VAN LANSCHOT KEMPEN

PRESS RELEASE

Amsterdam/'s-Hertogenbosch, the Netherlands, 26 August 2021

Van Lanschot Kempen: strong net profit of €58.3 million

- Net profit increased to €58.3 million (H1 2020: €9.5 million)
- Record net AuM inflows at Private Clients of €2.4 billion; net outflows at Wholesale & Institutional Clients of €2.0 billion, due to a few institutional mandates
- Client assets increased to €121.0 billion and AuM to €104.2 billion
- Strong growth in management fee income
- Strong capital ratio to 21.9% (2020: 24.3%); decrease caused by a more prudent calculation of market risk, among other factors
- Pay out 2019 dividend and remainder 2020 dividend – totalling €1.95 per share in beginning of Q4

Karl Guha, Chairman, said: "It would be fair to say that we have had a good first half of the year. The numbers speak for themselves. The performance was strong across the board. The growth in assets under management in our high yielding Private Clients segment is particularly gratifying – notwithstanding some of the headwinds we have had in our institutional business. We believe that our approach of combining "personal touch", professional expertise and technology is beginning to bear fruit. There is every reason to believe that we are well positioned for further growth in all our businesses.

"Furthermore, our inorganic growth in assets under management was further strengthened, through our successful acquisitions in the Netherlands and in Belgium. As such, it is an important step towards realising our goal of being the most respected and successful wealth management house in the Benelux."

Clients assets and assets under management

During the first six months of the year, client assets increased to €121.0 billion (2020: €115.0 billion). Total assets under management (AuM) increased to €104.2 billion (2020: €99.0 billion) on the back of total net inflows of €0.3 billion and market performance of €4.8 billion. We recorded exceptionally high net inflows in AuM at Private Clients to the tune of €2.4 billion and we saw an outflow of a few institutional mandates within Wholesale & Institutional Clients. This has combined with the positive market performance to significantly enhance management fees. Savings and deposits were slightly up at €10.2 billion (2020: €10.1 billion).

Sustainable investing is an important part of our strategy and we have made solid progress in this field; 17% of our own funds are classified as Article 9 (most sustainable), 62% as Article 8 and 21% as Article 6[i] under the European Sustainable Finance Disclosure Regulation. In addition, AuM that are classified as sustainable within Private Clients rose by 24% to €3.8 billion in the past six months.

Results in the first half of 2021

Net profit increased to €58.3 million in the first six months of 2021 (H1 2020: €9.5 million). Commission income, the very core of our revenues, was up by 18% at €175.7 million (H1 2020: €148.9 million) on the back of higher recurring commissions and solid results at Corporate Finance. The higher AuM base also provides a good starting point for the rest of the year.

Interest income stabilised and amounted to €76.1 million (H1 2020: €77.0 million). During the first half of 2021, we saw this underpinned by some growth in the mortgage loan portfolio and our ability to charge negative interest rates on savings. In order to mitigate this impact for our clients, we introduced the Wealth Management Arrangement, which is meeting a need of our Private Banking clients to retain a proportion of their wealth in savings without paying negative interest.

Operating expenses stood at €196.8 million for the first half of 2021 (H1 2020: €187.5 million). Much as expected, expenses increased mainly due to the integration of Hof Hoorneman Bankiers, while steeper charges for supervision and compliance are also weighing in. Adjusted for these factors, costs are under control. That said, the increase in income has helped to achieve an efficiency ratio of 73.1% (H1 2020: 93.2%) for the first six months of the year.

The first half of the year saw a release from loan loss provisions of €3.5 million on the back of a high-quality loan portfolio comprising mainly residential mortgages in the Netherlands.

We successfully concluded the acquisition of Hof Hoorneman Bankiers and the past six months saw us welcome our new employees who had made the transfer from Hof Hoorneman Bankiers, with the migration of clients and funds expected to be completed in the second half of the year. In July 2021, we received the approvals for our acquisition of Mercier Vanderlinden. The acquisition of the 70% stake in this wealth manager has now been completed and collaboration between Mercier Vanderlinden and Van Lanschot Belgium is well on its way. We are very pleased with this partnership, as it significantly strengthens our position in Belgium in line with our strategy to be an important player in Belgium as a specialist wealth manager.

We have made solid progress in our integrated wealth management approach. Earlier this year, we announced an adjustment of our organisational structure, enabling us to work in an even more client-centric fashion. The new structure helps us to operate across client groups even better, provide an even broader offering and further improve the efficiency of our organisation. The new set-up has also ushered in a new reporting structure and segmentation by client groups: Private Clients (including Evi), Wholesale & Institutional Clients, Merchant Banking Clients and Other. This press release also reports in keeping with this breakdown.

Private Clients

Net profit at Private Clients amounted to €38.2 million for the first half of 2021, with commission income at €106.8 million.

