Van Lanschot Kempen Performance report

2021 HALF-YEAR RESULTS

VAN LANSCHOT KEMPEN

NOTES TO THE READER

Managerial reporting

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

Legal merger

As of 1 July 2021, Van Lanschot Kempen NV, the disappearing entity, has merged with its full subsidiary Van Lanschot Kempen Wealth Management NV, the acquiring entity. The name of Van Lanschot Kempen Wealth Management NV has changed to Van Lanschot Kempen NV, and the financial information of Van Lanschot Kempen NV is now accounted for in the annual accounts of Van Lanschot Kempen Wealth Management NV - currently named Van Lanschot Kempen NV - as from 1 January 2021.

Unrounded figures

Amounts in the performance 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 differ from previously published reports; in these cases, explanations are given in the footnotes.

Contents

Financial and non-financial KPIs

In order to monitor whether we're on track to deliver on our ambitions and create long-term value, we set financial and non-financial KPIs and targets. These are based on industry trends and developments, stakeholder expectations, client needs and strategic relevance.

Our KPIs are focused on value creation, both financial and non-financial. The table below shows our targets and performance on these KPIs in the first half of 2021 and for full 2020.

Value creation themes	Key performance indicators (KPIs)	Targets	Performance H1 2021	Performance FY 2020
Financial				
	1. CET 1 ratio	15-17%	21.9%	24.3%
	2. Return on equity (CET 1)	10-12%	11.0%	4.4%
	3. Efficiency ratio	70-72%	73.1%	85.7%
	4. Three-year relative performance of discretionary management mandates			
	a. Private Clients	a. > benchmark	a. -1.3%	a. -1.8%
	b. Evi	b. > benchmark	b. -1.3%	b. -2.2%
Non-financial				
Human and intellectual	5. Employee engagement score[1]	> 80%	n/a	n/a
	6. Employer Net Promoter Score (eNPS)	> 10	10	6
	7. Gender balance in management positions	> 30% female > 30% male	23% female 77% male	21% female 79% male
	8. Percentage of total number of training courses followed to develop new skills in order to adapt the workforce (e.g. technical, digital, adaptability)[2]	> 25%	13%	25%
Natural and social	9. Net Promoter Score (NPS)			
	a. Private Clients	a. 10	a. 37	a. 26
	b. Evi	b. 10	b. 13	b. 5
	c. Wholesale & Institutional Clients[1]	c. 20	c. n/a	c. n/a
	10. Merchant Banking: number of successful transactions with repeat Corporate Finance clients (five-year period)	60-70%	42%	39%
	11. Merchant Banking: bundled commission paid by repeat Securities clients	> 80%	95%	95%
	12. Wholesale & Institutional: average Morningstar rating of investment strategies (institutional share class)	> 3.5	3.8	3.6
	13. Percentage of employees who positively evaluate our culture regarding ethical behaviour and integrity[3]	> industry average of 84%	90%	89%
	14. Private Clients sustainability ambition: AuM invested in sustainable and impact investment wealth management solutions	last year +10%	2021: €3,791m + €1,502m	2020: €3,063m + €1,017m
	15. Wholesale & Institutional sustainability ambition			
	a. Percentage of internal and external fund managers on the approved list that meet the sustainability criteria	a. > last year	80%	a. 76%
	b. Engagement cases with companies that our funds invest in per year	b. 80-100	b. 71	b. 116
	c. Engagements for change for which at least one milestone has been reached in the past year[4]	c. 10-15	n/a	c. 61
	16. Decrease in carbon emissions			
	a. Direct emissions of our own organisation	a. -2.5%/FTE/year	n/a	a. -51.1%
	b. Indirect emissions via our balance sheet (mortgage portfolio)	b. CO_2/€ < last year	n/a	b. 0.4%

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

[1] Employee engagement score and NPS for Wholesale & Institutional Clients are measured once every two years.
[2] This KPI does not cover the full range of training offered within Van Lanschot Kempen. It is calculated based on training for employees working in the Netherlands, booked via our learning platform and via our training broker.
[3] The score for this KPI is based on responses to the following statements in the employee engagement survey:
- This organisation operates with integrity in its external dealings (i.e., with customers, suppliers, etc);
- This organisation operates with integrity in its internal dealings (i.e. with employees);
- I think I could report instances of dishonest or unethical practices to the appropriate level of authority without fear of reprisal.

[4] Engagement consists of four stages. If it moves to the next stage, a milestone has been achieved.

Financial

Financial performance and risk management are key to our organisation, as all direct stakeholders benefit from a solid capital position and sustainable performance. At the end of June 2021, our CET 1 ratio had decreased to 21.9%, and remains well above our target. For CET 1 developments, please refer to page 18. Our return on CET 1 of 11.0% is within its target range, thanks to a strong result. This is also reflected in our efficiency ratio of 73.1%, which is just outside of the target range. More information on the efficiency ratio is given on page 11 of this report.

Our wealth management solutions aim to deliver positive performance in the long term, with our investment strategies performing well against their benchmarks. In H1 2021, the three-year average performance of Private Clients and Evi discretionary management mandates relative to their benchmark both stood at -1.3%. These figures are calculated by comparing the year-end absolute performance of the largest discretionary solutions over the last three years with their respective benchmark. Although we did not meet our target to outperform the benchmarks, the absolute three-year average performance of both these mandates amounted to 7.7%, thereby positively contributing to our clients' wealth.

Human and intellectual

As a wealth manager, Van Lanschot Kempen depends on hiring and retaining knowledgeable, experienced and professional staff, i.e. our human capital. We are therefore highly motivated to create an attractive work environment for our workforce and to invest in our people. We aim for a fully inclusive workforce in the broadest sense. We measure gender balance, and aim for at least 30% women and 30% men in management positions reporting directly to the Managing Board, or in the level below. Currently, 23% of these management positions are occupied by women. We have taken actions to support female colleagues to reach the top level in several departments and we continue to take serious steps to increase the number of women in management positions. We do realise that this will take some time, but it is promising to see a growing number of women in the second tier of management.

We measure our employee satisfaction via a periodic pulse survey, which includes the official eNPS question. The eNPS method is used to measure employee satisfaction and loyalty to our organisation, based on the percentage of employees who are promoters of the organisation, less the percentage of employees who are detractors. The score of 10 is a positive result that meets our target.

Given the growing importance of skills relating to digitalisation and advanced analytics, our ambition is for at least 25% of all training courses followed by staff to be aimed at developing new skills. Our focus in the first half of 2021 has been on language courses and compliance-related mandatory training, which is why the share of new skills training courses is below target.

Natural and social

The relationship with our clients is one of our most important assets. Client satisfaction is measured, among other means, via the Net Promoter Score (NPS), specifically via the relationship NPS[5] that indicates the percentage of promoters of the organisation less the percentage of detractors.

In H1 2021, Private Clients' NPS increased significantly to 37, well above our target of 10. Evi's NPS increased to 13, which is also above our target. This reflected improved satisfaction with both a higher contact frequency and the quality of the contact and the investment service.

Among our Corporate Finance clients, client centricity is measured via the percentage of successful transactions with repeat Corporate Finance clients. A client is a repeat Corporate Finance client if it has made a successful transaction with us in the past five years. The result on this KPI indicates whether existing clients are doing business with us again and our ability to acquire new clients. In H1 2021, 42% of transactions were with repeat clients, which is below our target range of 60-70%. This was due to the significant rise in the number of new clients for whom transactions were made, especially in life sciences.

Client satisfaction among our Securities clients is measured in a similar way: the percentage of repeat Securities clients paying bundled commission for our research in the past 12 months, compared with the previous 12-month period. Given the importance of building long-term client relationships, the target has been set at 80%. At 95%, the H1 2021 result is significantly above our target.

The quality of our investment strategies is measured via the average Morningstar rating of these strategies in the institutional share class. In H1 2021, the average rating was 3.8, slightly above our target.

We strive to operate in an ethical manner and we encourage our employees to behave ethically and with integrity. We monitor whether our employees positively evaluate our culture regarding ethical behaviour and integrity via quarterly 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 H1 2021, in line with our target.

We can achieve the most significant economic, environmental and social impact by investing the wealth of our clients in a sustainable manner. Private Clients' assets under management (AuM) invested in sustainable and impact investment rose to €3.8 billion in H1 2021, from €3.1 billion at year-end 2020, in line with our target to grow this figure by 10% compared with last year.

In H1 2021, we undertook 71 engagements for change and awareness with our investees, which means we are well on track to reach our annual target of 80–100 engagements. In 2020, we started to score internal and external fund managers on the extent to which they meet our sustainability criteria, whereby fund managers that meet our criteria have a score of 3 or higher. In H1 2021, the percentage of fund managers that met our sustainability criteria was 80%, which is higher than the score of 76% in 2020 and in line with our target.

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

FINANCIAL PERFORMANCE

Key financial data

€ million	H1 2021	H2 2020		H1 2020	
Statement of income					
Net result	58.3	40.4	44%	9.5	
Underlying net result	59.2	41.6	43%	9.5	
Efficiency ratio (%)	73.1	79.2	—	93.2	—

€ billion	30/06/2021	31/12/2020		30/06/2020	
Client assets	121.0	115.0	5%	103.4	17%
– Assets under management	104.2	99.0	5%	89.2	17%
– Assets under monitoring and guidance	3.2	3.2	0%	3.2	1%
– Assets under administration	3.4	2.7	25%	1.2	
– Savings and deposits	10.2	10.1	1%	9.8	4%

€ million	30/06/2021	31/12/2020		30/06/2020	
Statement of financial position and capital management					
Equity attributable to shareholders	1,291	1,254	3%	1,225	5%
Equity attributable to AT1 capital securities	102	102	0%	102	0%
Equity attributable to non-controlling interests	0	0		0	
Savings and deposits	10,228	10,141	1%	9,826	4%
Loans and advances to clients	8,663	8,448	3%	8,477	2%
Total assets	15,030	15,149	-1%	14,901	1%
Funding ratio (%)	118.1	120.0	—	115.9	—
Risk-weighted assets	4,586	4,195	9%	4,195	9%
Common Equity Tier 1 ratio (%)[6]	21.9	24.3	—	24.0	—
Tier 1 ratio (%)[6]	23.1	25.4	—	25.1	—
Total capital ratio (%)[6]	25.2	27.4	—	27.0	—

	H1 2021	H2 2020		H1 2020	
Key figures					
Weighted average of outstanding shares (x 1,000)	40,986	40,989		40,964	0%
Underlying earnings per share (€)	1.36	0.93	46%	0.15	
Return on average Common Equity Tier 1 capital (annualised) (%)[7]	11.0	7.5	—	1.2	—
Number of staff (FTEs at period end)	1,588	1,564	2%	1,519	5%

[6] 31/12/2020 including retained earnings; 30/06/2020 and 30/06/2021 excluding retained earnings.
[7] Return on average Common Equity Tier 1 capital is calculated based on annualised underlying net result.

Financial results (€ million)	H1 2021	H2 2020		H1 2020	
Commission	175.7	147.5	19%	148.9	18%
– Of which securities commissions	146.7	124.3	18%	123.1	19%
– Of which other commissions	28.9	23.2	24%	25.8	12%
Interest	76.1	75.1	1%	77.0	-1%
Income from securities and associates	22.3	17.1	30%	0.6	
Result on financial transactions	-4.8	-7.0	32%	-25.3	81%
Income from operating activities	**269.3**	**232.7**	**16%**	**201.3**	**34%**
Staff costs	129.3	121.7	6%	117.6	10%
Other administrative expenses	59.4	52.4	13%	62.8	-5%
– Of which regulatory levies and charges	9.9	3.2		7.9	25%
Depreciation and amortisation	8.1	10.2	-21%	7.1	14%
Operating expenses	**196.8**	**184.3**	**7%**	**187.5**	**5%**
Gross result	**72.5**	**48.5**	**50%**	**13.7**	
Addition to loan loss provisions	-3.5	0.6		1.3	
Other impairments	-2.2	-0.2		0.2	
Impairments	**-5.7**	**0.4**		**1.5**	
Operating profit before tax of non–strategic investments	0.7	0.9	-26%	0.7	-7%
Operating profit before special items and tax	**78.9**	**49.0**	**61%**	**13.0**	
Amortisation of intangible assets arising from acquisitions	3.7	3.1	20%	3.1	20%
Restructuring charges	1.2	1.6	-22%	—	
Operating profit before tax	**74.0**	**44.3**	**67%**	**9.9**	
Income tax	15.7	4.0		0.4	
Net result	**58.3**	**40.4**	**44%**	**9.5**	
Underlying net result	**59.2**	**41.6**	**43%**	**9.5**	

Underlying net result (€ million)	H1 2021	H2 2020		H1 2020	
Net result	**58.3**	**40.4**	**44%**	**9.5**	
Restructuring charges	1.2	1.6	-22%	—	
Tax effects	-0.3	-0.4	-22%	—	
Underlying net result	**59.2**	**41.6**	**43%**	**9.5**	

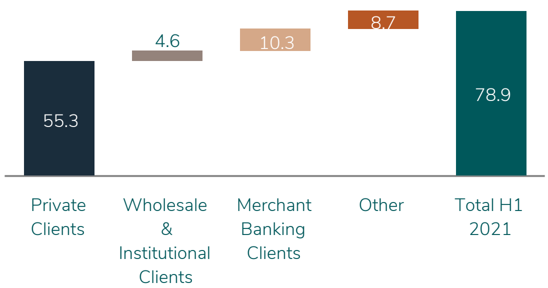
Earlier this year, we announced a change in our organisational structure by moving from a business line-driven organisation towards a function-based model. This allows us to work across client groups, use a broader range of products and further improve the efficiency of our organisation.

This new organisational structure also led to a new reporting structure in which we now segment our reports according to our client groups: Private Clients (including Evi), Wholesale & Institutional Clients, Merchant Banking Clients and Other.

Due to the significant change in reporting structure, no comparative segment figures will be made available, in line with IFRS 8.

All segments made a positive contribution to the underlying net result. The underlying net result for H1 2021 is the net result adjusted for costs associated with restructuring charges related to the acquisition of Hof Hoorneman Bankiers and tax effects (€0.9 million net effect).

