our new lease cars to electric models, and we limit the number of business flights we take. For more information, see "Sustainable employment policies" on page 34.

We steer and monitor the value we create in terms of natural capital through a number of key performance indicators (KPIs):

KPIs	Targets	Performance in 2022	Performance in 2021
12. Sustainability rating of all Kempen funds by Morningstar	≥ 3.5	3.6	n/a
13. Decrease in carbon emissions:			
a. Direct emissions via our own organisation	-7.0% per FTE per year, against 2019 baseline	1.45 tonnes CO_2e (-40% compared with 2019)	1.10 tonnes CO_2e (-54% compared with 2019)
b. Alignment of our solutions with Paris Agreement:			
i. Kempen funds and discretionary management solutions	80% of funds comply with 7% average annual emission intensity reduction	88%	n/a
ii. Fiduciary management (FM) solutions	> 50% of FM clients have Paris Agreement-aligned goals	59%	n/a
c. Indirect emissions via our assets under management (AuM)	Coverage grows to 55-60% of CO_2e emissions by end 2022	56%	59%
d. Indirect emissions via our mortgage portfolio	CO_2e/€ < last year	+8.7%	-6.1%
14. Investment Strategies & Solutions sustainability ambition:			
a. Percentage of AuM invested in sustainable and/or impact wealth management solutions	+5 percentage points per year	20.6%	n/a
b. Percentage of AuM in internal and external funds/mandates on the approved list that meet the basic sustainability criteria	> last year	95%	n/a
c. Kempen listed funds engage with companies representing > 50% of carbon footprint of the fund	Engaged with companies representing > 50% of carbon footprint out of total portfolio	54 out of 55 companies (1 divested)	n/a

Carbon footprint

In 2022, the aggregate carbon footprint of our AuM was 2.8 million tonnes CO_2e (2021: 3.6 million tonnes CO_2e). The relatively low carbon footprint compared with previous years in part still reflects the impact of pandemic-related measures that were implemented in 2021, as carbon emissions data generally has a slight delay. For a large part, however, this reflects portfolio changes: our AuM are increasingly in sustainable investments, which have lower carbon intensities. We see this development in both the Private Clients and the Wholesale & Institutional Clients segments. For instance, 59% of our fiduciary management clients have adopted Paris Agreement-aligned benchmarks (KPI 13.b.ii), already achieving our 2023 target.

Coverage of the assessment of the carbon footprint of our AuM decreased to 56%, nonetheless meeting our 2022 target (KPI 13c). This decrease was mainly due to a relative shift within our AuM to more illiquid asset classes, for which less information is available on their carbon footprint. The carbon footprint of our AuM is partially determined by that of our own funds and discretionary management solutions. For these solutions, we have set a target to reduce emissions by an average of 7% per year (against a 2019 baseline). This reduction roughly aligns with that needed to achieve the central ambition of the Paris Agreement and the reduction prescribed by the EU climate benchmarks. At year-end 2022, 88% of our funds and discretionary management solutions met this target.

We also engaged with 54 out of the 55 top 50% most carbon-intensive companies in the portfolios of our Kempen funds, to encourage them to integrate climate risks and opportunities into their long-term business models and to enable them to thrive in the transition to a low-carbon economy (KPI 14c). We divested from the remaining company for non-climate change-related reasons.

The total indirect emissions per euro of our mortgage portfolio increased by 8.7% year on year, due to the colder weather in 2021 compared with 2020 (energy consumption data is only available one year later). While, on average, the energy-efficiency rating of the collateral for our residential mortgages improved. The total carbon footprint of our mortgage portfolio in 2022 increased to 28,726 tonnes CO_2e. The carbon footprint as disclosed in this annual report is based on our residential mortgage portfolio at year-end 2022 and energy consumption data over 2021. In contrast, in our 2021 annual report, only 2019 energy consumption data was available.

To monitor our progress against our target to reduce indirect emissions via our mortgage portfolio (KPI 13d), we apply the methodology prescribed by the Dutch chapter of the Platform Carbon Accounting Financials (PCAF), with some specific deviations. In collaboration with other parties, we contributed to the development of the PCAF score 3 methodology, whereby the carbon footprint of our residential mortgage portfolio is 101,221 tonnes CO_2e. This difference is primarily due to the fact that, under this methodology, we do not correct for the loan-to-value (LTV) ratio, and because this methodology takes into account the floorspace of the homes financed.

In our own organisation, absolute carbon emissions in 2022 totalled 2,775 tonnes, or 1.45 tonnes per FTE (2021: 1,984 tonnes, or 1.10 tonnes per FTE). The increase is mainly due to the lifting of pandemic restrictions in early 2022 in our countries of operation. Despite the increase, we remain on track to reduce the carbon emissions of our own organisation by at least 7% per FTE per year, against a 2019 baseline. More information on the environmental impact of our own operations can be found in our sustainability supplement: vanlanschotkempen.com/results.

Sustainability ambition

In 2022, 20.6% of our AuM were invested in sustainable and impact investment solutions. We aim to increase this by 5 percentage points per year (KPI 14a). By year-end 2022, we had screened 58% of our AuM (2021: 57%). Of these screened assets, 33% were invested in sustainable investment solutions and 3% in impact investment solutions (2021: 25% and 2% respectively).

In 2022, the percentage of internal and external funds/ mandates on our approved list that met our basic sustainability criteria was 95% (KPI 14b).

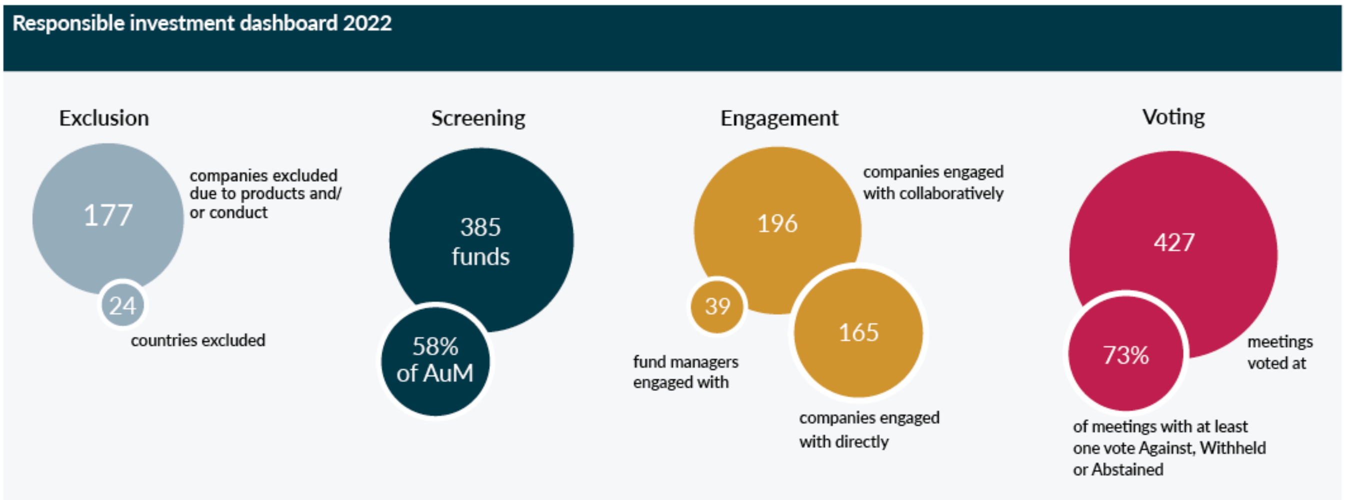
Active ownership

Including our engagements with the top 50% most carbon-intensive companies in our Kempen funds, we conducted direct engagements for change with 165 individual companies on a wide range of ESG issues. In addition to these direct engagements, we conducted 196 collaborative engagements with companies and 39 dialogues with external fund managers.

We also use our voting rights in line with our engagement activities. In 2022, we voted at 427 meetings, or 96% of all votable meetings (2021: 437 meetings, 96%). We voted "abstain" or "against" on at least one item at 73% of these meetings.

In general, the objective of these engagements is to encourage investee companies to address ESG issues and further contribute to the transitions that are needed to move to more sustainable economies and societies. One of our engagement successes was with Czech utility company CEZ, one of the ten largest listed utility companies in Europe. CEZ's main activities are the generation, distribution, trade and sale of electricity and heat, trade and sale of natural gas, provision of energy services, and coal mining. A significant part of the energy that it generates and distributes comes from coal-fired power – making it one of the largest emitters of greenhouse gases (GHG) in Central Europe. However, in part due to our engagement, CEZ has set and started to implement an ambitious climate change mitigation strategy. In a press release, CEZ recognised the role that we and other Climate Action 100+ lead engagers have played here.

More information on our active ownership activities can be found in our upcoming Stewardship and Sustainable Investment Report.



Carbon footprint of our assets under management[1]										
CO_2e of AuM	Total AuM (€ billion)		Absolute footprint (million tCO_2e, scope 1 and 2 GHG emissions)		Relative footprint (tCO_2e/€ m invested, scope 1 and 2 GHG emissions)		Carbon intensity (tCO_2e/€ m sales, scope 1 and 2 GHG emissions)		Coverage scope 1 and 2 GHG emissions data (CO_2e based on % AuM)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Private Clients	40.5	44.6	1.1	1.6	46.3	60.2	–	–	60%	59%
Wholesale & Institutional Clients	67.3	67.6	1.7	2.1	46.0	52.4	96.4	123.5	54 %	58%
Total	**107.8**	**112.1**	**2.8**	**3.6**	**46.1**	**55.5**	**–**	**–**	**56%**	**59%**

Our EU Taxonomy eligibility

For the first time in 2021, we disclosed information regarding the eligibility of our assets to the EU Taxonomy. The EU Taxonomy provides a common classification system by which economic activities, loans or investments that facilitate these activities are considered "green". Our disclosure is limited to "eligibility" as opposed to "alignment", in accordance with regulations, because investee companies are only obliged to report on how their activities were aligned with the EU Taxonomy as of 1 January 2023 over full-year 2022. Like other financial institutions, we will therefore report on our EU Taxonomy alignment in 2023 when information on the alignment of our investee companies becomes available.

By marking assets on our balance sheet as "EU Taxonomy-eligible", we denote that these have been earmarked as "potentially green" because they help to limit or mitigate the consequences of climate change.

At year-end 2022, €8,027 million out of our total €17,059 million in assets on our balance sheet were EU Taxonomy-eligible. This corresponds to 47% of total assets on our balance sheet being exposed to EU Taxonomy-eligible economic activities, and 53% not being exposed to such activities. The share of assets on our balance sheet that is not eligible comprises the categories that are not in scope for the EU Taxonomy: 21.1% of total assets on our balance sheet is exposed to central governments, central banks and supranational issuers; 3.1% comprises derivatives; and 18.8% is exposed to undertakings that are not obliged to publish non-financial information pursuant to the Non-Financial Reporting Directive (NFRD).

Summary of EU Taxonomy eligibility of activities	Total gross carrying amount (€ million)	Total assets (%)	GAR assets (%)
Exposures to EU Taxonomy-eligible economic activities	8,027	47.1	59.7
Exposures to EU Taxonomy-ineligible economic activities	4,448	26.1	33.1
– of which exposures to undertakings that are not in scope of the NFRD	3,201	18.8	23.8
Derivatives	532	3.1	4.0
On-demand interbank loans	93	0.5	0.7
Other assets not eligible for green asset ratio (GAR) calculation	347	2.0	2.6
Total GAR assets	**13,447**	**78.8**	**100.0**
Exposures to central governments, central banks and supranational issuers	3,592	21.1	–
Trading portfolio	19	0.1	–
Total assets	**17,058**	**100.0**	**100.0**

Our EU Taxonomy-eligible assets on the balance sheet comprise our mortgage portfolio, mortgages distributed by third parties, positions in residential mortgage-backed securities, exposures to a residential mortgage fund, and eligible positions in Van Lanschot Kempen funds in which we invest via our own book: €8,027 million in total. As a consequence of our wealth management strategy, and compared with other financial institutions, we have a relatively limited portfolio of other loans. This portfolio generally comprises products that are supplemental to our private banking relationship model – for instance, loans provided to family businesses, business professionals, healthcare professionals and entrepreneurs. In the main, these counterparties are not marked as public interest entities – i.e. are not covered by the NFRD – and for this reason, these loans are not in scope for the EU Taxonomy.

[1] CO_2e figures based on 2021 data (scope 1 and 2); underlying assets under management as at 30 September 2022.

Note that only a proportion of our EU Taxonomy-eligible assets will also be EU Taxonomy-aligned. For instance, based on reports issued by the European Commission, only mortgages used to finance residential real estate that is within the top 15% in the Netherlands in terms of energy efficiency (with an energy performance certificate (EPC) of A or higher), or that has realised an improvement of 30% in primary energy demand after renovations, can be classified as EU Taxonomy-aligned. To provide some insight into the EU Taxonomy alignment of our residential mortgage portfolio, at year-end 2022 approximately 16% of the homes for which we know the EPC have a rating of A or higher. In 2022, we were able to assess the EU Taxonomy eligibility of our positions in a selection of our own investment funds.

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

Quantifying our value creation

Overview of natural capital: inputs and outputs

Input (€ million)	From	Amount 2022	Amount 2021	Output (€ million)	For	Amount 2022	Amount 2021
Energy, water, etc.	S	n/a	n/a	Client investments in sustainable equity funds (AuM)[2]	S	32.6	7.3
				Carbon footprint of our AuM	S	-468.6	n/a
				Carbon footprint of our balance sheet	S	-17.9	n/a
				Carbon footprint of our own organisation	S	-0.5	n/a

S: society

As this table shows, our impact on natural capital – both positive and negative – is mainly via the products and solutions we provide and our organisational footprint. By comparison, the natural capital inputs that we use – such as energy and water – are limited and are therefore not reported. Van Lanschot Kempen's primary inputs come from financial capital streams, and are transformed into natural capital outputs.

Client investments in sustainability-labelled equity funds

As shown in the table above, the natural capital alignment of all our sustainability-labelled equity funds in aggregate (€731 million) is estimated at €32.6 million (2021: €7.3 million). If the €731 million had been invested in benchmark funds instead, the natural capital alignment would be estimated at -€67.2 million (2021: -€111.7 million).

Our calculations were based on company sales data per investee, indicating which portion of sales could be linked (positively or negatively) to a set of natural and social themes, provided by a data vendor. Adding up the sales numbers for the natural themes resulted in the total contribution to natural capital. Although we recognise that this aggregation may result in a product or service of an investee being attributed to more than one (natural or social) theme, we do not expect this to materially influence the final outcome of our analysis. The main reason is that our aggregation is conducted both for positive and negative impacts, and consequently smooths out the potential for double-counting.

More information on the natural capital alignment of our sustainable investment funds can be found in our upcoming Stewardship and Sustainable Investment Report.

Carbon footprint of our AuM, balance sheet and own organisation

Starting in 2022, we made progress on expressing the impact of the carbon footprint associated with our AuM, balance sheet and own organisation in monetary terms. It's widely acknowledged that our current level of carbon emissions will have a profound impact on society in the longer term, in the form of climate change and all its likely effects. Various institutions have estimated the costs for future generations to address these effects — with the most generally accepted estimate so far being provided by the US Environmental Protection Agency. Based on this, we estimate the costs of our carbon footprint at approximately €468.6 million (AuM), €17.9 million (balance sheet) and €0.5 million (own organisation) in 2022.

Next steps

Our focus will be on helping our clients navigate the energy transition and challenging our investee companies to adapt faster to that transition. In 2023, we will step up our strategic engagement efforts and urge companies to bring forward their ambitions and actions regarding the energy transition. Furthermore, we will start implementing our biodiversity policy.

[2] Based on three sustainable funds with a total value of €731 million, and SDG alignment data based on the 2021 financial year.

Overcoming limiting beliefs

I joined Van Lanschot Kempen four years ago because I wanted to make an impact on the sustainability side of things. But to be completely honest, I had imposter syndrome: I'd convinced myself that people in the financial sector would be very cold and analytical. So I forced myself to be the way that I thought everyone else was – and wanted me to be. I couldn't have got things more wrong!

Through an off-site programme called The Gift, I realised that the only thing holding me back was my own limiting beliefs. I'm not just a process person – I'm a people person. At Van Lanschot Kempen, we pride ourselves on the personal touch we offer our clients. And in the stewardship space that I work in, that translates into the attentive listening we do when a fiduciary client comes to us with their goals. But I'd missed that entirely at the level of my interpersonal relationships with colleagues – which is where it matters most. Suddenly, I realised that everyone has their own stories and everyone craves that human connection. I started seeing the warmth between colleagues in meetings. I'm no longer afraid to laugh or to show my vulnerability. And far from being a drawback, connecting to the personal is what allows me to do my job to the best of my ability.

Eszter Vitorino – Lead Expert, Sustainability Advisory

Engaging on social issues

Social capital

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

Our approach

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

Responsible and sustainable investment

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

Living better for longer is one of our sustainability focus themes. In 2022, we published our vision statement on this theme, outlining how we aim to contribute to the food transition, thereby helping society at large to live longer and in better health.

Investing in weapons versus exclusion

In 2022, we faced a dilemma that was triggered by the geopolitical situation in which the world found itself. While controversial weapons have always been on our exclusion list, conventional weapons were not. Some of our clients, even before the war in Ukraine, wanted to exclude all weapon-producing companies; we provided them with a solution. However, because of the war, a growing number of clients want to continue investing in conventional weapons. This confirms our current policy: when defence is necessary, investing in weapons can also be seen as necessary. We will evaluate our weapons policies in 2023.

Human rights

In the reporting year, we also updated our human rights policy. The revised policy is much more comprehensive and explains how we seek to respect international human and labour rights in every role we play. The policy summarises our commitments to monitor and increase the level of responsible business conduct, and respect and adhere to the human rights of all stakeholders, in terms of the organisations that we invest in, the businesses we finance, our business partners and our own operations. As any significant negative impacts are expected to be a consequence of the operations of investee companies, we aim to ensure access to appropriate remediation for local stakeholders by engaging with these companies.

Our human rights policy is based on our commitments to the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and a range of International Labour Organization and UN conventions. It stipulates how we conduct due diligence, apply the precautionary principle and respect human rights. This includes forbidding child labour, forced labour, human trafficking and discrimination, as well as respecting freedom of association, equal remuneration, the right to collective bargaining and other rights. The policy has been approved by our Sustainability Board and adopted throughout our operations. Implementation of the policy is the responsibility of the business, and of members of our Sustainability Investment Council and Sustainability Council Loans and Own Organisation. Our integrated human rights policy is available on our website: vanlanschotkempen.com/en/sustainability/policy.

Client experience

As a wealth manager, our success and that of our clients is grounded in our ability to provide easy-to-access, seamless customer journeys via various channels (e.g. app, face-to-face, phone) and the right services and solutions at the right time, leading to high levels of client satisfaction. By doing so, we better help our clients achieve their long-term (financial) goals. We continuously work on improving our client experience – for instance, by improving our apps – and enhancing our product and service offering. We assess the quality of our clients' experience via the Net Promoter Score (NPS) and the number of repeat clients. Through the services we provide to clients, we indirectly impact the environment and communities.

Ethics and integrity

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

The Banking Code, with which we comply, sets out principles for sound and controlled business operations, corporate governance, risk management policies, and audit and remuneration policies. As stated in the Banking Code, the Management and Supervisory Boards are responsible for developing and maintaining standards of integrity and ethical behaviour.

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

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

Connecting sustainability ambassadors

To ensure sustainability is embraced throughout the entire organisation, we have designated sustainability ambassadors. Over the course of 2022, internal and external training programmes took place, focused on connecting and empowering ambassadors to be sustainability challengers within their teams.

We steer and monitor the value we create in terms of social capital through a number of key performance indicators (KPIs):

KPIs	Targets	Performance in 2022	Performance in 2021
15. Net Promoter Score (NPS):			
a. Private Clients	20	36	36
b. Evi	10	-1	15
c. Wholesale & Institutional Clients	20	n/a[1]	38
16. Investment Banking Clients: number of successful transactions with repeat Corporate Finance clients (five-year period)	50-60%	78%	n/a
17. Number of interactions (indexed) with institutional investors by Securities	130 (2020 baseline: 100)	103	n/a
18. Average Morningstar analyst rating	≥ last year	1 gold 1 silver 4 neutral	1 gold 1 silver 2 bronze 2 neutral
19. Engagements for change on social and governance issues for which at least one milestone has been reached in the past year	10-15 engagements per year	30	n/a
20. Percentage of employees who believe they have a responsibility to behave ethically	≥ benchmark (86%) ≥ last pulse/EES (if below benchmark)	90%	90%
21. Percentage of employees who believe the company culture holds everyone to the same standards of ethical behaviour and promotes transparent communication	≥ benchmark (79%) ≥ last pulse/EES (if below benchmark)	85%	n/a
22. Products and services are subject to strict approval and review procedures, including relevant assessments by Compliance	Yes	Yes	n/a

Client relations

Our relationship with clients is one of our most important assets. To measure their satisfaction and loyalty, we use the NPS, which provides insight into client loyalty and the number of promoters of the organisation. The score lies within a range of -100 to 100 points, the higher the better. The formula is as follows: NPS = % 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. We measure this four times a year for Private Clients and Evi van Lanschot, and once every two years for Wholesale & Institutional Clients.

In 2022, our private clients[2] awarded us an NPS of 36, higher than our target of 20 and the same as in 2021. This can be attributed to our proactive approach in talking to our clients, especially during times of increased market uncertainty.

The NPS for Evi van Lanschot fell to -1 in 2022, lower than our target of 10 and down from our 2021 score of 15. The NPS for Evi van Lanschot was impacted by disappointing absolute results on clients' investment portfolios.

For the Wholesale & Institutional Clients segment, we measure the NPS once every two years, as the relationships with – and solutions provided to – institutional clients do not change as quickly as can be the case with private clients. The most recent NPS of 38 awarded by wholesale and institutional clients in 2021 was above our target of 20.

Among our Corporate Finance clients, building long-term client relationships is measured via the percentage of successful transactions with repeat clients during a year. A client is defined as a repeat Corporate Finance client if they have made a successful transaction with us in the past five years. The score on this KPI indicates whether existing clients are doing business with us again, as well as our ability to acquire new clients. In 2022, 78% of transactions were with repeat clients, above our target range of 50-60%. This indicates client loyalty is high and shows that our clients value the quality of the services we provide.

The quality and relevance of the services we offer our Securities clients is measured through the number of interactions we have with our institutional clients. In 2022, the number of interactions (indexed against a 2020 baseline) stood at 103 – falling short of our target of 130, because of our focus on launching our sustainable opportunities offering in 2022.

[1] We only measure the NPS for Wholesale & Institutional Clients once every two years.
[2] Only clients who belong to the Private Clients segment's target group.

A crucial element in our relationship with clients is the extent to which their expectations are met by the quality and effectiveness of our solutions. The quality of our investment strategies is measured via the average Morningstar rating of these strategies in the institutional share class. At year-end 2022, our strategies were awarded 1 gold, 1 silver and 4 neutral ratings, which is down from the Morningstar ratings we held at year-end 2021 – and therefore not meeting our target.

Active ownership

Active ownership is one of the pillars of our responsible investment approach. Through engagement and voting, we aim to use our influence as an investor to improve corporate policies and/or behaviour on specific ESG issues. In 2022, we conducted 106 engagements for change. Half of these engagements included a governance and/or social element. For 30 of these engagements, we achieved at least one milestone in the past year, meeting our target to achieve at least one milestone for 10–15 engagements per year.

One of these engagements was with Alphabet, the parent company of Google and YouTube. We had already reached out to Alphabet in 2019 due to concerns about the company's lack of transparency on human rights and the board's lack of oversight of these issues. To advance these discussions, in 2020 we co-filed a resolution for Alphabet's AGM. Since then, the company has developed policies on the issue and established a board-level committee to monitor human rights risks.

At the 2022 AGM, we submitted a second resolution along with other shareholders, asking Alphabet to conduct an independent human rights impact assessment. The resolution received strong support from Alphabet's shareholders. We will continue to engage with Alphabet on this issue and monitor the company's progress.

Ethical behaviour

Our approach to ethical behaviour is described at the beginning of this section. We monitor whether our employees positively rate our culture regarding ethical behaviour and integrity via employee surveys. Employees are asked to evaluate whether we operate with integrity in both our internal and external dealings, and if they feel they could report dishonest or unethical practices without fear of reprisal. The outcome is benchmarked against other financial services firms (by an external organisation) and was above the industry average at the end of 2022, in line with our target.

In 2022, two ethical incidents were reported (2021: two incidents), which have since been handled according to the relevant policies and procedures.

Quantifying our value creation

Overview of social capital: inputs and outputs

Input (€ million)	From	Amount 2022	Amount 2021	Output (€ million)	For	Amount 2022	Amount 2021
Social capital input has not been quantified				Client investments in sustainable equity funds (AuM)	S	37.4	48.6

S: society

As this table shows, our main impact on social capital – both positive and negative – is via the products and solutions we provide. We currently only quantify the impact we make via our client investments. Our social capital inputs consist of private clients, Evi clients, fiduciary mandates and investment banking transactions, but we do not quantify these in monetary terms.

Client investments in sustainable equity funds

As with natural capital, we quantified the social capital outcomes of our clients' assets. Based on our assessment, our sustainable equity funds in aggregate over 2022 (€731 million) made a net positive contribution of €37.4 million to seven social themes[3]. If the €731 million had been invested in the benchmarks of these sustainable equity funds instead, the social capital alignment would be estimated at €31.7 million.

More information on the social capital alignment of our sustainable investment funds can be found in our upcoming Stewardship and Sustainable Investment Report.

Next steps

In 2023, we will continue to use our influence to improve the corporate behaviour of our investee companies on social issues. We will publish new policies on living better for longer, and on a smart and circular economy, in 2023. In doing so, we will contribute more to the food and materials transitions. We expect the positive impact of these to become more meaningful in 2024.

[3] Based on three sustainable funds with a total value of €731 million, and SDG alignment data based on the 2021 financial year.

Van Lanschot Kempen Foundation

The Van Lanschot Kempen Foundation focuses on five social themes in all countries in which we have an office and employees. We aim to make the largest possible positive impact on people who need our help, by supporting community projects in financial education, healthier living, cultural education and social cohesion through sports. The overarching new theme of the Foundation aligns with Van Lanschot Kempen's purpose and the Sustainable Development Goal for a sustainable living environment.

An important feature of our Foundation activities is that we always seek to combine a financial donation with the – pro bono – deployment of Van Lanschot Kempen staff. Employees can spend eight working hours per year on Foundation activities. In this way, we hope to make a positive impact on society as well as on our employees. Participation in Foundation activities connects our staff to new people and unfamiliar situations, resulting in new experiences and energy.

With the pandemic abating in 2022, we were able to resume our in-person activities – for example, at De Spelen Rotterdam and Amsterdam through NL Cares, financial education in classrooms, Onbegrensd Avontuur and Voedselbank Amsterdam. We also engaged employees by collecting winter clothes for people in Ukraine affected by the war.

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

1737 VAN LANSCHOT KEMPEN Foundation

Sponsorship

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

Our main cultural sponsorship activities are as follows:
- Van Lanschot Kempen is the main sponsor of Het Concertgebouw in Amsterdam. This five-year partnership fits with our focus on preserving and creating wealth in the broadest sense of the word.
- Van Lanschot Private Banking became partner of the Grachtenfestival. This four-year partnership is the result of successful collaboration between the festival and our company since 2019.
- Van Lanschot Private Banking is partner of the Van Gogh Museum. This three-year partnership is the result of successful collaboration between the museum and our company since 2015.
- We also partner with many other museums: Het Kröller-Müller Museum, Het Noordbrabants Museum, Het Mauritshuis, Museum Boijmans Van Beuningen and Museum Voorlinden.

Other sponsorship activities include:
- Van Lanschot Kempen is a partner of the Topsport Community. This three-year partnership connects the worlds of sport, business, science and culture, and focuses on sharing knowledge.
- Van Lanschot Kempen is a partner of the EY Entrepreneur of the Year Award. This programme supports entrepreneurs as they unlock their ambitions, by recognising entrepreneurial achievement among individuals and companies.
- Van Lanschot Kempen and Nyenrode Business University signed a five-year partnership introducing the Chair in Family Businesses and Ownership Dynamics. The goal is to gain more knowledge about how the dynamic between owners materialises, how it can be further developed in a sustainable way, and how it affects the company as well as society.
- Since the beginning of 2023, Evi van Lanschot has been sponsoring four-time world champion and Olympic medallist Marit Bouwmeester on her journey to the 2024 Olympic Games in Paris.

Bringing my whole self to work

I joined Van Lanschot Kempen's Client Administration team in the thick of the pandemic, between my Bachelor's and Master's degrees in psychology. I felt so at home that I decided to stay on during my studies. Since then, I've transitioned to the role of Inclusion & Diversity Specialist in the HR team, and I'm Chair of our LGBTQ+ Committee. This transition wasn't the most conventional one, but my managers have fully supported me every step of the way – and not just in my work.

As a queer individual, I didn't expect that I'd be able to bring my whole self to work – especially at a centuries-old wealth manager. But at Van Lanschot Kempen, I feel truly safe to do so. Even at the highest level of the company, there's space for personal stories and recognition for every individual. For example, our Chief Risk Officer, Wendy Winkelhuijzen, is the official sponsor of our LGBTQ+ Committee, and in 2022 she signed Workplace Pride's Declaration of Amsterdam on behalf of our company. With our clients, too, we're working on the most inclusive ways to address people. Every day, I see all the exceptions we're willing to make for our colleagues, the support we give each other in our ideas, the space we give one another to grow in our own ways. Van Lanschot Kempen's personal approach makes me feel very lucky to work here and proud to call this company my employer.

Mike van de Langenberg – Inclusion & Diversity Specialist

Financial performance

Key financial data

€ million	2022	2021		H2 2022	H1 2022
Statement of income					
Net result	84.3	143.8	-41%	36.1	48.2
Underlying net result	117.8	159.9	-26%	57.1	60.7
Efficiency ratio (%)	73.1	68.9		72.5	73.7

€ billion	31/12/2022	31/12/2021		30/06/2022	
Client assets	124.2	131.2	-5%	118.5	5%
– Assets under management[1]	107.8	115.6	-7%	102.8	5%
– Assets under administration	3.7	3.8	-3%	3.8	-4%
– Savings and deposits	12.7	11.7	8%	11.9	7%

€ million	31/12/2022	31/12/2021		30/06/2022	
Statement of financial position and capital management					
Equity attributable to shareholders	1,281	1,308	-2%	1,244	3%
Equity attributable to AT1 capital securities	102	102	0%	102	0%
Equity attributable to non-controlling interests	0	0		0	5%
Savings and deposits	12,726	11,730	8%	11,933	7%
Loans and advances to clients	9,364	8,876	6%	9,094	3%
Total assets	17,018	16,307	4%	16,702	2%
Loan-to-deposit ratio (%)	73.6	75.7		76.2	
Total risk exposure amount	4,272	3,921	9%	4,482	-5%
Common Equity Tier 1 ratio (%)[2]	20.6	23.7		20.2	
Tier 1 ratio (%)[2]	22.9	26.3		22.5	
Total capital ratio (%)[2]	26.4	30.1		25.8	
Liquidity coverage ratio	178.3	172.0		173.0	
Net stable funding ratio	158.1	163.0		160.4	

Key figures	2022	2021		H1 2022	
Weighted average of outstanding ordinary shares (x 1,000)	40,706	40,910	-0%	40,793	-0%
Underlying earnings per ordinary share (€)	2.72	3.74	-27%	1.40	
Return on average Common Equity Tier 1 capital (%)[3]	12.3	15.7		12.5	
Number of staff (FTEs at period end)	1,780	1,654	8%	1,713	4%

Results

2022 was a strong financial year, which resulted in a net profit of €84.3 million and an underlying net result of €117.8 million. We propose a dividend of €1.75 per share for 2022 (2021: €2.00 per share).

The decline in net result compared with 2021 was caused by several factors. Firstly, special items increased due to the acceleration of the acquisition of the remaining stake in Mercier Vanderlinden. Secondly, income from securities and associates fell as a result of lower valuation gains and book profits compared with 2021. Thirdly, 2021 saw higher releases in impairments due to reversed impairments on participating interests.

At the same time, both commission income and interest income were up by 6%, while operating expenses rose in line with planned growth in FTEs.

Client assets declined to €124.2 billion (2021: €131.2 billion), and our assets under management (AuM) dropped by 7% to €107.8 billion. This was driven by a negative market performance of €21.5 billion. The net inflow in AuM was strong, with €2.0 billion in our Private Clients segment and €11.6 billion in our Wholesale & Institutional Clients segment.

[1] In 2022, €3.0 billion was reclassified from assets under monitoring and guidance to assets under management. Comparative figures as at 31 December 2021 and 30 June 2022 have been adjusted accordingly.
[2] Full-year 2022 and 2021 including retained earnings; half-year 2022 excluding retained earnings.
[3] Return on average Common Equity Tier 1 capital is calculated based on underlying (annualised) net result.

Financial results (€ million)	2022	2021		H2 2022	H1 2022
Commission	407.8	385.5	6%	206.4	201.3
– of which securities commissions	*350.4*	*330.1*	*6%*	*173.7*	*176.7*
– of which other commissions	*57.4*	*55.4*	*4%*	*32.8*	*24.6*
Interest	162.7	153.6	6%	93.0	69.7
Income from securities and associates	7.8	65.9	-88%	1.6	6.2
Result on financial transactions	21.3	-10.3		5.5	15.8
Income from operating activities	**599.7**	**594.7**	**1%**	**306.6**	**293.1**
Staff costs	298.3	273.0	9%	154.0	144.3
Other administrative expenses	123.5	119.7	3%	59.4	64.2
– of which regulatory levies and charges	*12.1*	*13.9*	*-13%*	*1.1*	*11.0*
Depreciation and amortisation	16.3	17.3	-6%	8.8	7.5
Operating expenses	**438.2**	**409.9**	**7%**	**222.2**	**216.0**
Gross result	**161.5**	**184.8**	**-13%**	**84.4**	**77.1**
Addition to loan loss provisions	-7.7	-11.7	34%	-0.5	-7.2
Other impairments	1.1	-6.5		–	1.1
Impairments	**-6.6**	**-18.1**	**63%**	**-0.5**	**-6.1**
Operating profit before tax of non-strategic investments	0.6	4.8	-87%	0.5	0.1
Operating profit before special items and tax	**168.7**	**207.7**	**-19%**	**85.4**	**83.3**
Amortisation of intangible assets arising from acquisitions	14.9	11.3	31%	7.3	7.6
Expenses related to accounting treatment of Mercier Vanderlinden	29.6	8.5		24.7	4.9
Provision for revolving consumer credit	-2.0	3.3		-2.0	–
Restructuring charges: Hof Hoorneman	0.7	3.9	-82%	0.4	0.3
Other one-off items	6.5	2.3		-3.4	9.9
Operating profit before tax	**119.0**	**178.5**	**-33%**	**58.4**	**60.6**
Income tax	34.7	34.6	0%	22.3	12.4
Net result	**84.3**	**143.8**	**-41%**	**36.1**	**48.2**
Underlying net result	**117.8**	**159.9**	**-26%**	**57.1**	**60.7**

Underlying net result (€ million)	2022	2021		H2 2022	H1 2022
Net result	**84.3**	**143.8**	**-41%**	**36.1**	**48.2**
Expenses related to accounting treatment of Mercier Vanderlinden	29.6	8.5		24.7	4.9
Provision for revolving consumer credit	-2.0	3.3		-2.0	–
Restructuring charges: Hof Hoorneman	0.7	3.9	-82%	0.4	0.3
Other one-off items	6.5	2.3		-3.4	9.9
Tax effects	-1.4	-1.8	24%	1.3	-2.6
Underlying net result	**117.8**	**159.9**	**-26%**	**57.1**	**60.7**

Private Clients, Wholesale & Institutional Clients and Investment Banking Clients made positive contributions to the underlying net result. The net result of the Other activities segment is negative, and includes group function costs that are not allocated to the client segments.

The underlying result before tax for 2022 is the gross result adjusted for special items, namely expenses relating to the accounting treatment of Mercier Vanderlinden, a release of provision for revolving consumer credit, restructuring charges relating to the integration of Hof Hoorneman and other one-off items, including a settlement in an interest rate derivatives case (€34.9 million negative effect before tax).

Underlying result before tax by segment (€ million)

Operating segments in 2022 (€ million)	Private Clients	Wholesale & Institutional Clients	Investment Banking Clients	Other	Total
Statement of income					
Commission	270.4	78.4	56.0	2.9	**407.8**
Interest	155.8	-0.0	-0.0	7.0	**162.7**
Other income	2.2	-0.2	-1.0	28.1	**29.2**
Total income from operating activities	**428.3**	**78.2**	**55.0**	**38.1**	**599.7**
Staff costs	93.6	10.5	26.0	168.2	**298.3**
Other administrative expenses	58.0	8.8	8.4	48.3	**123.5**
Allocated expenses	118.0	56.0	10.5	-184.5	**–**
Depreciation and amortisation	1.4	0.0	0.3	14.5	**16.3**
Total expenses	**271.0**	**75.3**	**45.3**	**46.5**	**438.2**
Operating result before tax	**157.3**	**2.9**	**9.7**	**-8.4**	**161.5**
Impairments	-7.6	–	–	0.9	**-6.6**
Operating result before tax of non-strategic investments	–	–	–	0.6	**0.6**
Operating result before special items and tax	**164.9**	**2.9**	**9.7**	**-8.8**	**168.7**
Amortisation of intangible assets arising from acquisitions	13.4	0.7	–	0.8	**14.9**
Expenses related to accounting treatment of Mercier Vanderlinden	29.6	–	–	–	**29.6**
Provision for revolving consumer credit	-2.0	–	–	–	**-2.0**
Restructuring charges: Hof Hoorneman	0.2	–	–	0.5	**0.7**
Other one-off items	6.5	–	–	–	**6.5**
Operating result before tax	**117.1**	**2.2**	**9.7**	**-10.0**	**119.0**
Underlying result before tax	**151.4**	**2.2**	**9.7**	**-9.5**	**153.8**

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

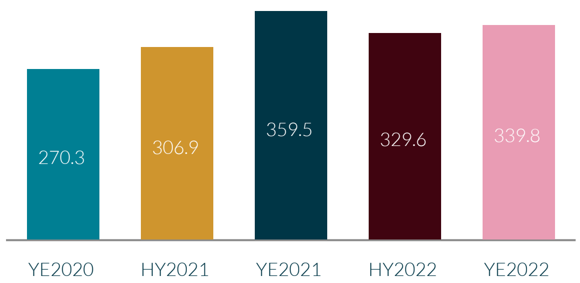
Commission

Commission (€ million)	2022	2021		H2 2022	H1 2022
Securities commissions	350.4	330.1	6%	173.7	176.7
– Management fees	*331.4*	*305.5*	*8%*	*165.4*	*165.9*
– Transaction fees	*19.0*	*24.6*	*-23%*	*8.2*	*10.8*
Other commissions	57.4	55.4	4%	32.8	24.6
Commission	**407.8**	**385.5**	**6%**	**206.4**	**201.3**

Commission income grew by 6% compared with 2021 to €407.8 million, and accounted for 68% of our total operating income (2021: 65%). Securities commissions increased by 6%, driven by higher income from management fees. Despite the negative market performance, average AuM volumes were higher throughout 2022 than in 2021. Volumes benefited from the net inflow in AuM in both our Private Clients and Wholesale & Institutional Clients segments, as well as from the effect of a full year of Mercier Vanderlinden's contribution, given the addition from July 2021 onwards. Other commissions increased, mainly as a result of Corporate Finance deals in our Investment Banking Clients segment.

Annualised recurring securities commission (run rate) was at a lower level compared with year-end 2021, because of the decline in AuM. Annualised recurring fees are determined by multiplying the AuM on the reporting date by the management fee per client to determine the expected annualised management fee, assuming the AuM remains unchanged. The expected annual transaction fees relating to these client portfolios are then added to this number.

Annualised run rate securities commission income (€ million)



Private Clients' 2022 commission income amounted to €270.4 million (2021: €244.4 million). The increase is partly due to the full year of Mercier Vanderlinden's contribution (an increase of €16.7 million compared with 2021). Private Clients' margin on AuM increased slightly to 63 basis points in 2022 (2021: 62).

Wholesale & Institutional Clients' 2022 commission income amounted to €78.4 million, which represents a decline from 2021 (€81.4 million) because the latter included a one-time performance fee of €5.5 million, while 2022 included €0.9 million in performance fees. The margin for the Wholesale & Institutional Clients segment remained stable at 12 basis points in 2022 (the same as in 2021).

The Investment Banking Clients segment performed well in 2022, with commission income of €56.0 million at a slightly higher level compared with 2021 (€55.3 million). The commission income of Corporate Finance and Equity Capital Markets (ECM) deals was €44.7 million (6% higher than in 2021) on the back of multiple deals, driven by strong performance in mergers & acquisitions (M&A) in particular.

Interest

Interest (€ million)	2022	2021		H2 2022	H1 2022
Clean interest margin	159.2	141.2	13%	92.1	67.1
Loan commission	1.7	2.9	-42%	0.9	0.8
Early redemption fees	5.8	13.3	-56%	1.8	4.0
Miscellaneous interest income and charges	-4.0	-3.9	-4%	-1.8	-2.3
Interest	**162.7**	**153.6**	6%	**93.0**	**69.7**

The reporting year saw a significant increase in key interest rates in the eurozone, with our net interest income benefiting from interest rate rises in the second half of 2022. Our 2022 interest income of €162.7 million was up 6% on the €153.6 million achieved in 2021.

In comparison with year-end 2021, the total interest margin (12-month moving average) fell by 4 basis points to an average of 94 basis points. Since the second half of 2022, however, margins have bottomed out and started to increase. The “clean interest margin” even increased by 3 basis points compared with its level at the end of 2021, to 95 basis points at the end of 2022.

Savings
After more than a decade of low and even negative interest rates, the European Central Bank (ECB) began raising the deposit rate, from -0.5% in July to 2% in December. As a result, margins on savings rapidly improved over the course of the year. We stopped charging negative interest on large deposit balances in October 2022. And for private clients who invest with us, we offer a wealth management arrangement: the size of a client's investment portfolio determines the extent to which they can hold savings at more favourable interest rates.

Loans
Net interest income on mortgages declined and early redemption fees decreased further, driven by fewer prepayments as interest rates rose. The decrease in lending margin is partly offset by higher income on hedge derivatives related to the mortgage portfolio and growth in our total loan portfolio of €0.5 billion to €9.4 billion.

Income from securities and associates

Income from securities and associates (€ million)	2022	2021		H2 2022	H1 2022
Dividend	4.4	10.9	-60%	2.5	1.8
Realised capital gains	7.2	19.0	-62%	0.0	7.2
Valuation gains and losses	-3.7	36.1		-0.9	-2.8
Income from securities and associates	**7.8**	**65.9**	**-88%**	**1.6**	**6.2**

Income from, and book value of, securities and associates (€ million)	Income 2022	Income 2021	Book value year-end 2022	Book value year-end 2021
Van Lanschot Participaties (minority interests)	10.1	36.5	47.8	52.2
Bolster Investment Coöperatief UA	6.3	3.9	63.1	51.3
Co-investments in own products	-8.6	23.0	123.3	202.3
Other equity investments	0.1	2.6	2.0	1.7
Total from securities and associates	**7.8**	**65.9**	**236.2**	**307.5**

Income from securities and associates relates to investments of our equity investment company, Van Lanschot Participaties, and our investment in Bolster Investments Coöperatief UA. We also take positions in our own investment funds – for instance, by providing seed capital or in order to align with our clients' interests.

In the first half of the year, a participation interest owned by private equity fund Newion I – in which we invest – was sold. This resulted in a book profit of €7.1 million.

Valuation gains and losses declined by €39.8 million to -€3.7 million in 2022, reflecting the positive results in our private equity portfolio and lower results in our own investment funds compared with 2021.

The total result of our own investment funds worked out at €2.9 million (2021: €13.2 million), consisting of -€8.6 million on our own investment funds and €11.5 million on hedges. The hedges are reported under Result on financial transactions. The book value of our own investment funds decreased due to negative market performance and the divestment of own investment funds.

Result on financial transactions

Result on financial transactions (€ million)	2022	2021		H2 2022	H1 2022
Result on securities trading	-0.1	1.7		0.8	-1.0
Result on currency trading	11.0	8.7	27%	6.9	4.1
Result on investment portfolio	-3.2	3.0		-3.1	-0.1
Result on hedges	14.1	-20.7		2.1	12.0
Other income	-0.4	-3.0	85%	-1.3	0.8
Result on financial transactions	**21.3**	**-10.3**		**5.5**	**15.8**

The main driver of the improved result on financial transactions is a positive turnaround of the result on hedges, which comprises a positive result on futures of €11.5 million. Futures are used to manage our risk appetite relating to our investments in our own investment funds. In addition, a €9.3 million positive result is due to hedge accounting ineffectiveness, predominantly because of derivatives used for macro fair value hedge accounting that have been applied to our mortgage portfolio. The ineffectiveness is primarily caused by differences in discount base (Euribor versus euro short-term rate – ESTR) and pay-out frequency between the swap and the underlying asset.

Lastly, a €6.2 million negative hedging result applies to our structured products activities (2021: -€4.6 million). The de-risking of the structured products portfolio was completed by year-end 2022.

Trading activities in currency and securities are the result of client facilitation only – providing liquidity to clients.

Operating expenses

Operating expenses (€ million)	2022	2021		H2 2022	H1 2022
Staff costs	298.3	273.0	9%	154.0	144.3
Other administrative expenses	123.5	119.7	3%	59.4	64.2
– of which regulatory levies and charges	*12.1*	*13.9*	*-13%*	*1.1*	*11.0*
Depreciation and amortisation	16.3	17.3	-6%	8.8	7.5
Operating expenses	**438.2**	**409.9**	**7%**	**222.2**	**216.0**

Staff costs
Staff costs increased by €25.3 million (9%) in 2022, reflecting our growth ambitions. Firstly, the acquisition of Mercier Vanderlinden led to an increase in staff costs of €4.9 million compared with 2021. Secondly, our workforce grew by 126 FTEs to 1,780 FTEs (2021: 1,654 FTEs), in particular within the IT and Compliance functions as well as in the teams responsible for investment solutions. Similar to 2021, staff costs also included a one-off payment to employees, amounting to €4.4 million (€2,600 per employee) in the Netherlands.

Other administrative expenses
Other administrative expenses were relatively stable at €123.5 million (2021: €119.7 million), taking into account that the acquisition of Mercier Vanderlinden led to an increase in other administrative expenses of €2.1 million compared with 2021.

Efficiency ratio
The efficiency ratio – i.e. the ratio of operating expenses (excluding costs incurred for special items) to income from operating activities – amounted to 73.1% (2021: 68.9%). This higher ratio was mainly driven by lower income from securities and associates.

Impairments

Impairments (€ million)	2022	2021		H2 2022	H1 2022
Addition to loan loss provisions	-7.7	-11.7	34%	-0.5	-7.2
Other impairments	1.1	-6.5		–	1.1
Impairments	**-6.6**	**-18.1**	63%	**-0.5**	**-6.1**

Addition to loan loss provisions
In 2022, the release from our loan loss provisions amounted to €7.7 million, driven by a few client files.

At year-end 2022, the management overlay amounted to €5.2 million (year-end 2021: €1.6 million), based on a calculation through which macroeconomic sensitivities and scenarios were applied at client level. This management overlay aims to reflect real-world behaviour of our clients and the economic circumstances and uncertainties, which are not (fully) captured by the models. For more information about the management overlay, see Section 3.8.7, “Management overlay”, in the financial statements.

In 2022, the release from loan loss provisions relative to average risk-weighted assets worked out at a release of 19 basis points (2021: release of 29 basis points).

Other impairments
Other impairments of €1.1 million in 2022 comprise an impairment on one of our office buildings. In 2021, other impairments showed a release of €6.5 million. This amount was a reversal of impairments on participating interests, taken in earlier years.

Non-strategic investments

We currently hold one non-strategic financial investment, Allshare. The operating profit before tax from this non-strategic investment amounted to €0.6 million in 2022. The 2021 result of €4.8 million was impacted by the sale of Holonite, which contributed €3.1 million in operating profit before tax of non-strategic investments.

Special items

Special items (€ million)	2022	2021		H2 2022	H1 2022
Amortisation of intangible assets arising from acquisitions	14.9	11.3	31%	7.3	7.6
Expenses related to accounting treatment of Mercier Vanderlinden	29.6	8.5		24.7	4.9
Provision for revolving consumer credit	-2.0	3.3		-2.0	–
Restructuring charges: Hof Hoorneman	0.7	3.9	-82%	0.4	0.3
Other one-off items	6.5	2.3		-3.4	9.9
Special items	**49.8**	**29.3**	**70%**	**27.0**	**22.8**

We recognised several special items in 2022, totalling €49.8 million (2021: €29.3 million).

Amortisation of intangible assets arising from acquisitions came down in the second half of 2022, as a proportion of these are now fully amortised.

In July 2021, we completed the acquisition of 70% of the shares in Mercier Vanderlinden. Due to this acquisition, the amortisation of intangible assets arising from acquisitions increased from €11.3 million in 2021 to €14.9 million in 2022. Initially, we agreed to acquire the remaining 30% of the shares at the beginning of 2025 and 2026. However, in December 2022 we agreed to accelerate the acquisition of the remaining 30% stake in Mercier Vanderlinden. This leads to an adjustment in the valuation of the contingent liability of +€18.6 million, to be recognised under expenses related to the accounting treatment of Mercier Vanderlinden. Expenses related to this line item would otherwise be recognised in future years.

Based on the agreed transaction structure, IFRS requires the full consolidation of Mercier Vanderlinden at the time of the acquisition of the 70% stake. As a consequence, certain elements from the transaction will need to be treated as profit & loss items until the full acquisition. In our 2022 results, the following costs are included in expenses related to the accounting treatment of Mercier Vanderlinden:

- Interest costs (for the accrued time value of money) and staff costs relating to the liability, totalling €12.0 million (as we agreed on a discount if one of the partners were to leave prior to 2025 or 2026) (2021: €5.5 million);
- Given the negative market performance in the first half of 2022 in terms of AuM and profitability, the estimated cost at 30 June 2022 for the final purchase in 2025/2026 had decreased by €1.0 million.

In 2021, we made a provision of €3.3 million under a compensation scheme for the repayment of excess interest to (former) clients with variable-rate revolving consumer credits. Over the course of 2022, we concluded that the pool of clients impacted and size of the compensation payable had decreased since the provision had been made. As a result, €2.0 million in provisions were released in the second half of the year.

Other one-off charges amounted to €6.5 million, mainly related to a settlement of an interest rate derivatives case for which we had taken a provision of €9.9 million in the first quarter of 2022.

Income tax

Income tax for 2022 amounted to €34.7 million (2021: €34.6 million), which translates to an effective tax rate of 29.1% compared with 19.4% in 2021. Our effective tax rate is higher than the general Dutch tax rate of 25.8%, primarily due to the expenses related to the accounting treatment of Mercier Vanderlinden, which are not tax deductible.

Earnings per share

Earnings per share (€ million)	2022	2021		H2 2022	H1 2022
Net result	**84.3**	**143.8**	**-41 %**	**36.1**	**48.2**
Share of non-controlling interests	-0.1	-0.1	-97 %	-0.1	-0.1
Share of holders of AT1 capital securities	-6.8	-6.8	0 %	-3.4	-3.4
Net result for calculation of earnings per ordinary share	**77.4**	**137.0**	**-43 %**	**32.6**	**44.8**
Earnings per ordinary share (€)	**1.90**	**3.35**	**-43 %**	**0.80**	**1.10**
Underlying net result for calculation of earnings per ordinary share	**110.9**	**153.1**	**-28 %**	**53.6**	**57.3**
Underlying earnings per ordinary share (€)	**2.72**	**3.74**	**-27 %**	**1.32**	**1.40**
Weighted number of outstanding ordinary shares (x 1,000)	40,706	40,910			

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

We propose paying a 2022 cash dividend to Van Lanschot Kempen shareholders of €1.75 per share, with a pay-out ratio of 67% based on the underlying net result attributable to shareholders (2021: €2.00, pay-out ratio of 53%).

The pay-out ratio based on the net result attributable to shareholders amounts to 96% (2021: 60%). In 2023, new shares will be issued as a result of the acquisition of the remaining 30% stake in Mercier Vanderlinden, subject to regulatory approval. These still-to-be-issued shares have been taken into account in determining the pay-out ratios.

Client assets

Client assets (€ billion)	31/12/2022	31/12/2021		30/6/2022	
Client assets	**124.2**	**131.2**	**-5%**	**118.5**	**5%**
Assets under management[4]	107.8	115.6	-7%	102.8	5%
Savings and deposits	12.7	11.7	8%	11.9	7%
Assets under administration	3.7	3.8	-3%	3.8	-4%
Client assets	**124.2**	**131.2**	**-5%**	**118.5**	**5%**
Private Clients	55.1	58.8	-6%	54.2	2%
Wholesale & Institutional Clients	67.4	70.9	-5%	62.7	7%
Other	1.7	1.5	12%	1.6	7%

Total client assets had fallen by 5% to €124.2 billion at year-end 2022, driven by a negative market performance in AuM of €21.5 billion. This was partly mitigated by net AuM inflows of €13.7 billion and an increase in savings and deposits of €1.0 billion.

Client assets (€ billion)	Private Clients	Wholesale & Institutional Clients	Other	Total
Client assets at 31/12/2021	**58.8**	**70.9**	**1.5**	131.2
Assets under management in/outflow	2.0	11.6	0.0	13.7
Savings and deposits in/outflow	1.0	0.0	0.0	1.0
Market performance of assets under management	-6.3	-15.2	0.0	-21.5
Change in assets under administration	-0.4	0.2	0.1	-0.1
Client assets at 31/12/2022	**55.1**	**67.4**	**1.7**	**124.2**

Private Clients

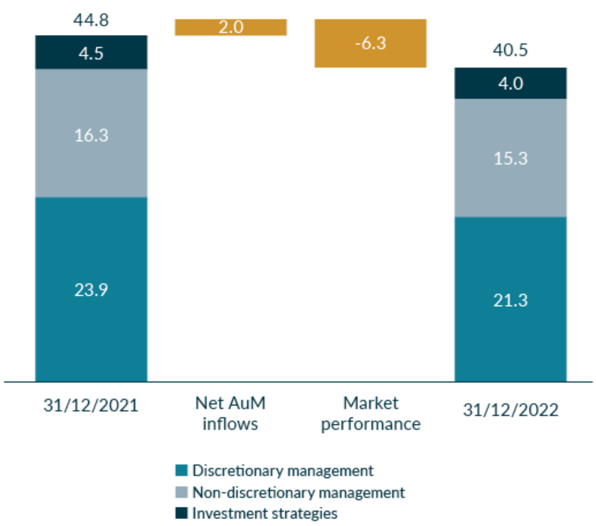
Client assets in the Private Clients segment decreased, mainly as a result of the negative market performance in AuM of €6.3 billion. The net inflow in AuM was strong at €2.0 billion, achieved across the Netherlands, Belgium and Switzerland.

At the end of 2022, discretionary assets under management accounted for 52% of total AuM (2021: 54%), amounting to €21.3 billion, while non-discretionary assets under management made up 38% of total AuM (2021: 36%), amounting to €15.3 billion. Total AuM also includes the positions of our private clients invested in our investment strategies (€4.0 billion).

In Belgium, we saw continued good net inflows of €0.7 billion in 2022, achieved by Van Lanschot Belgium (€0.4 billion) and Mercier Vanderlinden (€0.3 billion). However, the negative market performance led to a decline in overall AuM to €9.2 billion (2021: €9.7 billion). Total client assets amounted to €10.4 billion (2021: €10.7 billion).

Our Evi van Lanschot proposition is part of the Private Clients segment. In 2022, Evi van Lanschot's AuM fell by 17% to €1.3 billion (2021: €1.6 billion) as a result of negative market performance combined with €7 million in net outflow.

AuM Private Clients (€ billion)



[4] In 2022, €3.0 billion was reclassified from assets under monitoring and guidance to assets under management. Comparative figures as at 31 December 2021 and 30 June 2022 have been adjusted accordingly.

Wholesale & Institutional Clients

The Wholesale & Institutional Clients segment's AuM fell to €67.3 billion, due to a negative market performance of €15.2 billion, partly offset by net inflows of €11.6 billion.

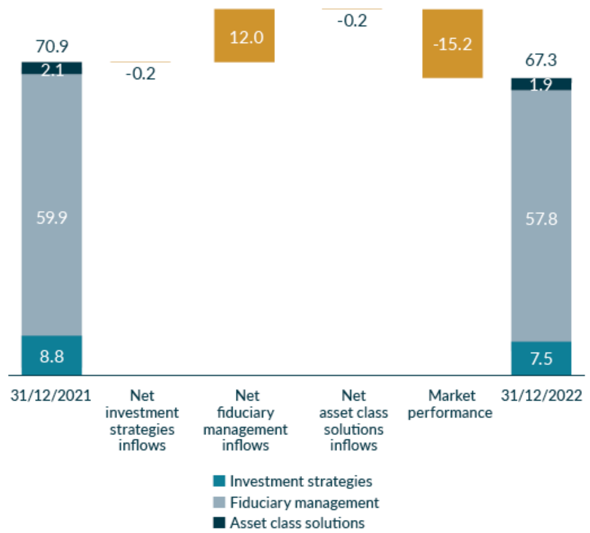
Investment strategies saw a net outflow of €0.2 billion. This was driven by credit strategies and real asset strategies, and was only partially offset by inflows in small-cap strategies.

Fiduciary management showed a net inflow of €12.0 billion, primarily from two new fiduciary mandates: BPF Schilders pension fund (of almost €8 billion) and KLM Cabin Crew pension fund (of almost €4 billion). In the UK, AuM decreased to €4.8 billion (2021: €8.0 billion) due to the combination of a net outflow of €0.1 billion and a negative market performance.

In 2022, we introduced asset class solutions (ACS) as an AuM category. ACS is a total solution for clients to invest in illiquid asset classes – for example, European private debt or direct lending. The solutions comprise both Van Lanschot Kempen funds and third-party funds. Previously, ACS AuM featured in the investment strategies category. In 2022, ACS showed a net outflow of €0.2 billion, while total ACS AuM amounted to €1.9 billion.

Total client assets in the Wholesale & Institutional Clients segment stood at €67.4 billion at year-end 2022.

AuM Wholesale & Institutional Clients (€ billion)



Loan portfolio

Loan portfolio (€ million)	31/12/2022	31/12/2021		30/6/2022	
Mortgages	6,341	6,337	0%	6,365	0%
Other loans	2,371	2,199	8%	2,376	0%
Loan portfolio	**8,712**	**8,536**	**2%**	**8,741**	**0%**
Mortgages distributed by third parties	373	389	-4%	394	-6%
Other loans covered by residential real estate	320	–		–	
Total	**9,404**	**8,925**	**5%**	**9,136**	**3%**
Impairments	-40	-49	-19%	-41	-3%
Total loan portfolio	**9,364**	**8,876**	**6%**	**9,094**	**3%**

Our total loan portfolio increased by €0.5 billion to €9.4 billion, driven by an increase in other loans as well as other loans covered by residential real estate.

Mortgages
Mortgages remained stable at €6.3 billion (2021: €6.3 billion) and make up 67% of our loan portfolio (2021: 71%). These mortgages are primarily granted to high net-worth individuals. The weighted average loan-to-value (LTV) ratio is 63% (2021: 62%). Our underlying mortgage portfolio grew by approximately €350 million in net inflow, mainly at the beginning of 2022, but this growth levelled off in the last quarter, in line with the rest of the market. The net inflow was offset by value adjustments in hedges due to rising interest rates; this effect amounted to -€348 million compared with 2021.

Other loans
Other loans comprise loans to high net-worth individuals as well as commercial loans that fit into our Private Clients relationship model. In 2022, other loans grew to €2.4 billion (year-end 2021: €2.2 billion). The increase came predominantly from Lombard loans in Belgium.

Mortgages distributed by third parties
The portfolio of mortgages distributed by third parties consists of regular Dutch mortgages. It accounts for 4% of our total loan portfolio, with a volume of €0.4 billion (2021: €0.4 billion).

Other loans covered by residential real estate
In 2022, we invested in a fund managed by a.s.r. Vermogensbeheer NV. The purpose of the fund is to make it possible for institutional parties to invest in Dutch mortgages. The investment amounted to €320 million at year-end 2022 and is a dedicated tranche for Van Lanschot Kempen, which consists primarily of Dutch mortgages with a Dutch national mortgage guarantee (NHG).

Impaired loans and provisions
We take provisions for the impaired loans in our loan book. Impaired loans Stage 3 (IFRS 9) totalled €106 million at year-end 2022, and decreased by 30% compared with 2021 (€153 million), caused by solving some specific impaired exposures and limited new defaults. The total impaired ratio improved from 1.7% to 1.1% at the end of 2022.

The Stage 3 provisions for these loans amounted to €27 million, working out at a coverage ratio of 25% (2021: 28%). The relatively low coverage ratio is explained by the good quality and amount of collateral pledged against the loans.

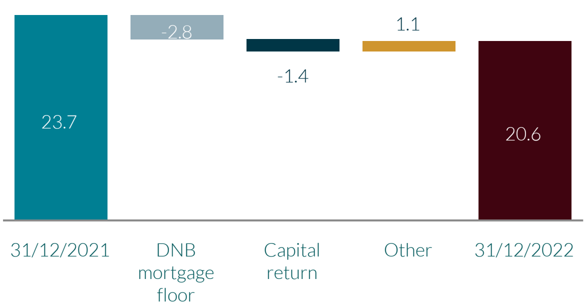
Provision as at 31/12/2022 (€ million)	Loan portfolio	Impaired loans	Provision	Impaired ratio 31/12/2022	Coverage ratio 31/12/2022	Impaired ratio 31/12/2021	Coverage ratio 31/12/2021
Mortgages	6,341	24	1	0.4%	6%	0.5%	5%
Other loans	2,371	82	25	3.5%	31%	5.5%	34%
Loan portfolio	**8,712**	**106**	**27**	**1.2%**	**25%**	**1.8%**	**28%**
Mortgages distributed by third parties	373	0	0	0.0%	2%	0.2%	0%
Other loans covered by residential real estate	320	0	0	0.0%	0%		
Total loan portfolio	**9,404**	**106**	**27**	**1.1%**	**25%**	**1.7%**	**28%**
Provision	-40						
Total	**9,364**		**27**				
ECL Stage 1 and 2 (IFRS 9)			13				
Total ECL (IFRS 9)			**40**				

Capital and liquidity management

Capital and liquidity management (€ million)	31/12/2022	31/12/2021		30/06/2022	
Total risk exposure amount	4,272	3,921	9%	4,482	-5%
Common Equity Tier 1 ratio (%)[5]	20.6	23.7		20.2	
Tier 1 ratio (%)[5]	22.9	26.3		22.5	
Total capital ratio (%)[5]	26.4	30.1		25.8	
Leverage ratio (%)	5.7	6.3		6.1	

Our CET 1 ratio decreased in 2022, to 20.6%, still well above our medium-term target. Total risk exposure amount (TREA) increased to €4.3 billion in 2022 (year-end 2021: €3.9 billion), driven by the introduction of the higher capital requirements for residential mortgages by De Nederlandsche Bank (DNB), which had an impact of 2.8 percentage points. This was partly offset by reduced exposures and minor data and methodology improvements – for example, in the macro fair value hedge accounting risk weighting. Available CET 1 capital decreased by €52 million. This decrease is due to the capital return of €61 million in December 2022.

Common Equity Tier 1 ratio (%)



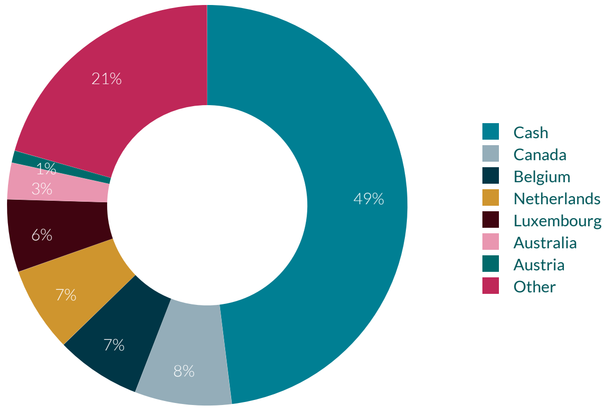
Regulatory capital (€1,000)	31/12/2022	31/12/2021
Risk-weighted assets	4,272,385	3,921,110
Common Equity Tier 1	878,507	930,789
Required Common Equity Tier 1	383,972	330,337
Tier 1	978,507	1,030,789
Required Tier 1	476,096	407,643
Total capital	1,128,507	1,180,789
Required total capital	598,927	510,717

As a result of the acquisition of the remaining 30% stake in Mercier Vanderlinden, we will issue more than 1.5 million new shares in 2023. The positive impact on CET 1 ratio related to this share issue is expected to amount to around 80 basis points.

[5] Full-year 2022 and 2021 including retained earnings; half-year 2022 excluding retained earnings.

Investment portfolio and cash
The total investment portfolio and cash[6] amounted to €6.2 billion at the end of 2022 (year-end 2021: €6.3 billion). Cash held with central banks stood at €3.0 billion. The investment portfolio is primarily held for asset and liability management purposes, and mainly comprises low-risk and highly liquid instruments.

Investment portfolio and cash by country at 31/12/2022 (100% = €6.2 billion)



Loan-to-deposit ratio
We aim for a balanced funding mix with sufficient diversification, through retail and wholesale markets, products and maturities. At the end of 2022, our loan-to-deposit ratio had decreased by 2.1 percentage points to 73.6% (year-end 2021: 75.7%).

In June 2022, we issued a €500 million Soft Bullet Covered Bond, with a long five-year term and a 2.5% fixed coupon. This led to further strengthening and diversification of our funding profile.

Events after the reporting period
On 2 February 2023, we announced a strategic partnership with Robeco and the acquisition of their online investment platform – which will be joined with Evi van Lanschot. At year-end 2022, both platforms combined had €6.0 billion in AuM held for around 150,000 clients.

The transaction will have a negative impact on Van Lanschot Kempen's CET 1 ratio of approximately 0.4 percentage points. A two-year integration path is anticipated, and is expected to involve one-off costs of between €8 million and €11 million. The combined platform is expected to break even by 2025 and to start making a positive contribution to Van Lanschot Kempen's net profit thereafter. The transaction is expected to be completed in June 2023, subject to any regulatory approvals that may be required.

[6] 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.

Joining forces, combining expertise

Working within the Corporate Finance team in Investment Banking, I think being specialised is part of our DNA. We have deep expertise in our core sectors (European real estate, life sciences & healthcare, tech & fintech and infrastructure & renewables) and we have two specialist product teams – Equity Capital Markets and Debt Advisory – who work closely with the sector teams. We're in touch with a network of companies and investors in those sectors on an ongoing basis; we organise and participate in industry forums; and we're continuously learning and updating our knowledge to stay relevant for our clients.

In 2022, we were able to successfully combine the expertise of two Corporate Finance teams – Tech & FinTech and Debt Advisory – in order to help one of our fintech clients secure venture debt funding. Our in-depth analysis of the company, including its product and underlying technology, business model and distribution strategy, allowed us to get a feel for its positioning and future prospects. Using our international network and the expertise of our debt specialists, we were able to find an appropriate funding partner for the client and together identify a suitable structure. The success of the deal shows how being experts in our core sectors and products means we can join forces to achieve the best results for our clients.

Maria Popova – Vice President Corporate Finance, Investment Banking

Risk and capital management

Key risk themes for Van Lanschot Kempen	
Interest rate risk: higher and more volatile interest rates Over the course of 2022, interest rates increased rapidly due to rising inflation and inflation expectations, and corresponding central bank rate hikes. Market interest rates became much more volatile as well. Net interest income has benefited – and is expected to continue to benefit – from higher interest rates, especially the higher deposit facility rate from the European Central Bank (ECB). But the major change in interest rates also confronts us with challenges on steering, pricing and hedging. We observed changing client behaviour: preference for long interest rate tenors has declined, and we also see a slightly increased demand for fixed-rate term deposits.	**Actions** As part of our regular interest rate risk management, we continuously monitor our exposure and any changes in client behaviour. Given the increased interest rate volatility, we pay more attention to embedded client options, such as offering mortgage rates that are capped during the offer period, and clients' right to take their current mortgage rates with them when moving house (under certain conditions), as well as the level of interest paid on savings accounts. We also increased the frequency of adjustments to client mortgage rates.
Operational risk: implementing change In this rapidly changing world, organisations only survive if they continuously adapt to new circumstances. However, working on various major change projects simultaneously leads to an increase in operational risks.	**Actions** In 2022, we focused on finishing some significant change projects before starting new ones, to manage the total number of change activities. Furthermore, our risk management focus was on implementing the frameworks for managing change projects that were developed in 2021.
Compliance risk: increasing regulatory requirements for sustainability Implementing and adapting to sustainability-related regulatory developments remained one of our priorities. In 2022, the Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy and changes in the Markets in Financial Instruments Directive (MiFID II), Undertakings for the Collective Investment in Transferable Securities (UCITS) and Alternative Investment Fund Managers Directive (AIFMD) regulations with regard to new sustainability requirements on disclosures, suitability and product governance all came into force.	**Actions** Special efforts have been made on the implementation of various sustainability-related regulatory developments. As a result, we have been working extensively to adapt policies, procedures and controls to the new regulatory requirements as well as to the demands and expectations of clients and investors. The scale and complexity of the sustainability regulations and their impact on fund documentation, client and investment processes, reporting and data to be recorded and maintained are significant.
Sustainability risk: climate change We are exposed to climate risk via our activities, including both physical and transition risks. Given the nature of our activities, most of our climate risks are generally not significant and are not material to our operations. However, they are important to monitor and manage. Our main focus in quantifying and managing climate risk is the residential mortgage portfolio, as this holds the most significant position on our balance sheet that is prone to climate risks. Given the geographical characteristics of the Netherlands, we are exposed to flooding risk (physical) as well as transition risks impacting the value of the collateral in the future, due to rising energy prices and/or rising renovation costs to meet future legislation. The main risk for our assets under management (AuM) are the holdings that will suffer as a result of the energy transition.	**Actions** We made further enhancements to our stress-testing capabilities for both physical and transition risks. For our mortgage portfolio, we quantified the transition risks under the assumption that more stringent requirements on energy labels will be enforced via legislation and/or local regulation in the future. For physical risks, we used flooding data provided by national authorities and combined these with the collateral locations to derive stressed market values and possible effects on risk weighted assets/capital. In addition, we expanded our risk analysis to provide insights into the sustainability profile of our liquid funds.

Risk management

Risk profile and risk appetite

We seek to achieve a solid risk profile – expressed in transparent risk levels coupled with a robust liquidity and capital position. The risks we face are outlined in the following sections. More detailed descriptions can be found in the financial statements, where these risks are also quantified in terms of their impact on Van Lanschot Kempen's balance sheet.

We evaluate our risk appetite annually, and this is communicated in a risk appetite statement containing both qualitative and quantitative elements. Our risk appetite represents our willingness to accept the risk of particular losses, decreasing buffers and reputational risks, and as such sets our operating boundaries. The statement is prepared by the Management Board and is subject to the Supervisory Board's approval. Our 2022 risk appetite statement states:

- As an organisation, we manage risks within our risk appetite. The aim is not to minimise risks, because taking risks is a consequence of doing business;
- The risks we take – directly or indirectly – serve our business model and strategic objectives, and are the result of a careful process to balance risks and rewards;
- After determining how much risk we can potentially absorb, we determine how much risk we are willing to take. The sum of all risks taken should not exceed our risk-bearing capacity;
- We avoid certain risks, because they pose an existential threat to Van Lanschot Kempen; however, risks in the tail will remain, which we have to accept;
- We avoid risks that could lead to legal or regulatory breaches;
- We only take risks that we can understand and explain;
- When taking risks, we take the requirements and expectations of all stakeholders into account;
- Our risk appetite should be considered in all business decisions at every level of the organisation.

Targets and risk limits are more dynamic and are occasionally reviewed, at least annually. We did not change the key principles that underlie our risk appetite and that create the framework within which we operate.

Risk management governance

We operate our risk management framework in accordance with the three lines of defence model. The management teams at individual departments (the first line) are responsible for managing their specific risks. When serving our clients, they must also assess client- and portfolio-related risks, ensure they adhere to all Van Lanschot Kempen policies, limits and procedures, and put processes and controls in place to remain in control of their own operations.

The Risk Management and Compliance departments (the second line) report to and advise the Management Board on all risk-related matters. The second line also provides guidelines on risk-taking activities, monitors adherence to these guidelines, and challenges the first line on the management of their risks. Finally, the second line supports management by facilitating and challenging risk assessments, and by providing relevant advice and assistance on applicable regulatory requirements and the design of controls and mitigating actions.