At €2.4 billion in the first half, Private Clients is recording very robust net inflows indeed. Its exceptional performance tells us that our combination of personal advice with a solid offering and modern technology is working. We increasingly see our clients pick us as their first port of call for everything related to wealth management. In Belgium, net inflows came in at €0.3 billion in the first half of the year, taking total AuM to €4.8 billion (excluding AuM from Mercier Vanderlinden). Total AuM at Private Clients now stand at €36.8 billion and client assets at €48.7 billion, of which €9.7 billion in savings.

Technology is an integral part of how we provide our services to our clients, while we continue to maintain our “personal touch”. We have embraced technology to further enhance our services. Our clients can always request a personal meeting at one of our offices, but we’re just as happy to talk to them via WhatsApp or video call. We’re the first financial institution within the European Union to use biometric voice authentication, making it even easier and safer to talk. Meanwhile, our investment app supports our discretionary management and advice propositions. Our Relationship Net Promoter Score (NPS) increased to 37 (2020: 26), driven by our solid H1 2021 investment results and personal approach combined with the technological features.

Evi, our mass affluent wealth management service concept, has been included in the Private Clients segment since the start of 2021. During the first half of the year, its commission income rose and Evi passed breakeven point. Meanwhile, Evi’s AuM also increased further to €1.3 billion (end-2020: €1.2 billion) and its Relationship NPS touched 13, compared with 5 in 2020.

Wholesale & Institutional Clients

Net profit in this segment amounted to €3.1 million in the first half, with commission income at €37.7 million.

Total AuM stood at €67.4 billion. First-half net outflows totalled €2.0 billion, reflecting net outflows in the first quarter and net inflows in the second. Average margins remained stable and outflows did not result in lower income, as the inflows commanded higher margins.

Net fiduciary management outflows were €0.7 billion in the period, reflecting the departure of a pension fund that had merged with another pension fund, in part offset by inflows from a €1.1 billion mandate. Among the segment's investment strategies, we saw solid inflows into the Kempen Global Small-cap Fund (current volume €1.8 billion) and the real assets strategy (current volume €2.5 billion), but these inflows were not able to compensate for outflow of a government bond strategy mandate and credit strategy outflows, taking investment strategies' total net outflows to €1.3 billion. Looking forward to the second half, we already know that one of our clients has ended their relatively low-fee mandate of around €1 billion in credit strategies. The pipeline for our other funds is well-filled.

Our business in the United Kingdom (UK) has seen a couple of new mandates bring us growth of €0.3 billion, while total AuM of €6.4 billion were recorded in the UK. In June 2021, Clara-Pensions, a defined benefit pensions consolidator, appointed us as their fiduciary managers, and this new collaboration is expected to further increase AuM inflows.

The design and development of new products have continued in the first half of 2021. In January we launched the Diversified Distressed Debt Pool and in April the Kempen SDG Farmland Fund for investment in sustainable agricultural land – a product we developed in cooperation with a fiduciary management client. In addition, we launched the Kempen European Private Equity Fund II in July 2021.

Over the past couple of years, we have invested in expanding our distribution channels in countries including Germany, Italy and Scandinavia, and we are now seeing growing interest in our offering. This makes us optimistic about our opportunities for further growth in these countries.

Merchant Banking Clients

In the first six months of 2021, the Merchant Banking Clients segment net profit amounted to €7.7 million, strongly underpinned by commission income coming in at €29.0 million.

The Corporate Finance & Equity Capital Markets activities once again enjoyed a strong six-month period; having completed 34 transactions with a total value of over €4 billion. Underpinning this is the clear choice for niches in real estate, life sciences & healthcare, tech & fintech, renewables and infrastructure, and our sector teams' ability to work together with other client segments as part of our wealth management strategy.

Other

The structured products activities recorded a neutral result in the first half of 2021. We have made good progress with the wind-down of exposures in the macro-hedge portfolio. These now stand at €560 million, compared with €691 million at the end of 2020 and €783 million at the end of March 2020.

It was a good first half for our positions in our own investment funds, with a pre-tax result of €8.3 million (H1 2020: €6.3 million negative before tax). The rationale for investing is to allow us to co-invest in our funds with our clients, while also providing seed capital to start-up investment funds.

In July, we concluded the sale of two stakes in our private equity portfolio, with the first – the sale of our interest in Fire Safety Holding – generating over €10 million and that in Quint Holding around €5 million. These book profits will be recognised in the second-half 2021 result.

Solvency

Our capital position is consistently strong at a CET 1 ratio of 21.9% (2020: 24.3%), with the decrease reflecting an increase in risk-weighted assets (RWA). This higher RWA level is due to the growth in the loan portfolio, a higher volume in our own investment funds, the implementation of new IRB models and more prudent interpretations of the regulations concerning market risk.