Operating profit before special items and tax by segment
(€ million)



Underlying net result by segment
(€ million)

Segments in H1 2021 (€ million)	Private Clients	Wholesale & Institutional Clients	Merchant Banking Clients	Other	Total
Net commission income	106.8	37.7	29.0	2.1	175.7
Net interest income	67.3	—	0.0	8.9	76.1
Other income	1.7	—	1.3	14.5	17.5
Total income from operating activities	**175.8**	**37.7**	**30.3**	**25.4**	**269.3**
Staff costs	41.9	4.5	11.5	71.4	129.3
Other administrative expenses	28.5	3.2	3.8	23.9	59.4
Allocated internal expenses	52.8	25.4	4.6	-82.8	—
Depreciation and amortisation	0.7	0.0	0.1	7.2	8.1
Total expenses	**123.9**	**33.1**	**20.0**	**19.7**	**196.8**
Operating result before tax	**51.9**	**4.6**	**10.3**	**5.7**	**72.5**
Impairments	-3.4	—	—	-2.3	-5.7
Operating result before tax of non-strategic investments	—	—	—	0.7	0.7
Operating result before special items and tax	**55.3**	**4.6**	**10.3**	**8.7**	**78.9**
Amortisation of intangible assets arising from acquisitions	3.0	0.4	—	0.4	3.7
Restructuring charges	1.2	—	—	—	1.2
Operating result before tax	**51.1**	**4.2**	**10.3**	**8.3**	**74.0**
Income tax	12.9	1.1	2.6	-1.0	15.7
Net result	**38.2**	**3.1**	**7.7**	**9.3**	**58.3**
Underlying net result H1 2021	**39.1**	**3.1**	**7.7**	**9.3**	**59.2**

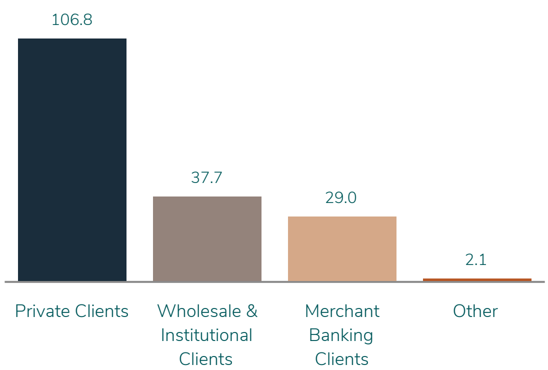
Commission

Commission (€ million)	H1 2021	H2 2020		H1 2020	
Securities commissions	146.7	124.3	18%	123.1	19%
– Management fees	134.5	115.1	17%	110.3	22%
– Transaction fees	12.2	9.2	33%	12.7	-4%
Other commissions	28.9	23.2	24%	25.8	12%
Commission	**175.7**	**147.5**	**19%**	**148.9**	**18%**

Commission income grew by 18% compared with H1 2020 to €175.7 million and accounted for 65% of our total operating income. Securities commissions increased by 19% thanks to higher income from management fees, reflecting the significant growth in AuM at Private Clients (+ €5.5 billion). This growth is a result of both higher net inflows - in discretionary and non-discretionary management - and positive market performance. The relatively high inflow in non-discretionary management led to transaction fees at the same high level as H1 2020, when market volatility sparked a high number of trades.

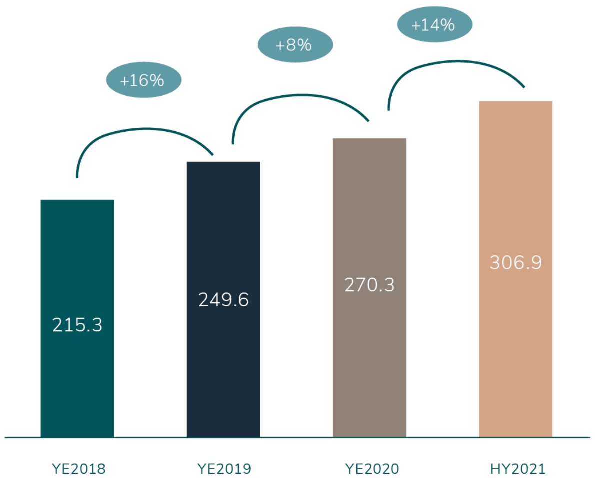
Other commissions increased, mainly due to the results of Corporate Finance and Equity Capital Markets (ECM) deals at Merchant Banking Clients.

Commission income by segment
(€ million)



Annualised recurring securities commission income (run rate) rose significantly compared with year-end 2020 as a result of the strong growth in AuM. The total increase amounted to 43% relative to year-end 2018. Annualised recurring securities commission income represents the annualised portfolio revenues at the reporting date, assuming that the portfolio remains unchanged.

Annualised run rate securities commission income
(€ million)



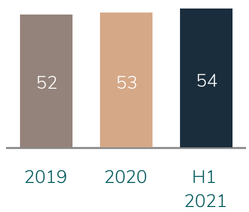
Private Clients' total commission income came in at €106.8 million. The annualised recurring securities commission income rose by €32.4 million (+16%) to €229.5 million as at 30 June 2021 compared with year-end 2021 due to the significant growth in AuM. Private Banking margins on AuM are fairly stable.

Wholesale & Institutional Clients brought in a commission income of €37.7 million. The annualised recurring securities commission rose to €77.4 million as at 30 June 2021 from €73.8 million at year-end 2020. This growth was driven by an increase in commissions from both investment strategies and new fiduciary mandates. Average margins remained stable.

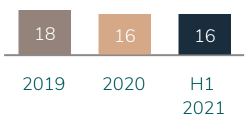
For comparative purposes, we used the previous segmentation for the margin figures. As from 2021, we will only show figures for the new segmentation. The margin for the new Private Clients segment was 60 basis points in H1 2021. The margin for the new Wholesale & Institutional segment worked out at 11 basis points in H1 2021.

Merchant Banking Clients performed well in H1 2021, with commission income of €29.0 million, a higher level than the previous year. The result of Corporate Finance and ECM deals was €22.8 million on the back of multiple deals, mainly related to ECM.

AuM margin – Private Banking
(bps)[8]



AuM margin – Asset Management
(bps)[8]



Interest

Interest (€ million)	H1 2021	H2 2020		H1 2020	
Gross interest margin	83.0	84.1	-1%	85.8	-3%
Interest income and charges on hedge derivatives	-5.6	-3.5	59%	-1.9	
Interest equalisation	-8.4	-10.3	-19%	-9.4	-11%
Clean interest margin	**69.0**	**70.3**	**-2%**	**74.6**	**-7%**
Miscellaneous interest income and charges	5.4	2.9	88%	1.1	
Loan commission	1.6	2.0	-18%	1.3	24%
Interest	**76.1**	**75.1**	**1%**	**77.0**	**-1%**

Interest income is stabilising, with our H1 2021 interest income of €76.1 million 1% down on the €77.0 million realised in H1 2020. A decrease in the interest margin was offset by growth in the Private Clients loan portfolio of €0.3 billion to €8.1 billion.

On average, we charged negative interest rates on €2.5 billion of savings in H1 2021 compared with €0.6 billion of savings in H1 2020. The impact of charging negative interest rates increased from €1.5m in H1 2020 to €6.3 million in H1 2021. This is the result of lowering the threshold for negative interest rates on savings to €250,000 as of 1 January 2021. As of 1 July 2021, the threshold has been lowered to €100,000.

[8] For comparative purposes, we used the previous segmentation for these margins.

In comparison with H1 2020, the interest margin (12 month moving average) fell by 12 basis points to an average of 101 basis points. The “clean" interest margin declined by 13 basis points compared with its level at the end of H1 2020, to 94 basis points at the end of H1 2021.

Miscellaneous interest income and charges went up from €1.1 million to €5.4 million. This is the result of income from early redemption fees, driven by prepayments.

Income from securities and associates

Income from securities and associates (€ million)	H1 2021	H2 2020		H1 2020	
Dividend	4.0	7.7	-48%	0.6	
Capital gains	0.2	0.4	-50%	0.2	-16%
Valuation gains and losses	18.1	9.1	100%	-0.2	
Income from securities and associates	**22.3**	**17.1**	**30%**	**0.6**	

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, as this allows us to provide seed capital and align our own interest with our clients' interests.

Dividend income rose to €4.0 million, from €0.6 million in H1 2020. In general, we have stakes in sectors that were not heavily impacted by Covid-19.

Valuation gains and losses rose by €18.3 million to €18.1 million in H1 2021. This reflects the positive results in our participation portfolio and the higher result of our co-investments compared with last year.

The total result of our own investment funds worked out at €8.3 million (H1 2020: -€6.3 million), consisting of €14.5 million on our own investment funds and -€6.2 million on hedges. The hedges are reported under Result on financial transactions.

Result on financial transactions

Result on financial transactions (€ million)	H1 2021	H2 2020		H1 2020	
Result on securities trading	1.2	2.7	-54%	-0.5	
Result on currency trading	4.4	3.5	24%	4.6	-5%
Result on investment portfolio	0.3	0.6	-56%	-0.2	
Result on hedges	-11.4	-12.8	11%	-25.9	56%
Other income	0.8	-1.0		-3.3	
Result on financial transactions	**-4.8**	**-7.0**	**32%**	**-25.3**	**81%**

Result on securities trading increased to €1.2 million and reflects a positive performance for the trading book. Trading activities involve facilitation only and we mainly provide liquidity to clients.

Result on hedges improved significantly, as the loss related to our structured products activities fell to €1.4 million (H1 2020: €27.3 million). This loss is the combined impact of our trading result and the macro-hedge portfolio de-risking efforts mentioned above. The loss of €1.4 million does not include the realised sales commission of €1.2 million, recognised as part of commission income.

The €27.3 million loss on our structured products activities in H1 2020 was mainly due to the exceptional volatility and illiquidity of certain segments of the financial markets in 2020. In response to last year's loss, we are working with a more rigorous risk appetite. We hedge new positions back-to-back and are gradually reducing our macro-hedge portfolio, currently at €560 million — which is already a sizeable reduction compared with the end of March 2020 (€783 million) and year-end 2020 (€691 million).

We expect to substantially reduce our macro-hedge portfolio over the next three years, and to incur additional hedging costs to accelerate risk mitigation.

Lastly, a negative result on futures of €6.2 million was incurred. These are used as a hedge against our management book. The result on futures is more than offset by a gain on the underlying assets, accounted for as part of Income from securities and associates.

Operating expenses

Operating expenses (€ million)	H1 2021	H2 2020		H1 2020	
Staff costs	129.3	121.7	6%	117.6	10%
Other administrative expenses	59.4	52.4	13%	62.8	-5%
– of which regulatory levies and charges	9.9	3.2		7.9	25%
Depreciation and amortisation	8.1	10.2	-21%	7.1	14%
Operating expenses	**196.8**	**184.3**	7%	**187.5**	**5%**

Total operating expenses were up 5% to €196.8 million (H1 2020: € 187.5 million), mainly as a result of higher staff costs due to the acquisition of Hof Hoorneman Bankiers and higher regulatory levies and charges.

Staff costs
Staff costs increased by €11.7 million, mainly due to an increase in the number of staff to 1,588 FTE (H1 2020: 1,519 FTE) as a result of the acquisition of Hof Hoorneman Bankiers, combined with limited organic growth. Additionally, variable remuneration increased by €5.9 million due to better financial performance compared with H1 2020.

Other administrative expenses
Other administrative expenses decreased by €3.4 million. H1 2020 saw several large IT, strategic and regulatory projects, which is the main reason for the fall in IT expenses and consultancy fees. Office expenses are lower due to Covid-19-related attendance restrictions. This is partly offset by an increase in regulatory levies and charges of €2.0 million. This item consists of supervisory costs, the deposit guarantee scheme, the single resolution fund and Belgian banking tax.

Depreciation and amortisation
Depreciation and amortisation increased to €8.1 million (H1 2020: €7.1 million), mainly as a result of a book profit realised on the sale of one of our former office buildings in H1 2020 (€2.3 million).

Efficiency ratio
The efficiency ratio – i.e. the ratio of operating expenses (excluding costs incurred for amortisation of intangible assets arising from acquisitions and restructuring charges) to income from operating activities – improved to 73.1% in H1 2021 from 93.2% in H1 2020. This improvement was mainly driven by higher commission income and better results on investments in own investment funds and on our structured products activities.

Impairments

Impairments (€ million)	H1 2021	H2 2020		H1 2020	
Private Clients	-3.4	1.0		1.2	
– Of which Corporate Banking loans	-2.3	0.8		0.9	
Other	-0.1	-0.4	64%	0.0	
Addition to loan loss provisions	**-3.5**	**0.6**		**1.3**	
Impairment on investments and participating interests	-2.2	-0.2		0.2	
Other impairments	**-2.2**	**-0.2**		**0.2**	
Impairments	**-5.7**	**0.4**		**1.5**	

Addition to loan loss provisions
In H1 2021, we saw limited impact on our loan portfolio and impairments from Covid-19 and other market developments. We benefited from winding down our Corporate Banking loan book, which lowered the credit risk of our loan portfolio further. As a result, €3.5 million was released from our loan loss provisions in H1 2021. Private Clients loans accounted for a release of €1.1 million, Corporate Banking loans for a release of €2.3 million.

In 2020, IFRS 9 models were deemed too optimistic for certain clients and industries, given the uncertainty related to Covid-19. We therefore applied a management overlay of €4.9 million. This was the result of extensive client monitoring and sector analysis, leading to adjustments in the stage classification of some clients. In H1 2021, the net €3.5 million release from loan loss provisions included a release of €0.9 million out of the €4.9 million management overlay, meaning that the current management overlay amounts to €4.0 million.

In H1 2021, the annualised addition to loan loss provisions relative to average risk-weighted assets worked out at a release of 16 basis points (H1 2020: addition of 6 basis points).

Other impairments
Other impairments showed a release of €2.2 million. This amount is a reversal of an impairment on one of our participating interests, resulting from an increase in the fair value of the minority holdings in one of our private equity investments to which impairments had been applied previously.

Non-strategic investments
We currently have majority stakes in two non-strategic financial investments, Holonite (Holowell BV) and Allshare. Our aim is to divest our shareholdings in these non-strategic investments over time.

The operating profit (before tax) from our portfolio of equity holdings amounted to €0.7 million in H1 2021 (H1 2020: €0.7 million).

Special items
We recognised €1.2 million in special items in H1 2021 for restructuring charges relating to the acquisition of Hof Hoorneman Bankiers. This concerns one-off costs for integrating Hof Hoorneman Bankiers into our organisation. Since the bulk of Hof Hoorneman Bankiers' integration will take place in H2 2021, we expect further costs later in the year.

Special items (€ million)	H1 2021	H2 2020		H1 2020	
Amortisation of intangible assets arising from acquisitions	3.7	3.1	20%	3.1	20%
Restructuring charges	1.2	1.6	-22%	—	
Special items	**5.0**	**4.7**	**5%**	**3.1**	**59%**

Income tax
Income tax for H1 2021 amounts to €15.7 million (H1 2020: €0.4 million), which translates to an effective tax rate of 21.2% compared with 4.1% in H1 2020. Our effective tax rate is lower than the general Dutch tax rate of 25% due to income from our private equity portfolio being covered by equity exemption rules. In H1 2020, the income from our private equity portfolio was a larger share of the total result and therefore had a bigger relative impact on the effective tax rate.