The Internal Audit department (the third line) monitors and gives assurance on whether the activities of the first and second lines are effectively mitigating the risks identified. We use insurance to cover certain remaining risks. Lastly, Dutch supervisors De Nederlandsche Bank (DNB) and the Dutch Authority for the Financial Markets (AFM) as well as foreign supervisors (where applicable) check whether Van Lanschot Kempen adheres to laws and regulations and is in control of its own organisation.

In order to manage our risks, we have risk and compliance policies and frameworks in place as well as a governance structure. The Management Board remains responsible overall, but has delegated the management of specific risks to several committees: the Compliance & Operational Risk Committee, Sustainability Board, Credit Risk Committee, Market Risk Committee and Asset & Liability Committee (ALCO).

Risk appetite and risk profile in 2022

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

The risk appetite and risk profile in 2022 for each individual risk type are shown in this simplified version of the risk dashboard:

Risk dashboard	Low	Limited	Medium	High
Strategic risk		Risk profile in 2022	Risk appetite	
Operational risk			Risk profile in 2022, Risk appetite	
Compliance risk		Risk appetite	Risk profile in 2022	
Sustainability risk		Risk profile in 2022, Risk appetite		
Credit risk	Risk profile in 2022	Risk appetite		
Market risk		Risk profile in 2022, Risk appetite		
Interest rate risk		Risk profile in 2022, Risk appetite		
Liquidity risk	Risk profile in 2022, Risk appetite			

● Risk appetite ● Risk profile in 2022

Clients entrust us with their funds on the basis that they have no doubt about the financial and operational stability of the organisation. We can therefore only operate at limited risk levels. However, certain risks are unavoidable and can only be mitigated to a certain extent. Those two risk appetites are classified in the dashboard as medium: strategic risk and operational risk. Strategic risk appetite is medium while competition in private banking, investment management and investment banking is fierce. These risks can only be managed by actively optimising our results and growing through organic growth or bolt-on acquisitions. Given our increasing volume of assets under management (AuM), the complex nature of the business and the continuing innovation of our investment management offering, this results in a medium level of operational risk appetite. Of course, we strive to continuously reduce operational risks by improving processes, procedures and the organisation in general.

Our strategic risks can be managed by generating organic and inorganic growth to maintain the necessary scale for the future, and to retain solid performance. As a result of the acquisition of Mercier Vanderlinden, strong organic growth in AuM and strong financial results, no issues arose in relation to strategic risk. All financial risk indicators (credit risk, market risk, interest rate risk and liquidity risk) also scored well.

We experienced some operational incidents and went through several change projects in the reporting year, hence the risk score for operational risk in 2022 was categorised as medium.

Compliance risk appetite was limited, while the actual compliance risk profile in 2022 was medium. Timely implementation and embedding of regulatory requirements remains a challenge, given the increasing regulatory demands that impact Van Lanschot Kempen's various business activities.

Our sustainability risks were limited in 2022. The stress tests we performed did not show significant impact on balance sheet levels.

A net release of loan loss provisions and low impairment ratios reflect our low credit risks in 2022. Given the de-risking of our structured products activities, we have significantly reduced our risk profile for market risk. We currently operate under a tight limit framework, resulting in a limited appetite for both credit risk and market risk in 2022.

Our interest rate risk profile (balance sheet composition) did not change significantly, but large interest rate increases and greater volatility called for heightened attention. Liquidity risk remained low, due to our strong liquidity buffer and "sticky" client deposit base.

Strategic risk
Van Lanschot Kempen is an independent, specialist wealth manager with the ambition to generate sustainable and profitable growth, while maintaining a capital-light balance sheet. We have a strong balance sheet and a good track record in transformation processes and de-risking. This contributes to our solid reputation as a leading wealth manager in the Benelux region. To maintain our reputation, it's therefore important to manage strategic risks. Strategic risk is defined as the risk to Van Lanschot Kempen's performance resulting from failure to respond adequately to changes in external factors or from poor strategic decisions. External factors include the actions of competitors, clients, potential market entrants and public authorities, as well as public opinion. Keeping up with technological developments and fintech is also a key topic on our strategic agenda.

We manage our strategic risk by diversifying our sources of income through our private banking, investment management and investment banking activities – thereby ensuring that the three activities are complementary and support each other. Moreover, our lending activities focus primarily on residential mortgages and our clients have sufficient buffers, thereby limiting our strategic risks in terms of credit and risks of forced liquidation of AuM. In the current market environment of rising interest and inflation rates, we are well prepared for a possible light recession in 2023. All our client segments performed without major credit losses in 2022, even during volatile financial markets. However, a deep recession would impact all three client segments. The expected increase in risk costs will be partly offset by higher net interest income, resulting in some impact on our profit & loss (P&L). Even in these tough macroeconomic circumstances, a net positive P&L is expected. To manage our strategic risk in 2023, we have to remain focused on our core activities and areas of expertise.

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

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

We have defined a non-financial risk appetite. On a quarterly basis, the current non-financial risk exposure related to our non-financial risk appetite is discussed with members of the Management Board and senior management in the Compliance & Operational Risk Committee. In 2022, the Risk Management department invested in updating non-financial risk methodologies to the latest standards, thereby investing in the overall maturity of all instruments of its risk management framework. Risk awareness within the company was raised both via increased capabilities within the first line of defence, and through challenges and advice from the second line of defence. We put increased focus on people risk and soft controls, which will continue to be a priority in 2023. Compliance, Risk Management and Internal Audit work together on this.

Operational risk
Operational risks are potential losses that result from inadequate or failed internal processes or systems, inadequate or incorrect human actions, external events and fraud. To identify and manage operational and IT risks, we have created a group-wide operational risk management framework. Part of this framework is a set of key controls on the part of our value chains where residual risks are deemed to be elevated. Controls are regularly tested, allowing us to assess the effectiveness of key controls in our processes and systems. In 2022, we improved our root cause analyses. This meant not only focusing on resolving the issues at hand, but also on using these analyses for structural solutions in our way of working, from both a process and a systems perspective. Furthermore, we improved the quality of our risk control self-assessments, enabling us to focus on more preventive measures.

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

A key project in 2022 was the implementation of tooling for "micro-segmentation" in the network. This tool validates network traffic and blocks potential malicious activities. It also enables us to significantly reduce the damage that a potential malware attack, specifically ransomware, can do.

For the continuation of operational processes during potential disruptions, threats and incidents, we have business continuity measures in place. These include a policy, governance structure with a Business Continuity Committee and Crisis Management team, and working instructions. Moreover, multiple tests are performed during the year to assess whether these measures work in practice. As a result, we were able to run all systems from our back-up site for a period of more than a week, without any major disruptions.

Internal fraud
Internal fraud occurs when fraud is committed as an intentional action by one or more employees in which deception or management override of controls is used, with the intent of gaining unlawful advantage for oneself or a personal acquaintance at the expense of others. Employees also include management, temporary workers, contractors, trainees and interns. Internal fraud conflicts with Van Lanschot Kempen's Code of Conduct, which provides guidelines to help ensure our reputation and integrity.

Maintaining our reputation as a trustworthy financial institution is of great importance to Van Lanschot Kempen. Preventing and mitigating internal fraud risks is therefore a high priority, as these risks can lead to financial impact on our clients and our business. In addition, internal fraud can damage the public's trust in Van Lanschot Kempen's reputation and integrity as a financial institution. The guidelines and processes for reporting and handling incidents are set out in our policy for handling integrity incidents.

Incidents such as internal fraud cases are dealt with in accordance with the incident management procedure, which requires a root cause analysis to be conducted, as well as adequate follow-up to prevent reoccurrence. In 2022, no internal fraud, nor any attempt to commit internal fraud, was identified. As a result, no investigation of any person regarding internal fraud needed to be conducted.

Assessing and mitigating internal fraud risk is an integral part of our risk & control framework. Internal fraud risk is assessed through risk control self-assessments on processes and through the Systematic Integrity Risk Analysis (SIRA). The SIRA 2022 included various scenarios, such as the risk of employees stealing financial assets, physical assets or client data. The risk of employees executing unauthorised payments or credit transactions (as a result of insufficient segregation of duties or collusion) is also part of the risk assessment. The inherent risk of internal fraud in our overall risk assessment was evaluated as high: internal fraud can lead to substantial financial and reputational damage. However, effective control measures are in place to significantly reduce the risk. These control measures include the four eyes principle, access authentications, system-enforced checks on manual payments, and automated segregation of duties for payment systems. Our operating effectiveness is reviewed periodically by the first line of defence and independently reviewed by the second line.

To maintain the awareness of internal fraud risk, several initiatives are in place. Actions and priorities for continuous staff awareness and improvement are identified in the business-as-usual cycle. Staff training, starting with the on-boarding training for new employees that covers the Code of Conduct (including incident management), as well as periodic updates, are part of fraud mitigation measures.

Based on the assessments conducted, the residual risk rating for internal fraud risk is categorised as limited, which is within our risk appetite. For more information about operational risk and internal fraud, see Section 5, “Operational risk”, in the financial statements.

Investment compliance risk
Since 1 January 2021, the risk management function of Van Lanschot Kempen Investment Management has been integrated with the group Risk Management department. Through this integration, the Risk Management department has better oversight and can apply a uniform risk management approach and procedures across all activities. The risk management framework combines all relevant regulatory requirements for Van Lanschot Kempen, including specific requirements for Van Lanschot Kempen Investment Management: the Investment Firms Regulation (IFR), Alternative Investment Fund Managers Directive (AIFMD) and Undertakings for the Collective Investment in Transferable Securities (UCITS). The risk management framework identifies, measures, manages and monitors all relevant risks to which our AuM are exposed. Quantitative and qualitative risk limits are set where possible on market, counterparty, liquidity and sustainability risks, and are described in the various risk policies. As Van Lanschot Kempen Investment Management manages our clients' AuM, the risks resulting from these activities are reported as operational risks, as major errors could lead to potential claims from clients.

Financial markets faced a tumultuous and volatile year. In the United Kingdom, investors in general, and pensions funds specifically, faced an even more challenging period when the new Prime Minister announced a "mini-budget" with large, unfunded spending increases at the end of September. This resulted in spikes in UK rates and, as a consequence, in severe liquidity problems for some UK pension funds posting collateral for their interest-hedging strategies. We guided our UK pension fund clients through the storm, with active involvement from Risk Management to monitor investment compliance and to calculate liquidity and risk-and-return scenarios on a daily basis. As a consequence of this financial market shock, most of our investment funds saw negative absolute returns. However, roughly half of our investment funds outperformed their respective benchmarks. Notably, over the entire year, our equity value strategies posted positive absolute returns, clearly outperforming the growth strategies in 2022.

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

Compliance risk
When operating in financial markets, it is important that we conduct our business activities in accordance with the expectations of our clients, employees, shareholders and supervisory authorities, but also that we follow high ethical standards, in alignment with our shared values and risk appetite, and within the boundaries of applicable laws, rules, regulations, internal policies and procedures, and industry standards relevant for our business. Van Lanschot Kempen has established a compliance framework to manage compliance risks appropriately, to ensure business operations adhere to laws, rules and regulations, and to make sure we act in the best interests of our clients. The compliance framework applies across the entire organisation, including foreign locations.

Financial crime risks
Combatting financial and economic crime, and mitigating risks relating to client due diligence (CDD), anti-money laundering, sanctions, client tax integrity and anti-bribery and corruption, are ongoing priorities for Van Lanschot Kempen. In 2022, efforts were made to further develop our anti-financial crime framework: the process to check the progress and quality of CDD reviews was improved and risk indicators relating to client tax integrity were refined.

We believe that raising awareness and providing training for our staff are important elements in preventing financial and economic crime. We provide anti-financial crime training to employees who have contact with clients or are involved in detecting financial crime. In 2022, various live and online sessions were launched to maintain awareness of client tax integrity and client due diligence among employees. In addition, the Compliance department provided anti-financial crime training for the Management Board and Supervisory Board.

Due to the war in Ukraine, the number of sanctions issued by various countries increased rapidly in 2022. Our processes for managing sanctions proved to be effective. The actions and operational measures required were overseen and steered by a taskforce that was set up immediately after the first sanctions were imposed. In 2022, DNB launched an investigation among several banks and payment institutions to test the effectiveness of existing sanction-screening systems, in which Van Lanschot Kempen took part. The overall operation of our systems was deemed satisfactory.

Client protection risks
Client protection risks relate to best execution and order handling, client suitability, marketing, inducements and product governance. In 2022, several initiatives were implemented following new regulatory requirements to ensure that we continue to protect our clients and inform them appropriately.

One of the key topics in 2022 was the change in the regulatory landscape, mainly due to new sustainability rules and regulations. The Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy and changes in the Markets in Financial Instruments Directive (MiFID II), UCITS and AIFMD regulations with regard to new sustainability requirements on disclosures, suitability and product governance all came into force. As a result, we have been working extensively to adapt policies, procedures and controls to the new regulatory requirements as well as to the demands and expectations of clients and investors. The scale and complexity of the sustainability regulations and the impact on fund documentation, client and investment processes, reporting and data to be recorded and maintained are significant.

In 2022, we completed our interest-only mortgages project. The way of working is now fully embedded in ongoing management of interest-only mortgages. We proactively approach our clients to discuss their future financial situation, the risks and possible solutions for the redemption of their mortgage. This enables clients to take timely measures, if necessary.

Van Lanschot Kempen Investment Management markets its services as "investment strategies" throughout Europe. Under the newly implemented cross-border distribution of funds regulation, this may trigger a notification to the local supervisory authority, before marketing. As a result, our (pre-)marketing approach and notification processes for the cross-border distribution of funds were updated.

Business conduct risks
Business conduct risks relate to conflicts of interest, market conduct, market abuse and employee integrity topics, such as secondary positions and personal account dealing (PAD). In 2022, several projects were initiated to further improve our existing processes to manage business conduct risks.

The Compliance and IT departments joined forces to upgrade our PAD tool for employees. The aim is to fully automate the current system for the requisite pre-clearance of employee orders as well as existing restrictions in the investment universe. Automation will lead to less manual labour, greater efficiency and more robust monitoring.

Within Investment Banking, a project was launched to further strengthen and formalise our processes around cross-border provision of services and activities. With regard to market conduct, employees received specific training tailored to the needs of their business activity. A project to refine our policy on the use of business devices was also initiated, in light of our increasingly digital society.

Personal data integrity risks
Personal data integrity risks relate to data privacy, data retention/deletion and adherence to the General Data Protection Regulation (GDPR). As part of the Compliance department, we have designated a Data Protection Officer (DPO), who holds an independent position within the company. The DPO operates a personal data integrity programme to support the organisation in its obligations and to foster awareness, as well as to establish internal policies, advise on data privacy matters, monitor compliance with data privacy laws, and report to the Privacy Committee, Management Board and Supervisory Board.

There were no major changes in our exposure to personal data integrity risks in 2022. Our adherence to GDPR and the general discretion of employees is an ongoing priority and is integral to the service we offer as a wealth manager.

As part of our training and awareness initiatives, we launched an e-learning programme on special categories of personal data, aimed at employees who work with personal data of clients, prospects or employees. Moreover, an initiative was set up to further improve our voice logging process and to mitigate the personal data integrity risks relating to voice logging. Our voice logging process operates in line with the GDPR as well as MiFID II and the Market Abuse Regulation (MAR).

For more information about compliance risk, see Section 12, “Compliance risk”, in the financial statements.

Sustainability risk

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

All information previously provided in the Taskforce on Climate-related Financial Disclosures (TCFD) has been integrated into this "Sustainability risk" section of the annual report instead of a separate document.

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

Based on a methodology that looks at various risk types (e.g. credit risk, operational risk), the main sustainability risks (physical and transition) and the available data, there is currently no reason to apply a management overlay to the IFRS 9 models (Stages 1 and 2) as these risks are not considered to be material. In addition, the IFRS provision for Stage 3 is determined per individual credit file by the Credit Risk and Credit Restructuring & Recovery department. If there are significant climate risks relating to our Stage 3 loans, those risks are taken into consideration when the IFRS 9 provision is determined. A management overlay is therefore not necessary for Stage 3.

Climate risks	Physical risks	Transition risks
Market risk	Extreme weather events may result in significant additional costs, while open market positions in companies affected by climate events can decrease in value.	New internal ESG policies or regulatory requirements may result in (partially) impaired assets.
Credit risk	Diminishing collateral values may result in higher cost of default (protection).	New policies may require investment, potentially reducing credit scores.
Liquidity risk	Access to markets may be disrupted due to severe climate-related events.	There is a shift towards new policies and attitudes surrounding liquidity risks, such as imposing higher haircuts or adverse climate-related liquidity stress tests.
Reputational risk	Pressure from stakeholders and society to comply with sustainability principles is increasing, which may lead to higher reputational risks.	New policies and market sentiment may increase reputational and/or liability risks relating to greenwashing.
Operational risk	Increased severity of climate-related events could impact our office locations and disrupt our systems, people and processes.	The burden caused by changes and disclosures which have to be made to operate, now and in the future, may have an adverse impact.
Legal risk	Stranded assets may increase the risk of litigation.	Major losses resulting from transition risks may increase the risk of litigation.
Regulatory risk	Non-compliance with new regulations in relation to physical risks (protection and risk assessments of Van Lanschot Kempen's activities, disclosure, etc.) presents a regulatory risk.	Non-compliance with new regulations in relation to transition risks (risk assessments, limit settings, disclosure, etc.) presents a regulatory risk.

Sustainability risks are managed via the Sustainability Board (consistent with our three lines of defence model). Given the nature of our clients, many environmental risks are not material for us. As a wealth manager, the majority of our lending exposure is to private individuals in the form of mortgages. For our limited lending to businesses, we maintain a strict exclusion list for activities we do not wish to finance, and we carry out sustainability screening to identify other risks.

In 2022, we improved methods to calculate impact and materiality, concluding that there are no significant climate risks to our business at present. We also continued to enhance our dataset and monitor activities relating to the sustainability objectives of our own organisation, balance sheet and AuM, in order to establish a more accurate and dynamic overview of the (potential) impact of our actions on the environment. Lastly, we have been working to embed and integrate sustainability elements in all our core processes, controls, product development, policies, reporting and so on, instead of creating separate activities that are additional to our existing processes.

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

Our back-up data centre in 's-Hertogenbosch has limited exposure to river flooding (once in 1,000 years), while our primary site in Eindhoven has very low risk of river flooding. The combined extremely low risk is acceptable for our organisation.

Risk to our balance sheet
Our responsible lending policy takes environmental and social impact into consideration. This policy covers periodic sustainability screening (due diligence), via a risk filter, of all existing and new business loans, and includes factors such as human rights, social and labour issues, environment, anti-corruption and bribery. During 2022, the screening did not identify any new material sustainability issues in the portfolio. The number of potentially high-risk borrowers (clients active in sectors associated with a higher risk of human/labour rights violations or environmental pollution) totalled only one at year-end 2022 (2021: 16). This decrease is the outcome of winding down our corporate banking loan book and more strictly reviewing and following up with borrowers. We continue to engage with the remaining high-risk borrower about specific sustainability risks and how they could be mitigated. For more information on this policy and its results, see our sustainability supplement and our website: vanlanschotkempen.com/en/sustainability/policy/banking-activities.

We assess financial institutions with which Van Lanschot Kempen has a banking relationship on an annual basis. This assessment aims to prevent the risk that client assets are exposed – through interbank loans or investments, for example – to institutions with weak or non-existent sustainability policies. We check whether financial institutions have committed to more than 50% of nine well-known international sustainability initiatives, at a minimum. If not, we start an engagement process with the institution. Our 44 financial institutional counterparts all currently comply with this policy. In 2022, there was no need to engage with any financial institutions in our portfolio.

Since 2016, we have been calculating and reporting on our balance sheet-related carbon emissions, mainly for mortgage loans, other loans and our investment portfolio. For our Private Clients segment, the most significant lending portfolio is our residential mortgage portfolio. In 2022, we developed a stress test to quantify the physical risk of this mortgage portfolio in terms of flooding risk. Using granular data (at neighbourhood level) on flooding probabilities and water levels, we stressed market values of our collateral.

Preliminary results show that this risk is not significant due to the locations of our collateral, the clients' assets and relatively low average loan-to-value ratios (LTVs). However, more research is needed to draw final conclusions on materiality.

Furthermore, we encourage our clients to improve the energy efficiency of their homes and other types of property we finance to reduce transition risks. For example, we offer our *Groenhypotheek* (green mortgage), which provides financing at reduced interest rates to clients who are looking to make their homes more sustainable and energy-efficient. We believe that, in the future, less energy-efficient homes will go down in value. In 2022, a stress test was developed to quantify this transition risk. We concluded that the transition risk is non-material at present, due to the relatively low average LTVs of our residential mortgage portfolio.

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

We also see limited transition risks in our equity exposure, stemming from our equity brokerage and structured products activities. For equity brokerage, the holding period (only a few days) and net exposures are quite limited (€3.0 million at year-end 2022), while transition risks in general tend to be longer term. Furthermore, as a specialist broker, we focus on selected sectors – European real estate, life sciences & healthcare, tech & fintech and infrastructure & renewables – which limits the transition risks. And we have no exposure to polluting industries, for example. Similarly, for our structured products activities, our net exposures are quite limited; for the most part, exposures are in large diversified equity indices such as S&P and Eurostoxx50. Stress test outcomes show that climate risks for our equity exposures are limited and fall within our regular trading limits.

To support our own managed funds, we provide seed capital and manage these funds in our management book. At year-end 2022, we had investments to the tune of €120.9 million in our funds, of which 57.7% were in Article 8 (52.5%) or Article 9 (5.2%) funds, categorised as such under SFDR. An internally developed stress test showed that climate risks in these positions are limited and well within our regular limits.

Regulatory sustainability risk
As an independent, specialist wealth manager with the ambition to generate sustainable and profitable growth over the longer term, we put great emphasis on sustainability in our investment solutions. Articles 6, 8 and 9 are classifications imposed by SFDR, launched by the European Union in 2021 to ensure that there is clear information about the extent to which investment products are sustainable. Sustainable investment funds either promote environmental and/or social characteristics (Article 8) or have sustainable investment objectives (Article 9). Funds that do not take sustainability into account in any way, shape or form are classified as Article 6. In anticipation of SFDR Level 2 requirements that came into force on 1 January 2023, we updated our prospectuses to include compulsory annexes disclosing sustainability characteristics for each individual fund.

A key distinction between funds will be the percentage of sustainable investments in economic activities contributing to social or climate goals. As the year progressed and the interpretation of SFDR rules for Article 9 funds proved ever stricter, we decided to reclassify five funds from Article 9 to Article 8. We were looking to provide clarity to our clients as soon as we possibly could, and hence took this step based on own analysis, advising our clients in August. The Van Lanschot Kempen funds that remain classified as Article 9 have a sustainable focus theme or purpose to achieve sustainable impact, such as our SDG Farmland Fund and our Global Impact Pool.

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

As physical risks will likely materialise more in certain regions and sectors (with physical assets) than others, we have started to gather physical climate data down to asset level for our real estate portfolios from a specialist climate data provider. We have further improved the implementation of our net-zero commitments by setting annual KPIs to reduce our carbon footprint according to the Paris Agreement targets. We use climate scenarios for most of our managed global and European liquid portfolios to assess their climate resilience compared with the benchmark. We also use climate change risk indicators (proxies) from our climate data provider for several internal funds and some large clients. Since 2020, we have been integrating climate change mitigation into our current asset allocation scenarios via GDP assumptions (i.e. scenarios ranging from 1.5°C to 4°C of global heating). And we have incorporated DNB's climate stress test for the equity market into our risk system.

In 2022, we expanded our risk analytics to provide insights into the sustainability profile of our managed liquid portfolios. We developed environmental, social and governance (ESG) and carbon emissions monitoring tools, which allow us to challenge portfolio managers on whether their investment decisions are in line with the investment strategy and whether the portfolio is on track to meet the annual targets to reduce carbon emissions. We have also started gathering data for the Principal Adverse Impact (PAI) indicators that fall under SFDR. These are negative, material, or likely to be material effects on sustainability factors that are caused, compounded by, or directly linked to a company's investment decisions. We prepared for the implementation of these indicators for our portfolios in our risk analytics. We will start monitoring these indicators in 2023.

Financial risks

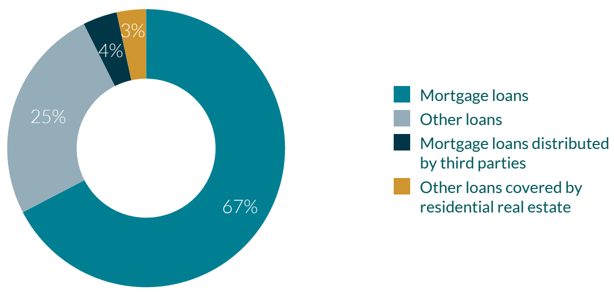
Financial risks comprise credit, market, interest rate and liquidity risks. These risk are managed by various committees: the Credit Risk Committee, Market Risk Committee and Asset & Liability Committee (ALCO). All these committees approve policies, which outline the main boundaries for the financial risks we accept.

Credit risk

Our credit risk is considered to be limited. Our loan portfolio amounts to €9.4 billion and has manageable risks; 67% of the loan portfolio consists of the Private Clients segment's Dutch residential mortgage loans. We aim to keep the size of this portfolio at least constant (or with modest growth) by generating enough new business to offset repayments and prepayments. New mortgages are primarily provided to private clients who also hold AuM with us.

Credit quality in general further improved in 2022. The pandemic did not have an impact on the credit quality of our portfolio, because the majority of the loan book consists of mortgages, and most of our clients have significant financial buffers. Covid-related financial support to SME clients in March and April 2020 was repaid in the normal way. There has been no direct impact on our portfolio from the war in Ukraine. In 2022, loan losses continued to reach historically low levels. In order to monitor and measure credit risks for most of our loan portfolios, we use sophisticated risk models: an internal ratings-based (IRB) approach. For regulatory reporting, we use only our residential mortgages IRB model. As observed in 2021, we are seeing positive rating migration in nearly all portfolios as an additional indicator of improved credit quality. Our loan portfolio and credit risks are concentrated in the Netherlands (92%); lending in Belgium and Switzerland is limited, and mainly consists of Lombard loans with low risk profiles.

Loan portfolio, excluding provision (100% = €9.4 billion)



Although our exposure to the Dutch housing market is fairly significant, the concentration risk on single line items in the overall loan portfolio is relatively limited. The ten largest loans to individual counterparties, other than financial institutions, totalled €227 million at year-end 2022, compared with €183 million at year-end 2021[1]. In 2022, the credit risk limits on the ten largest loans to individual counterparties increased slightly, as well as the use of credit by these individual counterparties. At year-end 2022, 96.9% of the Dutch loan portfolio consisted of loans of less than €10 million (year-end 2021: 96.9%).

[1] We have changed the calculation of loan concentrations in order to align with our risk appetite statement. Comparative figures have been adjusted accordingly.

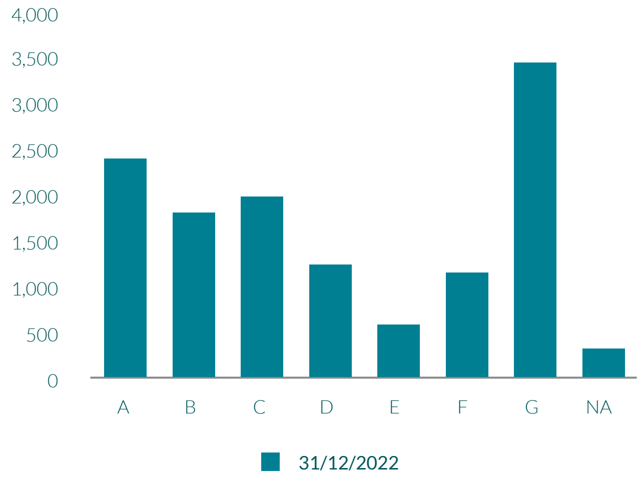
Our policy is to keep credit risk limits on any single debtor at an acceptable level in order to contain concentration risk and to mitigate its potential impact on Van Lanschot Kempen's results. For more information, see Section 3.5, "Concentration within the loan portfolio", in the financial statements.

Mortgage loans
At year-end 2022, 67% of our loan portfolio consisted of the Private Clients segment's residential mortgages. Our portfolio differs from that of other Dutch mortgage lenders in that the average loan (approximately €575,000) is higher. This makes the portfolio a little more sensitive to a fall in underlying house prices, although the majority of our exposure is in urban areas – generally a more liquid segment of the housing market. Our methodology for determining the LTV of residential mortgages is based on the indexed foreclosure value. This methodology is in line with the generally accepted norms for LTV determination. In the first half of the reporting year, house prices in the Netherlands continued to increase. In the second half of 2022, however, prices flattened and even decreased towards the end of the year. The portfolio's weighted average LTV, based on foreclosure value, increased slightly to 63% at year-end (year-end 2021: 62%). New issuances are, in general, issued for LTVs between 50% and 90%.

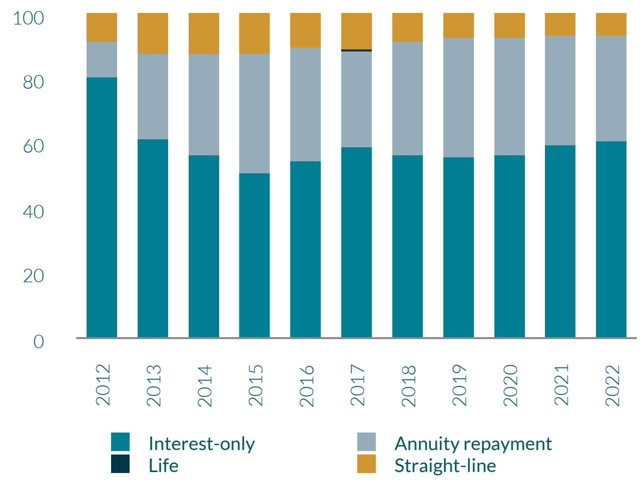
In 2020, we started our interest-only mortgages project, the aim of which is to enable clients to make conscious choices about their interest-only mortgages. For example, we actively assist clients with potentially declining incomes (e.g. due to retirement) to limit the risk of not being able to pay off their loans at maturity date. To this end, we provide insights into the status of their mortgage and its future affordability and flexibility. All clients with interest-only mortgages (including investment-based mortgages) are plotted on a matrix based on guidelines from the AFM. The matrix is based on the LTV combined with the remaining financial term, term to retirement, or end of tax deductibility. Over the course of 2020 and 2021, all clients in the high and medium risk categories (LTV over 50%) were approached and the results recorded. This project was completed in 2022 for clients in the low risk category (LTV below 50%). All clients can now make adjustments to their interest-only mortgages in the electronic portal. In this way, we increase awareness among clients and try to avoid potentially difficult situations.

Energy labels of homes with residential mortgages
At year-end 2022, 47.8% of homes with mortgages had an A, B or C energy label. Due to the nature of our client base, a substantial percentage of homes still have D, E, F or G energy labels. If no label is available, an estimate is derived from the year of construction of the property. Over the course of 2022, we were able to improve our data quality and reduce the number of missing energy labels.

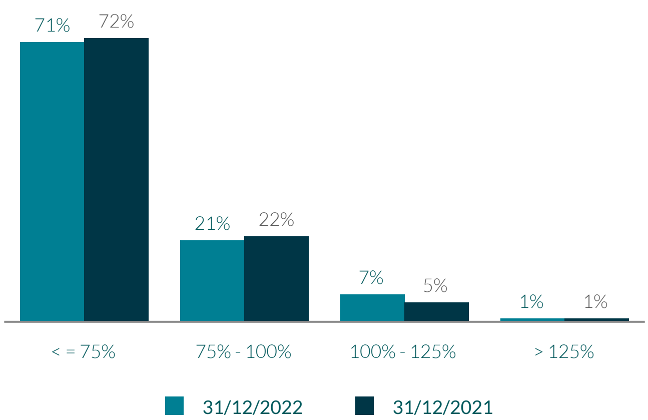
Energy labels: number of homes per label



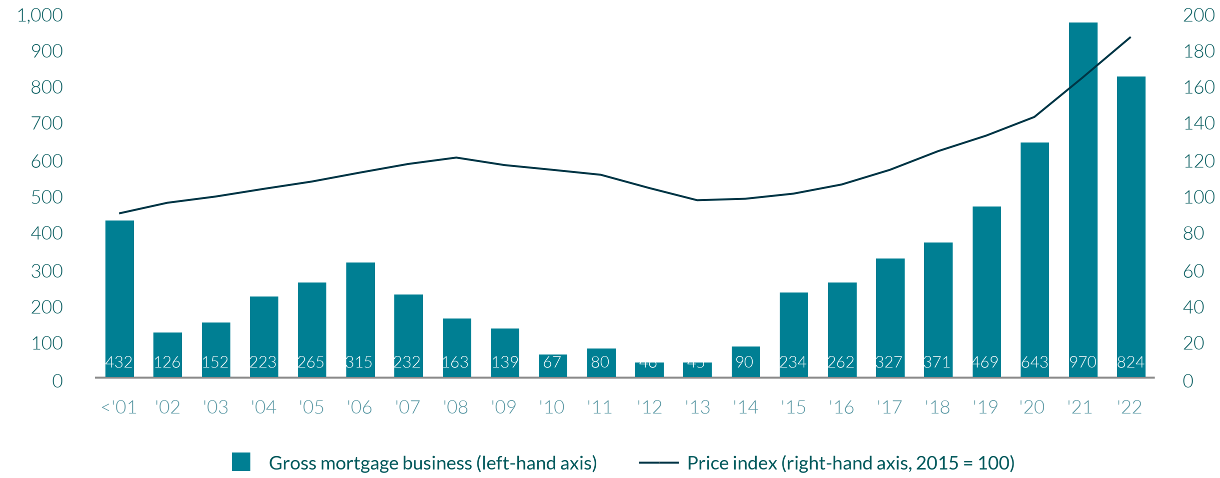
Mortgage loans: new production by type (%)



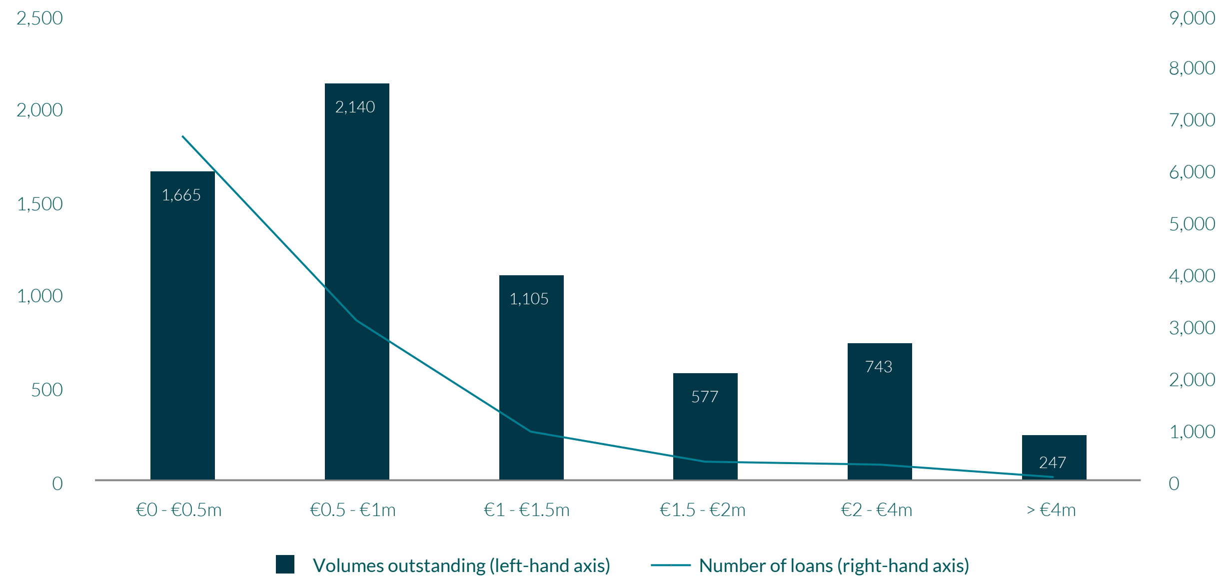
Mortgage loan-to-value (%)



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



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

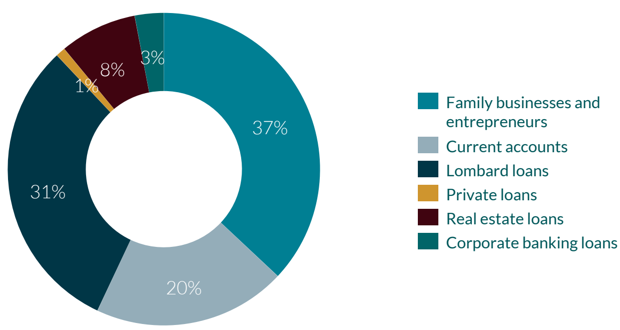


Other loans

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

Starting in 2021, we began reporting our corporate banking loan portfolio in this category as well. The winding down of this portfolio continued in 2022, and it now amounts to €79 million (2021: €132 million).

Other loans: type of loan (100% = €2.4 billion)



Real estate loans
Our real estate loans, both those provided to private clients and corporate banking's legacy portfolio, amount to €180 million (2021: €381 million). These loans are provided primarily on the basis of a total quality assessment of the borrowers. We also take into account the quality and sustainability of the property, and the diversification and stability of the rental flows. The debt service coverage ratio (DSCR) is calculated so that we can determine the extent to which a client will be able to make interest and principal payments from the rental income generated by their commercial real estate. At year-end 2022, 91% of our real estate loans generated sufficient rental income to cover interest and principal payments – i.e. had a DSCR of over 1 (year-end 2021: 88%). Clients with a DSCR of less than 1 often have other income-generating assets they can use to service their loan obligations. Lastly, the LTV of real estate loans improved in the first half of the year as a result of increasing real estate prices, although this trend halted in the second half. Property markets are cooling down and average prices are expected to decrease further in 2023. However, there has been no deterioration in our credit quality so far, which is an indication of the low LTVs of our portfolio and the substantial liquidity buffers of our clients.

Other mortgage exposure
We provide mortgages through a network of intermediaries, branded as Hypotrust and with Quion as our service provider for our white-label mortgages. We have built up a white-label portfolio with good risk characteristics and with very few loan losses. Our white-label mortgages are subject to strict acceptance criteria, and the size of the portfolio amounted to €373 million by year-end 2022 (year-end 2021: €389 million). This portfolio has decreased and makes up 4% of the total loan portfolio.

In 2022, we invested in a Separate Account Mortgage Fund (SAMF) managed by a.s.r. Vermogensbeheer NV. The purpose of the fund is to make it possible for institutional parties to invest in Dutch mortgages. The investment amounted to €320 million at year-end 2022 and is a dedicated tranche for Van Lanschot Kempen, which consists primarily of Dutch mortgages with a Dutch national mortgage guarantee (NHG). The credit risks are limited due to the NHG guarantee. We only run a small amount of credit and operational risk if the NHG claim procedures are not completed fully by a.s.r. Vermogensbeheer NV.

Impaired loans
Impaired loans Stage 3 (IFRS 9) are defaulted loans in IFRS 9 credit quality Stage 3. The impact of the pandemic on our portfolio, combined with the effects of the war in Ukraine (i.e. considerable impact on energy and commodity prices) was closely monitored throughout the year. At year-end 2022, the impact on our portfolios was once again limited. This is mostly due to the composition of the portfolio, with mainly mortgages and very limited business loan exposure, coupled with most of our private clients having significant financial buffers.

Impaired loans Stage 3 (IFRS 9) totalled €106 million at year-end 2022, and decreased by 30% compared with 2021 (€153 million). Impaired loans Stage 3 (IFRS 9) accounted for 1.1% of the loan portfolio at year-end 2022 (year-end 2021: 1.7%). In 2022, a provision equal to 25% of impaired loans Stage 3 (IFRS 9) was taken (2021: 28%), resulting in specific provisions totalling €26.9 million.

Loan loss provision
In 2022, we released €7.7 million in provisions (in 2021, we released €11.7 million) driven by a few individual client files. At year-end, provisions amounted to €40.0 million. Over the course of 2022, we saw an increase in exposures in Stage 1 and 2 and a decrease in exposures in Stage 3. Meanwhile, the war in Ukraine had a major impact on energy and commodity prices and drove up inflation. We therefore deemed it appropriate to move from sector-specific overlays (amounting to €1.6 million in 2021) to a more general overlay, which affects all clients. The overlay consists of three adjustments in the IFRS 9 models: an adjustment that affects the probability-of-default, an adjustment to better reflect recent arrears behaviour, and an adjustment to the weighing of the macroeconomic scenarios. This management overlay is more in line with the general trend of increased risk in the portfolio and amounts to €5.2 million, which means an addition of €3.7 million on the management overlay from 2021.

For more information about credit risk, see Section 3, “Credit risk”, in the financial statements.

Market risk
Van Lanschot Kempen is exposed to market risk through client-facilitating transactions. Our Treasury department performs structured products transactions for clients. Our Investment Banking Clients team performs equity transactions for clients and provides market liquidity, which may result in trading positions. Both our Private Clients team and our Treasury department perform transactions in interest-related and foreign currency products. These activities may also result in trading positions. Temporary positions may arise from our efforts to facilitate our clients' requests. We invest in our own funds in order to align our interests with those of our clients and to support our investment management activities. We supported a newly launched fund (the Van Lanschot Kempen Private Real Estate Pool) and divested some funds. The Risk Management department monitors market risks on a daily basis.

Financial markets in 2022 were challenging and volatile due to the outbreak of the war in Ukraine and a regime change at central banks to battle rising inflation. As a result, equity valuations went down and rates went up significantly, resulting in negative performance in both equity and bond markets. All three activities exposed to market risk showed relatively stable returns despite volatile markets (structured products, equity brokerage, and interest and foreign exchange products for Private Clients).

As a result of extreme financial market volatility in 2020, we made significant losses on the structured products activities. This resulted in the strategic decision to reduce the risks on this activity significantly by moving from a macro-hedging strategy to an almost exclusively back-to-back hedging strategy, thereby decreasing most of the market risks in the portfolio. The structured products activities are being managed according to plan, with complex products now being almost exclusively hedged back-to-back. Structured products activities' trading limits have been decreasing in conjunction with the run-off of the macro-hedged portfolio, thereby reducing the market risks in the portfolio even further. The volatile financial markets in 2022 were a live test of the stability of the portfolio, which weathered the storm well with no major losses. The de-risking of the structured products portfolio was completed by year-end 2022.

For further information on market risk, see Section 4, “Market risk”, in the financial statements.

Interest rate risk

Over the course of 2022, interest rates increased rapidly due to rising inflation and inflation expectations, and corresponding central bank rate hikes. This major change in the interest rate environment confronted us with implications on client behaviour, pricing, hedging and positioning.

We noticed a declining appetite for interest rate maturities longer than ten years. Moreover, in line with market developments, we saw a general decline in the volume of mortgage applications in the second half of 2022. We pay close attention to embedded client options in mortgages, which expose us to option risk. This mainly involves the offer option (clients being entitled to a fixed rate, as offered, even if market rates rise substantially) and the right to take their current mortgage interest rates with them when moving house (under certain conditions). We also expect early redemptions (prepayments) on mortgages with "old" low interest rates to decline substantially.

On the liability side, we noticed an increasing appetite for fixed rate deposits, especially in the final quarter. Margins on term deposits (the bulk of client appetite is for tenors up to one year) are substantially smaller than on variable rates. For variable rate deposits, we stopped charging negative interest on large deposit balances in October 2022. Despite this, margins on variable rate deposits have increased substantially, as increases in client rates generally lag behind increases in the ECB deposit facility and market interest rates.

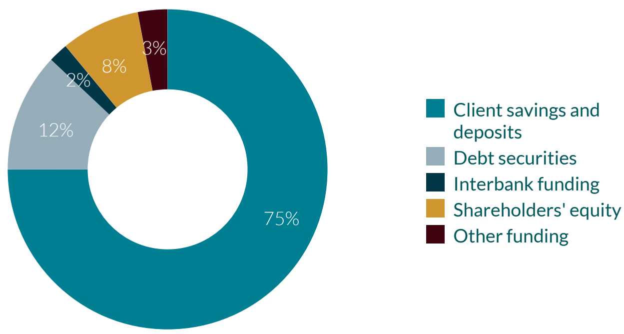
In 2022, our ALCO maintained a positive interest rate "mismatch" position. This can be represented by duration of equity, which was kept within a 2-5 year range. Although a positive duration of equity generally contributes positively to net interest income, it does come with opportunity costs (foregone opportunity to invest at more favourable rates) when interest rates increase. Although net interest income projections have increased substantially on the back of improved margins on variable rate deposits, in 2022 we incurred some loss in economic value due to opportunity losses. Despite high interest rate volatility, we remained well within all interest rate risk limits.

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

Liquidity and funding risk

Our wealth management business model naturally comes with a large client deposits base. These entrusted funds grew again from €11.7 billion to €12.7 billion in 2022. Our December 2022 loan-to-deposit ratio amounted to 73.6% (2021: 75.7%), which reflects the fact that our client deposit base well exceeds our client loan book volume.

Funding mix (100% = €17.0 billion)



Because of this, our reliance on other funding sources is limited, and our liquidity risk profile is mostly driven by the potential occurrence of unanticipated deposit outflows. Although our deposit base has proven to be sticky over time, there is always a risk of unexpected outflows, particularly for balances not covered by the deposit guarantee scheme (DGS).

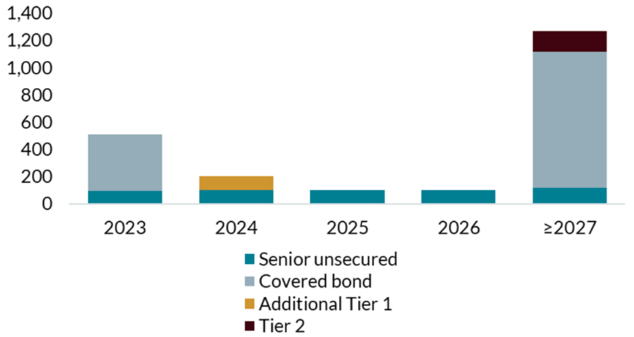
As our appetite for liquidity risk is low, we aim to hold solid liquidity buffers that would allow us to absorb severe unexpected liquidity stress situations. Outcomes of liquidity stress tests, which cover acute and persistent liquidity stress, are discussed by our ALCO on a monthly basis. Due to our strong liquidity buffer, stress test outcomes and other liquidity indicators such as the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) remained well within limits throughout the year. At year-end 2022, the LCR and NSFR stood at 178.3% and 158.1% respectively (2021: 172.0% and 163.0%).

The main funding and liquidity planning objective in recent years has been to reduce the impact of excess liquidity on net interest income, while maintaining a solid liquidity cushion and sufficient funding diversification. Due to improved margins on client deposits, we can currently maintain more leeway when it comes to clients preferring to maintain their balances in cash.

Although our loan-to-deposit ratio is well below 100%, we aim to keep a degree of diversification in our funding mix in terms of funding type and maturity by supplementing the client deposit base with secured debt instruments that are issued under our covered bond programmes. Due to our structurally high liquidity buffer, we only issued a €500 million covered bond under the Soft Bullet Covered Bond programme, which was established in 2022 and will replace the Conditional Pass-through Covered Bond programme over time.

Total outstanding volume under the covered bond programmes was €1.5 billion by December 2022. We do not have any benchmark-size unsecured debt issuances placed with investors. The redemption profile of our capital markets debt and capital instruments is outlined below. In 2020, we participated in the targeted longer-term refinancing operations (TLTRO) programme for an amount of €400 million. We redeemed this amount in December 2022.

Funding and capital instruments redemption profile (€ million)

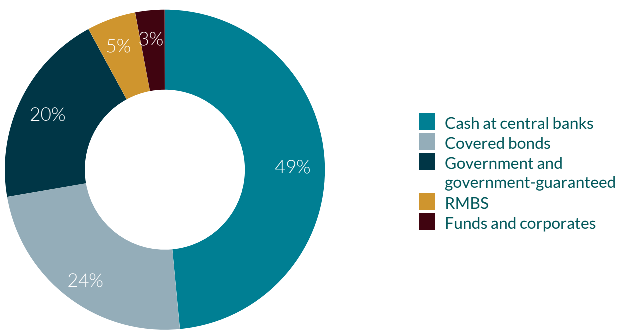


Liquidity and investment portfolio composition
Our liquidity buffer (excluding retained own debt instruments) totalled €6.2 billion at year-end 2022, down from €6.3 billion at year-end 2021. We maintained €3.0 billion at the ECB deposit facility, as this still offers a more favourable rate than other very low-risk investments such as Dutch or German sovereign bonds.

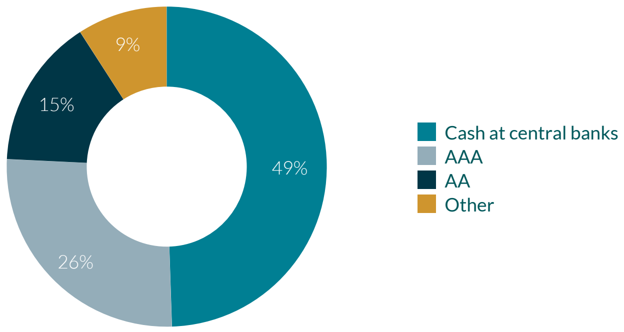
Our investment portfolio (liquidity buffer minus central bank deposits) is maintained primarily for liquidity purposes, and consists mainly of liquid, low-risk instruments. The composition of the portfolio was relatively stable in 2022. There are strict limits on instrument types, counterparties, countries, ratings and credit spread risk. Despite lower yields and spreads, we maintained a liquid, low-risk investment portfolio in line with our investment policy.

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

Investment portfolio and liquidity by counterparty (100% = €6.2 billion)



Investment portfolio and liquidity by credit rating (100% = €6.2 billion)



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

Capital management

Over the last decade, we have generated substantial amounts of excess equity capital by winding down the corporate banking loan book. Excess equity capital has been used for acquisitions and distributed to shareholders via equity capital returns. At our Capital Markets Day in May 2022, we announced a new common equity tier 1 (CET 1) ratio target of 15% plus a 2.5% M&A add-on. We also announced that we plan to return additional capital in excess of a 17.5% CET 1 ratio to shareholders. When the announcement was made, the additional capital amounted to €145 million, of which €61 million has already been distributed to shareholders. We plan to return €2.00 per share (approx. €85 million) in the second half of 2023, subject to regulatory approval. Furthermore, if the CET 1 ratio exceeds the 15% plus an M&A add-on of 2.5% by the end of 2023, our intention remains to return capital above our target to our shareholders going forward, subject to regulatory approval.

Our enhanced CET 1 target ratio is well above the CET 1 requirement that stems from the supervisory review evaluation process (SREP). The latest SREP, which was concluded in August 2022, and overall capital requirements are outlined in the table below. Required CET 1 capital is 6.5% for Pillar 1 and 2 risks. In addition, we are expected to comply with 0.24% Pillar 2 guidance. Combined buffer requirements (countercyclical and capital conservation buffer) currently require 2.5% CET 1 capital. DNB has indicated that the countercyclical buffer will be at 2% by the end of 2024. Our year-end capital ratios well exceed overall capital requirements (including a 2% countercyclical buffer) and our own targets.

SREP and overall capital requirements from August 2022 (%)	CET 1	Tier 1	Total capital
Pillar 1	4.5	6.0	8.0
Pillar 2	2.0	2.6	3.5
Total SREP capital requirement	6.5	8.6	11.5
Capital conservation buffer	2.5	2.5	2.5
Countercyclical capital buffer	0.0	0.0	0.0
Pillar 2 guidance	0.2	0.2	0.2
Overall capital requirement	**9.2**	**11.3**	**14.2**
Capital ratios at year-end 2022	**20.6**	**22.9**	**26.4**

As DNB is concerned about systemic risk in the Dutch housing market, it implemented a risk weight floor for residential mortgages. This floor applies to mortgages that are capitalised based on the IRB approach, and came into effect on 1 January 2022. Due to our solid mortgage portfolio, which results in low IRB risk weights, the impact of this floor is relatively large (2.8 % points CET 1 as of 31 December 2022). DNB recently announced that the risk weight floor will apply until at least the end of 2024.

Starting in January 2025, the EU legislation that covers Basel IV is expected to come into force. Basel IV affects three key aspects of measuring capital requirements for credit risk. The first is the revision of the standardised approach, which will increase standardised risk weights for certain loan categories. The second relates to the maximum capital benefit banks can obtain from IRB credit risk models. By imposing an overall risk weight floor equal to 72.5% of risk weights based on the standardised approach, the maximum benefits from using internal credit risk models are effectively limited. The risk weight floor comes into effect on 1 January 2025 at 50%, and will be phased in over a five-year period to 72.5%. The third aspect of Basel IV, which is particularly relevant for us, is a phased-in increase in risk weighting of equity exposures, of which we have a relatively large amount (including investments in private equity fund Bolster and Van Lanschot Kempen Investment Management funds).

The main non-credit risk-related element of Basel IV is the Fundamental Review of the Trading Book (FRTB), which we implemented starting in June 2021. Compared with the current Basel III legislation, FRTB is a more risk-sensitive approach. It takes our hedging strategy better into account when calculating the net-market risk position, and we therefore observe a structurally lower capital requirement.

We expect our solvency to benefit from a simultaneous release of the DNB risk weight floor and phased-in implementation of Basel IV. As these solvency benefits will only be temporary, we apply a certain degree of conservatism regarding Basel IV in our capital planning. In our capital planning (including equity capital returns), we therefore assume Basel IV will come into effect on a fully loaded basis straight away, starting in January 2025.

Resolution regime not applicable; MREL requirements equivalent to SREP demands

In November 2022, DNB informed us that we will not be classified as a "resolution institution". DNB also announced that the loss absorption requirements (minimum required eligible liabilities (MREL) that have to be met from January 2024) will be set equal to prevailing SREP requirements (i.e. the January 2024 MREL requirements will be equal to the SREP requirements that will be set by DNB in 2023).

Specialising in client-centricity

As a specialist in marketing intelligence, my role is to present the voice of the client to the member of the Management Board responsible for commercial activities every quarter. I collect feedback from clients and employees as well as data from our systems and condense it all into three or four topics that are really important to our clients – whether we're doing well on these or need to improve.

In 2022, we found evidence that clients appreciated the improvements we've made to our digital systems, and that personal contact became more important than ever in times of crisis. When the war in Ukraine broke out, our bankers spent the first few weeks in conversations with their clients. That's one of the reasons we've maintained high satisfaction ratings even during a huge market downturn.

For our private clients, the fact that we have specialist knowledge is crucial. The more money you have, the more complex your financial situation, and the more important it is to have specialist advisers to make you feel confident and understood. Moreover, we're extremely focused on improving the client experience: from the top level to the bottom, and from the back office to the front office, I've never worked for a company that's so specialised in client-centricity.

Stefan Philippart – Marketing Intelligence Specialist

Van Lanschot Kempen shares

Van Lanschot Kempen's market capitalisation stood at €892 million at year-end 2022. Depositary receipts for Van Lanschot Kempen's Class A ordinary shares have been traded on the Euronext Amsterdam stock market since 29 June 1999 (ISIN Code: NL0000302636; ticker: VLK.AS).

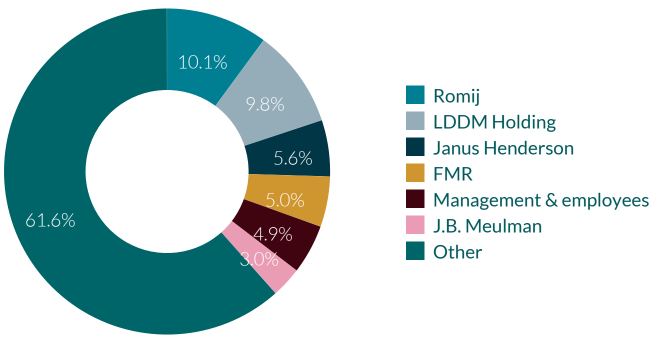
The issued share capital of Van Lanschot Kempen at 31 December 2022 consisted of 41,361,668 Class A ordinary shares ("shares") each having a nominal value of €1. We held 644,350 treasury shares at year-end 2022. Van Lanschot Kempen is included in the Amsterdam Small Cap Index and in the MSCI World Small Cap index.

Shareholders and depositary receipt holders

Van Lanschot Kempen's shareholder base was stable during 2022. Pursuant to Chapter 5.3 of the Dutch Financial Supervision Act, the disclosures below have been entered in the Register of Substantial Holdings as maintained by the Dutch Authority for the Financial Markets (AFM). The percentages reflect the number of shares or depositary receipts on the register on the disclosure dates and our current number of outstanding shares.

Disclosure is required once a shareholder's interest reaches, exceeds or falls below a threshold value. The current interest of a shareholder or holder of depositary receipts may consequently differ from the interest reported on the disclosure date. On 31 December 2022, Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen held over 99.99% of Van Lanschot Kempen shares. For more information on Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen, see "Corporate governance" on page 100.

Van Lanschot Kempen's depositary receipt holders



Management and employees jointly owned around 4.9% of our issued share capital at year-end 2022 (year-end 2021: 4.2%). A new employee share plan was introduced in the reporting year known as the Matching Share Plan: each Van Lanschot Kempen share that an employee buys – up to a maximum value of €2,500 – is matched by Van Lanschot Kempen one year later. A large number of employees made use of this share plan in 2022. In 2023, we will continue the share plan, but employees will be able to buy shares up to a maximum value of €3,500, which will also be matched one year later. Employees will also be given the opportunity to buy shares at a discount of 18.5%, up to a value of €15,000. All shares purchased under the employee share plan are subject to a five-year lock-up period.

Share issuance

In December 2022, we announced the next step in our collaboration with Mercier Vanderlinden by accelerating the acquisition of the remaining 30% stake, subject to regulatory approval. This stake will be paid for in cash (53%) and newly issued shares (47%) under a lock-up provision until 2030. To this end, we will issue more than 1.5 million new shares in 2023, and Mercier Vanderlinden's partners will obtain a significant holding in Van Lanschot Kempen.

Credit ratings

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

Credit ratings	Standard & Poor's	Fitch Ratings
Long-term credit rating	BBB+	BBB+
Long-term credit rating outlook	Stable outlook	Stable outlook
Short-term credit rating	A-2	F2
Date of latest report	7 November 2022	4 July 2022
Date of latest press release	24 June 2021	15 June 2022

Research coverage

Two sell-side analysts (from ABN AMRO – ODDO BHF and Kepler Cheuvreux respectively) actively track Van Lanschot Kempen and regularly publish equity research reports. For details, see vanlanschotkempen.com/share-information.

Dividend policy and dividend for 2022

Our aim is to distribute between 50% and 70% of our underlying net result attributable to shareholders. The result actually available for distribution is the net result adjusted for minority interests, the share of holders of AT1 capital securities, and the net effect of selected special items. In 2022, the underlying net result available for distribution to shareholders amounted to €110.9 million, working out at underlying earnings per share of €2.72[1].

Our strong results and solid capital position enable us to propose a dividend distribution of €1.75 per share to our shareholders (2021: €2.00 per share). The shareholders at the annual general meeting (AGM) to be held on 25 May 2023 will be invited to adopt the dividend proposal.

[1] Based on the weighted number of outstanding ordinary shares.

Based on the number of shares in issue on 31 December 2022 (excluding treasury shares), and the new shares that are expected to be issued in 2023 relating to the acquisition of the remaining 30% stake in Mercier Vanderlinden, the proposed dividend payments will total €74.2 million. This corresponds to a pay-out ratio of 66.9% of the underlying net result attributable to shareholders. This amounts to 95.8% of net result attributable to shareholders. The proportion of net result attributable to shareholders that won't be paid out (i.e. €3.2 million) will be added to reserves.

Capital management policy

By year-end 2022, our CET 1 ratio of 20.6% was above our target of 15% plus an M&A add-on of 2.5% for acquisitions, as announced at our Capital Markets Day in May 2022.

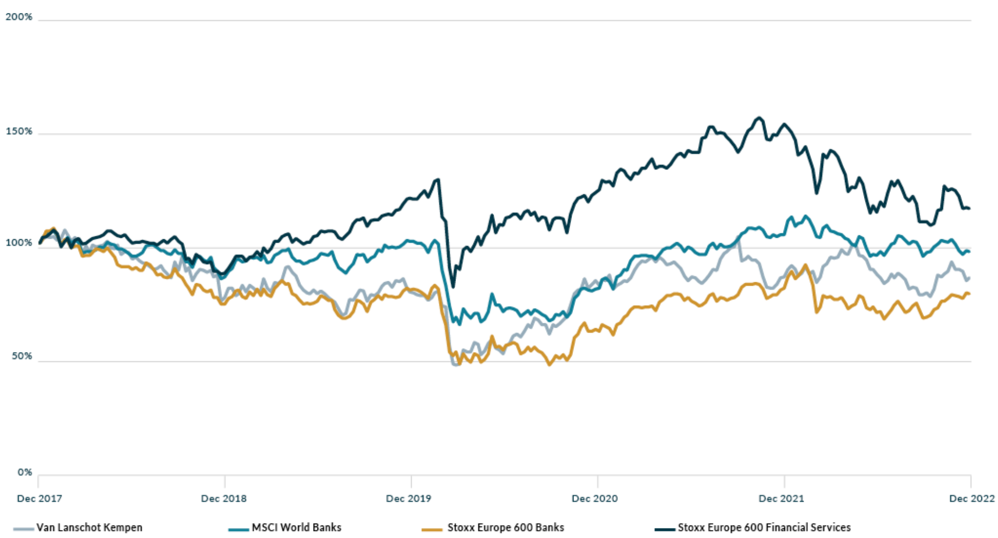
Our plan to distribute additional capital above a CET 1 ratio of 17.5% was shared at the same time. When the announcement was made, additional capital amounted to €145 million, of which €61 million has already been distributed to shareholders. We plan to return €2.00 per share (approx. €85 million) in the second half of 2023, subject to regulatory approval. We expect the CET 1 ratio to exceed the target of 15% plus an M&A add-on of 2.5% by the end of 2023, partly due to the issuance of new shares related to the acquisition of Mercier Vanderlinden. Our intention is to return capital above our target to our shareholders going forward, subject to regulatory approval.

Since 2016, we have paid out a total of over €560 million – excluding the 2022 dividend – to our shareholders in the form of both dividends and capital returns.

Key figures per ordinary share	2022	2021	2020	2019	2018
Share price (€):					
High	26.90	26.95	21.90	23.30	28.00
Low	19.14	20.35	9.23	17.28	18.40
Closing	21.90	22.00	21.00	20.05	19.82
Average daily trading volume in depositary receipts	53,959	51,184	87,525	32,920	23,333
Market capitalisation (€ million) (year-end)[2]	892	899	863	820	813
Net asset value per share (€)	31.45	32.01	30.54	29.59	30.32
Price-earnings ratio[3]	8.1	5.9	19.4	8.0	8.3

Information on dividend per ordinary share	2022	2021	2020	2019	2018
Underlying earnings per ordinary share (€)[3]	2.72	3.74	1.08	2.52	2.37
Dividend per ordinary share (€)	1.75	2.00	0.70	1.45	1.45
Dividend yield (%)	8.0	9.1	3.3	7.2	7.3
Pay-out ratio (%)	66.9	53.4	65.1	57.4	61.1
Total return for holders of ordinary shares (%)	15	15	5	16	-13

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



[2] Calculated as: closing price x (issued share capital minus treasury shares).
[3] 2022 adjusted for expenses relating to accounting treatment of Mercier Vanderlinden, provision for revolving consumer credit, restructuring charges related to the integration of Hof Hoorneman, provision for an interest-derivatives case and other one-off items; 2021 adjusted for expenses relating to accounting treatment of Mercier Vanderlinden, provision for revolving consumer credit, restructuring charges related to the integration of Hof Hoorneman and other one-off items; 2020 adjusted for restructuring charges related to the acquisition and integration of Hof Hoorneman; 2019 and 2018 adjusted for costs incurred for our Strategy 2020 investment programme and restructuring charges.

Sustainability ratings

Van Lanschot Kempen is periodically assessed by the following organisations:

- Sustainalytics, a Dutch research company that reviews companies globally on their sustainability credentials, typically for clients such as institutional investors, banks and asset managers. We hold first place in our peer group of medium-sized banks.
- MSCI ESG, a rating designed to measure a company's resilience to long-term, industry-material environmental, social and governance (ESG) risks. We received an AA rating.
- ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc. We received a B– rating.
- Principles for Responsible Investment (PRI). Our responsible investment process was rated 4 and 5 stars (out of 5) by PRI for the Investment & Stewardship Policy module and five Direct – Listed Equity modules (Active fundamental – incorporation, Investment trusts – incorporation, Active quantitative – voting, Active fundamental – voting, and Investment trusts - voting).
- The Dutch Ministry of Economic Affairs and Climate Policy, which has developed its own tool to measure the transparency of sustainability reporting: the annual Transparency Benchmark (TBM), which is carried out once every two years. In 2021, our 2020 annual report, sustainability supplement and TCFD reporting earned us eighth place in a league table of 486 entrants.

Investor relations policy

Our investor relations policy is designed to provide current and potential shareholders and bondholders, rating agencies and research analysts with accurate and timely information on developments within our business. We engage in active dialogue with all our financial stakeholders, by publishing press releases and our annual report, and by organising meetings and one-to-one discussions with existing and potential investors. We observe a "silent" period of three weeks prior to the publication of our annual and half-year results. No meetings are held with shareholders or analysts during this period.

We also publish our policies on investor relations on our website: vanlanschotkempen.com/investorrelationspolicy.

All documents and other relevant information may be found on our website: vanlanschotkempen.com/en. If you would like to receive Van Lanschot Kempen's press releases by email, you can subscribe to our news service via vanlanschotkempen.com/pressreleases.

More information

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

Key dates 2023	
Publication of 2023 Q1 trading update	4 May 2023
2023 AGM	25 May 2023
Ex-dividend date	29 May 2023
Record date	30 May 2023
2022 dividend made payable	6 June 2023
Publication of 2023 half-year results	24 August 2023
Publication of 2023 Q3 trading update	2 November 2023

Taking the leap

At the end of 2021, I left my previous job because, unfortunately, the company culture completely changed after its acquisition. So I was very selective about choosing a company whose values resonated with mine. I'd heard good things about Van Lanschot Kempen, and felt a connection with the way the company works with its clients and treats its employees. So I decided to take the leap.

And perhaps that's become a theme of my work as an Agile Coach here. Agile is a well-known methodology in the IT world, but it's about more than just improving processes. It all starts with people: their curiosity to discover client needs, their willingness to work together on solutions, their trust in each other, their courage to experiment and learn together. And that's relevant in every part of the business – not just in IT. In 2022, the HR department asked me to help them with their way of working. I'd done some work with non-IT teams before but never with HR. Yet their eagerness to try, coupled with the company culture that encourages experimentation, made me think: why not? Let's jump! I encouraged them to look at their processes through a new lens, to experiment and share their learnings with each other. I'm really proud of the insights they've gained and improvements they've made. More to come, I'm sure.

Liliia Malysh – Agile Coach

Report of the Supervisory Board

This report gives an overview of the activities of the Supervisory Board and its committees in 2022. For a description of the composition and operation of the Supervisory Board, see "Corporate governance" starting on page 98.

The Supervisory Board supervises and advises the Management Board on performing its management tasks and setting the direction for Van Lanschot Kempen. In its activities, the Supervisory Board focuses on long-term, sustainable value creation for our clients, for our shareholders and for society. The members of the Supervisory Board are fully independent.

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

Supervision

Achievement of corporate targets

The reporting year 2022 was characterised by geopolitical tensions, market turmoil and high inflation. This also impacted Van Lanschot Kempen's clients, its employees and the company itself.

Van Lanschot Kempen's wealth management strategy, focusing on organic and inorganic growth with a capital-light balance sheet, has proven to be effective amid market turmoil. This was evidenced by high net inflows in both the Private Clients segment and the Wholesale & Institutional Clients segment. The volume of assets under management (AuM) decreased, driven by negative market performance.

At the end of 2022, the acquisition of the remaining 30% stake in Mercier Vanderlinden was announced. This transaction fits the ambition of the company to become a top-three player in the independent private banking sector in Belgium.

At the Capital Markets Day on 11 May 2022, enhanced medium-term financial targets were presented, as well as plans for additional capital returns to shareholders and growth ambitions for the various client segments.

In terms of financial targets, the efficiency ratio stood at 73.1% at year-end 2022, against a target of 70% – showing that this still requires attention. The company's capital position continued to be strong in 2022, which allowed for a capital return to shareholders of €1.50 per share (around €60 million in total) in December 2022.

Sustainability remains an important topic for stakeholders. The implementation of new sustainability regulations requires a substantial effort from the organisation. In addition, more ambitious targets were set to decrease carbon emissions.

Another focus point in the company's independent wealth management strategy is the participation of employees as shareholders in Van Lanschot Kempen. Since introducing a partnership plan for Van Lanschot Kempen's senior staff and a new share plan for all employees, more than 70% of employees are now shareholders in the company. The participation rate is expected to increase further as a result of the stake of more than 3% that will be owned by Mercier Vanderlinden's partners.

Structure and functioning of risk management

On 1 September 2022, the responsibility for compliance reporting moved from the former Audit and Compliance Committee to the new Risk and Compliance Committee. The names of these committees were changed to reflect the change in their scope. For more information about Supervisory Board committees, see pages 80-84.

Van Lanschot Kempen's principal risks, as well as the structure and functioning of its risk management and control systems, are discussed by the Risk and Compliance Committee. In 2022, the committee's chair reported the main conclusions and recommendations to the Supervisory Board. Van Lanschot Kempen's risk appetite statement is subject to the Supervisory Board's annual approval. The risk appetite statement for 2023 was approved at the Supervisory Board's December meeting.

Financial reporting

Financial reporting is discussed regularly at the Audit Committee's meetings, which are also attended by the external auditors. After each meeting, the chair of the committee reports on committee discussions to the full Supervisory Board. All members of the Supervisory Board attended the Audit Committee's meeting in 2022 at which the 2021 annual figures were discussed. The Supervisory Board approved the financial statements for 2021 on 23 February 2022.

Following a proposal by the Supervisory Board, PricewaterhouseCoopers Accountants NV (PwC) were reappointed as external auditors for the 2023 financial year at the annual general meeting (AGM) held on 25 May 2022. In January 2023, the Supervisory Board decided to propose the reappointment of PwC for the 2024 financial year to the AGM to be held on 25 May 2023. To comply with mandatory audit firm rotation obligations no later than 2026, Van Lanschot Kempen started a process to select and appoint a new external auditor. For more information about the selection and appointment process, see page 82.

Legal and regulatory compliance

The Supervisory Board is regularly provided with information on developments regarding the compliance framework; further development of the compliance programme; group-wide projects to strengthen policies and control arrangements, especially concerning anti-money laundering and anti-terrorist financing, sanctions and client due diligence processes; and the supervision of the regulatory authorities regarding compliance with regulations. The Supervisory Board was informed periodically about the ongoing implementation of new legislation and regulations, such as the Sustainable Finance Disclosure Regulation (SFDR), preparation for the new environmental, social and governance (ESG) reporting requirements under the EU Taxonomy, the Gender Balance Act, the amended European Banking Authority (EBA) guidelines on internal governance, and the EBA and European Securities and Markets Authority (ESMA) guidelines on the assessment of the suitability of members of the management board and key function holders. In addition, the Supervisory Board was informed about progress on the implementation of compliance policies as well as the implementation of the recommendations resulting from the off-site inspection by De Nederlandsche Bank (DNB) of the internal governance and risk management of the compliance function in 2021.

Relationship with stakeholders

The Supervisory Board regularly discussed Van Lanschot Kempen's relationship with its shareholders. At the Capital Markets Day, the following topics were discussed with shareholders: progress against the company's wealth management strategy, the revision of its medium-term financial targets, organic and inorganic growth opportunities, the company's strong capital base, and its sustainability profile and approach.

The Supervisory Board values its constructive relationship with the Works Council. Bernadette Langius and Karin Bergstein had meetings with the Works Council in February and May 2022. They also attended a meeting of the Works Council with a delegation of the Management Board, at which the general course of business at Van Lanschot Kempen was discussed.

Frans Blom had several meetings with the Works Council Board to discuss the process for the selection of a new member of the Supervisory Board, to fill the vacancy that will arise as a result of the end of the second appointment term of Bernadette Langius in 2023. As the Works Council has an enhanced right of recommendation for this vacancy, Frans Blom met the Works Council Board to discuss the shortlist of candidates and the final selection of the preferred candidate.