As indicated, the partnership with Mercier Vanderlinden has now been finalised and its impact on the capital ratio is expected to be approximately 3.6 percentage points in the second half of the year. In addition, the Nederlandsche Bank (DNB) will impose a risk-weight floor for residential mortgages from 1 January 2022, the capital ratio impact of which we estimate at approximately 2.5 percentage points. However, even after these two detractive factors we will still have an ample capital position.

Dividend

The 2019 dividend and the remaining 2020 dividend totalling €1.95 per share are still very much on our balance sheet, earmarked for our shareholders and not included in the capital ratio. The European Central Bank and DNB have intimated that their recommendation not to pay dividends will cease on 1 October 2021, and we will make the €1.95 per share (a total of circa €80 million) payable to our shareholders in the fourth quarter.

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Key data[ii]

€ 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 excluding special items (%)[iii]	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 & 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 AT 1 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 (%)[iv]	21.9	24.3		24.0	
Tier 1 ratio (%)[iv]	23.1	25.4		25.1	
Total capital ratio (%)[iv]	25.2	27.4		27.0	

	H1 2021	H2 2020		H1 2020	
Key figures					
Weighted average of outstanding ordinary shares (x 1,000)	40,986	40,989		40,964	0%
Underlying earnings per share (€)	1.36	0.93	46%	0.15	807%
Return on average Common Equity Tier 1 capital (%)[v]	11.0	7.5		1.2	
Number of staff (FTEs at period end)	1,588	1,564	2%	1,519	5%

Result

€ 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 provision	-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**	

Result per segment

H1 2021 (€ million)	Private Clients	Wholesale & Institutional Clients	Merchant Banking Clients	Other	Total
Commission	106.8	37.7	29.0	2.1	175.7
Interest	67.3	-	0.0	8.9	76.1
Other income	1.7	-	1.3	14.5	17.5
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
Operating expenses	**123.9**	**33.1**	**20.0**	**19.7**	**196.8**
Gross result	**51.9**	**4.6**	**10.3**	**5.7**	**72.5**
Impairments	-3.4	-	-	-2.3	-5.7
Operating profit before tax of NSIs	-	-	-	0.7	0.7
Operating profit before one-off charges 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 profit 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	**39.1**	**3.1**	**7.7**	**9.3**	**59.2**

PERFORMANCE REPORT / PRESENTATION / WEBCAST

For a detailed discussion of Van Lanschot Kempen's results and balance sheet, please refer to our performance report and presentation on the 2021 half-year results at www.vanlanschotkempen.com/results. In a conference call on 26 August at 9:00 am CET, we will discuss our 2021 half-year results in greater detail. This may be viewed live at www.vanlanschotkempen.com/results and played back at a later date.

ADDITIONAL INFORMATION

For additional information, go to www.vanlanschotkempen.com/financial.

FINANCIAL CALENDAR

22 September 2021	Extraordinary general meeting
4 October 2021	Ex-dividend date
12 October 2021	2019 dividend and remainder 2020 dividend payment date
29 October 2021	Publication of 2021 third-quarter trading update
24 February 2022	Publication full-year results 2021

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About Van Lanschot Kempen

Van Lanschot Kempen, a wealth manager operating under the Van Lanschot, Kempen and Evi brand names, is active in Private Banking, Asset Management and Merchant Banking, with the aim of preserving and creating wealth, in a sustainable way, for both its clients and the society of which it is part. Listed at Euronext Amsterdam, Van Lanschot Kempen is the Netherlands' oldest independent financial services company, with a history dating back to 1737.

For more information, please visit vanlanschotkempen.com

Important legal information and cautionary note on forward-looking statements

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

Actual results, performances and circumstances may differ considerably from these forward-looking statements as a result of risks, developments and uncertainties relating to, but not limited to, (a) estimates of income growth, (b) costs, (c) the macroeconomic and business climate, (d) political and market trends, (e) interest rates and currency exchange rates, (f) behaviour of clients, competitors, investors and counterparties, (g) the implementation of Van Lanschot Kempen's strategy, (h) actions taken by supervisory and regulatory authorities and private entities, (i) changes in law and taxation, (j) changes in ownership that could affect the future availability of capital, (k) changes in credit ratings and (l) evolution and economic and societal impact of the Covid-19 pandemic.

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

The figures in this press release have not been audited separately. Small differences are possible in the tables due to rounding. Percentages are calculated based on unrounded figures.

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

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[i] From the end of 2022, the funds will apply Article 7 prescribing transparency on negative sustainability effects.

[ii] This press release uses unrounded figures and total amounts may deviate from the sum of the parts. Percentage changes are based on these unrounded figures.

[iii] Operating expenses (and the efficiency ratio) are exclusive of the amortisation of intangible assets related to acquisitions and restructuring charges.

[iv] At 31 December 2020 including retained earnings. At 30 June 2020 and 30 June 2021 excluding retained earnings.

[v] Based on the annualised underlying net result attributable to shareholders.