Earnings per share

Earnings per share (€ million)	H1 2021	H2 2020		H1 2020	
Net result	**58.3**	**40.4**	**44%**	**9.5**	
Share of non-controlling interests	-0.1	-0.1	39%	0.0	
Share of holders of AT1 capital securities	-3.4	-3.4	0%	-3.4	0%
Net result for calculation of earnings per ordinary share	**54.9**	**36.9**	**48%**	**6.1**	
Earnings per ordinary share (€)	**1.34**	**0.90**	**49%**	**0.15**	
Underlying net result for calculation of earnings per ordinary share	**55.8**	**38.1**	**46%**	**6.1**	
Underlying earnings per ordinary share (€)	**1.36**	**0.93**	**46%**	**0.15**	
Weighted number of outstanding ordinary shares (x 1,000)	40,986	40,989		40,964	

Share of holders of AT1 capital securities relates to the coupon of the €100 million Additional Tier 1 bond we issued in March 2019. These securities count as Tier 1 qualifying capital when determining capital adequacy. Profit attributable to non-controlling interests of €0.1 million in H1 2021 is at almost the same level as in H1 2020.

Client assets[9]

Client assets (€ billion)	30/6/2021	31/12/2020		30/6/2020	
Client assets	**121.0**	**115.0**	**5%**	**103.4**	**17%**
Assets under management	104.2	99.0	5%	89.2	17%
Savings and deposits	10.2	10.1	1%	9.8	4%
Assets under monitoring and guidance	3.2	3.2	0%	3.2	1%
Assets under administration	3.4	2.7	25%	1.2	
Client assets	**121.0**	**115.0**	**5%**		
Private Clients	48.7	42.9	14%		
Wholesale & Institutional Clients	70.6	70.9	0%		
Other	1.7	1.3	30%		

Total client assets have risen by 5% to €121.0 billion at 30 June 2021, driven by growth in AuM of €5.1 billion as a result of positive market performance of €4.8 billion and net inflow of €0.3 billion. Private Clients showed net inflow of €2.4 billion and positive market performance of €3.1 billion. Wholesale & Institutional Clients showed net outflow of €2.0 billion and positive market performance of €1.7 billion.

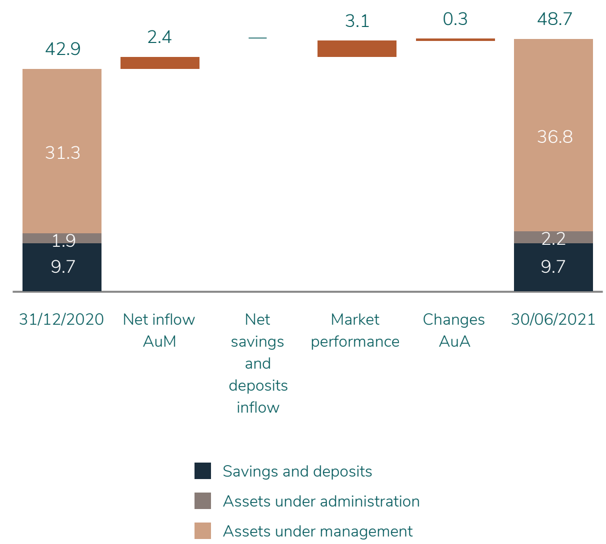
Client assets (€ billion)	Private Clients	Wholesale & Institutional Clients	Other	Total
Client assets at 31/12/2020	**42.9**	**70.9**	**1.3**	**115.0**
Assets under management in/outflow	2.4	-2.0	0.0	0.3
Savings and deposits in/outflow	0.0	—	0.0	0.1
Market performance of assets under management	3.1	1.7	—	4.8
Change in assets under monitoring and guidance	—	0.0	—	0.0
Change in assets under administration	0.3	—	0.3	0.7
Client assets at 30/06/2021	**48.7**	**70.6**	**1.7**	**121.0**

Private Clients

Client assets at Private Clients grew by 14%, as a result of the exceptionally high inflow in AuM of €2.4 billion, realised in the Netherlands, Belgium and Switzerland. Positive market performance of €3.1 billion reflects stock market growth.

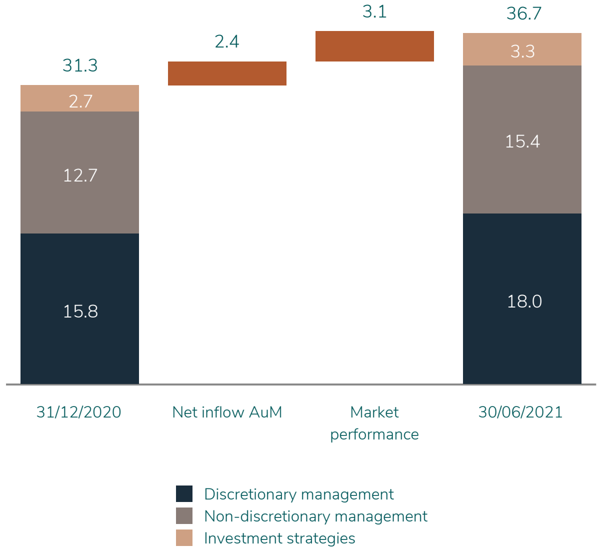
At the end of H1 2021, assets under discretionary management made up 49% of total AuM. Total discretionary assets under management stood at €18.0 billion and total non-discretionary assets under management amounted to €15.4 billion. Total AuM also include the positions of our private clients invested in the investment strategies offered by Van Lanschot Kempen (€3.3 billion).

Client assets at Private Clients
(€ billion)

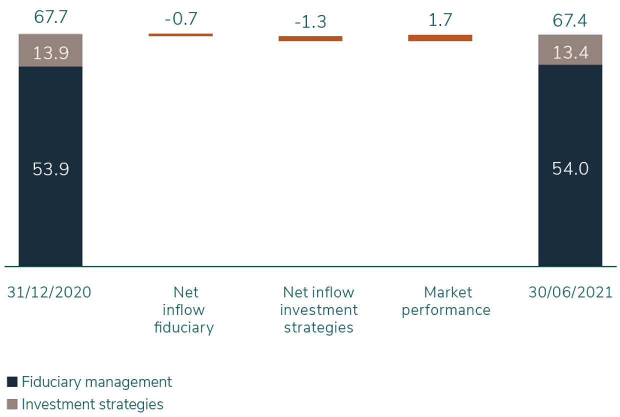


[9] As of 2021, we changed our organisation and reporting structures. Comparative figures per 31 December 2020 have been adjusted accordingly.

AuM at Private Clients
(€ billion)



AuM Wholesale & Institutional Clients
(€ billion)



In Belgium, we have achieved good inflow year on year. In H1 2021, the net inflow picked up further, leading to a net inflow of €0.3 billion. Along with a positive market performance, total AuM grew by 15% to €4.8 billion. Total client assets amounted to €5.5 billion.

Evi is now part of the Private Clients segment. Its AuM grew by 13% to €1.3 billion, whereas savings volume came down. As a result, client assets declined to €1.5 billion (2020: €1.6 billion). In Belgium, we discontinued our relationship with savings-only Evi clients, leading to an outflow of €0.2 billion in savings, and Evi AuM products are now fully integrated into Van Lanschot Belgium's proposition.

Wholesale & Institutional Clients

AuM at Wholesale & Institutional Clients declined to €67.4 billion, with positive market performance of €1.7 billion and net outflow of €2.0 billion.

Fiduciary mandates showed an outflow of €0.7 billion, caused primarily by the exit of a pension fund (which has joined forces with another fund), partly offset by the addition of a new €1.1 billion mandate.

Investment strategies saw a net outflow of €1.3 billion. Within investment strategies, the outflow of a mandate within government bond strategies and the outflow from credit strategies were only partly compensated by the strong inflow into the Global Small-cap Fund and the real assets strategy.

For more information on the performance of our investment strategies, see page 15.

Total client assets at Wholesale & Institutional clients stood at €70.6 billion at the end of H1 2021.

Selection of Kempen investment strategies 2021

	AuM overview (€ million)	Performance overview[10] vs. benchmark (3-year horizon, %): Kempen strategy	Benchmark
Dutch Small-Caps	367	16.9	17.9
European Participations[11]	1,107	16.0	10.0
Sustainable European Small-caps	374	9.3	9.4
Global Small-caps	1,766	13.8	11.6
European Dividend	236	4.5	8.1
Global Dividend	1,865	7.7	14.4
European Sustainable Equity	558	13.7	8.1
Global Sustainable Equity	224	19.7	14.4
Euro Credit	2.553	3.6	2.6
Euro Credit Plus	245	3.8	2.6
Euro Sustainable Credit	1,030	3.4	2.6
European Real Estate	1,189	7.3	4.0
Global Real Estate	663	7.3	5.8
Global Non-Directional Hedge Fund Solutions[11]	689	3.0	0.2
Global Alternative Credit[11,12]	625	3.8	5.5
Euro High Yield	291	6.0	4.3

Kempen strategy

Benchmark

10 Three-year annualised performance is based on a representative account until end of June 2021 and before fees (gross).
11 Fund performance is after fees (net).
12 Fund base currency is US $; performance is expressed in US $.

Statement of financial position

Statement of financial position and capital management (€ million)	30/6/2021	31/12/2020		30/6/2020	
Equity attributable to shareholders	1,291	1,254	3%	1,225	5%
Equity attributable to AT1 capital securities	102	102	0%	102	0%
Equity attributable to non-controlling interests	0	0		0	
Savings and deposits	10,228	10,141	1%	9,826	4%
Loans and advances to clients	8,663	8,448	3%	8,477	2%
Total assets	15,030	15,149	-1%	14,901	1%
Funding ratio (%)	118.1	120.0	-2%	115.9	2%

Loan portfolio

Loan portfolio (€ million)	30/6/2021	31/12/2020		30/6/2020	
Mortgages	6,149	6,032	2%	5,992	3%
Other loans	1,978	1,809	9%	1,785	11%
Private Clients loans	**8,126**	**7,841**	**4%**	**7,777**	**4%**
Corporate Banking loans	165	195	-15%	246	-33%
Mortgages distributed by third parties	432	476	-9%	520	-17%
Total	**8,723**	**8,512**	**2%**	**8,543**	**2%**
Impairments	-61	-64	-6%	-66	-8%
Total	**8,663**	**8,448**	**3%**	**8,477**	**2%**

Our loan portfolio increased by €0.2 billion to €8.7 billion, driven by an increase in Private Clients loans. This portfolio is broken down into Dutch residential mortgages and other loans.

Private Clients mortgages

Private Clients mortgages increased to €6.1 billion (2020: €6.0 billion) and make up 70% of our total loan portfolio. These mortgages are primarily granted to high net-worth individuals.

Private Clients other loans

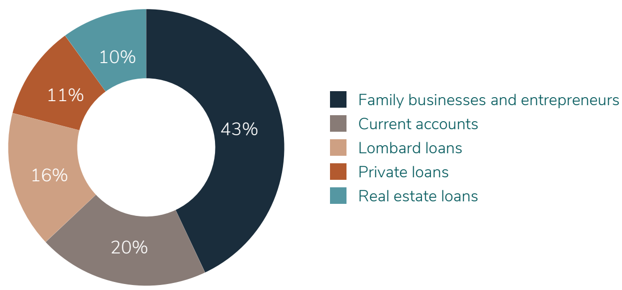
This part of the loan portfolio comprises loans to high net-worth individuals, in the form of overdraft facilities or funding for a second home, for example. In the same category are commercial activities that fit into our Private Clients relationship model, such as funding investments for family businesses, business professionals and executives, healthcare professionals and entrepreneurs. These kinds of loans are supplementary to our wealth management strategy and typically involve bringing in AuM. Our aim is to keep the size of this portfolio stable. In H1 2021, these other loans increased to €2.0 billion (2020: €1.8 billion) and this was mainly driven by increased Lombard lending.

Corporate Banking loans

As of June 2021, Corporate Banking loans totalled €165 million (year-end 2020: €195 million) and accounted for 2% of our total loan portfolio. The run-off of this portfolio continues.

Other Private Banking loans: type of loan

(100% = €2.0 billion)



Mortgages distributed by third parties

The portfolio of mortgages distributed by third parties consists of regular Dutch residential mortgages. It is intended to supplement our investment portfolio and enable us to generate attractive returns on available liquidity. It accounts for 5% of our total loan portfolio, with a volume of €0.4 billion (2020: €0.5 billion). The decrease is due to repayments and a competitive pricing environment.

Impaired loans and provisions

We take provisions for the impaired loans in our loan book. Impaired loans totalled €169 million as of June 2021, and decreased by 9% compared with 2020 (€186 million). The decrease is due to the recovery of impaired loans and a very low amount of new impaired loans. The total impaired ratio improved from 2.2% to 1.9% at the end of June 2021.

The Stage 3 provisions for the impaired loans amounted to €49 million, working out at a coverage ratio of 29%. The relatively low coverage ratio is explained by the sufficiently high quality of the collateral pledged against the loans.

Provision as at 30/06/2021 (€ million)	Loan portfolio	Impaired loans	Provision	Impaired ratio 30/6/2021	Coverage ratio 30/6/2020	Impaired ratio 31/12/2020	Coverage ratio 31/12/2020
Mortgages	6,149	44	2	0.7%	5%	0.8%	6%
Other loans	1,978	71	33	3.6%	46%	4.2%	44%
Private Clients loans	**8,126**	**115**	**35**	**1.4%**	**31%**	**1.6%**	**29%**
Corporate Banking loans	165	53	14	32.1%	26%	29.4%	26%
Mortgages distributed by third parties	432	1	0	0.2%	0%	0.2%	2%
Total	**8,723**	**169**	**49**	**1.9%**	**29%**	**2.2%**	**28%**
Provision	-61						
Total	**8,663**		**49**				
ECL Stage 1 and 2 (IFRS 9)			12				
Total ECL (IFRS 9)			**61**				

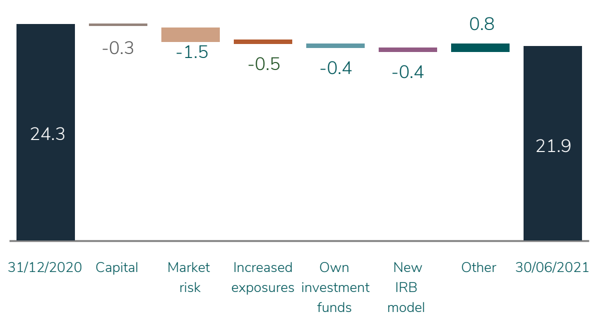
Capital management

Capital and liquidity management (€ million)	30/06/2021	31/12/2020		30/06/2020	
Risk-weighted assets	4,586	4,195	9%	4,195	9%
Common Equity Tier 1 ratio (%)[13]	21.9	24.3		24.0	
Tier 1 ratio (%)[13]	23.1	25.4		25.1	
Total capital ratio (%) [13]	25.2	27.4		27.0	
Leverage ratio (%)	7.2	7.1		7.1	

The Common Equity Tier 1 (CET 1) ratio decreased in H1 2021 to 21.9% (2020: 24.3%). This was due to an increase in risk-weighted assets (RWA) of €392 million to €4,586 million and a slight decrease in available CET 1 capital of €15 million to €1,006 million.