Relevant aspects of sustainability

In June 2022, the Supervisory and Management Boards took part in an educational session on sustainability. The Supervisory Board discussed the company's 2022 sustainability ambitions, roadmap, progress on implementing various regulations and standards, and the management of climate and environmental risks. The regulations resulting from the EU Sustainable Finance Action Plan in particular have a significant impact. In addition, the Risk and Compliance Committee was informed about progress made on applying the company's responsible lending policy.

The Supervisory Board is pleased to see that Van Lanschot Kempen is putting significant work into integrating all relevant aspects of sustainability further into its client solutions and risk management processes. Given the continuous developments in this field, as well as evolution towards more purpose-driven and value-based leadership within companies, sustainability remains a topic where the bar will continue to rise. As such, it requires ongoing attention from Van Lanschot Kempen going forward.

Internal organisation

Composition of the Management Board

On 1 September 2022, Constant Korthout stepped down as member of the Management Board. The Supervisory Board is profoundly grateful to him for his great contribution to the success of Van Lanschot Kempen over the past 12 years, during which the company greatly benefited from his knowledge and experience. Together with the former Chair of the Management Board, Karl Guha, he led the efforts to build a company with a robust capital position, a low risk profile and excellent financial results. Constant Korthout had held the position of Chief Financial Officer and Chief Risk Officer (CFO/CRO) since 2010.

The Supervisory Board decided to split the combined role into two separate positions from 1 September 2022 onwards. This resulted in two vacancies on the Management Board, thus increasing the number of members from five to six. Jeroen Kroes was appointed as Chief Financial Officer and member of the Management Board, while Wendy Winkelhuijzen was appointed as Chief Risk Officer and member of the Management Board, both from 1 September 2022 until the AGM in 2027. Jeroen Kroes and Wendy Winkelhuijzen held various positions within Van Lanschot Kempen before being appointed as members of the Management Board. Jeroen Kroes most recently served as Managing Director of Finance, Reporting & Control, while Wendy Winkelhuijzen most recently served as Managing Director of Strategy & Corporate Development. The Supervisory Board is very pleased with their appointments.

Richard Bruens and Arjan Huisman were reappointed as members of the Management Board for a period until the AGM in 2026.

The Management Board currently consists of Maarten Edixhoven (Chair), Jeroen Kroes, Wendy Winkelhuijzen, Arjan Huisman, Richard Bruens and Erik van Houwelingen.

Composition of the Supervisory Board

To ensure an appropriate and balanced composition of the Supervisory Board, the Board regularly discusses its profile and composition. The composition of the Supervisory Board did not change in 2022. According to schedule, Maarten Muller's appointment term expired in May 2022. He was reappointed as a member of the Supervisory Board by the AGM on 25 May 2022 until the AGM in 2026.

Bernadette Langius's term of appointment as a member of the Supervisory Board will expire after the AGM in 2023, according to schedule. As this is her second term, she will not be available for reappointment. The recruitment process for a new member of the Supervisory Board has started, and the Supervisory Board expects to propose this new member to shareholders at the AGM in 2023.

For further information and background on the members of the Supervisory Board, see page 108.

Supervisory Board meetings

The Supervisory Board held 12 meetings in 2022. The Management Board attends the formal meetings of the Supervisory Board and prepares detailed supporting information. Regular items on the agenda of these meetings include the company's strategy, developments within the various business activities, corporate governance, risk management, compliance, audit, IT, operations, financial results, the annual budget, capital strategy and HR topics.

In addition, the Supervisory Board discussed:

- Revision of the financial targets;
- Preparation for the Capital Markets Day;
- Proposal for a capital return to shareholders;
- Client group action plans;
- M&A opportunities;
- Progress on the cooperation between Van Lanschot Belgium and Mercier Vanderlinden;
- IT roadmap of investment management activities;
- Progress on several compliance projects;
- Progress on the implementation of the recommendations resulting from the DNB off-site inspection of the internal governance and risk management of the compliance function;
- Systematic Integrity Risk Analysis (SIRA) 2022;
- Succession planning;
- New inclusion and diversity policy and action plan to achieve the targets for diversity among the Management Board and senior staff;
- Introduction of a partnership plan for key senior employees;
- Climate strategy and action plan;
- Tax policy;
- Branding strategy of Van Lanschot Kempen.

The Supervisory Board held ten additional meetings with Supervisory Board members only. These meetings give the Supervisory Board the opportunity to reflect on agenda items and discuss possible items that require attention in advance of the regular meetings, as well as to discuss matters such as the composition of the Management and Supervisory Boards and the evaluation of how both boards are working. The Chair of the Management Board was invited to attend some of these meetings, depending on the topics being discussed. At the meeting in February 2022, the Supervisory Board discussed the performance of the members of the Management Board in 2021.

The Supervisory Board received the information needed to perform its tasks from the Management Board. Information was also provided by the external auditors. Employees from within the organisation regularly attended meetings to provide additional information on specific topics within their respective fields. The agendas for Supervisory Board meetings were drawn up by the Company Secretary, in consultation with the Chair of the Supervisory Board. Between meetings, Frans Blom regularly maintained contact with the Chair of the Management Board. Supervisory Board members also held meetings with members of the Management Board and employees, relating to their membership of specific Supervisory Board committees and particular topics.

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

Supervisory Board committees

Composition of Supervisory Board committees

The Supervisory Board has appointed four committees from among its members. Each committee advises the Supervisory Board and prepares decision-making by the Board in its designated area of interest. These committees meet separately throughout the year. The main considerations and conclusions of the committees are shared with the Supervisory Board. The Supervisory Board remains fully responsible for all decisions.

As a result of the decision to split the CFO/CRO role into two separate positions from 1 September 2022 onwards, the discussion of compliance topics was also shifted from the Audit and Compliance Committee to the Risk Committee from that date. Consequently, the names of these committees were changed to the Audit Committee and Risk and Compliance Committee respectively.

Composition and attendance rate	Supervisory Board	Audit Committee	Risk and Compliance Committee	Selection and Appointment Committee	Remuneration Committee
Frans Blom	100% (Chair)	100%		100% (Chair)	100%
Manfred Schepers	91%	100%	100% (Chair)		
Karin Bergstein	100%	100%			83%
Brigitte Boone	82%		100%	88%	
Bernadette Langius	95%		100%		100% (Chair)
Maarten Muller	100%		100%	100%	
Lex van Overmeire	82%	100% (Chair)	100%		

Audit Committee

The Audit Committee held four meetings in 2022.
A delegation from the Management Board attended these meetings. The external auditors, Managing Director of Internal Audit and Managing Director of Finance, Reporting & Control were also present at the meetings to discuss financial performance and audit matters. The Managing Director of Compliance attended the meetings that took place before 1 September 2022. The Audit Committee also met with the internal and external auditors without the members of the Management Board being present, to discuss the course of affairs during the financial year.

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

In addition, the Audit Committee discussed the most relevant and sizeable financial claims against Van Lanschot Kempen for which no provision was taken because their chance of materialising was considered to be less than 50%, the internal duties and comprehensive responsibilities regarding ESG reporting in the annual accounts, and the external auditors' report of Van Lanschot Kempen's 2021 regulatory returns, which were submitted to DNB.

Key items for discussion	Audit Committee review and conclusion
Impairments of loans and advances to the public and private sectors Impairments for individually identifiable loans are based on IFRS 9. Van Lanschot Kempen recognises a loss allowance for expected credit losses (ECL) on all loans. The ECL is calculated by using purpose-built IFRS 9 models. For credit-impaired loans, the Credit Risk and Credit Restructuring & Recovery team provides input in determining the level of credit loss allowances. Determining the appropriateness of the individual items involves elements of judgement and requires management to make assumptions. In these judgements and assumptions, the uncertainties relating to market volatility, rapidly rising interest rates, increased cost of living and current geopolitical developments need to be taken into account.	On the basis of periodic management reports and the outcome of the audit procedures performed by the auditors, we challenged the completeness and accuracy of the impairments made. We discussed the changes in loss allowances during the year as well as the loss allowances recognised in the profit & loss statement. We paid specific attention to the impact of the increased cost of living (due to high energy prices and inflation) on the credit portfolio and the impairments made. We discussed the methodology for incorporating the effects of the increased cost of living and economic uncertainties into the IFRS 9 model. We were informed about the top-level adjustments that are being applied to the model outputs (the so-called management overlay). We discussed the potential impact of climate change on our loan portfolio and agreed with management that no impairment is needed currently. In addition, we agreed to further investigate how to include this element in our methodology going forward. Based on our discussions and considering the acceptable range in the context of estimate uncertainty, we agree with the methodology applied by management in determining the provisions for impairments of loans and advances to the public and private sectors, and with the corresponding results. The disclosures relating to this item are set out in Note 7 to the financial statements.
Fair value measurement of Level 2 and 3 financial instruments For financial instruments traded in an active market (Level 1), the valuation is based on quoted prices and market data. There is limited judgement involved in the fair value valuation of these instruments. For financial instruments not traded in an active market (Levels 2 and 3), management applies subjective judgement in the fair value valuation of these instruments. The fair value of Level 2 and 3 instruments is determined using net present value models, option models or the net asset value of the underlying investment. In addition, for certain Level 3 instruments, Van Lanschot Kempen uses market and transaction multiples in the valuation. The nature of the instrument determines the model and data used.	We were informed about the methods used for, and the outcome of, management's valuations of Level 2 and 3 financial instruments, including the governance around model and assumption changes. We specifically discussed the valuation of the structured products. Based on our discussions and considering the acceptable range in the context of estimation uncertainty, we agree with the estimates applied in the fair valuation of the Level 2 and 3 financial instruments.
Measurement of goodwill and intangible assets Van Lanschot Kempen annually conducts a goodwill impairment test regarding the valuation of goodwill on its balance sheet. This process is complex and subjective by nature as it is based on assumptions of future market and economic conditions. The assumptions used include future cash flow projections and, for each cash-generating unit (CGU), a cost of equity used as a discount rate.	We were informed about the method used for, and the outcome of, the goodwill impairment test. We took note of the additional attention that was paid to the Wholesale & Institutional Clients segment. The methodology used was consistent compared with 2021, and was deemed to be adequate and in sufficient detail.

Key items for discussion	Audit Committee review and conclusion
Acceleration of the acquisition of Mercier Vanderlinden In the final quarter of 2022, Van Lanschot Kempen and the founding partners of Mercier Vanderlinden decided to accelerate the acquisition of the final stake in the company. The agreement was signed and released to the press on 22 December. The Belgian market will be served by the combined organisation, Van Lanschot Kempen Belgium and Mercier Vanderlinden, using the name Mercier Van Lanschot.	The Audit Committee was informed about the plans to accelerate the acquisition of the 30% stake in Mercier Vanderlinden that was still owned by management. We discussed the rationale, impact and risks relating to the chosen structure, and expressed our support for this transaction.
Appointment of a new external auditor During the reporting year, Van Lanschot Kempen explored the opportunity to appoint a new external auditor, before the mandatory audit firm rotation obligations no later than 2026. Van Lanschot Kempen decided to start a process to select and appoint a new external auditor, and invited three audit firms to tender for the audit of its financial statements.	The Management Board and two members of the Audit Committee were actively involved in the process and extensively reviewed all tenders. The two members of the Audit Committee and the steering committee selected KPMG Accountants NV (KPMG) on the basis of a number of criteria, including relevant technical expertise, the composition of its team of auditors, its cultural fit with Van Lanschot Kempen, and its financial proposition. At its January 2023 meeting, the Audit Committee adopted the proposal to appoint KPMG and submitted the proposal to the Supervisory Board with a positive recommendation. The committee reached the decision to do this independently. On the recommendation of the Audit Committee, the Supervisory Board subsequently agreed to propose to the AGM on 25 May 2023 to appoint KPMG as the company's external auditors, effective from the start of the 2025 financial year.

The committee discussed the external auditors' audit plan, reports and the board report prior to their consideration by the full Supervisory Board. The main topics discussed were the audit scope, materiality, key audit matters, (interim) findings and hard-close activities, as reported by the external auditors. In addition, the committee monitored the actions taken in response to these findings. The Audit Committee works closely with the Risk and Compliance Committee on monitoring the quarterly non-financial risk reports and on key audit matters, such as reliability and continuity of the IT environment and the fair value measurement of specific financial instruments. The committee reviews the external auditors' independence, audit quality, communication and fees every year.

On 26 January 2023, the functioning of PwC in 2022 was evaluated. The outcome of the evaluation resulted in the proposal to reappoint PwC for the 2024 financial year; the committee reached the decision to do this independently.

The Audit Committee followed the work of the Internal Audit department throughout the year. The annual plan and quarterly reports from the Internal Audit department were discussed as part of the committee's evaluation of the quality and effectiveness of Van Lanschot Kempen's governance, policy framework, risk management and internal control systems. The committee discussed the annual evaluation of the Audit Charter, progress against the annual plan and the quality of Internal Audit's operation.

In addition, Internal Audit reports presented the results of assessments of the risk & control framework and operation, the implementation and operation of IT systems, policy alignment and implementation for remote entities, fraud prevention, client due diligence and repatriation of funds in Belgium, fund management, large projects such as the integration of Mercier Vanderlinden, improvements for the Investment Strategies & Solutions department and the sustainability programme.

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

Risk and Compliance Committee

The Risk and Compliance Committee met three times in 2022. Its meetings were also attended by the Chair of the Management Board, CFO/CRO (from 1 September onwards the CRO and CFO), the Managing Director of Risk Management and the Managing Director of Credit Risk and Credit Restructuring & Recovery. Since 1 September, the meetings have also been attended by the Managing Director of Compliance. The committee paid careful attention to the credit, non-financial, market and interest rate risks to which the organisation is exposed.

The Audit and Compliance Committee (until 1 September) and the Risk and Compliance Committee (from 1 September) followed developments on compliance in the organisation and the monitoring activities of the Compliance department throughout the year. The quarterly compliance reports, execution of the compliance programme, compliance risks and progress on compliance projects were discussed in the meetings of the Audit and Compliance Committee until 1 September and in the meetings of the Risk and Compliance Committee from 1 September 2022 onwards. Quarterly reports from the Compliance department included the reports by the Data Protection Officer on personal data integrity and adherence to the General Data Protection Regulation (GDPR). The Risk and Compliance Committee also discussed developments in cybersecurity and the outcome of SIRA 2022. In addition, reports from Compliance provided information about contact and communication with regulators. Compliance's 2023 annual plan was discussed at the committee's December meeting.

The quarterly risk appetite reports were discussed by the Risk and Compliance Committee. In all meetings, specific attention was paid to reviewing whether Van Lanschot Kempen's risk profile was within the limits set by the company's risk appetite. At its meetings, the committee discussed credit risk, execution risk of specific change projects, data management risk, cybercrime and IT risk, business continuity risk and various non-financial risks, including ESG-related risks. Interest rate and market risk developments were discussed based on factors including duration analyses, the development of value at risk, and stress tests.

The committee was also informed about risk mitigation measures and developments in several strategic projects.

At the committee's December 2022 meeting, Van Lanschot Kempen's risk appetite statement for 2023 was discussed, while the capital and funding plan for 2023–25 was discussed in February 2023. Both documents were submitted to the Supervisory Board with a positive recommendation. For the principles on which Van Lanschot Kempen's risk appetite is based, see vanlanschotkempen.com/en/governance ("Banking Code").

In 2022, the Risk and Compliance Committee paid special attention to the topics detailed in the table below.

Key items for discussion	Risk and Compliance Committee review and conclusion
Interest rate risk: higher and more volatile interest rates Over the course of 2022, interest rates increased rapidly due to rising inflation and inflation expectations, and corresponding central bank rate hikes. Market interest rates became much more volatile as well. By year-end 2022, the ten-year euro swap rate was 2.9% higher than the December 2021 level, whereas the European Central Bank (ECB) deposit facility rate had risen from -0.5% to 2%. This major change in the interest rate environment confronted us with implications in terms of client behaviour, pricing, hedging and positioning.	The Risk and Compliance Committee received quarterly risk reports, including reporting on asset and liability management and interest rate risk information. The committee noted the volatility of the interest rate movements and net interest rate income projections. Attention was also paid to Van Lanschot Kempen's duration position and the potential risks of the options embedded in our mortgage offerings. We concluded that despite the volatility and uncertainties, the process was well managed and Van Lanschot Kempen's interest income was expected to rise overall, creating a buffer for the other interest rate risks.
Market risk: structured products In response to the highly volatile markets in March and April 2020 and corresponding increased risk levels, we decided to implement several de-risking measures with regard to the structured products activities.	Members of the Risk and Compliance Committee were updated on the situation regarding structured products activities, and the fact that the desired end-state had been reached by the end of 2022. Financial market volatility in mid-2022 was a good test of the resilience of the new risk framework. The limited impact on profit & loss gave the members of the Risk and Compliance Committee assurance that the risk levels of this portfolio had actually decreased.
IT risk: cybercrime Cybercrime is and will remain one of the main threats facing the financial services industry. We follow a risk-based approach and aim to develop intelligent solutions.	Management and the Information Risk Officer informed the Risk and Compliance Committee on a regular basis about developments in the company's cybersecurity strategy. The level of security is being continuously increased, and we concluded that sufficient resources and attention are being dedicated to this important topic. We also discussed business continuity management – in particular, the IT exercise to operate from the back-up site in full production mode. We came to the conclusion that adequate attention was paid to this topic.
Non-financial operational risk: implementing change In this rapidly changing world, organisations only survive if they continuously adapt to new circumstances. However, working on various major change projects simultaneously leads to an increase in operational risks.	Management informed the Risk and Compliance Committee about the various change projects and risks to the organisation regarding the amount of changes and pressure on staff. The Committee supported the Management Board's decision to focus first on finishing some major projects before engaging in new change projects.
Credit risk: portfolio quality Credit risk remains one of the major risks facing Van Lanschot Kempen, although the wind-down of the corporate portfolio means that credit risk is much more contained. The main risks for Van Lanschot Kempen are a major decline in the economy coupled with falling house prices.	The Risk and Compliance Committee was informed about credit risk developments in the loan portfolio based on several indicators (loans 30 days past due, amount of defaults, loan-to-value ratio, etc.). Based on these indicators and the IFRS 9 and IRB models, the credit quality of the loan portfolio improved in 2022, despite macroeconomic uncertainty. The various scenarios under which we would expect a deterioration in the quality of the loan portfolio were highlighted.
Sustainability risk: many new initiatives Sustainability risks are becoming increasingly important. We discussed the various forms of sustainability risks: risks to the balance sheet, risks in regulatory reporting, risks in AuM and risks of not correctly classifying sustainability-related products.	We discussed the various initiatives to measure, analyse and (if necessary) mitigate sustainability risks. We saw significant progress in several areas, and we share the Management Board's conclusion that the current sustainability risks are either well managed or not significant. We also recognise that continued effort is necessary to incorporate all new sustainability legislation and requirements from supervisors, while the evolving interpretation of legislation provides a challenge.

Selection and Appointment Committee

The Selection and Appointment Committee met eight times in 2022. The committee discussed the recruitment of a new member of the Supervisory Board to succeed Bernadette Langius. An external executive search consultant supported the committee and the Supervisory Board in the selection process. The committee also discussed succession planning, the reappointment of Maarten Muller as member of the Supervisory Board, the reappointment of Constant Korthout (until 1 September 2022), Arjan Huisman and Richard Bruens as members of the Management Board, and the appointment of Jeroen Kroes and Wendy Winkelhuijzen as new members of the Management Board.

Remuneration Committee

The Remuneration Committee held six meetings in 2022. Representatives from the HR department also attended the meetings. The Chair of the Management Board and CFO were invited to attend the Remuneration Committee meetings. At its February meeting, the committee discussed the Management Board's key performance indicators (KPIs) for 2022 and the 2021 remuneration report. At the committee's January meeting, the 2021 variable remuneration paid to Van Lanschot Kempen staff was discussed. The committee also discussed the new method for determining the size of the variable remuneration pool available. The total amount available for variable remuneration of Van Lanschot Kempen staff for 2022 was among the topics discussed at the December meeting.

Assuring governance quality

Evaluation of the Supervisory Board

The Supervisory Board values the structural evaluation process to ensure continuous improvement in its way of working. Each year, the Supervisory Board evaluates the composition and functioning of the Supervisory Board, its committees and individual members. The evaluation is carried out under the guidance of an external adviser once every three years. In 2022, the evaluation process was carried out using a questionnaire completed by each Supervisory Board member. The evaluation includes the participation and contribution of each member of the Supervisory Board, the knowledge and experience of the Supervisory Board collectively, the interaction and dynamics within the Supervisory Board, the communication and provision of information, the decision-making process and quality of the information provided for Supervisory Board meetings, the independence of mind of the individual members, whether members are able to commit sufficient time to fulfil their role within the Supervisory Board, and the relationship with the Management Board. The outcomes of the evaluation were discussed by the Supervisory Board at a meeting in January 2023, and recommendations will be implemented as a result.

The Supervisory Board concluded that the Board and its committees are functioning well, and that its composition is in line with the required profile in terms of suitability, expertise and diversity, and also complies with Principle 2.1 of the Dutch Corporate Governance Code. The Supervisory Board also concluded that it is important to meet informally more often to exchange views on potentially important themes for the future, and to discuss the company's long-term strategy with the Management Board. The relationship with the Management Board is open and constructive, while remaining sufficiently critical. Suggestions to further improve the operation of the Supervisory Board include ensuring an appropriate balance between presentation and discussion during the Supervisory Board meetings. Conclusions and recommendations relevant to the Management Board will be shared with the Management Board.

Evaluation of the Management Board

In February 2023, the Supervisory Board evaluated the functioning of the Management Board as a whole and that of its individual members based on the KPIs for 2022. The Supervisory Board sets the KPIs for the Management Board every year. These KPIs consist of Van Lanschot Kempen's external financial and non-financial KPIs, with additional KPIs on financial and non-financial topics. The achievement of the KPIs by the Management Board is monitored during the year. Financial KPIs for 2022 include the return on CET 1, the CET 1 ratio and the efficiency ratio. Non-financial KPIs include the sustainability ambitions, reductions in carbon emissions, employee engagement, inclusion and diversity, and the Net Promoter Score for Private Clients, Wholesale & Institutional Clients and Evi van Lanschot. For further information on performance against these KPIs, see "How we steer and monitor our business" on pages 20-21.

The assessment of the KPIs is included as the basis for the collective assessment of the Management Board and the individual assessment of its members for 2022. In addition, a delegation of the Supervisory Board reviewed the 2022 performance and lessons learned with the individual members of the Management Board in January and February 2023. In the discussions with the two new members of the Management Board, specific attention was paid to their initial impressions from their first four months in the role, and to the main themes they will focus on in 2023. The outcomes from the meetings with the members of the Management Board were discussed by the members of the Supervisory Board in February, who concluded that the members of the Management Board performed well in 2022, both collectively and individually. These conclusions were shared with the members of the Management Board. The 2023 KPIs for the Management Board are in line with Van Lanschot Kempen's financial and non-financial KPIs for 2023 (see pages 20-21).

The Management Board evaluated its own operation and effectiveness on a regular basis during its off-sites. Board members gave each other feedback on their strengths and points to consider, and reflected on these. In 2022, the Management Board also discussed the way it functions under the guidance of an external adviser.

Tax integrity policy

In 2022, a policy on tax-related matters for members of the Supervisory and Management Boards was designed and implemented. On the basis of this policy, the personal investments of the members of the Supervisory and Management Boards were assessed. Based on the outcomes of this assessment, it was concluded that no actions were required.

On-boarding programme

All new members of the Management and Supervisory Boards complete a comprehensive on-boarding programme when appointed. The programme is tailor-made for each newly appointed Board member, as their knowledge and experience varies. The aim of the on-boarding programme is to ensure that new Board members have thorough knowledge of Van Lanschot Kempen, its strategy, business activities and key risks in order to fulfil their role within the Management and Supervisory Boards. Depending on the individual role and needs of the Board members, in-depth meetings with senior managers of relevant departments are incorporated into the on-boarding programme.

Education

As ongoing education is an important part of good governance, the members of the Supervisory and Management Boards take part in a continuous education programme. In 2022, three educational sessions were organised.

Topics covered included:
- The Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft) and Van Lanschot Kempen's anti-financial crime framework;
- Sustainability, including sustainability risks and regulations and the company's roadmap;
- Cryptocurrencies.

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

Independence
The Supervisory Board attaches great importance to the independence of its members. All members of the Supervisory Board perform their duties independently and critically. The independence requirements described in best practice provisions 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code have been fulfilled. Currently, there are no dependent members on the Supervisory Board. In the event of a potential conflict of interest relating to a particular topic, the Supervisory Board member concerned is not allowed to participate in discussions or decision-making on that topic. Best practice provisions 2.7.3 to 2.7.4 of the Dutch Corporate Governance Code were observed as far as applicable. In 2022, there were no conflicts of interest of material significance for members of the Supervisory or Management Boards.

Financial statements
The Supervisory Board has reviewed and approved the annual report for 2022 and the 2022 financial statements. The 2022 financial statements have been audited by the external auditors, PwC. The independent auditors' report can be found on page 228. The external auditors have also issued an assurance report on the sustainability information in this annual report, which can be found on page 248. We invite the AGM to adopt the 2022 financial statements as submitted, and to discharge the Management Board in respect of its conduct of Van Lanschot Kempen's affairs and the members of the Supervisory Board in respect of their supervision.

Acknowledgements
The Supervisory Board would like to thank all stakeholders for their continued trust and confidence in Van Lanschot Kempen and the Management Board.

Lastly, we would like to thank the Management Board and all employees for their ongoing, unwavering dedication and commitment to Van Lanschot Kempen and its clients over the past year.

's-Hertogenbosch, the Netherlands, 22 February 2023

Supervisory Board

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

Encouraging innovation

As part of Risk Management, I'm one of a small team of quants who do credit risk modelling to calculate our capital and provisions. In real terms, that means we make models of the risks we run if a client with a mortgage or loan goes into default, for instance. Recently, with the Covid crisis and the war in Ukraine, we've seen real-world events have an impact on our clients' behaviour, even if that wasn't immediately apparent in the data. So we sat down with all the relevant stakeholders and figured out a way to incorporate this new reality into our credit risk models.

What I really like about my job at Van Lanschot Kempen, especially compared with larger companies, is that I have plenty of freedom and opportunity to try new things. From day one, I was given a lot of responsibility for our models and a lot of contact with our stakeholders – whether that's the Finance department, senior managers, our regulator De Nederlandsche Bank or our auditors PwC. The company really values entrepreneurial spirit: no matter what level you're at in the company, you're encouraged to put forward innovative ideas and you don't have to be afraid of those ideas being shot down.

Alexander Schmitt – Quantitative Expert, Risk Management

Remuneration report

Remuneration Committee

Key objectives

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

Responsibilities

The responsibilities of the Remuneration Committee include:
- Providing advice to the Supervisory Board on:
  - the determination of the policy on remuneration of the Management Board;
  - the total remuneration packages for the members of the Management Board;
  - the remuneration of the members of the Supervisory Board;
- Preparing the annual remuneration report;
- Overseeing remuneration policies and practices, including total variable remuneration paid to Van Lanschot Kempen employees, significant[1] individual variable remuneration, and individual variable remuneration to all identified staff.

The committee held six meetings in 2022.

Composition

Chair
Bernadette Langius

Members
Karin Bergstein
Frans Blom

Letter from the Chair of the Remuneration Committee

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

This report includes both a summary of our Management Board and Supervisory Board remuneration policies and our annual report on remuneration, which sets out how our policy was applied during 2022 and how it will be applied in 2023. On 28 May 2020, the annual general meeting (AGM) approved the remuneration policies for the Management Board with a majority of 93.7% of the votes cast, and for the Supervisory Board with 100% of the votes cast.

The 2021 remuneration report was approved by the AGM (advisory vote) with a majority of 99.95% of the votes cast. There was no specific follow-up given the outcome of this vote. We did not receive any substantive comments on the 2021 remuneration report. The 2022 remuneration report will be subject to an advisory vote at our AGM on 25 May 2023.

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

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

Remuneration principles remained unchanged in 2022
We believe in rewarding long-term sustainable performance to help achieve our long-term strategy. This is reflected in our Management Board remuneration policy. Since 2015, this consists of fixed remuneration only (no variable remuneration) and includes a large proportion in depositary receipts for shares (hereinafter: shares), with a five-year lock-up period, in combination with share ownership guidelines[2]. This creates a strong focus on long-term value creation.

The remuneration structure for the Management and Supervisory Boards remained unchanged in 2022.

[1] More than 50% of fixed remuneration.
[2] Management Board members must hold Van Lanschot Kempen shares with a value equal to or above the cash portion of two years' gross salary (for as long as they remain in office). They can gradually meet this requirement over the years.

Total remuneration in 2022

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

In line with the Management Board remuneration policy approved by shareholders, the Supervisory Board indexed the fixed remuneration of the members of the Management Board. The indexation was applied on 1 January 2022 and amounted to 2%, in line with the wider workforce.

For more information about the Management Board's remuneration package and pay ratios, see "Remuneration of the Management Board in 2022" on page 91.

Performance management

The Supervisory Board assesses and challenges the performance of the Management Board based on a set of financial and non-financial key performance indicators (KPIs). These KPIs are strongly aligned with the KPIs for the rest of the organisation, and reflect both the interests of its stakeholders and its ambitions as a wealth manager. In assessing the performance of the Management Board, great value is attached to their performance as a team. This is the starting point of the performance assessment, given the company's integrated wealth management model. If the performance of a Management Board member is under par, the Supervisory Board may decide not to apply any indexation. If it is consistently under par, the Supervisory Board may dismiss the responsible Board member (after consulting the general meeting).

Stakeholder engagement

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

Looking ahead to 2023

The remuneration policy for the Management and Supervisory Boards will remain unchanged in 2023.

The 2023 indexation of the fixed remuneration of the Management Board was discussed by the Supervisory Board, in line with the remuneration policy. For the wider workforce – governed by collective employment conditions – an indexation will be applied, amounting to 4.4% on 1 January 2023 and 1% on 1 July 2023. These relatively high percentages are a result of the high inflation environment. The Supervisory Board believes it is appropriate to apply a lower indexation percentage to the Management Board, in line with senior staff who have individual employment conditions.

The Supervisory Board concluded that the performance of all Management Board members was (at least) on target, and that indexation can be justified by the company's financial performance. The decision was therefore made to index the fixed remuneration of the Management Board: 3.5% on 1 January 2023 and 0.5% on 1 July 2023.

The remuneration policies of the Management Board and Supervisory Board will be reviewed in 2023, in preparation for their inclusion on the agenda of the AGM in 2024. As part of this review, the peer groups that are used to benchmark remuneration will be reconsidered.

's-Hertogenbosch, the Netherlands, 22 February 2023

Remuneration Committee

Bernadette Langius, *Chair*

Our approach to remuneration: rewarding long-term sustainable performance

Our purpose is to preserve and create wealth for our clients and for society in a sustainable way.

Van Lanschot Kempen is the oldest independent financial institution in the Netherlands. Founded in 1737 in 's Hertogenbosch, Van Lanschot Kempen has brought several entities together over time. Our ability to continuously adapt to the changing needs of our clients is what allows us to succeed, now and in the future.

Wealth is not just about financial resources; it encompasses everything that is valuable in life. It's about safeguarding our clients' heritage for generations to come – or starting to build that heritage. It's about pursuing growth or handing over a business that has been built over the years. It's about seizing opportunities and creating peace of mind. In short: it's about security, dreams, ambitions, wishes and decisions – and all of these are specific to each individual.

At Van Lanschot Kempen, we're driven to understand the complete picture for our clients. We use our collective expertise and talents to present them with fitting solutions and products in support of their long-term goals.

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

We believe in:

Focusing on the long term

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

Rewarding sustainable performance

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

Creating a sense of ownership

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

Performance management

The Supervisory Board evaluates both the performance of the Management Board as a whole and that of the individual Management Board members on an annual basis. Performance discussions are held with the individual members. The Management Board also annually evaluates its own functioning as a whole and that of its individual members. If an individual Management Board member underperforms, they are held accountable.

Van Lanschot Kempen has developed a set of KPIs focusing on long-term value creation. They are in line with the company's values and will be reassessed from time to time. The KPIs that are relevant from a strategy and stakeholder perspective are disclosed in the sections about our value creation per type of capital on pages 23-44. These KPIs are also applicable to the members of the Management Board. Van Lanschot Kempen aims for the KPIs and performance management applicable to the Management Board to be fully aligned with the rest of the organisation.

Our remuneration policy at a glance

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

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

	Purpose	Operation
Fixed salary – cash	To reflect the scale and complexity of our company, enabling us to attract and retain the highest calibre talent needed to continue the company's growth	Fixed salary in cash, paid during the year in 12 instalments, taking into account the following factors: – Scope of responsibilities; – Business performance, scarcity of talent, economic climate and market conditions; – Developments elsewhere within Van Lanschot Kempen, including pay ratios; – Developments in our external peer groups (which are used for reference purposes only).
Fixed salary – shares	To reflect the scale and complexity of our company, enabling us to attract and retain the highest-calibre talent needed; to align rewards with long-term sustainable performance; and to align the interests of the Management Board with shareholders	Fixed salary in shares, paid in one instalment: – A lock-up period of five years applies to these shares.
Indexation	Pay for performance, labour market developments and to compensate for inflationary pressure	The remuneration of the Management Board can be increased annually at the discretion of the Supervisory Board. The indexation is maximised by: i) the general increase granted to the wider workforce; and ii) the derived CPI applicable over the previous year. It will only be applied if: i) the overall performance of the individual Management Board member is (at least) on target; and ii) it can be justified by the financial performance of the company. The indexation is granted fully in cash.
Share ownership guidelines	To align the interests of the Management Board with those of shareholders	Management Board members must hold Van Lanschot Kempen shares with a value equal to or above the cash portion of two years' gross salary (for as long as they remain in office). They can gradually meet this requirement over the years. If the share price is not performing, the Management Board members must keep increasing their holdings.
Pension and disability insurance	To secure income after retirement or in case of disability	– The members of the Management Board are responsible for their own pension provision, towards which they receive a fixed cash payment of 30% of their fixed remuneration. This percentage is in line with our reference market. – They also receive a payment of 2.59% of their fixed remuneration for taking out disability insurance. – There are no early retirement schemes for Management Board members. – We monitor external developments regarding alignment between executive pensions and broader employee pension arrangements, and the possible impact that these may have in the Netherlands.

Remuneration of the Management Board in 2022

On 1 September 2022, Constant Korthout stepped down as member of the Management Board and Chief Financial and Risk Officer. From this date, the role was split into two separate positions: Chief Financial Officer (CFO) and Chief Risk Officer (CRO). Jeroen Kroes was appointed by the AGM as the new CFO and Wendy Winkelhuijzen as the new CRO. Jeroen and Wendy both started their careers at Van Lanschot Kempen. Their compensation is fully in line with the Management Board remuneration policy.

The Supervisory Board indexed the fixed remuneration of the members of the Management Board. The indexation was applied on 1 January 2022 and amounted to 2%, in line with the wider workforce. It was granted fully in cash, in accordance with the Management Board remuneration policy. The remuneration paid to the Management Board in 2022 and 2021 is presented in the table on the following page.

Total remuneration of the individual members of the Management Board (€1,000)[3]									
Management Board member	Year	Fixed salary in cash	Fixed salary in shares[4]	Total fixed salaries	Extra-ordinary items	Pension and disability insurance	Total remuneration	IFRS 2 expenses[5]	Total staff costs
Maarten Edixhoven[6]	2022	830	388	1,217	71	397	1,684	78	1,763
	2021	201	97	298	445	97	840	22	862
Jeroen Kroes[7]	2022	158	104	262	-	85	348	24	372
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Wendy Winkelhuijzen[8]	2022	158	104	262	-	85	348	24	372
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Arjan Huisman	2022	475	312	787	-	256	1,043	47	1,090
	2021	456	312	768	-	251	1,019	36	1,055
Richard Bruens	2022	475	312	787	-	256	1,043	47	1,090
	2021	456	312	768	-	251	1,019	36	1,055
Erik van Houwelingen[9]	2022	475	312	787	-	256	1,043	47	1,090
	2021	456	312	768	-	251	1,019	36	1,055
Constant Korthout[10]	2022	317	208	525	787	171	1,483	23	1,506
	2021	456	312	768	-	251	1,019	36	1,055
Karl Guha[11]	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2021	601	291	892	-	291	1,183	33	1,216

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

Total remuneration management

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

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

A comparison of the CEO's remuneration package and the average remuneration[12] of an employee within Van Lanschot Kempen results in a pay ratio of 11:1, the same as in 2021 and in line with the industry benchmark.

As part of the review of Management Board remuneration, we take into account the remuneration policies in place across the wider workforce. This includes considering the structure of remuneration packages at each level of the business to ensure there is a strong rationale for how these evolve across the different levels of the organisation. For more detailed information on Management Board remuneration versus remuneration for the wider workforce (as well as company performance), see “Supplementary disclosure related to Management Board remuneration” on page 93.

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

[3] To be able to make a comparison between 2022 and 2021, the same definition of total remuneration has been used (total fixed salary plus pension and disability insurance). Business expenses have not been included.
[4] A proportion of fixed salary is paid in the form of Van Lanschot Kempen shares. Maarten Edixhoven received 17,041 shares (2021: 7,985 shares from 1 October 2021), Jeroen Kroes and Wendy Winkelhuijzen received 5,091 shares from 1 September 2022, Constant Korthout received 9,155 shares until 1 September 2022 (2021: 14,565 shares) while the other members of the Management Board each received 13,732 shares (2021: 14,565 shares). The number of shares granted is based on the average share price for the first four trading days in January (in September for Jeroen Kroes and Wendy Winkelhuijzen). For 2022, the average share price amounted to €22.74 in January (2021: €21.44) and €20.44 in September. IFRS takes the share price at grant date as the basis for recognition. This price also amounted to €22.74 in 2022 (2021: €21.44).
[5] Share-based payments have a lock-up period of five years, allowing Van Lanschot Kempen to provide a discount of 18.5% on the shares.
[6] The extraordinary item in 2022 (€71,000) relates to deferred compensation for lapsed rights to variable remuneration at Maarten Edixhoven's previous employer. The extraordinary item in 2021 relates to a sign-on payment in cash of €250,000, a sign-on payment in shares of €100,000 and deferred compensation of €95,000 for lapsed rights to variable remuneration at Maarten Edixhoven's previous employer.
[7] Jeroen Kroes was appointed as Chief Financial Officer on 1 September 2022.
[8] Wendy Winkelhuijzen was appointed as Chief Risk Officer on 1 September 2022.
[9] Remuneration reported as of 1 January 2021; Erik van Houwelingen was appointed as member of the Management Board on 27 May 2021.
[10] Constant Korthout stepped down as member of the Management Board on 1 September 2022 and is entitled to a (one-year gross salary) severance payment of €787,000. He received remuneration under the same conditions for the remainder of 2022.
[11] Karl Guha stepped down as Chair of the Management Board on 1 October 2021. He received remuneration under the same conditions for the remainder of 2021.
[12] The average employee remuneration is calculated by dividing total staff costs (excluding costs for external hiring, redundancy, mobility, training and other staff costs) by the average number of FTEs working for Van Lanschot Kempen.

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

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

- **Specialist wealth management companies**: We are a (highly) specialist company and need to be able to attract specialists to further grow the business. As there are no other standalone specialist wealth management companies of comparable size in the Netherlands, we look at companies active in western Europe. We take into account standalone companies, broadly comparable in terms of number of employees and type of professional setting.
- **Dutch banks**: Although not all of the country's banks are directly comparable in terms of activities and size, these companies are subject to the same regulatory framework and are part of the same public debate.
- **Other Dutch companies**: Although other banks and specialist wealth management companies are important from a talent market perspective, our talent pool does not only consist of financial services companies. For example, in pursuing our wealth management strategy, professional qualifications are key – including the ability to adapt to technological changes. Because of this, our peer group also consists of other, non-financial Dutch companies – for example, in the technology sector. These companies are larger than ours, reflecting our experience that talent suitable for our Management Board is likely to be attracted from (and lost to) larger companies.

The peer group is in line with requirements as laid down in the Dutch Banking Code. This code prescribes that the peer group should be composed of comparable positions both inside and outside the financial industry, including the relevant international context. In preparation for the approval of our remuneration policy at the 2024 AGM, we will review our Management Board peer group. The composition of the peer group currently is set out in the following table.

Management Board peer group

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

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

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

Management Board performance

As indicated in our approach to remuneration, the performance of the Management Board is assessed based on financial and non-financial KPIs. For 2022, the following KPIs (selected from a strategic and stakeholder perspective) were included in the KPIs of the Management Board. For a comprehensive overview of the Management Board KPIs, see the sections about our value creation per type of capital on pages 25-44.

	KPIs	Targets	Performance in 2022	Supervisory Board assessment 2022
Financial	CET 1 ratio	15 + M&A add-on of 2.5%	20.6%	●
	Return on equity (CET 1)	12% through the cycle	12.3%	●
	Efficiency ratio	70%	73.1%	●
Non-financial	Net Promoter Score (NPS) a. Private Clients	20	36	●
	b. Evi	10	-1	●
	c. Wholesale & Institutional Clients	20	n/a[13]	●
	Employer Net Promoter Score (eNPS)	> 10	18	●

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

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

Supplementary disclosure related to Management Board remuneration

Annual change in Management Board remuneration versus wider workforce and company performance[14]	2022	2021	2020	2019	2018	2017
CEO remuneration (€1,000)[15]	1,684	1,576	1,499 [16]	1,538	1,538	1,229
Other Management Board members' remuneration (€1,000)[15]	1,043	1,019	973 [16]	994	994	795
Average employee remuneration (€1,000)[17]	148	149	140	131	139	130
Underlying net profit (€ million)	117.8	159.9	51.0	108.8	103.0	112.3

Number of shares held by Management Board members in 2022	At 1 January 2022	At 1 September 2022	Bought/awarded	Sold/post-employment	At 31 December 2022
Maarten Edixhoven	4,947		20,181	–	25,128
Jeroen Kroes		15,871	3,154	–	19,025
Wendy Winkelhuijzen		7,588	3,154	–	10,742
Constant Korthout (until 1 September 2022)	80,780	86,452	5,672	–	n/a
Arjan Huisman	60,393		11,633	–	72,026
Richard Bruens	76,742		11,633	–	88,375
Erik van Houwelingen	24,894		11,633	–	36,527
Total	**247,756**	**109,911**	**67,060**	**–**	**251,823**

At 31 December 2022, the members of the Management Board held no options for shares.

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

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

[13] We only measure the NPS for Wholesale & Institutional Clients once every two years.
[14] The Dutch implementation of SRD II requires disclosure of the compensation of the Supervisory Board members in a way that allows comparison. The members of the Supervisory Board received fixed remuneration during the years covered by the table above, ranging from €60,000 (lowest full-time amount in 2017) to €127,000 (highest full-time amount in 2019). They are not entitled to any variable remuneration. For more information, see "Remuneration of the Supervisory Board in 2022".
[15] Total remuneration awarded. For the 2022 figures: Constant Korthout's remuneration is reported until 1 September. From 1 September, Jeroen Kroes's remuneration and Wendy Winkelhuijzen's remuneration are reported.
[16] In response to the Covid pandemic, the members of the Management Board decided to take a 10% pay cut on the cash component of their 2020 compensation on a voluntary basis, from 1 May until the end of 2020.
[17] Since 2020, an FTE equals 40 working hours for all employees, instead of 36 hours for some employees, as previously. This adjustment had an impact of around 40 FTEs as of 1 January 2020.

Loans to Management Board members at 31 December 2022 (€1,000)	At 31 December 2022	Repaid in the year	Interest range	Type
Maarten Edixhoven	–	–	–	–
Jeroen Kroes	343	7	1.35 %	Mortgage
Wendy Winkelhuijzen	381	14	1.85-2.05%	Mortgage
Arjan Huisman	–	–	–	–
Richard Bruens	2,333	36	1.10-1.56%	Mortgage
Erik van Houwelingen	1,995	20	1.45-2.10%	Mortgage
Total	**5,052**	**77**		

Remuneration of the Supervisory Board in 2022

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

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

Remuneration of the Supervisory Board (€1,000)	2022	2021
Frans Blom	117	111
Manfred Schepers	95	95
Bernadette Langius	80	80
Maarten Muller	76	76
Lex van Overmeire	85	85
Karin Bergstein	77	77
Brigitte Boone (from 22 September 2021)	76	19
Jeanine Helthuis (until 27 May 2021)	–	35

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

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

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

Remuneration of other employees

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

Fixed remuneration

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

Equal pay

Van Lanschot Kempen operates a merit-based remuneration policy, seeking not to discriminate on the basis of gender, age, nationality, social status or cultural background. We periodically investigate this and, if necessary, make adjustments to equalise pay. For the second year, in 2022 we further analysed the gender pay gap at different levels in the organisation to determine whether there are any unexplained differences. As a result, we concluded that our unexplained (corrected) gender pay gap is 2.7%, which is a significant improvement on our 2021 score of 4%. Our target is to reduce this to less than 2%.

Variable remuneration

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

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

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

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

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

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

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

The Management Board may, with the approval of the Supervisory Board, hold or claw back all or part of the pay-out if pay-outs have taken place on the basis of incorrect information, or have been made in conflict with the variable remuneration policy and/or applicable legislation and regulations:
- Deferred, conditional, variable remuneration previously awarded to an employee (or former employee), if payment of the variable remuneration would be considered unfair or unreasonable (hold back);
- Unconditional variable remuneration previously paid to an employee (or former employee). This might occur if, for instance, payment was based on incorrect information about performance or about the conditions on which the variable remuneration depended (claw back).

Remuneration in 2022
Variable remuneration totalling €21.5 million was awarded to employees (including identified staff) over 2022 (2021: €23.0 million). Six people received total annual remuneration of over €1 million in 2022 (2021: five people).

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

Matching Share Plan
In 2022, a new employee participation plan was introduced, known as the Matching Share Plan. The plan offers an attractive investment opportunity in Van Lanschot Kempen, as well as the chance to share in the company's successes. Employees are able to purchase Van Lanschot Kempen shares, up to a maximum amount of €15,000 (as of 2023). The shares are locked up for five years and can therefore be offered at an 18.5% discount. If the employee is still employed after one year, a matching amount is awarded in shares. In 2022, the maximum value of shares that would be matched by the company was €2,500; in 2023, this limit will be raised to €3,500. We are proud that more than 70% of our employees are now also shareholders in Van Lanschot Kempen.

Partnership for leadership
In summer 2022, the Van Lanschot Kempen Partnership was launched: a long-term participation plan for key senior employees. For more information, see "Partnership for leadership" on page 34.

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

Remuneration policy for identified staff
Identified staff are employees whose activities have a material impact on the risk profile of the business. For these employees, performance measurement is the same as for other employees, but additional rules apply for the pay-out of variable remuneration in order to align the interests and risks of the employee with those of the company.

As a general rule, any pay-out to identified staff is made 50% in cash and 50% in Van Lanschot Kempen shares. As an exception[18] to this, the variable remuneration of identified staff working at Van Lanschot Kempen Investment Management is paid 50% in cash and 50% in a flexible mix of Van Lanschot Kempen shares and investments in funds managed.

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

Remuneration policy governance

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

The Management Board is responsible for implementing the remuneration policy. The Supervisory Board approves the variable remuneration policy, including its general principles, and oversees its implementation. Approval by the Supervisory Board is also required for the variable remuneration pools, any significant[19] individual variable remuneration, and for individual variable remuneration proposed for employees designated as identified staff. The Supervisory Board's Remuneration Committee prepares the Supervisory Board's decision-making on remuneration and advises it in this area.

More information about the remuneration policy for identified staff can be found in our 2022 Pillar 3 disclosure, available on our website from 9 March 2023.

[18] Based on the Alternative Investment Fund Managers Directive (AIFMD) and Undertakings for the Collective Investment in Transferable Securities (UCITS) guidelines on sound remuneration policies.
[19] More than 50% of fixed remuneration.

Navigating the legal landscape

As a lawyer, I help our Investment Banking business navigate the legal and regulatory framework we're operating in, so that we can provide Corporate Finance and Equity Capital Markets services to our clients. Since the 2008 financial crisis, our industry has become increasingly regulated (whether financial, investor protection or sustainability regulations) and the sheer scope of the services we offer and the breadth of the jurisdictions we cover make for a complex regulatory environment. This complexity requires legal advisers like me to turn our specialised regulatory focus into something practical that enables the business to make things simple for clients.

In 2022, we were involved in a significant life sciences transaction. Van Lanschot Kempen is advising European Biotech Acquisition Corp, a special purpose acquisition company (SPAC) listed on Nasdaq, on its merger with biopharmaceutical company Oculis. The transaction was announced in 2022 and is expected to be completed in the first half of 2023, subject to various approvals. It's a transaction I was proud to be involved in because there were various regulatory changes in relation to SPACs in the US, and we were able to offer advice on how to navigate them and enable the client to complete the deal successfully.

Johnathan Leibbrandt – Lead Expert, Legal

Corporate governance

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

Corporate governance structure

Van Lanschot Kempen is a *structuurvennootschap*. Under Dutch corporate law this means that in addition to the tasks already mentioned, the Supervisory Board is responsible for appointing and dismissing the Management Board and for approving some of its decisions. Both the Management Board and the Supervisory Board report to Van Lanschot Kempen's general meeting.

The Articles of Association and various other regulations and documents relating to corporate governance can be found at vanlanschotkempen.com/en/governance and vanlanschotkempen.com/management-supervision.

Management Board

The Management Board of Van Lanschot Kempen is responsible for the continuity of the company. It focuses on long-term value creation for the company and takes into account stakeholders' interests that are relevant in this context. The Management Board is responsible for the management of the company, and its duties include drawing up and achieving Van Lanschot Kempen's purpose, its strategy and related risk profile, its goals and the pattern of its results, while also attending to the environmental and social aspects of doing business that are relevant to the company. In strategic decisions, the Management Board takes all material environmental and social factors into account. Periodically, with the approval of the Supervisory Board, it determines the financial and non-financial key performance indicators (KPIs) for Van Lanschot Kempen.

The Supervisory Board notifies the general meeting of any proposed appointment of a member of the Management Board. Appointment of a member of the Management Board is subject to the approval of De Nederlandsche Bank (DNB). A member is appointed by the Supervisory Board. The maximum term for appointment or reappointment is four years. The Supervisory Board may dismiss a member of the Management Board at any time, but only after consulting the general meeting.

Supervisory Board

In performing its duties, the Supervisory Board focuses on the interests of the company and its associated business. The members of Van Lanschot Kempen's Supervisory Board are appointed by the general meeting, in accordance with the provisions set out in Article 23 of Van Lanschot Kempen's Articles of Association. Appointment of a member of the Supervisory Board is subject to the approval of DNB. Members of the Supervisory Board are appointed for a term of four years and may be reappointed for one further four-year period. A member of the Supervisory Board may subsequently be reappointed again for a period of two years, and this appointment may be extended by another two years. In the event of reappointment after eight years, the reasons for reappointment should be given in the Report of the Supervisory Board.

A member of the Supervisory Board may only be dismissed by the Enterprise Chamber of the Amsterdam Court of Appeal with due observance of Article 161(2) of Book 2 of the Dutch Civil Code. In addition, the general meeting may pass a motion of no confidence in the Supervisory Board as a whole, in accordance with Article 161(a) of Book 2 of the Dutch Civil Code. Such a resolution results in the immediate dismissal of all members of the Supervisory Board.

Inclusion and diversity policy

Van Lanschot Kempen has drawn up an inclusion and diversity policy, which is available on our website: vanlanschotkempen.com/inclusion-and-diversity under "Inclusion and Diversity Policy".

Unlocking the potential of diversity first and foremost requires the creation of an inclusive environment, where the distinctive qualities of each individual are welcomed and valued. We aim for diversity not only in terms of gender, nationality, age, educational background, sexual orientation, gender identity, religion, ethnic background, disability or distance to the labour market, but also across personal experiences, characteristics, socio-economic backgrounds and the different skills that people bring. We recognise the true value of having diverse perspectives at the table, and also realise it takes time to learn and adapt to get there.

We intend to increase – on an annual basis – the number of people working with us with a disability or distance to the labour market, and also with an international background. We have set specific targets with respect to gender diversity based on the Act to achieve a more balanced male/female ratio on management and supervisory boards, which came into force on 1 January 2022. We aim for at least one-third women and one-third men in both our Management and Supervisory Boards, and for at least 30% women and 30% men in senior staff positions. For more information about gender diversity in senior staff positions, the action plan and the inclusion and diversity policy for employees, see "Inclusion and diversity" on page 31.

With regard to the composition of our Management and Supervisory Boards, we aim for a reasonable balance across multiple forms of diversity, but do not find it appropriate to set specific diversity targets across all dimensions. That said, we aim to ensure that the combined profiles of the respective Board members enables them to collectively execute their range of responsibilities and duties towards Van Lanschot Kempen to the best of their abilities, taking into account the nature of the business and its activities.

In implementing our inclusion and diversity policy for the Management and Supervisory Boards, the individual profiles drawn up for vacancies on these Boards take into account the Boards' profiles and the relevant inclusion and diversity criteria and objectives. These profiles form the basis for the recruitment and selection of new members of the Supervisory and Management Boards. These criteria and objectives are also taken into account when evaluating the performance of the Supervisory and Management Boards.

The Supervisory Board meets the objectives of our inclusion and diversity policy, with its diverse composition in terms of gender, age, nationality, characteristics, educational background, personal experiences and skills that each member brings. This composition enables the Supervisory Board as a group to carry out its responsibilities and duties effectively. The following areas of expertise are represented in the Supervisory Board: executive experience, strategy formulation and execution, banking and finance, clients and markets, audit, financial reporting, risk management, IT, digitalisation, transformation, sustainability (social and environmental), legal, compliance and remuneration. The Supervisory Board currently has seven members, three of whom are female. This means that 42.9% of the positions on the Supervisory Board are held by women and that the target for at least one-third of its members to be female/male, as included in the inclusion and diversity policy, has been met.

The Supervisory Board has concluded that the composition of the Management Board meets the objectives of our inclusion and diversity policy in most respects. The composition is complementary and there is a sufficient degree of diversity with regard to age, educational background, personal experiences and skills. The gender diversity of the Management Board improved in 2022, as it now has one female member (16.7% women). However, this also means that the target of one-third women has not yet been met.

In order to achieve the gender diversity targets for the Management Board, an action plan has been drawn up, the main elements of which are set out below.

Inflow – recruitment measures:
- The final shortlist for Management Board positions should be 50% male and 50% female.
- A clear view must be established on the potential external pipeline for talent that might be suitable for future appointment as a member of the Management Board. For this purpose, specialist headhunters, agencies and/or networks will be used.
- The requirements for profiles to be drawn up for vacancies in the Management Board will take into account "diversity in all its forms," as defined in the inclusion and diversity policy.

Through-flow and retention – promotion and development measures:
- A thorough succession planning process has been set up in order to maintain a clear view of the potential internal pipeline of female talent.
- Initiatives will be further developed to strengthen the internal pipeline of potential female talent, including 360-degree assessments, individual coaching and business programmes.

The elements of the action plan for gender diversity in the Management Board will support us in our efforts to achieve our diversity target for the Management Board, while the timing will depend on the moment that changes in the composition of the Management Board occur. An important component in the process are the profile requirements for members of the Board, whereby "diversity in all its forms" will be taken into account.

Composition and performance of the Management Board

The Management Board must consist of at least three members, with the actual number set by the Supervisory Board. The composition of the Management Board changed in 2022. On 1 September 2022, Constant Korthout stepped down as member of the Management Board and Chief Financial Officer/Chief Risk Officer (CFO/CRO). These roles were split into two separate positions from 1 September 2022 onwards. As a result of this decision, the Management Board has comprised six members since 1 September 2022. On that date, Jeroen Kroes was appointed as member of the Management Board and CFO, and Wendy Winkelhuijzen was appointed as member of the Management Board and CRO. The Management Board currently comprises Maarten Edixhoven (Chair), Jeroen Kroes (CFO), Wendy Winkelhuijzen (CRO), Arjan Huisman (COO), Richard Bruens (responsible for Client Management & Origination) and Erik van Houwelingen (responsible for Investment Strategies & Solutions).

The Management Board evaluates its functioning as a whole and that of individual Board members at least once a year. The Supervisory Board discusses, at least once a year, the performance of the Management Board as a whole and members' performance individually. For more information about the evaluation of the Management Board's performance by the Supervisory Board, see "Report of the Supervisory Board" on page 78.

Composition and performance of the Supervisory Board and its committees

The Supervisory Board has a minimum of three members and a maximum of nine. Currently, the Supervisory Board comprises Frans Blom (Chair), Manfred Schepers (Vice-Chair), Karin Bergstein, Brigitte Boone, Bernadette Langius, Maarten Muller and Lex van Overmeire. At the annual general meeting (AGM) held on 25 May 2022, Maarten Muller was reappointed as a member of the Supervisory Board until the day that the AGM is held in 2026.

The Supervisory Board has appointed four committees from among its members to prepare the Board's decision-making: the Audit Committee, the Risk and Compliance Committee, the Remuneration Committee, and the Selection and Appointment Committee. These committees advise the Supervisory Board on matters relating to their respective areas of interest. For more information about the committees and their composition, see "Report of the Supervisory Board" on page 78.

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

[1] The profile can be viewed at vanlanschotkempen.com/management-supervision.

background of the members of the Supervisory Board. The Supervisory Board appraises its own performance, that of its committees and that of individual Supervisory Board members, at least once a year without members of the Management Board being present. The Supervisory Board appraises its own performance with independent support once every three years. One of the conclusions of the Supervisory Board's self-assessment is that the composition of the Board complies with the requirements set out in the Board's profile. For more information about the conclusions of the Supervisory Board's self-assessment of their performance in 2022, see "Report of the Supervisory Board" on page 78.

Dutch Corporate Governance Code

The revised Dutch Corporate Governance Code 2016[2] (the Code) came into force starting in the 2017 financial year, and contains principles and best practice provisions that regulate relations between management board, supervisory board and shareholders (including the general meeting). The Code aims to define responsibilities for long-term value creation, risk control, effective management and supervision, remuneration, and relationships with shareholders and other stakeholders. We fully complied with the Code in the 2022 reporting year. On 20 December 2022, the new Corporate Governance Code was published. In 2023, we will explore and take any necessary action to comply with this new Code by the end of 2023.

Dutch Banking Code

The Dutch Banking Code[3] contains principles on sound and ethical business operations, governance, risk policy, audit and remuneration policy. The Banking Code applies to activities performed in, and aimed at, the Netherlands by banks with registered offices in the Netherlands and which hold a banking licence issued by DNB. It therefore applies to Van Lanschot Kempen because we hold a banking licence in the Netherlands.

Van Lanschot Kempen complied with the Banking Code in 2022. An explanation (in Dutch) of how Van Lanschot Kempen applied the Banking Code during the reporting year is provided on our website: vanlanschotkempen.com/en/governance.

Capital structure and shares

Van Lanschot Kempen's authorised share capital consists of 150 million shares with a nominal value of €1 each, divided into 75 million Class A ordinary shares and 75 million Class C preference shares. Our outstanding capital consisted entirely of Class A ordinary shares on 31 December 2022; a total of 41,361,668 Class A ordinary shares had been issued. There were no outstanding Class C preference shares in 2022.

On 22 December 2022, Van Lanschot Kempen announced its intention to acquire the remaining 30% of the shares in Mercier Vanderlinden. This stake will be paid for in cash (53%) and newly issued shares (47%) under a lock-up provision until 2030. As a result, Van Lanschot Kempen will issue more than 1.5 million new Class A ordinary shares in 2023. Following the transaction, Mercier Vanderlinden's partners will jointly own more than 3% of the shares in Van Lanschot Kempen, with a lock-up period until 2030. The transaction is subject to regulatory approval and is expected to be completed in the first quarter of 2023.

Depositary receipts for shares

Over 99.99% of Class A ordinary shares in issue are held by Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen ("Stichting Administratiekantoor"), which has issued depositary receipts for these shares.

The receipts have been listed on the official market of the Euronext Amsterdam stock market since 1999. A depositary receipt can be converted into its underlying share without any restrictions, although administrative costs may be charged. Stichting Administratiekantoor fully complies with Principle 4.4 of the Code, which specifies that "Depositary receipts for shares can be a means of preventing a majority (including a chance majority) of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting. Depositary receipts for shares should not be issued as an anti-takeover protective measure."

Stichting Administratiekantoor grants proxies so that holders of depositary receipts can always exercise their voting rights. In the case of shares for which Stichting Administratiekantoor has not granted proxies to the holders of depositary receipts and for which no voting instructions have been received, Stichting Administratiekantoor's Board decides how the votes are to be cast. Stichting Administratiekantoor exercises the voting rights in the interest of the holders of depositary receipts for shares, taking into account the interest of Van Lanschot Kempen, the enterprise associated therewith and all parties concerned. Its Board has three members and is independent of Van Lanschot Kempen. It appoints its own members, without requiring the approval of Van Lanschot Kempen. Before appointing a member, the Board allows the holders of depositary receipts for shares the opportunity to recommend candidates for appointment as members of the Board. A meeting of holders of depositary receipts takes place at least once every two years. At this meeting, the Board reports on its activities, vacancies in the Board, and candidates the Board intends to appoint as members of the Board. Once every two years, the Board requests the holders of depositary receipts at this meeting to confirm their confidence in the Board. At the meeting that was held on 16 November 2022, holders of depositary receipts confirmed this. The Board reports on its activities annually. This report can be found on page 253.

Stichting preferente aandelen C Van Lanschot Kempen

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

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[2] The 2016 Dutch Corporate Governance Code can be downloaded from mccg.nl/publicaties/codes/2016/12/8/corporate-governance-code-2016-en.
[3] The Banking Code can be downloaded from nvb.nl.

The following circumstances may lead to the issuance of Class C preference shares:

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

Interests in Van Lanschot Kempen notifiable under Chapter 5.3 of the Financial Supervision Act

Pursuant to the Dutch Financial Supervision Act, shareholders and holders of depositary receipts of Van Lanschot Kempen are required to provide information on their holdings once they cross threshold levels of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. As of the publication date of this report, Van Lanschot Kempen is not aware of any shareholders or holders of depositary receipts with an interest of 3% or more in Van Lanschot Kempen other than Stichting Administratiekantoor, Romij BV, LDDM Holding BV, Janus Henderson Group plc, FMR LLC and J.B. Meulman. For more information on Van Lanschot Kempen's shareholders, see "Van Lanschot Kempen shares" on page 74. Stichting preferente aandelen has reported a potential interest of 100% in Van Lanschot Kempen under the call option agreement between Stichting preferente aandelen and Van Lanschot Kempen.

In 2022, no transactions took place between Van Lanschot Kempen and any natural person or legal entity holding at least 10% of the shares in Van Lanschot Kempen, and which would be material to Van Lanschot Kempen and/or the person/entity involved.

Rights of shareholders

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

Dividend

The portion of the profit remaining after addition to the reserves is at the disposal of the general meeting. In the event that a loss is incurred over a year, which cannot be covered by a reserve or by some other means, no profit distribution will occur in subsequent years until such time as this loss has been absorbed. A dividend on ordinary shares can only be paid out when the dividend proposal has been approved by the general meeting. Van Lanschot Kempen checks whether the proposed dividend satisfies the European Central Bank's recommendation on dividend payment policies. For more information on our dividend policy, see "Van Lanschot Kempen shares" on page 74.

Pre-emption rights

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

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

Special rights of shareholders

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

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

Restrictions on voting rights and deadlines for exercising voting rights

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

Share issues
The extent of the Management Board's authority to decide on a share issue (subject to the approval of the Supervisory Board) is determined by a resolution of the general meeting. The duration and granting of this authority are also determined by resolution of the general meeting and may not exceed five years. The Management Board's authority to issue ordinary shares, including the granting of rights to acquire these shares, was extended at the AGM held on 25 May 2022 for a period of 18 months from the date of that meeting. The authority to issue these shares is limited to 10% of the issued capital.

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

The Management Board was authorised at the AGM held on 25 May 2022 to repurchase paid-up ordinary shares in the company or depositary receipts for these shares, by buying such shares on the stock market or otherwise, up to a maximum of 10% of the issued capital at the date of authorisation, subject to Supervisory Board approval. This authority has been granted for a period of 18 months from the date of the meeting.

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

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

General meeting
Each voting shareholder and depositary receipt holder is authorised, either in person or through a representative authorised in writing, to attend the general meeting, to address the meeting and to exercise their voting rights. A registration date applies to each general meeting, which is the 28th day prior to that meeting. The registration date determines who qualifies as a voting shareholder or depositary receipt holder for the relevant general meeting. The notice convening the meeting states the registration date, the way in which shareholders and depositary receipt holders can register and how they can exercise their rights, either in person or through a representative authorised in writing.

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

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

In addition, the general meeting has an advisory vote with regard to the remuneration report.

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

Van Lanschot Kempen applies the three lines of defence model for the management of risk. The first line of defence is operational management, responsible for day-to-day risk management. The second line of defence is provided by departments such as Risk Management and Compliance, which oversee the first line. The Internal Audit department acts as the third line of defence, providing an independent evaluation of the adequacy of the internal risk management and control systems. The three lines of defence model provides the Management Board with a reasonable degree of certainty as to how the internal risk management and control system is functioning, including the efficacy of both the first and second lines.

The Internal Audit department is responsible for carrying out operational and IT audits. All of its reports are submitted to (members of) the Management Board. Internal Audit, Compliance and Risk Management ensure adequate follow-up and prioritisation of actions to improve the internal risk management and control system. If necessary, supplementary control measures are defined to mitigate risk sufficiently.

The risk & control framework's effectiveness is evaluated by the Risk Management and Compliance departments, while the Internal Audit department also assesses its quality and effectiveness through audit engagements. The results of these evaluations feature in these departments' quarterly reports.

For more detailed information on risk management at Van Lanschot Kempen, see "Risk and capital management" on page 59. The financial statements also include a more detailed explanation of risk management at Van Lanschot Kempen: see “Risk management”, beginning on page 131.

Financial reporting risk

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

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

In-control statements are provided by the management of the relevant departments. These are based on the risks reported on a quarterly basis, the results of testing procedures for the risk & control framework, the follow-up of the test results and reported risks, and the incidents reported. Risk Management and Compliance evaluated the 2022 in-control statements.

In 2022, the main findings of the Internal Audit department's quarterly reports were discussed with the Management Board and the Audit Committee. The conclusions of the Audit Committee were subsequently shared with the Supervisory Board.

The Supervisory Board was informed about the Management Board’s internal control of the organisation, and how it safeguards the integrity of financial information. The subjects considered by the Supervisory Board when assessing the financial statements include the board report and the audit report prepared by the external auditors.

The key audit findings and other observations cited in the independent external auditors’ report were discussed with the Management Board and the Audit Committee, and formed part of the organisation’s risk management and control. Non-financial information is subject to internal controls and reviews, whereas the sustainability reporting is drawn up in accordance with Global Reporting Initiative (GRI) Standards and Sustainable Finance Disclosure Regulation (SFDR) requirements, and is subject to a limited assurance engagement performed by the independent external auditors.

Statement by the Management Board

In accordance with best practice provision 1.4.3 of the Dutch Corporate Governance Code, the Management Board states that:
- The management report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a “going concern” basis;
- The management report states those material risks and uncertainties that are relevant to expectation of the company’s continuity for the period of 12 months after the preparation of this report;
- Based on the analysis of in-control statements and the quarterly reports from Risk Management, Compliance and Internal Audit, it is justified to state that the financial statements are free of any material misstatements caused by fraud.

External auditors

PricewaterhouseCoopers Accountants NV (PwC) were reappointed as Van Lanschot Kempen's external auditors for the 2023 financial year at the AGM held on 25 May 2022. PwC’s audit plan for 2022, of which the audit risk assessment is an integral part, was discussed in June 2022 at meetings of the Management Board and the Audit Committee.

PwC issued a board report for 2022 in February 2023. The subjects set out in this board report are in line with the notes included in this annual report with respect to risk management, insofar as these relate to financial reporting risks. The external auditors may be questioned at the AGM in relation to their audit, and will be attending the meeting for this reason. The Management Board and the Audit Committee evaluated the functioning of PwC in January 2023.

Statement by the Management Board

As required by Article 5:25c (2c) of the Financial Supervision Act, each of the undersigned hereby confirms that to the best of their knowledge:

- The 2022 financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Van Lanschot Kempen and its consolidated entities;
- The 2022 Report of the Management Board of Van Lanschot Kempen gives a true and fair view of the position of the company and its consolidated entities on balance sheet date, and of the course of their affairs during the 2022 financial year, and describes the material risks that Van Lanschot Kempen faces.