The largest contributor to the increase in RWA is a rise in market risk RWA, due to more prudent interpretations of regulations. This has a negative impact on the ratio of -1.5%. Higher exposures - due to growth in the loan book - and an increase in investments in our own investment funds also contributed to an RWA increase in the ratio. Lastly, our new IRB models also resulted in an increase in RWA. We expect to be able to offset a part of the RWA increase by further optimising our balance sheet in the second half of 2021.

Common Equity Tier 1 ratio (%)



[13] 31/12/2020 including retained earnings; 30/06/2020 and 30/06/2021 excluding retained earnings.

Regulatory capital (€1,000)	30/06/2021	31/12/2020	30/06/2020
Risk-weighted assets	4,586,203	4,194,667	4,195,217
Common Equity Tier 1	1,006,206	1,020,996	1,008,233
Required Common Equity Tier 1	473,610	409,582	409,296
Tier 1	1,059,825	1,066,584	1,054,321
Required Tier 1	593,138	511,041	510,768
Total capital	1,155,810	1,147,865	1,131,184
Required total capital	752,509	646,319	646,063

SREP

In July 2021, DNB informed us of a downward revision of the capital requirements that we have to meet. Our CET 1 requirement has decreased from 7.8% to 5.9%, whereas the total SREP capital requirement (TSCR) has fallen from 13.9% tot 10.5%. This decrease in capital requirements mainly stems from adjustments to the way we establish the required capital buffer for credit risk. Previously, we applied the internal ratings based (IRB) method to determine the capital requirements for the majority of our loan book.

SREP and overall capital requirements for 2021 (%)[14]	CET 1	Tier 1	Total capital
Pillar 1	4.5	6.0	8.0
Pillar 2	1.4	1.9	2.5
Total SREP capital requirement	5.9	7.9	10.5
Capital conservation buffer	2.5	2.5	2.5
Countercyclical capital buffer	—	—	—
Overall capital requirement[14]	**8.4**	**10.4**	**13.0**
Capital ratios as per 30/6/2021	21.9	23.1	25.2

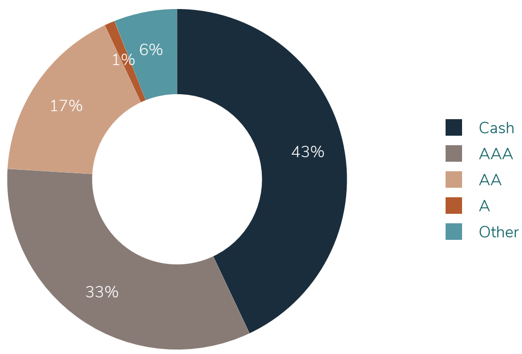
However, due to changes in our portfolio composition (winding down the Corporate Banking loan book) and increased regulation regarding IRB models in general, we thoroughly revised our IRB models. In recent years, we have developed new IRB models for residential mortgages and migrated all other credit risk exposure to the standardised approach. During this transition period, we held extra capital for credit risk. As we have now completed our IRB revision, the SREP capital requirements have been lowered. The table 'SREP and overall capital requirements for 2021' outlines our required and available capital as at 30 June 2021.

The table shows that at 30 June we met our capital requirements comfortably. It should be mentioned that the Mercier Vanderlinden acquisition (completed in July 2021) will reduce our capital ratios by approximately 3.6 percentage points in H2 2021. Moreover, DNB has announced that it plans to implement a risk weight floor for residential mortgages in January 2022 (pre-pandemic, this was envisaged for 2020). Although a final statement by DNB on implementation is still awaited, we expect this risk weight floor to reduce our capital ratios by an additional approximately 2.5 percentage points as well. This impact on solvency stems from two factors: a substantial share of our balance sheet (70%) consists of residential mortgages and, even more importantly, the difference in mortgage risk weights generated by the IRB models that we apply and those resulting from the "floor method" stipulated by DNB will be substantial in the future. We expect RWA to be lower under Basel IV compared to the DNB risk-weight floor. Despite these effects, our capital ratios remain strong and well above required levels and our own target range of 15-17%.

Investment portfolio and cash

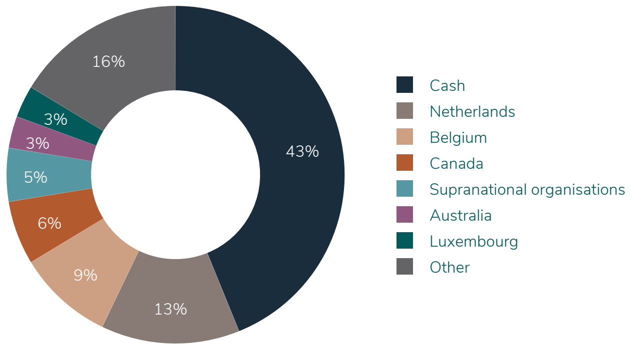
The total investment portfolio and cash[15] amounted to €5.2 billion at the end of H1 2021 (year-end 2020: €5.5 billion). Cash held with central banks stood at €2.3 billion. Financial assets at fair value through other comprehensive income decreased by €0.4 million to €2.2 million. The investment portfolio is primarily held for asset and liability management purposes, and mainly comprises low-risk and highly liquid instruments.

Investment portfolio and cash by rating at 30/06/2021
(100% = €5.2 billion)



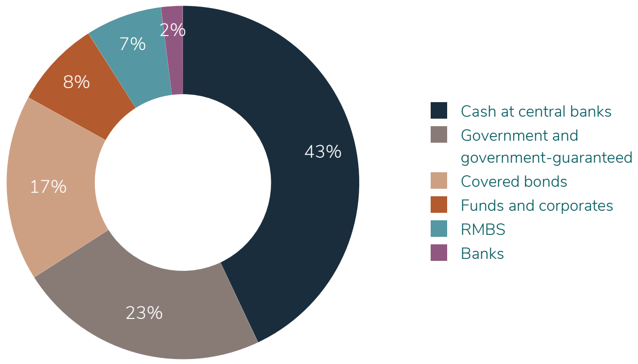
[14] Overall capital requirement excludes Pillar 2 guidance.
[15] Investment portfolio and cash comprises the balance of financial assets at fair value through other comprehensive income, other financial assets at amortised cost, financial assets designated at fair value profit or loss, cahs withdrawable on demand from central banks, and highly liquid (cahs) investments.

Investment portfolio and cash by country at 30/06/2021
(100% = €5.2 billion)



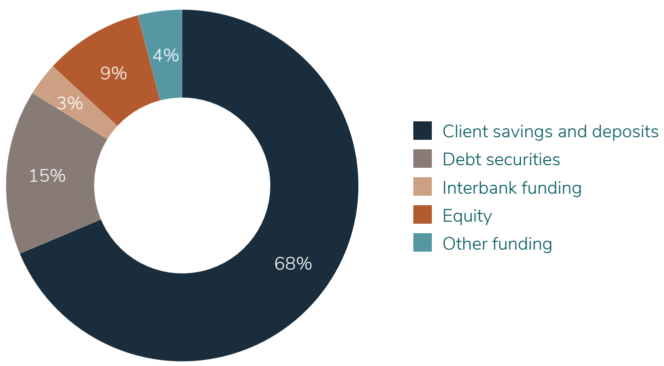
The Other category includes Germany, Sweden, France, New Zealand and Finland (each accounting for 2% of the total portfolio).

Investment portfolio and liquidity by counterparty
(100% = €5.2 billion)

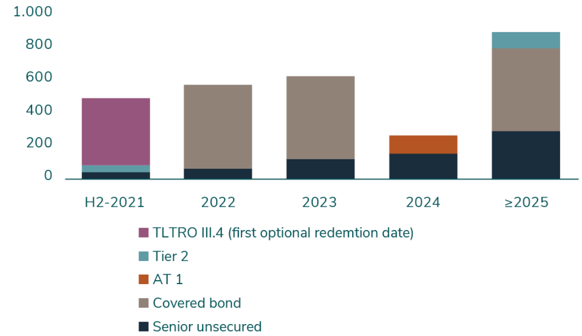


Funding
We aim to retain access to both retail and wholesale markets through diversified funding. At the end of H1 2021, our funding ratio had decreased by 1.9 percentage points to 118.1% (year-end 2020: 120.0%). Our funding needs remain limited and we have not had to issue any benchmark-size debt during 2021.

Funding mix at 30/06/2021
(100% = €15.0 billion)



Redemption profile
(€ million)



Ratios
The net stable funding ratio and the liquidity coverage ratio under the EU's Capital Requirements Regulation were as follows:

Ratios	30/6/2021	Requirement	31/12/2020
Liquidity coverage ratio (%)	158.8	> 100	177.4
Net stable funding ratio (%)	155.6	> 100	161.8

Events after the reporting period
On 7 April 2021, Van Lanschot Kempen and Mercier Vanderlinden announced agreement on the acquisition by Van Lanschot Kempen of Mercier Vanderlinden. The transaction was effected on 23 July 2021 by the transfer of 70% of the shares of Mercier Vanderlinden to Van Lanschot Kempen. Commitment is made to acquire the remaining 30% in two separate tranches in Q1 2025 and in Q1 2026. The acquisition included the client relationships, brand name and the products and services of Mercier Vanderlinden.

On 1 July 2021, the legal merger between Van Lanschot Kempen and Van Lanschot Kempen Wealth Management became effective. As a result of this merger, Van Lanschot Kempen ceased to exist as a legal entity and Van Lanschot Kempen Wealth Management acquired the assets and liabilities of Van Lanschot Kempen under universal title of succession. In addition, the statutory name of Van Lanschot Kempen Wealth Management changed to Van Lanschot Kempen as from 1 July 2021.

On 6 July, Van Lanschot Kempen sold its 42.5% interest in Fire Safety Holding BV (Gerco). A gain of over €10 million was realised. On 27 July, the 18% stake in Quint Holding was sold and a gain of circa €5 million realised.

RECONCILIATION OF IFRS AND MANAGEMENT REPORTING

Reconciliation of IFRS and management reporting (€ million)	IFRS	Non-strategic investments	Restructuring charges	Amortisation of intangible assets arising from acquisitions	Other adjustments	Managerial
Commission	176.0	—	—	—	-0.3	175.7
Interest	75.9	0.2	—	—	0.1	76.1
Income from securities and associates	22.3	—	—	—	—	22.3
Result on financial transactions	-4.8	—	—	—	—	-4.8
Other income	6.3	-6.3	—	—	—	—
Income from operating activities	**275.7**	**-6.1**	—	—	**-0.3**	**269.3**
Staff costs	134.6	-4.7	-0.6	—	—	129.3
Other administrative expenses	60.5	-0.2	-0.6	—	-0.3	59.4
Depreciation and amortisation	12.4	-0.6	—	-3.7	—	8.1
Operating expenses	**207.4**	**-5.4**	**-1.2**	**-3.7**	**-0.3**	**196.8**
Gross result	**68.3**	**-0.7**	**1.2**	**3.7**	—	**72.5**
Impairments	-5.7	—	—	—	—	-5.7
Operating profit before tax of non-strategic investments	—	0.7	—	—	—	0.7
Operating result before special items and tax	**74.0**	—	**1.2**	**3.7**	—	**78.9**
Restructuring charges	—	—	1.2	—	—	1.2
Amortisation of intangible assets arising from acquisitions	—	—	—	3.7	—	3.7
Operating profit before tax	**74.0**	—	—	—	—	**74.0**
Income tax	15.7	—	—	—	—	15.7
Net result	**58.3**	—	—	—	—	**58.3**

Van Lanschot Kempen Financial report

2021 HALF-YEAR RESULTS

VAN LANSCHOT KEMPEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(€1,000)

		30/6/2021	31/12/2020
Assets			
Cash and cash equivalents and balances at central banks	1	2,386,959	2,227,803
Financial assets from trading activities		51,954	61,678
Due from banks		159,359	210,584
Derivatives	2	344,796	376,702
Financial assets at fair value through profit or loss	3	383,242	290,987
Financial assets at fair value through other comprehensive income	4	2,185,099	2,576,063
Loans and advances to the public and private sectors	5	8,662,707	8,448,326
Other financial assets at amortised cost	6	339,907	448,518
Investments in associates using the equity method		78,017	72,202
Property and equipment	7	82,166	90,317
Goodwill and other intangible assets	8	151,168	155,007
Tax assets		21,209	23,155
Other assets		183,756	167,684
Total assets		15,030,338	15,149,026
Equity and liabilities			
Financial liabilities from trading activities		1,510	26
Due to banks	9	518,008	501,129
Public and private sector liabilities	10	10,227,836	10,141,109
Derivatives	2	371,869	488,802
Financial liabilities at fair value through profit or loss	11	695,087	740,869
Issued debt securities	12	1,433,853	1,469,897
Provisions	13	58,319	64,586
Tax liabilities		1,235	1,060
Other liabilities		157,680	212,973
Subordinated loans	14	172,032	172,479
Total liabilities		13,637,430	13,792,930
Issued share capital		41,362	40,000
Share premium reserve		323,719	154,753
Other reserves	15	871,276	1,016,720
Undistributed profit attributable to shareholders		54,860	43,009
Equity attributable to shareholders		1,291,216	1,254,481
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		-73	-158
Undistributed profit attributable to other non-controlling interests		78	85
Equity attributable to other non-controlling interests		5	-73
Total equity		1,392,909	1,356,096
Total equity and liabilities		15,030,338	15,149,026
Contingent liabilities		99,889	106,570
Irrevocable commitments		1,069,137	1,055,366
Contingent liabilities and irrevocable commitments		1,169,026	1,161,936

The number beside each item refers to the Notes to the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF INCOME
For the six months ended (€1,000)

		H1 2021	H1 2020
Income from operating activities			
Interest income calculated using the effective interest method		97,600	106,362
Other interest income		14,586	14,821
Interest expense calculated using the effective interest method		18,347	22,299
Other interest expense		17,951	22,053
Net interest income	16	**75,889**	**76,831**
Income from associates using the equity method		7,538	5,999
Other income from securities and associates		14,793	-5,397
Income from securities and associates	17	**22,331**	**602**
Commission income		180,787	152,630
Commission expense		4,804	3,725
Net commission income	18	**175,982**	**148,905**
Result on financial transactions	19	**-4,791**	**-25,264**
Net sales		8,992	6,933
Cost of sales		2,712	2,216
Other income	20	**6,280**	**4,717**
Total income from operating activities		**275,691**	**205,791**
Expenses			
Staff costs	21	134,577	121,824
Other administrative expenses	22	60,487	61,805
Staff costs and other administrative expenses		**195,065**	**183,629**
Depreciation and amortisation		**12,370**	**10,783**
Operating expenses		**207,435**	**194,412**
Impairments of financial instruments		-3,539	1,280
Other impairments		-2,189	226
Impairments	23	**-5,728**	**1,506**
Total expenses		**201,707**	**195,918**
Operating profit before tax		**73,985**	**9,873**
Income tax	24	15,672	403
Net result		**58,313**	**9,470**
Of which attributable to shareholders		54,860	6,066
Of which attributable to holders of AT1 capital securities		3,375	3,375
Of which attributable to other non-controlling interests		78	29
Earnings per share (€)	25	1.33	15.16