’s-Hertogenbosch, the Netherlands, 22 February 2023

Management Board

Maarten Edixhoven, *Chair*
Jeroen Kroes
Wendy Winkelhuijzen
Arjan Huisman
Richard Bruens
Erik van Houwelingen

Management Board members

From left to right: Jeroen Kroes, Wendy Winkelhuijzen, Richard Bruens, Maarten Edixhoven, Erik van Houwelingen, Arjan Huisman

Maarten Edixhoven

Chair of the Management Board of Van Lanschot Kempen

Born
1971, male

Nationality
Dutch

Appointed
1 October 2021

Areas of responsibility
Communication & Corporate Reputation, Internal Audit, Human Resource Management, Legal & Company Secretariat, Strategy & Corporate Development, Sustainability Centre

Total number of board and/or supervisory positions
One

Significant supervisory board memberships and/or (board) positions
UMC Alzheimer Research Center Amsterdam: Member of advisory board
Women in Financial Services: Member of advisory board

Background
2017–21: Aegon: CEO of Aegon Netherlands and member of management board of Aegon NV
2014–16: Aegon: Director Pension and member of management board of Aegon Netherlands
2010–14: Zwitserleven: CEO and member of management committee of SNS Reaal NV
1995–2010: ING Group: Various positions

Jeroen Kroes

Member of the Management Board, Chief Financial Officer of Van Lanschot Kempen

Born
1973, male

Nationality
Dutch

Appointed
1 September 2022

Areas of responsibility
Finance, Reporting & Control, Treasury, Investor Relations, Asset & Liability Management, Group Performance Analytics, Procurement & Facilities

Total number of board and/or supervisory positions
One

Significant supervisory board memberships and/or (board) position
Amsterdams Klimaat & Energiefonds: Member of investment committee

Background
2013–22: Van Lanschot Kempen: Managing Director of Finance, Reporting & Control
2013: Van Lanschot: Project leader strategic review project
2009–12: Kempen & Co: Managing Director of Corporate Finance
2006–08: Kempen & Co: Director of Corporate Finance
1996–2005: Kempen & Co: Various positions in corporate finance

Wendy Winkelhuijzen

Member of the Management Board, Chief Risk Officer of Van Lanschot Kempen

Born
1978, female

Nationality
Dutch

Appointed
1 September 2022

Areas of responsibility
Financial Risk Management, Non-Financial Risk Management, Credit Risk and Credit Restructuring & Recovery, Compliance

Total number of board and/or supervisory positions
Two

Significant supervisory board memberships and/or (board) positions
Mercier Vanderlinden Asset Management: Non-executive director

Background
2017–22: Van Lanschot Kempen: Managing Director of Strategy & Corporate Development
2014–17: Van Lanschot Kempen: Investor Relations Manager
2014: Van Lanschot Kempen: Project Manager Treasury / Financial Control / Financial Risk Management
2013: Van Lanschot: Senior member strategic review project
2010: Van Lanschot: Member of Private & Business Banking management team
2001–09: Kempen & Co: Various positions in corporate finance

Arjan Huisman

Member of the Management Board, Chief Operating Officer of Van Lanschot Kempen

Born
1971, male

Nationality
Dutch

Appointed
6 May 2010

Areas of responsibility
Digital, Advanced Analytics & Technology: Investment Management, Core Banking, Digital Innovation & Analytics, Data Management, IT Platforms & Security
Operations: Client Administration & Monitoring

Total number of board and/or supervisory positions
Two

Background
2008–10: BCG Amsterdam office: Partner and Managing Director
2004–08: BCG Prague office: Partner and Managing Director
1995–2004: BCG Amsterdam and Boston offices: Various consulting positions, with a strong focus on financial services

Richard Bruens

Member of the Management Board of Van Lanschot Kempen

Born
1967, male

Nationality
Dutch

Appointed
15 May 2014

Areas of responsibility
Client Management & Origination: Private Clients Regions, Private Clients Specialties, Private Clients Professionals, Wholesale & Institutional Clients, Semi-institutional Clients, Investment Banking Clients, Competence Centre, Van Lanschot Belgium, Van Lanschot Switzerland

Total number of board and/or supervisory positions
Five

Significant supervisory board memberships and/or (board) positions
Mercier Vanderlinden Asset Management: Non-executive director
European Merchant Services: Chair of supervisory board

Background
2010–13: ABN AMRO: Global Head of Products & Solutions and Global Head of Private Wealth Management
2007–08: Renaissance Capital: Member of group managing board
1991–2007: ABN AMRO: Various managerial positions in the Global Markets division, Managing Director of Investor Relations

Erik van Houwelingen

Member of the Management Board of Van Lanschot Kempen

Born
1965, male

Nationality
Dutch

Appointed
27 May 2021

Areas of responsibility
Investment Strategies & Solutions: Core Investment Strategies, Asset Research & Communication, Manager Research Solutions, Private Clients Solutions, Fiduciary Management & Institutional Solutions, Portfolio Management, Product & Solutions Development, Operational Services, Reporting & PMO

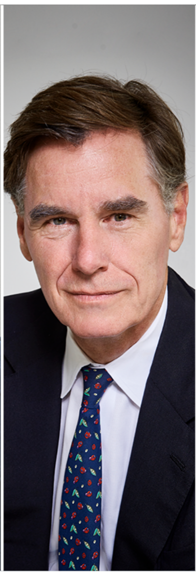
Total number of board and/or supervisory positions
Four

Significant supervisory board memberships and/or (board) positions
Van Lanschot Kempen Investment Management: Chair of management board
DUFAS: Board member

Background
2018–20: Dimensional Fund Advisor: Head of Client Group Europe
2012–18: ABP: Member of board of trustees, Chair of investment committee and member of risk & balance sheet committee
2015–18: Achmea Investment Management: Chair of supervisory board
2008–10: AEGON Asset Management: CEO
1993–2010: AEGON: Various positions

Supervisory Board members


Frans Blom


Manfred Schepers


Karin Bergstein


Brigitte Boone


Bernadette Langius


Maarten Muller


Lex van Overmeire

Frans Blom

Chair of the Supervisory Board
Supervisory Board committees: Audit, Remuneration, Selection and Appointment (Chair)

Born
1962, male

Nationality
Dutch

Appointed
5 October 2018; first term of office expires in 2023

Total number of supervisory board memberships and/or board positions
Two

Significant other positions
Boston Consulting Group: Senior adviser
American European Community Association (AECA-NL): Chair
INSEAD: Member of board of directors
INSEAD Alumni Association: President

Previous positions held
Boston Consulting Group: Member of global executive committee

Manfred Schepers

Vice-Chair of the Supervisory Board
Supervisory Board committees: Audit, Risk and Compliance (Chair)

Born
1960, male

Nationality
Dutch

Appointed
18 May 2017; second term of office expires in 2025

Total number of supervisory board memberships and/or board positions
Two

Significant other positions
Nederlandse Waterschapsbank: Member of supervisory board

Principal position
ILX Management: CEO

Previous positions held
European Bank for Reconstruction and Development: Vice President and Chief Financial Officer

Karin Bergstein

Member of the Supervisory Board
Supervisory Board committees: Audit, Remuneration

Born
1967, female

Nationality
Dutch

Appointed
28 May 2020; first term of office expires in 2024

Total number of supervisory board memberships and/or board positions
Six

Significant other positions
BNG Bank: Member of supervisory board
UMC Groningen: Member of supervisory board
Chesnara: Non-executive director
Stichting Continuïteit NN Group: Board member

Previous positions held
a.s.r.: Member of board of directors/COO
ING Bank Nederland: Member of managing board

Brigitte Boone

Member of the Supervisory Board
Supervisory Board committees: Risk and Compliance, Selection and Appointment

Born
1960, female

Nationality
Belgian

Appointed
22 September 2021; first term of office expires in 2026

Total number of supervisory board memberships and/or board positions
Eight

Significant other positions
NN Group Belgium: Non-executive director
Wereldhave Belgium: Non-executive director
SD Worx: Non-executive director
WorxInvest: Executive director
GIMV: Non-executive director
Imec VZW, Fidimec: Non-executive director

Previous positions held
Fortis Bank: CEO Commercial and Investment Banking, member of management board

Bernadette Langius

Member of the Supervisory Board
Supervisory Board committees: Remuneration (Chair), Risk and Compliance

Born
1960, female

Nationality
Dutch

Appointed
13 May 2015; second term of office expires in 2023

Total number of supervisory board memberships and/or board positions
Four

Significant other positions
IBM Nederland: Member of supervisory board
BDO Nederland: Member of supervisory board

Previous positions held
VU Amsterdam: Member of executive board
ABN AMRO: CEO Commercial Banking NL, CEO Private Banking NL

Maarten Muller

Member of the Supervisory Board
Supervisory Board committees: Risk and Compliance, Selection and Appointment

Born
1954, male

Nationality
Dutch

Appointed
31 May 2018; second term of office expires in 2026

Total number of supervisory board memberships and/or board positions
One

Significant other positions
Stichting Continuïteit TomTom: Chair of board
Stichting Vopak: Chair of board

Previous positions held
Allen & Overy LLP: Partner

Lex van Overmeire

Member of the Supervisory Board
Supervisory Board committees: Audit (Chair), Risk and Compliance

Born
1956, male

Nationality
Dutch

Appointed
30 January 2017; second term of office expires in 2025

Total number of supervisory board memberships and/or board positions
Three

Significant other positions
Nederlandse Waterschapsbank: Member of supervisory board
Centrum Indicatiestelling Zorg (CIZ): Chair of audit advisory committee
Stichting ARQ: Member of supervisory board

Previous positions held
EY Accountants LLP: Audit Partner

Reconciliation of IFRS and management reporting

Reconciliation of IFRS and management reporting (€ million)	IFRS	Non-strategic invest-ments	Amorti-sation of intangible assets arising from acquisi-tions	Expenses related to accoun-ting treatment of Mercier Vander-linden	Provision for revolving consumer credt	Restruc-turing charges	Other adjust-ments	Managerial
Commission	407.7	–	–	–	–	–	0.1	407.8
Interest	151.6	–	–	6.2	-1.5	–	6.4	162.7
Income from securities and associates	7.8	–	–	–	–	–	–	7.8
Result on financial transactions	3.6	–	–	17.7	–	–	–	21.3
Other income	7.3	-7.3	–	–	–	–	–	–
Income from operating activities	**578.1**	**-7.3**	**–**	**23.9**	**-1.5**	**–**	**6.5**	**599.7**
Staff costs	310.6	-6.1	–	-5.7	–	-0.4	–	298.3
Other administrative expenses	123.5	-0.2	–	–	0.5	-0.2	–	123.5
Depreciation and amortisation	31.5	-0.4	-14.9	–	–	–	–	16.3
Operating expenses	**465.6**	**-6.7**	**-14.9**	**-5.7**	**0.5**	**-0.6**	**–**	**438.2**
Gross result	**112.4**	**-0.6**	**14.9**	**29.6**	**-2.0**	**0.6**	**6.5**	**161.5**
Impairments	-6.5	–	–	–	–	-0.1	–	-6.6
Operating profit before tax of non-strategic investments	–	0.6	–	–	–	–	–	0.6
Operating profit before special items and tax	**119.0**	**–**	**14.9**	**29.6**	**-2.0**	**0.7**	**6.5**	**168.7**
Amortisation of intangible assets arising from acquisitions	–	–	14.9	–	–	–	–	14.9
Expenses related to accounting treatment of Mercier Vanderlinden	–	–	–	29.6	–	–	–	29.6
Provision for revolving consumer credit	–	–	–	–	-2.0	–	–	-2.0
Restructuring charges: Hof Hoorneman	–	–	–	–	–	0.7	–	0.7
Other one-off items	–	–	–			–	6.5	6.5
Operating profit before tax	**119.0**	**–**	**–**	**–**	**–**	**–**	**–**	**119.0**
Income tax	34.7	–	–	–	–	–	–	34.7
Net result	**84.3**	**–**	**–**	**–**	**–**	**–**	**–**	**84.3**

2022 Consolidated financial statements

Consolidated statement of financial position

Consolidated statement of financial position at 31 December (€1,000)		2022	2021
Assets			
Cash and cash equivalents and balances at central banks	1	3,141,785	3,714,194
Due from banks	2	108,186	71,275
Derivatives	3	549,642	252,872
Financial assets at fair value through profit or loss	4	379,518	330,002
Financial assets at fair value through other comprehensive income	5	1,704,938	2,130,327
Loans and advances to the public and private sectors	6	9,363,958	8,875,601
Other financial assets at amortised cost	7	1,088,358	257,399
Investments in associates using the equity method	8	103,265	82,441
Property and equipment	9	69,347	77,463
Goodwill and other intangible assets	10	306,753	321,861
Current tax assets	11	213	5,474
Deferred tax assets	11	12,965	7,758
Other assets	12	188,984	179,929
Total assets		**17,017,913**	**16,306,596**
Equity and liabilities			
Due to banks	13	387,063	501,411
Public and private sector liabilities	14	12,726,194	11,729,556
Derivatives	3	226,503	180,117
Financial liabilities at fair value through profit or loss	15	473,883	560,474
Issued debt securities	16	1,342,131	1,418,865
Provisions	17	32,293	52,569
Current tax liabilities	18	6,277	18,295
Deferred tax liabilities	18	23,369	19,045
Other liabilities	19	246,945	245,412
Subordinated loans	20	170,882	171,527
Total liabilities		**15,635,540**	**14,897,271**
Issued share capital		41,362	41,362
Treasury shares		-15,109	-11,853
Share premium reserve		262,658	323,719
Other reserves		914,223	817,333
Undistributed profit attributable to shareholders		77,405	136,983
Equity attributable to shareholders		**1,280,539**	**1,307,544**
AT1 capital securities		100,000	100,000
Undistributed profit attributable to holders of AT1 capital securities		1,688	1,688
Equity attributable to AT1 capital securities		**101,688**	**101,688**
Other non-controlling interests		–	21
Undistributed profit attributable to other non-controlling interests		146	74
Equity attributable to other non-controlling interests		**146**	**95**
Total equity	**21**	**1,382,372**	**1,409,327**
Total equity and liabilities		**17,017,913**	**16,306,596**
Contingent liabilities		97,713	107,314
Irrevocable commitments		1,043,724	1,159,058
Contingent liabilities and irrevocable commitments	**22**	**1,141,437**	**1,266,372**

The number beside each item refers to the Notes to the consolidated statement of financial position.

Consolidated statement of income

Consolidated statement of income (€1,000)		2022	2021
Income from operating activities			
Interest income calculated using the effective interest method		220,961	205,561
Other interest income		33,206	28,347
Interest expense calculated using the effective interest method		64,730	50,059
Other interest expense		37,816	35,401
Net interest income	**23**	**151,621**	**148,448**
Income from associates using the equity method		16,366	28,744
Other income from securities and associates		-8,536	40,306
Income from securities and associates	**24**	**7,830**	**69,050**
Commission income		415,362	395,871
Commission expense		7,700	9,911
Net commission income	**25**	**407,662**	**385,960**
Result on financial transactions	**26**	**3,633**	**-15,634**
Net sales		9,220	14,164
Cost of sales		1,888	3,584
Other income	**27**	**7,332**	**10,580**
Total income from operating activities		**578,078**	**598,405**
Expenses			
Staff costs	28	310,631	284,506
Other administrative expenses	29	123,460	123,884
Staff costs and other administrative expenses		**434,091**	**408,390**
Depreciation and amortisation	30	**31,543**	**29,401**
Operating expenses		**465,634**	**437,791**
Impairments of financial instruments		-7,722	-11,681
Other impairments		1,188	-6,156
Impairments	**31**	**-6,534**	**-17,837**
Total expenses		**459,100**	**419,954**
Operating profit before tax		**118,979**	**178,450**
Income tax	32	34,678	34,643
Net result		**84,301**	**143,807**
Of which attributable to shareholders		77,405	136,983
Of which attributable to holders of AT1 capital securities		6,750	6,750
Of which attributable to other non-controlling interests		146	74
Earnings per ordinary share (€)	33	1.90	3.35
Diluted earnings per ordinary share (€)	34	1.82	3.34
Proposed dividend per ordinary share (€)	21	1.75	2.00

The number beside each item refers to the Notes to the consolidated statement of income.

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income (€1,000)		2022	2021
Net result (as per consolidated statement of income)		84,301	143,807
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		-32,042	-1,576
Realised return on financial assets at fair value through other comprehensive income		2,850	—
Impairments of financial assets at fair value through other comprehensive income		280	—
Income tax effect		7,459	373
Total other comprehensive income through revaluation reserve	21	-21,453	-1,203
Other comprehensive income from value changes of derivatives (cash flow hedges)			
Increase in value of derivatives directly added to equity		878	8,214
Income tax effect		-227	-1,964
Total other comprehensive income from value changes of derivatives (cash flow hedges)	21	651	6,250
Other comprehensive income from currency translation differences			
Other comprehensive income from currency translation differences		-402	626
Income tax effect		—	—
Total other comprehensive income from currency translation differences	21	-402	626
Total other comprehensive income to be reclassified in subsequent periods to profit or loss		-21,204	5,673
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		17,288	-5,462
Income tax effect		-4,460	1,418
Total change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss	21	12,828	-4,044
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans		13,017	8,501
Income tax effect		-3,341	-2,189
Total remeasurement of defined benefit plans	21	9,676	6,313
Total other comprehensive income not to be reclassified in subsequent periods to profit or loss		22,504	2,268
Total other comprehensive income		1,301	7,941
Total comprehensive income		85,602	151,748
Of which attributable to shareholders		78,705	144,924
Of which attributable to holders of AT1 capital securities		6,750	6,750
Of which attributable to other non-controlling interests		146	74

The number beside each item refers to the Notes to the consolidated statement of financial position.

Consolidated statement of changes in equity

Consolidated statement of changes in equity in 2022 (€1,000)	Issued share capital	Treasury shares[1]	Share premium reserve[1]	Other reserves[1]	Undistri-buted profit	**Total equity attributable to shareholders**	Equity attribut-able to AT1 capital securities	Equity attribut-able to other non-controlling interests	**Total equity**
At 1 January	**41,362**	**-11,853**	**323,719**	**817,333**	**136,983**	**1,307,544**	**101,688**	**95**	**1,409,327**
Net result (as per consolidated statement of income)	–	–	–	–	77,405	77,405	6,750	146	84,301
Total other comprehensive income	–	–	–	1,301	–	1,301	–	–	1,301
Total comprehensive income	**–**	**–**	**–**	**1,301**	**77,405**	**78,705**	**6,750**	**146**	**85,602**
Share plans	–	10,916	–	1,354	–	12,270	–	–	12,270
Shares to be issued	–	–	–	35,700	–	35,700	–	–	35,700
Profit appropriation	–	–	–	136,983	-136,983	–	–	–	–
Repurchased treasury shares	–	-14,172	–	–	–	-14,172	–	–	-14,172
Dividends/Capital return	-61,076	–	–	-81,425	–	-142,501	-6,750	–	-149,251
To share capital	61,076	–	-61,076	–	–	–	–	–	–
Other changes	–	–	15	2,977	–	2,992	–	–	2,992
Change in non-controlling interests	–	–	–	–	–	–	–	-95	-95
At 31 December	**41,362**	**-15,109**	**262,658**	**914,223**	**77,405**	**1,280,539**	**101,688**	**146**	**1,382,372**

In the summer of 2022, we launched a long-term partnership plan for key senior employees. Share plans in 2022 include investment incentives for this partnership.

In 2021, we acquired a 70% stake in Mercier Vanderlinden. The transfer of the remaining shares held with the 30% minority shareholders of Mercier Vanderlinden, i.e. the managing partners, was initially planned for 2025 and 2026.

At year-end 2022, we agreed to accelerate the acquisition of the remaining 30% stake in Mercier Vanderlinden by Van Lanschot Kempen, subject to regulatory approval. Van Lanschot Kempen will pay 47% in shares for the remaining 30% stake. To this end, it will issue new shares. This is reflected in line item Shares to be issued. For more information, see Note 19, Other liabilities, and Note 26, Result on financial transactions.

Consolidated statement of changes in equity in 2021 (€1,000)	Issued share capital	Treasury shares	Share premium reserve[1]	Other reserves[1]	Undistri-buted profit	**Total equity attributable to shareholders**	Equity attribut-able to AT1 capital securities	Equity attribut-able to other non-controlling interests	**Total equity**
At 1 January	**40,000**	**–**	**154,753**	**1,016,720**	**43,009**	**1,254,481**	**101,688**	**-73**	**1,356,096**
Net result (as per consolidated statement of income)	–	–	–	–	136,983	136,983	6,750	74	143,807
Total other comprehensive income	–	–	–	7,941	–	7,941	–	–	7,941
Total comprehensive income	**–**	**–**	**–**	**7,941**	**136,983**	**144,924**	**6,750**	**74**	**151,748**
Share plans	–	–	–	-5,037	–	-5,037	–	–	-5,037
Profit appropriation	–	–	–	43,009	-43,009	–	–	–	–
Repurchased treasury shares	–	-11,853	–	11,853	–	–	–	–	–
To/from other reserves	1,362	–	168,966	-170,328	–	–	–	–	–
Dividends/Capital return	–	–	–	-87,808	–	-87,808	-6,750	–	-94,558
Other changes	–	–	–	983	–	983	–	–	983
Change in non-controlling interests	–	–	–	–	–	–	–	94	94
At 31 December	**41,362**	**-11,853**	**323,719**	**817,333**	**136,983**	**1,307,544**	**101,688**	**95**	**1,409,327**

The transfer in 2021 of €170 million from Other reserves to Share premium reserve and Share capital is related to changes in the composition of Van Lanschot Kempen's equity due to the legal merger of Van Lanschot Kempen and Van Lanschot Kempen Wealth Management.

[1] For additional information on the nature and composition of treasury shares, the share premium reserve and other reserves, see Note 21.

Consolidated statement of cash flows

Consolidated statement of cash flows (€1,000)		2022	2021
Cash flow from operating activities			
Operating profit before tax		118,979	178,450
Adjustments for			
- Depreciation and amortisation	30	31,644	29,515
- Costs of share plans		4,270	2,949
- Results on associates using the equity method	8	-16,000	-28,374
- Valuation results on financial assets at fair value through profit or loss		9,931	-29,223
- Valuation results on financial liabilities at fair value through profit or loss		-48,922	18,546
- Valuation results on derivatives		99,428	-77,604
- Impairments	31	-6,534	-17,837
- Changes in provisions		8,540	23,770
Cash flow from operating activities		**201,336**	**100,192**
Net change in operating assets and liabilities			
- Financial assets/liabilities from trading activities		11,759	30,829
- Due from/to banks		-160,898	151,000
- Loans and advances to public and private sectors / Public and private sector liabilities		167,444	1,098,287
- Derivatives		22,130	-48,086
- Withdrawals from restructuring provision and other provisions		-15,798	-27,286
- Other assets and liabilities		43,237	33,939
- Tax assets and liabilities		—	26,163
- Income taxes paid		-42,858	-16,768
- Dividends received		4,372	10,854
Total net change in operating assets and liabilities		**29,388**	**1,258,932**
Net cash flow from operating activities		**230,724**	**1,359,124**
Cash flow from investing activities			
Investments and acquisitions			
- Debt instruments		-1,570,647	-823,833
- Equity instruments		-10,964	-85,352
- Associates using the equity method	8	-21,505	-13,510
- Property and equipment	9	-11,261	-10,371
- Goodwill and other intangible assets	10	—	-181,775
Divestments, redemptions and sales			
- Debt instruments		874,486	1,501,826
- Equity investments		96,591	40,973
- Associates using the equity method	8	13,584	31,085
- Property and equipment	9	1,653	5,056
- Goodwill and other intangible assets	10	—	3,276
Dividends received	8	3,096	6,838
Net cash flow from investing activities of continuing operations		**-624,967**	**474,213**

The number beside each item in the consolidated statement of cash flows refers to the Notes to the consolidated statement of financial position and the Notes to the consolidated statement of income.

Consolidated statement of cash flows (continued) (€1,000)	2022	2021
Cash flow from financing activities		
Share plans	8,000	-7,985
Repurchased treasury shares	-14,172	—
Change in non-controlling interests	-96	94
Redemption of subordinated loans	-113	-113
Receipts of issued debt securities	500,000	—
Redemption of issued debt securities	-500,000	-16,242
Receipts on financial liabilities at fair value through profit or loss	72,607	28,414
Redemption of financial liabilities at fair value through profit or loss	-92,937	-232,871
Payment of lease liabilities	-11,844	-12,274
Dividends paid	-149,251	-94,558
Net cash flow from financing activities of continuing operations	**-187,806**	**-335,535**
Net change in cash and cash equivalents and balances at central banks	**-582,047**	**1,497,801**
Cash and cash equivalents and balances at central banks at 1 January[1]	3,721,831	2,224,030
Cash and cash equivalents and balances at central banks at 31 December[1]	3,139,784	3,721,831
Additional disclosure		
Cash flows from interest received	253,934	237,811
Cash flows from interest paid	81,442	94,122

The table below provides a reconciliation of changes in liabilities arising from financing activities.

Reconciliation of liabilities arising from financing activities in 2022 (€1,000)	Subordinated loans	Issued debt securities	Financial liabilities at fair value through profit or loss	Total
At 1 January	171,527	1,418,865	560,421	2,150,813
Cash flows	-113	—	-20,330	-20,443
Non-cash changes				
- Fair value changes	-531	-76,734	-66,210	-143,475
At 31 December	**170,883**	**1,342,131**	**473,881**	**1,986,895**

Reconciliation of liabilities arising from financing activities in 2021 (€1,000)	Subordinated loans	Issued debt securities	Financial liabilities at fair value through profit or loss	Total
At 1 January	172,479	1,469,897	740,869	2,383,244
Cash flows	-113	-16,242	-204,457	-220,812
Non-cash changes				
- Fair value changes	-839	-34,790	24,009	-11,620
At 31 December	**171,527**	**1,418,865**	**560,421**	**2,150,813**

[1] Cash and cash equivalents and balances at central banks, see Note 1, also includes amounts due from/to banks available on demand.

Summary of significant accounting principles

General

Van Lanschot Kempen NV is an independent specialist wealth manager. Our purpose is to preserve and create wealth for our clients and for society in a sustainable way. Van Lanschot Kempen NV ("Van Lanschot Kempen") has its registered office at Hooge Steenweg 29, 5211 JN ´s-Hertogenbosch, the Netherlands. Van Lanschot Kempen is a public limited company incorporated under Dutch law and registered under number 16038212 at the Chamber of Commerce. Depositary receipts for Class A ordinary shares are publicly traded on the Euronext markets.

The consolidated financial statements of Van Lanschot Kempen at 31 December 2022 were prepared by the Management Board and approved by the Supervisory Board on 22 February 2023, and will be submitted to the annual general meeting of shareholders for adoption on 25 May 2023.

Basis of preparation

The consolidated financial statements of Van Lanschot Kempen and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and with Part 9, Book 2 of the Dutch Civil Code. Unless stated otherwise, assets and liabilities are measured at historical cost.

Continuity

The Management Board has examined the ability of Van Lanschot Kempen to continue its operations and concluded that Van Lanschot Kempen is able to do so for the foreseeable future. Moreover, the Management Board is not aware of any material uncertainties that cast significant doubt on our – i.e. Van Lanschot Kempen's – ability to continue as a going concern. The consolidated financial statements have been prepared on this basis.

Economic context

Since the start of the Covid pandemic in 2020 and the war in Ukraine in 2022, there has been a risk of an economic recession. Although the outlook for the economic recovery from the pandemic is positive, the war in Ukraine and subsequent increased inflation, higher interest rates and volatility in the equity markets have heightened uncertainty about the future economic climate. A lot is still unknown about the impact of these developments on the private clients, entrepreneurs and family businesses we – as Van Lanschot Kempen – finance. That said, the impact of current economic circumstances is considered to be limited for Van Lanschot Kempen. During the pandemic and the war in Ukraine, we have not experienced major disquiet among our clients, either existing or new.

Van Lanschot Kempen has a solid capital and liquidity position. Our capital and liquidity are above our targets and our net result in 2022 amounted to €84.3 million (2021: €143.8 million).

In 2022, the impact on our credit portfolio of the uncertain economic circumstances caused, among other factors, by the war in Ukraine and the Covid pandemic was minor. Even after incorporating a management overlay for these uncertain economic circumstances, the net impact on our credit portfolio has been relatively limited. This is reflected in a decrease in expected credit loss (ECL). The management overlay takes into account uncertainties in the economic outlook/macroeconomic climate which are not (yet) considered to be reflected in the model parameters. For more information, see "Risk management", under 3.8, Loss allowance for expected credit losses (including sensitivity analyses we have performed).

To summarise, Van Lanschot Kempen is well able to cope with the uncertain economic circumstances, thanks to its solid capital and liquidity position, and solid financial performance. Considering the above, we can affirm that there are no indications that cast significant doubt over Van Lanschot Kempen's ability to continue as a going concern.

Functional and reporting currency

The consolidated financial statements are denominated in euros, Van Lanschot Kempen's functional and reporting currency. Unless stated otherwise, all amounts are presented in thousands of euros. The totals may not always match the sum of the individual values due to rounding.

Changes in accounting policies

The accounting policies adopted in the preparation of our consolidated financial statements for the year ended 31 December 2022 remain unchanged, except for the adoption of hedge accounting for micro fair value hedges based on IFRS 9, new standards and interpretations effective from 1 January 2022 and the adoption of the amendments to IAS 1 on the disclosure of accounting policies.

Changes in published IFRS standards and interpretations

The IFRS standards listed below became effective from 1 January 2022 and have been applied to our financial statements for 2022. Unless stated otherwise, application of these standards had no material impact on Van Lanschot Kempen’s equity or result. Application of the amended standards generally entails amendment or expansion of notes.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments are intended to update a reference to the Conceptual Framework without significantly changing the requirements of IFRS 3. The amendments add an exception to the recognition principle of IFRS 3 that requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Published IFRS standards and interpretations not yet effective

In addition to the IFRS standards and interpretations referred to above, a number of IFRS standards and interpretations are new or have been amended, and apply to financial statements for periods beginning on or after 1 January 2023. We have not applied the standards outlined below in the 2022 financial statements. Unless stated otherwise, standards will be applied as soon as they become effective and have been endorsed by the EU.

Definition of Accounting estimates – Amendments to IAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments should provide guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted. The amendments are not expected to have a material impact on the results or equity of the company.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments intend for entities to disclose more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. In addition, guidance is provided on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

We decided to early adopt the amendments to IAS 1 and revisited our accounting policy information to ensure consistency with the amended standard.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 2

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning a liability or decommissioning an asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g. if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have a material impact on the results or equity of the company.

Significant accounting judgements and estimates

We have identified those accounting policies which involve the most complex or subjective decisions or assessments. In the process of applying these accounting policies, we use estimates, assumptions and judgements which can have a significant impact on the amounts recognised in the financial statements. These estimates and assumptions are based on the most recent information available and include the impact of the uncertain economic circumstances caused by developments around the war in Ukraine among other factors. The actual amounts may differ in the future. Where applicable, the impact of the uncertain economic circumstances on assumptions used are explained further in the consolidated financial statements. The most significant estimates and assumptions relate to the determination of significant influence, fair value of financial instruments, acquisitions, impairments of financial assets, carrying value of goodwill and intangible assets.

Determination of significant influence
We have applied critical judgement to determine significant influence in companies in which we hold minority interests smaller than 20%. Our influence on the financial and operating policy decisions at some minority interests is more in line with that in an associate, e.g. veto rights in decisions on the issuance of new shares and decisions on amendments to the Articles of Association. For that reason, we classify these as minority interests and apply equity accounting instead of IFRS 9 fair value accounting. For further information, see the disclosure on Investments in associates using the equity method.

Determination of fair value
The determination of the fair value of financial instruments, in so far as available and provided there is an active market, is based on quoted prices in active markets at the reporting date. For financial assets, the bid price is used; for financial liabilities, the offer price.

The fair value of financial instruments not traded in an active market is determined on the basis of cash flow, option and other valuation models. These models are based on the market circumstances prevailing at the reporting date.

Estimates mainly relate to future cash flows and discount rates. For the fair value level classification and more details, see “Risk management”, under 14, Fair value.

Acquisitions
In the case of acquisitions, it is necessary to determine the fair value of the acquired assets (including any intangible assets and goodwill acquired), as well as of liabilities and obligations not recognised in the statement of financial position. Estimates are used for this, particularly for those items not traded on an active market. Management consideration is also needed to determine the moment of the change of control and thus the moment of consolidation of an acquired entity.

Impairments of financial assets
We recognise a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost or fair value through other comprehensive income, as well as for financial guarantees and loan commitments. When there has been no significant deterioration in credit risk since initial recognition, ECL is recognised based on a 12-month expected credit loss (Stage 1). When a significant increase in credit risk has occurred, ECL is recognised based on a lifetime expected credit loss (Stage 2). For impaired loans (Stage 3), a lifetime ECL is recognised. The impairments of financial assets are determined as a critical estimate. For more information on deterioration in credit risk, see “Risk management”, under 3.8, Loss allowance for expected credit loss.

Impairments of goodwill and other intangible assets
To measure the recoverable amounts, we calculate the value in use for each cash-generating unit (CGU) or group of CGUs. This calculation reflects an estimate of future cash flows, base-case scenario analysis and discount rates. Future cash flow estimates are based on our strategic plans and different types of investigation into possible trends. Events and factors that could have a significant impact on these estimates include market expectations, effects of mergers and acquisitions, competitive conditions, client behaviour and changes in client relationships, cost structure, trends in interest rates and risks, and other circumstances specific to the industry and sector. In addition, an annual test is carried out for indications of impairment of other intangible assets with a finite useful life. For more information on the discount rates used, see Note 10, Goodwill and other intangible assets.

Other accounting estimates

Impairments of non-financial assets
The recoverable amount of a non-financial asset is the higher of the fair value of the asset less costs to sell and its value in use. This fair value less costs to sell is the price that would be received on the sale of an asset or paid on the transfer of a liability in an orderly transaction between market participants at the valuation date. To determine whether assets are impaired, the individual assets are allocated to the lowest level at which cash flows can be identified (cash-generating units). Non-financial assets that have been subject to impairment, other than goodwill paid, are reviewed annually to determine whether the impairment can be reversed. Non-financial assets, other than goodwill paid, are tested for impairment annually by assessing whether there are any indications that these assets are impaired.

Deferred tax assets
Deferred tax assets are recognised only if it is probable that taxable profits will be realised in the near future against which these temporary differences can be offset. Estimates are used when determining future taxable profits, since these are inherently subject to uncertainty.

Actuarial assumptions of provisions
Pension liabilities are determined using actuarial calculations. These calculations use assumptions regarding elements such as the discount rate, future trends in salaries and returns on investments. These assumptions are subject to estimation uncertainty. See Note 17, Provisions.

Other provisions
Other provisions are determined on the basis of the most recent estimates of the expected costs. The timing of the cash outflow related to these provisions is by nature uncertain, given the unpredictability of the outcome and time required to conclude these claims. In determining these provisions, where applicable, we take into consideration the opinion of legal experts.

Basis of consolidation

Subsidiaries

The consolidated financial statements of Van Lanschot Kempen comprise the financial statements of Van Lanschot Kempen and its subsidiaries. These have been prepared at 31 December 2022 using accounting policies consistent with those used in the previous year, and their financial year is concurrent with the calendar year.

Subsidiaries (including the consolidated structured entities) are associates in which Van Lanschot Kempen exercises decisive control. Van Lanschot Kempen has decisive control over an entity when it has power over that entity and is exposed to or has rights to variable income from its involvement in the entity and is able to use its power over the entity to influence the entity's income. The assessment of control is based on the actual relationship between Van Lanschot Kempen and the entity. Factors taken into account include existing and potential voting rights. A right is a material right if its holder is able to exercise that right in practice.

Van Lanschot Kempen has power over an entity if its existing and potential voting rights amount to more than 50%. If these rights amount to less than 50%, Van Lanschot Kempen determines whether it has power over the entity pursuant to contractual agreements. In making this assessment, a distinction is made between substantive and protective rights. Substantive rights are rights which enable the decision-making power of an enterprise to be influenced directly and which give Van Lanschot Kempen decisive control over an entity. Examples include the right to appoint and dismiss members of the Management Board, and to set the level of their remuneration. Protective rights are rights which protect the interests of an entity in another entity, but which do not directly confer decision-making powers. Protective rights do not give Van Lanschot Kempen decisive control over an entity. When acquiring non-controlling interests, Van Lanschot Kempen in principle includes only protective rights in the contractual agreement. These are rights of approval which enable Van Lanschot Kempen to protect its minority position without acquiring decision-making power. Examples of protective rights are rights of approval in respect of the issue of shares and effecting significant acquisitions.

Intra-group transactions are eliminated in the consolidation process. Subsidiaries are consolidated from the date of incorporation or acquisition, being the date on which Van Lanschot Kempen acquires control, and are consolidated until the date that such control ceases.

We consolidate interests in investment funds if we have power over the investment fund and are exposed to or have rights to variable income stemming from our involvement and are able to use our power over the investment fund to influence the variable income. The assessment of control is based on the actual relationship between Van Lanschot Kempen and the investment fund. Van Lanschot Kempen takes into account its interest for its own account and its own role, or that of one of its group companies, as fund manager.

In the case of subsidiaries not fully controlled by Van Lanschot Kempen, the non-controlling interest in equity is presented separately in the consolidated statement of financial position as a component of total equity. The profit or loss for the reporting period that can be attributed to the non-controlling interest is disclosed separately.

Acquisitions

Acquisitions are recognised using the acquisition method. Accordingly, the cost of an acquisition is allocated to the fair value of the acquired assets (inclusive of any intangible assets not previously recognised in the statement of financial position), liabilities and obligations not recognised in the statement of financial position.

Goodwill, being the difference between the cost of the acquisition (including assumed debts) and our interest in the fair value of acquired assets, liabilities and obligations not recognised in the statement of financial position at the acquisition date, is capitalised as an intangible asset. If this difference is negative (negative goodwill), it is taken directly to the statement of income. Goodwill is not amortised. For more information on its valuation, see Note 10, Goodwill and other intangible assets.

A non-controlling interest in the company acquired is recognised at the fair value prevailing on the acquisition date or at the proportionate share in the identifiable assets and liabilities of the company acquired. Results of companies acquired are disclosed in the statement of income from the date at which control is obtained.

Adjustments to the fair value of acquired assets and liabilities at the acquisition date which are identified within 12 months of the acquisition may lead to adjustment of goodwill. Adjustments identified after expiry of one year are disclosed in the statement of income.

On disposal of group companies, the difference between the sale proceeds and the acquisition cost (including goodwill) is included in the statement of income together with any unrealised gain or loss.

Summary of significant accounting policies

Foreign currencies

Functional currency
Items in the statement of financial position pertaining to each group company are stated in the currency of the economic environment in which the entity operates (i.e. the functional currency).

Group companies
The assets, liabilities, income and expenses of group companies that use a functional currency other than the reporting currency are translated as follows:
- Assets and liabilities are translated using the closing exchange rate at the reporting date;
- Income and expenses are translated using the rate prevailing on the transaction date;
- Remaining exchange-related gains or losses are recognised as a separate component of equity.

Upon consolidation, exchange-related gains or losses arising from monetary items forming part of a net investment in foreign subsidiaries are recognised in equity. Exchange-related gains or losses on borrowings and other items designated as hedging instruments for such investments are also recognised in equity.

Transactions and line items
On initial recognition, transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Translation differences arising on the settlement of such transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except where they are recognised in equity as qualifying cash flow hedges or qualifying net investment hedges in foreign subsidiaries.

In general, translation differences in the statement of income are included in the result on financial transactions. Translation differences on non-monetary items measured at fair value through profit or loss are reported as part of the fair value gain or loss. Non-monetary items are translated into the reporting currency at the same time as the determination of their fair value. By translation on the reporting date, currency translation differences on non-monetary items measured at fair value through equity are included in the revaluation reserve in equity.

Non-monetary items not measured at fair value are translated at the exchange rate prevailing on the original transaction date.

Recognition of financial assets in the statement of financial position
Purchases of financial assets designated at fair value through profit or loss whose value is subject to change, or financial assets at fair value through other comprehensive income, or other financial assets at amortised costs, which are settled according to standard market conventions, are recognised on the transaction date, i.e. the date on which we undertake to purchase or sell the asset concerned. Loans and advances are recognised on the settlement date, i.e. the date on which we receive the asset.

Derecognition of financial assets and liabilities in the statement of financial position
Financial assets are derecognised when:
- Our rights to the cash flows from the asset expire;
- We have retained the right to receive the cash flows from an asset, but have an obligation to pay these in full to a third party under a special agreement;
- We have transferred our rights to the cash flows from the asset and have transferred substantially all the risks and rewards;
- We have not transferred substantially all the risks and rewards but have transferred control over the asset.

If we have transferred our rights to the cash flows from an asset, but have not transferred substantially all the risks and rewards of the asset and have not transferred control, the asset is recognised as long as we have continued involvement in the asset.

A financial liability is derecognised as soon as the obligation under the liability is discharged, cancelled or expired.

Special purpose entities
We have placed parts of our loan portfolio in special purpose entities (SPEs), which comprise only covered bond companies. If we have effective control over an SPE, it is consolidated. We have control over an entity when we have power over that entity and are exposed to or have rights to variable income from our involvement in the entity and are able to use our power over the entity to influence the entity's income.

The accounting principles followed by Van Lanschot Kempen are applied when consolidating SPEs.

Transfers of financial assets
All or a part of a financial asset is transferred if:
- The contractual rights to receive the cash flows from that financial asset are transferred; or
- The contractual rights to receive the cash flows from that financial asset are retained, but a contractual obligation is assumed to pay the cash flows to one or more recipients under an arrangement.

Derivatives
A derivative is initially recognised at fair value on the effective date of the contract. After initial recognition, the derivative is subsequently remeasured at fair value and changes in value are taken to the statement of income under Result on financial transactions. Fair values are based on stock exchange prices, cash flow models, or option and other valuation models.

Hedge accounting
We use derivatives, such as interest rate swaps, to hedge our exposure to risks. The carrying amount of assets and liabilities which are hedged through fair value hedging and which would otherwise be recognised at cost is adjusted for changes in the fair value that can be attributed to the hedged risks. Any gains or losses arising from changes in the fair value of derivatives not relating to the hedged risks are taken directly to the statement of income.

At the inception of a hedge transaction, we formally designate and document the hedge relationship and the financial risk management objective when entering into the hedge transaction. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how we will assess the hedging instrument's effectiveness in offsetting the exposure to risks.

Hedges that qualify for hedge accounting are recognised as follows:

Fair value hedges
Fair value hedges are hedges of the exposure to changes in the fair value of an asset or liability arising as a result of interest rate changes. Changes in the value of the hedging instrument are taken to the statement of income.

Any change in the fair value of the hedged item is also recognised in the statement of income, in so far as the hedging instrument has been effective in the preceding period.

A hedge relationship ends if the hedging instrument is sold, expires or is exercised, or if the hedging transaction no longer meets the criteria for hedge accounting, with the remaining value adjustment of the hedged item amortised through profit or loss until the end of its term.

We apply micro fair value hedge accounting and macro fair value hedge accounting.

Micro fair value hedges
From 1 January 2022 onwards, we have applied hedge accounting for micro fair value hedges based on IFRS 9. A fair value hedge is classified as a micro fair value hedge when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. Debt securities at fair value through other comprehensive income and issued debt securities are hedged for interest rate risk in a micro fair value hedge. Effectiveness is assessed and documented on a monthly basis in order to determine that the hedge has been highly effective throughout the financial reporting periods for which it was intended. If necessary, adjustments are made to the hedge relationship.

Macro fair value hedges
We apply macro fair value hedges for fixed rate mortgages. A portfolio of mortgages is identified comprising homogeneous loans based on their contractual interest rates, maturity and other risk characteristics. Mortgages within the identified portfolio are allocated into repricing term buckets based on expected repricing dates rather than contractual repricing dates. The hedging instruments are designated appropriately to those repricing term buckets.

Such hedges are considered to be effective if we may expect, both upon inception and during the term of the hedge, that changes in the fair value or cash flows of the hedged item will be almost fully offset by changes in the fair value or cash flows of the hedging instrument, in so far as they relate to the hedged risk, and the actual outcome is within a range of 80-125%. Effectiveness is assessed and documented on a monthly basis in order to determine that the hedge has been highly effective throughout the financial reporting periods for which it was intended. We apply the EU carve-out on portfolio fair value hedges.

Cash flow hedges
Cash flow hedges are hedges of the exposure to fluctuations in the cash flow of an asset, liability or future transaction arising as a result of interest rate changes and/or inflation. The portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised directly in equity until the hedged item affects the statement of income, while the ineffective portion is recognised in the statement of income.

If the hedging instrument expires or is sold, or if it can no longer be designated as a hedge, accumulated gains and losses remain in equity until the expected future transaction is taken to the statement of income. If the expected future transaction is no longer likely to take place, the accumulated result is transferred directly from equity to the statement of income.

Embedded derivatives
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

If the hybrid contract contains a host that is not an asset, the embedded derivatives are separated from the host contract and treated as separate derivatives when:
- The economic characteristics are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative;
- The hybrid contract is not measured at fair value through profit or loss.

Day 1 profit
Discrepancies between the transaction price and the fair value may arise if valuation techniques are applied at the time of the transaction. Such a discrepancy is referred to as a Day 1 profit. Any resulting profit or loss is recognised directly in the statement of income if the valuation method is based on observable inputs in an active market. In the event of unobservable inputs, the gain or loss is amortised over the term of the transaction.

Netting of financial assets and liabilities
Financial assets and liabilities are netted and presented in the consolidated financial statements at the net amount when we have a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. See 3.7, Risk management.

Statement of financial position

Cash and cash equivalents and balances at central banks
Cash and cash equivalents and balances at central banks comprise, at nominal value, cash in hand and deposits with a term of less than three months, investments readily convertible into a known amount of cash with an insignificant risk of value changes, balances at central banks and balances withdrawable on demand at other banks in respect of which the risk of value changes is insignificant. The amount due from De Nederlandsche Bank (DNB) arising from the minimum reserve requirement is also included in this item.

Due from banks
Amounts due from banks are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Derivatives
Derivatives are carried at fair value. The positive and negative values of derivatives are shown separately on the face of the statement of financial position on the assets side and the liabilities side, respectively. The values of derivatives with a positive and negative value, concluded with the same counterparty, are only netted if the cash flows are settled on a net basis and this is permitted under law. Changes in the value of derivatives are taken directly to the line item Result on financial transactions. If the hedge is completely effective, the net impact on the statement of income is nil. The difference, in so far as this remains within the ranges set, reflects ineffectiveness and is taken to the statement of income.

Derivatives include:
- *The fair value of derivatives held for trading*
  Derivatives held for trading include transactions for own account whereby the aim is to actively sell them in the short term. Client option positions whereby offsetting market transactions are conducted for all option positions held by our clients on a one-on-one basis are also included in this item;
- *Economic hedges*
  Economic hedges are derivatives used to manage risks without applying hedge accounting;
- *Structured product derivatives*
  Structured product derivatives are instruments to hedge structured products sold to clients, without application of hedge accounting;
- *Derivatives with application of hedge accounting*
  These are derivatives used as hedging instruments in the application of hedge accounting.

Financial assets at fair value through profit or loss
Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss (FVPL). Additionally, any instrument for which the contractual cash flow characteristics are not solely payments of principal and interest (SPPI) are measured at FVPL. No restrictions are set for sales within the fair value through profit or loss portfolio. Interest earned on these assets is recognised as interest income under Other interest income. All other realised and unrealised gains and losses on remeasuring debt instruments at fair value are recognised under Result on financial transactions. All realised and unrealised gains and losses on remeasuring equity instruments at fair value are recognised under Income from securities and associates.

Financial assets at fair value through profit or loss include financial assets from trading activities. These are transactions for our own account whereby the aim is to actively sell these instruments in the short term. Financial assets from trading activities consist of the trading portfolio of both equity instruments and debt instruments. The financial assets from trading activities are recognised at fair value with effect from the trade date and value adjustments are taken to the statement of income under the line item Result on financial transactions.

Financial assets at fair value through other comprehensive income
A debt instrument that is held within the hold to collect and sell business model and meets the SPPI test is measured at fair value, with fair value adjustments recognised in Other comprehensive income unless the asset is designated at fair value through profit or loss. Sales as a result of managing everyday liquidity needs, maintaining a particular interest yield profile on the secondary market, or to match the duration and sales required by regulators, are consistent with the objective of the hold to collect and sell portfolio.

Under FVOCI, a financial asset is measured at its fair value and movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement and recognised in Result on financial transactions. Interest income from these financial assets is included in Interest income using the effective interest method.

Loans and advances to the public and private sectors
Loans and advances to the public and private sectors are initially recognised at fair value plus transaction costs directly attributable to the acquisition of the financial asset, and are subsequently amortised using the effective interest rate method less any allowance for impairment. The loss allowance for expected credit losses is recognised in the statement of income.

Other financial assets at amortised cost
A debt instrument that is held within the hold to collect business model and meets the SPPI test is measured at amortised cost unless the asset is designated at fair value through profit or loss. Under this measurement category, the financial asset is initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, and subsequently recognised at amortised cost less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any impairment allowance. The impairment is recognised in the statement of income. Interest income from these financial assets is included in Interest income using the effective interest rate method.

Investments in associates using the equity method
These investments have been designated by management as transactions held indefinitely, and as a result of the acquired control can be classified as investments in associates using the equity method. These are investments in entities where we have significant influence but not control. If there is a change in the equity of the associate, we recognise our share in this change and include it in Other comprehensive income. This also applies to results of associates recognised in our statement of income.

In the first year of investment, investments classified as investments in associates using the equity method are recognised at cost, and where applicable are adjusted for any changes in the value of the associate's individual receivables and payables occurring after the acquisition, measured using the policies applied by Van Lanschot Kempen.

The recoverable amount of the investments in associates using the equity method is determined each quarter. The valuation methods applied to assess the carrying value are the capitalisation method (peer group analysis), the discounted cash flow method and the disclosed net asset value method. An impairment is recognised if the recoverable amount is lower than the carrying amount.

The capitalisation method determines the value of a business by multiplying the operating profit (EBIT) and the operating profit before depreciation and amortisation (EBITDA) by a multiplier factor derived from similar listed companies (the peer group), if applicable also taking account of a discount for poor liquidity and minority shareholding. EBIT and EBITDA are adjusted for one-off items where applicable.

The discounted cash flow method calculates the enterprise value by discounting the forecast operational cash flows at a discount rate for the planning period and a final value based on the extrapolation of the operating profit.

The discount rate is determined on the basis of the discount rate of listed companies with a high degree of similarity and on the specific characteristics of the company. If applicable, the discounted cash flow method takes account of a discount for poor liquidity and minority shareholdings.

The company's net debt is then deducted from the value resulting from the capitalisation method and/or discounted cash flow method and multiplied by the share in the capital structure in order to derive the shareholder value from the enterprise value.

The disclosed net asset value method determines the value of a company based on the statement of financial position.

If our share in the associate's losses is equal to or exceeds our interest in the associate, no further losses are recognised unless we have assumed obligations or made payments for these associates.

Property and equipment

Property and equipment comprise buildings in own use, right-of-use assets, operation system software and information technology, communication and safety equipment, alterations and furniture and fixtures. Property and equipment are initially carried at cost and subsequently measured at historical cost less accumulated depreciation and accumulated impairments. The carrying value includes the costs for replacement of part of the existing property as soon as these costs are incurred, but excludes day-to-day servicing costs. Depreciation is calculated on a straight-line basis over the useful life of the asset.

Lease contracts which we entered into as a lessee are classified as right-of-use assets. Right-of-use assets are presented as part of Property and equipment in the statement of financial position and are measured at cost, comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs;
- Restoration costs.

Depreciation is applied using the same method as for wholly-owned tangible assets.

The recoverable amount of individual property items within the different CGUs or group of CGUs is determined every year, irrespective of whether there is any indication of impairment, and more often if market conditions so dictate. The recoverable amount is the higher of the fair value less costs to sell or the value in use. The fair value less costs to sell is determined by an independent surveyor. If the fair value less costs to sell is below the carrying amount, the value in use is determined. This value is calculated using the value-in-use method. If the value in use is also below the carrying amount, an impairment is recognised for the difference between the carrying amount and the higher of the fair value less costs to sell and the value in use.

Estimated useful life of property and equipment (years)	
Buildings	40
Right-of-use assets	1-10
Operating system software and IT	3-5
Communication equipment	5
Safety equipment	15
Alterations	10-15
Furniture and fixtures	5-10

Operating system software expenses are capitalised if they are identifiable, if there is a likelihood that future economic benefits will flow to Van Lanschot Kempen and if costs can be measured reliably.

Goodwill and other intangible assets

Goodwill represents the difference between the fair value of the acquired assets (including intangible assets) and liabilities, and the purchase price paid (excluding acquisition costs). Goodwill paid is included in the financial statements at cost less any accumulated impairment losses. Goodwill paid is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value may be impaired. An impairment is calculated based on the difference between the carrying value and the recoverable amount of the CGU to which the goodwill relates. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use.

Owing to the absence of a market for separate CGUs, we are unable to calculate a reliable fair value less costs for which each CGU or group of CGUs may be sold. The recoverable amount is therefore deemed to be equal to the value in use. The value in use is determined by discounting the future equity cash flows generated by each CGU or group of CGUs to their net present value using a cost of equity for each CGU or group of CGUs. If the recoverable amount of a CGU is lower than its carrying amount, goodwill is impaired. The impairment is first applied in full to the goodwill and then pro rata to the individual assets.

Other intangible assets with a finite useful life, such as client relationships, brand names and application software, are capitalised at cost and amortised on a straight-line basis over their respective useful lives.

Estimated useful life of intangible assets (years)	
Client relationships	5-20
Brand names	5-20
Application software	3-5

Tax assets and liabilities
Tax assets and liabilities are stated at face value. Current and deferred tax assets and liabilities are offset if they relate to the same tax authority, concern the same type of tax, if it is permitted under law to offset these deferrals and if the deferrals are expected to be settled simultaneously.

Deferred taxes are recognised on the face of the statement of financial position if the valuation of an asset or liability temporarily differs from the valuation for tax purposes. Deferred taxes are calculated using the tax rates prevailing on the reporting date. Deferred tax assets are recognised only if it is probable that taxable profits will be realised in the near future against which these temporary differences can be offset.

Deferred tax assets and liabilities are assessed at every reporting date and derecognised to the extent necessary. This derecognition will be reversed if it is probable that sufficient taxable profits will be available.

Changes in the value of investments at fair value through other comprehensive income and movements in the value of derivatives forming part of a cash flow hedge are recognised in equity net of deferred tax. Deferred tax assets and liabilities cease to be recognised when these movements in value are realised. Current tax is taken to the statement of income on realisation of the movement in value.

Other assets
Other assets comprise interest, commission and other receivables, and are carried at the lower of cost or the recoverable amount. This recoverable amount is the estimated selling price in the ordinary course of business less the relevant variable costs to sell. The recoverable amount less the relevant variable costs to sell is based on the appraisal value as determined by an independent surveyor. Other assets are initially recognised at fair value excluding transaction costs. After initial recognition, they are recognised at amortised cost using the effective interest method.

Due to banks
Amounts due to banks are initially recognised at fair value excluding transaction costs. After their initial recognition, they are recognised at amortised cost using the effective interest method.

Public and private sector liabilities
Public and private sector liabilities are initially recognised at fair value excluding transaction costs. After their initial recognition, they are recognised at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss comprise financial instruments which management believes should be recognised at fair value through profit or loss based on one of the following reasons:

- Designation eliminates or significantly reduces inconsistencies in measurement and recognition which would otherwise arise as a result of liabilities being valued or income and expenses being recognised under different accounting policies; or
- The contract in which the financial instrument is included contains one or more embedded derivatives and the entire contract is recognised at fair value through profit or loss. This is only permitted if the embedded derivative has significant influence on the contractually agreed cash flows.

The valuation takes account of our own credit risk. Own credit risk is recognised in equity under the line item Other reserves. See also Note 21, Equity. The remaining amount of change in the fair value is recognised in Result on financial transactions.

Financial liabilities at fair value through profit or loss include financial liabilities from trading activities. These are transactions for own account whereby the aim is to repurchase these instruments in the short term. These instruments are stated at fair value, with movements in value recognised in the statement of income under Result on financial transactions. This line item comprises short positions on the trading portfolio in both equity instruments and debt instruments. Recognition is from the date on which the contract is concluded.

Issued debt securities
Issued debt securities are initially recognised at fair value excluding transaction costs. After initial recognition, issued debt securities are carried at amortised cost using the effective interest method. Repurchase of our own debt securities is offset in the consolidated financial statements against the liability; the difference between the cost and the carrying amount based on the remaining term is taken to the statement of income.

Provisions
A provision is a liability of uncertain timing or amount. A provision is included in the statement of financial position if we have an obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. Provisions are discounted if the time value of money for the liability has a material effect. The most material types of provisions are the provision for pensions, provisions for long-service benefits and restructuring provisions.

Provision for pensions
We operate defined benefit plans and defined contribution plans. Under defined contribution plans, contributions to pension providers are taken to the statement of income as staff costs. We have no further payment obligations with respect to defined contribution plans once the contributions have been paid.

A defined benefit plan is a pension plan which defines the amount of pension benefit that an employee will receive on retirement. Factors such as age, years of service and salary are taken into account when determining the amounts to be paid. The provision for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets.

Differences between the expected and actual return on plan assets, actuarial gains and losses and changes in the effect of the asset ceiling are recognised directly in equity; net interest is recognised under Other interest expense in the statement of income.

Provisions for long-service benefits
Employees receive a bonus to mark a long-service anniversary of 25 and 40 years. The obligation is calculated on an actuarial basis.

Restructuring provision
A provision for restructuring is recognised only if the recognition criteria are met. We have a constructive obligation if we have a detailed formal restructuring plan identifying at least the business or part of the business concerned, the principal locations affected, the number of employees affected, a detailed estimate of the expenditure to be undertaken and a suitable timeframe. Employees are also notified of the main features of the plan.

Other liabilities
Other liabilities are initially recognised at fair value excluding transaction costs. After their initial recognition, they are recognised at amortised cost using the effective interest method.

Lease liabilities are presented in the statement of financial position as part of Other liabilities. Interest payments and amortisation in the year are charged to the income statement on a straight-line basis over the term of the lease, and disclosed within the statement of income.

Lease liabilities consist of interest and amortisation payments and are initially measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

Subordinated loans
Subordinated loans are initially recognised at fair value excluding transaction costs. After initial recognition, they are carried at amortised cost. Purchases of our own subordinated loans are offset against the liability in the consolidated financial statements; the difference between cost and the carrying amount based on the remaining term is taken to the statement of income.

Equity
Direct costs of new share issues are deducted from equity, taking account of taxes.

If we purchase treasury shares, the purchase price, including direct transaction costs after tax, is deducted from equity. Treasury shares that we purchase do not qualify for profit or dividend and are not included in the calculation of earnings per share.

Obligations not recognised in the statement of financial position
This includes obligations that represent a potential credit risk and where it is either not probable that it will lead to an outflow of resources or that a reliable estimate can be made. For the other obligations not recognised in the statement of financial position, see "Commitments" in the supplementary notes.

Contingent assets and liabilities and irrevocable commitments
Contingent liabilities are carried at the contract value and relate in particular to guarantees and irrevocable letters of credit. This item consists of unused overdraft facilities, sale and repurchase commitments, irrevocable payment commitments for the Single Resolution Fund (SRF) and all other obligations resulting from irrevocable commitments that could give rise to loans.

Statement of income

General
Revenue is recognised when it is likely that the economic benefits will flow to Van Lanschot Kempen and the revenue can be measured reliably. Costs are allocated as far as possible to the period in which the services were rendered or to the relevant proceeds.

Net interest income
This item consists of income earned on lending and costs of borrowing, derivatives, related commission, and other income/expense similar to interest. The amortisation of remaining value adjustments on mortgage portfolios of fair value hedges which expired in the past is presented under Interest income.

Interest income and interest expense are recognised in the statement of income on an accrual basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated cash flows over the life of the financial instrument, or a shorter period when appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, we take into account all contractual terms of the financial instrument (for example early repayment) but not future losses due to uncollectible amounts.

Negative interest paid is recognised under Interest income, and negative interest received is recognised under Interest expense.

Income from securities and associates
All dividends received from investments in equity instruments are recognised directly in the statement of income under Other income from securities and associates when they are made payable.

Our share in the results of equity-valued associates is recognised under Income from securities and associates using the equity method. Dividends received are deducted from the carrying amount of the equity-valued associate. Due to the fact that these investments in associates using the equity method are part of our investment strategy, we present income from these as part of our operating activities.

Net commission income
This item comprises the income, other than income similar to interest, earned on wealth management services provided to third parties. It also includes fees charged to managed investment funds. Commission paid to third parties is accounted for as commission expense.

We receive commission for the wide range of services we provide to clients. This can be divided into commission on a transaction basis and periodic commission charged to the client during the year.

Commission on a transaction basis

Commission income on a transaction basis is recognised in the periods in which we provide the services. Transaction commission for which we only provide a service on the transaction date (e.g. commission on buying and selling shares) is taken directly to the statement of income. Transaction commission for which we have to provide a service in the future (e.g. commission on structured products) forms part of the amortised cost and is recognised in the statement of income over the expected term of the instrument.

Periodic commission

Periodic commission (e.g. management fees) is recognised in the statement of income in the period in which the services are provided.

Result on financial transactions

Result on securities trading includes realised and unrealised value differences on gains and losses on financial instruments relating to the securities trading portfolio. Exchange and price gains and losses on trading in other financial instruments are recognised under Result on foreign currency trading. Gains and losses due to ineffectiveness in hedge accounting are recognised under Unrealised gains/ losses on derivatives under hedge accounting. When financial assets at fair value through OCI are derecognised, the cumulative gain or loss is reclassified to Realised gains or losses on financial assets at fair value through other comprehensive income. Result on economic hedges includes realised and unrealised gains and losses on derivatives that are not included in a hedge accounting model. Result on financial instruments at fair value through profit or loss comprises unrealised value differences and interest expenses on financial liabilities at fair value through profit or loss.

Other income

Other income comprises income from categories not listed above, for example income resulting from the consolidation of non-banking subsidiaries.

Staff costs

Staff costs comprise wages and salaries, pension and early retirement costs, other social security costs and other staff costs such as remuneration in the form of share-based employee benefits.

Partnership plan

The partnership is a participation plan that will allow key senior staff to contribute to and participate in the success of Van Lanschot Kempen. Its purpose is to anchor leadership more broadly in our organisation, to further encourage ownership and entrepreneurial spirit, and to create more long-term alignment with our shareholders and clients. Partners' contributions remain in the partnership (FGR) during their full tenure as a partner. Partners receive a share-based discount of 18.5% and are subject to a lock-up period of five years.

Share-based payments

Employees may be eligible to receive remuneration in the form of share-based payments. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the equity instruments are granted. The fair value is determined based on the share price on the grant date, taking into account the discounted value of expected dividends over the vesting period. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, in the period in which the employee’s performance criteria are fulfilled, ending on the date on which the employee becomes fully entitled to the award (the vesting date).

Partnership investment incentive

The purpose of the partnership investment incentive is to enhance the return perspective of the contributions with respect to which it is awarded. If awarded, a partnership investment incentive will apply with respect to the contributions made in the relevant contribution round for five financial years and will be calculated at the end of each of those five financial years in accordance with the partnership investment incentive formula.

The partnership investment incentive will be paid to the partners in two components: 70% in Van Lanschot Kempen shares and 30% in cash.

Other administrative expenses

Other administrative expenses comprise IT expenses, costs of marketing and communication, accommodation expenses, office expenses and other administrative expenses.

Depreciation and amortisation

Depreciation and amortisation costs are determined on the basis of estimated useful life and charged to the statement of income.

Impairments

This item comprises the balance of the required impairments and reversals of such impairments, including those on financial instruments, on investments in associates using the equity method, on goodwill and intangible assets, and on property and equipment.

Income tax

Tax on operating profit is recognised in the statement of income in accordance with applicable tax law in the jurisdictions in which we operate. Tax effects of any losses incurred in certain jurisdictions are recognised as assets when it is probable that sufficient future profits will be available in the relevant jurisdiction against which these losses can be offset.

Earnings per ordinary share

Earnings per ordinary share are calculated by dividing the profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per ordinary share are calculated by dividing the profit available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted for possible dilution as a result of, for example, outstanding option rights.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. It distinguishes between cash flows from operating, investing and financing activities. Cash flows from operating activities include net changes in loans and advances, deposits from/with banks, and public and private sector liabilities. Investing activities include acquisition, redemption and sales of debt instruments, equity investments, associates using the equity method, property and equipment, and goodwill and other intangible assets. Financing activities include issues and repayments of share plans, debt instruments and issued debt securities. Cash and cash equivalents comprise, at face value, all cash in hand, balances at central banks and balances withdrawable on demand at other banks. Investing and financing transactions that do not require the use of cash or cash equivalents are excluded from the statement of cash flows.

Segment information

The different operating segments form the basis for our primary segmentation. An operating segment is a business unit that can earn revenues and incur expenses and whose operating results are regularly reviewed by management or the chief operating decision maker and for which discrete financial information is available. Additional information is reported geographically based on where the business activities are located. Intra-segment transactions are conducted on commercial terms and market conditions (at arm's length).

Risk management

1. Risk, capital management and compliance

Our front-office functions are essential in delivering services to our clients. Risk management supports the front office, clients and other stakeholders in ensuring that the risks taken by Van Lanschot Kempen are controlled and comply with our risk appetite and legal requirements. This section describes our risk appetite, the organisational and governance arrangements that are in place regarding risk management, and the three lines of defence principle. After describing these general arrangements, the section continues with credit risk, market risk, operational risk, settlement risk, credit valuation adjustment (CVA) risk, strategic risk, interest rate risk, liquidity risk, securitisation risk, climate change risk, financial reporting risk and assets at fair value. An overview of compliance risks is also provided.

1.1 Risk appetite

Solid capital and liquidity ratios are essential prerequisites for a successful proposition to our clients and the financial stability of Van Lanschot Kempen in general. This is reflected in our risk appetite statement. We aim to have a simple and transparent balance sheet.

We have a robust risk appetite framework in place. Every year, the Management Board assesses and updates the risk appetite statement, which translates our risk appetite into strategic limits. The risk appetite statement is then submitted to the Supervisory Board for review and approval. Quarterly risk appetite reports serve as important discussion documents for the continuous review of our risk profile.

1.2 Organisation of risk, capital management and compliance

The purpose of our risk management framework is to identify and analyse risks at an early stage, as well as to mitigate and monitor those risks. Adequate internal control procedures and reporting systems, including the application of standards and limits, are key elements of our risk management framework.

The organisation of our risk management framework is based on the three lines of defence principle. Day-to-day responsibility for risk control lies with the front office and/or operational departments (the first line of defence), including internal control activities and Finance, Reporting & Control.

Compliance and Risk Management form the second line of defence for financial and non-financial risks. These departments are responsible for initiating risk policies and the supervision of risk controls within Van Lanschot Kempen.

Internal Audit forms the third line of defence and is responsible for performing independent audits on the risk management framework and activities of the first and second line. The department reports to the Chair of the Management Board. This set-up creates a clear, balanced and appropriate division of tasks, powers and responsibilities, and ensures independent and effective operation of the risk management function.

Risk Management and Asset & Liability Management (ALM) stand at the core of capital management. We actively manage our capital base to cover risks inherent to our business and meet the capital adequacy requirements of De Nederlandsche Bank (DNB). The adequacy of our capital is monitored by using the rules and ratios established by the Basel Committee on Banking Supervision as transposed into EU law through the Capital Requirements Regulation (CRR). This legal framework also forms the basis for supervision by DNB through the Capital Requirements Directive (CRD) and the Financial Supervision Act (Wft). Over the reporting period, we fully complied with all externally imposed capital requirements. Both external and internal capital adequacy targets are taken into account, and the central focus is on safeguarding our financial solidity and stability. Each year, a capital and funding plan is prepared for capital management purposes.

Table 1.2 Risk, capital management and compliance framework

Supervision § 1.2.1	Supervisory Board – Risk and Compliance Committee – Audit Committee			
Risk and capital management § 1.2.2	Management Board – Group Risk Committee – Credit Risk Committee – Market Risk Committee – Asset & Liability Committee – Sustainability Board – Compliance & Operational Risk Committee – Credit Committee – Product Approval & Review Committee			
Implementation and review § 1.2.3	Risk Management and Asset & Liability Management	Finance, Reporting & Control	Compliance	Internal Audit
Execution § 1.2.4	Client Management & Origination	Investment Strategies & Solutions	Treasury	Credit Risk and Credit Restructuring & Recovery

1.2.1 Supervision

The Supervisory Board oversees the risks and capital requirements in relation to the group's operations and portfolio composition. It has set up two committees specifically for this purpose. In the first half of 2022, compliance topics were discussed in the Audit Committee. After the change from a Chief Financial Officer/Chief Risk Officer (CFRO) to a Chief Financial Officer (CFO) and a Chief Risk Officer (CRO) from 1 September 2022, compliance topics were discussed in the Risk and Compliance Committee.

The Risk and Compliance Committee focuses on all identified risks in the group's business activities, as well as the risk management framework. Compliance risks and matters regarding duty of care are also discussed in this committee. The Committee also prepares decision-making by the Supervisory Board on risk matters.

The Audit Committee is tasked with advising the Supervisory Board on financial reporting, internal and external audits.

1.2.2 Risk, capital management and compliance

The Management Board is responsible for developing and executing Van Lanschot Kempen's strategy. This includes our capital and funding plan, which is based on a number of risk, capital management and compliance policies.

The primary objective of our capital management is to ensure that we comply with external and internal capital requirements in order to support our businesses and to create value for our stakeholders. We manage our capital structure by taking into account changes in economic conditions and the risk characteristics of our activities. To maintain and/or manage our capital structure, we may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. These adjustments are under constant review by the Management Board. Lastly, requests or demands by our supervisors DNB and/or ECB can also influence capital management.

The Management Board also bears responsibility for ensuring the proper operation of the processes that safeguard the group's liquidity and capital position. In addition, it is required to provide information to the Supervisory Board, which in turn assesses the risk appetite of the group. To ensure the various risk types are managed properly, the Management Board has set up the following risk and compliance committees:

Group Risk Committee

The Group Risk Committee, which includes all members of the Management Board and the heads of Risk Management and Compliance, discusses group-wide risk management themes. Chaired by the CRO, this committee brings together, discusses and monitors the various risk types on an integrated level. The committee is involved in setting the annual risk appetite statement and discusses the risk appetite report and emerging trends in the risk profile. Other areas covered include recovery and resolution planning.

Credit Risk Committee

The Credit Risk Committee sets and adjusts the group's overall credit risk policy and translates this into acceptance and portfolio management policies. In executing its tasks, the committee bears in mind our strategic objectives and the guiding principles informing the risk appetite statement. The CRO chairs this committee; other members represent Risk Management, Private Clients, and Credit Risk and Credit Restructuring & Recovery.

Market Risk Committee

This committee focuses on all market risks within Van Lanschot Kempen and is chaired by the CRO. Market risk is the risk of loss as a result of changes in market variables, including interest rates (excluding interest rate risk in the banking book), exchange rates and equity prices. It also considers variables not directly observable in the market, such as volatility and correlations, which also influence the value of certain financial instruments. Market risks at Investment Banking Clients arise from securities trading to facilitate our clients (mainly equities and equity derivatives). Van Lanschot Kempen is exposed to a certain amount of market risk (mainly foreign exchange and structured products activities) through its treasury activities. Our foreign exchange risk is limited, as the majority of transactions and positions in the statement of financial position are denominated in euros. Van Lanschot Kempen is also exposed to market risk as a result of management book investments.

Asset & Liability Committee

The Asset & Liability Committee (ALCO) is responsible for managing risks that result from mismatches between assets and liabilities (interest rate and liquidity risks), as well as the capital position of the bank. ALCO's main tasks are:

- Overseeing the asset and liability management process;
- Setting policies on interest rate risk in the banking book[1], liquidity and funding risk, funds transfer pricing and capitalisation;
- Monitoring the development of the balance sheet and balance-sheet projections.

ALCO convenes once a month and is chaired by the CFO. ALCO's members also comprise:

- The Chair of the Management Board;
- The CRO;
- The Management Board member responsible for Client Management & Origination;
- ALM, Treasury, Risk Management and Finance, Reporting & Control directors.

Compliance & Operational Risk Committee

The Compliance & Operational Risk Committee is responsible for the implementation and execution of our compliance and operational risk management policies. The committee assesses compliance and operational risks, and ensures remedial actions are taken where required. The committee also challenges and approves the annual plans of the Non-Financial Risk Management and Compliance departments. It is chaired by the CRO. Among other matters, the root causes of major operational risk incidents are discussed in this committee.

Risk Management takes the lead in the committees described above, with the exception of the Compliance & Operational Risk Committee, where both Compliance and Risk Management are in charge, and ALCO, where Asset & Liability Management is in charge. We also have a number of committees that form part of the first line of defence and that cover specific risk-related topics, such as the Credit Committee and Client Management & Origination's Product Approval & Review Committee.

[1] The banking book comprises all assets not held for trading under the regulatory definition.

1.2.3 Implementation and review of risk, capital management and compliance policies

Implementation and monitoring of our risk and capital policies is carried out by Risk Management, ALM and Finance, Reporting & Control. In addition, Compliance carries out the implementation, monitoring and/or review of compliance policies.

Risk Management is responsible for:
- Second-line monitoring and management of all risks relating to the statement of financial position at group level, including modelling, measuring, managing and reporting on our credit, market, interest rate, liquidity and strategic risks;
- Business continuity management;
- Information security;
- The risk appetite process;
- Preparing, developing and maintaining policy documents;
- Issuing daily market risk reports;
- Proactively and reactively providing advice on managing risks;
- Raising risk awareness among staff in order to improve their ability to strike a sound balance between risk and return.

Risk Management and ALM are responsible for:
- Preparing ICAAP and ILAAP documentation as well as the recovery plan.

Finance, Reporting & Control is responsible for the financial accounting and business control function. Through its various reports, Finance, Reporting & Control fulfils an important role in challenging the businesses. These reports include monthly management reports and cost control reports, and are used to monitor the progress of business plans.

Compliance has both an advisory and a monitoring role with respect to compliance with applicable laws, rules, regulations, internal policies and procedures, and industry standards relevant for Van Lanschot Kempen. As compliance risks are part of Van Lanschot Kempen's overall risk governance, Compliance as an independent function is involved in and supports the management of compliance risks by identifying, assessing, monitoring and reporting on such risks. Compliance risks include risks such as personal data integrity, financial crime, business conduct and client protection risks.

Internal Audit periodically reviews the design and effectiveness of the risk organisation and the execution of our risk, capital management and compliance policies in accordance with their annual audit plan. The applicable policies form the starting point for the independent review by Internal Audit. Processes, infrastructure, organisation and systems are audited based on these policies in order to determine whether the organisation adequately executes its risk, capital management and compliance policies.

1.2.4 Execution of risk, capital management and compliance policies

CMO and Investment Strategies & Solutions (ISS) prepare their own business plans. On the basis of these plans, current and future risks are assessed, including expected capital and liquidity requirements. These assessments serve as input for the various risk committees.

1.3 Capital requirements

The standards set by the Basel Committee on Banking Supervision, and translated into law (CRR and CRD, Wft), apply to all Dutch banks. The Basel framework consists of three pillars:
- Pillar 1 stipulates capital requirements for credit, market and operational risk.
- Pillar 2 requires banks to have internal processes for risk management and to calculate the capital requirements needed to address all risks that are not included in Pillar 1. The Supervisory Review and Evaluation Process (SREP) is also part of Pillar 2.
- Pillar 3 sets out requirements for disclosure of information about the institution's risk profile to external stakeholders.

Our website provides Pillar 3 disclosures (unaudited) and a detailed breakdown of our portfolio of loans to companies and institutions (unaudited). Meanwhile our remuneration policy is explained both in a remuneration section and a Pillar 3 disclosure (unaudited), both also on our website.

1.4 Individual risks

The following sections detail the individual risk types to which we are exposed. They therefore cover a combination of Pillar 1 and Pillar 2 capital requirements. The risk types covered are:
- Strategic risk (Section 2);
- Credit risk (Section 3);
- Market risk (Section 4);
- Operational risk (Section 5);
- Settlement risk (Section 6);
- CVA risk (Section 7);
- Interest rate risk (Section 8);
- Liquidity risk (Section 9);
- Securitisation risk (Section 10);
- Climate change and sustainability risks (Section 11);
- Compliance risk (Section 12);
- Financial reporting risk (Section 13).