The number beside each item refers to the Notes to the consolidated statement of income.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended (€1,000)

		H1 2021	H1 2020
Net result (as per consolidated statement of income)		58,313	9,470
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		1,279	-5,734
Realised return on financial assets at fair value through other comprehensive income	19	—	—
Impairments of financial assets at fair value through other comprehensive income		—	-13
Income tax effect		-320	1,244
Total other comprehensive income through revaluation reserve	15	959	-4,502
Other comprehensive income from value changes of derivatives (cash flow hedges)			
Increase in value of derivatives directly recognised in equity		4,922	—
Decrease in value of derivatives directly recognised in equity		—	-5,307
Income tax effect		-1,230	1,152
Total other comprehensive income from value changes of derivatives (cash flow hedges)	15	3,692	-4,156
Other comprehensive income from currency translation differences			
Other comprehensive income from currency translation differences		—	-242
Income tax effect		—	—
Total other comprehensive income from currency translation differences	15	—	-242
Total other comprehensive income to be reclassified in subsequent periods to profit or loss		4,651	-8,900
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		-7,025	23,665
Income tax effect		1,756	-5,135
Total change in fair value attributable to change in credit risk of financial liabilities at fair value through profit or loss	15	-5,269	18,530
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans		23	653
Income tax effect		-391	-149
Total remeasurement of defined benefit plans	15	-368	504
Total other comprehensive income not to be reclassified in subsequent periods to profit or loss		-5,637	19,034
Total other comprehensive income		-987	10,134
Total comprehensive income		57,326	19,604
Of which attributable to shareholders		53,873	16,200
Of which attributable to holders of AT1 capital securities		3,375	3,375
Of which attributable to other non-controlling interests		78	29

The number beside each item refers to the Notes to the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2021 (€1,000)

	Share capital	Share premium reserve	Other reserves	Undistri-buted profit	**Total equity attributable to shareholders**	Equity attributable to AT1 capital securities	Equity attributable to other non-controlling interests	**Total equity**
At 1 January	**40,000**	**154,753**	**1,016,720**	**43,009**	**1,254,482**	**101,688**	**-73**	**1,356,096**
Net result (as per consolidated statement of income)	—	—	—	54,860	**54,860**	3,375	78	58,313
Total other comprehensive income	—	—	-987	—	**-987**	—	—	-987
Total comprehensive income	**—**	**—**	**-987**	**54,860**	**53,873**	**3,375**	**78**	**57,326**
Share plans	—	—	-8,595	—	**-8,595**	—	—	-8,595
To/from other reserves	1,362	168,966	-135,591	-34,737	**—**	—	—	—
Dividends/Capital return	—	—	—	-8,272	**-8,272**	-3,375	—	-11,647
Other changes	—	—	-271	—	**-271**	—	—	-271
Change in non-controlling interests	—	—	—	—	**—**	—	—	—
At 30 June	**41,362**	**323,719**	**871,276**	**54,860**	**1,291,217**	**101,688**	**5**	**1,392,909**

Van Lanschot Kempen has postponed payment of its dividend for 2019 and part of 2020, based on the recommendation of the European Central Bank (ECB) and De Nederlandsche Bank (DNB). The 2019 and 2020 dividends to be paid amount to €60.0 million and €20.7 million respectively and are included in Other reserves, but are not included in the capital ratios. On 23 July 2021, the ECB and DNB indicated that the recommendation not to pay out dividends will end on 1 October 2021. As the 2019 dividend and 2020 dividend were approved by the general shareholders meeting - on 28 May 2020 and 27 May 2021 - we will pay €1.95 per share to our shareholders at the beginning of the fourth quarter of 2021.

During 2021, the composition of the equity of Van Lanschot Kempen has changed in anticipation of the legal merger. For information on the transfer from Other reserves to the Share premium reserve and Share capital see Note 25, Earnings per share.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2020 (€1,000)

	Share capital	Share premium reserve	Other reserves	Undistri-buted profit	**Total equity attributable to shareholders**	Equity attributable to AT1 capital securities	Equity attributable to other non-controlling interests	**Total equity**
At 1 January	**40,000**	**154,753**	**923,172**	**92,929**	**1,210,853**	**101,688**	**4,029**	**1,316,570**
Net result (as per consolidated statement of income)	—	—	—	6,066	**6,066**	3,375	29	9,470
Total other comprehensive income	—	—	10,134	—	**10,134**	—	—	10,134
Total comprehensive income	**—**	**—**	**10,134**	**6,066**	**16,200**	**3,375**	**29**	**19,604**
Share plans	—	—	-4,001	—	**-4,001**	—	—	-4,001
To other reserves	—	—	92,929	-92,929	**—**	—	—	—
Dividends/Capital return	—	—	—	—	**—**	-3,375	-326	-3,701
Other changes	—	—	1,802	—	**1,802**	—	—	1,802
Change in non-controlling interests	—	—	—	—	**—**	—	-3,862	-3,862
At 30 June	**40,000**	**154,753**	**1,024,036**	**6,006**	**1,224,855**	**101,688**	**-129**	**1,326,413**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended (€1,000)

		H1 2021	H1 2020
Cash flow from operating activities			
Operating profit before tax		73,985	9,873
Adjustments for			
- Depreciation and amortisation		12,564	13,200
- Costs of share plans		934	1,996
- Results on associates using the equity method		-7,354	-5,780
- Valuation results on financial assets at fair value through profit or loss		-12,610	7,374
- Valuation results on financial liabilities at fair value through profit or loss		18,202	72,064
- Valuation results on derivatives		-59,481	46,054
- Impairments	23	-5,728	1,506
- Changes in provisions		2,596	2,239
Cash flow from operating activities		**23,107**	**148,526**
Net change in operating assets and liabilities			
- Financial assets/liabilities from trading activities		11,209	-5,187
- Due from/to banks		72,660	367,149
- Loans and advances to public and private sectors / Public and private sector liabilities		-166,367	432,463
- Derivatives		5,851	230
- Withdrawals from restructuring provision and other provisions		-8,839	-2,348
- Other assets and liabilities		-65,377	-48,309
- Tax assets and liabilities		-31,343	—
- Income taxes paid		16,918	-8,144
- Dividends received		4,013	617
Total net change in operating assets and liabilities		**-161,275**	**736,470**
Net cash flow from operating activities		**-138,168**	**884,996**
Net cash flow from discontinued operations		—	—
Cash flow from investing activities			
Investments and acquisitions			
- Debt instruments		-254,950	-153,533
- Equity instruments		-70,327	-19,232
- Associates using the equity method		—	-7,140
- Property and equipment		-590	-3,153
- Goodwill and other intangible assets		-59	-42
Divestments, redemptions and sales			
- Debt instruments		735,897	157,975
- Equity investments		2,426	-190
- Associates using the equity method		714	—
- Property and equipment		76	3,557
- Goodwill and other intangible assets		—	100
Dividends received		3,014	369
Net cash flow from investing activities of continuing operations		**416,200**	**-21,289**
Net cash flow from investing activities of discontinued operations		—	—

The number beside each item in the 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)
For the six months ended (€1,000)

	H1 2021	H1 2020
Cash flow from financing activities		
Share plans	-9,529	-4,324
Change in non-controlling interests	—	-3,862
Redemption of subordinated loans	-113	-113
Redemption of issued debt securities	-16,242	-635
Receipts on financial liabilities at fair value through profit or loss	57,356	-11,907
Redemption of financial liabilities at fair value through profit or loss	-128,365	-170,344
Payment of lease liabilities	-5,777	-6,370
Dividends paid	-11,647	-3,701
Net cash flow from financing activities of continuing operations	**-114,318**	**-201,256**
Net cash flow from financing activities of discontinued operations	—	—
Net change in cash and cash equivalents and balances at central banks	**163,715**	**662,451**
Cash and cash equivalents and balances at central banks at 1 January[1]	2,224,030	1,436,381
Cash and cash equivalents and balances at central banks at 30 June[1]	2,387,744	2,098,832
Additional disclosure		
Cash flows from interest received	115,625	119,608
Cash flows from interest paid	41,187	45,576

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

General

Van Lanschot Kempen NV (Van Lanschot Kempen Wealth Management NV until 30 June 2021) is an independent wealth manager specialising in the preservation and creation of wealth, in a sustainable way, for both its clients and the society of which it is part. On 1 July 2021, the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV became effective. As the merger deed was executed on 30 June 2021, the obligation to publish the condensed interim consolidated financial statements no longer exists for Van Lanschot Kempen NV but has been transferred to the acquiring entity Van Lanschot Kempen Wealth Management NV. As a result of this merger, Van Lanschot Kempen NV ceased to exist as a legal entity and Van Lanschot Kempen Wealth Management NV acquired the assets and liabilities of Van Lanschot Kempen NV under universal title of succession. In addition, the statutory name of Van Lanschot Kempen Wealth Management changed to Van Lanschot Kempen NV as of 1 July 2021.

Van Lanschot Kempen NV (Van Lanschot Kempen Wealth Management NV until 1 July 2021) ("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.

Basis of preparation

The condensed interim consolidated financial statements of Van Lanschot Kempen and its subsidiaries (for the half-year reporting period ended 30 June) have been prepared in accordance with IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements include the half-year figures prior to the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV as of 1 July 2021. The condensed interim consolidated financial statements do not include all financial information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements of Van Lanschot Kempen Wealth Management NV as at 31 December 2020. The condensed interim consolidated financial statements have not been audited or reviewed. All amounts are denominated in thousands of euros, unless stated otherwise. The totals may not always match the sum of the individual values due to rounding.

Continuity

The Management Board has examined the ability of Van Lanschot Kempen to continue its operations and concluded that we are 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 ability to continue as a going concern. The condensed interim consolidated financial statements have been prepared on this basis.

Impact of Covid-19

In 2020 and 2021, the world was gripped by the Covid-19 pandemic. Covid-19 had and will certainly continue to have an impact on economic developments in the Netherlands and the other countries in which we are active. The market performance of our clients' portfolios was negatively affected in the first months of 2020 but recovered in the second half of 2020 and has continued to do so in 2021. We have not experienced major disquiet among our clients, and instead observed a net inflow in assets under management (AuM) from our existing Private Clients and an inflow of AuM from new Private Clients.

Net result in H1 2021 amounted to €58.3 million, well above the net results of H1 2020 (€9.5 million) and H2 2020 (€40.4 million).

Goodwill amounted to €103.1 million. In mid-2021, we performed a goodwill impairment trigger analysis to determine, among other things, whether the coronavirus crisis is an impairment trigger for one or more of our cash-generating units (CGUs). Due to the new reporting structure as of 1 January 2021, our cash-generating unit (CGU) structure has changed accordingly. We concluded that there is no indication that goodwill is impaired. For more information, see Note 8, Goodwill and other intangible assets.

If our clients run into financial difficulties, this can lead to higher credit losses. In H1 2021, Covid-19's impact on our credit portfolio was limited, even after application of a risk management overlay. This is captured in the decrease in expected credit loss (ECL) during H1 2021. The risk management overlay takes into account uncertainties at specific clients and in specific industries which are not (yet) reflected in the model parameters. For more information, see Note 26, Loss allowance for expected credit loss (including sensitivity analyses performed by us).

Another possible effect of Covid-19 is that the private equity funds in which we participate may fall in value. Currently the fair value of these funds is not lower compared with their value at the start of the pandemic.

To summarise, Van Lanschot Kempen is well able to cope with the Covid-19 crisis and the accompanying recession, thanks to its solid capital and liquidity position. Considering the above, we can affirm that the continuity of the company is not under pressure. Should the Covid-19 outbreak continue to cause disruption to economic activity in the Netherlands and the other countries in which we are active in H2 2021 and beyond, there could be further adverse impacts on our income due to lower lending and transaction volumes. Furthermore, we could expect lower revenues related to lower assets under management inflow as a result of steep equity market declines in those circumstances.

Summary of significant accounting policies

Accounting policies
The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of our annual consolidated financial statements of Van Lanschot Kempen Wealth Management NV for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective from 1 January 2021.

Significant accounting judgements and estimates
In the process of applying our accounting policies, we use estimates and assumptions which can have a significant impact on the amounts recognised in the condensed interim consolidated financial statements.

There were no changes to the accounting judgements and estimates in H1 2021. For more information, see "Significant accounting judgements and estimates" in the annual consolidated financial statements of Van Lanschot Kempen Wealth Management NV as at 31 December 2020. These estimates and assumptions are based on the most recent information available and include the impact of Covid-19. The actual amounts may differ in the future. Where applicable, the impact of Covid-19 on assumptions used are explained further in the condensed interim consolidated financial statements.

Changes in IFRS standards already effective
The following new or revised standards or interpretations became effective on 1 January 2021 and have an impact on these condensed interim consolidated financial statements. Unless stated otherwise, application of these standards had no material impact on Van Lanschot Kempen's equity or result.

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16
This amendment extends the availability of the practical expedient by one year. The 2020 amendments provided relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19-related rent concession from a lessor is a lease modification. A lessee that takes up this option accounts for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The 2021 amendment applies to annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted. No impact due to the amendments is expected at this stage.

IFRS 9, IAS 39, IFRS 7 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)
These amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments do not materially impact group results.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€1,000)

1. Cash and cash equivalents and balances at central banks	30/06/2021	31/12/2020
Total	**2,386,959**	**2,227,803**
Cash	31	33
Balances at central banks	2,277,520	2,099,782
Statutory reserve deposits at central banks	12,652	14,647
Amounts due from banks	96,755	113,341
Impairments	0	0

Reconciliation with consolidated statement of cash flows	30/06/2021	31/12/2020	Changes
Cash and cash equivalents	2,386,959	2,227,803	159,156
Due from banks, available on demand	35,327	28,841	6,486
Due to banks, available on demand	-34,542	-32,614	-1,928
Due from/to banks, available on demand, net	785	**-3,773**	**4,558**
Total	**2,387,744**	**2,224,030**	**163,714**

2. Derivatives	30/06/2021			31/12/2020		
	Asset	Liability	Contract amount	Asset	Liability	Contract amount
Total	**344,796**	**371,869**	**8,192,474**	**376,702**	**488,802**	**10,048,314**
Derivatives used for trading purposes	46,731	45,234	64,197	45,381	44,083	58,995
Derivatives used for hedge accounting purposes	108,182	144,561	5,271,255	123,587	229,951	5,658,360
Other derivatives	189,883	182,074	2,857,022	207,734	214,768	4,330,959

In response to last year's structured products loss, we are working with a more rigorous risk appetite. We hedge new positions back-to-back and are gradually reducing our macro-hedge portfolio. This resulted in a decrease of the number of derivatives and contract amounts compared with year-end 2020.

3. Financial assets at fair value through profit or loss	30/06/2021	31/12/2020
Total	383,242	290,987
Debt instruments		
Government paper and government-guaranteed paper	25,250	25,332
Sovereign, supranationals and agencies (SSA) bonds	80,023	62,759
Banks and financial institutions, listed	—	1,351
Covered bonds	35,596	35,821
Puttable investment funds	193,442	117,567
Company cumprefs (shareholdings) (FVPL mandatory)	2,336	2,227
Total debt instruments	336,646	245,057
Equity instruments (FVPL mandatory)		
Shares, listed	—	—
Shares, unlisted	46,596	45,930
Total equity instruments	46,596	45,930

4. Financial assets at fair value through other comprehensive income	30/06/2021		31/12/2020	
	Fair value	Face value	Fair value	Face value
Total	2,185,099	2,142,143	2,576,063	2,520,600
Debt instruments				
Government paper and government-guaranteed paper	426,849	413,950	633,251	616,650
Sovereign, supranationals and agencies (SSA) bonds	468,550	457,550	522,013	506,662
Banks and financial institutions, listed	23,286	23,000	—	—
Covered bonds	845,320	831,920	1,007,503	988,670
Asset-backed securities	363,676	359,723	351,968	349,098
Companies, listed	57,418	56,000	61,328	59,520
Total debt instruments	2,185,099	2,142,143	2,576,063	2,520,600

5. Loans and advances to the public and private sectors	30/06/2021	31/12/2020
Total	8,662,707	8,448,326
Mortgage loans	6,434,794	6,324,624
Loans	1,324,518	1,306,949
Current accounts	519,287	390,815
Securities-backed loans and settlement claims	294,156	297,418
Subordinated loans	—	199
Value adjustments fair value hedge accounting	150,463	192,398
Impairments	-60,512	-64,075

Impairments on Loans and advances to the public and private sectors amounted to €60.5 million at half-year 2021 (2020: €64.1 million). For more information, see Note 26, Loss allowance for expected credit loss.

We have provided our clients with the option of moratorium arrangements in response to the Covid-19 crisis. Few clients (total exposure €1.2 million) have made use of these arrangements. During the first half of 2021, several clients repaid their arrangements. According to the redemption schemes, most of the extra credit lines are expected to be repaid before year-end 2021.

6. Other financial assets at amortised cost	30/06/2021		31/12/2020	
	Fair value	Face value	Fair value	Face value
Total	339,907	334,237	448,518	440,293
Debt instruments				
Government paper and government-guaranteed paper	225,485	220,300	227,781	220,300
Banks and financial institutions, listed	66,944	66,840	172,047	172,000
Covered bonds	29,581	29,200	29,882	29,200
Asset-backed securities	17,905	17,897	18,820	18,793
Impairments	-8	—	-12	—

7. Property and equipment	30/06/2021	31/12/2020
Total	82,166	90,317
Buildings	27,596	28,670
Right-of-use – buildings	38,829	42,975
Right-of-use – transport equipment	5,771	7,765
IT, operating system software and communications equipment	4,055	4,592
Other assets	5,914	6,315

Lease liabilities amounted to €46.1 million at half-year 2021 (2020: €52.3 million) and are included in Other liabilities.

8. Goodwill and other intangible assets	30/06/2021	31/12/2020
Total	**151,168**	**155,007**
Goodwill	103,038	103,057
Other intangible assets	48,130	51,950

As of 1 January 2021, we changed our organisational structure by moving from a business line-driven organisation towards a function-based model. As a consequence, the cash-generating unit (CGU) level at which the goodwill is monitored for internal management purposes has changed accordingly. The goodwill is reallocated to the new determined CGU level being: Private Clients, Wholesale & Institutional Clients and Merchant Banking Clients based on a relative value approach.

We have defined five CGUs, namely Private Clients, Wholesale & Institutional Clients, Merchant Banking Clients, Other, and Non-strategic investments. These correspond to our operating segments (see section on segment information) except for Other, which is split between the CGUs Other and Non-strategic investments. Evi's activities are integrated in the Private Clients segment and CGU.

At half-year 2021, we performed a goodwill impairment trigger analysis. Based on this analysis, we concluded that no impairment test was needed. At year-end 2021, we will perform our annual impairment test on goodwill and will perform a useful-life test on the other intangible assets.

The impact of the Covid-19 pandemic on the performance of the CGUs with allocated goodwill has been limited in the first half of this year, as it was in 2020. The Private Clients and Merchant Banking Clients segments have performed strongly financially. Although the Wholesale & Institutional Clients segment faced some AuM outflow in the first half, their performance was solid and the projected financial results do not indicate a trigger for impairment.

9. Due to banks	30/06/2021	31/12/2020
Total	**518,008**	**501,129**
Deposits	83,466	68,516
Payables arising from unsettled securities transactions	28,226	23,297
Loans and advances drawn	6,316	9,316
Special loans from ECB	400,000	400,000

Special loans from the ECB consist of funding obtained under the targeted longer-term refinancing operations III programme (TLTRO III).

In H1 2021, we met the eligible net lending criteria to receive the benefit of the below-market rate of interest (special interest rate period - SIRP) on the special loans from the ECB (TLTRO III). This is recognised in the income statement under "Interest income calculated using the effective interest method". See also Note 16, Net interest income.

10. Public and private sector liabilities	30/06/2021	31/12/2020
Total	**10,227,836**	**10,141,109**
Savings	3,182,500	3,129,519
Deposits	364,882	132,617
Current accounts	6,262,309	6,510,092
Other client assets	416,584	366,837
Value adjustments fair value hedge accounting	1,561	2,044

11. Financial liabilities at fair value through profit or loss	30/06/2021	31/12/2020
Total	**695,087**	**740,869**
Unstructured debt instruments	35,005	35,882
Structured debt instruments	660,082	704,987

12. Issued debt securities	30/06/2021	31/12/2020
Total	**1,433,853**	**1,469,897**
Covered bonds	1,401,312	1,409,034
Floating-rate notes	—	16,263
Value adjustments fair value hedge accounting	32,540	44,601

13. Provisions	30/06/2021	31/12/2020
Total	**58,319**	**64,586**
Provisions for pensions	48,151	49,030
Provision for long-service benefits	3,360	3,335
Provision for restructuring	3,202	3,319
Provision for interest rate derivatives recovery framework	186	200
Provision for financial guarantees and loan commitments	95	358
Other provisions	3,325	8,344

Other provisions include provisions made for various legal claims and defined benefit obligations for employee discount schemes. The decrease compared with last year is mainly due to the payout of a provision for interest payments in response to a ruling by the Dutch Financial Services Complaints Authority (Kifid) for an amount of €5.5 million.

14. Subordinated loans	30/06/2021	31/12/2020
Total	**172,032**	**172,479**
Certificates of indebtedness	155,362	155,570
Other subordinated loans	16,223	16,336
Value adjustments fair value hedge accounting	448	573

15. Other reserves	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 2021	3,142	-45,511	763	-14,568	-832	1,013,750	59,975	1,016,720
Net changes in fair value	959	—	—	3,691	—	—	—	4,650
Value change own credit risk	—	—	—	—	-5,269	—	—	-5,269
Profit appropriation	—	—	—	—	—	14,056	20,681	34,737
Share plans	—	—	—	—	—	-8,595	—	-8,595
Other changes	—	-368	—	—	—	-170,598	—	-170,966
At 30 June 2021	4,101	-45,879	763	-10,877	-6,101	848,613	80,656	871,276
Tax effects	-320	-391	—	-1,230	1,756	—	—	-185

The other changes are mainly related to the change in the composition of equity in anticipation of the legal merger. For information on the transfer from Other reserves to the Share premium reserve, see Note 25, Earnings per share.

Van Lanschot Kempen has postponed payment of dividend for 2019 and part of 2020, based on the recommendations of the ECB and DNB. The 2019 and 2020 dividends to be paid amount to €60.0 million and €20.7 million respectively and are included in Other reserves as Postponed dividend, but are not included in the capital ratios. On 23 July 2021, the ECB and DNB indicated that the recommendation not to pay out dividends will end on 1 October 2021. As the 2019 dividend and 2020 dividend were approved by the general shareholders meeting - on 28 May 2020 and 27 May 2021 - we will pay the €1.95 per share to our shareholders at the beginning of the fourth quarter of 2021.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME (€1,000)

16. Net interest income	H1 2021	H1 2020
Total interest income	**112,186**	**121,183**
Interest income on cash equivalents	2	—
Interest income on balances at central banks	1,967	78
Interest income on banks and private sector	92,771	102,860
Interest income on financial assets at fair value through other comprehensive income	95	138
Interest income on other financial assets at amortised cost	2,765	3,286
Interest income calculated using the effective interest method	**97,600**	**106,362**
Interest income on financial assets at fair value through profit or loss	55	256
Interest income on derivatives	12,437	9,644
Other interest income	2,094	4,921
Other interest income	**14,586**	**14,821**

The interest income on balances at central banks is related to the negative interest paid on the special loans from the ECB recognised under Due to banks.

Interest expense	H1 2021	H1 2020
Total interest expense	**36,297**	**44,352**
Interest expense on balances at central banks	3,667	1,468
Interest expense on banks and private sector	4,774	11,451
Interest expense on issued debt securities	4,376	5,232
Interest expense on subordinated loans	5,127	4,148
Interest expense on financial assets at fair value through other comprehensive income	403	—
Interest expense calculated using the effective interest method	**18,347**	**22,299**
Interest expense on financial assets at fair value through profit or loss	136	57
Interest expense on derivatives	16,214	18,154
Other interest expense	1,601	3,843
Other interest expense	**17,951**	**22,053**
Net interest income	**75,889**	**76,831**

17. Income from securities and associates	H1 2021	H1 2020
Total	**22,331**	**602**
Income from associates using the equity method	7,354	5,780
Realised result of associates using the equity method	184	219
Realised and unrealised gains/losses on investments at fair value through profit or loss	14,793	-5,397

Realised and unrealised gains/losses on investments at fair value through profit or loss are higher compared with half-year 2020 mainly due positive market performance and consequently higher result in our management book.

18. Net commission income	H1 2021	H1 2020
Total	175,982	148,905
Securities commissions	13,915	14,046
Management commissions	132,812	108,881
Cash transactions and funds transfer commissions	2,387	2,752
Corporate Finance and Equity Capital Markets commissions	23,117	19,223
Other commissions	3,752	4,003

Management commissions increased significantly during H1 2021 due to positive market performance and net inflow of assets under management.

19. Result on financial transactions	H1 2021	H1 2020
Total	-4,791	-25,264
Gains/losses on securities trading	1,233	-505
Gains/losses on currency trading	4,393	4,627
Gains/losses on derivatives under hedge accounting	-4,034	-3,405
Realised gains on financial assets at fair value through other comprehensive income	218	—
Gains/losses on economic hedges/hedge accounting not applied	22,216	-61,512
Gains/losses on financial assets and liabilities at fair value through profit or loss	-28,817	35,532

Result on financial transactions increased significantly in the first half of this year, due to the loss on our structured products activities in H1 2020 of €27.3 million. This loss was mainly due to the exceptional volatility and illiquidity of certain segments of the financial markets in 2020. In response to the loss in H1 2020, we are working with a more strict risk appetite.

Gains on securities trading increased to €1.2 million and reflect a positive performance of the trading book. Trading activities are the result of client facilitation only, mainly providing liquidity to clients.

20. Other income	H1 2021	H1 2020
Total	6,280	4,717
Net sales	8,992	6,933
Cost of sales	-2,712	-2,216

Other income comprises net sales and cost of sales from non-strategic investments arising from debt conversion. In certain cases, where a company has not been able to repay a corporate loan granted by Van Lanschot Kempen, the loan has been converted into a shareholding, thus giving the company time to recover. We aim to sell any shares in non-strategic investments in due course.

21. Staff costs	H1 2021	H1 2020
Total	**134,577**	**121,824**
Salaries and wages	102,727	92,428
Pension costs for defined contribution schemes	12,156	11,650
Pension costs for defined benefit schemes	1,463	1,432
Other social security costs	10,343	9,991
Share-based payments for variable remuneration	2,154	397
Other staff costs	5,734	5,926

Staff costs rose by €12.8 million, mainly due to an increase in the number of staff to 1,588 FTEs (H1 2020: 1,519 FTEs). This was the result of the acquisition of Hof Hoorneman Bankiers in December 2020, combined with limited organic growth.

The staff increase was the main driver of the higher Salaries and wages and Staff-related pension and social security costs. In addition, share-based payments for variable remuneration increased by €1.8 million on the back of a better financial performance compared with H1 2020.

22. Other administrative expenses	H1 2021	H1 2020
Total	**60,487**	**61,805**
Accommodation expenses	4,520	4,319
Marketing and communication	3,364	3,562
Office expenses	1,856	2,345
IT expenses	16,539	18,968
External auditors' fees	2,074	1,624
Consultancy fees	7,228	8,331
Travel and hotel fees	309	858
Information providers' fees	7,546	7,367
External service provider charges	5,136	5,353
Other	11,916	9,078

Other administrative expenses decreased by €1.3 million. H1 2020 included several large IT, strategic and regulatory projects, which is the main reason for the drop in IT expenses of €2.4 million and Consultancy fees of €1.1 million. Office expenses were €0.5 million lower due to Covid-19-related attendance restrictions.

This was partly offset by an increase of €2.8 million in Other costs. This item consists of supervisory costs, the deposit guarantee scheme, the single resolution fund and Belgian banking tax.

23. Impairments	H1 2021	H1 2020
Total impairments	**-5,728**	**1,506**
Cash and cash equivalents and balances at central banks	0	0
Due from banks	—	-1
Financial assets at fair value through other comprehensive income	-55	-13
Loans and advances to the public and private sectors	-3,216	1,237
Other financial assets at amortised cost	-5	-3
Financial guarantees and loan commitments	-263	61
Impairment of financial instruments	**-3,539**	**1,280**
Investments in associates using the equity method	-2,189	226
Other impairments	**-2,189**	**226**

Impairments represent the balance of the impairments and the release of such impairments. Impairments of investments in associates using the equity method fell by €2.2 million due to an impairment reversal of an investment whose realisable value was above its carrying amount. See Note 26, Loss allowance for expected credit loss, for more information on impairments related to financial instruments.