2. Strategic risk

Strategic risk can be defined as the threat to our results or equity arising from a failure to respond (adequately) to changes in external factors or from incorrect strategic decisions. External factors include the actions of competitors, clients, potential market entrants and public authorities. Strategic risk is not inherently undesirable, since there can also be an upside to taking these risks. We take a forward-looking approach to strategic risk, keep a close eye on external developments and set our strategic priorities accordingly. Our strategy puts a strong focus on advanced data analytics among other areas. Existing risk management practices and measures are assessed regularly to ensure that possible new risks that may arise from changes in strategic direction or in the business environment are addressed adequately.

3. Credit risk

Credit risk is defined as the risk that a counterparty or client is no longer able to fulfil its obligations. Our credit risk policies focus on the counterparty risks associated with lending to private clients and SMEs. Strict selection criteria for new clients and active credit management for existing clients are applied to safeguard the quality of the loan portfolio. Our lending activities are required to be in line with stated objectives, and individual assessments are used to ascertain this.

As well as from lending activities, credit risk also arises from:
- Investment activities;
- International payment transactions and cash management;
- FX and hedging activities;
- Settlement risk.

Our investment activities relate to the management of our liquidity buffer and equity investments. For the liquidity buffer, a limit framework is in place to manage and monitor associated credit risks.

Counterparty credit risk with respect to financial institutions arises from international payment transactions, cash management, FX and hedging activities. Some of these activities also involve settlement risk. For derivatives transactions, counterparty credit risk is mitigated by daily margining.

We apply a strict policy when determining and monitoring country and counterparty (financial institutions) limits. The country limits serve as a cross limit for financial institutions, meaning that the counterparty risks in respect of financial institutions in one country are limited by the relevant country limit, as the country limit is usually lower than the aggregate of the individual counterparty limits.

3.1 Loans and advances

3.1.1 Credit acceptance

Our loan approval policy focuses on maintaining a high-quality loan portfolio. The authority to approve loans and loan reviews is delegated to a limited number of teams, mainly our Credit Approval team.

The authority to approve large loans rests with the Credit Committee, which comprises representatives of the relevant divisions as well as members of the Management Board.

The mid- and back-office for nearly all residential mortgage loans is carried out by a third party. A service level agreement (SLA) is in place to ensure adequate control of the operational risks, including the outsourcing risk.

The acceptance process is not outsourced, with the exception of our white label loans – residential mortgages offered by a third party. The acceptance and management of credit risks has been outsourced to this third party, within our strict guidelines and in accordance with prevailing legal requirements.

These activities are closely monitored using detailed data from the mortgage portfolio. This makes it possible, for example, to recognise any arrears. We also review random samples of mortgage loans. An SLA is in place to ensure adequate control of the operational risks, including the outsourcing risk.

Limits on financial institutions and countries are determined using a number of hard criteria such as the external rating, BIS ratios, capital ratios, country of origin and gross domestic product (for countries). Limits can also be adjusted and withdrawn on a daily basis.

New loan requests are assessed to determine if they are in line with our strategy and we adopt a conservative approach to granting them.

The credit risk concentration mainly lies within our Private Clients segment in the Netherlands, as our office network in the Netherlands is bigger than in the other countries in which we are active in extending credit.

3.1.2 Credit management – policy and processes

To achieve and attain a high-quality loan portfolio, strict credit management is required. Credit management is carried out at both individual loan and portfolio level. At the individual loan level, explicit attention is devoted to the management of unauthorised overdrafts and accounts past due. Loans with an elevated risk profile are subjected to a risk check. In addition, a portion of the portfolio is regularly reviewed and the credit risk of individual clients is scrutinised as part of this review. The frequency of reviews varies according to the individual borrower's risk profile, but they take place at least annually. In addition to financial analyses, reviews take account of future developments in a client's situation (partly in the light of relevant macroeconomic trends).

A deterioration in a client's risk profile may lead to closer supervision, an adjusted rating, corrective measures (such as requiring additional collateral or increasing the frequency of financial reporting), involvement of the Credit Risk and Credit Restructuring & Recovery department or a combination of these measures. It may also lead to a stage transfer under IFRS 9 – see Section 3.8.

At portfolio level, credit risks are monitored on a monthly basis. In addition, several early warning indicators are used to draw up a watch list, which is discussed bi-monthly. A detailed credit risk report and any relevant developments or expected developments are discussed in the Credit Risk Committee on a quarterly basis. Any negative trend identified in the risk profile of a particular client segment, sector or loan type, can lead to the adjustment of the relevant lending policy. Trends in sectors where there is a concentration risk are monitored particularly closely.

If the review, risk check, payment arrears or external signals point to an increased risk of discontinuity, the Credit Risk and Credit Restructuring & Recovery department is involved in the credit management process. An estimate is made of the probability of continuity. Depending on the seriousness and magnitude of the problem, either monitoring or intensive supervision is applied. If there are objective indicators of impairment the Credit Risk and Credit Restructuring & Recovery department draws up an impairment proposal. The Impairment Committee determines the impairment for the whole credit portfolio on a quarterly basis.

Active management of past due loans enables potential problem loans to be identified at an early stage. If an individual assessment identifies an increased risk, the Credit Risk, Credit Restructuring & Recovery department will supervise the client. Increased credit risk occurs in situations including the following:
- If clients fail to meet their payment obligations;
- If clients report difficulties in meeting future payments, e.g. because of a divorce, unemployment etc.;
- In the event of a default (see Section 3.1.3);
- For business clients, in the event of a significant decrease in turnover, breach of one or more covenants, a debt service coverage ratio < 1, etc.

The primary goal of the Credit Risk and Credit Restructuring & Recovery department is to migrate clients back to accounts with regular status (i.e. not under the supervision of Credit Risk and Credit Restructuring & Recovery) by reducing their credit risk. The aim is to do this in accordance with the loan agreements made with these clients, but forbearance measures are applied if necessary. For more information on forborne exposures, see Section 3.2.

3.1.3 Credit risk measurement

We have developed internal models for measuring and monitoring credit risk for the majority of the loan portfolio. Some of these internal models are also used to determine the required capital that has to be set aside for absorbing unexpected credit losses. For this reason, the models, the use of these models and the model governance have to adhere to strict requirements set out in the CRR.

The CRR distinguishes three approaches for determining the required capital for credit risk: the standardised approach (SA), the foundation internal ratings-based (F-IRB) approach, and the advanced internal ratings-based (A-IRB) approach. We use SA and A-IRB for our loan portfolios.

The standardised approach prescribes a set of rules for determining the required capital based on various characteristics such as client type, loan type, collateral type, and external rating. Under A-IRB, banks are allowed to use own estimates for PD, EAD and LGD. The PD is defined as the likelihood that a client will default within one year, the EAD is defined as the bank's expected exposure at the time a client defaults, and the LGD is the expected loss percentage in the event that a client defaults. As a result, A-IRB is more risk-sensitive than SA.

We have approval from DNB to determine and report the required regulatory capital for our residential mortgage exposures portfolio using the A-IRB approach. For these models, we have a model governance framework in place. As part of this, the performance of the models is periodically monitored, and these models are also periodically validated against independent models.

The PD model is mostly based on behavioural aspects of the client and the LGD models on the underlying collateral. For the capital calculations a so-called downturn LGD is applied, i.e. the expected loss at default during an economic downturn. Estimation of the EAD is based on the limit and credit utilisation.

The SA method has been used for capital calculations in all our other retail and non-retail portfolios.

IRB equity portfolio

The IRB equity portfolio includes our positions in equities in the investment portfolio, subordinated receivables, non-controlling interests and shareholdings which appear on Van Lanschot Kempen's company statement of financial position. We use the simple risk-weighted method to calculate the risk-weighted assets for positions in shares.

In this method, a specific risk weighting (190%, 290% or 370%) is assigned to each position, based on a number of characteristics. A risk weighting of 250% is applied for significant investments in financial institutions that are not deducted from equity because they fall below the regulatory threshold. Positions taken in shares and subordinated loans of wholly owned subsidiaries are excluded from IRB. These are reported using the SA method.

Other loans and advances

The risk-weighted assets of other portfolios, such as the debt securities in our investment portfolio managed by the Treasury department (i.e. excluding retail, non-retail and equity), are calculated on the basis of the SA method.

Definition of default and credit-impaired assets

Our definition of default is informed by EBA guidelines. Most notably, the materiality threshold complies with the uniform European standard. A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows:
- A breach of contract such as a more than 90 days past due event with a materiality of more than €100 and more than 1% of total credit obligation (retail exposures) or more than €500 and more than 1% of total credit obligation for non-retail exposures;
- Significant financial difficulty of the issuer or the borrower and an inability to meet future payments;
- Concession(s) granted to the borrower that the lender would not otherwise consider, relating to the borrower's financial difficulties (forbearance);
- A growing likelihood that the borrower will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial market difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit loss.

It may not always be possible to identify a single discrete event; instead the combined effect of several events may have caused financial assets to become impaired. All impaired assets are also classified as defaulted by Van Lanschot Kempen under CRR rules. Van Lanschot Kempen has implemented one definition that serves for all its different purposes.

3.2 Forborne exposures

A loan is considered forborne if the borrower is unable to meet their contractual obligations towards the bank and the bank decides to make a concession to the client by modifying the terms and conditions of the loan agreement. The objective of this modification is to enable the borrower to meet the renewed obligations, and it would not have been offered if those circumstances had not arisen. Forbearance actions may include one or more of the following measures:
- Amendment of the original terms and conditions of the loan agreement that the client cannot meet due to financial difficulties, with a view to restoring the client's payment capacity;
- Full or partial refinancing of a forborne exposure.

The purpose of the measures taken in forbearance situations is to maximise the chance of restoring the borrower's payment capacity and to minimise the risk of losses due to having to write off all or part of the loan. Measures must offer the client an appropriate and sustainable solution, enabling them to comply with the original obligations arising from the credit agreement in due course.

Applying forbearance measures is exclusively reserved for the Credit Risk and Credit Restructuring & Recovery department, which pursues a policy based on general principles and translates this to the specific situation of the individual client. Given the nature of these loans, the Credit

Risk and Credit Restructuring & Recovery department carries out intensive credit management. Before any new arrangements are agreed, a detailed analysis is made of the client, their financial situation and the likelihood of income recovery. The outcome of this analysis may have consequences for the client's review frequency and the size of any loan loss provision to be made. If the client qualifies for appropriate forbearance measures, a proposal will be drawn up and submitted to the competent assessor(s) for approval. If a forbearance measure is granted, the client is classified as a non-performing exposure.

In practice, forbearance measures do not always have the desired effect – i.e. the recovery of the client's payment capacity or an end to the process of declining payment capacity. This may, for example, be the result of a further deterioration in the client's financial circumstances or the failure of those circumstances to improve as expected. Such cases are reanalysed and a strategy is redefined. However, the principle is explicitly maintained that the forbearance measure must be appropriate, sustainable and effective. Any new arrangements agreed with the borrower must also meet these strict criteria.

A forbearance situation ends when the non-performing status has no longer been applied to the loan for a probation period of two years. The non-performing status must last a minimum of one year starting from the last forbearance measure. Moreover, the client must have made significant and regular payments of interest and/or principal during at least half of the probation period. During the two-year probation period, no payments by the borrower may be in arrears for more than 30 days. If this condition is not met, the probation period will start again from the date the client is no longer in arrears for more than 30 days.

The recording and monitoring of loans which are subject to forbearance is carried out by the Credit Risk and Credit Restructuring & Recovery department. Each quarter, and where appropriate more frequently for specific loans, an individual assessment is carried out of forborne exposures which are in default, in relation to any provision made. In addition to this quarterly assessment (as part of the provisioning process), these loans are subject to extensive credit risk management, the intensity and frequency of which will as far as possible match the specific circumstances of the loan.

Tables 3.2.A through 3.2.C show the total volume of forborne exposures. We apply several types of forbearance measures (see Table 3.2.A).

Following the decision to apply such a measure, a loan remains under the supervision of the Credit Risk and Credit Restructuring & Recovery department until the forbearance situation has ended.

Table 3.2.A Types of forborne exposure (€1,000)	31/12/2022	31/12/2021
Total	**27,667**	**34,877**
Capitalisation of arrears/interest	430	–
Refinancing or new loan	2,954	7,299
Interest payment only	488	–
Reduction of repayments	9,320	23,717
Deferred payment of financing costs	417	–
Extension of loan term	11,593	1,265
Reduction in interest rate	2,466	2,596

Tables 3.2.B and 3.2.C provide an insight into the underlying collateral of forborne loans. This breakdown is based on the collateral used under Basel regulations, with the exception of commercial real estate, for which collateral is based on market values. The value in the Total primary collateral column is the lower of the subscription value or the value of the collateral.

Table 3.2.B Forborne exposures by collateral at 31/12/2022 (€1,000)

	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Total primary collateral	Secondary collateral and unsecured loans
Total	**27,667**	**2,531**	**8,874**	**9,711**	**21,116**	**6,551**
Mortgage loans	2,531	2,531	–	–	2,531	–
Current accounts	14,598	–	–	9,711	9,711	4,887
Loans	10,538	–	8,874	–	8,874	1,664

Table 3.2.C Forborne exposures by collateral at 31/12/2021 (€1,000)	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Total primary collateral	Secondary collateral and unsecured loans
Total	**34,877**	**1,425**	**10,104**	**12,931**	**24,459**	**10,418**
Mortgage loans	1,425	1,425	–	–	1,425	–
Current accounts	20,214	–	–	12,931	12,931	7,284
Loans	13,238	–	10,104	–	10,104	3,134

Write-off policy
We write off loans as soon as there is sufficient certainty about the loss after the sale of collateral and after exploring other redress opportunities.

3.3 Breakdown of the loan portfolio

We adopt a cautious approach to granting unsecured loans. Our loan book mainly consists of loans to Private Clients such as loans secured by residential real estate, a number of commercial real estate loans and Lombard loans. The remainder of the loan portfolio comprises consumer loans and customised financing for private banking clients. Mortgage loans also include Kempen Dutch Inflation Fund, a fund that invests in leasehold contracts primarily in connection with Dutch residential real estate to create an investment in long-term inflation-linked cash flows.

Table 3.3 Breakdown of loan portfolio by entity excluding impairments (€1,000)	31/12/2022		31/12/2021	
	Limit	Utilisation	Limit	Utilisation
Total	**9,788,935**	**9,403,957**	**9,382,558**	**8,925,054**
Van Lanschot Kempen	9,261,440	8,973,764	8,832,356	8,490,584
Van Lanschot Kempen Investment Management	163,062	163,062	164,431	164,431
Other	364,433	267,131	385,771	270,039

3.4 Collateral

In general, collateral can be used for all current and future amounts owed by a debtor. In addition to residential mortgage collateral and guarantees provided by governments and credit institutions, commercial real estate, financial collateral, receivables, stocks and inventories may serve as collateral.

Tables 3.4.A and 3.4.B provide insight into the underlying collateral of the loan portfolio.

Table 3.4.A Loans and advances to the public and private sectors by collateral at 31/12/2022 (€1,000)	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Other	Total collateralised loans	Unsecured loans
Total	**9,594,137**	**7,516,452**	**149,649**	**725,364**	**300,562**	**8,692,026**	**902,111**
Mortgage loans	6,938,851	6,869,041	8,262	1,003	468	6,878,774	60,077
Loans	1,819,385	511,050	133,392	328,645	297,263	1,270,350	549,035
Current accounts	572,801	99,767	7,995	217,252	2,831	327,844	244,956
Securities-backed loans and settlement receivables	263,101	36,595	–	178,463	–	215,058	48,043

Table 3.4.B Loans and advances to the public and private sectors by collateral at 31/12/2021 (€1,000)	Balance outstanding	Mortgage collateral	Commercial real estate	Financial collateral	Other	Total collateralised loans	Unsecured loans
Total	**8,758,152**	**6,969,569**	**235,165**	**604,609**	**49,738**	**7,859,082**	**899,070**
Mortgage loans	6,606,356	6,485,017	6,131	3,621	6,645	6,501,415	104,941
Loans	1,387,468	389,320	203,117	220,336	29,525	842,297	545,170
Current accounts	484,107	61,900	25,916	182,411	13,568	283,794	200,312
Securities-backed loans and settlement receivables	280,221	33,333	–	198,242	–	231,575	48,646

Tables 3.4.A and 3.4.B have been drawn up on the basis of the definitions contained in the Basel regulations. The balance outstanding is the carrying amount excluding value adjustments for fair value hedge accounting.[2] The collateral value is the lower of the balance outstanding of the related loan or the value of the collateral itself.

The category Other mainly comprises loans for which collateral has been pledged in the form of operating assets, inventories and receivables, as well as collateral which for technical reasons is not directly linked to a specific loan. The total amount of unsecured loans is small.

The loan-to-value (LTV) of our mortgage loans is based on indexed foreclosure values, in line with generally accepted standards for LTV determination. The average LTV at year-end 2022 was 63% (2021: 62%).

3.5 Concentration within the loan portfolio

About 83% (2021: 85%) of our loan portfolio consists of loans to private clients. For the credit risk in this portfolio, see Section 3.8, Loss allowance for expected credit loss. We aim for a diversified loan portfolio, reflecting our risk appetite. We have set limits for concentrations in individual sectors.

3.5.1 Individual loan concentrations

The ten largest loans to individual clients other than financial institutions totalled €227 million at year-end 2022, compared with a total loan portfolio of €8.1 billion (2021: €183 million; total loan portfolio €7.7 billion). In this calculation, Lombard loans secured by non-single stock are excluded.[3]

3.5.2 Geographical concentrations

In line with our strategy, the majority of lending takes place in the Netherlands and Belgium. The geographical breakdown is based on client locations.

	31/12/2022	31/12/2021
Total	**9,363,958**	**8,875,601**
Netherlands	8,654,618	8,276,319
Belgium	472,882	340,186
Other	236,459	259,096

3.6 Encumbered and unencumbered assets

Certain items in the statement of financial position are classified as encumbered. Tables 3.6.A and 3.6.B provide insight into the financial assets treated as encumbered. These tables have been drawn up on the basis of carrying value.

Encumbered assets

Pledged as collateral:
- Cash pledged to a counterparty bank or central clearing party as security for obligations stemming from derivatives (CSA contracts);
- Investments in debt instruments pledged to DNB or counterparty banks in the context of repo transactions or for securities and derivatives clearing purposes;
- Mortgage loans and receivables that act as a guarantee for debt instruments which have been been placed with institutional investors in the form of covered bonds or have been pledged as collateral to DNB, e.g. for transaction settlements.

Other:
- Statutory reserve deposits with central banks;
- Reserve accounts of the covered bond entities to which we have no access.

Unencumbered assets

Eligible as collateral:
- Investments in debt instruments which appear on the ECB eligible list of marketable assets but are not classified as encumbered at the reporting date;
- Mortgage loans and advances on underlying debt instruments which are held by us and which appear on the ECB eligible list of marketable assets but are not classified as encumbered at the reporting date.

[2] We have changed the presentation by excluding the value adjustments for fair value hedge accounting from the balance outstanding. Comparative figures have been adjusted accordingly.
[3] We have changed the calculation of loan concentrations in order to align this with our risk appetite statement. Comparative figures have been adjusted accordingly.

Table 3.6.A Encumbered and unencumbered assets (€1,000)	Encumbered assets		Unencumbered assets		31/12/2022
	Pledged as collateral	Other	Eligible as collateral	Not eligible as collateral	Total
Total	**1,932,706**	**27,006**	**2,718,923**	**11,108,108**	**15,786,744**
Cash and cash equivalents and balances at central banks	–	18,396	–	3,123,388	**3,141,785**
Due from banks	46,463	8,610	–	53,113	**108,186**
Financial assets at fair value through profit or loss	54,799	–	175,828	148,891	**379,518**
Financial assets at fair value through other comprehensive income	62,298	–	1,332,544	310,096	**1,704,938**
Loans and advances to the public and private sectors	1,696,010	–	382,600	7,285,348	**9,363,958**
Other financial assets at amortised cost	73,136	–	827,951	187,272	**1,088,358**

Table 3.6.B Encumbered and unencumbered assets (€1,000)	Encumbered assets		Unencumbered assets		31/12/2021
	Pledged as collateral	Other	Eligible as collateral	Not eligible as collateral	Total
Total	**2,302,328**	**62,919**	**1,785,809**	**11,227,742**	**15,378,798**
Cash and cash equivalents and balances at central banks	–	58,212	–	3,655,982	**3,714,194**
Due from banks	16,045	4,707	–	50,522	**71,275**
Financial assets at fair value through profit or loss	–	–	47,293	282,709	**330,002**
Financial assets at fair value through other comprehensive income	546,050	–	1,309,153	275,124	**2,130,327**
Loans and advances to the public and private sectors	1,612,196	–	300,000	6,963,405	**8,875,601**
Other financial assets at amortised cost	128,036	–	129,363	–	**257,399**

3.7 Netting of financial assets and liabilities

Tables 3.7.A and 3.7.B show the netting of financial assets and liabilities. The right to net derivatives is laid down in a master netting agreement per counterparty. For information about the netting criteria, please see “Summary of significant accounting principles”.

Table 3.7.A Netting of financial assets and liabilities 31/12/2022 (€1,000)	Gross	Gross in the statement of financial position	Net in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Derivatives (assets)	816,045	266,403	549,642	98,302	451,340
Derivatives (liabilities)	492,906	266,403	226,503	98,302	128,201

Table 3.7.B Netting of financial assets and liabilities 31/12/2021 (€1,000)	Gross	Gross in the statement of financial position	Net in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Derivatives (assets)	274,774	21,902	252,872	1,042	251,830
Derivatives (liabilities)	202,019	21,902	180,117	1,042	179,075

3.8. Loss allowance for expected credit loss

Under the IFRS 9 standard, we recognise a loss allowance for ECL on financial assets measured at amortised cost or fair value through other comprehensive income, as well as for financial guarantees and loan commitments. When there is no significant deterioration in credit risk since initial recognition, ECL is recognised based on a 12-month expected credit loss (Stage 1). When a significant increase in credit risk has occurred, ECL is recognised based on a lifetime ECL (Stage 2). For impaired loans (Stage 3), a lifetime ECL is recognised.

3.8.1. Expected loss measurement

We measure expected credit losses by using a sophisticated approach and an alternative approach. For the sophisticated approach we use models to calculate the ECL, governed by a model governance framework. Under this framework, the performance of the models is periodically monitored, and these models are also periodically validated. The IFRS 9 models were externally validated in 2021 and are also subject to quarterly performance monitoring. If models are performing outside the agreed threshold, recalibration or ultimately redevelopment will follow. In recent years, several recalibrations have been carried out; no redevelopment has yet been necessary.

In both approaches, ECL reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and verifiable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Both approaches calculate a 12-month and a lifetime ECL for the exposures of all three stages.

After the risk stage determination in the stage calculation, the relevant ECL is assigned:
- 12-month ECL for Stage 1;
- Lifetime ECL for Stage 2 and Stage 3.

The key elements of the ECL calculation are the probability of default (PD), exposure at default (EAD), cure rate (CR), and loss given non-cure (LGN). LGN is an estimate of the loss arising in the event of a default without cure occurring at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

In addition to these four key elements, we incorporate forward-looking information for the sophisticated approach.

We identify macroeconomic variables and consider three macroeconomic scenarios in calculating ECL:
- A base-case scenario;
- An upside scenario;
- A downside scenario.

These scenarios are associated with different PDs, EADs and LGNs. In the process of building the PD, cure rate and LGN models for IFRS, we included several macroeconomic risk drivers in the long list of risk drivers. Those determined as best-performing during modelling were selected to be part of the model. The macroeconomic scenarios are generated based on inputs from CPB Netherlands' Bureau for Economic Policy Analysis, DNB, ECB and Van Lanschot Kempen's economic experts. The reported ECL (12-month or lifetime, depending on the stage) is a weighted average of ECLs per macroeconomic scenario. The table below shows the macroeconomic variables used for the sophisticated approach. However, we believe our models do not fully incorporate the unique current economic environment. To address the uncertain economic environment, we have applied a management overlay (see Section 3.8.7).

Model	Macroeconomic variables
PD calibration	– Gross domestic product (GDP) – Volume of exports (EXP)
Cure rate	– Total investments (TI) – Private consumption (PC) – Residential real estate price (RREP) – Government consumption (GC)
LGN	– Gross domestic product (GDP) – Residential real estate price (RREP)

3.8.2. Significant deterioration in credit risk

To determine the deterioration in credit risk of a financial instrument since initial recognition, we compare the risk of default at the reporting date with the risk of default on initial recognition.

To calculate the lifetime probability of default (LPD) at origination and the LPD at reporting date, we use four PD models: private individuals, small and medium-sized enterprises, corporates, and commercial real estate. If the increase in LPD exceeds the designated threshold, the exposure is transferred to Stage 2 and the lifetime ECL is calculated.

We use the following thresholds for the different PD models:

– Private investments	0.8
– Small and medium-sized enterprises	0.9
– Corporates	1.3
– Commercial real estate	0.9

A backstop is applied and financial instruments that are materially overdrawn and more than 30 days past due are transferred from Stage 1 to Stage 2. If the financial instrument is credit-impaired, it is transferred to Stage 3.

Threshold

An exposure will be regarded as "significantly deteriorated" if the result of the following formula exceeds the limit:

$$\log\left(\frac{LPD_{reporting}}{1 - LPD_{reporting}}\right) - \log\left(\frac{LPD_{origination}}{1 - LPD_{origination}}\right)$$

3.8.3. Financial instruments following the sophisticated approach

For the majority of financial instruments included in the line item Loans and advances to the public and private sectors, including mortgage loans, loans, current accounts, subordinated loans and financial guarantees and loan commitments, we apply a sophisticated approach to calculate expected credit loss (ECL). This approach uses an umbrella model that combines the following sub-models:

- Various models that provide the expected flow of exposures to the default state;
- A PD calibration model giving the flow from performing to default;
- A full prepayment model and amortisation model giving the outflow from the portfolio of an entire exposure due to prepayment or contract expiration;
- A migration model providing flows from performing rating classes to other performing rating classes;
- A cure rate model giving the flow from default to performing classes and the non-cure state;
- Various product-level models that give the expected exposure at the moment a client goes into default;
- An amortisation model showing the contractual payments during the lifetime of a product and the part of the exposure flowing out of the portfolio due to partial prepayments;
- An EAD model giving the exposure as a function of the limit or outstanding amount just before default;
- A product-level model evaluating the part of EAD that may be lost – the loss given loss (LGL) model;
- A discount factor to discount the loss from the moment of default to the moment of reporting.

3.8.4. Financial instruments following the alternative approach

We apply an alternative approach for cash and cash equivalents, due from banks, debt instruments at amortised cost, debt instruments at fair value through other comprehensive income, and loans and security-backed loans issued by the Belgian branch and F. van Lanschot Bankiers (Schweiz) AG. The alternative approach comprises an investments model and a foreign loan model.

3.8.5. Investments model

The investments model is applied to calculate the ECL for cash and cash equivalents, due from banks, debt instruments at amortised cost, and debt instruments at fair value through other comprehensive income. These financial instruments all have a low risk profile. All such exposures are assigned to Stage 1 as long as their external rating is investment grade. We use a simplified model to calculate 12-month ECL, using publicly available data for PD and LGD based on external ratings. If financial assets are downgraded below investment grade, these assets will be sold.

3.8.6. Foreign loans model

For the loans and securities-backed loans issued by the Belgian branch and F. van Lanschot Bankiers (Schweiz) AG, we have developed a foreign loans model. These two portfolios fall outside the scope of the A-IRB models and no requirements on historical data have been set. The foreign loans model calculates ECL as the sum of future exposure discounted at the effective interest rate at recognition for non-revolving products and the current effective interest rate for revolving products.

3.8.7. Management overlay

At the start of the Covid pandemic, it was unclear what the effects were going to be on our portfolio's credit risk. It was decided to introduce a management overlay to take into account the expected effects of the pandemic on the creditworthiness of borrowers belonging to specific sectors most hit by the pandemic, i.e. clients in leisure and hospitality, and clients active in commercial real estate (excluding residential real estate). The overlay consisted of two adjustments applied to a selection of borrowers. The first adjustment was a downgrade in the PD bucket (reflecting the increased PD) of these sectors. The second adjustment was to transfer specific clients from Stage 1 to Stage 2.

As a result of the war in Ukraine that started in February 2022, we decided to introduce an add-on to the level of provisioning as of the first quarter of 2022 due to the direct and indirect impacts of this crisis on the economy. The overlay consisted of three adjustments applied to a selection of borrowers: a downgrade in PD bucket and subsequent shift to Stage 2 of clients in specific sectors (construction, manufacturing, transportation and farming) and a shift in the probability-weighted scenarios that are part of the IFRS 9 framework.

However, three years after the outbreak of the pandemic that has affected some sectors more heavily, the economy and the financial sector have absorbed most of its consequences. Meanwhile, the war in Ukraine has had a major impact on energy and commodity prices and has driven up inflation. We have therefore decided that it is appropriate to move from sector-specific overlays to a more general overlay which applies to all loan portfolios and exposures included in the scope of our sophisticated approach IFRS 9 framework. We have focused on PD-specific adjustments, since we believe a more general overlay will materialise mostly in the probability of client default. The approach consists of three adjustments. First, probability-weighted scenarios have been adjusted from 25%-50%-25% for adverse, neutral and positive scenarios to 40%-50%-10%. Second, one of the PD model risk drivers, the amount of arrears, has changed from 12-month moving average to point-in-time to reflect recent arrears behaviour. And thirdly, it is reasonable to assume that discretionary income could be impacted and result in increased arrears. Also, borrowers subject to an interest rate reset could face significantly higher financing costs. Based on expert judgement, we shocked the PD to reflect this risk.

The total management overlay applied for individual clients and economic sectors resulted in a provision of €5.2 million (2021: €1.6 million).

Even after incorporating this management overlay, the net impact on our credit portfolio was relatively limited. This is reflected in the relatively small increase in ECL.

3.8.8. Loss allowances

The table below shows the ECL loss allowances and the corresponding book values, categorised by balance sheet line item and ECL by stage, as at 31 December 2021 and 31 December 2022.

Table 3.8.A Loss allowance for expected credit loss (€1,000)	31/12/2022		31/12/2021	
	Carrying value (excluding impairments)	Expected credit loss	Carrying value (excluding impairments)	Expected credit loss
Total	**16,588,712**	**42,532**	**16,364,629**	**51,572**
Cash and cash equivalents and balances at central banks	3,141,785	–	3,714,195	–
Due from banks	108,186	1	71,275	–
Financial assets at fair value through other comprehensive income	1,704,938	49	2,130,327	328
Loans and advances to the public and private sectors	9,691,633	39,999	9,266,829	49,452
Other financial assets at amortised cost	1,088,408	49	257,406	8
Financial guarantees and loan commitments	853,762	2,435	924,597	1,784

The table below shows total loss allowances recognised by IFRS 9 stage. The total change in Stage 3 amounted to a decrease of €15.5 million (2021: €9.7 million); of this amount, €2.0 million (2021: €3.9 million) is related to write-offs and €13.5 million (2021: €5.8 million) to releases of loss allowances at Stage 3.

Table 3.8.B Loss allowance recognised by IFRS 9 stage (€1,000)	31/12/2022	31/12/2021	Write-offs	Change in provision	Total change
Stage 1	6,861	4,651	–	2,210	2,210
Stage 2	8,735	4,517	–	4,218	4,218
Stage 3	26,936	42,404	-2,049	-13,419	-15,468
Total	**42,532**	**51,572**	**-2,049**	**-6,991**	**-9,040**

The table below shows the IFRS 9 stage and coverage ratios for loss allowances recognised in the loan portfolio, categorised by ECL stage, as at 31 December 2021 and 31 December 2022.

Table 3.8.C IFRS 9 stage and coverage ratio by ECL stage (€ million)	As at 31 December 2022				As at 31 December 2021			
	Loan portfolio	Provision	Coverage ratio	Stage ratio	Loan portfolio	Provision	Coverage ratio	Stage ratio
Stage 1	8,057	6.1	0.1%	85.7%	8,051	3.6	0.0%	90.2%
Stage 2	1,241	7.0	0.6%	13.2%	721	3.5	0.5%	8.1%
Stage 3	106	26.9	25.4%	1.1%	153	42.4	27.8%	1.7%
Total	**9,404**	**40.0**	**0.4%**		**8,925**	**49.5**	**0.6%**	

Stage 1
Model-based Stage 1 provisions on loans increased to €6.1 million in 2022, while Stage 1 exposures were stable. Higher exposures in Stage 1 due to originated and purchased loans were offset by net transfers to Stages 2 and 3. Provisions in Stage 1 increased by €2.5 million. This was mainly caused by three effects. First, we applied a €1.0 million management overlay in Stage 1. Second, the macroeconomic outlook deteriorated, which also affected Stage 1 exposure. And third, newly originated residential mortgages have higher LTVs on average, resulting in somewhat higher ECLs. The coverage ratio increased from a very low level to 0.1%.

Stage 2
Stage 2 provisions rose from €3.5 million to €7.0 million in 2022, with the Stage 2 exposure adding €520 million. The increase in provisions was mainly caused by the €4.0 million management overlay in Stage 2, an increase on 2021. This management overlay partly comprised a shock to all PDs, resulting in additional migration from Stage 1 to Stage 2. Most of these exposures concern mortgages. The coverage ratio slightly widened compared with 2021.

Stage 3
The baseline for Stage 3 provisions is determined by our Credit Risk and Credit Restructuring & Recovery department, with limited IFRS 9 model adjustments. In 2022, Stage 3 exposures and provisions fell significantly, to €26.9 million. This was due to a release of provisions on the resolution of some specific impaired exposures, fewer impaired exposures and limited new defaults. The total impaired exposure was down €47 million, while the coverage ratio slightly decreased compared with 2021.

Loss allowances for ECL change over time for several reasons: the credit risk of financial instruments may significantly increase or decrease, financial instruments may become credit-impaired, or new financial assets may be purchased. The following tables explain the changes in the loss allowances during the year and the loss allowance recognised in the statement of income.

Table 3.8.D Changes in impairments of Financial assets at fair value through other comprehensive income (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	328	–	–	328
Additions or releases without transfer	-335	–	–	-335
New financial assets originated or purchased	55	–	–	55
Total balance excluding write-offs	**49**	**–**	**–**	**49**
At 31 December 2022	**49**	**–**	**–**	**49**

Table 3.8.E Changes in impairments of Financial assets at fair value through other comprehensive income (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	416	–	–	416
Additions or releases without transfer	-130	–	–	-130
New financial assets originated or purchased	41	–	–	41
Total balance excluding write-offs	**328**	**–**	**–**	**328**
At 31 December 2021	**328**	**–**	**–**	**328**

Table 3.8.F Changes in loss allowance for expected credit losses of Loans and advances to the public and private sectors (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	3,593	3,477	42,383	49,452
Additions or releases without transfer	1,202	3,411	-16,202	-11,589
Transfer to Stage 1	864	-8,378	-736	-8,250
Transfer to Stage 2	-620	8,550	-972	6,959
Transfer to Stage 3	-479	-86	4,503	3,938
New financial assets originated or purchased	1,538	–	–	1,538
Total balance excluding write-offs	**6,098**	**6,974**	**28,976**	**42,048**
Amounts written off	–	–	-2,049	-2,049
At 31 December 2022	**6,098**	**6,974**	**26,927**	**39,998**

Table 3.8.G Changes in loss allowance for expected credit losses of Loans and advances to the public and private sectors (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	3,426	8,746	51,904	64,075
Additions or releases without transfer	-1,777	-6,102	-5,443	-13,322
Transfer to Stage 1	239	-2,385	-439	-2,585
Transfer to Stage 2	-325	3,316	-362	2,629
Transfer to Stage 3	-585	-98	591	-92
New financial assets originated or purchased	2,615	–	–	2,615
Total balance excluding write-offs	**3,593**	**3,477**	**46,251**	**53,320**
Amounts written off	–	–	-3,868	-3,868
At 31 December 2021	**3,593**	**3,477**	**42,383**	**49,452**

Table 3.8.H Changes in impairments of Other financial assets at amortised cost (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	8	–	–	8
Additions or releases without transfer	-3	–	–	-3
New financial assets originated or purchased	44	–	–	44
Total balance excluding write-offs	**49**	**–**	**–**	**49**
At 31 December 2022	**49**	**–**	**–**	**49**

Table 3.8.I Changes in impairments of Other financial assets at amortised cost (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	12	–	–	12
Additions or releases without transfer	-4	–	–	-4
New financial assets originated or purchased	–	–	–	–
Total balance excluding write-offs	**8**	**–**	**–**	**8**
At 31 December 2021	**8**	**–**	**–**	**8**

Table 3.8.J Changes in impairments of Financial guarantees and loan commitments (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	722	1,041	21	1,784
Additions or releases without transfer	411	1,150	-10	1,551
Transfer to Stage 1	30	-437	-340	-747
Transfer to Stage 2	-33	158	-11	114
Transfer to Stage 3	-475	-151	350	-276
New financial assets originated or purchased	9	–	–	9
Total balance excluding write-offs	**664**	**1,761**	**10**	**2,435**
At 31 December 2022	**664**	**1,761**	**10**	**2,435**

Table 3.8.K Changes in impairments of Financial guarantees and loan commitments (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	46	40	273	359
Additions or releases without transfer	359	334	-252	441
Transfer to Stage 1	3	-13	–	-10
Transfer to Stage 2	-12	680	–	668
Transfer to Stage 3	-14	–	–	-14
New financial assets originated or purchased	340	–	–	340
Total balance excluding write-offs	**722**	**1,041**	**21**	**1,784**
At 31 December 2021	**722**	**1,041**	**21**	**1,784**

All financial instruments included in the line items Cash and cash equivalents, Due from banks, and Debt instruments at amortised cost are classified in Stage 1, and no transfers have taken place.

3.8.9. Credit quality

Van Lanschot Kempen allocates each exposure to a credit risk grade based on a variety of data that are determined to be predictive of the risk of default. Credit risk grades are defined using qualitative (applying experienced credit judgement) and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

We use internally developed rating pools for the line items Loans and advances to the public and private sectors and Financial guarantees and loan commitments.

Credit grade	Description
Investment grade	Non-credit-impaired financial assets that are not placed under the supervision of the Credit Risk and Credit Restructuring & Recovery department, internal rating pool 1
Standard monitoring	Non-credit-impaired financial assets that are not placed under the supervision of the Credit Risk and Credit Restructuring & Recovery department, internal rating pools 2 to 4
Special monitoring	Non-credit-impaired financial assets that are placed under the supervision of the Credit Risk, Credit Restructuring & Recovery department, internal rating pools 1 to 4
Default	Credit-impaired financial assets

All financial instruments under the line items Cash and cash equivalents, Due from banks, Debt instruments at amortised cost and Debt instruments at fair value through other comprehensive income are investment grade, which means their external rating is at least BBB-. We use external ratings for these line items.

The credit quality of the line items Loans and advances to the public and private sectors and Financial guarantees and loan commitments is shown in the tables below. Assessment of credit quality is based on our internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Table 3.8.L Credit quality of Loans and advances to the public and private sectors 31/12/2022 (€1,000)	Stage 1	Stage 2	Stage 3	Total
Credit grade				
Investment grade (AAA to BBB-)	6,160,136	–	–	**6,160,136**
Standard monitoring (BB+ to B-)	2,007,080	1,393,965	–	**3,401,045**
Special monitoring (CCC to C)	3,482	57,747	–	**61,229**
Default (DDD to D)	–	–	109,221	**109,221**
Gross carrying amount	**8,170,698**	**1,451,712**	**109,221**	**9,731,631**
Loss allowance	6,098	6,974	26,926	**39,998**
Carrying amount	**8,164,600**	**1,444,738**	**82,295**	**9,691,633**

Table 3.8.M Credit quality of Loans and advances to the public and private sectors 31/12/2021 (€1,000)	Stage 1	Stage 2	Stage 3	Total
Credit grade				
Investment grade (AAA to BBB-)	6,644,307	–	–	6,644,307
Standard monitoring (BB+ to B-)	1,667,285	715,979	–	2,383,264
Special monitoring (CCC to C)	–	77,050	–	77,050
Default (DDD to D)	–	–	162,207	162,207
Gross carrying amount	**8,311,593**	**793,029**	**162,207**	**9,266,829**
Loss allowance	3,593	3,477	42,383	49,452
Carrying amount	**8,308,000**	**789,552**	**119,824**	**9,217,376**

Table 3.8.N Credit quality of Financial guarantees and loan commitments 31/12/2022 (€1,000)	Stage 1	Stage 2	Stage 3	Total
Credit grade				
Investment grade (AAA to BBB-)	634,825	–	–	**634,825**
Standard monitoring (BB+ to B-)	41,098	174,019	–	**215,117**
Special monitoring (CCC to C)	21	540	–	**561**
Default (DDD to D)	–	–	3,258	**3,258**
Gross carrying amount	**675,944**	**174,559**	**3,258**	**853,761**
Loss allowance	664	1,761	10	**2,435**
Carrying amount	**675,280**	**172,798**	**3,248**	**851,326**

Table 3.8.O Credit quality of Financial guarantees and loan commitments 31/12/2021 (€1,000)	Stage 1	Stage 2	Stage 3	Total
Credit grade				
Investment grade (AAA to BBB-)	763,957	–	–	763,957
Standard monitoring (BB+ to B-)	34,634	120,345	–	154,979
Special monitoring (CCC to C)	–	3,656	–	3,656
Default (DDD to D)	–	–	2,006	2,006
Gross carrying amount	**798,591**	**124,001**	**2,006**	**924,597**
Loss allowance	722	1,040	21	1,783
Carrying amount	**797,869**	**122,960**	**1,985**	**922,814**

3.8.10. Macroeconomic variables

We incorporate forward-looking information for the sophisticated approach. We use macroeconomic variables and consider three macroeconomic scenarios in calculating ECL: a base-case scenario, an upside scenario, and a downside scenario. The weightings of the scenarios were 25% for both the positive and negative scenarios and 50% for the base-case scenario as at 31 December 2021.

In 2022, we adjusted the weightings to 10% for the positive scenario, 40% for the negative scenario and 50% for the base-case scenario, given growing uncertainty about the economic recovery due to the war in Ukraine and subsequent higher inflation. The table below shows the macroeconomic variables used for the sophisticated approach as at 31 December 2021 and 31 December 2022.

Table 3.8.P Macroeconomic variables	As at 31 December 2022			As at 31 December 2021		
	2022	2023	2024	2021	2022	2023
Gross domestic product						
Base-case scenario	4.27%	0.87%	1.67%	4.86%	3.96%	2.06%
Upside scenario	6.92%	3.52%	4.32%	6.82%	5.92%	4.02%
Downside scenario	1.34%	-2.06%	-1.26%	1.46%	0.56%	-1.34%
Volume of exports						
Base-case scenario	4.64%	2.64%	2.74%	7.58%	6.18%	5.28%
Upside scenario	9.67%	7.67%	7.77%	11.79%	10.39%	9.49%
Downside scenario	-0.94%	-2.94%	-2.84%	0.28%	-1.12%	-2.02%
Total investments						
Base-case scenario	2.69%	1.39%	1.39%	3.09%	4.99%	4.99%
Upside scenario	9.72%	8.42%	8.42%	10.56%	12.46%	12.46%
Downside scenario	-5.10%	-6.40%	-6.40%	-9.87%	-7.97%	-7.97%
Private consumption						
Base-case scenario	5.89%	-0.21%	1.89%	3.60%	6.00%	2.50%
Upside scenario	9.17%	3.07%	5.17%	5.72%	8.12%	4.62%
Downside scenario	2.26%	-3.84%	-1.74%	-0.09%	2.31%	-1.19%
Residential real estate price						
Base-case scenario	14.01%	-2.99%	-3.19%	15.26%	11.56%	5.26%
Upside scenario	17.98%	0.98%	0.78%	16.63%	12.93%	6.63%
Downside scenario	9.61%	-7.39%	-7.59%	12.88%	9.18%	2.88%
Government consumption						
Base-case scenario	0.01%	3.41%	3.01%	3.47%	4.37%	1.27%
Upside scenario	0.36%	3.76%	3.36%	3.86%	4.76%	1.66%
Downside scenario	-0.38%	3.02%	2.62%	2.79%	3.69%	0.59%

For the portfolios that fall under the scope of IFRS 9, we perform a scenario analysis to calculate the sensitivity of the ECL to macroeconomic variables. The main economic drivers of the ECL are gross domestic product (GDP), volume of exports (EXP), total investments (TI), private consumption (PC), residential real estate price (RREP) and government consumption (GC). In the table below, ECLs are shown per stage and per scenario.

Table 3.8.Q Sensitivity analysis as at 31 December 2022 (€1,000)	Stage 1	Stage 2	Stage 3	Total	Change
Original situation	6,861	8,735	26,936	42,532	
Base-case scenario	6,232	8,314	26,650	41,196	-1,336
Upside scenario	4,608	7,187	25,776	37,571	-4,961
Downside scenario	8,211	9,649	27,584	45,444	2,912

3.9 Collateral credit-impaired financial instruments
In general, collateral can be used for all current and future amounts owed by a debtor. In addition to residential mortgage collateral and guarantees provided by governments and credit institutions, commercial real estate, financial collateral, receivables, stocks and inventories may serve as collateral. The majority of collateral is not directly linked to a specific financing arrangement.

For credit-impaired financial instruments, the Credit Risk and Credit Restructuring & Recovery department determines the liquidation or recovery value of the available collateral, based on the most recent valuation reports and applying the applicable haircuts.

The table below shows the collateral for financial instruments considered credit-impaired.

Table 3.8.R Collateral for credit-impaired instruments as at 31 December 2022 (€1,000)	Gross exposure	Impairment	Carrying amount	Value of collateral
Loans and advances to public and private sectors	109,221	26,925	82,305	165,512
Financial guarantees and loan commitments	3,258	10	3,248	6,033

No impairment is recognised for credit-impaired financial instruments if the collateral is sufficient to cover the outstanding obligation. The total carrying amount of credit-impaired financial instruments for which there is no impairment recognised is €41.1 million (2021: €50.4 million).

4. Market risk
Market risk is the risk of loss as a result of changes in market variables, including interest rates, exchange rates and share prices. Other variables not directly observable in the market, such as volatility, long-term dividend expectations and correlations, can also influence the value of financial instruments. The market risk to which we are exposed can be divided into three components. The market risk to which Van Lanschot Kempen Treasury (part of the Other activities operating segment) is exposed in respect of its necessary market maintenance, its structured products activities and services to clients; secondly, market risk stemming from trading activities in institutional securities, which is concentrated at the Investment Banking Clients operating segment. Lastly, exposure to market risks is also generated by investments in Van Lanschot Kempen's management book of €118.8 million (2021: €198.4 million). These investments provide seed capital for newly launched Van Lanschot Kempen funds and allow us to co-invest with our clients.

4.1 Trading activities in securities
Our trading activities in securities mainly comprise equities and equity derivatives. Equities are concentrated at the Investment Banking Clients operating segment (equity brokerage) while equity derivatives are concentrated at Van Lanschot Kempen Treasury (structured products activities). A governance structure has been created to facilitate effective risk management. The risks are managed using value at risk (VaR) limits as well as gross and net limits. Daily stress tests provide information about changes in portfolio values in extreme market conditions and complement the VaR calculation. The VaR for the trading portfolios is computed daily, based on a one-day time horizon with a 97.5% confidence level on one year of historical data.

The continued validity of the assumptions underlying the VaR computation is regularly tested using back-testing. Other risks relating to derivatives, which are mainly embedded in our structured notes, are expressed in "the Greeks" (e.g. Delta, Vega, Rho) and are separately monitored on a daily basis or more frequently if necessary.

Separate limits are in place for all risk drivers. VaR and other relevant risk parameters are reported to senior management (including two Management Board members) on a daily basis. The embedded derivatives sold to our clients are hedged by Van Lanschot Kempen. Most of the complex market risks (exotic risks) are hedged on a back-to-back basis. The non-exotic risks and limited exotic risks due to secondary market trading are hedged via the macro-hedging strategy. This means that the complex derivatives sold to clients are broken down into individual risk drivers (i.e. delta exposure on S&P500 or Euro Stoxx 50). The total macro exposure per risk driver is calculated and this is hedged by using relatively simple (mostly listed) options. All risk drivers have individual limits and we monitor them daily and/or intra-day, although some basis risks remain.

Table 4.1 Trading activities VaR (€1,000)	2022		2021	
	Derivatives-related	Share-related	Derivatives-related	Share-related
At 31 December	82	118	123	174
Highest VaR	280	311	599	333
Lowest VaR	42	66	55	79
Average VaR	152	156	233	162

4.2 Market risk due to foreign exchange positions

To a limited degree, treasury activities (mainly foreign exchange exposure, comprising client transactions and own positions) result in positions exposed to market risks. The Treasury department is part of the Other activities operating segment. The majority of transactions and positions in the statement of financial position are denominated in euros. Exchange rate risk is managed within the required limits and an authorisation structure applies. Foreign exchange positions are shown in Table 4.2.B and include all cash, forward and option positions of the entities in scope of consolidation.

Table 4.2.A Exchange rate risk of treasury trading activities (total gross nominal foreign exchange position translated to (€1,000))	2022	2021
At 31 December	-294	442
Highest position	798	449
Lowest position	-3,118	-246
Average position	367	185

Table 4.2.B Foreign exchange positions (€1,000)	2022	2021
Total	502	**976**
Hong Kong dollar	305	303
Canadian dollar	204	-258
Swiss franc	155	-181
Danish krone	146	40
Australian dollar	144	154
Singapore dollar	87	38
New Zealand dollar	22	18
US dollar	-94	396
Pound sterling	-687	350
Other	220	116

The capital requirement for exchange rate risk was €0.1 million at year-end 2022 (2021: €0.1 million). This amounts to 5% of the net open positions in each currency (2021: 6%). Under the Basel IV rule set, which will take effect as of 2025, our capital requirements for exchange rate risk amounted to €0.3 million at year-end 2022 (2021: €0.7 million).

Credit spread risk in the banking book (CSRBB) is the risk of volatility in earnings and/or equity, caused by spread movements of the yield on banking book instruments that are classified at fair value, versus the swap curve.

For Van Lanschot Kempen, CSRBB is mainly concentrated in the investment and liquidity portfolios. CSRBB limits have been imposed on these portfolios, which are monitored by ALCO on a monthly basis.

4.3 Market risk: interest rate and share-related instruments

We use the maturity method to calculate the capital adequacy requirement in respect of the general risk on debt instruments in the trading portfolio. Share-related instruments are share instruments included under Financial assets from trading activities (see Table 4.3).

Table 4.3 Market risk (€1,000)	31/12/2022		31/12/2021	
	Risk weighting	Capital adequacy requirement	Risk weighting	Capital adequacy requirement
Total	203,308	16,265	271,904	22,502
Interest-related instruments	155,210	12,417	149,660	11,973
Share-related instruments	46,756	3,741	120,675	10,095
Currency-related instruments	1,342	107	1,569	434

Weighting and requirements

We use the standardised approach for all types of market risk. The market risk of interest rate derivatives is included under Interest rate-related instruments; the market risk of share-related derivatives is included under Share-related instruments; and the market risk of currency derivatives is included under Currency-related instruments.

5. Operational risk

Operational risks are potential losses that result from inadequate or failed internal processes, systems, inadequate or incorrect human actions, external events and fraud. Within Van Lanschot Kempen, operational losses are classified using operational loss event types as set out in the Basel framework.

We have created a range of instruments for identifying, evaluating, monitoring and managing operational risks to support the bank’s management in their roles as risk owners.

- **Operational risk appetite:** This appetite defines the level of – quantitative and qualitative – operational risk we are willing to accept. Exceeding this appetite requires the attention of the Management Board and will lead to additional mitigation measures as necessary.
- **Risk identification and assessment** via risk and control self-assessments and scenario analysis:
  - **Risk and control self-assessment** is a tool that allows line managers to systematically identify and assess risks so that steps can be taken to manage any risks outside the risk appetite. Risk and control self-assessments are carried out, at tactical (department) level, on the most important value chains of the organisation and on our most important programmes and projects. These assessments are re-performed periodically in order to reassess and update the existing operational risk level.
  - **Scenario analyses** are used to assess low frequency but high-impact risks. The results of these analyses are used to provide insight into the adequacy of the Pillar 1 capital requirement vis-à-vis the operational risk profile.
- **Risk response:** Management is responsible for deciding how to treat risk, and whether to mitigate, accept or transfer (insure) it:
  - **Action tracking:** Action tracking is used to track progress made in the delivery of actions to mitigate identified risks, arising from risk and control self-assessments, failing controls, analysis of incidents or complaints, findings by Internal Audit and external regulators, and other relevant events.
  - **Control effectiveness monitoring:** To ensure that the most important risks (key risks) are mitigated sufficiently, key controls have been defined; these are assessed on a regular basis to determine their effectiveness.
  - **Risk insurance:** To protect the organisation against major operational risk-related losses, we have taken out insurance policies that cover claims and losses resulting from the services offered. Broadly speaking, these policies are a combination of fraud and professional liability insurance, directors’ liability insurance and various other liability and accident insurance policies.
  - **Risk acceptance:** If a risk is assessed to be outside of the risk appetite and it is not possible or economically viable to lower the risk, the risk can be accepted at Management Board level.
- **Risk monitoring:**
  - **Incident management:** Risks that materialise through an incident are registered in our incidents database via the incident management process. For severe incidents, root cause analyses are carried out. The incidents database allows the systematic recording and analysis of losses resulting from operational risks. It contains information about losses incurred as a result of operational risks in prior years and the current year and forms the foundation of Van Lanschot Kempen's operational risk management measurement system. A total of 88 incidents (2021: 99 incidents) entailing a loss of more than €1,000 were logged in the database in 2022, resulting in a total loss of €1.2 million (2021: €1.2 million).
  - **Risk measurement:** This is based on key risk indicators (early warnings), which highlight trends and/or provide prospective information about operational risks.
  - **Risk meetings:** Periodic meetings with risk owners are held to monitor the development of the risk profile in relation to the risk appetite.

Information risk

Information risk assesses and monitors the protection of client and corporate information. Both automated and manual information processing are carried out. Taking the right measures on the basis of targeted risk analyses of business and IT processes ensures that both our client data and our corporate data are adequately protected and access to this data is ensured.

Fraud risk

The main mitigants for fraud risk are strong processes with checks and balances (i.e. the four eyes principle) and access control. Incidents such as internal fraud cases are dealt with in accordance with the incident management procedure, which requires a root cause analysis to be conducted, and adequate follow-up to prevent reoccurrence. In 2022, no internal fraud event was identified nor any attempt to commit internal fraud. No investigation of any person regarding internal fraud therefore needed to be conducted.

Business continuity management

Business continuity analyses are carried out as part of our business continuity management process in order to gain insight into critical processes and the resources needed to ensure continuity of service and address potential threats. Embedding business continuity management in the organisation is essential to give the bank sufficient resilience against the impact of an incident or disaster. Business continuity thus has universal scope within the bank; it comprises policies, standards and procedures aimed at safeguarding critical processes or enabling a restart within a specified timeframe in the event of a disaster. The objective is to keep any financial, reputational and/or other material damage to a minimum, both for us and for our clients. Procedures are tested on a regular basis, with tests of fallback procedures and crisis governance carried out every year. Furthermore, crisis management teams and crisis support teams are trained regularly in crisis management techniques and practice using case studies.

Personal data integrity and privacy
The privacy of our clients is important to us; we therefore handle their personal data responsibly and with care. It's important for every Van Lanschot Kempen employee to understand that discretion and adhering to the core principles of our privacy statement are of the utmost importance. To manage the risks related to personal data integrity, and to manage Van Lanschot Kempen's operations within GDPR laws and regulations, a personal data integrity framework has been set up.

The Data Protection Officer manages this framework to support the organisation in its obligations; not only to foster awareness, but also to establish the necessary policies, advise on data privacy-related matters, monitor compliance with data privacy laws and report on a regular basis to the Privacy Committee, and to the Management and Supervisory Boards.

6. Settlement risk

We are required to hold capital for financial transactions that are not settled within five days of the agreed deadline, if the difference between the agreed settlement price and the price at the reporting date could lead to a loss. Settlement risk is monitored and managed on a daily basis.

At year-end 2022, financial transactions totalling €11.0 million (2021: €14.5 million) had to be reported in the context of settlement risk.

7. CVA risk

Under the CRR, account must also be taken of the risk-weighted assets in relation to CVA, which must be adequate to cover the risk of a deterioration in the creditworthiness of the counterparty in a derivatives transaction (bilateral or centrally cleared). This CVA capital adequacy requirement is additional to requirements applying to the risk-weighted assets in relation to the "regular" default risk of a counterparty. We use the standardised method to calculate the capital requirement for CVA.

8. Interest rate risk

Interest rate risk in the banking book (IRRBB) is the exposure to adverse market interest rate movements, arising from banking book activities. Adverse interest rate movements may impact a bank's current and/or future earnings, capital and market value. Responsibility for IRRBB management has been delegated by the Management Board to ALCO. Interest rate risks in non-banking book items are managed as part of market risk.

Our main source of interest rate risk is the maturity mismatch between assets and liabilities. In general, assets have longer interest rate maturities than liabilities, contractually as well as behaviourally. We model client behaviour with respect to the prepayment patterns of mortgages and loans and the interest rate risk profiles of savings and current accounts. Client behaviour risk is another important source of interest rate risk, as actually observed client behaviour may deviate from assumptions. Differences between assumed and actually observed client behaviour could have a material adverse impact on future results.

We pursue a prudent interest rate risk policy that aims to mitigate the effect of prospective interest rate movements which could affect future net interest income, while balancing the costs of hedging activities on current earnings.

We manage interest rate risk from both a long- and a short-term perspective. The short-term interest rate risk is addressed mainly from a net interest income perspective (delta net interest income, or ΔNII). This involves an analysis of the interest income under a number of market interest rate scenarios, relative to the baseline scenario in which interest rates are expected to develop based on forward rates.

In 2022, all ΔNII scenarios remained within risk appetite limits. By year-end 2022, the most adverse scenario was a scenario in which short term interest rates come down again. The ΔNII for this scenario was -4.5% at the end of 2022 (end of 2021: -6.4%, in a scenario in which interest rates would flatten). Table 8.A shows the interest rate risk metrics.

Table 8.A Interest rate risk metrics	31/12/2022	31/12/2021
Delta net interest income (ΔNII)	-4.5%	-6.4%
Delta economic value of equity (ΔEVE)	-8.4%	-7.4%

We address long-term interest rate risk by means of the economic value approach, which looks at how movements in interest rates impact the value of the bank's assets and liabilities. The rule-of-thumb metric for economic value analysis is duration of equity, which indicates the net impact of parallel interest rate changes on economic value, assuming a linear relationship between these parameters.

Although we use duration of equity as a rule-of-thumb for economic value sensitivity, we also calculate economic value changes under various scenarios. In doing so, all interest rate cash flows are replotted and revalued at shocked interest rate curves and we use coupon rates that are stripped from margins. In 2022, all delta economic value of equity (ΔEVE) scenarios remained within risk appetite limits. By year-end 2022, the most adverse scenario was an instant upwards shock of 200 basis points. The ΔEVE for this scenario was -8.4% at the end of 2022 (end of 2021: -7.4%).

We aim to neutralise the impact of differences in accounting classifications on interest rate steering. Hence, we mostly hedge the interest rate risk in fair value items in the banking book on a back-to-back basis, by means of interest rate swaps. By doing so, we make sure that Result on financial transactions – to the extent that it arises from banking book items – is only impacted by market changes in credit spreads over the swap curve and that there is no net impact from changes in the swap curve itself. For this reason, the ΔNII scenarios we use to assess our interest rate risk profile do not affect the Result on financial transactions. We use hedge accounting to offset changes in the market value of derivatives that are used for hedging portfolios classified at amortised cost.

9. Liquidity risk

The main objective of our liquidity risk management is to ensure that we are able to maintain or generate sufficient cash resources to meet our payment obligations in full as they come due, on acceptable terms. One of the key elements of our approach towards liquidity risk management is to maintain stakeholder confidence in the bank's solidity at all times.

The main source of liquidity risk that we are exposed to relates to the share of client deposits in our funding base. Although client deposits have proven to be relatively price-inelastic and sticky over time, the withdrawable nature of such deposits poses potential outflow risks, especially for those deposits not covered by the deposit guarantee scheme (DGS).

The roll-over risk with respect to maturing capital market funding is less substantial for us, since our client deposit base comfortably funds our entire loan book. To still obtain a certain degree of diversification in our funding mix, we have covered bond programmes in place.

To manage liquidity risks, we use a forward-looking liquidity risk management framework that enables the comprehensive measurement, evaluation and calibration of indicators related to liquidity risk. The framework consists of the risk appetite statement, the liquidity buffer, monitoring and reporting, forecasting, funding planning and contingency planning.

Limits for liquidity risk are revised on an annual basis as part of the risk appetite limit structure. Limits set include, but are not limited to, levels of the liquidity coverage ratio, the net stable funding ratio and stress test survival periods, which are reported on a monthly basis to ALCO. The liquidity buffer is the main defensive element against liquidity risk, and the quality and size of the buffer are monitored frequently, along with inflows and outflows in the client deposit base.

Finally, each year we outline our capital and funding planning for a three-year horizon, both under regular circumstances in the capital and funding plan, and under potential future stress or emergency situations in the liquidity contingency plan, complemented by the recovery plan.

Part of our liquidity and funding planning is scenario analysis, of which stress testing is a key element. By means of stress testing, we assess our resilience to a variety of adverse liquidity events – Van Lanschot Kempen-specific events, system-wide events, and a combination of these two.

9.1. Contractual maturity

Tables 9.1.A and 9.1.B show the assets and liabilities based on their remaining contractual terms to maturity at the reporting date, without taking behavioural aspects into account. These amounts correspond with the amounts included in the consolidated statement of financial position. Items with no maturity, such as equity instruments, assets and liabilities classified as held for sale, and provisions are presented separately.

Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included.

As savings and current accounts do not have fixed terms, the balances of non-maturity instruments are presented within the withdrawable on demand category.

Due from banks and amounts due to banks include collateral delivered and received related to derivative transactions. Allocation of this collateral over the maturity buckets is conducted in accordance with the maturity classification of the derivative contracts.

Table 9.1.A Contractual maturity of assets and liabilities at 31/12/2022 (€1,000)

	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Subtotal	Maturity not applicable	Total
Assets								
Cash and cash equivalents and balances at central banks	3,141,785	–	–	–	–	**3,141,785**	–	**3,141,785**
Due from banks	22,057	30,159	363	48,655	6,953	**108,186**	–	**108,186**
Derivatives	–	13,656	49,078	106,491	380,417	**549,642**	–	**549,642**
Financial assets at fair value through profit or loss	109,889	71,843	160,759	308	–	**342,799**	36,720	**379,518**
Financial assets at fair value through other comprehensive income	–	83,394	153,090	1,316,014	152,441	**1,704,938**	–	**1,704,938**
Loans and advances to the public and private sectors	799,659	46,712	88,837	588,290	7,840,461	**9,363,958**	–	**9,363,958**
Other financial assets at amortised cost	–	–	99,351	766,456	222,551	**1,088,358**	–	**1,088,358**
Investments in associates using the equity method	–	–	–	–	–	**–**	103,265	**103,265**
Other assets[1]	–	117,545	71,910	38,189	11,020	**238,664**	339,597	**578,262**
Total assets	**4,073,390**	**363,309**	**623,388**	**2,864,402**	**8,613,842**	**16,538,331**	**479,582**	**17,017,913**
Total assets excluding derivatives	**4,073,390**	**349,653**	**574,309**	**2,757,911**	**8,233,425**	**15,988,688**	**479,582**	**16,468,270**
Equity and liabilities								
Due to banks	24,058	–	201,438	160,837	730	**387,063**	–	**387,063**
Public and private sector liabilities	11,465,723	561,975	424,167	106,234	168,095	**12,726,194**	–	**12,726,194**
Derivatives	–	15,805	67,400	116,027	27,272	**226,503**	–	**226,503**
Financial liabilities at fair value through profit or loss	–	24,708	72,113	322,638	54,424	**473,883**	–	**473,883**
Issued debt securities	–	411,737	–	451,181	479,213	**1,342,131**	–	**1,342,131**
Lease liabilities	–	37	487	26,706	11,843	**39,073**	–	**39,073**
Other liabilities[2]	–	75,175	162,342	–	–	**237,517**	32,293	**269,811**
Subordinated loans	–	–	–	16,298	154,584	**170,882**	–	**170,882**
Equity	–	–	–	–	–	**–**	1,382,372	**1,382,372**
Total equity and liabilities	**11,489,781**	**1,089,437**	**927,948**	**1,199,920**	**896,161**	**15,603,247**	**1,414,666**	**17,017,913**
Total equity and liabilities excluding derivatives	**11,489,781**	**1,073,632**	**860,548**	**1,083,893**	**868,889**	**15,376,744**	**1,414,666**	**16,791,410**
On-balance gap	**-7,416,392**	**-726,128**	**-304,560**	**1,664,482**	**7,717,681**	**935,083**	**-935,084**	**–**

[1] Includes Property and equipment, Goodwill and other intangible assets, Current tax assets, Deferred tax assets and Other assets as presented in the consolidated statement of financial position.
[2] Includes Provision, Current tax liabilities, Deferred tax liabilities and Other liabilities as presented in the consolidated statement of financial position.

Table 9.1.B Contractual maturity of assets and liabilities at 31/12/2021 (€1,000)	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Subtotal	Maturity not applicable	Total
Assets								
Cash and cash equivalents and balances at central banks	3,714,194	–	–	–	–	**3,714,194**	–	**3,714,194**
Due from banks	41,560	2,370	390	20,172	6,783	**71,275**	–	**71,275**
Derivatives	–	26,708	79,675	85,885	60,603	**252,872**	–	**252,872**
Financial assets at fair value through profit or loss	183,917	10,006	35,390	25,175	–	**254,489**	75,514	**330,002**
Financial assets at fair value through other comprehensive income	–	122,536	240,608	1,538,825	228,358	**2,130,327**	–	**2,130,327**
Loans and advances to the public and private sectors	749,616	32,345	119,661	496,237	7,477,742	**8,875,601**	–	**8,875,601**
Other financial assets at amortised cost	–	75,799	181,599	–	–	**257,399**	–	**257,399**
Investments in associates using the equity method	–	–	–	–	–	**–**	82,441	**82,441**
Other assets[1]	–	145,551	35,119	41,169	15,490	**237,328**	355,157	**592,485**
Total assets	**4,689,288**	**415,315**	**692,442**	**2,207,463**	**7,788,976**	**15,793,485**	**513,112**	**16,306,596**
Total assets excluding derivatives	**4,689,288**	**388,607**	**612,767**	**2,121,578**	**7,728,373**	**15,540,613**	**513,112**	**16,053,725**
Equity and liabilities								
Due to banks	23,040	890	5,600	434,565	37,316	**501,411**	–	**501,411**
Public and private sector liabilities	11,142,976	275,406	44,478	96,997	169,698	**11,729,556**	–	**11,729,556**
Derivatives	–	26,610	69,406	81,956	2,145	**180,117**	–	**180,117**
Financial liabilities at fair value through profit or loss	–	11,416	50,463	425,840	72,755	**560,474**	–	**560,474**
Issued debt securities	–	–	475,764	443,101	500,000	**1,418,865**	–	**1,418,865**
Lease liabilities	–	36	713	29,585	16,369	**46,703**	–	**46,703**
Other liabilities[2]	–	57,057	178,991	–	–	**236,048**	52,569	**288,617**
Subordinated loans	–	–	–	16,563	154,964	**171,527**	–	**171,527**
Equity	–	–	–	–	–	**–**	1,409,327	**1,409,327**
Total equity and liabilities	**11,166,016**	**371,469**	**825,414**	**1,528,607**	**953,247**	**14,844,701**	**1,461,895**	**16,306,596**
Total equity and liabilities excluding derivatives	**11,166,016**	**344,859**	**756,008**	**1,446,652**	**951,102**	**14,664,584**	**1,461,895**	**16,126,479**
On-balance gap	**-6,476,728**	**43,899**	**-132,972**	**678,856**	**6,835,729**	**948,784**	**-948,783**	**–**

The assets comprise many long-term mortgage loans while the liabilities are made up of many short-term deposits. This results in a gap between the Withdrawable on demand and More than five years columns. Potential liquidity risks are addressed by means of monthly stress tests – discussed monthly in ALCO – that test the bank's resilience to a variety of adverse liquidity events and take behavioural aspects into account.

For each transaction we have guaranteed, the maximum guaranteed amount is included in the relevant term bucket under which the bank first has the right to terminate the transaction. For each obligation arising from an irrevocable commitment, the committed amount is classified in the relevant term bucket under which we first have the right to withdraw the commitment.

[1] Includes Property and equipment, Goodwill and other intangible assets, Current tax assets, Deferred tax assets and Other assets as presented in the consolidated statement of financial position.
[2] Includes Provision, Current tax liabilities, Deferred tax liabilities and Other liabilities as presented in the consolidated statement of financial position.

9.2 Contractual maturities of undiscounted cash flow of financial liabilities

Tables 9.2.A and 9.2.B show liabilities by maturity based on contractual, undiscounted cash flows and including related future cash flows, such as interest payments. Repayments which are subject to notice are treated as if notice were to be given immediately. However, we expect that many clients will not request repayment at the earliest possible date, and the tables below do not reflect the expected cash flows as indicated by our deposit retention history.

Table 9.2.A Contractual maturities of undiscounted cash flow of liabilities at 31/12/2022 (€1,000)

	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due to banks	15,052	9,006	201,438	160,837	730	**387,063**
Public and private sector liabilities	11,473,179	556,061	441,313	164,912	169,387	**12,804,852**
Derivatives	106,085	17,627	34,404	66,597	1,792	**226,503**
Financial liabilities at fair value through profit or loss	–	25,526	81,415	360,762	63,633	**531,335**
Issued debt securities	–	435,840	–	567,500	512,500	**1,515,840**
Subordinated loans	–	2,166	12,775	121,240	192,445	**328,626**
Total undiscounted liabilities	**11,594,315**	**1,046,225**	**771,345**	**1,441,847**	**940,487**	**15,794,220**

Table 9.2.B Contractual maturities of undiscounted cash flow of liabilities at 31/12/2021 (€1,000)

	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due to banks	1,090	22,840	5,600	434,565	37,316	**501,411**
Public and private sector liabilities	11,159,954	269,016	47,003	147,834	178,232	**11,802,040**
Derivatives	153,605	16,477	4,567	4,821	648	**180,117**
Financial liabilities at fair value through profit or loss	–	11,026	50,665	424,161	75,315	**561,166**
Issued debt securities	–	5,547	477,594	444,772	504,375	**1,432,288**
Subordinated loans	–	2,119	9,871	60,739	232,261	**304,990**
Total undiscounted liabilities	**11,314,649**	**327,024**	**595,300**	**1,516,892**	**1,028,147**	**14,782,012**

10. Securitisation risk

We treat securitisation as an asset class in our investment portfolio. We are not party to any synthetic securitisations and have no trading position in securitisation transactions.

Funding
We do not structure securitisations for other entities and have no outstanding securitisation transactions in which we act as a sponsor, seller and/or servicer.

Investments
Part of our liquidity investment portfolio is invested in RMBS. We invest only in the most senior and AAA tranches of RMBS transactions. If they comply with the simple, transparent and standardised (STS) requirements, these securitisations qualify as high-quality liquid assets. All tranches are ECB eligible, meaning that they have at least two ratings from an external credit assessment institution (ECAI).

As the investments are part of the liquidity buffer, they can be used as collateral, in repo transactions, or sold if necessary. The RMBS portfolio represents a small share of the total investment portfolio.

Risk exposures within the investment portfolio
The credit risks of the investments are not hedged. Our investment portfolio as a whole is monitored by the Treasury department and the Credit Risk Approval team on a daily basis. The portfolio is monitored on nominal limits as well as on credit risk limits.

Management
Interest rate risk is limited, as RMBS are typically floating-rate notes. Interest rate risk is monitored at balance sheet level and includes the investment portfolio. We use the SEC-ERBA methodology to calculate the total risk exposure of RMBS investments.

11. Climate change and sustainability risks

Sustainability risks relate to environmental, social and governance (ESG) themes. As these are relatively new types of risk, we are still developing policies, frameworks, and are collecting data to manage them. At this point in time, the most measurable ESG risks are climate-related, which are discussed in more detail in the remainder of this section. Climate change risk reflects the physical and/or transitional impacts of a change in the climate on Van Lanschot Kempen's financial position and/or reputation. Based on the factors as discussed below, we conclude that no impairments as a result of sustainability risks are necessary. Our approach to managing climate-related risks includes aligning our organisation with the ECB's expectations as set out in its guidance on climate-related and environmental risks. The risk to our activities posed by climate change is periodically assessed.

Climate change risks are addressed and managed via the sustainability risk policy. This policy assures risks are assessed from a integrated/holistic perspective, taking all risk drivers and activities into account. Sustainability risks have an effect on our on- and off-balance sheet activities.