24. Income tax	H1 2021	H1 2020
Operating profit before tax	73,985	9,873
Total gross result	**73,985**	**9,873**
Prevailing tax rate in the Netherlands	25%	25%
Tax	15,672	403
Total tax	**15,672**	**403**
Expected tax on the basis of the prevailing tax rate in the Netherlands	18,496	2,468
Increase/decrease in tax payable due to		
Non-deductible interest	109	78
Tax-free income from securities and associates	-2,719	-2,581
Taxed release of tax reserves	—	—
Non-deductible costs	505	489
Non-deductible losses	-99	-41
Adjustments to taxes for prior financial years	-85	-167
Impact of foreign tax rate differences	129	80
Addition/(release) deferred tax assets	75	53
Other changes	-739	23
	-2,824	**-2,065**
Total tax	**15,672**	**403**

ADDITIONAL NOTES
(€1,000)

25. Earnings per share	H1 2021	H1 2020
Net result	58,313	9,470
Share of AT1 capital securities	-3,375	-3,375
Share of other non-controlling interests	-78	-29
Net result for calculation of earnings per share	**54,860**	**6,066**
Weighted average number of shares in issue	41,361,668	400,000
Earnings per share (€)	1.33	15.16

On 1 July 2021, the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV became effective. As the merger deed was executed on 30 June 2021, the obligation to publish the condensed interim consolidated financial statements no longer exists for Van Lanschot Kempen NV but has been transferred to the acquiring entity Van Lanschot Kempen Wealth Management NV. As a result of this merger, Van Lanschot Kempen NV ceased to exist as a legal entity and Van Lanschot Kempen Wealth Management NV acquired the assets and liabilities of Van Lanschot Kempen NV under universal title of succession.

In anticipation of the merger, Van Lanschot Kempen Wealth Management NV amended the Articles of Association on 1 April 2021. These amendments were carried out in order to make the outstanding share capital and share premium reserve of Van Lanschot Kempen Wealth Management NV equal to the holding Van Lanschot Kempen NV. As a result, the number of shares in issue has changed compared with the prior year. The table below shows the changes of these amendments.

Equity attributable to shareholders	Before amendment	After amendment	Changes
Issued share capital	40,000	41,362	1,362
Share premium reserve	154,753	323,719	168,966
Other reserves	1,041,604	871,276	-170,328
Undistributed profit attributable to shareholders	54,860	54,860	—
Total	**1,291,216**	**1,291,216**	—

By way of comparison, the table below shows earnings per share for Van Lanschot Kempen NV as at half-year 2021 and half-year 2020.

Van Lanschot Kempen NV earnings per share	H1 2021	H1 2020
Net result	58,313	9,470
Share of AT1 capital securities	-3,375	-3,375
Share of other non-controlling interests	-78	-29
Net result for calculation of earnings per share	**54,860**	**6,066**
Shares outstanding	41,361,668	41,361,668
Weighted average number of shares in issue	40,986,092	40,963,686
Earnings per share (€)	1.34	0.15

26. Loss allowance for expected credit loss

The loss allowance for expected credit loss (ECL) on financial instruments and the macroeconomic variables used are described in the following section. The table below shows the IFRS 9 stage and coverage ratios for loss allowances recognised in Loans and advances to the public and private sector, categorised by ECL by stage, as at 30 June 2021 and 31 December 2020.

€ million	As at 30 June 2021				As at 31 December 2020			
	Loan portfolio	Provision	Coverage ratio	Stage ratio	Loan portfolio	Provision	Coverage ratio	Stage ratio
STAGE 1								
Mortgages	5,985	0.2	0.0%	97.3%	5,669	0.4	0.0%	94.0%
Other loans	1,341	2.5	0.2%	67.8%	1,211	2.8	0.2%	66.9%
PC loans	7,326	2.7	0.0%	90.1%	6,880	3.2	0.0%	87.7%
CB loans	18	0.0	0.1%	10.7%	30	0.1	0.3%	15.5%
Mortgages distributed by third parties	431	0.1	0.0%	99.8%	475	0.1	0.0%	99.8%
Total	**7,774**	**2.8**	**0.0%**	**89.1%**	**7,386**	**3.4**	**0.0 %**	**86.8 %**
STAGE 2								
Mortgages	120	0.5	0.4%	2.0%	311	0.9	0.3%	5.2%
Other loans	566	6.8	1.2%	28.6%	522	5.9	1.1%	28.8%
PC loans	686	7.3	1.1%	8.4%	833	6.8	0.8%	10.6%
CB loans	94	1.6	1.7%	57.3%	108	1.9	1.8%	55.1%
Mortgages distributed by third parties	—	—	0.0%	0.0%	—	—	0.0%	0.0%
Total	**780**	**8.9**	**1.1%**	**8.9%**	**941**	**8.7**	**0.9 %**	**11.0 %**
STAGE 3								
Mortgages	44	2.4	5.4%	0.7%	51	3.2	6.2%	0.8%
Other loans	71	33.0	46.2%	3.6%	77	33.7	43.9%	4.2%
PC loans	115	35.3	30.8%	1.4%	128	36.8	28.8%	1.6%
CB loans	53	13.5	25.5%	32.1%	57	15.1	26.3%	29.4%
Mortgages distributed by third parties	1	0.0	0.0%	0.2%	1	—	1.7%	0.2%
Total	**169**	**48.8**	**29.0%**	**1.9%**	**186**	**51.9**	**27.9 %**	**2.2 %**
TOTAL								
Mortgages	6,149	3.1	0.1%		6,032	4.4	0.1%	
Other loans	1,978	42.2	2.1%		1,809	42.4	2.3%	
PC loans	8,126	45.3	0.6%		7,841	46.8	0.6%	
CB loans	165	15.1	9.2%		195	17.1	8.8%	
Mortgages distributed by third parties	432	0.1	0.0%		476	0.1	0.0%	
Total	**8,723**	**60.5**	**0.7%**		**8,512**	**64.1**	**0.8 %**	

Stage 1

The model-based Stage 1 provisions decreased to €3.2 million during H1 2021 (2020: €3.9 million), mainly due to an improvement in credit quality in the portfolio. These credit risk improvements are supported by low arrears in the loan portfolio and relatively improved macroeconomic expectations. The macroeconomic figures published by the Netherlands Bureau for Economic Policy Analysis (CPB by its Dutch acronym) and DNB in June 2021 predict a recovery in 2021 and 2022 after the sharp recession of 2020. We assume that for some economic sectors (such as leisure and commercial real estate – in which we have limited exposure) the model outcome does not (yet) fully capture credit risks and have applied a management overlay for exposures to adjust for the credit risks in these sectors. As a result of the overlay (€4.0 million), some exposures were transferred to Stage 2. Without this overlay, the nominal value of Stage 1 would have increased more due to improvements in credit risk (mortgages transferring from Stage 2 and 3 to Stage 1).

Stage 2

The model based Stage 2 provisions increased to €8.9 million (2020: €8.8 million) due to the management overlay and recalibration of the pre-payment model (impact: €1.1 million), partly offset by positive CPB and DNB predictions, improved credit quality (transfers to Stage 1) and limited transfers to Stage 3. The nominal value of Stage 2 exposures would have been lower if no management overlay had been applied. The combined effect resulted in a higher coverage ratio compared with year-end 2020.

Stage 3

The baseline for Stage 3 provisions is determined by our Credit Risk, Restructuring & Recovery department, with limited IFRS 9 model adjustments. In H1 2021, Stage 3 provisions decreased to €49.0 million (2020: €52.2 million) reflecting the release of client provisions and write-offs, partly offset by limited new defaults and increased provision for existing exposures.

The repayment of loans by a number of defaulted Corporate Banking clients had no impact on the level of provisions (no provisions were recognised at year-end 2020), but lowered impaired exposure.

The table below shows the total loss allowances recognised per IFRS 9 stage. The total change in Stage 3 amounted to a decrease of €3.2 million. Of this amount, €1.2 million is related to write-offs, €2.0 million to additional loss allowances and €3.9 million to releases of loss allowances in Stage 3.

IFRS 9	30/06/2021	31/12/2020	Write-offs	Change provision	Total change
Stage 1	3,167	3,926	—	-759	-759
Stage 2	8,940	8,786	—	154	154
Stage 3	48,959	52,151	-1,178	-2,014	-3,192
Total	**61,066**	**64,863**	**-1,178**	**-2,619**	**-3,797**

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 30 June 2021 and 31 December 2020. The table below shows the macroeconomic variables used for the sophisticated approach as at 30 June 2021 and 31 December 2020.

Macroeconomic variables	As at 30 June 2021			As at 31 December 2020		
	2021	2022	2023	2020	2021	2022
Gross domestic product						
Base-case scenario	3.40%	4.10%	2.30%	-3.92%	3.28%	3.28%
Upside scenario	4.85%	5.60%	3.80%	-2.36%	4.84%	4.84%
Downside scenario	0.25%	0.95%	-0.85%	-6.98%	0.22%	0.22%
Volume of exports						
Base-case scenario	7.33%	5.93%	4.13%	-3.25%	5.95%	4.45%
Upside scenario	11.06%	9.66%	7.86%	-0.17%	9.03%	7.53%
Downside scenario	-0.79%	-2.19%	-3.99%	-9.29%	-0.09%	-1.59%
Total investments						
Base-case scenario	7.07%	4.17%	4.17%	-5.97%	5.23%	5.23%
Upside scenario	13.45%	10.55%	10.55%	1.53%	12.73%	12.73%
Downside scenario	-6.84%	-9.74%	-9.74%	-20.70%	-9.50%	-9.50%
Private consumption						
Base-case scenario	0.94%	7.64%	2.54%	-6.75%	5.15%	4.85%
Upside scenario	2.51%	9.21%	4.11%	-5.30%	6.60%	6.30%
Downside scenario	-2.49%	4.21%	-0.89%	-9.59%	2.31%	2.01%
Residential real estate price						
Base-case scenario	10.12%	5.62%	3.62%	7.42%	2.32%	1.42%
Upside scenario	10.55%	6.05%	4.05%	8.74%	3.64%	2.74%
Downside scenario	9.18%	4.68%	2.68%	4.84%	-0.26%	-1.16%
Government consumption						
Base-case scenario	5.11%	2.11%	2.31%	-0.45%	4.15%	3.75%
Upside scenario	5.14%	2.14%	2.34%	-0.23%	4.37%	3.97%
Downside scenario	5.04%	2.04%	2.24%	-0.88%	3.72%	3.32%

For the portfolios that fall under the scope of IFRS9, Van Lanschot Kempen performs a scenario analysis to calculate the sensitivity of ECL to macroeconomic variables. The main economic drivers of ECL are gross domestic product (GDP), volume of exports (EXP), total investments (TI), private consumption (PC), residential real estate price (RREP) and government consumption (GC). In the table below, ECLs are shown per stage and per scenario.

Sensitivity analysis as at 30 June 2021	Stage 1	Stage 2	Stage 3	Total	Change
Original situation	3,167	8,940	48,959	61,066	
Base-case scenario	2,829	8,573	48,548	59,950	-1,116
Upside scenario	2,249	7,178	47,289	56,716	-4,350
Downside scenario	4,761	11,436	51,451	67,648	6,582

27. Fair value

Financial assets at fair value through profit or loss

Some financial instruments are measured at fair value in the statement of financial position. The fair value is based either on quoted prices in active markets, inputs other than quoted prices that are observable in the market, or inputs based on data not observable in the market.

We have developed a policy on the criteria for allocating financial instruments recognised in the statement of financial position at fair value to each of the three levels. A review is carried out at the end of each reporting period to determine whether any changes have taken place in the hierarchy between the levels.

Level 1: Quoted prices in active markets

The fair value of financial instruments traded in an active market is based on the price at the reporting date (market price). The bid price is applied for financial assets and the offer price for financial liabilities. Since these instruments are traded in an active market, their prices adequately reflect current and frequent market transactions between unrelated parties.

Level 2: Inputs observable in the markets

The fair value of financial instruments not traded in an active market (e.g. over-the-counter financial derivatives) is established using cash flow and option valuation models. Using estimates, we make assumptions based on the market conditions (observable data) at the reporting date.
The estimated present value of future cash flows is used to determine the fair value of the other financial instruments. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The discount rate is the same as the market interest rate at the reporting date for a similar instrument subject to the same conditions, taking into account collateral furnished under credit support annexes (CSAs).

The fair value of forward currency contracts is calculated by reference to forward exchange rates at the reporting date.

Estimates and judgements made are based on past experience as well as other factors, including expectations with respect to future events that could reasonably occur given current circumstances. Estimates and judgements are assessed on an ongoing basis.

Level 3: Significance of unobservable market data

The financial instruments in this category are assessed on an individual basis. Their valuation is based on the best estimate of management by reference to the most recent prices, prices of similar instruments and, to a not insignificant extent, information not observable in the market. Unobservable inputs may include volatility, correlation, seasonality and credit spreads. A valuation technique is used in which at least one input that has a significant effect on the instrument's valuation is not based on observable market data. A significant effect on the instrument's valuation is considered to be present when the unobservable input accounts for at least 10% of the total instrument's fair value and exceeds a threshold of €50,000. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

Financial instruments at fair value				30/06/2021
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets from trading activities (FVtPL)	49,637	2,298	19	51,954
Derivatives (FVtPL)	46,731	293,903	4,162	344,796
Financial assets at fair value through profit or loss	201,360	161,159	20,722	383,241
Financial assets at fair value through other comprehensive income	2,185,099	—	—	2,185,099
Total assets	**2,482,827**	**457,360**	**24,903**	**2,965,090**
Liabilities				
Financial liabilities from trading activities (FVtPL)	1,510	—	—	1,510
Derivatives (FVtPL)	45,234	323,658	2,977	371,869
Financial liabilities at fair value through profit or loss	—	650,825	44,262	695,087
Total liabilities	**46,744**	**974,483**	**47,239**	**1,068,466**

Financial instruments at fair value				31/12/2020
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets from trading activities (FVtPL)	56,622	4,576	480	61,678
Derivatives (FVtPL)	45,381	326,756	4,565	376,702
Financial assets at fair value through profit or loss	201,308	68,580	21,099	290,987
Financial assets at fair value through other comprehensive income	2,576,063	—	—	2,576,063
Total assets	**2,879,374**	**399,912**	**26,144**	**3,305,430**
Liabilities				
Financial liabilities from trading activities (FVtPL)	26	—	—	26
Derivatives (FVtPL)	44,083	442,860	1,859	488,802
Financial liabilities at fair value through profit or loss	—	655,730	47,464	703,194
Total liabilities	**44,109**	**1,098,590**	**49,323**	**1,192,022**

Transfers of financial assets or liabilities between levels

We have developed a policy document for the fair value hierarchy. This divides the variables used into observable and unobservable market inputs. If the unobservable input variables are significant, the instrument is classified as Level 3. An unobservable input variable is significant if the change in the fair value due to the application of the variable is greater than the threshold values. Our policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period.

In 2021, our valuation technique remained unchanged, with unobservable input variables being assessed on significance. As a result of this assessment, some financial instruments included in Derivatives (assets and liabilities) and in Financial liabilities at fair value through profit or loss have been transferred from Level 2 to Level 3 and vice versa.

The Derivatives receivables and payables and Financial liabilities at fair value through profit or loss were transferred to Level 2 as a result of the input variables' correlation and seasonality; the shorter remaining term to maturity of these financial instruments meant that these input variables qualified as non-significant, justifying a transfer to Level 2. In the case of Derivatives (assets), this entailed a transfer of €1.3 million from Level 2 to Level 3 and a transfer of €0.5 million from Level 3 to Level 2. In the case of Financial liabilities at fair value through profit or loss, it involved a transfer of €0.0 million from Level 2 to Level 3. The transfer of Derivatives (liabilities) includes a €2.1 million shift from Level 2 to Level 3 and a transfer of €0.7 million from Level 3 to Level 2. Financial liabilities at fair value through profit or loss includes a €1.0 million transfer from Level 3 to Level 2.

Breakdown of changes in financial liabilities classified as Level 3 in H1 2021							
	At 1 January	To statement of income	To equity	Issues	Settlements	Transfers	At 30 June
Assets							
Financial assets from trading activities (FVtPL)	480	-3	—	—	-458	—	19
Derivatives (FVtPL)	4,565	-1,188	—	4	—	781	4,162
Financial assets at fair value through profit or loss	21,099	-423	—	46	—	—	20,722
Total assets	**26,144**	**-1,614**	—	**50**	**-458**	**781**	**24,903**
Liabilities							
Derivatives (FVtPL)	1,859	-711	—	914	-449	1,364	2,977
Financial liabilities at fair value through profit or loss	47,464	5,885	—	1,850	-9,900	-1,037	44,262
Total liabilities	**49,323**	**5,174**	—	**2,764**	**-10,349**	**327**	**47,239**
Total assets less liabilities	**-23,179**	**-6,788**	—	**-2,714**	**9,891**	**454**	**-22,336**

Breakdown of changes in financial liabilities classified as Level 3 in H1 2020	At 1 January	To statement of income	To equity	Issues	Settlements	Transfers	At 30 June
Assets							
Financial assets from trading activities (FVtPL)	463	-25	—	—	—	—	438
Derivatives (FVtPL)	6,539	2,578	—	5,704	-994	1,438	15,265
Financial assets at fair value through profit or loss	13,539	5,716	—	100	—	—	19,355
Total assets	20,541	8,269	—	5,804	-994	1,438	35,058
Liabilities							
Derivatives (FVtPL)	3,410	298	—	538	-1,584	1,972	4,635
Financial liabilities at fair value through profit or loss	9,111	-283	—	4,450	—	11,933	25,212
Total liabilities	12,521	15	—	4,988	-1,584	13,905	29,846
Total assets less liabilities	8,020	8,254	—	816	590	-12,467	5,212

Fair value changes recognised in profit or loss of financial instruments classified as Level 3	H1 2021			H1 2020		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net interest income	—	—	—	—	—	—
Income from securities and associates	-3	-531	-534	-25	5,618	5,593
Result on financial transactions	—	-6,254	-6,254	—	2,662	2,662
Impairments	—	—	—	—	—	—
Total	-3	-6,785	-6,788	-25	8,279	8,254

Notes on fair value determination using unobservable market inputs (Level 3)	Fair value		Valuation method	Significance of unobservable market inputs
	30/06/2021	31/12/2020		
Assets				
Financial assets from trading activities	19	480	– Net asset value	– Net asset value – Face value
Derivatives[1]	4,162	4,565	– Discounted cash flow – Option model	– Volatility – Correlation
Financial assets at fair value through profit or loss[1]	20,723	21,099	– Discounted cash flow model – Net asset value	– Interest rate – Discount rates – Most recent published net asset values of the underlying assets – Cost or lower market value – Net asset value – Market value – Multiple analyses of comparable companies less a discount for illiquidity and company size based on EVCA guidelines – Most recently known share price – EBITA – Issue or transfer price – Market price on final trading day – Face value less provisions
Total assets	**24,904**	**26,143**		
Liabilities				
Derivatives[1]	2,977	1,859	– Discounted cash flow – Option model	– Volatility – Correlation
Financial liabilities at fair value through profit or loss[1]	44,262	47,464	– Discounted cash flow model – Option model	– Volatility – Correlation
Total liabilities	**47,239**	**49,323**		

[1] The range and sensitivity of these financial instruments are disclosed in the table Notes on range and sensitivity of unobservable market inputs (Level 3). No range or sensitivity information is available for the other financial instruments..

Notes on range and sensitivity of unobservable market inputs (Level 3) at H1 2021	Significant unobservable market inputs	Range (weighted average)	Sensitivity
Assets			
Derivatives			
Derivatives fair value hedge accounting			
– Inflation-linked swaps	– Seasonality	6.9%-8.4% (7.6%)	Total impact €0.2m
Structured products derivatives			
– Options	– Correlation	n/a	n/a
	– Volatility	16.4%-24.2% (20.3%)	Total impact €0.9m
	– Dividend	0.9%-2.8% (1.6%)	Total impact €0.2m
– Equity swaps	– Correlation	-22.0%-29.3% (2.4%)	Total impact €0.0m
	– Volatility	16.0%-24.2% (19.6%)	Total impact €0.2m
	– Dividend	0.9%-5.4% (2.6%)	Total impact €1.0m
Financial assets at fair value through profit or loss			
Debt instruments: company cumprefs (shareholdings)	– Interest rates	6% - 12% (9%)	Change of 1% - change of €0.0m
	– Discount rates	6% - 12% (10%)	Change of 1% - change of €0.0m
Liabilities			
Derivatives fair value hedge accounting			
– Inflation-linked swaps	– Seasonality	-8.4%-4.5% (-1.0%)	Total impact €0.6m
Derivatives			
Structured products derivatives			
– Options	– Correlation	n/a	n/a
	– Volatility	16.4%-21.9% (19.1%)	Total impact €0.1m
	– Dividend	2.1%-2.8% (2.4%)	Total impact €0.0m
– Equity swaps	– Correlation	-19.8%-20.9% (2.4%)	Total impact €0.1m
	– Volatility	16.0%-24.2% (19.7%)	Total impact €0.8m
	– Dividend	0.4%-5.4% (2.7%)	Total impact €1.0m
Financial liabilities at fair value through profit or loss			
Structured debt instruments	– Correlation	n/a	n/a
	– Volatility	n/a	n/a

Financial instruments at amortised cost

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 are estimated on the basis of the present value or using other estimation or valuation methods.

Financial instruments at amortised cost	30/06/2021		31/12/2020				
	Fair value	Carrying amount	Fair value	Carrying amount	Level	Valuation method	Significant observable and unobservable market inputs
Assets							
Due from banks	159,322	159,359	210,420	210,584	2	Discounted cash flows using applicable money market rates	Interest rate and discount rate
Loans and advances to the public and private sectors	8,856,709	8,662,707	8,652,262	8,448,326	3	Discounted cash flows using current market fees for comparable loans and taking into account the creditworthiness of the counterparty	Interest rate, discount rate and counterparty credit risk
Other financial assets at amortised cost	346,227	339,907	457,808	448,518	1	Quoted prices in active markets	-
Liabilities							
Due to banks	517,541	518,008	500,796	501,129	2	Discounted cash flows using applicable money market rates for liabilities	Interest rate and discount rate
Public and private sector liabilities	10,291,816	10,227,836	10,210,451	10,141,109	3	Discounted cash flows using applicable money market rates for liabilities with a comparable term to maturity, taking account of own credit risk	Interest rate, discount rate and own credit risk
Issued debt securities	1,438,350	1,433,853	1,474,494	1,469,897	1	Quoted prices in active markets	Interest rate and discount rate
Subordinated loans	223,495	172,032	225,531	172,479	3	Discounted cash flows using applicable money market rates for debt instruments with a comparable term to maturity, taking account of own credit risk	Interest rate, discount rate and own credit risk

28. Netting of financial assets and liabilities

Netting of financial assets and liabilities 30/6/2021	Gross	Gross in the statement of financial position	Net in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Derivatives (assets)	368,398	23,602	344,796	10,019	334,777
Derivatives (liabilities)	395,471	23,602	371,869	10,019	361,850

Netting of financial assets and liabilities 31/12/2020	Gross	Gross in the statement of financial position	Net in the statement of financial position	Related amounts not netted in the statement of financial position	Net
Derivatives (assets)	398,389	21,686	376,702	9,293	367,409
Derivatives (liabilities)	510,489	21,686	488,802	9,293	479,509

29. Related parties

H1 2021	Income	Expenses	Amounts receivable	Amounts payable	Guarantees
Total	**5**	**—**	**—**	**1,259**	**13,209**
Parties with a shareholding in Van Lanschot Kempen of at least 5%	3	—	—	627	—
Investments in associates using the equity method	2	—	—	632	13,209

H1 2020	Income	Expenses	Amounts receivable	Amounts payable	Guarantees
Total	**3,627**	**—**	**—**	**5,414**	**20,944**
Parties with a shareholding in Van Lanschot Kempen of at least 5%	3,626	—	—	800	—
Investments in associates using the equity method	1	—	—	4,363	20,944

For further information on related party transactions, see the 2020 annual report of Van Lanschot Kempen Wealth Management NV (from page 164).

Contingent assets

In 2015, Van Lanschot Kempen started an appeal against the Dutch tax authorities (Belastingdienst) regarding the applied pro-rata percentage which is used for the calculation of its VAT returns in the Netherlands. In March 2020, the Court in Den Bosch ruled in favour of Van Lanschot Kempen. This ruling resulted in Van Lanschot Kempen being able to claim VAT from the Dutch tax authorities for the previous years (2014-19), which had already been paid.
In August 2020, the Dutch tax authorities appealed against the ruling at the Supreme Court. All relevant documentation has now been sent to the Supreme Court. The indicated time frame for the Supreme Court's ruling is December 2021 - February 2022. Van Lanschot Kempen considers this material claim a contingent asset.

SEGMENT INFORMATION

As an integrated wealth manager we serve the entire spectrum of client groups, ranging from private clients to institutional investors and corporates. Key to our strategy is the ability to adapt quickly to changing client needs and market circumstances. At the beginning of 2021, we therefore fundamentally changed our organisational structure by moving from a business line-driven organisation towards a function-based model. This allows us to work across client groups, use a broader range of products and further improve the efficiency of our organisation.

This new organisational structure means that our segment reporting has also changed to client groups from 2021 onwards, these being Private Clients, Wholesale & Institutional Clients, Merchant Banking Clients, and Other activities. Intersegment transactions between these operating segments are conducted on an arm's length basis and internal cost allocation is based on the use of services.

The change in operating segments is so significant that the information to restate the corresponding information for earlier periods is not available and the cost to develop it would be excessive. Therefore, in line with IFRS 8, no comparative figures for H1 2020 are made available.

Private Clients
Private Clients offers private clients and entrepreneurs a broad range of products in the private banking market, while also focusing on business professionals and executives, healthcare professionals, foundations and associations. The activities of Evi, Van Lanschot Kempen's online investment coach, are integrated in this segment and specifically target mass affluent individuals and Millennials.

Wholesale & Institutional Clients
Wholesale & Institutional Clients focuses on a range of investment strategies and offers fiduciary services to domestic and international clients such as banks, wealth managers, family offices, pension funds and insurers.

Merchant Banking Clients
Merchant Banking Clients offers specialist services including equities research and trading, mergers & acquisitions services, capital market transactions and debt advisory services to institutional investors, corporates, financial institutions and public and semi-public entities.

Other
These comprise activities in the fields of interest rate, market and liquidity risk management, structured products activities, staff departments, as well as the activities of Van Lanschot Participaties/Bolster and consolidated investments.

Operating segments in H1 2021 (€ million)

	Private Clients	Wholesale & Institutional Clients	Merchant Banking Clients	Other	Total
Statement of income					
Net interest income	67.3	0.0	0.0	8.6	75.9
Income from securities and associates	—	—	—	22.3	22.3
Net commission income	106.8	37.7	29.3	2.1	176.0
Result on financial transactions	1.7	0.0	1.3	-7.9	-4.8
Other income	—	—	—	6.3	6.3
Total income from operating activities	**175.8**	**37.7**	**30.7**	**31.5**	**275.7**
Staff costs	42.5	4.5	11.5	76.1	134.6
Other administrative expenses	29.2	3.2	4.1	24.0	60.5
Allocated internal expenses	52.8	25.4	4.6	-82.8	—
Depreciation and amortisation	3.6	0.4	0.1	8.2	12.4
Impairments	-3.4	—	—	-2.3	-5.7
Total expenses	**124.7**	**33.5**	**20.3**	**23.2**	**201.7**
Operating result before tax	**51.1**	**4.2**	**10.3**	**8.3**	**74.0**

Unaudited

EVENTS AFTER THE REPORTING PERIOD

On 7 April 2021, Van Lanschot Kempen Wealth Management NV and Mercier Vanderlinden Asset Management NV ("Mercier Vanderlinden") announced agreement on the acquisition by Van Lanschot Kempen of Mercier Vanderlinden. The transaction was completed on 23 July 2021 by the transfer of 70% of the shares of Mercier Vanderlinden to Van Lanschot Kempen. A commitment has been made to acquire the remaining 30% in two separate tranches in Q1 2025 and in Q1 2026. This acquisition is in line with our strategy and enables us to expand our wealth management services and reach a critical mass in Belgium. The acquisition include the client relationships, brand name and the products and services of Mercier Vanderlinden. The acquisition will lead to the recognition of goodwill (by approximately €77 million) and intangible assets (by approximately €105 million). Furthermore, a contingent liability (circa €46 million) will be recognised for the commitment to acquire the 30% remaining shares and for earn-out agreements (circa €2 million).

On 1 July 2021, the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV became effective. As a result of this merger, Van Lanschot Kempen NV ceased to exist as a legal entity and Van Lanschot Kempen Wealth Management NV acquired the assets and liabilities of Van Lanschot Kempen NV under universal title of succession. In addition, the statutory name of Van Lanschot Kempen Wealth Management NV has changed to Van Lanschot Kempen NV as from 1 July 2021.

In July 2021, Van Lanschot Kempen sold its 42.5% interest in Fire Safety Holding BV (Gerco) and 18.0% interest in Quint Holding BV. These investments are classified as investments in associates using the equity method, and realised net gains of over €10 million and circa €5 million respectively.

Other information

MANAGEMENT BOARD RESPONSIBILITY STATEMENT

The members of the Management Board hereby declare, to the best of their knowledge, that the 2021 condensed interim consolidated financial statements, which have been prepared in accordance with IAS 34 (Interim Financial Reporting), give a true and fair view of the assets, liabilities, financial position and income of Van Lanschot Kempen NV and its consolidated entities, and that the condensed interim consolidated financial statements of 30 June 2021 give a true and fair view of the information to be provided in accordance with Article 5 (25) (d) (8) (9) of the Dutch Financial Supervision Act (“Wft”).

's-Hertogenbosch, the Netherlands, 25 August 2021

Management Board

Karl Guha, Chairman

Constant Korthout

Arjan Huisman

Richard Bruens

Erik van Houwelingen