	Table 11 Balance sheet based on sustainability criteria (€ million)	31/12/2022	31/12/2021
1	Cash at central banks	3,049	3,612
2	Sovereign and semi-sovereign exposure	817	539
3	Covered bonds and RMBS	1,737	1,259
4	Private Clients mortgages	6,567	6,606
5	Other loans	2,797	2,269
6	Derivatives and due from banks	658	324
7	Goodwill and other intangible assets	307	322
8	Other items	1,088	1,375
	Total assets	**17,019**	**16,307**

On-balance sheet activities

1. We believe that the sustainability risks of our central bank exposures are limited. Our main exposure is via DNB. DNB has exposure to national commercial banks via their investments in relatively safe assets and is backed by a sovereign entity. The risks run by DNB and the Eurosystem at large are mitigated by the fact that the Eurosystem can correct unacceptable risks by changing supervisory rules. Moreover, DNB, as a monetary authority, is able to accept temporarily negative equity positions, so even large losses arising from a sustainability risk event can be absorbed.

2. Our sovereign and semi-sovereign debt holdings are mainly in the European Union, Canada and Belgium. This debt has a minimum rating of BBB, with 92% of these government and government-guaranteed bonds and SSAs having ratings of AA- and higher, making them capable of withstanding major costs as a result of physical or transitional risks. Also, by signing the Paris Climate Agreement, these countries have committed to build resilience against the consequences of climate change – e.g. rising sea levels – thereby reducing local physical climate risks.

3. Our covered bonds and RMBS holdings are all rated AAA. The majority of the financial assets backed by mortgages are located in the Netherlands, France and Canada. Currently, no loan level data is available to calculate the specific ESG risks on these positions. For our RMBS instruments – where we have direct exposure to the underlying pool of mortgages – some general analytics can be done. The geographical distribution of the mortgage pools does not materially differ from the total issuers mortgage pool, thereby reducing the physical risks. Moreover, there is a substantial credit enhancement present in the RMBS transactions, which ranges from 5.95% to 28.76%, and the average LTVs range from 45.4% to 74.4%. The RMBS instruments in the lower range of the credit enhancement also are in the lower range of LTVs. Covered bonds give additional protection through dual recourse, as the underlying mortgage pool will only be resorted to if the issuing bank defaults. What's more, the mortgage pool is continuously monitored and if needed adapted, to meet the criteria of the asset cover test. Physical concentration is also taken into account. In our opinion the mortgage-backed financial assets we have invested in are thus capable of withstanding costs arising from physical or transitional risks.

4. Private Clients mortgages represent our most concentrated position in terms of (potential) sustainability risks. Given the geographical characteristics of the Netherlands, we are mainly exposed to physical risks related to fluvial and pluvial flooding. Using highly detailed data on flooding risk in the Netherlands (probability of flood and, if a flood event takes place, the distribution of potential water levels) and specific characteristics of the collateral (house/apartment), we quantify the potential impact on collateral valuations. Based on internally defined flooding scenarios we determine our exposure to flooding risk. The limited average LTV increase as result of flood damage, given the low probability of such an event, means that actual projected losses are expected to be manageable, In addition, our residential mortgage portfolio is prone to transitional risks which could impact the value of the collateral in future due to rising energy prices and/or renovation costs to meet future legislation on energy efficiency/emissions. Using the characteristics of the collateral (building year, size, current energy label, etc.) we determined the renovation costs needed to improve the energy efficiency of the collateral. Next, the cost of renovation is deducted from the current market value of the collateral to derive a stressed market value as a result of transition risk (we assume non-renovated collateral will be worth less in the future). Given the limited renovation costs, our low average LTV and the on average significant assets of our clients, the transition risks are limited and non-material. In addition, the IFRS provision for defaulted mortgages (IFRS 9, Stage 3) is determined per individual credit file by the Credit Risk and Credit Restructuring & Recovery department. If there are significant climate risks relating to defaulted loans, those risks are taken into consideration when the IFRS 9 provision is determined.

5. Other loans comprise loans to health care specialists and to business professionals such as main audit and law firm partners. These business professionals have limited direct exposure to climate and environmental risks. We also have loans to family businesses and entrepreneurs, with only very limited exposure to sectors which are directly exposed to sustainability risks (energy, travel, agriculture). Based on the limited exposures and non-impacted sectors, the sustainability risks are limited and non-material. If loans are in default the IFRS provision for Stage 3 is determined per individual credit file by the Credit Risk and Credit Restructuring & Recovery department. If there are significant climate risks relating to our Stage 3 loans, those risks are taken into consideration when the IFRS 9 provision is determined.

6. Derivatives and due from banks comprise mostly positions with financial institutions. We annually assess financial institutions with which Van Lanschot Kempen has a banking relationship, testing whether they have at least committed to over 50% of nine well-known international sustainability initiatives. If they have not, we will engage them on this issue. Out of our current 44 financial institution counterparties, all currently comply and there was no need to engage with any financial institutions in our portfolio in 2022. The fact that all have committed to sustainability initiatives and are all regulated by established regulators that also pay attention to sustainability risks mitigates any sustainability risks; hence there were no impairments.

7. Goodwill comprises goodwill attributable to the acquisition of entities such as Van Lanschot Kempen Investment Management and Mercier Vanderlinden. These parts of the company are integrated in our sustainability policy, thus managing the various sustainability risks.

8. Other items comprise various relatively small items, with no large concentrations. For example, we have €118.9 million exposure on our own management book, which we invest in accordance with the Van Lanschot Kempen ESG policy. For the positions in our management book we quantify our climate-related risks based on the Sustainable Finance Disclosure Regulation (SFDR) article classification. As most of the positions are Article 8, we assess our climate-related risks as limited. At the same time, we assess sustainability risks via three defined stress scenarios. Losses resulting from this stress test are limited and well within our current trading limits. As a result of our client facilitation trades at securities trading, we have temporary positions in equities. Within our trading books we assess transition risks via four stress scenarios as defined by our regulator DNB. Based on these outcomes we conclude that our transition risk exposure is limited and well within our current trading limits.

Off-balance sheet activities
In our investment management process, the physical and transitional impacts of climate change are taken into account when investments are made or external asset managers are selected. On both a quantitative and qualitative basis, Risk Management measures and analyses the sustainability risks to our investment management activities. All major assets under management (AuM) decisions are made by the Sustainability Investment Council.

Other
For our own organisation, climate-related risks are defined as the risk of flooding, earthquakes, drought and other natural hazards that could put the regular execution of our operations at risk. This risk is included in our business continuity stress-testing methodology as one of several scenarios that could lead to a prolonged disruption of facility usage.

In addition to climate change-related risks, Risk Management is in the process of setting up systems and tooling for assessment of broadly defined sustainability risks, such as biodiversity, human rights, and diversity and inclusion. The adverse impact of these sustainability risks is measured by principal adverse impact (PAI) indicators. Sustainability risks could very well lead to a combination of financial, reputational and legal problems in the long term if not addressed proactively. Risk Management closely monitors developments in these areas, as we recognise the increased awareness and importance of these.

12. Compliance risk
When operating in financial markets, it is crucially important that we conduct our business activities in accordance with the expectations of our clients, shareholders, employees and supervisory authorities, but also that we follow high ethical standards, in alignment with our values and risk appetite, and within the boundaries of applicable laws, rules, regulations, internal policies and procedures and industry standards relevant to Van Lanschot Kempen. This increases the long-term sustainability of our business activities and helps us to fulfil our purpose.

We maintain a permanent, independent and effective compliance function to identify, assess, monitor and report on compliance risk, i.e. the risk of failure by Van Lanschot Kempen to comply with regulations as applicable to Van Lanschot Kempen and/or of undertaking or failing to undertake those activities prohibited or mandated under applicable regulations. Additionally, we have put in place policies and procedures, systems and controls necessary to manage compliance risk.

The Compliance department is headed by the Chief Compliance Officer, who reports directly to the Chief Risk Officer of the Management Board. The Compliance department fulfils its responsibilities by providing advice and assistance to Van Lanschot Kempen committees and staff, and by continuously monitoring adherence to regulations within Van Lanschot Kempen‘s day-to-day operations.

For compliance risk, 2022 again brought changes that impact our regulatory landscape. Implementing and adapting to new sustainability rules and regulations remained one of the focus areas.

We are proactively responding to these regulatory developments through dedicated implementation working groups in which Van Lanschot Kempen's Compliance department takes part, as well as through other control functions within the company. Special efforts have been made on the implementation of various sustainability-related rules and regulations. As a result, we have been working extensively to adapt policies, procedures and controls to the new regulatory requirements as well as to the demands and expectations of clients and investors.

In addition to these regulatory developments, we have devoted, and continue to devote, substantial resources to the strengthening of our compliance framework and our Compliance department across the organisation, including subsidiaries and branches.

The Compliance department has continued to enhance the compliance framework through dedicated efforts to strengthen our policies and procedures across business lines as well as through the compliance risk management programme and the use of data-driven monitoring to enhance our compliance reporting. We have also continued to develop and deliver a dedicated compliance training and awareness programme for staff. The Compliance department was expanded and enhanced in 2022 by the hiring of additional compliance experts and a new Chief Compliance Officer. Further optimising Compliance is integral to our strategic direction.

13. Financial reporting risk

The Management Board is responsible for designing and implementing an adequate system of internal control for our financial reporting. The system is designed to provide reasonable assurance as to the reliability of financial reporting and that the financial statements are prepared in accordance with generally accepted accounting principles and applicable legislation and regulations.

We have the following tools in place to manage financial reporting risks:

- Periodic management reports and KPI dashboards, accompanied by analysis of financial and non-financial figures and trends;
- A risk and control framework describing processes and procedures, and setting out primary controls such as authorisations and segregation of duties;
- The findings from the review of the operational effectiveness of the internal control system by Internal Audit, which are discussed with the Management Board, the Audit Committee and the Supervisory Board;
- The Van Lanschot Kempen Accounting Manual, which sets out the principles we pursue with respect to financial accounting;
- Assessment and approval of the annual report by the Management Board and discussion of this by the Audit Committee and by the Supervisory Board.

The management teams of the relevant divisions have provided the Management Board with in-control statements on the extent of internal control, based on the results of testing procedures for the risk and control framework, the risks reported on a quarterly basis, the follow-up of these risks, and the incidents reported. Risk Management and Compliance have evaluated these statements and verified that the business is in control.

14. Fair value

14.1 Financial assets at fair value through profit or loss

A portion of the financial instruments are measured at fair value in the statement of financial position. Tables 14.1.A and 14.1.B provide a breakdown of these instruments into three levels. The fair value is based either on quoted prices in active markets, inputs other than quoted prices that are observable in the market, or inputs based on data not observable in the market.

We have developed a policy on the criteria for allocating financial instruments recognised in the statement of financial position at fair value to each of the three levels. A review is carried out at the end of each reporting period to determine whether any changes have taken place in the hierarchy between the levels.

Level 1: Quoted prices in active markets

The fair value of financial instruments traded in an active market is based on the price at the reporting date (market price). The bid price is applied for financial assets and the offer price for financial liabilities. Since these instruments are traded in an active market, their prices adequately reflect current and frequent market transactions between unrelated parties.

Level 2: Inputs observable in the markets

The fair value of financial instruments not traded in an active market (e.g. over-the-counter financial derivatives) is established using cash flow and option valuation models. Using estimates, we make assumptions based on the market conditions (observable data) at the reporting date.

The estimated present value of future cash flows is used to determine the fair value of the other financial instruments. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The discount rate is the same as the market interest rate at the reporting date for a similar instrument subject to the same conditions, taking into account collateral furnished under credit support annexes (CSAs).

The fair value of forward currency contracts is calculated by reference to forward exchange rates at the reporting date.

Estimates and judgements made are based on past experience as well as other factors, including expectations with respect to future events that could reasonably occur given current circumstances. Estimates and judgements are assessed on an ongoing basis.

Level 3: Significance of unobservable market data

The financial instruments in this category are assessed on an individual basis. Their valuation is based on the best estimate of management by reference to the most recent prices, prices of similar instruments and, to a not insignificant extent, information not observable in the market. Unobservable inputs may include volatility, correlation, seasonality and credit spreads. A valuation technique is used in which at least one input that has a significant effect on the instrument's valuation is not based on observable market data. Valuation techniques used include:

- The net asset value method;
- Discounted cash flow projections based on reliable estimates of future cash flows;
- The option model.

A significant effect on the instrument's valuation is considered to be present when the unobservable input accounts for at least 10% of the total instrument's fair value and exceeds a threshold of €50,000. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

Table 14.1.A Financial instruments at fair value at 31/12/2022 (€1,000)	Level 1	Level 2	Level 3	Total
Assets				
Derivatives (FVPL)	35,623	513,611	408	549,642
Financial assets at fair value through profit or loss	316,620	54,320	8,579	379,519
Financial assets at fair value through other comprehensive income	1,704,938	–	–	1,704,938
Total assets	2,057,181	567,931	8,987	2,634,099
Liabilities				
Derivatives (FVPL)	35,614	182,648	8,241	226,503
Financial liabilities at fair value through profit or loss	2	419,196	54,686	473,884
Total liabilities	35,616	601,844	62,927	700,387

Table 14.1.B Financial instruments at fair value at 31/12/2021 (€1,000)	Level 1	Level 2	Level 3	Total
Assets				
Derivatives (FVPL)	48,478	204,168	225	252,872
Financial assets at fair value through profit or loss	253,900	47,306	28,796	330,002
Financial assets at fair value through other comprehensive income	2,130,327	–	–	2,130,327
Total assets	2,432,705	251,474	29,021	2,713,200
Liabilities				
Derivatives (FVPL)	48,255	131,119	743	180,117
Financial liabilities at fair value through profit or loss	53	466,217	56,019	522,289
Total liabilities	48,308	597,336	56,762	702,406

Transfers of financial assets or liabilities between levels

We have developed a policy document for the fair value hierarchy. This divides the variables used into observable and unobservable market inputs. If the unobservable input variables are significant, the instrument is classified as Level 3. An unobservable input variable is significant if the change in the fair value due to the application of the variable is greater than the threshold values. Our policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period.

In 2022, our valuation technique remained unchanged, with non-observable input variables being assessed on significance. As a result of this assessment, some financial instruments included in Derivatives (liabilities) and in Financial liabilities at fair value through profit or loss have been transferred from Level 2 to Level 3 and vice versa. The Derivatives receivables and payables and Financial liabilities at fair value through profit or loss were transferred to Level 2 as a result of the input variables' correlation and seasonality; the shorter remaining term to maturity of these financial instruments meant that these input variables qualified as non-significant, justifying a transfer to Level 2. In the case of Derivatives (assets), this entailed a transfer of €0.0 million from Level 2 to Level 3 and a transfer of €0.0 million from Level 3 to Level 2. In the case of Financial liabilities at fair value through profit or loss, it involved a transfer of €1.0 million from Level 2 to Level 3. The transfer of Derivatives (liabilities) includes a €0.9 million shift from Level 3 to Level 2.

Breakdown of movements in financial assets and liabilities classified under Level 3

Tables 14.1.C and 14.1.D provide a breakdown of the movements in all financial assets and liabilities classified as Level 3 items and recognised at fair value in the statement of financial position.

Table 14.1.C Breakdown of changes in financial assets less liabilities classified as Level 3 in 2022 (€1,000)	At 1 January	To statement of income	To equity[4]	Issues	Settlements	Transfers	At 31 December
Assets							
Derivatives (FVPL)	225	–	–	408	-225	–	**408**
Financial assets at fair value through profit or loss	28,796	377	–	–	-20,595	–	**8,579**
Total assets	**29,021**	**377**	**–**	**408**	**-20,820**	**–**	**8,987**
Liabilities							
Derivatives (FVPL)	743	5,499	–	-192	1,151	1,039	**8,241**
Financial liabilities at fair value through profit or loss	56,019	-7,713	–	10,220	-3,840	–	**54,686**
Total liabilities	**56,762**	**-2,214**	**–**	**10,028**	**-2,689**	**1,039**	**62,927**
Total assets less liabilities	**-27,741**	**2,591**	**–**	**-9,620**	**-18,131**	**-1,039**	**-53,940**

Table 14.1.D Breakdown of changes in financial assets less liabilities classified as Level 3 in 2021 (€1,000)	At 1 January	To statement of income	To equity	Issues	Settlements	Transfers	At 31 December
Assets							
Derivatives (FVPL)	4,565	207	–	–	-1,088	-3,459	**225**
Financial assets at fair value through profit or loss	21,579	8,368	–	98	-1,249	–	**28,796**
Total assets	**26,144**	**8,575**	**–**	**98**	**-2,336**	**-3,459**	**29,021**
Liabilities							
Derivatives (FVPL)	1,859	–	–	743	-1,049	-810	**743**
Financial liabilities at fair value through profit or loss	47,464	-5,520	–	57,750	-6,000	-37,676	**56,019**
Total liabilities	**49,323**	**-11,134**	**–**	**58,493**	**-7,049**	**-38,486**	**56,762**
Total assets less liabilities	**-23,179**	**19,710**	**–**	**-58,395**	**4,713**	**35,026**	**-27,741**

Table 14.1.E Fair value changes recognised in profit or loss of financial instruments classified as Level 3 (€1,000)	2022			2021		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net interest income	–	–	**–**	–	–	**–**
Income from securities and associates	–	250	**250**	-2	8,670	**8,668**
Result on financial transactions	–	2,342	**2,342**	–	11,042	**11,042**
Impairments	–	–	**–**	–	–	**–**
Total	**–**	**2,591**	**2,591**	**-2**	**19,712**	**19,710**

[4] Both in 2022 and 2021, the changes in value recognised in equity are included in the statement of comprehensive income as Revaluation of financial assets at fair value through other comprehensive income.

Table 14.1.F Notes on valuation inputs and relationships to fair value using unobservable market inputs (Level 3) (€1,000)						
	Fair value		Significant unobservable inputs	Range of inputs (probability-weighted average)		Relationships of unobservable inputs to fair value
	31/12/2022	31/12/2021		31/12/2022	31/12/2021	
Assets						
Derivatives						
Structured product derivatives						
– Equity swaps	408	225	Volatility	16.0% - 24.7% (20.2%)	n/a	Changed volatility (8.7 percentage points) would decrease fair value by €0.5m
			Correlation	-19.9% - 23.6% (4.4%)	16.4% - 24.2% (20.3%)	Changed Correlation (43.6 percentage points) would decrease fair value by €0.2m
			Dividend	0.9% - 5.8% (4.1%)	0.9% - 2.8% (1.6%)	Changed dividend (4.9 percentage points) would decrease fair value by €0.2m
Financial assets at fair value through profit or loss						
Debt instruments: company cumprefs (shareholdings) (FVPL mandatory)	1,623	1,496	Interest rates	6% - 10% (8%)	6% - 12% (9%)	Changed interest rate (1.0 percentage points) would decrease the fair value by €0.0m
			Discount rates	6% - 10% (8%)	6% - 12% (9%)	Changed discount rate (1.0 percentage points) would decrease the fair value by €0.0m
Shares, unlisted	6,956	27,301	Most recent published net asset values of the underlying assets	n/a	n/a	n/a
			Cost or lower market value	n/a	n/a	n/a
			Multiple analyses of comparable companies less a discount for	n/a	n/a	n/a
			Most recently known share price	n/a	n/a	n/a
			EBITA		n/a	n/a
			Issue or transfer price	n/a	n/a	n/a
			Market price on final trading day	n/a	n/a	n/a
			Face value less provisions	n/a	n/a	n/a
Total assets	**8,987**	**29,021**				

Table 14.1.F Notes on valuation inputs and relationships to fair value using unobservable market inputs (Level 3) (€1,000)						
Liabilities						
Derivatives						
Structured product derivatives						
– Equity swaps	8,241	743	Volatility	16.0% - 26.3% (21.4%)	15.6% - 26.0% (19.1%)	Changed volatility (10.3 percentage points) would increase fair value by €1.8m
			Correlation	-19.9% - 25.6% (5.3%)	-20.4%-23.7%(0.9%)	Changed correlation (45.6 percentage points) would increase fair value by €0.7m
			Dividend	0.9% - 5.8% (3.4%)	0.4% - 5.4% (2.8%)	Changed dividend (4.8 percentage points) would increase fair value by €1.0m
Financial liabilities at fair value through profit or loss						
Structured debt instruments	52,559	56,019	Volatility	n/a	n/a	n/a
			Correlation	n/a	n/a	n/a
Other financial liabilities at fair value through profit or loss	2,126	—	Volatility	n/a	n/a	n/a
			Correlation	n/a	n/a	**n/a**
Total liabilities	**62,927**	**56,762**				

14.2 Financial instruments at amortised cost

Table 14.2 shows the carrying amount and fair value of financial instruments at amortised cost, with the exception of line items Cash and cash equivalents and balances at central banks, Other assets and Other liabilities. For these financial instruments the carrying amount is a reasonable approximation of the fair value.

The value of financial instruments at amortised cost is taken as the amount for which the instrument could be exchanged in a commercial transaction between willing parties, other than in a forced or liquidation sale. If there is an active market, we use the market value to determine the fair value. For financial instruments for which no market prices are available, the fair values shown in Table 14.2 are estimated on the basis of the present value or using other estimation or valuation methods.

Table 14.2 Financial instruments at amortised cost (€1,000)

	31/12/2022		31/12/2021				
	Fair value	Carrying amount	Fair value	Carrying amount	Level	Valuation method	Significant observable and unobservable market inputs
Assets							
Due from banks	107,613	108,186	71,248	71,275	2	Discounted cash flows using applicable money market rates	Interest rate and discount rate
Loans and advances to the public and private sectors	8,799,384	9,363,958	9,153,124	8,875,601	3	Discounted cash flows using current market fees for comparable loans and taking into account the creditworthiness of the counterparty	Interest rate, discount rate, prepayment rate and counterparty credit risk
Other financial assets at amortised cost	1,056,539	1,088,358	260,785	257,399	1	Quoted prices in active markets	-
Total assets	**9,963,537**	**10,560,503**	**9,485,157**	**9,204,275**			
Liabilities							
Due to banks	386,985	387,063	501,244	501,411	2	Discounted cash flows using applicable money market rates for liabilities	Interest rate and discount rate
Public and private sector liabilities	12,771,653	12,726,194	11,796,789	11,729,556	3	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk	Interest rate, discount rate and own credit risk
Issued debt securities	1,346,005	1,342,131	1,426,738	1,418,865	1	Quoted prices in active markets	Interest rate and discount rate
Subordinated loans	172,073	170,882	220,153	171,527	3	Discounted cash flows using applicable money market rates for debt instruments with a comparable term to maturity, taking account of own credit risk	Interest rate, discount rate and own credit risk
Total liabilities	**14,676,716**	**14,626,270**	**13,944,924**	**13,821,358**			

Notes to the consolidated statement of financial position

At 31 December

1. Cash and cash equivalents and balances at central banks

Cash and cash equivalents and balances at central banks (€1,000)	2022	2021
Total	**3,141,785**	**3,714,194**
Cash	28	30
Balances at central banks	2,919,928	3,554,120
Statutory reserve deposits at central banks	128,940	58,212
Amounts due from banks	92,888	101,833
Impairments	0	0

Statutory reserve deposits comprise balances at central banks within the scope of the minimum reserves requirement. We cannot use these balances in our day-to-day operations. See “Summary of significant accounting policies” for our other accounting policies on cash and cash equivalents.

Reconciliation with consolidated statement of cash flows (€1,000)	2022	2021	Changes
Cash and cash equivalents	3,141,785	3,714,194	-572,409
Due from banks, available on demand	22,057	30,677	-8,620
Due to banks, available on demand	-24,058	-23,040	-1,018
Due from/to banks, available on demand, net	-2,001	7,637	-9,638
Total	**3,139,784**	**3,721,831**	**-582,047**

2. Due from banks

Due from banks (€1,000)	2022	2021
Total	108,186	71,275
Deposits	80,087	34,555
Receivables arising from unsettled securities transactions	22,057	30,677
Loans and advances	6,043	6,043
Impairments	-1	–

Deposits include a total of €46.5 million (2021: €16.0 million) serving as collateral for liabilities arising from derivatives transactions.

3. Derivatives

Derivatives (€1,000) a t 31 December 2022	Asset	Liability	Contract amount
Total	**549,642**	**226,503**	**5,852,398**
Derivatives used for trading purposes			
Currency derivatives	209	200	19,892
Client option positions	35,414	35,414	35,414
Total derivatives used for trading purposes	**35,623**	**35,614**	**55,306**
Derivatives used for hedge accounting purposes			
Derivatives: fair value hedge accounting	112,674	75,979	2,748,028
Derivatives: portfolio fair value hedge accounting	341,739	5,950	1,934,500
Derivatives: cash flow hedge accounting	–	–	–
Total derivatives used for hedge accounting purposes	**454,413**	**81,929**	**4,682,528**
Other derivatives			
Economic hedges	12,761	16,663	50,000
Structured product derivatives	46,846	92,298	1,064,564
Total other derivatives	**59,607**	**108,961**	**1,114,564**

Derivatives (€1,000) a t 31 December 2021	Asset	Liability	Contract amount
Total	**252,872**	**180,117**	**5,255,321**
Derivatives used for trading purposes			
Currency derivatives	290	277	21,403
Client option positions	48,188	47,978	48,188
Total derivatives used for trading purposes	**48,478**	**48,255**	**69,591**
Derivatives used for hedge accounting purposes			
Derivatives: fair value hedge accounting	33,141	4,386	2,447,000
Derivatives: portfolio fair value hedge accounting	33,826	3,696	1,314,000
Derivatives: cash flow hedge accounting	139	132	–
Total derivatives used for hedge accounting purposes	**67,106**	**8,214**	**3,761,000**
Other derivatives			
Economic hedges	16,044	17,236	150,979
Structured product derivatives	121,243	106,413	1,273,751
Total other derivatives	**137,287**	**123,649**	**1,424,730**

We use derivatives for both trading and hedging purposes.

Note 3, Derivatives, shows both the positive and negative market values of the derivatives, as well as their notional values.

The following types of interest rate derivatives are used:
- Interest rate swaps;
- Interest rate options.

The following types of currency derivatives are used:
- Currency options;
- FX forwards.

The following types of equity derivatives are used:
- Equity forwards;
- Futures;
- Long and short structured product options;
- Equity swaps.

We use interest rate swaps as hedging instruments in our hedge accounting.

Ineffectiveness of derivatives for hedge accounting purposes (€1,000)	2022		2021	
	Fair value	Ineffective	Fair value	Ineffective
Total	**372,484**	**9,346**	**58,893**	**703**
Fair value hedge accounting model	36,695	824	28,755	101
Portfolio fair value hedge accounting model	335,789	8,522	30,130	602
Cash flow hedge accounting model	–	–	8	–

The total ineffectiveness of fair value hedges at year-end 2022 was €9.3 million (2021: €0.7 million), comprising €358.3 million in positive value changes in hedging instruments (2021: €61.7 million positive) and negative changes in the value of the hedged items of €348.9 million (2021: €61.0 million negative).

The ineffectiveness is caused by differences in discount base (Euribor versus ESTR) and pay-out frequency between the swap and the underlying asset. The large revaluation impact is driven by the large interest rises in 2022, and the size of our derivatives portfolio used to hedge the interest rate risk of our mortgage portfolio.

4. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (€1,000)	2022	2021
Total	**379,518**	**330,002**
Debt instruments		
Financial assets from trading activities (FVPL)		
Structured debt instruments	2,283	1,136
Financial assets at fair value through profit or loss		
Government paper and government-guaranteed paper	97,385	25,175
Sovereign, supranationals and agencies (SSA) bonds	133,242	10,006
Covered bonds	–	35,390
Puttable investment funds	109,889	183,917
Company cumprefs (shareholdings) (FVPL mandatory)	1,623	1,496
Total debt instruments	**344,422**	**257,120**
Equity instruments		
Financial assets from trading activities (FVPL)		
Shares, listed	16,768	29,704
Shares, unlisted	15	36
Financial assets at fair value through profit or loss		
Shares, unlisted (FVPL mandatory)	18,313	43,142
Total equity instruments	**35,096**	**72,882**

With the exception of company cumulative preference shares (shareholdings) and equity instruments, all financial assets at fair value through profit or loss are designated at fair value through profit or loss, as this significantly reduces inconsistency in measurement or recognition. Company cumprefs (shareholdings) and equity instruments are mandatorily measured at fair value because they do not meet the SPPI test. The maximum credit risk to which we were exposed in the reporting period is equal to the carrying amount.

Changes in financial assets at fair value through profit or loss (€1,000)[1]	2022	2021
At 1 January	299,126	290,987
Purchases	216,896	104,523
Sales	-100,963	-72,750
Redemptions	-44,891	-53,850
Value changes	-9,882	30,549
Other changes	166	-333
At 31 December	**360,452**	**299,126**

5. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (€1,000)	2022		2021	
	Fair value	Face value	Fair value	Face value
Total	1,704,938	1,817,086	2,130,327	2,095,915
Debt instruments				
Government paper and government-guaranteed paper	148,969	157,900	307,564	297,750
Sovereign, supranationals and agencies (SSA) bonds	408,229	456,223	529,133	521,273
Banks and financial institutions, listed	30,253	32,500	32,778	32,500
Covered bonds	803,547	857,128	839,770	827,378
Asset-backed securities	280,686	279,835	364,082	361,014
Companies, listed	33,253	33,500	57,000	56,000
Total debt instruments	**1,704,938**	**1,817,086**	**2,130,327**	**2,095,915**

Changes in face value of Financial assets at fair value through other comprehensive income (€1,000)	Stage 1
At 1 January 2022	2,095,915
Additions or releases without transfer	285,300
New financial assets originated or purchased	-564,129
At 31 December 2022	**1,817,086**

Changes in face value of Financial assets at fair value through other comprehensive income (€1,000)	Stage 1
At 1 January 2021	2,520,600
Additions or releases without transfer	-1,217,185
New financial assets originated or purchased	792,500
At 31 December 2021	**2,095,915**

Changes in Financial assets at fair value through other comprehensive income (€1,000)	2022	2021
At 1 January	2,130,327	2,576,063
Purchases	286,231	814,569
Sales	-215,276	-891,494
Redemptions	-361,450	-345,108
Value changes	-129,333	-13,139
Other changes	-5,561	-10,564
At 31 December	**1,704,937**	**2,130,327**

The loss allowance for financial assets at fair value through other comprehensive income is recognised in Other comprehensive income and does not reduce the carrying amount of the financial asset.

[1] This table excludes the changes in Financial assets from trading activities (FVPL).

6. Loans and advances to the public and private sectors

Loans and advances to the public and private sectors (€1,000)	2022	2021
Total	**9,363,958**	**8,875,601**
Mortgage loans	6,943,497	6,608,797
Loans	1,839,139	1,408,666
Current accounts	588,399	509,920
Securities-backed loans and settlement claims	263,101	280,221
Value adjustments fair value hedge accounting	-230,179	117,450
Loss allowance for expected credit losses	-39,999	-49,452

In 2022, Van Lanschot Kempen invested in a fund managed by ASR Vermogensbeheer NV. The purpose of the fund is to make it possible for institutional participants to invest in primarily Dutch mortgages with a Dutch national mortgage guarantee (NHG). The fund is set up to facilitate unitholders to hold the investment to the end of the term of the underlying mortgages and provide them with the cash flows (contractual repayment of principal amount and interest cash flows) resulting from the underlying investments. The investment amounted to €320 million at year-end 2022 and is accounted for as a financial debt instrument under IFRS 9 (at amortised cost) and recognised under line item Loans. The construction depots are recognised in Note 14, Public and private sector liabilities, under line item Other client assets. The impact on the income statement is reflected in Note 23, Net interest income, under line item Interest income on public and private sectors.

The decrease in Value adjustments fair value hedge accounting is mainly due to rising interest rates and is offset by the increased value of interest rate swaps.

Loss allowance for expected credit losses (€1,000)	2022	2021
Total	**-39,999**	**-49,452**
Mortgage loans	-4,646	-2,440
Current accounts	-15,598	-25,814
Other loans and advances	-19,754	-21,199

Loss allowance for expected credit losses on Loans and advances to the public and private sectors amounted to €40.0 million at year-end 2022 (2021: €49.5 million). For more information, see "Risk management", under 3.8, Loss allowance for expected credit loss.

Changes in gross carrying amount of Loans and advances to the public and private sectors (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	8,311,593	793,029	162,207	9,266,829
Additions or releases without transfer	-984,056	-484,111	-55,432	-1,523,599
Transfer to Stage 1	1,079,761	-1,080,845	-18,909	-19,993
Transfer to Stage 2	-2,173,811	2,190,348	-19,766	-3,229
Transfer to Stage 3	-27,844	-15,096	43,170	230
New financial assets originated or purchased	1,973,444	—	—	1,973,444
Amounts written off	—	—	-2,049	-2,049
At 31 December 2022	**8,179,087**	**1,403,325**	**109,221**	**9,691,633**

Changes in gross carrying amount of Loans and advances to the public and private sectors (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	7,569,532	968,972	192,776	8,731,280
Additions or releases without transfer	-1,508,384	41,871	-39,289	-1,505,802
Transfer to Stage 1	1,405,485	-1,413,491	-13,958	-21,964
Transfer to Stage 2	-1,190,159	1,208,661	-13,876	4,627
Transfer to Stage 3	-27,793	-12,984	40,422	-355
New financial assets originated or purchased	2,062,910	–	–	2,062,910
Amounts written off	–	–	-3,868	-3,868
At 31 December 2021	**8,311,593**	**793,029**	**162,207**	**9,266,829**

See “Risk management”, under 3, Credit risk for more information about Loans and advances to the public and private sectors.

7. Other financial assets at amortised cost

Other financial assets at amortised cost (€1,000)	2022		2021	
	Carrying amount	Face value	Carrying amount	Face value
Total	1,088,358	1,110,081	257,399	254,500
Debt instruments				
Government paper and government-guaranteed paper	160,701	163,768	223,112	220,300
Sovereign, supranationals and agencies (SSA) bonds	275,318	284,413	–	–
Banks and financial institutions, listed	–	–	14,995	15,000
Covered bonds	652,388	661,900	19,299	19,200
Impairments	-49	–	-8	–

Changes in gross carrying amount of Other financial assets at amortised cost (€1,000)	Stage 1
At 1 January 2022	254,500
Additions or releases without transfer	-259,020
New financial assets originated or purchased	1,114,601
At 31 December 2022	**1,110,081**

Changes in gross carrying amount of Other financial assets at amortised cost (€1,000)	Stage 1
At 1 January 2021	440,293
Additions or releases without transfer	-185,793
New financial assets originated or purchased	–
At 31 December 2021	**254,500**

Changes in Other financial assets at amortised cost (€1,000)	2022	2021
At 1 January	257,399	448,518
Purchases	1,090,574	–
Sales	–	-9,970
Redemptions	-259,020	-175,793
Impairments	-49	-7
Other changes	-546	-5,349
At 31 December	**1,088,358**	**257,399**

8. Investments in associates using the equity method

Changes in associates using the equity method (€1,000)	2022	2021
At 1 January	82,441	72,202
Acquisitions and contributions	21,505	13,510
Sales and repayments	-13,743	-31,085
Income from associates	16,000	28,374
Impairments	–	6,455
Dividend received	-3,096	-6,838
Other changes	158	-176
At 31 December	**103,265**	**82,441**

All associates valued using the equity method are unlisted investments.

9. Property and equipment

Property and equipment (€1,000)	2022	2021
Total	**69,347**	**77,463**
Buildings	22,499	24,968
Right-of-use – buildings	29,405	36,759
Right-of-use – transport equipment	7,097	7,409
IT, operating system software and communications equipment	4,758	3,464
Other assets	4,037	4,380
Work in progress	1,551	484

The total value of Property and equipment fell from €77.5 million to €69.3 million at year-end 2022, mainly due to depreciation on Right-of-use assets – buildings.

Lease liabilities amounted to €39.1 million at year-end 2022 (2021: €46.7 million) and are included in Other liabilities.

Changes in property and equipment in 2022 (€1,000)	Buildings	Right-of-use – buildings	Right-of-use – transport equipment	IT, operating system software and communications equipment	Other assets	Work in progress	Total
At 1 January	24,968	36,759	7,409	3,464	4,380	484	**77,463**
Additions	2,402	945	2,909	3,692	246	1,067	**11,260**
Disposals	-1,633	–	–	-20	–	–	**-1,653**
Depreciation	-1,987	-8,362	-3,220	-2,378	-589	–	**-16,536**
Impairments	-1,252	64	–	–	–	–	**-1,188**
At 31 December	**22,499**	**29,405**	**7,097**	**4,758**	**4,037**	**1,551**	**69,347**
Historical cost	45,672	40,164	12,396	17,116	10,164	1,551	**127,063**
Accumulated depreciation and impairments	-23,173	-10,758	-5,299	-12,359	-6,128	–	**-57,716**
Net carrying amount at 31 December	**22,499**	**29,405**	**7,097**	**4,758**	**4,037**	**1,551**	**69,347**

Changes in property and equipment in 2021 (€1,000)	Buildings	Right-of-use – buildings	Right-of-use – transport equipment	IT, operating system software and communica-tions equipment	Other assets	Work in progress	Total
At 1 January	28,670	42,975	7,765	4,592	6,315	—	**90,317**
Acquisition due to business combination	206	9	—	128	528	—	**871**
Additions	60	2,493	3,080	1,879	251	484	**8,247**
Disposals	-1,865	—		-285	-1,654	—	**-3,804**
Depreciation	-2,102	-8,420	-3,437	-2,849	-1,060	—	**-17,868**
Impairments	—	-299	—	—	—	—	**-299**
At 31 December	**24,968**	**36,759**	**7,409**	**3,464**	**4,380**	**484**	**77,463**
Historical cost	46,632	63,458	18,276	59,676	14,474	484	**203,000**
Accumulated depreciation and impairments	-21,664	-26,699	-10,867	-56,212	-10,094	—	**-125,536**
Net carrying amount at 31 December	**24,968**	**36,759**	**7,409**	**3,464**	**4,380**	**484**	**77,463**

10. Goodwill and other intangible assets

Goodwill and other intangible assets (€1,000)	2022	2021
Total	306,753	321,861
Goodwill	176,761	176,761
Other intangible assets	129,992	145,100

The carrying amounts of goodwill arising from acquisitions in earlier years and other intangible assets are presented in the table above.

Changes in goodwill and other intangible assets in 2022 (€1,000)	Goodwill	Client relationships	Brand names	Application software	Total
At 1 January	176,761	135,549	8,764	787	**321,861**
Additions	—	—	—	—	**—**
Disposals	—	—	—	—	**—**
Amortisation	—	-12,593	-1,863	-653	**-15,109**
Impairments	—	—	—	—	**—**
At 31 December	**176,761**	**122,957**	**6,901**	**134**	**306,753**
Historical cost	176,761	163,337	20,810	1,576	**362,484**
Accumulated amortisation and impairments	—	-40,380	-13,908	-1,442	**-55,730**
Net carrying amount at 31 December	**176,761**	**122,957**	**6,901**	**134**	**306,753**

Changes in goodwill and other intangible assets in 2021 (€1,000)	Goodwill	Client relationships	Brand names	Application software	Total
At 1 January	103,057	45,252	4,599	2,099	**155,007**
Additions	76,671	99,624	5,480	—	**181,775**
Disposals	-2,967	—	—	-309	**-3,276**
Amortisation	—	-9,326	-1,315	-1,004	**-11,645**
Impairments	—	—	—	—	**—**
At 31 December	**176,761**	**135,549**	**8,764**	**787**	**321,861**
Historical cost	176,761	163,337	20,810	62,252	**423,160**
Accumulated amortisation and impairments	—	-27,787	-12,046	-61,465	**-101,298**
Net carrying amount at 31 December	**176,761**	**135,549**	**8,764**	**787**	**321,861**

We have defined six CGUs, namely Private Clients, Wholesale & Institutional Clients, Investment Banking Clients, Mercier Vanderlinden, Non-strategic investments, and Other. These correspond to our operating segments (see section on segment information) except for CGU Non-strategic investments and CGU Mercier Vanderlinden. Segment Other is split between the CGUs Other and Non-strategic investments. CGU Mercier Vanderlinden is part of the Private Clients segment.

The impact of the current market circumstances on the performance of the CGUs with allocated goodwill has been limited during 2022, thanks to our solid market position and specific client groups. Although the Private Clients and Wholesale & Institutional Clients segments were impacted by negative market performance, their performance was solid with net AuM inflows, and the projected financial results do not indicate a trigger for impairment. Despite the difficult market conditions, corporate finance results at Investment Banking Clients were good.

Allocation of goodwill to CGUs (based on segments) (€1,000)	2022	2021
Total	176,761	176,761
Private Clients	119,437	119,437
Wholesale & Institutional Clients	16,031	16,031
Investment Banking Clients	41,293	41,293

We carried out our annual impairment test on goodwill arising from acquisitions in prior years. To determine whether an impairment is necessary, the recoverable amount of each CGU or group of CGUs is compared with its carrying amount. The recoverable amount is calculated on the basis of value in use. This calculation uses equity cash flow projections for each CGU or group of CGUs for a five-year period. These projections are based on the current year and on the financial estimates for the years 2023 until 2026 used by management in its strategic forecast at the end of 2022. For the period after the explicit projections per CGU or group of CGUs, the growth rate is set at the long-term market growth rate of 1.0%. This growth rate applies to all CGUs, as in the long term all CGUs will be impacted by the same economic market developments. The rate is based on our own projections and on wealth management market projections by market experts.

Management has compared the main assumptions against market forecasts and expectations. Cash flow estimates are based on our strategic plans and on potential future trends. Events and factors that could have a significant impact on the estimates include stock and bond market developments, effects of mergers and acquisitions, competitive conditions, client behaviour and changes in client relationships, cost structure, trends in inflation, interest rates and risks, and other circumstances specific to the industry and sector. Equity cash flows are discounted using a cost of equity for each CGU or group of CGUs that reflects the risk-free interest rate, supplemented with a surcharge for the market risk exposure of the CGU or group of CGUs, and a small-firm premium.

CGU	Discount rate before tax %		Discount rate after tax %	
	2022	2021	2022	2021
Private Clients	13.2	11.4	9.7	8.6
Wholesale & Institutional Clients	16.3	13.6	12.1	10.2
Investment Banking Clients	15.6	12.6	11.5	9.5

The impairment test performed in 2022 did not result in goodwill impairments. The model uses one base-case scenario. For the CGUs with allocated goodwill, a sensitivity analysis was also carried out on the base-case scenario with particular attention on changes in long-term growth, the discount rate and the long-term EBIT margin. This analysis is captured in the sensitivity table below and supports our conclusion that no impairment is needed.

In addition, an annual test is carried out for indications of impairment of other intangible assets with a finite useful life. The acquired brand names are still active and no objective indication for impairment was apparent at year-end 2022. For the line item Client relationships, changes in the AuM volume are assessed. The useful life tests carried out in 2022 provided no indication of a need for further examination. Consequently, no impairment is recognised for other intangible assets.

Sensitivity analysis	Change required in each key assumption for headroom to equal zero, in percentage points			Headroom with terminal growth rate at 0% (€1,000)
	Headroom (€1,000)	Net profit margin	Cost of equity	
Private Clients	432,027	-13.3%	5.3%	388,051
Wholesale & Institutional Clients	87,281	-14.5%	14.4%	82,785
Investment Banking Clients	28,621	-8.2%	4.3%	26,074

Expected amortisation of intangible assets (€1,000)	2023	2024	2025	2026	2027	2028-34
Total	14,281	13,982	11,671	11,122	9,807	69,130

11. Tax assets

Tax assets (€1,000)	2022	2021
Total	**13,178**	**13,232**
Current tax assets	213	5,474
Deferred tax assets	12,965	7,758

Changes in deferred taxes in 2022 (€1,000)	At 1 January 2022	Through statement of income	To equity	Tax rate adjustments	At 31 December 2022
Deferred tax assets					
Employee benefits	9,504	-721	-3,341	12	5,453
Property and equipment	2,729	-216	–	–	2,512
Lease liabilities	11,867	-1,978	–	–	9,889
Derivatives	2,892	–	-227	–	2,666
Loss available for set-off	3,047	-1,860	–	-47	1,140
Commission	111	-43	–	–	68
Investment portfolio	–	–	6,785	–	6,785
Other	2,021	214	-4,460	–	-2,225
Total deferred tax assets before offsetting	**32,172**	**-4,605**	**-1,243**	**-35**	**26,288**
Offsetting deferred tax assets					-13,325
Total deferred tax assets after offsetting					**12,964**
Deferred tax liabilities					
Right-of-use assets – buildings	9,303	-2,339	–	–	6,964
Right-of-use assets – transport equipment	1,905	-200	–	–	1,705
Intangible assets	31,242	-3,380	–	–	27,862
Investment portfolio	674	–	-674	–	–
Other	333	-170	–	–	163
Total deferred tax liabilities before offsetting	**43,458**	**-6,089**	**-674**	**–**	**36,695**
Offsetting deferred tax liabilities					-13,325
Total deferred tax liabilities after offsetting					23,369

Changes in deferred taxes in 2021 (€1,000)	At 1 January 2021	Acquisition subsidiary	Through statement of income	To equity	Tax rate adjustments	At 31 December 2021
Deferred tax assets						
Employee benefits	11,757	8	-148	-2,341	228	9,504
Property and equipment	245	105	582	1,786	11	2,729
Lease liabilities	12,558	–	-1,033	-15	357	11,867
Intangibles	105	–	-105	–	–	–
Derivatives	4,856	–	–	-2,053	90	2,892
Loss available for set-off	3,273	–	-717	192	299	3,047
Commission	195	–	-83	–	–	111
Other	2,276	–	100	-407	53	2,021
Total deferred tax assets before offsetting	**35,264**	**113**	**-1,404**	**-2,838**	**1,037**	**32,171**
Offsetting deferred tax assets						-24,413
Total deferred tax assets after offsetting						**7,758**
Deferred tax liabilities						
Right-of-use assets – buildings	10,238	–	-1,336	118	283	9,303
Right-of-use assets – transport equipment	1,811	–	42	–	53	1,906
Intangible assets	5,581	26,276	-1,584	–	969	31,242
Investment portfolio	1,047	–	–	-394	21	674
Other	379	–	–	-46	–	333
Total deferred tax liabilities before offsetting	**19,056**	**26,276**	**-2,878**	**-322**	**1,326**	**43,458**
Offsetting deferred tax liabilities						-24,413
Total deferred tax liabilities after offsetting						**19,045**

A proportion of the deferred tax assets depends on future taxable profits. Tax losses incurred can be offset against taxable profits in future years. Based on the most recent forecast, it is likely that sufficient future taxable profits will be available to offset the existing tax losses.

The non-current portion of deferred tax assets that is expected to be recovered or settled after more than 12 months amounted to €26.1 million (2021: €32.2 million). See Note 32, Income tax, for more information.

Tax losses to be offset (€1,000) Financial year	Amount	Final year for offsetting
2017	543	indefinitely
2018	–	indefinitely
2019	–	indefinitely
2020	–	indefinitely
2021	4,071	indefinitely
2022	–	indefinitely

The total amount of tax losses is recognised as a deferred tax asset based on the prevailing tax rate. In 2022, the permanent establishment in Belgium offset all remaining losses to an amount of €7.6 million against the current year result.

Losses in 2021 arose from VLK Investment Management (UK) Ltd. As the UK does not apply a time limit for offsetting losses, these can be carried forward indefinitely.

Unrecognised losses (€1,000)	2022	2021
Total unrecognised losses	9,649	7,038

Unrecognised losses are losses for which it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

The increase in unrecognised losses is due to the 2022 loss at VLK Investment Management (UK) Ltd.

12. Other assets

Other assets (€1,000)	2022	2021
Total	188,984	**179,929**
Interest receivable	17,541	17,308
Commission receivable	76,925	76,142
Transitory items	23,052	52,065
Other	71,466	34,414

The line item Other comprises amounts receivable such as debtors, short-term receivables related to solicitor escrow accounts and to investment in the fund managed by ASR Vermogensbeheer NV, and suspense accounts.

13. Due to banks

Due to banks (€1,000)	2022	2021
Total	387,063	**501,411**
Deposits	363,005	78,371
Payables arising from unsettled securities transactions	9,006	21,950
Loans and advances drawn	15,052	1,090
Special loans from ECB	–	400,000

Deposits mainly refer to cash collateral related to derivative transactions. The 2022 increase was in line with the positive value changes on swaps used for hedge accounting. In 2020, Van Lanschot Kempen subscribed €400 million to TLTRO-III loans with the ECB for a term of three years and an option for earlier repayments possible from September 2021. The loan was repaid on a regular call date in December 2022 given our current liquidity position.

14. Public and private sector liabilities

Public and private sector liabilities (€1,000)	2022	2021
Total	**12,726,194**	**11,729,556**
Savings	4,411,735	3,803,623
Deposits	1,029,207	362,547
Current accounts	6,907,520	7,170,291
Other client assets	380,138	392,021
Value adjustments fair value hedge accounting	-2,406	1,072

15. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss (€1,000)	2022	2021
Total	**473,883**	**560,474**
Debt instruments		
Financial liabilities at fair value through profit or loss		
Unstructured debt instruments	29,184	33,466
Structured debt instruments	442,570	526,955
Other financial liabilities at fair value through profit or loss	2,126	–
Total debt instruments	473,881	**560,421**
Equity instruments		
Financial liabilities from trading activities		
Shares, listed	2	53
Total equity instruments	2	53

All financial liabilities at fair value through profit or loss, except for Other financial liabilities at fair value through profit or loss, are designated at fair value through profit or loss on initial recognition because this significantly reduces inconsistency in measurement or recognition.

We have issued debt instruments which are managed on the basis of fair value. Management believes that valuation at fair value through profit or loss applies, as this largely eliminates or reduces inconsistencies in valuation and disclosure, and performance is assessed on the basis of fair value.

The cumulative change in the fair value of Financial liabilities at fair value through profit or loss which can be allocated to the changes in own credit risk amounted to a total negative of €10.7 million (2021: positive €6.6 million). This is caused by a rise in the credit spread, predominantly at the short end of the curve, coupled with a longer average duration of the portfolio (due to longer average expected maturities for trigger notes). This is only partially offset by a decrease in the notional amount.

16. Issued debt securities

Issued debt securities (€1,000)	2022	2021
Total	**1,342,131**	**1,418,865**
Covered bonds	1,413,719	1,398,361
Value adjustments fair value hedge accounting	-71,589	20,504

Issued debt securities comprise debt instruments with interest rates that are either fixed or variable, in so far as not subordinated. In 2022, a bond of €500 million was redeemed and a new bond of €500 million was issued. Of these debt securities, €481.3 million became payable on demand in 2022 (2021: €475.8 million).

Face value versus carrying amount

The value adjustment of debt securities as a result of hedge accounting is recognised under the line item Issued debt securities.

Face value versus carrying amount of issued debt securities at 31/12/2022 (€1,000)	Face value	Value adjustments fair value hedge accounting	Premium/discount	Carrying amount
Total	**1,417,400**	**-71,589**	**-3,681**	**1,342,131**
Covered bond	1,417,400	-71,589	-3,681	1,342,131

Face value versus carrying amount of issued debt securities at 31/12/2021 (€1,000)	Face value	Value adjustments fair value hedge accounting	Premium/discount	Carrying amount
Total	**1,401,910**	**20,504**	**-3,549**	**1,418,865**
Covered bond	1,401,910	20,504	-3,549	1,418,865

17. Provisions

Provisions (€1,000)	2022	2021
Total	**32,293**	**52,569**
Provision for pensions	23,105	38,610
Provision for long-service benefits	2,617	3,515
Provision for restructuring	390	1,743
Provision for interest rate derivatives recovery framework	–	160
Provision for financial guarantees and loan commitments	2,435	1,784
Other provisions	3,746	6,757

Other provisions includes a provision for the repayment of variable interest charged on revolving consumer loans to our current and former clients, in line with previous rulings by the Dutch Institute for Financial Disputes (Kifid). Ultimately, we provided compensation to all eligible clients. Their numbers were fewer than we had provisioned for, resulting in a release of provisions and a remaining balance of €0.5 million.

We operate a number of employee schemes under which participants receive payments or benefits after they retire. Specifically, there is a pension scheme and a discount scheme for mortgage interest rates, as well as a long-service benefits scheme.

The following defined benefit schemes were valued for the purpose of the 2022 financial statements:
- Van Lanschot Kempen employees were eligible for discounted mortgage interest rates. Entitlement to this discount continues beyond retirement from active service. This plan was closed to new entrants after 2015.
- The long-service benefits depend on the number of years of service.
- The early retirement plan concerns a limited number of employees who were working at the Belgian branch. The outstanding amount is diminishing as this plan has been terminated.
- Both a defined contribution scheme and a defined benefit scheme are in place for employees working at the Belgian branch. The pensionable salary for the defined benefit scheme is taken as the average basic salary over the last five years of service. The pension capital is insured with UKZT (Uitgesteld Kapitaal Zonder Tegenverzekering). The accompanying term life assurance is funded from risk premiums. The defined contribution pension plans have been set up according to the Belgian method of defined contributions but do not fulfil all the criteria of a defined contribution pension plan according to IAS 19. For this reason, the defined contribution pension plans are treated as a defined benefit plan in the consolidated financial statements.
- Until year-end 2019, former Kempen & Co operated an average salary scheme under which 1.875% of the pensionable salary – salary less state pension offset, with an annual ceiling of €41,232 – was accrued for each year of service and which was based on a retirement age of 68. The surviving dependants' pension was insured on a risk basis.
- The pension plan of F. van Lanschot Bankiers (Schweiz) AG has been set up according to the Swiss method of defined contributions but does not fulfil all the criteria of a defined contribution pension plan according to IAS 19. For this reason, the Swiss pension plan is treated as defined benefit plan in the consolidated financial statements.

Only within a Kempen pension scheme, plan assets fund the obligations (i.e. the scheme is funded). The other schemes are unfunded; payments in any year are made directly by Van Lanschot Kempen.

The pension schemes have been placed with insurers and a pension institution, which are responsible for the pension administration, risk insurance and communication of legal documents to employees who are scheme members. Decisions on and changes to pension scheme content are taken by an internal pensions committee. Where applicable, in the Netherlands the Works Council is consulted for its advice and/or approval.

Van Lanschot Kempen's pension schemes were adjusted and replaced from 1 January 2020 by a single new plan. The new scheme is an individual defined contribution scheme. The former Van Lanschot scheme is classified as a collective defined contribution scheme, and the change of scheme has no impact from an accounting perspective. Because there is still an obligation to pay guarantee costs and to provide indexation on the accrued pension benefits, the remainder of the provision (€27.9 million) stays on the balance sheet. As it has no legally enforceable right to use the surplus in plan assets for settling the obligations for indexation and guarantee costs, Van Lanschot Kempen applies an asset ceiling to the relevant assets in the pension scheme.

Defined benefit obligations are calculated using the projected unit credit method.

Obligations/assets included in the statement of financial position by scheme at 31/12/2022 (1,000)	Pensions	Early retirement	Employee discounts	Long-service benefits
Defined benefit obligations	162,144	–	53	2,617
Fair value of plan assets	139,039	–	–	–
Surplus/deficit	-23,105	–	-53	-2,617
Obligation at year-end	-23,105	–	-53	-2,617

Obligations/assets included in the statement of financial position by scheme at 31/12/2021 (€1,000)	Pensions	Early retirement	Employee discounts	Long-service benefits
Defined benefit obligations	248,435	17	69	3,515
Fair value of plan assets	209,841	—	—	—
Surplus/deficit	-38,594	-17	-69	-3,515
Obligation at year-end	-38,594	-17	-69	-3,515

Changes in defined benefit obligations for pension scheme (€1,000)	2022	2021
Defined benefit obligations at 1 January	248,435	300,791
Current service costs	2,610	2,947
Interest costs	2,744	1,655
Members' contributions	368	325
Gross benefits	-3,171	-8,083
Transfers	-501	575
Remeasurements arising from changes in financial assumptions	-91,099	-49,402
Remeasurements arising from changes in demographic assumptions	-5	—
Experience adjustments	2,275	-609
Effect of foreign exchange rates	488	236
Defined benefit obligations at 31 December	**162,144**	**248,435**

At 31 December 2022, the weighted average duration of the defined benefit obligation was 21.0 years (2021: 24.5 years).

Changes in defined benefit obligations for early retirement scheme (€1,000)	2022	2021
Defined benefit obligations at 1 January	17	30
Current service costs	-17	-14
Defined benefit obligations at 31 December	**—**	**17**

Changes in defined benefit obligations for long-service benefits scheme (€1,000)	2022	2021
Defined benefit obligations at 1 January	3,515	3,335
Current service costs	237	223
Interest costs	26	10
Financial assumptions	-760	-240
Gross benefits	-197	378
Experience adjustments	-204	-191
Defined benefit obligations at 31 December	**2,617**	**3,515**

Changes in fair value of pension plan assets (€1,000)	2022	2021
Fair value at 1 January	209,841	251,792
Expected return on plan assets	2,373	1,421
Financial assumptions	-73,578	-40,351
Employer's contribution	3,383	3,682
Gross benefits	-2,917	-7,847
Transfers	-501	502
Effect of foreign exchange rates	438	642
Fair value at 31 December	**139,039**	**209,841**
Actual return on plan assets	-71,205	-38,933

Current service costs of pension scheme included in statement of income (€1,000)	2022	2021
Current service costs	2,610	2,947
Net interest income	2,744	1,655
Expected return on plan assets	-2,373	-1,421
Net costs	**2,981**	**3,181**

Current service costs of early retirement included in statement of income (€1,000)	2022	2021
Current service costs	-17	-14
Net costs	**-17**	**-14**

Current service costs of long-service benefits scheme included in statement of income (€1,000)	2022	2021
Current service costs	237	223
Net interest income	26	10
Financial assumptions	-760	-240
Net costs	**-497**	**-7**

The assets in Van Lanschot Kempen's pension plan are funded through contracts with insurance companies. Consequently, the asset value in the measurement of the pension liability is based on these insurance contracts.

At each reporting date, an asset/liability matching study is carried out by the pension fund's asset manager, in which the consequences of the strategic investment policies are analysed. The strategic investment policies pursued by the pension fund are bound by the maximum investment risk.

The maximum investment risk is linked to a strategic asset mix comprising 73% of fixed income and 27% of equity income investments, with a duration match of 75%. A bandwidth of 5% is in place. The other investment category consists of funds managed by an external pension fund manager.The most significant actuarial assumptions made at the reporting date are as follows:

Assumptions	2022	2021
Actuarial interest rate pension	1.90% - 3.80%	0.20% - 1.20%
Actuarial interest rate employee discounts	0.0 %	0.0 %
Actuarial interest rate long-service benefits	3.60% - 3.60%	0.70% - 0.70%
Expected return on investments	1.90% - 3.80%	0.20% - 1.20%
Price inflation	2.10% - 2.30%	2.00% - 2.00%
General salary increase	1.00% - 2.10%	1.00% - 2.00%
Retirement age	65-68 years	64-68 years

The mortality rate is based on publicly available mortality tables for the relevant countries. For the calculations at 31 December 2022, the following mortality tables were used:
- Kempen's former pension plans: the mortality tables as published by the Dutch Association of Actuaries (Prognosetafel AG2020);
- Belgian branch: the mortality table as published by the Institute of Actuaries in Belgium (MR/FR) with an age correction of -3 years.
- F. van Lanschot Bankiers (Schweiz) AG: the mortality table as published by BVG (BVG 2020 GT).

For Kempen's former pension plans, a rise of ten basis points in the actuarial interest rate will lead to a decrease of 1.9% in the pension obligations and will have no effect on the current service costs in the statement of income, as no future contributions will be made due to the change in pension scheme.

For the Belgian branch, a reduction of 25 basis points in the actuarial interest rate will lead to an increase of 1.8% in the pension obligations and a rise of 25 basis points in the actuarial interest rate will lead to a decrease of 1.7% in the pension obligations.

For F. van Lanschot Bankiers (Schweiz) AG a reduction of 50 basis points in the actuarial interest rate will lead to an increase of 8.1% in the pension obligations and a rise of 50 basis points in the actuarial interest rate will lead to a decrease of 7.1% in the pension obligations.

History of changes in pension scheme gains and losses (€1,000)	2022	2021	2020	2019	2018
Defined benefit obligations	162,144	248,435	300,791	266,206	213,343
Fair value of plan assets	139,039	209,841	251,792	226,411	182,592
Surplus/deficit	**-23,105**	**-38,594**	**-48,999**	**-39,795**	**-30,751**
Actuarial gains/losses on obligations	-88,829	-50,011	33,456	43,929	-3,811
Actuarial gains/losses on investments	-73,578	-40,351	21,894	36,625	-3,230

Expected contributions for 2023 (€1,000)	Pension obligations	Employee discounts	Long-service benefits scheme
Total	**2,791**	**2**	**158**
Expected employer's contributions	2,416	2	158
Expected employees' contributions	375	–	–

Provision for restructuring (€1,000)	2022	2021
At 1 January	1,743	3,319
Withdrawals	-1,874	-4,417
Additions	521	2,841
At 31 December	**390**	**1,743**

Provision for interest rate derivatives recovery framework (€1,000)	2022	2021
At 1 January	160	200
Withdrawals	-6,220	-40
Release	-3,819	–
Additions	9,879	–
At 31 December	**–**	**160**

Provision for financial guarantees and loan commitments (€1,000)	2022	2021
At 1 January	1,784	358
Withdrawals	–	–
Additions	651	1,426
At 31 December	**2,435**	**1,784**

Other provisions (€1,000)	2022	2021
At 1 January	6,757	8,344
Withdrawals	-1,430	-6,694
Release	-2,732	-335
Additions	1,151	5,442
At 31 December	**3,746**	**6,757**

Other provisions include provisions made for various legal claims and defined benefit obligations for employee discount schemes.

An amount of €1.6 million (2021: €2.7 million) has an expected maturity of one year or longer.

18. Tax liabilities

Tax liabilities (€1,000)	2022	2021
Total	**29,646**	**37,339**
Current tax liabilities	6,277	18,295
Deferred tax liabilities	23,369	19,045

For changes in deferred tax liabilities, see Note 11, Tax assets. See Note 32, Income tax, for more information.

19. Other liabilities

Other liabilities (€1,000)	2022	2021
Total	**246,945**	**245,412**
Interest payable	30,943	9,840
Other accruals and deferred income	45,565	47,730
Lease liabilities	39,073	46,703
Other	131,363	141,139

Other liabilities comprise lease liabilities, income received to be credited to future periods and amounts payable such as accrued interest, payables, suspense accounts and unsettled items.

At year-end 2022, we agreed to accelerate the acquisition of the remaining 30% stake in Mercier Vanderlinden by Van Lanschot Kempen. As a result, the contingent liability was redeemed (€57.1 million) and replaced by a debt position in cash (€40.8 million). The transaction is expected to be settled in the first half of 2023.

Payments not included in lease liability measurement (€1,000)	2022	2021
Total	**725**	**-47**
Leases of low-value assets	153	237
Variable lease payments	572	-284

Interest expense on leases amounted to €0.4 million at year-end 2022 (2021: €0.6 million) and is recognised in the profit or loss under line item Other interest expense in Note 23, Net interest income.

20. Subordinated loans

Subordinated loans (€1,000)	2022	2021
Total	**170,882**	**171,527**
Certificates of indebtedness	154,584	154,964
Other subordinated loans	16,109	16,223
Value adjustments fair value hedge accounting	189	340

Amortised cost versus carrying amount

The value adjustment of subordinated loans used as hedged items is recognised under Subordinated loans.

Amortised cost versus carrying amount subordinated loans at 31/12/2022 (€1,000)	Amortised cost	Value adjustments fair value hedge accounting	Premium/ discount	Carrying amount
Total	**166,109**	**189**	**4,584**	**170,882**
Inflation-linked subordinated bond 08/33	25,000	–	706	25,706
Inflation-linked subordinated bond 08/38	25,000	–	1,137	26,137
Inflation-linked subordinated bond 08/43	50,000	–	2,895	52,895
2.000% subordinated bond 03/32	50,000	–	-154	49,846
Other subordinated loans	16,109	189	–	16,298

Amortised cost versus carrying amount subordinated loans at 31/12/2021 (€1,000)	Amortised cost	Value adjustments fair value hedge accounting	Premium/ discount	Carrying amount
Total	**166,223**	**340**	**4,964**	**171,527**
Inflation-linked subordinated bond 08/33	25,000	–	831	25,831
Inflation-linked subordinated bond 08/38	25,000	–	1,243	26,243
Inflation-linked subordinated bond 08/43	50,000	–	3,080	53,080
2.000% subordinated bond 03/32	50,000	–	-190	49,810
Other subordinated loans	16,223	340	–	16,563

The average coupon on the other subordinated loans in 2022 was 6.03% (2021: 6.04%).

21. Total equity

Total equity (€1,000)	2022		2021	
Total		**1,382,372**		**1,409,327**
Equity attributable to shareholders				
Issued share capital		41,362		41,362
Treasury shares		-15,109		-11,853
Share premium reserve		262,658		323,719
Revaluation reserve	-19,513		1,939	
Actuarial results on defined benefit schemes	-29,523		-39,199	
Currency translation reserve	987		1,389	
Cash flow hedge reserve	-7,666		-8,318	
Own credit risk reserve	7,952		-4,876	
Retained earnings	961,987		866,397	
Other reserves		914,223		817,332
Undistributed profit (attributable to shareholders)		77,405		136,983
Total equity attributable to shareholders		**1,280,539**		**1,307,543**
Equity attributable to AT1 capital securities				
AT1 capital securities		100,000		100,000
Undistributed profit attributable to AT1 capital securities		1,688		1,688
Total equity attributable to AT1 capital securities		**101,688**		**101,688**
Equity attributable to other non-controlling interests				
Other non-controlling interests		–		21
Undistributed profit attributable to other non-controlling interests		146		74
Total equity attributable to other non-controlling interests		**146**		**95**

Share capital	31/12/2022		31/12/2021	
	Number	Nominal value (€1,000)	Number	Nominal value (1,000)
Class A ordinary shares	41,361,668	41,362	41,361,668	41,362
Unissued shares	108,638,332	108,638	108,638,332	108,638
Authorised capital	**150,000,000**	**150,000**	**150,000,000**	**150,000**

Changes in share capital	2022		2021	
	Number	Nominal value (1,000)	Number	Nominal value (1,000)
At 1 January	41,361,668	41,362	400,000	40,000
Shares issued	–	–	–	–
Capital increase	–	–	40,961,668	1,362
Capital return	–	–	–	–
At 31 December[2]	**41,361,668**	**41,362**	**41,361,668**	**41,362**

At an extraordinary general meeting of shareholders in ’s Hertogenbosch on 6 October 2022, our shareholders approved the return of capital in the amount of €1.50 per share, as announced on 25 August 2022. The capital return paid on 22 December 2022 amounted to €61.1 million and was charged to the share premium reserve available for distribution.

All shares were paid up in cash. During the financial year, Van Lanschot Kempen conditionally granted 48,795 depositary receipts for Class A ordinary shares.

Van Lanschot Kempen holds 644,350 depositary receipts for Class A ordinary shares to meet open positions (2021: 514,511). For more information on share-based payments, see Note 28, Staff costs.

Awards of unconditional shares and depositary receipts to staff are linked to performance and employment contracts. For more information about share schemes for staff and the Management Board, see page 87.

Changes in reserves in 2022 (€1,000)	Revaluation reserve financial assets at fair value through other comprehensive income	Actuarial results on defined benefit schemes	Currency translation reserve	Cash flow hedge reserve	Own credit risk reserve	Retained earnings	Total
At 1 January	**1,939**	**-39,199**	**1,389**	**-8,318**	**-4,876**	**866,397**	**817,333**
Net changes in fair value	-21,452	–	–	651	–	–	**-20,801**
Value change own credit risk	–	–	–	–	12,828	–	**12,828**
Profit appropriation	–	–	–	–	–	136,983	**136,983**
Dividend	–	–	–	–	–	-81,425	**-81,425**
Share plans	–	–	–	–	–	12,271	**12,271**
Actuarial results	–	9,676	–	–	–	–	**9,676**
Other changes	–	–	-402	–	–	27,761	**27,359**
At 31 December	**-19,513**	**-29,523**	**987**	**-7,666**	**7,952**	**961,987**	**914,224**
Tax effects	7,459	-3,341	–	-227	-4,460	–	-569

The proposed dividend for 2022 has been set at €1.75 per ordinary share (2021: €2.00 per ordinary share). At the AGM to be held on 25 May 2023, shareholders will be invited to approve the distribution of the dividend.

[2] The 2021 amounts are after the amendments of the Articles of Association.

Changes in reserves in 2021 (€1,000)	Revaluation reserve financial assets at fair value through other comprehensive income	Actuarial results on defined benefit schemes	Currency translation reserve	Cash flow hedge reserve	Own credit risk reserve	Retained earnings	Postponed dividend	Total
At 1 January	**3,142**	**-45,511**	**763**	**-14,568**	**-832**	**1,013,750**	**59,975**	**1,016,720**
Net changes in fair value	-1,203	–	–	6,250	–	–	–	**5,047**
Value change own credit risk	–	–	–	–	-4,044	–	–	**-4,044**
Profit appropriation	–	–	–	–	–	15,176	27,833	**43,009**
Dividend	–	–	–	–	–	–	-87,808	**-87,808**
Share plans	–	–	–	–	–	-5,037	–	**-5,037**
Actuarial results	–	–	–	–	–	–	–	**–**
Other changes	–	6,313	626	–	–	-157,492	–	**-150,553**
At 31 December	1,939	-39,199	1,389	-8,318	-4,876	866,397	–	**817,333**
Tax effects	**373**	**-2,189**	**–**	**-1,964**	**1,418**	**–**	**–**	**-2,361**

Nature and purpose of other reserves

Treasury shares: This includes the cost price of treasury shares kept by Van Lanschot Kempen for shares awarded to staff under current remuneration and equity schemes.

Share premium reserve: This includes amounts paid to Van Lanschot Kempen by shareholders above the nominal value of purchased shares.

Revaluation reserve: This includes movements in the fair value of FVOCI investments.

Actuarial results on defined benefit schemes: This includes actuarial gains and losses on revaluation of investments and defined benefit obligations. The actuarial gains and losses related to a shortfall in minimum performance on defined contribution plan assets, required under Belgian and Swiss law, are also included.

Currency translation reserve: This reserve (which is not available for free distribution) includes currency exchange differences resulting from the valuation of investments in group companies at the prevailing exchange rate in so far as the currency rate risk is not hedged.

Cash flow hedge reserve: This includes the share in the gain or loss on hedging instruments in cash flow hedges that have been designated as an effective hedge.

Own credit risk reserve: This includes the changes in Van Lanschot Kempen's own credit risk of financial liabilities at fair value through profit or loss.

Retained earnings: This includes past profits added to equity and changes in connection with the share scheme.

Postponed dividend: This includes the postponed payment of past profits to shareholders.

22. Contingent liabilities and irrevocable commitments

Contingent liabilities and irrevocable commitments (€1,000)	2022	2021
Total	**1,141,437**	**1,266,372**
Guarantees, etc.	97,713	107,314
Unused credit facilities	998,019	1,101,320
Other irrevocable commitments	45,706	57,738

For several group companies, guarantees of €304.1 million (2021: €397.6 million) have been issued. It is impossible to predict whether, when and how much of these contingent liabilities will be claimed.

Contingent assets

In 2021, Van Lanschot Kempen reported a potential contingent asset for VAT repayments related to the calculation of VAT returns for the 2014-21 period.

In November 2022, the Supreme Court overturned the ruling of the Den Bosch Court of Appeal, which brings the case to an end, and no VAT repayments will be forthcoming.

The following movements are related to the gross carrying amount of the contingent liabilities and the irrevocable commitments. These figures only include IFRS 9-related items and do not therefore reconcile with the table above.

Changes in gross carrying amount of Guarantees and loan commitments in 2022 (€1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January	798,591	124,001	2,006	924,597
Additions or releases without transfer	-238,766	64,131	-67	-174,702
Transfer to Stage 1	42,914	-30,121	-12,860	-67
Transfer to Stage 2	-17,475	19,802	-1,913	414
Transfer to Stage 3	-12,839	-3,253	16,092	—
New financial assets originated or purchased	103,519	—	—	103,519
At 31 December	**675,944**	**174,560**	**3,258**	**853,761**

The following tables show the contingent items (contingent liabilities and irrevocable commitments) based on their remaining contractual terms to maturity at the reporting date.

For each transaction that we have guaranteed, the maximum guaranteed amount is included in the relevant term bucket.

For each obligation arising from an irrevocable commitment, the committed amount is classified in the relevant term bucket.

Contractual maturity of contingent items at 31/12/2022 (€1,000)	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Total	**16,143**	**95,163**	**14,747**	**24,492**	**990,892**	**1,141,437**
Guarantees	271	5,333	11,083	21,061	59,965	97,713
Unused credit facilities	15,872	89,830	3,664	2,131	886,521	998,018
Other irrevocable commitments	—	—	—	1,300	44,406	45,706

Contractual maturity of contingent items at 31/12/2021 (€1,000)	Withdrawable on demand	< 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Total	**1,508**	**248,756**	**11,394**	**40,488**	**964,226**	**1,266,372**
Guarantees	1,508	4,827	10,322	31,692	58,965	107,314
Unused credit facilities	—	243,929	1,072	6,015	850,304	1,101,320
Other irrevocable commitments	—	—	—	2,781	54,957	57,738

Notes to the consolidated statement of income

23. Net interest income

Net interest income (€1,000)	2022	2021
Total interest income	**254,167**	**233,908**
Interest income on cash equivalents	560	2
Interest income on balances at central banks	13,804	4,035
Interest income on public and private sectors	194,033	197,378
Interest income on financial assets at fair value through other comprehensive income	2,010	217
Interest income on other financial assets at amortised cost	10,554	3,929
Interest income calculated using the effective interest method	**220,961**	**205,561**
Interest income on financial assets at fair value through profit or loss	757	110
Interest income on derivatives	19,543	22,383
Other interest income	12,906	5,854
Other interest income	**33,206**	**28,347**

Interest expense (€1,000)	2022	2021
Total interest expense	**102,546**	**85,460**
Interest expense on balances at central banks	7,217	9,394
Interest expense on public and private sectors	24,358	18,756
Interest expense on issued debt securities	16,667	10,072
Interest expense on subordinated loans	16,487	10,767
Interest expense on financial assets at fair value through other comprehensive income	–	1,072
Interest expense calculated using the effective interest method	**64,730**	**50,059**
Interest expense on financial assets at fair value through profit or loss	–	167
Interest expense on derivatives	24,936	28,135
Other interest expense	12,880	7,099
Other interest expense	**37,816**	**35,401**
Net interest income	**151,621**	**148,448**

In 2022, net interest income was €3.2 million higher than in 2021.

The interest income on balances at central banks consists of the interest received on overnight deposits at DNB as well as the negative interest paid on the TLTRO III loan recognised under Due to banks. The loan was repaid in December 2022.

The interest result on loans subject to impairment was €1.0 million (2021: €1.8 million).

24. Income from securities and associates

Income from securities and associates (€1,000)	2022	2021
Total	**7,830**	**69,050**
Income from associates using the equity method	8,942	12,489
Realised result of associates using the equity method	7,424	16,255
Realised and unrealised gains/losses on investments at fair value through profit or loss	-8,300	34,456
Other gains on sales	-236	5,850

Income from securities and associates decreased by €61.2 million, mainly due to realised and unrealised gains on investments at fair value through profit or loss. These were significantly down on full 2021, reflecting a negative market performance and lower gains on sales.

25. Net commission income

Net commission income (€1,000)	2022	2021
Total	**407,662**	**385,960**
Securities commissions	23,371	28,355
Management commissions	326,956	301,503
Cash transactions and funds transfer commissions	5,896	5,379
Corporate Finance and Equity Capital Markets commissions	44,598	42,866
Other commissions	6,841	7,857

26. Result on financial transactions

Result on financial transactions (€1,000)	2022	2021
Total	**3,633**	**-15,634**
Gains/losses on securities trading	-127	1,692
Gains/losses on currency trading	11,002	8,667
Gains/losses on derivatives under hedge accounting	9,346	-6,055
Realised gains/losses on financial assets at fair value through other comprehensive income	-2,850	2,824
Gains/losses on economic hedges/hedge accounting not applied	-35,140	18,834
Gains/losses on financial assets and liabilities at fair value through profit or loss	21,402	-41,596

Compared with 2021, result on financial transactions was up by €19.3 million. This result was mainly driven by three items. First, positive results on hedges for the management book in 2022 at €11.5 million (2021: -€9.5 million). Second, ineffectiveness in our hedge accounting model €9.3 million (2021: -€6.1 million).

And last, the agreement we mentioned earlier – on the transfer of the remaining shares held with the 30% minority shareholders of Mercier Vanderlinden – resulted in a loss of €18.7 million, which is recognised under the line item Gains/losses on financial assets and liabilities at fair value through profit or loss.

27. Other income

Other income (€1,000)	2022	2021
Total	**7,332**	**10,580**
Net sales	9,220	14,164
Cost of sales	-1,888	-3,584

Other income comprises net sales and cost of sales from non-strategic investments arising from debt conversion. In certain cases, where a company has not been able to repay a corporate loan granted by Van Lanschot Kempen, the loan has been converted into a shareholding, thus giving the company time to recover.

28. Staff costs

Staff costs (€1,000)	2022	2021
Total	**310,631**	**284,506**
Salaries and wages	228,706	216,008
Pension costs for defined contribution schemes	26,740	24,551
Pension costs for defined benefit schemes	2,638	2,899
Other social security costs	23,625	21,026
Share-based payments for variable remuneration	6,158	4,696
Other staff costs	22,764	15,326

In 2022, we introduced a partnership plan for key senior employees. The discount on the partnership plan contribution in 2022 amounted to €0.8 million and is included under Other staff costs. The partnership investment incentive amounted to €0.2 million in cash and to €0.4 million in share-based payments, which are included under line items Salaries and wages and Share-based payments for variable remuneration respectively.

In 2022, share-based payments added €3.3 million to equity (2021: €2.1 million). Of the total expenses arising from share-based payments, €2.6 million is included in Salaries and wages (2021: €1.4 million). Pension costs for defined contribution schemes include €1.5 million for Management Board members (2021: €1.5 million).

The number of staff at year-end 2022 was 1,967 (2021: 1,828). The average number of staff in full-time equivalents was 1,765 (2021: 1,696), as shown below:

Average number of staff (FTEs) during the year	2022	2021
Total	**1,765**	**1,696**
Netherlands	1,519	1,484
Belgium	173	148
Other	73	65

Conditional depositary receipts for shares are granted to staff both under the variable remuneration policy for identified staff and the long-term share plan (LTP).

Conditional depositary receipts for shares granted to staff (excluding Management Board) (€1,000)	2022	2021
At 1 January	92,541	112,224
Granted	49,640	43,994
Vested	-41,479	-61,320
Forfeited rights	-2,662	-2,357
At 31 December	**98,040**	**92,541**

The fair value is determined based on the volume-weighted day price for depositary receipts for Class A ordinary shares on the second trading day after release of Van Lanschot Kempen's annual figures. The fair value is equal to the share price less the discounted value of expected dividends during the vesting period. Depositary receipts granted in 2022 had a weighted average fair value of €16.89 (2021: €16.41).

In 2022, 14,003 conditional depositary receipts for shares were granted under the LTP to a number of senior managers other than members of the Management Board (2021: 8,096).

Long-term share plan

The long-term share plan allows us to award variable remuneration to certain key employees, including identified staff. It offers a special type of variable remuneration in which the total variable pay takes the form of depositary receipts for Class A Van Lanschot Kempen shares. For the LTP, 60% of the Van Lanschot Kempen shares are awarded immediately and unconditionally, while 40% are awarded conditionally over a period of three years for LTP plans before 2022. For LTP plans from 2022 onwards, 40% are awarded conditionally over a period of four years.

Conditional depositary receipts for shares will vest if:
(i) Van Lanschot Kempen's financial position allows this in the year of vesting;
(ii) Risks have been reviewed and no material, unforeseen risks have occurred; and
(iii) The individual has not left the company in the three- or four-year period.

Conditional variable remuneration can be revised down if so prompted by risks and performances identified later (malus).

Employees do not receive any dividends during the vesting period. If an employee ceases to be employed by Van Lanschot Kempen within this period, their rights will be forfeited, except in limited circumstances judged on an individual basis.

A proportion (around 50%) of the conditionally awarded depositary receipts is used to pay income tax.

29. Other administrative expenses

Other administrative expenses (€1,000)	2022	2021
Total	**123,460**	**123,884**
Accommodation expenses	9,544	9,070
Marketing and communication	8,758	7,239
Office expenses	4,224	5,800
IT expenses	37,371	37,300
External auditors' fees	4,632	4,001
Consultancy fees	13,852	16,051
Travel and hotel fees	3,187	1,169
Information providers' fees	17,672	14,382
External service provider charges	10,066	10,189
Other	14,153	18,682

Consultancy fees relate to advisory services (business consultancy, tax) and the implementation and maintenance of software and hardware.

Fees charged by our external independent auditor and their network of offices are presented including VAT and can be broken down as follows :

Fees charged by external independent auditors in 2022 (€1,000)	PwC Netherlands	Other PwC network firms	Total auditors
Total	**3,453**	**861**	**4,314**
Financial statements audit fee	2,565	861	3,427
Fee for other audit services	405	–	405
Tax advisory services	–	–	–
Other non-audit assurance fees	483	–	483

Fees charged by external independent auditors in 2021 (€1,000)	PwC Netherlands	Other PwC network firms	Total auditors
Total	**3,109**	**427**	**3,536**
Financial statements audit fee	2,288	378	2,666
Fee for other audit services	469	–	469
Tax advisory services	–	–	–
Other non-audit assurance fees	352	49	401

This is a summary of the services rendered by our external independent auditor PricewaterhouseCoopers Accountants NV and its network:

- Financial statements audit;
- Financial statements audit for funds managed by Van Lanschot Kempen Investment Management NV;
- Statutory audit of controlled and related entities;
- Audit of the regulatory returns to be submitted to De Nederlandsche Bank;
- ISAE 3402 type II engagement in respect of (semi-) institutional clients administering asset management services of Van Lanschot Kempen NV and Van Lanschot Kempen Investment Management NV;
- Non-audit assurance engagements on safeguarding client assets and non-financial information;
- Agreed-upon procedures regarding interest rate risk;
- Review procedures on the condensed consolidated report in the context of Article 26.2 of Capital Requirements Regulation No. 575/2013 as of 31 December 2022;
- Non-audit assurance engagement cost price models for the Dutch Authority for the Financial Markets (AFM);
- Comfort letters issued as part of funding transactions and based on Dutch Accounting Standard 3850N;
- Reasonable assurance engagement regarding the third series of the targeted longer-term refinancing operations (TLTRO III);
- DGS ISAE 3402 Type II.

Fees from other external auditors amounted to €318K (2021: €464K).

30. Depreciation and amortisation

Depreciation and amortisation (€1,000)	2022	2021
Total	**31,543**	**29,401**
Buildings	1,987	2,102
Right-of-use assets – buildings	8,362	8,420
Right-of-use assets – transport equipment	3,220	3,437
IT, operating system software and communications equipment	2,378	2,849
Application software	653	1,006
Intangible assets arising from acquisitions	14,447	10,649
Results on disposals of property and equipment	-94	-121
Other depreciation and amortisation	589	1,060

31. Impairments

Impairments (€1,000)	2022	2021
Total impairments	**-6,534**	**-17,837**
Cash and cash equivalents and balances at central banks	0	0
Due from banks	1	–
Financial assets at fair value through other comprehensive income	-279	-89
Loans and advances to the public and private sectors	-6,832	-12,058
Other financial assets at amortised cost	42	-5
Financial guarantees and loan commitments	-654	470
Impairment of financial instruments	**-7,722**	**-11,682**
Investments in associates using the equity method	–	-6,455
Property and equipment	1,188	299
Other impairments	**1,188**	**-6,156**

The release from loan loss provisions fell by €5.2 million in 2022 compared with the previous year. This was due to a reduced need for loan provisioning and quality of loans for which a provision had already been taken, thus releasing part of the provision. See "Risk management", under 3.8, Loss allowance for expected credit loss for more information on impairments related to financial instruments.

Investments in associates using the equity method includes impairments on investments whose realisable values are below their carrying amounts.

Property and equipment includes impairments on office buildings whose estimated realisable values are below their carrying amounts.

32. Income tax

Income tax (€1,000)	2022	2021
Operating profit before tax	118,979	178,450
Total gross result	**118,979**	**178,450**
Prevailing tax rate in the Netherlands	25.8%	25.0%
Tax	34,678	34,643
Total tax	**34,678**	**34,643**
Expected tax on the basis of the prevailing tax rate in the Netherlands	30,696	44,613
Increase/decrease in tax payable due to:		
Non-deductible interest	527	209
Tax-free income from securities and associates	3,022	-11,698
Taxed release of tax reserves	—	927
Non-deductible costs	2,663	1,767
Non-deductible losses	669	-287
Adjustments to taxes for prior financial years	-892	-193
Impact of foreign tax rate differences	-203	317
Addition/(release) deferred tax assets	-98	640
Other changes	-1,706	-1,652
	3,982	**-9,970**
Total tax	**34,678**	**34,643**

This tax amount consists of the tax expense for the financial year on the operating result as disclosed in the statement of income, also allowing for any tax relief facilities. When determining the tax amount, we have applied currently existing tax rules. Changes in the effective tax rate were mainly due to the equity holding exemption, deductibility of coupon payments on our AT1 instrument and non-deductible costs. In both 2021 and 2022, the effective tax rate also changed as a result of changes to the statutory tax rate in the Netherlands (2021) and in the UK (2022).

Key income tax components (€1,000)	2022	2021
Total	**34,678**	**34,643**
Standard tax	44,312	33,934
Income/expense from foreign tax rate differences	203	-317
Income/expense from changes in deferred tax assets	-4,640	-740
Income/expense from changes in deferred tax liabilities	-6,089	1,573
Income/expense from prior-year adjustments	892	193

The breakdown of deferred tax assets and liabilities (including tax rate adjustments) through the statement of income is as follows:

Deferred tax assets (€1,000)	2022	2021
Total	**-4,639**	**-740**
Employee benefits	-709	-149
Commissions	-43	-83
Property and equipment	-216	591
Lease liabilities	-1,978	-676
Intangibles	—	-105
Tax-loss carry-forwards	-1,907	-418
Other	214	100

Deferred tax liabilities (€1,000)	2022	2021
Total	**-6,089**	**1,573**
Property and equipment	-2,539	958
Intangible assets	-3,380	615
Other	-170	–

33. Earnings per ordinary share

Earnings per ordinary share	2022	2021
Net result (€1,000)	**84,301**	**143,807**
Share of AT1 capital securities (€1,000)	-6,750	-6,750
Share of other non-controlling interests (€1,000)	-146	-74
Net result for calculation of earnings per share (€1,000)	**77,405**	**136,983**
Weighted average number of ordinary shares in issue	40,706,137	40,910,434
Earnings per ordinary share (€)	1.90	3.35
Proposed dividend per ordinary share (€)	1.75	2.00

To calculate earnings per ordinary share, the number of ordinary shares consists solely of the weighted average number of shares in issue, ignoring any treasury shares held by the company.

34. Diluted earnings per ordinary share

Diluted earnings per ordinary share	2022	2021
Net result for calculation of diluted earnings per share (€1,000)	**77,405**	**136,983**
Weighted average number of ordinary shares in issue	40,706,137	40,910,434
Potential shares	1,821,443	114,594
Weighted average number of ordinary shares in issue, fully diluted	**42,527,580**	**41,025,029**
Diluted earnings per ordinary share (€)	1.82	3.34

Diluted earnings per ordinary share are calculated the same way as earnings per share, but taking into account the number of shares that could potentially cause dilution. Diluted earnings per ordinary share reflect the weighted average number of ordinary shares that would be in issue upon conversion into ordinary shares of all potential shares. Potential shares include shares to be issued related to the agreement made in December 2022 to accelerate the transfer of the remaining shares held with the 30% minority shareholders of Mercier Vanderlinden.

Related parties

In the normal course of business, we enter into various related party transactions. Parties are considered related if one party exercises control or has significant influence over the other party regarding financial or operating decisions. Parties related to us include our key management personnel, our subsidiaries, affiliates and parties with significant influence in Van Lanschot Kempen. These transactions are conducted at arm's length.

The Management Board comprises our key management personnel and is responsible for implementing our strategy and managing our activities (see "Management Board members").

Management Board remuneration (€1,000)	2022	2021
Fixed salary, amount in cash	2,888	2,828
Fixed salary, amount in shares	1,739	1,733
Extraordinary items[1]	858	445
Fixed payment for pension and disability insurance costs	1,508	1,487
Total remuneration	**6,993**	**6,493**
IFRS 2 expenses	291	199
Total staff cost	**7,284**	**6,692**

For transactions with key management personnel, see “Remuneration of the Management and Supervisory Boards”.

Affiliates (€1,000)	2022		2021	
	Income	Expenses	Income	Expenses
Stichting Pensioenfonds F. van Lanschot	985	–	1,055	–

Parties with significant influence in Van Lanschot Kempen

On the basis of regulatory guidelines, entities with a shareholding of at least 5% in Van Lanschot Kempen are parties with significant influence in Van Lanschot Kempen.

The table below shows the year-end income and expenditure relating to these parties in the statement of income and the statement of financial position.

Parties with significant influence in Van Lanschot Kempen in 2022 (€1,000)	Income	Expenses	Amount receivable	Amount payable
Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen	–	–	–	61
Romij BV	–	–	–	–
LDDM Holding BV	12	–	–	1,343
Janus Henderson Group plc	–	–	–	–

Van Lanschot Kempen did not grant any loans or guarantees to parties with significant influence in Van Lanschot Kempen in 2022 or 2021.

[1] Constant Korthout stepped down as a member of the Management Board on 1 September 2022 and is entitled to a (one year gross salary) severance payment of €787,000. He received remuneration under the same conditions for the remainder of 2022. An amount of €71,000 for Maarten Edixhoven in 2022 relates to deferred compensation for lapsed rights to variable remuneration at his previous employer. The extraordinary item in 2021 relates to a sign-on payment in cash of €250,000, a sign-on payment in shares of €100,000 and deferred compensation for lapsed rights to variable remuneration at Maarten Edixhoven's previous employer of €95,000.

Parties with significant influence in Van Lanschot Kempen in 2021 (€1,000)	Income	Expenses	Amount receivable	Amount payable
Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen	–	–	–	42
LDDM Holding BV	6	–	–	1,132
Romij BV	–	–	–	–
Janus Henderson Group plc	–	–	–	–

List of shareholders

Based on the requirements of Section 5.3 of the Dutch Financial Supervision Act, the following notifications have been recorded in the major interests register held by the Dutch Authority for the Financial Markets (AFM). The percentages reflect the number of shares on the register on the dates listed and the current number of shares. This list includes the notifications until 31 December 2022.

Shareholder	Notification date	Interest
Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen	24 May 2013	96.80%

Depositary receipt holders	Notification date	Interest
Romij BV	31 March 2022	10.05%
LDDM Holding BV	3 June 2014	9.68%
Janus Henderson Group plc	17 October 2016	5.56%
FMR LLC	7 July 2016	4.96%
J.B. Meulman	15 September 2021	3.02%

Disclosure is required once a shareholder's interest reaches or exceeds certain threshold values, and it should be noted that current stakes of listed shareholders and/or depositary receipt holders may have changed since notification date. Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen currently holds more than 99.99% of the Class A ordinary shares.

For transactions in associates, see "Disclosures of interest in other entities".

Disclosure of interests in other entities

Key judgements and assumptions
We rely on key judgements and assumptions when determining control and significant influence. We have included these under the headings “Basis of consolidation” and “Summary of significant accounting policies”.

Interests in subsidiaries
The consolidated statement of financial position and statement of income comprise subsidiaries and entities in which Van Lanschot Kempen has control, but exclude the names of relatively minor subsidiaries and entities.

Subsidiaries (%)	2022	2021
F. van Lanschot Bankiers (Schweiz) AG	100	100
Kempen Finance BV	n/a	100
Kempen Dutch Inflation Fund I NV	100	n/a
Van Lanschot Kempen Investment Management NV (before 22 December 2022: Kempen Capital Management BV)	100	100
Van Lanschot Kempen Bewaarder NV (before 31 December 2022: Kempen Bewaarder NV)	100	100
Van Lanschot Kempen AM NL BV (before 31 December 2022: Kempen AM NL BV)	100	100
Van Lanschot Kempen (USA) Inc. (before 22 November 2022: Kempen & Co USA Inc.)	100	100
Van Lanschot Participaties BV	100	100
Beheermaatschappij "Orthenstraat" BV	100	100
Foton BV	n/a	100
BV Beleggingsmaatschappij De Gevulde Trom	n/a	100
Sapphire Investments BV	100	100
Beheers en Beleggings Compagnie Silva Ducis BV	n/a	100
Van Lanschot Mezzaninefonds II BV	n/a	100
Vakan BV	n/a	100
Quion 17 BV	100	100
Efima Hypotheken BV	100	100
LansOG Beheer BV	100	100
Hof Hoorneman NV	100	100
St. Custodian Van Lanschot Kempen Partnership	–	n/a
Mercier Vanderlinden Asset Management NV (70% stake)	100	100

Consolidated structured entities controlled by Van Lanschot Kempen
In the consolidated statement of financial position, we consolidate structured entities. These are designed in such a way that the voting rights are not the dominant factor in deciding who controls the entity, and the relevant activities are governed by contractual arrangements. Van Lanschot Kempen is exposed to substantially all of the risk of the structured entity and thereby controls it. Therefore, these structured entities do not qualify as a transfer of financial assets and are not derecognised from our statement of financial position.

We consolidate the following structured entities:
- Van Lanschot Conditional Pass-Through Covered Bond Company BV
- Van Lanschot Conditional Pass-Through Covered Bond Company 2 BV
- Van Lanschot Kempen SB Covered Bond Company BV.

Conditional Pass-Through Covered Bond Programme (CPTCB)
Van Lanschot Kempen established a CPTCB programme in March 2015. Investors have a dual recourse claim: initially against Van Lanschot Kempen, and, in the event of the bank’s failure, against a pool of cover assets. In April 2015, we launched the first bond of €500 million (maturity of seven years: coupon of 0.275%). The second bond of €500 million was placed in March 2016 (maturity of seven years: coupon of 0.375%) and the third bond of €500 million was placed in February 2017 (maturity of ten years: coupon of 0.875%). All bonds were placed with institutional investors.

Conditional Pass-Through Covered Bond Programme 2 (CPTCB2)
Van Lanschot Kempen established a retained CPTCB programme in July 2019. In September 2019, the bank launched the first bond of €300 million (maturity of five years: coupon of 0.4%). All bonds were retained.

Van Lanschot Kempen soft bullet covered bond programme

Van Lanschot Kempen established a soft bullet covered bond programme in March 2022. In June 2022, the bank launched the first bond of €500 million (maturity of five and a half years: coupon of 2.5%). All bonds were placed with institutional investors.

The tables below show the total amounts of the mortgage loans involved in each covered bond programme.

	31/12/2022		31/12/2021	
	Fair value	Carrying amount	Fair value	Carrying amount
Total	**2,063,721**	**2,296,648**	**2,259,340**	**2,127,663**
Conditional Pass-Through Covered Bond Programme	1,123,293	1,259,599	1,879,285	1,767,512
Conditional Pass-Through Covered Bond Programme 2	317,479	352,870	380,055	360,151
Soft Bullet Covered Bond Programme	622,949	684,179	n/a	n/a

Van Lanschot Kempen provides no financial or other support to the covered bond entities, and has no intention of providing such support.

Non-consolidated structured entities

Asset-backed securities are classified as financial assets at fair value through other comprehensive income. These investments are structured entities. We do not consolidate these because Van Lanschot Kempen is not substantially exposed to all of the risk of the structured entity. The table below shows Van Lanschot Kempen's investments in non-consolidated structured entities and the total income from these investments. The Investments column shows the carrying value as recognised in the consolidated statement of financial position.

Van Lanschot Kempen has no other interests in non-consolidated structured entities such as commitments, guarantees, provisions, derivatives or other obligations. The maximum exposure to non-consolidated structured entities is equal to the acquisition cost and amounted to €285.7 million at 31 December 2022 (2021: €368.1 million).

Van Lanschot Kempen is not required to provide financial or other support to non-consolidated structured entities, and has no intention of providing such support.

Non-consolidated structured entities 2022 (€1,000)	Interest income	Comprehensive income	Total income	Investments
Total	**848**	**-963**	**-116**	**280,686**
Asset-backed securities	848	-963	-116	280,686

Non-consolidated structured entities 2021 (€1,000)	Interest income	Comprehensive income	Total income	Investments
Total	**306**	**-1,979**	**-1,673**	**364,082**
Asset-backed securities	306	-1,979	-1,673	364,082

Non-controlling interests

The consolidated statement of financial position and statement of income include a number of non-controlling interests; a list of non-controlling interests in Van Lanschot Kempen subsidiaries is provided below.

Non-controlling interests (€1,000)	31/12/2022	31/12/2021
Total	**146**	**64**
Consolidated investment funds	146	64

Van Lanschot Kempen's minority interests are recognised under non-controlling interests as part of equity.

Changes in non-controlling interests (€1,000)	2022			2021		
	Non-controlling interests	Undistributed profit attributable to non-controlling interests	Total	Non-controlling interests	Undistributed profit attributable to non-controlling interests	Total
At 1 January	-10	74	**64**	-158	85	-73
Profit appropriation	74	-74	**—**	85	-85	—
Dividend	-76	—	**-76**	-58	—	-58
Result for the reporting period	—	146	**146**	—	74	74
Other changes	12	—	**12**	120	—	120
At 31 December	**—**	146	**146**	**-10**	**74**	**64**

Consolidated investments

The table below provides aggregated information on consolidated investments.

Financial information consolidated investments (€1,000)	2022	2021
Total assets	191	81
Total liabilities	18	1
Equity attributable to shareholders	35	17
Equity attributable to non-controlling interests	138	64
Total income from operating activities	215	66
Total expenses	33	12
Taxes	—	—
Net income	182	54
Of which attributable to shareholders	36	11
Of which attributable to non-controlling interests	146	43

Associates

Investments in associates using the equity method

As part of our investment policy, we invest in medium-sized companies in the Netherlands, only holding minority interests of between 20% and 49%. These investments are classified as investments in associates using the equity method.

The table below shows the largest investments in associates based on the carrying amount.

In 2022, no investments were sold.

Name	Activities	Head office	Interest
Bolster Investments Coöperatief UA	Bolster is a long-term investor specialising in taking minority shareholdings of 20-50% in private companies and pursuing a flexible, long-term investment horizon, allowing its companies' portfolios to achieve their long-term growth potential.	Amsterdam	29.75%
Bolster Investments II Coöperatief UA	Bolster II is a long-term investor specialising in taking minority shareholdings of 20-50% in private companies and pursuing a flexible, long-term investment horizon, allowing its companies' portfolios to achieve their long-term growth potential.	Amsterdam	22.00%
Langosta BV	Langosta participates in financing companies.	Amsterdam	47.74%
Movares Group BV	Movares provides engineering and consultancy services in the fields of mobility, infrastructure, spatial planning and transport systems.	Utrecht	32.64%
OGD Beheer BV	OGD provides ICT services to medium-sized and large companies, public and semi-public and non-profit organisations. Its services include service management, outsourcing, software development and ICT training.	Delft	31.30%
Ploeger Oxbo Holding BV	Ploeger Oxbo develops, manufactures and sells a wide range of specialist harvesting equipment to customers across the world.	Roosendaal	11.87%
Tecnotion Investment BV	Tecnotion designs, produces and sells linear motors across the world, to the semiconductor, electronics, LCD, automotive and robotics industries among other sectors.	Almelo	37.98%

Aggregated financial information of associates for which Van Lanschot Kempen applies the equity method (€1,000)	2022		2021	
	Associates, equity method	Attributable to Van Lanschot Kempen	Associates, equity method	Attributable to Van Lanschot Kempen
Total	**320,447**	**95,573**	**292,261**	**82,324**
Current assets	237,848	45,211	186,808	38,321
Non-current assets	430,152	92,431	414,877	89,574
Current liabilities	-117,679	-24,818	-84,382	-20,169
Non-current liabilities	-229,874	-34,056	-225,042	-32,343
Goodwill		10,090		10,297
Impairments		–		–
Other		6,715		-3,356
Other financial information				
Dividend received		3,096		6,838
Income from operational activities		11,064		10,999
Share of net income		16,000		28,374
Unrecognised share of losses		117		117
Comprehensive income		–		–

The table below shows the income and expenses that we report in the statement of income and the positions included in the statement of financial position, as well as guarantees issued at year-end in respect of these entities.

Transactions with Investments in associates using the equity method (€1,000)	2022	2021
Income	9	9
Amount payable	3,035	854
Guarantees	36,490	47,204

Loans granted to entities in which we exercise significant influence but do not have decisive control are granted on market terms and secured on collateral provided. No impairments were applied to the receivables in either 2022 or 2021.

Van Lanschot Participaties

Investments using the equity method are managed by Bolster Investment Partners. As part of its direct holdings, Van Lanschot Participaties issues subordinated loans and cumulative preference shares, while it also invests in a portfolio of equity funds. In addition, Van Lanschot Participaties is the controlling shareholder of Allshare, which is consolidated in the Van Lanschot Kempen financial statements.

The table below shows Van Lanschot Participaties' financial impact on the consolidated statement of financial position and statement of income. The table does not include information about controlling interests.

Van Lanschot Participaties (€1,000)						
Investment activity	Item	Carrying value	Interest	Income from securities and associates	Impairments	Total
Direct investment	Investment in associates using the equity method	40,174	–	9,730	–	**9,730**
Shareholdings	Financial assets at fair value through profit or loss	1,623	127	–	–	**127**
Fund investment	Financial assets at fair value through profit or loss	472	–	308	–	**308**
Total		**42,269**	**127**	**10,038**	**–**	**10,165**

Joint ventures in which Van Lanschot Kempen is a partner

We have no joint ventures.

Commitments

IT and other contracts

Van Lanschot Kempen has entered into several IT contracts, e.g. for hiring services and capacity, and for licensing and maintenance of our systems. Our future contractual payment commitments for IT contracts amount to €30.8 million (2021: €39.4 million) and exclusively consist of intangible asset expenditures.

Early termination of these contracts could result in additional costs. Potential exit fees are linked to the remaining term of the contracts.

Future payments for IT and other contracts (€1,000)	2022	2021
Total	**96,176**	**42,070**
Within 1 year	36,139	17,236
1 to 5 years	60,037	24,834
More than 5 years	–	–

The increase in Future payments for IT and other contracts was mainly due to new other contracts.

Segment information

As a specialist wealth manager, we serve the entire spectrum of client groups, ranging from private clients to institutional investors and corporates. Key to our strategy is the ability to adapt quickly to changing client needs and market circumstances.

Private Clients
Private Clients offers private clients and entrepreneurs a broad range of products in the private banking market, while also focusing on business professionals and executives, healthcare professionals, family businesses, foundations and associations. The activities of Evi van Lanschot, Van Lanschot Kempen's online investment coach, are integrated in this segment and specifically target mass affluent individuals and millennials.

Wholesale & Institutional Clients
Wholesale & Institutional Clients focuses on a range of investment strategies and offers fiduciary services to Dutch and international clients such as banks, wealth managers, family offices, pension funds and insurers.

Investment Banking Clients
Investment Banking Clients offers specialist services including equities research and trading, mergers & acquisitions services, capital market transactions and debt advisory services to corporate and institutional investors.

Other
These comprise activities in the fields of interest rate, market and liquidity risk management, structured products activities, and staff departments, as well as the activities of Van Lanschot Participaties/Bolster and consolidated investments.

Operating segments in 2022 (€ million)	Private Clients	Wholesale & Institutional Clients	Investment Banking Clients	Other	Total
Statement of income					
Net interest income	144.7	0.0	0.0	7.0	**151.6**
Income from securities and associates	–	–	0.0	7.9	**7.8**
Net commission income	270.4	78.4	55.9	2.9	**407.7**
Result on financial transactions	-15.5	-0.2	-0.9	20.3	**3.6**
Other income	–	–	–	7.3	**7.3**
Total income from operating activities	**399.6**	**78.2**	**54.9**	**45.4**	**578.1**
Staff costs	99.3	10.5	26.0	174.8	**310.6**
Other administrative expenses	57.8	8.8	8.3	48.5	**123.5**
Allocated expenses	118.0	56.0	10.5	-184.5	**–**
Depreciation and amortisation	14.8	0.7	0.3	15.6	**31.5**
Impairments	-7.5	–	–	0.9	**-6.5**
Total expenses	**282.5**	**76.0**	**45.2**	**55.4**	**459.1**
Operating result before tax	**117.1**	**2.2**	**9.7**	**-10.0**	**119.0**

Operating segments in 2021 (€ million)	Private Clients	Wholesale & Institutional Clients	Investment Banking Clients	Other	Total
Statement of income					
Net interest income	135.2	0.0	0.0	13.2	**148.4**
Income from securities and associates	–	–	2.7	66.3	**69.1**
Net commission income	244.3	81.4	55.9	4.4	**386.0**
Result on financial transactions	-2.9	0.0	2.1	-14.8	**-15.6**
Other income	–	–	–	10.6	**10.6**
Total income from operating activities	**376.7**	**81.4**	**60.7**	**79.7**	**598.4**
Staff costs	93.6	10.1	24.0	156.9	**284.5**
Other administrative expenses	62.0	6.7	8.3	46.9	**123.9**
Allocated expenses	106.2	54.2	9.3	-169.7	**–**
Depreciation and amortisation	11.2	0.8	0.3	17.1	**29.4**
Impairments	-10.6	–	–	-7.2	**-17.8**
Total expenses	**262.3**	**71.8**	**41.9**	**43.9**	**420.0**
Operating result before tax	**114.3**	**9.6**	**18.8**	**35.8**	**178.5**

The tables below give additional information on the geographical spread of income from operations.

Geographical segments in 2022 (€ million)	Netherlands	Belgium	Other	Total
Statement of income				
Total income from operating activities	**476.9**	**76.1**	**25.1**	**578.1**
Of which income from other segments	-1.7	1.0	0.7	–
Statement of financial position				
Due from banks	55.6	–	–	55.6
Investments in associates using the equity method	103.3	–	–	103.3
Total non-current assets[1]	**158.9**	**–**	**–**	**158.9**

Geographical segments in 2021 (€ million)	Netherlands	Belgium	Other	Total
Statement of income				
Total income from operating activities	**522.1**	**54.6**	**21.8**	**598.4**
Of which income from other segments	-2.6	1.6	1.0	–
Statement of financial position				
Due from banks	27.0	–	–	27.0
Investments in associates using the equity method	82.4	–	–	82.4
Total non-current assets[1]	**109.4**	**–**	**–**	**109.4**

Country-by-country reporting on a consolidated basis at 31 December 2022

Country	Name of main subsidiary	Nature of activities	Average number of staff (FTEs)	Total income from operating activities (€ million)	Operating result before tax (€ million)	Income tax (€ million)	Government subsidies (€ million)
Total			**1,765**	**578.1**	**119.0**	**-34.7**	**–**
Netherlands	VLK NV	Wealth management	1,519	476.9	100.4	-28.1	–
Belgium	VLK NV branch	Wealth management	173	76.1	20.5	-5.9	–
Switzerland	F. van Lanschot Bankiers (Schweiz) AG	Wealth management	35	14.7	2.3	-0.5	–
United Kingdom	VLK Investment Management (UK) Ltd (formerly: KCM UK Ltd)	Asset management	31	6.1	-4.7	-0.1	–
United States	VLK (USA) Inc. (formerly: Kempen & Co USA Inc.)	Securities trading and research distribution	4	2.9	0.4	-0.1	–
France	VLK Investment Management NV branch (formerly: Kempen Capital Management NV branch)	Asset management	2	0.8	0.0	0.0	–
Sweden	VLK NV cross-border activity	Investment banking	1	0.5	0.0	0.0	–

[1] Other than financial instruments, deferred tax assets and post-employment assets.

Country-by-country reporting on a consolidated basis at 31 December 2021							
Country	**Name of main subsidiary**	**Nature of activities**	**Average number of staff (FTEs)**	**Total income from operating activities (€ million)**	**Operating result before tax (€ million)**	**Income tax (€ million)**	**Government subsidies (€ million)**
Total			**1,696**	**598.4**	**178.5**	**-34.6**	**–**
Netherlands	VLK NV	Wealth management	1,484	522.1	165.1	-30.7	–
Belgium	VLK NV branch	Wealth management	148	54.6	15.6	-4.4	–
Switzerland	F. van Lanschot Bankiers (Schweiz) AG	Wealth management	33	12.4	1.7	-0.4	–
United Kingdom	KCM UK Ltd	Asset management	26	5.0	-5.2	1.3	–
United States	Kempen & Co USA Inc.	Securities trading and research distribution	4	3.3	1.1	-0.4	–
France	Kempen Capital Management NV branch	Asset management	1	0.7	0.0	0.0	–
Sweden	VLK NV cross-border activity	Investment banking	1	0.4	0.0	0.0	–

Profit appropriation

If the annual general meeting of shareholders approves the dividend proposal as included in these financial statements, the appropriation of net result will be as follows:

Profit appropriation (€1,000)	2022	2021
Total	**77,405**	**136,983**
Addition to reserves	3,213	55,289
Dividend on Class A ordinary shares	74,192	81,694

Remuneration of the Management and Supervisory Boards

For further details of remuneration received in 2022, see "Remuneration report" on page 87.

Total remuneration of the individual members of the Management Board (€1,000)[1]

Management Board member	Year	Fixed salary amount in cash	Fixed salary amount in shares[2]	Total fixed salaries	Extra ordina ry items	Pension and disability insurance	Total remuneratio n	IFRS 2 expenses[3]	Total staff cost
Maarten Edixhoven[4]	2022	830	388	1,217	71	397	1,684	78	1,763
	2021	201	97	298	445	97	840	22	862
Jeroen Kroes[5]	2022	158	104	262	–	85	348	24	372
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Wendy Winkelhuijzen[6]	2022	158	104	262	–	85	348	24	372
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Arjan Huisman	2022	475	312	787	–	256	1,043	47	1,090
	2021	456	312	768	–	251	1,019	36	1,055
Richard Bruens	2022	475	312	787	–	256	1,043	47	1,090
	2021	456	312	768	–	251	1,019	36	1,055
Erik van Houwelingen[7]	2022	475	312	787	–	256	1,043	47	1,090
	2021	456	312	768	–	251	1,019	36	1,055
Constant Korthout[8]	2022	317	208	525	787	171	1,483	23	1,506
	2021	456	312	768	–	251	1,019	36	1,055
Karl Guha[9]	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2021	601	291	892	–	291	1,183	33	1,216

1 To be able to make a comparison between 2022 and 2021, the same definition of total remuneration has been used (total fixed salary plus pension and disability insurance). Business expenses have not been included.

2 A proportion of fixed salary is paid in the form of Van Lanschot Kempen shares. Maarten Edixhoven received 17,041 shares (2021: 7,985 shares from 1 October 2021), Jeroen Kroes and Wendy Winkelhuijzen received 5,091 shares from 1 September 2022, Constant Korthout received 9,155 shares until 1 September 2022 (2021: 14,565 shares) while the other members of the Management Board each received 13,732 shares (2021: 14,565 shares). The number of shares granted is based on the average share price for the first four trading days in January (in September for Jeroen Kroes and Wendy Winkelhuijzen). For 2022, the average share price amounted to €22.74 in January (2021: €21.44) and €20.44 in September. IFRS takes the share price at grant date as the basis for recognition. This price also amounted to €22.74 in 2022 (2021: €21.44).

3 Share-based payments have a lock-up period of five years, allowing Van Lanschot Kempen to provide a discount of 18.5% on the shares.

4 The extraordinary item in 2022 (€71,000) relates to deferred compensation for lapsed rights to variable remuneration at Maarten Edixhoven's previous employer. The extraordinary item in 2021 relates to a sign-on payment in cash of €250,000, a sign-on payment in shares of €100,000 and deferred compensation of €95,000 for lapsed rights to variable remuneration at Maarten Edixhoven's previous employer.

5 Jeroen Kroes was appointed CFO on 1 September 2022.

6 Wendy Winkelhuijzen was appointed CRO on 1 September 2022.

7 Remuneration reported as of 1 January 2021; Erik van Houwelingen was appointed as a member of the Management Board on 27 May 2021.

8 Constant Korthout stepped down as a member of the Management Board on 1 September 2022 and is entitled to a (one year gross salary) severance payment of €787,000. He received remuneration under the same conditions for the remainder of 2022.

9 Karl Guha resigned as Chairman of the Management Board on 1 October 2021. He received remuneration under the same conditions for the remainder of 2021.

Number of depositary receipts for shares held by Management Board members in 2022	At 1 January	At 1 September 2022	Bought/awarded	Sold/post-employment	At 31 December
Maarten Edixhoven	4,947	–	20,181	–	25,128
Jeroen Kroes	–	15,871	3,154	–	19,025
Wendy Winkelhuijzen	–	7,588	3,154	–	10,742
Constant Korthout (until 1 September 2022)	80,780	86,452	5,672	–	n/a
Arjan Huisman	60,393	–	11,633	–	72,026
Richard Bruens	76,742	–	11,633	–	88,375
Erik van Houwelingen	24,894	–	11,633	–	36,527
Total	**247,756**	**109,911**	**67,060**	**–**	**251,823**

Loans to Management Board members at 31 December 2022 (€1,000)	At 31 December	Repaid in the year	Interest range	Type
Maarten Edixhoven	–	–	–	–
Jeroen Kroes	343	7	1.35%	Mortgage
Wendy Winkelhuijzen	381	14	1.85-2.05%	Mortgage
Arjan Huisman	–	–	–	–
Richard Bruens	2,333	36	1.10-1.56%	Mortgage
Erik van Houwelingen	1,995	20	1.45-2.10%	Mortgage
Total	**5,052**	**77**	**–**	**–**

Loans to Management Board members at 31 December 2021 (€1,000)	At 31 December	Repaid in the year	Interest range	Type
Maarten Edixhoven	–	–	–	0
Constant Korthout	675	–	1.25% - 1.70%	Mortgage
Arjan Huisman	–	–	–	–
Richard Bruens	2,369	29	1.40% - 1.90%	Mortgage
Erik van Houwelingen	2,015	10	1.45% - 2.10%	Mortgage
Total	**5,059**	**39**		

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

Remuneration of the Supervisory Board (€1,000)	2022	2021
Frans Blom	117	111
Manfred Schepers	95	95
Bernadette Langius	80	80
Maarten Muller	76	76
Lex van Overmeire	85	85
Karin Bergstein	77	77
Brigitte Boone (from 22 September 2021)	76	19
Jeanine Helthuis (until 27 May 2021)	–	35
Total	**606**	**578**

No loans or advances had been granted to members of the Supervisory Board at 31 December 2022 and 31 December 2021.

The company and its subsidiaries only grant personal loans, guarantees etc. to Supervisory Board members as part of normal operations and in keeping with conditions laid down in financial services regulations. Any such loans or guarantees are subject to the approval of the Supervisory Board. Loans are not forgiven.

Events after the reporting period

On 2 February 2023, we announced a strategic partnership with Robeco and the acquisition of Robeco's online investment platform – which will be joined with Evi van Lanschot. At year-end 2022, both platforms combined had €6.0 billion in AuM held for around 150,000 clients.

The transaction will have a negative impact on Van Lanschot Kempen’s CET 1 ratio of approximately 0.4 percentage points. A two-year integration path is anticipated, and is expected to involve one-off costs of between €8 million and €11 million. The combined platform is expected to break even by 2025 and to start making a positive contribution to Van Lanschot Kempen’s net profit thereafter. The transaction is expected to be completed in June 2023, subject to any regulatory approvals that may be required.

2022 Company financial statements

Company statement of financial position

Company statement of financial position at 31 December (€1,000) **Before profit appropriation**		**2022**	**2021**
Assets			
Cash and cash equivalents and balances at central banks	1	3,032,415	3,612,849
Government paper eligible for central bank refinancing	2	407,056	555,851
Due from banks	3	210,186	196,500
Loans and advances to the public and private sectors	4	9,193,697	8,849,639
Debt instruments	5	2,621,028	1,905,420
Equity instruments	6	19,211	31,980
Investments in group companies	7	328,841	361,725
Investments in associates using the net asset value method	8	63,091	51,333
Goodwill and other intangible assets	9	210,673	217,313
Property and equipment	10	67,328	73,677
Other assets	11	74,489	34,047
Derivatives	12	544,561	247,957
Accrued assets	11	75,873	119,856
Total assets		**16,848,450**	**16,258,147**
Liabilities			
Due to banks	13	947,170	1,056,157
Public and private sector liabilities	14	12,051,519	11,159,260
Issued debt securities	15	1,816,014	1,979,339
Other liabilities	16	164,178	211,724
Derivatives	12	221,476	175,919
Accrued liabilities	16	64,374	44,326
Provisions	17	30,319	50,663
Subordinated loans	18	170,882	171,527
Total liabilities		**15,465,934**	**14,848,915**
Issued share capital		41,362	41,362
Treasury shares		-15,109	-11,853
Share premium reserve		262,658	323,719
Revaluation reserve		-19,513	1,939
Reserves required by law		44,795	36,105
Other reserves		888,838	779,289
Undistributed profit attributable to shareholders		77,799	136,983
Equity attributable to shareholders		**1,280,829**	**1,307,544**
AT1 capital securities		100,000	100,000
Undistributed profit attributable to holders of AT1 capital securities		1,688	1,688
Equity attributable to AT1 capital securities		**101,688**	**101,688**
Total equity	19	**1,382,517**	**1,409,232**
Total equity and liabilities		**16,848,450**	**16,258,147**
Contingent liabilities		370,299	476,352
Irrevocable commitments		1,041,299	1,153,297
Contingent liabilities and irrevocable commitments	20	**1,411,597**	**1,629,649**

The number beside each item refers to the Notes to the company statement of financial position.

Company statement of income

Company statement of income (€1,000)		2022	2021
Income from operating activities			
Interest income		244,421	217,952
Interest expense		107,051	88,365
Net interest income	22	**137,370**	**129,587**
Income from associates using the net asset value method		6,269	3,892
Other income from securities and associates		52,403	95,503
Income from securities and associates	23	**58,673**	**99,395**
Commission income		239,007	239,505
Commission expense		6,406	6,517
Net commission income	24	**232,601**	**232,988**
Result on financial transactions	25	**-7,325**	**-1,527**
Total income from operating activities		**421,318**	**460,443**
Expenses			
Staff costs	26	239,675	216,147
Other administrative expenses	27	61,934	67,882
Staff costs and other administrative expenses		**301,609**	**284,029**
Depreciation and amortisation	28	22,150	23,319
Operating expenses		**323,759**	**307,348**
Impairments of financial instruments		-7,547	-11,514
Other impairments		1,252	—
Impairments	29	**-6,295**	**-11,514**
Total expenses		**317,464**	**295,834**
Operating profit before tax		**103,854**	**164,609**
Income tax	30	19,305	20,876
Net result		**84,549**	**143,733**
Of which attributable to shareholders		78,880	136,983
Of which attributable to holders of AT1 capital securities		6,750	6,750

The number beside each item refers to the Notes to the company statement of income.

Company statement of changes in equity

Company statement of changes in equity in 2022 (€1,000) Before profit appropriation	Issued share capital	Treasury shares	Share premium reserve	Other reserves	Undistributed profit	**Total equity attributable to shareholders**	Equity attributable to AT1 capital securities	**Total equity**
At 1 January	**41,362**	**-11,853**	**323,719**	**817,333**	**136,983**	**1,307,544**	**101,688**	**1,409,232**
Net profit (as per company statement of income)	–	–	–	–	77,799	77,799	6,750	84,549
Total other comprehensive income	–	–	–	1,927	–	1,927	–	1,927
Total comprehensive income	**–**	**–**	**–**	**1,927**	**77,799**	**79,726**	**6,750**	**86,476**
Share plans	–	10,916	–	1,354	–	12,270	–	12,270
Shares to be issued	–	–	–	35,700	–	35,700	–	35,700
Profit appropriation	–	–	–	136,983	-136,983	–	–	–
Repurchased treasury shares	–	-14,172	–	–	–	-14,172	–	-14,172
To reserves required by law	–	–	–	–	–	–	–	–
Dividends/capital return	-61,076	–	–	-81,425	–	-142,501	-6,750	-149,251
To share capital	61,076	–	-61,076	–	–	–	–	–
Other changes	–	–	15	2,248	–	2,263	–	2,263
At 31 December	**41,362**	**-15,109**	**262,658**	**914,120**	**77,799**	**1,280,829**	**101,688**	**1,382,517**

Company statement of changes in equity in 2021 (€1,000) Before profit appropriation	Issued share capital	Treasury shares	Share premium reserve	Other reserves	Undistributed profit	**Total equity attributable to shareholders**	Equity attributable to AT1 capital securities	**Total equity**
At 1 January	**40,000**	**–**	**154,753**	**1,016,720**	**43,009**	**1,254,481**	**101,688**	**1,356,169**
Net profit (as per company statement of income)	–	–	–	–	136,983	136,983	6,750	143,733
Total other comprehensive income	–	–	–	7,315	–	7,315	–	7,315
Total comprehensive income	**–**	**–**	**–**	**7,315**	**136,983**	**144,298**	**6,750**	**151,048**
Share plans	–	–	–	-5,037	–	-5,037	–	-5,037
Profit appropriation	–	–	–	43,009	-43,009	–	–	–
Repurchased treasury shares	–	-11,853	–	11,853	–	–	–	–
To/from other reserves	1,362	–	168,966	-170,328	–	–	–	–
To reserves required by law	–	–	–	–	–	–	–	–
Dividends/capital return	–	–	–	-87,808	–	-87,808	-6,750	-94,558
Other changes	–	–	–	1,609	–	1,609	–	1,609
At 31 December	**41,362**	**-11,853**	**323,719**	**817,333**	**136,983**	**1,307,544**	**101,688**	**1,409,232**

Company financial statements: basis of preparation

The company financial statements of Van Lanschot Kempen NV ("Van Lanschot Kempen") have been prepared in accordance with the legal requirements as set out in Part 9, Book 2 of the Dutch Civil Code.

We have taken the option offered in Article 362 (8), Book 2 of the Dutch Civil Code to apply the same accounting principles of recognition, measurement and determination of profit in the company financial statements that are used for the preparation of the consolidated financial statements (including the accounting principles for the presentation of financial instruments as equity or liabilities). The line items Investments in group companies and Investments in associates are exceptions to this general rule; these are accounted for using the net asset value method.

The company financial statements are denominated in euros, Van Lanschot Kempen's functional and reporting currency. All amounts are in thousands of euros unless otherwise stated. The totals may not always match because rounding is applied.

Notes to the company statement of financial position

At 31 December

1. Cash and cash equivalents and balances at central banks

Cash and cash equivalents and balances at central banks (€1,000)	2022	2021
Total	**3,032,415**	**3,612,849**
Balances at central banks	2,856,560	3,488,213
Statutory reserve deposits at central banks	126,543	55,825
Amounts due from banks	49,312	68,811
Impairments	0	0

Statutory reserve deposits at central banks comprise balances at central banks within the scope of the minimum reserve requirement. We cannot use these balances in our day-to-day operations. See "Summary of significant accounting policies" for our other accounting policies on cash and cash equivalents.

2. Government paper eligible for central bank refinancing

Government paper eligible for central bank refinancing (€1,000)	2022		2021	
	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Total	**407,056**	**419,176**	**555,851**	**590,334**
Government paper at fair value	246,354	258,897	332,739	334,140
Government paper at amortised cost	160,701	160,279	223,112	256,194

Changes in government paper eligible for central bank refinancing (€1,000)	2022	2021
At 1 January	**555,851**	**886,365**
Purchases	252,527	178,749
Sales	-122,604	-330,248
Redemptions	-282,406	-170,300
Amortisation of premiums/discounts on debt instruments	-658	-2,405
Value changes to equity	4,375	-6,285
Value changes to profit and loss	-30	-25
At 31 December	**407,055**	**555,851**

The nominal value of government paper eligible for central bank refinancing amounted to €0.3 billion in 2022 (2021: €0.5 billion), while cumulative revaluation amounted to -€11.2 million (2021: -€0.2 million). Accumulated amortisation and impairments were nil (2021: nil). In 2022, €163.8 million of government paper eligible for central bank refinancing will be repayable on demand (2021: €254.7 million). In 2022 and 2021, we held no government paper eligible for central bank refinancing with an original maturity of less than two years.

The carrying amount of government paper serving as collateral to financial institutions amounted to €113 million (2021: €121 million) and to nil for group companies (2021: nil). We do not have free access to these debt instruments.

3. Due from banks

Due from banks (€1,000)	2022	2021
Total	**210,186**	**196,500**
Payable on demand	22,057	30,677
Other receivables	188,130	165,823
Impairments	-1	–

The line item Other receivables comprises deposits to the value of €46.4 million (2021: €16.0 million) serving as collateral for obligations arising from derivatives transactions.

Due from banks includes €110.6 million from group companies (2021: €143.7 million).

4. Loans and advances to the public and private sectors

Loans and advances to the public and private sectors (€1,000)	2022	2021
Total	**9,193,697**	**8,849,639**
Mortgage loans	6,477,167	6,115,938
Loans	2,293,402	1,878,991
Current accounts	761,226	831,182
Securities-backed loans and settlement receivables	6,937	23,197
Value adjustment fair value hedge accounting	-305,899	48,596
Loss allowance for expected credit losses	-39,137	-48,265

The credit risk in the company financial statements is similar to that described in the consolidated financial statements. For more information, see "Risk management", subsection 2, Credit risk.

Please refer to the consolidated financial statements' "Summary of significant accounting principles" for a more in-depth review of the criteria and the way in which we determine loss allowance for expected credit losses and the write-down of loans and advances to the public and private sectors.

Loans and advances to the public and private sectors include €631.6 million from group companies (2021: €796.3 million).

5. Debt instruments

Debt instruments (€1,000)	2022		2021	
	Carrying amount	Purchase price	Carrying amount	Purchase price
Total	**2,621,028**	**2,818,379**	**1,905,420**	**1,915,404**
Debt instruments at fair value	1,693,371	1,891,995	1,871,134	1,880,352
Debt instruments at amortised cost	927,657	926,384	34,286	35,052

Changes in debt instruments (€1,000)	2022	2021
At 1 January	**1,905,420**	**2,259,669**
Purchases	1,329,708	655,400
Sales	-92,423	-581,916
Redemptions	-382,956	-404,451
Amortisation of premiums/discounts on debt instruments	-5,289	-10,585
Value changes to equity	-133,708	-9,962
Value changes to statement of income	-620	181
Other changes	896	-2,916
At 31 December	**2,621,029**	**1,905,420**

The cumulative revaluation amounted to -€114.6 million in 2022 (2021: €3.7 million). Accumulated amortisation and impairment was nil (2021: nil). The nominal value of these debt instruments amounted to €2.7 billion in 2022 (2021: €1.9 billion). Debt instruments from group companies were nil (2021: nil).

In 2022, debt instruments serving as collateral to DNB amounted to nil (2021: €425 million). The carrying amount of debt instruments serving as collateral to financial institutions amounted to €74 million (2021: €125 million) and to nil for group companies (2021: nil). These debt instruments are not freely available to us.

6. Equity instruments

Equity instruments (€1,000)	2022		2021	
	Fair value	Purchase price	Fair value	Purchase price
Total	**19,211**	**14,638**	**31,980**	**22,655**
Listed shares	16,783	12,453	29,704	20,568
Unlisted shares	2,428	2,185	2,276	2,087

Changes in equity instruments (€1,000)	2022	2021
At 1 January	**31,980**	**86,455**
Purchases	220	458
Sales	-12,870	-41,884
Value changes to statement of income	-117	2,791
Other changes	–	-15,840
At 31 December	**19,211**	**31,980**

We purchased 13% of these shares (2021: 7.0%), with the intention to hold them for an indefinite period.

7. Investments in group companies

Investments in group companies (€1,000)	2022	2021
Total	**328,841**	**361,725**
Subsidiaries – credit institutions	26,698	23,656
Other subsidiaries	302,144	338,069

Investments in group companies are measured in accordance with the net asset value method, with the share in the profit of these interests recognised under Other income from securities and associates in the company statement of income.

Changes in investments in group companies (€1,000)	2022	2021
At 1 January	**361,725**	**244,831**
Purchases	–	95,363
Liquidation	–	-4,512
Share of profit/(loss)	51,742	90,376
Revaluations	2,257	3,231
Dividend received	-88,403	-67,618
Other changes	1,520	53
At 31 December	**328,841**	**361,725**

Accumulated impairments stood at nil (2021: nil).

Name	Head office	Consolidated interest
F. van Lanschot Bankiers (Schweiz) AG	Zürich	100%
Van Lanschot Kempen Investment Management NV (before 22 December 2022: Kempen Capital Management NV)	Amsterdam	100%
Van Lanschot Kempen Bewaarder NV (before 31 December 2022: Kempen Bewaarder NV)	Amsterdam	100%
Van Lanschot Kempen AM NL BV (before 31 December 2022: Kempen AM NL BV)	Amsterdam	100%
Van Lanschot Kempen (USA) Inc. (before 22 November 2022: Kempen & Co USA Inc.)	East Hanover, New Jersey	100%
Van Lanschot Participaties BV	s-Hertogenbosch	100%
Beheermaatschappij "Orthenstraat" BV	s-Hertogenbosch	100%
Kempen Dutch Inflation Fund I NV	Amsterdam	100%
Sapphire Investments BV	Amsterdam	100%
Quion 17 BV	Capelle aan den IJssel	100%
Efima Hypotheken BV	s-Hertogenbosch	100%
LansOG Beheer BV	s-Hertogenbosch	100%
Hof Hoorneman NV	Amsterdam	100%
Mercier Vanderlinden Asset Management NV (70% stake with 100% consolidated interest)	Antwerp	100%

Entities in which Van Lanschot Kempen exercises control:
- Van Lanschot Conditional Pass-Through Covered Bond Company BV;
- Van Lanschot Conditional Pass-Through Covered Bond Company 2 BV;
- Van Lanschot Kempen SB Covered Bond Company BV.

All investments in group companies are unlisted holdings.

8. Investments in associates using the net asset value method

Investments in associates using the net asset value method (€1,000)	2022	2021
Total	**63,091**	**51,333**
Investments in associates	63,091	51,333

Investments in associates are measured in accordance with the net asset value method, with the share in the profit of these interests recognised under Income from securities and associates using the net asset value method in the company statement of income.

Changes in investments in associates (€1,000)	2022	2021
At 1 January	51,333	37,027
Purchases	10,864	12,556
Sales	-5,375	-2,142
Share of profit/(loss)	6,269	3,892
At 31 December	**63,091**	**51,333**

Accumulated impairments stood at nil (2021: nil).

Name	Head office	Interest
Bolster Investments Coöperatief UA	Amsterdam	29.75%
Bolster Investment II Coöperatief UA	Amsterdam	22.00%

Bolster Investments Coöperatief UA and Bolster Investments II Coöperatief UA are unlisted investments.

9. Goodwill and other intangible assets

Goodwill and other intangible assets (€1,000)	2022	2021
Total	**210,673**	**217,313**
Goodwill	176,761	176,761
Brand names	3,066	3,832
Other intangible assets	30,846	36,720

The goodwill shown above represents goodwill arising from acquisitions. For the impairment test, this goodwill is allocated to the relevant cash-generating units. In 2022, the impairment test did not result in a goodwill impairment.

Additional information on the impairment test is included in Note 10, Goodwill and other intangible assets, in the consolidated financial statements. Other intangible assets relate to client relationships and application software.

Changes in goodwill and other intangible assets in 2022 (€1,000)	Goodwill	Brands	Other intangible assets	Total
At 1 January	**176,761**	**3,832**	**36,720**	**217,313**
Additions	–	–	–	–
Amortisation	–	-767	-5,873	-6,640
Impairments	–	–	–	–
At 31 December	**176,761**	**3,066**	**30,846**	**210,673**
Historical cost	176,761	15,330	57,826	249,917
Accumulated amortisation and impairments	–	-12,264	-26,980	-39,244
Net carrying amount at 31 December	**176,761**	**3,066**	**30,847**	**210,674**

Changes in goodwill and other intangible assets in 2021 (€1,000)	Goodwill	Brands	Other intangible assets	Total
At 1 January	**100,090**	**4,599**	**42,679**	**147,368**
Additions	76,671	–	24	76,695
Amortisation	–	-767	-5,983	-6,750
Impairments	–	–	–	–
At 31 December	**176,761**	**3,832**	**36,720**	**217,313**
Historical cost	176,761	15,330	115,433	307,524
Accumulated amortisation and impairments	–	-11,498	-78,713	-90,211
Net carrying amount at 31 December	**176,761**	**3,832**	**36,720**	**217,313**

10. Property and equipment

Property and equipment (€1,000)	2022	2021
Total	**67,328**	**73,677**
Buildings	22,221	22,979
Right-of-use – buildings	28,880	35,799
Right-of-use – transport equipment	6,633	7,409
Other property and equipment	8,043	7,007
Work in progress	1,551	484

Changes in property and equipment in 2022 (€1,000)	Buildings	Right-of-use – buildings	Right-of-use – transport equipment	Other property and equipment	Work in progress	Total
At 1 January	22,979	35,799	7,409	7,007	484	**73,677**
Additions	2,402	924	2,444	3,764	1,067	**10,602**
Disposals	–	–	–	-20	–	**-20**
Depreciation	-1,909	-7,843	-3,220	-2,708	–	**-15,679**
Impairments	-1,252	–	–	–	–	**-1,252**
At 31 December	**22,221**	**28,880**	**6,633**	**8,043**	**1,551**	**67,327**
Historical cost	45,089	37,060	11,932	24,668	1,551	**120,299**
Accumulated depreciation and impairments	-22,868	-8,179	-5,299	-16,625	–	**-52,971**
Net carrying amount at 31 December	**22,221**	**28,880**	**6,633**	**8,043**	**1,551**	**67,328**

Changes in property and equipment in 2021 (€1,000)	Buildings	Right-of-use – buildings	Right-of-use – transport equipment	Other property and equipment	Work in progress	Total
At 1 January	24,858	40,892	7,242	8,375	–	**81,367**
Additions	60	3,047	3,604	2,087	484	**9,282**
Disposals	–	–	–	-282	–	**-282**
Depreciation	-1,938	-8,140	-3,437	-3,174	–	**-16,689**
At 31 December	**22,979**	**35,799**	**7,409**	**7,007**	**484**	**73,677**
Historical cost	44,146	60,376	18,276	71,683	484	**194,964**
Accumulated depreciation and impairments	-21,979	-24,577	-10,867	-64,676	–	**-121,287**
Net carrying amount at 31 December	**22,979**	**35,799**	**7,409**	**7,007**	**484**	**73,677**

The line item Buildings is related to real estate in own use.

We have entered into lease contracts for buildings – including service fees and rent for any parking spaces – as well as car lease and computer lease contracts. These contracts are recognised as right-of-use assets.

Other property and equipment comprises information technology, furniture and fixtures, and communications and safety equipment.

For more information about property and equipment, see the consolidated financial statements “Summary of significant accounting principles”.

11. Other assets and accrued assets

Other assets relate to current tax assets (2022: -€0.1 million; 2021: €0.0 million), deferred tax assets (2022: €12.6 million; 2021: €6.2 million) and amounts receivable, such as debtors, suspense accounts and intercompany assets.

Accrued assets relate to interest receivables, commission receivables and transitory items.

All current receivables fall due in less than one year. The fair value of the receivables approximates the carrying amount due to their short-term nature and the fact that provisions for bad debt are recognised, where necessary.

12. Derivatives

Derivatives (€1,000)			
At 31 December 2022	**Asset**	**Liability**	**Contract amount**
Total	544,561	221,476	5,827,679
Derivatives used for trading purposes	30,587	30,587	30,587
Derivatives used for hedge accounting purposes	454,513	81,929	4,682,528
Other derivatives	59,562	108,961	1,114,564
At 31 December 2021	**Assets**	**Liabilities**	**Contract amount**
Total	**247,957**	**175,919**	**5,229,997**
Derivatives used for trading purposes	44,267	44,057	44,267
Derivatives used for hedge accounting purposes	67,106	8,213	3,761,000
Other derivatives	136,584	123,649	1,424,730

We use derivatives for both trading and hedging purposes. This note shows both the positive and negative market values of the derivatives, as well as their notional values.

The following types of derivatives are used: interest rate, currency and equity derivatives, as well as forward contracts.

13. Due to banks

Due to banks (€1,000)	2022	2021
Total	**947,170**	**1,056,157**
Liabilities withdrawable on demand	414,091	564,575
Other liabilities	533,079	491,582

Due to banks includes €560.5 million from group companies (2021: €555.4 million).

14. Public and private sector liabilities

Public and private sector liabilities (€1,000)	2022	2021
Total	**12,051,519**	**11,159,260**
Savings		
Savings withdrawable on demand	2,465,595	2,129,136
Savings not withdrawable on demand	131,455	77,606
Total savings	**2,597,050**	**2,206,742**
Other public and private sector liabilities		
Other public and private sector liabilities withdrawable on demand	8,459,778	8,284,765
Other public and private sector liabilities not withdrawable on demand	994,692	667,753
Total other public and private sector liabilities	**9,454,470**	**8,952,518**

Savings include all deposit and savings accounts held by private individuals and not-for-profit organisations.

Public and private sector liabilities include €42.4 million from group companies (2021: €142.0 million).

15. Issued debt securities

Issued debt securities (€1,000)	2022	2021
Total	**1,816,014**	**1,979,339**
Listed debt securities	1,424,406	1,522,446
Unlisted debt securities	391,608	456,893

Changes in issued debt securities (€1,000)	2022	2021
At 1 January	1,979,339	2,210,766
Purchases	572,609	153,606
Sales	-9,527	-322,245
Redemptions	-583,410	-99,481
Amortisation of premiums/discounts on debt instruments	-132	1,758
Revaluations	-142,813	34,935
At 31 December	**1,816,066**	**1,979,339**

This item consists of debt instruments with rates of interest that are either fixed or variable, in so far as not subordinated. In 2022, a bond of €500 million was redeemed and a new bond of €500 million was issued. In 2023, €509 million of these debt securities will mature (2022: €583.4 million). The discount on issued debt securities amounted to €3.7 million (2021: €3.5 million) and is included in the item's carrying value.

16. Other liabilities and accrued liabilities

Other liabilities relate to lease liabilities, tax liabilities and amounts payable such as creditors, accruals and intercompany liabilities.

Lease liabilities stood at €39.0 million (2021: €46.4 million). Payments not included in the lease liability measurement amounted to €0.7 million (2021: -€0.1 million).

Accrued liabilities relate to interest payable and other accruals.

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term nature.

Van Lanschot Kempen NV forms a corporate income tax group with BV Beleggingsmaatschappij De Gevulde Trom, Beheermaatschappij “Orthenstraat” BV, Foton BV, , Langosta BV, Van Lanschot Participaties BV, Efima Hypotheken BV, Van Lanschot Kempen Investment Management NV, Van Lanschot Kempen AM NL BV, Kempen Dutch Inflation Fund I NV, Quion 17 BV, Sapphire Investments BV, LansOG Beheer BV, Hof Hoorneman NV and Hof Hoorneman Fund Management NV. Under the standard conditions, the members of the tax group are jointly and severally liable for any taxes payable by the corporate income tax group.

17. Provisions

Provisions (€1,000)	2022	2021
Total	**30,319**	**50,663**
Pension provision	22,149	37,794
Other provisions	8,170	12,869

The pension provision is a long-term obligation on behalf of employees in our entities and branches. We operate both defined benefit and defined contribution schemes. For more information about these schemes, see Note 17, Provisions, in the consolidated financial statements.

Other provisions comprise provisions taken for restructuring, the jubilee benefits scheme, the interest rate derivatives recovery framework, employee discounts, financial guarantees and loan commitments, and all other provisions. These provisions are 56% long-term (2021: 49%) and 44% short-term (2021: 51%). For more information about other provisions, see Note 17, Provisions, in the consolidated financial statements.

18. Subordinated loans

Subordinated loans (€1,000)	2022	2021
Total	**170,882**	**171,527**
Inflation-linked subordinated bond 08/33	25,706	25,831
Inflation-linked subordinated bond 08/38	26,137	26,243
Inflation-linked subordinated bond 08/43	52,895	53,080
2.000% subordinated bond 03/32	49,846	49,810
Other subordinated loans	16,298	16,563

Changes in subordinated loans (€1,000)	2022	2021
At 1 January	171,527	172,479
Redemptions	-113	-113
Amortisation of premiums/discounts on debt instruments	-416	-607
Other changes	-115	-233
At 31 December	**170,882**	**171,527**

Subordinated loans provide solvency capital for Van Lanschot Kempen. Holders of our subordinated loans have a position in our capital structure between senior claims and share capital. This implies that, in the event of liquidation or bankruptcy, a holder of a subordinated bond will only be repaid after all senior claims have been settled.

Depending on the instrument's terms and conditions, early repayment (at its nominal amount) may take place at the optional redemption date and all subsequent interest payment dates.

Interest expenses on subordinated loans amounted to €16.5 million (2021: €10.8 million).

19. Total equity

Total equity (€1,000)	2022		2021	
Total		**1,382,517**		**1,409,232**
Equity attributable to shareholder				
Issued share capital		41,362		41,362
Treasury shares		-15,109		-11,853
Share premium reserve		262,658		323,719
Revaluation reserve	-19,513		1,939	
Actuarial results on defined benefit pension scheme	-29,523		-39,199	
Cash flow hedge reserve	-7,666		-8,318	
Own credit risk reserve	7,952		-4,876	
Reserves required by law	44,795		36,105	
Freely available reserves	918,075		831,682	
Other reserves		914,120		817,333
Undistributed profit attributable to shareholder		77,799		136,983
Total equity attributable to shareholder		**1,280,829**		**1,307,544**
Equity attributable to AT1 capital securities				
AT1 capital securities		100,000		100,000
Undistributed profit attributable to AT1 capital securities		1,688		1,688
Total equity attributable to AT1 capital securities		**101,688**		**101,688**

The reserves required by law comprise a reserve in the amount of the share in the positive income from associates of €41.2 million (2021: €33.0 million), a reserve for currency translation differences on associates and subsidiaries of €1.0 million (2021: €0.8 million) and a reserve required under the Articles of Association from subsidiaries of €2.6 million (2021: €2.4 million).

Tax effects on changes in the revaluation reserves amounted to €7.5 million negative in 2022 (2021: €0.4 million negative).

Liability capital comprises equity and subordinated loans, which are accounted for under non-current liabilities. At year-end 2022, this liability capital amounted to €1,453 million (2021: €1,479 million).

Distributable items (€1,000)	2022		2021	
Other reserves incl. retained earnings		914,120		817,333
Revaluation reserve	-19,513		1,939	
Actuarial results on defined benefit pension scheme	-29,523		-39,199	
Cash flow hedge reserve	-7,666		-8,318	
Own credit risk reserve	7,952		-4,876	
Reserves required by law	44,795		36,105	
Freely available reserves		918,075		831,682
Share premium reserve		262,658		323,719
Total distributable items		**1,180,733**		**1,155,401**

20. Contingent liabilities and irrevocable commitments

Contingent liabilities and irrevocable commitments (€1,000)	2022	2021
Total	**1,411,597**	**1,629,649**
Guarantees, etc.	370,299	476,352
Unused credit facilities	997,529	1,098,914
Other irrevocable commitments	43,770	54,384

At year-end 2022, issued guarantees for a number of group companies amounted to €276.9 million (2021: €372.1 million).

Contingent assets
In 2021, Van Lanschot Kempen reported a potential contingent asset for VAT repayments related to the calculation of VAT returns for the 2014-21 period. In November 2022, the Supreme Court overturned the ruling of the Den Bosch Court of Appeal, which brings the case to an end and no VAT repayments will be forthcoming.

21. Other notes to the statement of financial position

Contractual maturity of assets and liabilities
The tables below show the assets and liabilities based on their remaining contractual terms to maturity at the reporting date, without taking behavioural aspects into account. These amounts reconcile with the values presented in the company statement of financial position.

Contractual maturity of assets and liabilities at 31/12/2022 (€1,000)	Withdrawable on demand	< 3 months	≥ 3 months < 1 years	≥ 1 years < 5 years	≥ 5 years	Total
Assets						
Due from banks	22,094	114,810	21,280	45,050	6,953	**210,186**
Loans and advances to the public and private sectors	1,103,319	46,707	67,880	570,628	7,405,164	**9,193,697**
Total assets	**1,125,413**	**161,517**	**89,160**	**615,678**	**7,412,116**	**9,403,884**
Liabilities						
Due to banks	414,091	136,130	235,382	160,837	730	**947,170**
Public and private sector liabilities	10,932,786	455,860	390,225	104,555	168,093	**12,051,519**
Issued debt securities	—	436,445	72,113	773,818	533,638	**1,816,014**
Subordinated loans	—	—	—	16,298	154,584	**170,882**
Total liabilities	**11,346,877**	**1,028,435**	**697,721**	**1,055,509**	**857,045**	**14,985,586**

Contractual maturity of assets and liabilities at 31/12/2021 (€1,000)	Withdrawable on demand	< 3 months	≥ 3 months < 1 years	≥ 1 years < 5 years	≥ 5 years	Total
Assets						
Due from banks	30,677	125,381	20,337	13,322	6,783	**196,500**
Loans and advances to the public and private sectors	1,210,868	32,262	99,371	479,761	7,027,377	**8,849,639**
Total assets	**1,241,545**	**157,643**	**119,708**	**493,083**	**7,034,160**	**9,046,139**
Liabilities						
Due to banks	564,575	6,183	13,519	434,565	37,316	**1,056,157**
Public and private sector liabilities	10,586,575	270,115	36,559	96,716	169,295	**11,159,260**
Issued debt securities	—	11,417	526,227	868,941	572,755	**1,979,339**
Subordinated loans	—	—	—	16,563	154,964	**171,527**
Total liabilities	**11,151,150**	**287,714**	**576,305**	**1,416,785**	**934,330**	**14,366,284**

Financial instruments measured at fair value
The tables below show financial instruments designated at fair value through profit or loss. For a review of valuation models and techniques and for information about these instruments, see "Risk management", Section 14, Fair value.

Financial instruments at fair value at 31/12/2022 (€1,000)				
Item	**Fair value determination using listed market prices**	**Fair value determination using observable market inputs**	**Fair value determination using non-observable market inputs**	**Total**
Assets				
Government paper eligible for central bank refinancing	246,354	–	–	**246,354**
Debt instruments	2,618,745	2,283	–	**2,621,028**
Equity instruments	16,768	–	2,443	**19,211**
Derivatives (receivables)	30,586	513,566	408	**544,561**
Total assets	**2,912,453**	**515,849**	**2,851**	**3,431,154**
Liabilities				
Issued debt securities	2	1,761,327	54,685	**1,816,014**
Derivatives (liabilities)	30,587	182,648	8,241	**221,476**
Total liabilities	**30,589**	**1,943,975**	**62,926**	**2,037,490**

Financial instruments at fair value at 31/12/2021 (€1,000)				
Item	**Fair value determination using listed market prices**	**Fair value determination using observable market inputs**	**Fair value determination using non-observable market inputs**	**Total**
Assets				
Government paper eligible for central bank refinancing	332,739	–	–	**332,739**
Debt instruments	1,869,998	1,136	–	**1,871,134**
Equity instruments	29,704	–	2,276	**31,980**
Derivatives (receivables)	44,267	203,690	–	**247,957**
Total assets	**2,276,708**	**204,826**	**2,276**	**2,483,810**
Liabilities				
Issued debt securities	53	1,923,267	56,019	**1,979,339**
Derivatives (liabilities)	44,057	131,862	–	**175,919**
Total liabilities	**44,110**	**2,055,129**	**56,019**	**2,155,259**

The table below shows value changes recognised in profit or loss and in the revaluation reserve of financial instruments designated at fair value.

Value changes of financial instruments designated at fair value (€1,000)						
	2022			**2021**		
Item	**Value changes recognised in profit or loss**	**Value changes to revaluation reserve**	**Total value changes**	**Value changes recognised in profit or loss**	**Value changes to revaluation reserve**	**Total value changes**
Government paper eligible for central bank refinancing	-30	1,914	**1,884**	-25	-6,285	**-6,310**
Debt instruments	-620	-125,995	**-126,615**	181	-9,962	**-9,781**
Equity instruments	-117	–	**-117**	2,362	–	**2,362**
Derivatives	-36,651	–	**-36,651**	29,040	–	**29,040**
Issued debt securities	39,746	–	**39,746**	-36,450	–	**-36,450**
Total	**2,328**	**-124,081**	**-121,753**	**-4,892**	**-16,247**	**-21,139**

Financial instruments at amortised cost
The table below shows the nominal and fair values of financial instruments at amortised cost, with the exception of financial instruments where the nominal value is a reasonable approximation of the fair value. This includes positions arising from group companies. The fair value of financial instruments at amortised cost is taken as the amount for which the instrument could be exchanged in a commercial transaction between willing parties, other than in a forced or liquidation sale. If there is an active market, we use the market value to determine the fair value. For financial instruments for which no market prices are available, the fair values shown in the table are estimated on the basis of the present value or other estimation or valuation methods.

Financial instruments at amortised cost (€1,000)	2022		2021			
	Fair value	Carrying amount	Fair value	Carrying amount	Valued using	Valuation method
Assets						
Government paper eligible for central bank refinancing	157,214	160,701	226,357	223,112	Listed market prices	Listed market prices
Due from banks	208,257	210,186	195,918	196,500	Observable market inputs	Discounted cash flows using applicable money market rates
Loans and advances to the public and private sectors	8,670,181	9,193,697	9,095,340	8,849,639	Unobservable market inputs	Discounted cash flows using current market fees for comparable loans and taking into account the creditworthiness of the counterparty
Debt instruments						
– Other debt instruments at amortised cost	899,325	927,657	34,436	34,286	Listed market prices	Listed market prices
Total assets	**9,934,977**	**10,492,242**	**9,552,051**	**9,303,537**		
Liabilities						
Due to banks	947,990	947,170	1,055,990	1,056,157	Observable market inputs	Discounted cash flows using applicable money market rates for liabilities
Public and private sector liabilities	12,096,978	12,051,519	11,226,535	11,159,260	Unobservable market inputs	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk
Issued debt securities	1,346,005	1,342,131	1,426,738	1,418,865	Listed market prices	Quoted prices in active markets
Subordinated loans	172,073	170,882	220,153	171,527	Unobservable market inputs	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk
Total liabilities	**14,563,046**	**14,511,703**	**13,929,416**	**13,805,809**		

Commitments not recognised in the statement of financial position
Van Lanschot Kempen has entered into several IT contracts, e.g. for hiring services and capacity, and for licensing and maintenance of our systems. Our future contractual payment commitments for IT contracts amount to €30.8 million (2021: €39.4 million), of which €13.1 million (2021: €14.6 million) within one year and €17.7 million (2021: €24.8 million) between one and five years.

Van Lanschot Kempen has issued 403 statements pursuant to Article 403, Book 2, of the Dutch Civil Code for the following entities:
- Efima Hypotheken BV;
- Beheermaatschappij "Orthenstraat" BV;
- Van Lanschot Participaties BV.

Notes to the company statement of income

22. Net interest income

Net interest income (€1,000)	2022	2021
Total interest income	**244,421**	**217,952**
Interest income on cash equivalents	560	2
Interest income on balances at central banks	13,804	4,035
Interest income on public and private sectors	184,433	181,634
Interest income on derivatives	19,543	22,383
Other interest income	26,081	9,897

Interest expense (€1,000)	2022	2021
Total interest expense	**107,051**	**88,365**
Interest expense on balances at central banks	7,217	9,099
Interest expense on public and private sectors	25,338	19,573
Interest expense on issued debt securities	16,667	10,072
Interest expense on subordinated loans	16,487	10,767
Interest expense on derivatives	24,936	28,135
Other interest expense	16,406	10,719
Net interest income	**137,370**	**129,587**

Total interest income includes €15.5 million from group companies (2021: €6.2 million). Total interest expense from group companies amounted to €4.8 million (2021: €3.5 million).

23. Income from securities and associates

This item includes the income realised by associates and by securities, and other income related to associates and securities. The income from investments in group companies of €52.4 million (2021: €91.2 million) is included in Other income related to associates and securities.

24. Net commission income

Net commission income (€1,000)	2022	2021
Total	**232,601**	**232,988**
Securities commissions	19,058	24,073
Management commissions	156,943	155,244
Cash transactions and funds transfer commissions	5,882	5,370
Corporate Finance and Equity Capital Markets commissions	44,281	41,735
Other commissions	6,435	6,566

25. Result on financial transactions

Result on financial transactions (€1,000)	2022	2021
Total	**-7,325**	**-1,527**
Gains/losses on securities trading	-127	1,692
Gains/losses on currency trading	10,901	6,558
Gains/losses on derivatives under hedge accounting	9,346	703
Realised gains/losses on debt instruments	-2,850	2,780
Gains/losses on economic hedges – hedge accounting not applied	-45,998	28,336
Gains/losses on financial assets and liabilities at fair value through profit or loss	21,402	-41,596

26. Staff costs

The number of staff at year-end 2022 was 1,628 (2021: 1,512). The average number in staff in full-time equivalents was 1,452 (2021: 1,381). Of these, 204 were employed outside the Netherlands (2021: 184).

Staff costs (€1,000)	2022	2021
Total	**239,675**	**216,147**
Salaries and wages	173,702	162,029
Pension costs	24,312	22,487
Other social security costs	18,431	16,252
Other staff costs	23,231	15,379

27. Other administrative expenses

Other administrative expenses comprise IT expenses, accommodation expenses, costs of marketing and communication, consultancy fees, office expenses and other administrative expenses.

For more information about our external auditors' fees, see Note 29, Other administrative expenses, in the consolidated financial statements.

28. Depreciation and amortisation

This item includes the depreciation and amortisation on buildings, IT, operating system software and communications equipment, application software, intangible assets arising from acquisitions such as client relationships and brand names, results on disposals of property and equipment, and other depreciation and amortisation.

29. Impairments

This item comprises the recognised impairments on financial instruments and other impairments and reversals of such impairments.

30. Income tax

This item consists of the income tax expense for the financial year on the operating result as recognised in the statement of income, also allowing for any tax relief facilities. We have applied currently existing tax rules to determine the tax amount. The effective tax rate amounts to 18.3% (2021: 12.8%). Changes in the effective tax rate were mainly due to the equity holding exemption and non-deductible costs. The tax effect due to the deduction of coupon payments on our AT1 instrument is included in Other changes.

Income tax (€1,000)	2022	2021
Operating profit before tax	103,854	163,647
Prevailing tax rate in the Netherlands	25.8%	25.0%
Expected tax	26,794	40,912
Increase/decrease in tax payable due to:		
Tax-free interest	527	209
Tax-free income from securities and associates	-7,753	-21,562
Taxed release of tax reserves	–	927
Non-deductible costs	2,164	1,265
Adjustments to taxes for prior financial years	-856	-65
Impact of foreign tax differences	-65	–
Addition/(release) deferred tax assets	–	903
Other changes	-1,785	-1,712
	-7,768	**-20,036**
Total tax	**19,026**	**20,876**

Events after the reporting period

On 2 February 2023, we announced a strategic partnership with Robeco and the acquisition of Robeco's online investment platform – which will be joined with Evi van Lanschot. At year-end 2022, both platforms combined had €6.0 billion in AuM held for around 150,000 clients.

The transaction will have a negative impact on Van Lanschot Kempen's CET 1 ratio of approximately 0.4 percentage points. A two-year integration path is anticipated, and is expected to involve one-off costs of between €8 million and €11 million. The combined platform is expected to break even by 2025 and to start making a positive contribution to Van Lanschot Kempen's net profit thereafter. The transaction is expected to be completed in June 2023, subject to any regulatory approvals that may be required.

's-Hertogenbosch, 22 February 2023

Supervisory Board

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

Management Board

- Maarten Edixhoven, *Chair*
- Jeroen Kroes
- Wendy Winkelhuijzen
- Arjan Huisman
- Richard Bruens
- Erik van Houwelingen

2022
Other information

Independent auditor's report

To: the general meeting and the supervisory board of Van Lanschot Kempen N.V.

Report on the financial statements 2022

Our opinion

In our opinion, the financial statements of Van Lanschot Kempen N.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2022, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022 of Van Lanschot Kempen N.V., Den Bosch. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company statement of financial position as at 31 December 2022;
- the following statements for 2022: the consolidated and company income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

Independence

We are independent of Van Lanschot Kempen N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach to fraud risk and the audit approach to going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

Van Lanschot Kempen N.V. is an independent wealth manager whose purpose is the preservation and creation of wealth, in a sustainable way, for its clients and the society it serves. The Group operates its business through the client segments 'Private Clients', 'Wholesale & Institutional Clients', and 'Investment Banking Clients'. The Group is comprised of several components and therefore we have considered and assessed the group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In these considerations, we paid attention to, amongst others, the assumptions underlying the estimates impacted by physical and transition climate-related risks. In the section 'Summary of significant accounting principles', subsection 'Significant accounting judgements and estimates' of the financial statements, the Group describes areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the impairment allowances of loans and advances to the public and private sectors, the determination of the fair value of level 2 and 3 financial instruments, and the measurement of goodwill and other intangible assets, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

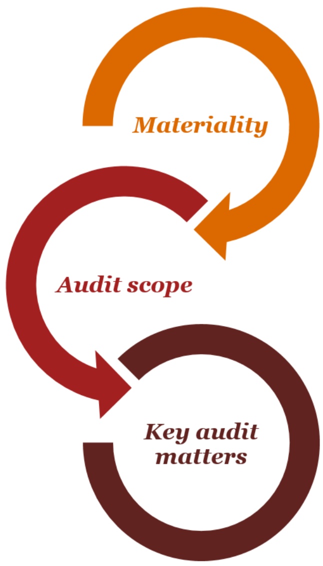
Furthermore, we identified the 'reliability and continuity of IT systems' as a key audit matter following the implicit significance of the reliability and continuity of information to the Group's operational, regulatory and financial reporting processes. Also, IT change initiatives (such as the implementation of digital solutions, moving infrastructure and applications to the cloud and the realisation of a more integrated IT environment across the Group) bring inherent operational and reputation risks that could also have an indirect and direct impact on the business and financial reporting processes of the Group. Since these change initiatives affect systems, (outsourcing) processes and the effectiveness of controls, they also affect the financial statements and consequently our audit.

In the section ‘Climate change and sustainability risks’ in the financial statements and the sections ‘Risk and capital management’ and ‘Our value creation – Natural capital’ in the directors’ report, the management board explains the possible effects of climate change and the impact on the financial position, as well as the Group’s targets and KPIs for further reducing its carbon footprint.
We discussed the Group’s assessment and governance thereof with management and evaluated the potential impact on the financial position including the underlying assumptions and estimates, most prominently in the valuation of the mortgage portfolio. The impact of climate change is not considered a separate key audit matter.

Other areas of focus, which were not considered as key audit matters, were, amongst others, the assessment of compliance with laws and regulations and our procedures in response to the risk of fraud and the accounting of the accelerated acquisition of the remaining 30% of the shares of Mercier Vanderlinden Asset Management N.V.

We ensured that the audit teams at both group and component level included the appropriate skills and competences that are needed for the audit of a wealth management organisation with banking operations and a Dutch banking license. We therefore involved experts and specialists in the areas of, amongst others: IT, accounting and valuation of financial instruments, hedge accounting, impairment assessment of goodwill, employee benefits and actuarial expertise, real estate valuation, taxation and sustainability.

The outline of our audit approach was as follows:



Materiality
- Overall materiality: €5.8 million (2021: €6 million).

Audit scope
- We conducted audit work at three locations. The group engagement team conducted audit work on the Dutch components in scope.
- Site visits were conducted to three countries: Belgium, Switzerland and the United Kingdom.
- Audit coverage: 92% of consolidated income from operating activities, 92% of consolidated total assets and 94% of consolidated profit before tax.

Key audit matters
- Impairment allowances of loans and advances to the public and private sectors
- Measurement of goodwill and other intangible assets
- Fair value measurement of level 2 and 3 financial instruments
- Reliability and continuity of IT systems.

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below.

These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€5.8 million (2021: €6 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of a three-year weighted average of profit before tax from continuing operations. The current and previous two years have been weighted, with current year receiving twice the weight in the measurement of materiality as we consider the current year to be more relevant.
Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. On this basis, we believe that profit before tax is an important metric for users of the financial statements to evaluate the financial performance of the Group.
Component materiality	Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between €1.9 million and €5.4 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them any misstatement identified during our audit above €290,000 (2021: €300,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Van Lanschot Kempen N.V. is the parent company of a group of entities. The financial information of this Group is included in the consolidated financial statements of Van Lanschot Kempen N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to provide an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls in place, and the markets in which the respective components of the Group operate. In establishing the overall group audit strategy and plan, we determined the work required to be performed at component level by the group engagement team and by each component auditor.

We determined our scope of the group audit to reflect relevant developments in the Group in 2022. Our audit primarily focused on the significant components of the Group being Van Lanschot Kempen N.V., Van Lanschot Kempen Investment Management N.V., Van Lanschot Belgian Branch and Mercier Vanderlinden Asset Management N.V. (all subject to a full scope (component) audit). Additionally, we selected three other components (Van Lanschot Participaties B.V., Quion 17 B.V. and Kempen Dutch Inflation Fund N.V.) for specified audit procedures to support the group audit and to achieve appropriate coverage on relevant financial statement line items in the consolidated financial statements. In prior year, Mercier Vanderlinden Asset Management N.V. was subject to specified audit procedures rather than a full scope audit.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	92%
Total assets	92%
Profit before tax	94%

None of the remaining components represented more than 4% of total group income from operating activities, total group assets or total group profit before tax. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work for the group entities Van Lanschot Kempen N.V., Van Lanschot Kempen Investment Management N.V., Van Lanschot Participaties B.V., Quion 17 B.V. and Kempen Dutch Inflation Fund N.V. For the components Van Lanschot Belgian Branch and Mercier Vanderlinden Asset Management N.V. we used component auditors to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their work to be able to conclude whether we have obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in scope of our audit. These instructions included amongst others, our risk analysis, materiality, the scope of the work and reporting requirements. We explained to the component audit teams the structure of the Group, the main developments that were relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had regular interaction with each of the in-scope component audit teams both during the year and upon conclusion of their work. During this interaction, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, that could be of relevance for the audit of the consolidated financial statements.

The group engagement team visits the component teams and local management on a rotational basis. In the current year, the group audit team visited both Belgian components given the relevance of these components to the consolidated financial statements, both in terms of business as well as financial contribution.

For each of these locations we joined the audit closing meetings and reviewed selected working papers. The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items such as: the measurement of derivative financial instruments, hedge accounting, the measurement of goodwill and other intangible assets, as well as the impairment allowances of loans and advances to the public and private sector.

Van Lanschot Kempen N.V. has outsourced various parts of its services to third parties amongst which: payment services, mortgage administration services and parts of its IT software management. In our assessment related to these service providers, we evaluated the design and tested the operating effectiveness of the internal controls in place at Van Lanschot Kempen N.V. over these outsourced services. Furthermore, where available, we evaluated the ISAE 3402 type 2 assurance reports issued by independent auditors and/or we performed additional substantive audit procedures ourselves.

By performing the procedures outlined above at the components, combined with additional procedures exercised at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, to provide a basis for our opinion on the financial statements.

Fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit, we obtained an understanding of the Group and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We refer to section 'Risk and capital management – Internal fraud' of the directors' report for management's fraud risk assessment in which the management board reflects on this fraud risk assessment.

We evaluated the design and relevant aspects of the Group's system of internal control and in particular the fraud risk assessment, as well as amongst others the code of conduct, whistle-blower procedures, incident registration and the Group's Systematic Integrity Risk Analysis (SIRA).
We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks. We performed inquiries of a selection of members of the management board and senior management to evaluate their fraud awareness, the group (internal) control environment in relation to fraud, the 'tone at the top' and entity-level controls.

As part of our process of identifying fraud risks, we evaluated, discussed and assessed fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether the respective fraud risk factors indicate that a risk of material misstatement due to fraud is present or should be defined in light of the audit of the financial statements.

Based on this assessment and an overall evaluation, we identified the following fraud risks and performed the following specific procedures:

Identified fraud risk	*Our audit work and observations*
The risk of management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls. In this respect, specific consideration may be given to: • the appropriateness of journal entries and other adjustments made in the preparation of the financial statements; • possible management bias in management estimates; and • significant transactions, if any, outside the normal course of business for the Group. In assessing the fraud risk and discussing and evaluating the interrelation between incentive/pressure, opportunity and rationalisation, we consider: 1. authenticity of documentation, 2. validity of respective data used, and 3. accuracy of calculations made in relation to management's estimates as an important cornerstone of our fraud-related specific audit work. We also considered the risk of management override of controls in relation to our audit work on IT systems and environment.	We evaluated the design and implementation of the internal control system in the processes of generating and processing journal entries, making estimates, managing and monitoring acquisitions and projects. We also paid specific attention to the access safeguards in the IT systems and the possibility that these lead to violations of the segregation of duties. We have selected journal entries based on risk criteria and conducted specific audit activities for these entries. These procedures include, amongst others, inspection of the entries to source documentation. We also performed fraud-related specific audit work on important estimates of management. In this context, we paid specific attention to the following estimates: • the measurement of the loans and advances to the public and private sector and corresponding loan-loss provisions; • the measurement of goodwill; and • the measurement of level 2 and 3 financial instruments. For an overview of audit procedures performed, including those related to fraud or error, we refer to the section 'Key audit matters'. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

Identified fraud risk	*Our audit work and observations*
The risk of fraud in revenue recognition (commission income) As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we evaluated which types of revenue transactions or assertions give rise to the risk of fraud in revenue recognition. The risk of fraud in revenue recognition for Van Lanschot Kempen N.V. is specifically identified in the commission income stream due to the diversity in calculations and agreements in place, specifically focused on the accuracy and cut-off risk. There is a high level of relatively smaller transactions and/or a high level of automation, but overall, this revenue stream incorporates a higher risk profile as compared to interest income, and therefore, we identified a fraud risk related to this revenue stream.	Where relevant to our audit, we assessed the design and tested the operating effectiveness of the internal control measures related to revenue recognition. This includes both automated controls (e.g. system calculations and segregation of duties in the core applications) and (IT-dependent) manual controls (e.g. monthly reconciliations). We also paid specific attention to the access safeguards in the relevant IT systems and the possibility that these could lead to breaches of the segregation of duties. For the relevant components of commission income, we designed substantive procedures that comprise for example: an independent recalculation based on the underlying net asset value and contractual conditions, testing of a sample of transactions with reconciliation to underlying supporting documentation (e.g. contract, invoices, bank statements) also covering the cut-off risk. As part of our journal entry testing, we have run queries to identify higher risk journal entries, specifically on the commission income streams, based on pre-defined risk criteria (unusual account combination) and we assessed their appropriateness through the substantiation with supporting evidence. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to revenue recognition (commission income).

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures, consistently evaluated the authenticity of audit evidence obtained and evaluated whether any findings were or could be indicative of fraud or non-compliance.

The above audit approach and procedures did not lead to indications for fraud potentially resulting in material misstatements in light of our financial statements audit.

Audit approach going concern

As disclosed in section 'Continuity' in the financial statements, the management board performed its assessment of the entity's ability to continue as a going concern for at least twelve months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks).

Our procedures to evaluate the management board's going-concern assessment included, amongst others:

- considering whether management's going-concern assessment includes all relevant information of which we are aware as a result of our audit and inquire of management regarding management's most important assumptions underlying its going-concern assessment; these assumptions include the capital and liquidity position, financial performance and current macroeconomic context and uncertainty;
- as the Group is a wealth management organisation with banking operations and a Dutch banking license, we evaluated the developments in respect of funding, liquidity and solvency of the Group and, where applicable, assessed these in light of the prudential requirements imposed by the Dutch Central Bank;
- evaluating management's 2023 budget and capital funding plan 2023–2025, current developments in the industry and all other relevant information of which we are aware as a result of our audit; and
- performing inquiries of management as to their knowledge of going-concern risks beyond the period of management's assessment.

Our procedures did not result in outcomes contrary to the management board's assumptions and judgements used in the application of the going-concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

Key audit matter	***Our audit work and observations***
Impairment allowances of loans and advances to the public and private sectors *See note 6 to the consolidated financial statements for the disclosures of loans and advances to the public and private sectors including impairment allowances, the section 'Impairments of financial assets' of the summary of significant accounting principles and subsection 3.8 of the 'Risk Management' section containing the disclosures in view of credit risk including the implications of the current macroeconomic environment and outlook and related uncertainties.* As at 31 December 2022, the gross loans and advances to the public and private sectors amount to €9,404 million (2021: €8,925 million). The impairment allowances amount to €40.0 million as at 31 December 2022 (2021: €49.5 million).	*Control design and operating effectiveness* We evaluated the design and tested the operating effectiveness of relevant controls, which included: • the loan origination process; • the internal credit risk management process to assess the loan quality classification including the identification of credit-impaired loans; • testing the operating effectiveness of relevant controls (e.g. controls around automated interfaces) that safeguard the completeness and accuracy of significant assumptions and data used; • management's review and approval process for timely, accurate and complete determination of stage 3 specific impairment allowances; and • management's review and approval process regarding the impairment models outputs, and any adjustments applied to the model results.

In accordance with the requirements of IFRS 9 'Financial instruments', the Group applies a three-stage expected credit loss impairment model. The Group determines loan impairments in stage 1 (allowance equal to twelve-month expected credit loss), and stage 2 (amount equal to the life-time expected credit loss) on a modelled basis. For stage 3 exposures, a case-by-case impairment allowance is determined.

Model methodology and inputs (stage 1 and 2)

For the modelled loan impairment allowance, the Group utilises the point-in-time probability of default (PD), the loss-given default (LGD), loss-given non-cure (LGN) and the exposure at default (EAD) models for the majority of its loan portfolio. The critical data as input for these models are derived from the core banking systems. Macroeconomic variables and global macroeconomic scenarios are incorporated as assumptions with the probability of the scenarios being weighted. In case specific macroeconomic aspects are not appropriately covered by the models due to inherent model limitations, a management model overlay is considered.

Stage 3 – specific impairment allowances

For each individually credit-impaired loan, the Group determines an impairment allowance based on management's most likely scenario taking into account assumptions and data such as: expected future cash flows and the value and recoverability of the corresponding collateral.

Judgements and estimation uncertainty

The judgements and estimation uncertainty in the impairment allowance of loans and advances is primarily linked to the following aspects:

- the identification of credit-impaired loans including the assessment of the significant increase of credit risk (triggering stage transfers);
- the determination of the future cash flows based on the appropriate use of key parameters (such as forward-looking information) and the valuation of the recoverable collateral for the specific loan-by-loan (stage 3) impairment allowance. Furthermore, the probability weighting of each impairment scenario in this category is subjective in nature;

Based on the testing of controls, we determined that it was appropriate to place reliance on the above controls for the purpose of our audit.

Assessment of impairment allowances stage 1 and 2

With support of our credit modelling experts, we tested management's estimate on the model-based impairment allowances (stage 1 and 2) by inquiry and evaluation of the applied model methodology, the model performance monitoring dashboard, the evaluation of the macroeconomic variables and the scenarios applied.

Considering the complexity of the models and assumptions, together with our credit modelling experts and IT specialists, we:

- verified and assessed the periodic model monitoring activities (i.e. IFRS 9 model monitoring report) ensuring model suitability;
- assessed change management policies;
- assessed the methodology applied in determining significant increases in credit risk;
- performed substantive procedures regarding the completeness and accuracy of relevant data (e.g. contractual terms of financial assets, macroeconomic predictions) and significant assumptions as part of the estimation process;
- determined whether the significant assumptions (e.g. macroeconomic variables and scenarios, PDs, LGDs, LGNs and EADs) used by management are appropriate in the context of the applicable financial reporting framework.

Together with our credit modelling experts, we specifically addressed the implications of the current macroeconomic environment and outlook and related uncertainties and we:

- performed inquiries of the departments Group Risk Management, Credit Restructuring & Recovery, and Finance, Reporting & Control;
- verified whether changes were needed and whether appropriate changes were made to models and underlying assumptions;
- assessed the sensitivity analysis performed by management related to, amongst others, the applied macroeconomic variables, scenarios and through that the recognised management overlay of €5.2 million.

- the assumptions regarding the PDs, LGDs, LGNs and EADs applied, including the assumptions applied in considering management overlays, if and when applicable.

Due to the degree of estimation uncertainty, the complexity and subjectivity of the credit impairment models used and the sensitivity to management assumptions, this area is subject to a higher risk of material misstatement due to error or fraud. Therefore, we consider the impairment allowances of loans and advances to the public and private sectors as a key audit matter in our audit.

Based on the above, we considered the methodology and inputs for the stage 1 and 2 models to be in line with market and industry practice.

Assessment of specific impairment allowances stage 3
Considering the inherent estimation uncertainty of individually credit-impaired loans, we performed risk-based sample testing from:
- the total loan portfolio; and
- the stage 3 population to gather evidence as to the correct classification of loans and the appropriate estimation for the impairment allowances applied.

The following judgemental areas were tested for the risk-based sample:
- nature and accuracy of the assumptions and data related to expected future cash flows with reference to the current economic environment;
- the valuation of the respective collateral (e.g. using appraisal reports and/or other information) with support of our valuation experts, with reference to industry standards and inspection of legal agreements and supporting documentation to confirm the existence and the legal right to collateral.

Based on the above, we considered the methodology and inputs in determining the stage 3 impairment allowances to be in line with market and industry practice.

As mentioned in the section 'Our audit approach', we paid attention to the potential impact of physical and transition climate-related risks. In this context, we assessed the self-assessments performed by management including the evaluation of the risk and any risk mitigating measures present within the Group.

We assessed the completeness, accuracy and adequacy of the disclosures relating to the impairment allowances as disclosed in note 6 to the consolidated financial statements, to evaluate compliance with EU-IFRS 9 disclosure requirements.

We note that procedures performed in relation to this key audit matter implicitly and explicitly (e.g. management overlay) cover the fraud risk of management override of controls.

Key audit matter	*Our audit work and observations*
	Based on the procedures outlined above, we have not identified indicators of possible management bias.
Measurement of goodwill *See note 10 to the consolidated financial statements for the disclosures of goodwill.* The value of goodwill as at 31 December 2022 amounts to €176.8 million (2021: €176.8 million). Management has defined six CGUs: Private Clients, Wholesale & Institutional Clients, Investment Banking Clients, Mercier Vanderlinden, Non-strategic investments, and Other. Goodwill from the partnership with Mercier Vanderlinden is allocated, for the purpose of the annual impairment test, to the CGU Private Clients. Management carried out an annual impairment test on the goodwill arising from its respective acquisitions over the years. To determine whether an impairment would be necessary, the recoverable amount of each CGU or group of CGUs is compared to its carrying amount. The recoverable amount is calculated on the basis of the so-called value in use. This calculation uses cash flow projections for each CGU or group of CGUs for a five-year period. For the period after the explicit projections per CGU or group of CGUs, the growth rate is set at the long-term market growth rate. Cash flow estimates are based on strategic plans and potential future trends. Cash flows are discounted using a cost of equity for each CGU or group of CGUs that reflects the risk-free interest rate, supplemented with a surcharge for the market risk exposure of the CGU or group of CGUs, and a small-firm premium. Due to the degree of estimation uncertainty, the complexity and subjectivity of the valuation techniques used, the sensitivity to assumptions of management and other inherent risk factors, this area is subject to a higher risk of material misstatement due to error or fraud. Therefore, we consider the measurement of goodwill a key audit matter in our audit.	*Control design and operating effectiveness* We evaluated the design and tested the operating effectiveness of the internal controls with respect to the governance over the impairment testing model including (projected) data used and assumptions made by management. We determined that we could rely on these controls for the purpose of our audit. *Assessment of annual impairment test* With the support of our valuation experts, we assessed management's goodwill impairment test by: • determining that the methodology applied by management is in line with the requirements of IAS 36; • testing whether the calculations are performed in accordance with the defined methodology and are mathematically accurate; • performing substantive procedures regarding relevance, completeness and accuracy of data and significant assumptions applied in the model; and • determining whether significant assumptions (e.g. cost of equity and projected future cash flows (including terminal growth rate)) used by management are appropriate in the context of the applicable financial reporting framework and, if available, in line with observable market data and reflecting the potential impact, if any, of physical and transition climate-related risks. Based on the above, we consider the methodology and assumptions applied in the annual goodwill impairment test to be appropriate and we have not observed indications of impairment of the goodwill. We assessed the completeness, accuracy and adequacy of the disclosures relating to goodwill, as disclosed in note 10 of the consolidated financial statements, to verify compliance with the EU-IFRS disclosure requirements.

Key audit matter	*Our audit work and observations*
	We note that procedures performed in relation to this key audit matter implicitly and explicitly (e.g. valuation of goodwill) cover the fraud risk of management override of controls. We evaluated whether judgements and decisions made by management in making this accounting estimate, and together with other estimates, included in the financial statements, even if they are individually reasonable, were indicators of possible management bias. Based on the procedures outlined above, we have not identified indicators of possible management bias.
Fair value measurement of level 2 and 3 financial instruments *See subsection 14 'fair value' of the Risk Management section that contains the fair valuation policies, its disclosures and the split of financial instruments to level 1, 2 and 3.* The total asset value of financial instruments measured at fair value level 2 and 3 as at 31 December 2022 amounts to €576.9 million (2021: €280.5 million). The total liability value of financial instruments measured at fair value level 2 and 3 as at 31 December 2022 amounts to €664.8 million (2021: €692.3 million). The fair value measurement of financial instruments consists of: • financial assets and liabilities from trading activities; • derivatives; • financial assets and liabilities at fair value through profit or loss; and • financial assets at fair value through other comprehensive income. *Level 2 and 3 financial instruments* In the determination of the fair value of financial assets and liabilities, management applies a so-called 'market approach method'. For level 2 and 3 financial instruments, directly observable market prices are not available causing the fair value to be subject to judgement and estimation uncertainty.	*Control design and operating effectiveness* We evaluated the design and tested the operating effectiveness of the internal controls with respect to the governance over the valuation models, the financial instrument deal capturing process, the source data management and the valuation of financial instruments. We determined that we could rely on these controls for the purpose of our audit. *Assessment of the fair value valuation of financial instruments* Together with our valuation experts, we applied a combination of audit procedures on management's assessment of estimates and developed our own auditor's point estimate and/or acceptable range. Specifically, we performed the following procedures: • For financial instruments tested we determined that the valuation models were validated prior to usage and when changes to the models are applied, that periodic reviews are in place to ensure suitability for their intended use. • We developed our own auditor's point estimate and/or acceptable range for a selection of financial instruments. For both testing strategies applied, we performed audit procedures including: • substantive procedures regarding the completeness and accuracy of data and significant assumptions;

Key audit matter	*Our audit work and observations*
The fair value of such financial instruments is determined using either proxy valuations (level 2) or valuation techniques (such as discounted cash flow models and option valuation models) (level 3), in which judgements made by management and the use of data and assumptions such as market prices, credit spreads, yield curves, correlations and volatilities, are important factors. Due to the degree of estimation uncertainty, the complexity and subjectivity of the valuation techniques used in the measurement of such financial instruments, and other inherent risk factors such as the current macroeconomic context and financial markets, this area is subject to a higher risk of material misstatement due to error or fraud. Therefore, we consider the measurement of level 2 and 3 financial instruments a key audit matter in our audit.	• determination of whether the significant assumptions and data (e.g. discount rates, projected future cash flows, market data related to similar transactions) used by management to develop estimates are appropriate in the context of the applicable financial reporting framework; and • reconciliation of the assumptions and data to available external sources. Based on the above procedures, we found that management's assessment of the model results of the fair value of the level 2 and 3 financial instruments are reasonable. We assessed the completeness, accuracy and adequacy of the disclosures relating to the financial instruments measured at fair value and verified the compliance with relevant disclosure requirements in IFRS 7. We note that procedures performed in relation to this key audit matter implicitly and explicitly (e.g. valuation of the level 3 financial instruments) cover the fraud risk of management override of controls. We evaluated whether judgements and decisions made by management in making this accounting estimate, and together with other estimates, included in the financial statements, even if they are individually reasonable, were indicators of possible management bias. Based on the procedures outlined above, we have not identified indicators of possible management bias.
Reliability and continuity of IT systems *See subsection 'Business continuity management' in section '5. Operational risk' of the Risk Management paragraph* The Group relies on the reliability and continuity of information technology (IT) systems for its operational, regulatory and financial reporting processes. The Group's accounting and reporting processes are to a large extent dependent on IT general controls ('ITGCs') that establish and preserve the ongoing integrity of the system access rights and restrictions intended in the design of internal control.	We focused on the ITGCs to the extent relevant for the purpose of our audit of the financial statements. As part of our audit, our procedures included the assessment and testing of: • entity-level controls over information technology in the IT organisation, including IT governance, IT risk management and cybersecurity management; • governance over the strategic IT transformational projects including vendor risk and third-party assurance. For the procedures performed on the outsourced activities relevant to our audit work, we refer to the summary in section 'The scope of our group audit' above;

Key audit matter	Our audit work and observations
The Group is executing a considerable number of IT projects in order to be able to continue to meet the reporting standards and expectations from stakeholders relating to operating effectiveness, efficiency, cybersecurity and data quality. This way, the Group is accommodating the ongoing regulatory changes imposed to the banking and asset management industry. These projects result in changes in several of the Group's internal control activities related to financial reporting. This increases the inherent risk of material misstatement in financial reporting. Deficiencies in ITGCs as such could have a pervasive impact across the Group's internal control framework. Also, outsourcing activities within the Group and to third-party service providers is considered an additional focus area to our audit as this brings extra complexity to the IT environment. Through the period of change, there is an increased risk that ITGCs are not operating as intended giving a potential opportunity for fraud. As a result of the above developments, in combination with the increased threat and probability of cyberattacks, we considered the reliability and continuity of information technology of the Group a key audit matter.	• management and governance of access to programmes and data, including user access to the network, access to and authorisations within applications, privileged access rights to applications, databases and operating systems; • change management procedures to applications and IT infrastructure; • computer operations, including batch monitoring, back-up and recovery and incident management; and • management of cybersecurity, through understanding of the Group's approach to enhancing and managing cybersecurity. We assessed the Group's governance and procedures related to cybersecurity and determined the cybersecurity factors that are considered relevant to our audit of the financial statements. We inspected the security reports prepared on a quarterly basis including the status of the security 5.0 programme. Our procedures in relation to business continuity management, in particular on the integration of cyberattack scenarios as a part of business continuity management, did not reveal any material shortcomings. Our audit procedures indicate that we could place reliance on ITGCs for the purpose of our audit.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The management board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were appointed as auditors of Van Lanschot Kempen N.V. on 13 May 2015 by the supervisory board. This followed the passing of a resolution by the shareholders at the annual general meeting held on 13 May 2015. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of seven years.

European Single Electronic Format (ESEF)

Van Lanschot Kempen N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the (partially) marked-up consolidated financial statements, as included in the reporting package by Van Lanschot Kempen N.V., complies in all material respects with the RTS on ESEF.

The management board is responsible for preparing the annual report, including the financial statements in accordance with the RTS on ESEF, whereby the management board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assuranceopdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF; and
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Group or its controlled entities, for the period to which our statutory audit relates, are disclosed in note 29 to the consolidated financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 22 February 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by C.C.J. Segers RA

Appendix to our auditor's report on the financial statements 2022 of Van Lanschot Kempen N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Limited assurance report of the independent auditor

To: the general meeting and the supervisory board of Van Lanschot Kempen N.V.

Assurance report on the sustainability information 2022

Our conclusion

Based on our review nothing has come to our attention that causes us to believe that the sustainability information included in the annual report 2022 of Van Lanschot Kempen N.V. ('the company') does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 31 December 2022,

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as included in the section 'Reporting criteria' of our report.

What we have reviewed

We have reviewed the sustainability information included in the following sections of the annual report 2022 (hereafter: "the sustainability information"):

- Message from the Chair;
- 2022: A year in review;
- The world around us;
- Stakeholders' expectations;
- Van Lanschot Kempen at a glance; and
- Our value creation,

And the following reports:

- The 'Sustainability Supplement 2022'; and
- The GRI Content Index

(hereafter: "the sustainability information")

A review is aimed at obtaining a limited level of assurance.

The basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'), which is a specific Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance engagements other than audits or reviews of historical financial information'. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of our

Ref.nr.

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report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Van Lanschot Kempen N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence). Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

PwC applies the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria, as disclosed in section 'Notes to the reader, Global Reporting Initiative' of the annual report.

The absence of an established practice on which to draw, to evaluate and measure sustainability information allows for different, but acceptable, measurement techniques and can affect comparability between entities, and over time.

Consequently, the sustainability information needs to be read and understood together with the reporting criteria used.

Limitations to the scope of our review

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans and estimates and risk assessments. Inherent to this prospective information, the actual future results are uncertain, and are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information.

In the sustainability information references are made to external sources or websites. The information on these external sources or websites is not part of the sustainability information reviewed by us. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect to these matters.

Responsibilities for the sustainability information and the review thereon

Responsibilities of the management board and the supervisory board for the sustainability information

The management board of Van Lanschot Kempen N.V. is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in section 'Reporting criteria', including selecting the reporting criteria, the identification of stakeholders, and determining the material matters. The management board is also responsible for selecting and applying the reporting criteria and for determining that these reporting criteria are suitable for the legitimate information needs of stakeholders, taking into account applicable law and regulations related to reporting. The choices made by the management board regarding the scope of the sustainability information and the reporting policy are summarized in section 'Notes to the reader, Global Reporting Initiative' of the annual report.

Furthermore, the management board is responsible for such internal control as the management board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the company's reporting process on the sustainability information.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform a review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Our objectives are to obtain a limited level of assurance to determine the plausibility of the sustainability information. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements. Our procedures included, amongst other things of the following:

- Performing an analysis of the external environment and obtaining an understanding of relevant sustainability themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the management board.
- Through inquiries, obtaining a general understanding of the control environment, processes and information relevant to the preparation of the sustainability information, but not for the purpose to obtain assurance evidence about their implementation or to test their operating effectiveness.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis.

- Those other procedures consisted amongst others of:
    - Interviewing management (and/or relevant staff) at corporate (and business/division/ cluster/local) level responsible for the sustainability strategy, policy and results;
    - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.
    - Obtaining assurance evidence that the sustainability information reconciles with underlying records of the company;
    - Reviewing, on a limited test basis, relevant internal and external documentation;
    - Performing an analytical review of the data and trends.
- Reconciling the relevant financial information with the financial statements.
- Evaluating the consistency of the sustainability information with the information in the annual report, which is not included in the scope of our review.
- Evaluating the overall presentation, structure and content of the sustainability information;
- Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amsterdam, 22 February 2023
PricewaterhouseCoopers Accountants N.V.

C.C.J. Segers RA

Articles of association on profit appropriation

Profit is appropriated in accordance with Article 32 of the Articles of Association. This article states that the dividend on Class C preference shares[1] must first be paid from distributable profits (Article 32(1)). The Management Board, with the approval of the Supervisory Board, will then determine what portion of remaining profits after dividend distribution on Class C preference shares will go to reserves (Article 32(3)).

The portion of the profit remaining after the distribution on Class C preference shares and transfer to the reserves will be at the disposal of the annual general meeting of shareholders, providing that no further distributions shall be made on Class C preference shares.

If losses have been incurred in any financial year which could not be covered by a reserve or in any other way, no profit distributions will be made until such losses have been recovered (Article 32(5)).

The Management Board may decide that a dividend distribution on Class A ordinary shares will be made in full or in part in the form of shares or depositary receipts rather than in cash. This decision is subject to the approval of the Supervisory Board (Article 32(8)).

[1] There are no Class C preference shares in issue.

Stichting administratiekantoor van gewone aandelen A Van Lanschot Kempen

Board report

The board ("the Board") of Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen ("the Stichting") reports on its activities in 2022.

Purpose, policies and activities

The Stichting issues depositary receipts for shares that are exchangeable for their underlying Class A ordinary shares in Van Lanschot Kempen NV ("Van Lanschot Kempen"). The Stichting's policy is solely aimed at pursuing what is described in its objects clause as included in Article 2 of its Articles of Association (*statutaire doelomschrijving*). Its activities exclusively concern holding and managing shares in Van Lanschot Kempen; the Stichting does not engage in any commercial activities.

In line with the Dutch Corporate Governance Code, at every Van Lanschot Kempen general meeting the Stichting grants a proxy to depositary receipt holders that either attend the meeting in person or are represented by a third party. In other words, depositary receipt holders can always vote at their own discretion for the number of shares for which they hold depositary receipts.

In 2022, the Stichting's activities consisted of:
- Convening board meetings (at which the matters mentioned below were discussed);
- Granting proxies for Van Lanschot Kempen's general meetings;
- Attending Van Lanschot Kempen's general meetings; and
- Exercising the voting rights on Van Lanschot Kempen shares held by the Stichting at Van Lanschot Kempen's general meetings, to the extent that no proxies had been granted to depositary receipt holders.

The Stichting will continue to pursue its policies and activities in 2023 in accordance with its objects clause and in keeping with past practice. No changes in the activities of the Stichting in 2023 are foreseen.

The Stichting's income consists of an "independence donation" paid by Van Lanschot Kempen (in the year 2022 this amounted to €51,300). The costs incurred by the Stichting typically only consist of the remuneration due to its Board members and administrative charges (such as accountancy fees). As the Stichting does not have any discretionary funds, it has no policies in place related to such spending. The Board expects the Stichting's budget for 2023 to be similar to the budget (as well as the profit and loss account) for 2022.

Board meetings

In 2022, the Board held three board meetings. The topics covered in these meetings included:
- Van Lanschot Kempen's 2021 financial statements;
- The state of affairs within Van Lanschot Kempen;
- The agenda of the general meeting of Van Lanschot Kempen held on 25 May 2022 ("the AGM") and the Stichting's voting intentions;
- Van Lanschot Kempen's 2022 half-year results;
- The agenda of the extraordinary general meeting of Van Lanschot Kempen held on 6 October 2022 ("the EGM") and the Stichting's voting intentions;
- The preparations in relation to the meeting of holders of depositary receipts of 16 November 2022;
- The succession of Mr J. Meijer Timmerman Thijssen as a member of the Board and the re-appointment of Mr W.F. Hendriksen as a member of the Board;
- The meeting of holders of depositary receipts held on 16 November 2022.

Van Lanschot Kempen's general meetings

The Board attended the AGM and the EGM. The Stichting granted proxy votes to holders of depositary receipts for shares that attended these meetings in person or were represented by third parties. This enabled these depositary receipt holders to vote at their own discretion for the number of Class A ordinary shares corresponding to the depositary receipts of Class A ordinary shares held by them at record date. The Stichting voted, at its own discretion, on the Class A ordinary shares for which no proxy votes had been requested. Such shares represented 53.82% of the total number of votes that could be cast at the AGM and 30.02% of the total number of votes that could be cast at the EGM.

The Board carefully considered each of the items put to the ballot and after due consideration decided to vote in favour of all items put to the ballot. This included the remuneration report for the year 2021, the discharge of the Management Board and the Supervisory Board, the climate strategy and action plan, the composition of the Supervisory Board and the return of capital by Van Lanschot Kempen.

Meeting of depositary receipt holders and composition of the Board

In 2022, two vacancies arose due to the expiry of the current terms of Mr J. Meijer Timmerman Thijssen and Mr W.F. Hendriksen in accordance with the appointment schedule. Mr J. Meijer Timmerman Thijssen was not available for reappointment. Mr W.F. Hendriksen was available for re-appointment. The Board considered various candidates and selected Mr R.W.Th. Norbruis as the preferred candidate for appointment to the position previously held by Mr J. Meijer Timmerman Thijssen.

The Board called a meeting of holders of depositary receipts which took place on 16 November 2022. Holders of depositary receipts were given the opportunity, in advance of this meeting, to make a recommendation to fill the Board vacancies. They did not make a recommendation. During the meeting, the Board explained its intention to appoint Mr R.W.Th. Norbruis and re-appoint Mr W.F. Hendriksen. Mr R.W.Th. Norbruis and Mr W.F. Hendriksen were (re-)appointed as members of the Board until the meeting of holders of depositary receipts to be held in 2026. The reappointment of Mr W.F. Hendriksen was motivated by his good performance as a member of the Board and the desire to ensure continuity in the Board. The Board is very grateful to Mr J. Meijer Timmerman Thijssen for his measured judgement in the discussions over the past eleven years and his important contributions to the Stichting as Chair of the Board.

At the request of the Board, the holders of depositary receipts confirmed their trust in the Board.

Composition of the Board

The Board's current members are:

R.W.Th. Norbruis, Chair
C.M.P. Mennen-Vermeule, Secretary
W.F. Hendriksen

Mr Norbruis is a partner at NorbruisClement Advocaten.

Ms Mennen-Vermeule is Chief Executive Officer at Brand Loyalty Group.

Mr Hendriksen is a partner at Van Doorne.

The annual remuneration of the Chair of the Board amounts to €10,000 (excluding VAT) and that of each other Board member to €7,500 (excluding VAT).

Expenses

Other expenses incurred by the Stichting amounted to €26,135 in 2022.

Outstanding depositary receipts

On 31 December 2022, the Stichting held 41,359,667 Class A ordinary shares, constituting 99.99% of the shares in Van Lanschot Kempen, with a nominal value of €1 each, for which depositary receipts with the same nominal value have been issued.

Other

The Stichting is a legal entity independent of Van Lanschot Kempen, as referred to in Section 5:71 (1) sub-paragraph (d) of the Financial Supervision Act (Wft).

Stichting contact details

The Board can be contacted at:
Secretariat of Stichting Administratiekantoor gewone aandelen A Van Lanschot Kempen
PO Box 1021
5200 HC 's-Hertogenbosch
The Netherlands

The Board

's-Hertogenbosch, the Netherlands, 14 February 2023

Stichting preferente aandelen C Van Lanschot Kempen

Board report

The board ("the Board") of Stichting Preferente aandelen C Van Lanschot Kempen ("the Stichting") reports on its activities in 2022.

Purpose, policies and activities

The Stichting was set up on 28 December 1999 and has its seat in 's-Hertogenbosch, the Netherlands.

The purpose of the Stichting is to safeguard the interests of Van Lanschot Kempen NV ("Van Lanschot Kempen") and its stakeholders, and to avert outside influences that could threaten its continuity, autonomy or identity to the detriment of such interests. The Stichting pursues its purpose by acquiring Class C preference shares in the capital of Van Lanschot Kempen, and by exercising the rights attached to these shares.

The Stichting and Van Lanschot Kempen have signed a call option agreement granting the Stichting the right to acquire Class C preference shares up to 100% of the value of Van Lanschot Kempen's share capital in issue before the exercise of the call option, less one share. When acquiring Class C preference shares, the Stichting is required to pay a minimum of 25% of the nominal amount. To ensure it will be able to pay when the time comes, the Stichting has a funding agreement with ING Bank in place. Van Lanschot Kempen aims to keep any period with outstanding Class C preference shares as brief as possible, and has committed itself to a maximum of one year as the term within which Van Lanschot Kempen will propose to the general meeting to redeem any Class C preference shares.

The Stichting's policy is exclusively aimed at pursuing the purpose as described above. The Stichting does not in any way engage in commercial activities, or any other type of activities as long as there are no circumstances that, pursuant to its objects clause, would give the Stichting cause to act and exercise its powers.

In 2022, the Stichting's activities consisted of convening a Board meeting as well as holding ad hoc consultations as and when required.

The Stichting's income consists of an "independence donation" paid by Van Lanschot Kempen (in 2022 this amounted to €157,601). The costs incurred by the Stichting typically only consist of a commitment fee due to ING Bank in relation to the funding agreement, the remuneration due to its Board members and administrative charges (such as accountancy fees). As the Stichting does not have any discretionary funds, it has no policies in place related to such spending. The Board expects the Stichting's budget for 2023 to be similar to the budget (as well as the profit and loss account) for 2022.

Board meetings

In 2022, the Board convened for one meeting. Topics discussed at that meeting included:

- The state of affairs within Van Lanschot Kempen;
- Van Lanschot Kempen's annual accounts for 2021;
- The minutes of the Board meeting held in June 2021;
- The amendment of the articles of association of the Stichting;
- The composition of the Board.

Composition of the Board

The Board appoints its own members. The current members of the Board are:
A.A.M. Deterink, Chair
P.J.J.M. Swinkels
H.P.M. Kivits

Mr Deterink is a former partner of Deterink Advocaten en Notarissen.

Mr Swinkels is the former Chair of the Board of Swinkels Family Brewers.

Mr Kivits is the former Chair of Stage Entertainment.

The annual remuneration of the Chair of the Board amounts to €10,000 (excluding VAT), and that of each other Board member to €7,500 (excluding VAT).

Expenses

Other expenses incurred by the Stichting amounted to €127,159 in 2022.

Other

The Stichting is a legal entity independent of Van Lanschot Kempen, as referred to in Section 5:71 (1) sub-paragraph (c) of the Financial Supervision Act (Wft).

The Board

's-Hertogenbosch, the Netherlands, 14 February 2023

Glossary

Advanced internal ratings-based approach (A-IRB)
The most sophisticated credit risk measurement technique. Under A-IRB, a bank is allowed to develop its own models, based on direct or indirect observations, to estimate parameters for calculating risk-weighted assets. Credit risk under A-IRB is determined by using internal input for probability of default (PD), loss given default (LGD), exposure at default (EAD) and maturity (M).

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

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

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

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

Basel III
The framework drawn up by the Basel Committee on Banking Supervision, which introduces a stricter definition of capital and several new ratios and buffers with which banks must comply.

Basel IV
The reform of Basel III, commonly referred to as "Basel IV", involves the final calibration and design of capital output floors, based on revised standardised approaches. It also includes reforms of the IRB approach and the standardised approach for credit and operational risk.

Capital conservation buffer
Capital Requirements Directive IV (CRD IV) requires Van Lanschot Kempen to maintain Common Equity Tier 1 capital equivalent to 2.5 times total risk exposure as a capital conservation buffer. If an institution fails to maintain this capital conservation buffer, it will be restricted in making discretionary distributions.

CPB Netherlands' Bureau for Economic Policy Analysis
Generally known by its Dutch acronym, CPB Netherlands' Bureau for Economic Policy Analysis is an independent research institute that provides policy-relevant economic analyses and projections, conducting research on the Dutch economy and on general socio-economic policy.

Cash flow hedges (hedge accounting)
Instruments to hedge the exposure to fluctuations in cash flows of assets, liabilities or future transactions, arising as a result of interest rate changes and/or inflation.

Client option positions
Clients are unable to buy or sell share options directly on the stock exchange. Van Lanschot Kempen purchases or sells on behalf of these clients and covers this with offsetting transactions on the stock exchange. Such receivables and payables are recognised under Derivatives.

Common Equity Tier 1 (CET 1) capital
Also referred to as core capital. CET 1 capital encompasses a bank's share capital, share premium and other reserves, adjusted for deductions as specified by regulators, such as goodwill, deferred tax assets and IRB shortfall.

Common Equity Tier 1 (CET 1) ratio
CET 1 capital as a percentage of total risk-weighted assets.

Contingent liabilities
All commitments arising from transactions for which the bank has given a guarantee to third parties.

Countercyclical capital buffer
Common Equity Tier 1 capital equivalent to the total risk exposure amount (calculated in accordance with the CRR) multiplied by the weighted average of the countercyclical buffer rates. The countercyclical buffer rates are set by the designated authority in each EU member state on a quarterly basis. The buffer is determined by calculating the weighted average of the countercyclical buffer rates that apply in the jurisdictions of the relevant credit exposures.

Credit-linked swaps
Swaps where variable interest payments linked to Euribor, possibly with a lower or upper limit, are exchanged for credit guarantees in respect of a third party. The counterparty is obliged to pay out if the third party is no longer able to meet its payment obligations. The contract will identify specific payment-triggering events.

Credit risk
The risk that loans are not repaid, not fully repaid or not repaid on time.

Credit support annex (CSA)
Forming part of an international swaps and derivatives agreement (ISDA), a CSA regulates credit support (collateral) for obligations resulting from derivatives.

Credit valuation adjustment (CVA)
An adjustment made on the valuation of derivatives transactions with a counterparty, reflecting the current market value of counterparty credit risk.

Currency options
Currency options grant their buyer the right, but not the obligation, to buy or sell a quantity of a certain currency at a pre-determined exchange rate during or at the end of a pre-determined period. The currency option constitutes an obligation for the seller. Van Lanschot Kempen's currency options mainly relate to client transactions covered by offsetting transactions in the markets.

De Nederlandsche Bank (DNB)
The Dutch central bank.

Defined benefit scheme
A pension scheme other than a defined contribution scheme (see below). In a defined benefit scheme, the company has the constructive obligation to make up any deficit in the scheme. This does not have to be based on any legal requirements, but may be simply on the basis of an historical intention on the part of the company to make up any deficits.

Defined contribution scheme
A scheme in which the company makes agreed contributions to a separate entity (a pension fund) to secure pension rights. The company is not obliged, either legally or effectively, to pay additional contributions if the pension fund does not have enough assets to cover all of its current and future obligations.

Delta
The change in the value of an option as a proportion of the change in the value of the underlying asset.

Delta economic value of equity (ΔEVE)
A long-term economic measure used to assess the degree of interest rate risk exposure. The measure reflects how movements in interest rates impact the value of the bank's assets and liabilities.

Delta net interest income (ΔNII)
A short-term analysis of the interest income under a number of market interest rate scenarios, relative to the baseline scenario in which interest rates are expected to develop based on forward rates.

Derivatives
Financial assets whose value derives from the value of other financial assets, indices or other variables. Van Lanschot Kempen holds both derivatives whose size (face value), conditions and prices are determined between Van Lanschot Kempen and its counterparties (OTC derivatives), and standardised derivatives traded on established markets.

Discounted cash flow (DCF)
A method to value an investment by estimating future cash flows, taking account of the time value of money.

Duration of equity
A measure of the interest rate sensitivity of equity that reflects the impact on equity of a 1% parallel shift in the interest curve.

Dutch Authority for the Financial Markets (AFM)
The Dutch regulator for financial institutions in the Netherlands.

Economic hedges
Derivatives used to manage risks without applying hedge accounting, carried at fair value. At Van Lanschot Kempen, these primarily take the shape of interest rate derivatives.

Effective interest rate
The rate that discounts estimated cash flows to the net carrying amount of the financial asset over the life of an instrument, or, where appropriate, over a shorter period.

Efficiency ratio
Operating expenses excluding impairments and result from the sale of public and private sector loans and advances, as a percentage of income from operating activities.

Engagement
A sustainability strategy that seeks to persuade companies, fund managers, borrowers and other stakeholders through active dialogue that their sustainability policies should be made compatible with international treaties and conventions.

Environmental, social and governance (ESG)
Environmental, social and governance factors are used to evaluate companies and countries on their progress in terms of sustainability and ethical behaviour.

Expected loss (EL)
Expected loss on loans, expressed in the formula EL=PD*EAD*LGD.

Expected credit loss (ECL) IFRS 9
The probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of a financial instrument.

Exposure at default (EAD) Basel
Exposure at the time of a client's default, also referred to as net exposure.

Exposure at default (EAD) IFRS 9
The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Fair value hedges (hedge accounting)
A fair value hedge comprises one or more swaps concluded to cover the changes in fair value resulting from changes in interest rates, of debt securities, for example. Hedge relations are typically exact hedges, involving debt securities with fixed rates and terms being offset by swaps with exactly the same terms and fixed interest rates.

Fiduciary management
Holding assets as a trustee or in another fiduciary role for individuals, trusts, pension providers and other institutions. These assets are not included in the consolidated financial statements because they are not Van Lanschot Kempen's assets.

Fitch
Credit rating agency.

Forbearance
Making a concession regarding the terms and conditions of a loan agreement due to actual or anticipated financial difficulties which prevent a client from meeting their obligations vis-à-vis Van Lanschot Kempen. The concession enables the client to meet the revised obligations. This may also include the whole or partial refinancing of the existing loan.

Forwards
Contractual obligations to purchase or sell goods or financial assets at a future date at a pre-determined price. Forward contracts are customised contracts traded on the OTC markets.

Foundation internal ratings-based approach (F-IRB)
An advanced credit risk measurement technique. Under F-IRB, a bank is allowed to develop its own models, based on direct or indirect observations, to estimate parameters for calculating risk-weighted assets. Credit risk under F-IRB is determined by using internal input for probability of default (PD). In contrast to A-IRB, the loss given default (LGD) is included, based on prescribed values.

Fund for joint account (FGR)
As part of the partnership plan, partners' individual contributions are collected in a *fonds voor gemene rekening* (FGR). These contributions remain in the fund during their full tenure as a partner.

Funding ratio
The ratio between public and private sector liabilities and total loans and advances (excluding bank borrowing and lending).

Futures
Contractual obligations to purchase or sell goods or financial assets at a future date at a pre-agreed price. Futures are standardised contracts traded on organised markets, with stock exchanges acting as intermediaries and requiring daily settlement in cash and/or deposits of collateral.
Van Lanschot Kempen has a number of futures on share indices on its books, partly for own use and partly for clients, for offsetting transactions in the markets.

General meeting
The body formed by voting shareholders and others with voting rights.

Global Reporting Initiative (GRI)
An independent organisation which develops guidelines for sustainability reports. Van Lanschot Kempen's integrated annual report is based on GRI.

Gross exposure
The value at which receivables are recognised in the consolidated statement of financial position, with the exception of derivatives. Gross exposure is calculated on the basis of an add-on percentage of the nominal value (fixed percentages in accordance with the Financial Supervision Act) and the positive replacement value.

Hedge
Protection of a financial position – against interest rate risks in particular – by means of a financial instrument (typically a derivative).

International Financial Reporting Interpretations Committee (IFRIC)
The interpretative body of the International Accounting Standards Board (IASB). IFRIC interprets the application of International Financial Reporting Standards (IFRS) to ensure consistent accounting practices throughout the world and provide guidance on reporting issues not specifically addressed in IFRS.

Internal liquidity adequacy assessment process (ILAAP)
A key purpose of the ILAAP is is to document and demonstrate overall liquidity adequacy. This documentation informs a bank's board and regulators of the ongoing assessment and quantification of the bank's liquidity and funding risks, how the bank intends to mitigate those risks and how much current and future liquidity is required. In addition to the analysis of liquidity risk, ILAAP should also include a detailed analysis of the bank's funding profile and evaluation of risks to the stability of the funding profile.

Impairment
Amount charged to the result for possible losses on non-performing or irrecoverable loans and advances.
Alternatively, an impairment test may suggest lower asset values, if fair values have dipped below carrying amounts and/or the fair value of investments and associates have moved below cost.

Interest rate option
An agreement between a buyer and a seller, under which the seller guarantees the buyer a maximum interest rate (cap) or minimum interest rate (floor) for a fixed term.

Interest rate risk
The risk that profit and equity are impacted by changes in interest rates, in particular in the event of an intentional or unintentional mismatch in the terms of funds lent and borrowed.

Interest rate swaps
A contract in which two parties exchange interest payments for a pre-agreed period and a notional principal amount, while not swapping the face value. An interest rate swap typically involves exchanging fixed-rate cash flows for floating-rate cash flows in the same currency, with the floating rate based on a benchmark interest rate (usually Euribor).

Internal capital adequacy assessment process (ICAAP)
Strategies and procedures designed for the bank's continuous assessment as to whether the amount, composition and distribution of its equity still reconcile with the size and nature of its current and potential future risks.

Internal ratings-based approach (IRB)
An advanced approach used to calculate credit risk.
Van Lanschot Kempen applies only the advanced internal ratings-based (A-IRB) approach.

International Financial Reporting Standards (IFRS)
Accounting and reporting standards drawn up by the International Accounting Standards Board. These standards have been adopted by the European Union and have been applied by us from the 2005 financial year.

Irrevocable commitments
All obligations resulting from irrevocable commitments that could result in loans being granted.

Level 1: Quoted prices in active markets
The fair value of financial instruments traded in an active market is based on the price at the reporting date (market price). The bid price is applied for financial assets and the offer price for financial liabilities. Since these instruments are traded in an active market, their prices adequately reflect current and frequent market transactions between unrelated parties.

Level 2: Inputs observable in the markets
The fair value of financial instruments not traded in active markets (e.g. over-the-counter financial derivatives) is established using cash flow and option valuation models. On the basis of its estimates, Van Lanschot Kempen selects a number of methods and makes assumptions based on the market conditions (observable data) at the reporting date.

Level 3: Significance of unobservable market data
The financial assets in this category have been assessed on an individual basis. Their valuation is based on management's best estimate by reference to the most recent prices, prices of similar instruments and, to a not insignificant extent, information not observable in the market.

Leverage ratio (LR)
The leverage ratio represents the relationship between total assets plus contingent items and the Basel III Tier 1 capital. It is calculated in accordance with the CRR.

Lifetime probability of default (LPD)
See "Probability of default".

Liquidity coverage ratio (LCR)
The LCR represents the ratio between high-quality liquid assets and the balance of cash outflows and cash inflows in the next 30 days.

Liquidity risk
The risk that the bank has insufficient liquid assets available to meet current liabilities in the short term.

Loss given default (LGD)
The loss given default is an estimate of the loss arising in the event of a default occurring at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is typically expressed as a percentage of EAD.

Loss given loss (LGL) model
A product-level model evaluating the part of exposure at default (EAD) that may be lost.

Market risk
The risk that the value of a financial position changes due to movements in stock exchange prices, foreign exchange and/or interest rates.

Morningstar
Morningstar rates mutual funds and ETFs from 1 to 5 stars based on how well they have performed in comparison to similar funds and ETFs.

Net Stable Funding Ratio (NSFR)
The relationship between available stable funding and the required amount of stable funding.

Net Promoter Score (NPS)
The NPS provides information on client loyalty and the number of promoters of the organisation. The score lies within a range of –100 to 100 points, the higher the better. The formula is as follows: NPS = % promoters - % detractors. Promoters give the organisation a score of 9 or 10, whereas detractors award a score of between 0 and 6.

Non-controlling interests
Non-controlling interests in entities that are fully consolidated by Van Lanschot Kempen.

OECD Guidelines
The OECD Guidelines describe what the Dutch government expects from multinational enterprises when it comes to corporate social responsibility. The Guidelines provide companies with guidance in the field of e.g. supply chain management, human rights, child labour, environment and corruption.

Operational risk
The risk of direct or indirect losses as a result of inadequate or defective internal processes and systems, inadequate or defective human acts, or external events.

Principles for Responsible Investment (PRI)
The Principles for Responsible Investment (PRI) provide a framework for incorporating environmental, social and governance criteria in investment policies.

Probability of default (PD)
The probability of default is an estimate of the likelihood of default over a given time horizon. In our IRB models (Basel), this time horizon is one year. For IFRS 9 purposes, we use the one-year PD as well as the lifetime PD. A default may only happen at a certain time during the assessed period if the facility has not already been derecognised and is still in the portfolio.

Residential mortgage-backed securities (RMBS)
Securities backed by residential mortgages. A provider of residential mortgages (typically a bank) will sell these on to a separate entity, a special purpose vehicle (SPV). To finance the mortgages, the SPV will then issue securities called RMBS, which are secured by the mortgages.

Rho
The change in the value of an option as a proportion of the change in the interest rate.

Risk-weighted assets (RWA)
The assets of a financial institution after being adjusted by a weighting factor, set by its regulators, that reflects the relative risk attached to the relevant assets. Risk-weighted assets are used to calculate the minimum amount of capital the institution needs to hold. CRR/CRD IV uses the term “total risk exposure amount” instead of RWA, but for now we follow common usage.

Settlement risk
The risk for financial transactions that are not settled within five days of the agreed deadline if the difference between the agreed settlement price and the price at the reporting date could lead to a loss.

Shortfall
The difference between the calculated expected loss (EL) and the provision made for a loan for which the capital adequacy requirement is calculated using the IRB method. If the calculated EL exceeds the provision made, the difference must be deducted from Common Equity Tier 1 capital.

Solvency
The bank’s buffer capital expressed as a percentage of risk-weighted assets.

Standard & Poor’s
Credit rating agency.

Standardised approach (SA)
A method used under Basel to measure operational, market and credit risks, based on a standardised approach, in which risk weightings are prescribed by the regulators.

Strategic risk
Current or future threats to the bank’s results or equity resulting from not or inadequately responding to changes in external factors and/or from taking incorrect strategic decisions. This is a part of the business risk.

Structured products
Synthetic investment instruments specially created to meet specific needs that cannot be met by the standardised financial assets available in the markets.

Supervisory review and evaluation process (SREP)
SREP is a set of procedures carried out on an annual basis by the supervisory authorities to ensure that each credit institution has in place the strategies, processes, capital and liquidity appropriate to the risks to which it is or might be exposed.

Sustainable Development Goals (SDGs)
In 2015, the United Nations set out the Sustainable Development Goals (SDGs) for 2030: a set of 17 highly ambitious goals relating to climate, poverty, healthcare, education and other challenges.

Tier 1 capital ratio
The ratio between total Tier 1 capital and risk-weighted assets.

Total capital ratio
The percentage of a bank’s capital adequacy, calculated by dividing qualifying capital by the risk-weighted assets as defined by the Bank for International Settlements (BIS).

Total risk exposure amount (TREA)
The sum of risk-weighted exposure amounts for credit risk, foreign-exchange risk, settlement risk, counterparty risk, operational risk, market risk and for credit valuation adjustment (CVA) risk.

Total Tier 1 capital
Total Tier 1 capital of the bank includes share capital, share premium and other reserves, adjusted for certain deductions set by the regulator, such as goodwill and shortfall.

Total Tier 2 capital
Capital instruments and subordinated loans may be designated Tier 2 capital under certain conditions.

Value at risk (VaR)
Statistical analysis of historical market trends and volatilities, used to estimate the likelihood that a portfolio’s losses will exceed a certain amount.

Van Lanschot Kempen
Van Lanschot Kempen NV

Vega
The change in the value of an option as a proportion of the change in volatility.

VLK Investment Management
Van Lanschot Kempen Investment Management NV (formerly Kempen Capital Management NV ("KCM")).

Wft (Financial Supervision Act)
Wft governs the supervision of the financial sector in the Netherlands.

Ten-year figures

Results (€1,000)	2022	2021	2020	2019 [2]	2018
Total income from operating activities	578,078	598,405	442,740	553,222	506,282
Operating expenses	465,634	437,791	386,655	410,840	440,193
Impairments	-6,534	-17,837	1,871	22,854	-13,416
Operating profit before tax	118,979	178,450	54,214	119,529	79,504
Net result (group profit)	84,301	143,807	49,844	98,414	80,315
Statement of financial position (€1,000)					
Equity attributable to shareholders	1,281,591	1,307,544	1,254,481	1,210,853	1,243,663 [3]
Public and private sector liabilities	12,726,194	11,729,556	10,141,109	9,545,095	9090939
Loans and advances to the public and private sectors	9,363,958	8,875,601	8,448,326	8,597,894	8,561,497
Total assets	17,018,965	16,306,596	15,149,026	14,318,853	13,983,184 [3]
Key data					
Number of ordinary shares at year-end (excluding treasury shares)	40,717,318	40,847,117	41,071,819 [1]	40,920,773	41,017,021
Average number of ordinary shares	40,706,137	40,910,434	40989428 [1]	40,974,330	41,004,769
Earnings per ordinary share based on average number of ordinary shares (€)	1.90	3.35	1.05	2.27	1.82
Dividend per ordinary share (€)	**1.75**	2.00	0.70	1.45	1.45
Efficiency ratio (%)	80.5	73.2	87.3	74.3	86.9

Results (€1,000)	2017	2016	2015	2014	2013
Total income from operating activities	522,539	524,400	561,140	566,187	551,193
Operating expenses	428,990	440,729	422,516	337,138	408,633
Impairments	-11,461	-2,115	61,937	95,529	105,117
Operating profit before tax	105,010	85,785	54,284 [4]	133,520	37,443
Net result (group profit)	94,945	69,800	42,754	108,701	33,506
Statement of financial position (€1,000)					
Equity attributable to shareholders	1,332,860	1,340,470	1,299,358	1,292,274	1,283,487
Public and private sector liabilities	9,145,119	9,679,764	9,908,391 [5]	10,499,160	10,161,397
Loans and advances to the public and private sectors	9,103,327	9,624,048	10504423 [5]	11,021,107	12,490,723
Total assets	14,658,875	14,877,411	15,831,775	17,259,438	17,670,365
Key data					
Number of ordinary shares at year-end (excluding treasury shares)	40,846,973	40,873,462	40,961,353	40,826,361	40,926,249
Average number of ordinary shares	40,959,989	40,908,194	40,919,503	40,918,849	40,917,566
Earnings per ordinary share based on average number of ordinary shares (€)	2.19	1.61	0.83	2.42	0.71
Dividend per ordinary share (€)	1.45	1.20	0.45	0.40	0.20
Efficiency ratio (%)	82.1	84.0	75.3	59.5	74.1

1 The number of shares for Van Lanschot Kempen NV, for the years 2020 and before, are prior to the legal merger of Van Lanschot Kempen and Van Lanschot Kempen Wealth Management.
2 As of 2018, the figures have been prepared in accordance with IFRS 9; those for the years prior to 2018 in accordance with IAS 39.
3 Some amounts differ from previously published reports, reflecting changes that result from the accounting changes related to the provision for pensions.
4 Includes the result from sale of loans and advances to the public and private sectors, amounting to €22.4 million.
5 The 2015 figures have been adjusted to reflect the discontinuation of offsetting current account balances.

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Capital Advertising

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We welcome your views and opinions – please see our contact details above.

This annual report was published on 23 February 2023.