

Van Lanschot Kempfen: net profit of nearly €10 million in first half

- Net profit of €9.5 million in H1 2020; strong second quarter performance with a net profit of nearly €20 million
- Strong net inflows of €4.7 billion, of which €4.4 billion in AuM. Client assets increase to €103.4 billion (2019: €102.0 billion)
- Good underlying operating performance, notwithstanding incidental items in Q1 due to Covid-19
- Limited credit exposure – addition to loan loss provisions of €1.3 million
- Robust capital ratio at 24.0%
- Successful next step in growth strategy: acquisition of Hof Hoorneman Bankiers, bringing in client assets of €1.9 billion

Van Lanschot Kempfen today published its 2020 half-year figures. Karl Guha, Chairman, said: "Covid-19 has been a defining factor for the first half of this year – at a societal and an economic level. For our clients, this has been a period of profound uncertainty about the present and future. Our past investments in omni-channel capabilities have served us well, in the sense that we were able to serve our clients well and be there for them in their time of need. We were rewarded with meaningful growth in client assets during this period. For this we are very grateful to our clients. As such, our strong operational performance during a challenging first half, is a testimony to the investments we have made in the past in technology and in our people.

"We are absolutely delighted with the acquisition of Hof Hoorneman Bankiers – a respected Dutch wealth management house. This transaction is in line with our stated goal of pursuing growth via acquisitions. Furthermore, this is an important step in our pursuit of an integrated and focused wealth management strategy. Notwithstanding the economic challenges and market volatility confronting us as a result of Covid-19, we believe that we are well positioned from a capital and asset quality perspective to weather the storm. In no small part this is due to our focused wealth management strategy in a stable and wealthy corner of Europe. We believe that our unique integrated wealth management proposition will continue to allow us to serve our private, institutional and mass affluent clients well in the present and in the future."

In the last six months client assets increased, from €102.0 billion to €103.4 billion driven by net inflow of €4.7 billion in assets under management (AuM) and savings. AuM increased from €87.7 billion to €89.2 billion. The strong net inflows of €4.4 billion derived from AuM from both new and existing clients, and materially offset the negative market impact of €2.9 million. Savings and deposits were at €9.8 billion (2019: €9.5 billion).

The acquisition of Hof Hoorneman Bankiers as announced last week will increase our client assets by €1.9 billion. Hof Hoorneman Bankiers is an excellent fit in terms of client mix, investment policy, corporate culture and personal approach, for both Private Banking and Evi. The acquisition is subject to the approval of the regulators and is expected to be completed by the end of 2020.

The first half saw a net result of €9.5 million (H1 2019: €31.4 million excluding one-time gains from two sales). Following the outbreak of Covid-19 in the first quarter of 2020, we have implemented cost-saving measures to improve our operating performance. The solid operational performance combined with cost savings generated second-quarter net profits of €19.9 million (Q1 2020: -€10.5 million).

First-half commission income added €6.7 million on the figure for H1 2019, to €148.9 million, reflecting higher average AuM volumes and higher transaction fees. Interest income decreased to €77.0 million (H1 2019: €84.7 million) and is under persistent pressure from the low interest-rate environment, despite the introduction of negative interest rates for current, securities and savings accounts with balances in excess of €1 million, effective 1 April.

Operating expenses decreased slightly to €187.5 million (H1 2019: €190.4 million). As previously indicated, we expected operating expenses to rise slightly for 2020. However, due to the cost-saving measures in the past six months, we have turned this expected increase into a decrease.

Asset quality – limited risk in loan portfolio

Our overall loan portfolio stood at €8.5 billion, of which the largest part consists of Dutch residential mortgages. These mortgages added €0.1 billion to €6.5 billion in the first half on growing demand for mortgage loans from our target groups. In the wake of Covid-19, we offered support to our clients in the shape of tailored financial solutions. Given the specific nature of our Private Banking clients, they only availed themselves of €18.2 million in such financing solutions.

As part of our 2013 strategic reorientation, we have been able to significantly de-risk our balance sheet and had successfully run off our corporate banking portfolio to €246 million by the end of June 2020. The proportion of impaired loans reduced by nearly €40 million during the first half of 2020. As a result, only €0.9 million needed to be added to loan loss provisions in this portfolio. Our remaining loan portfolio focuses on Private Banking clients, making for a very modest risk profile and reflected in the low addition to loan loss provisions: €1.3 million for the total portfolio in the first half.

Van Lanschot Private Banking

Commission income rose by €3.4 million to €66.4 million. The net result was down slightly, to €18.3 million (H1 2019: €19.8 million), reflecting lower interest income and a release of loan loss provisions in H1 2019, offset in part by the completion of the strategic investment programme by the end of 2019.

In the first half, Private Banking's client assets came down slightly to €33.1 billion (2019: €34.2 billion), despite the strong net inflow in AuM and savings of €0.8 billion in the Netherlands and Belgium. AuM decreased to €23.5 billion (2019: €24.7 billion). A negative market performance was to blame, albeit partly compensated by net inflows of €0.5 billion. These net inflows show our clients to be in a sanguine mood and unfazed by the volatility in the markets. Volatility led to a peak in the number of transactions in the first quarter, but returned to normal levels in the second quarter. We are also increasingly seeing a desire among clients to invest sustainably, with inflows into our sustainable propositions enjoying continued growth and AuM in this area now amounting to €2.3 billion.

We have successfully completed our work on phasing out our Belgian IT infrastructure. Clients and employees were successfully migrated to the group structure. With our Belgian offices now also running future-proof systems, we should avoid higher IT spending going forward. Meanwhile, our Belgian clients have gained access to our omni-channel service model, enhancing their client experience.

Because of Covid-19, in the last six months we have further experienced the importance of the omni-channel service model for our communications with clients. As well as making extensive use of our chat and video functions, we have successfully worked various other aspects of the digital and data-driven world, such as sending out information about market movements via our messaging centre, and this is reflected in a high Net Promoter Score of 22.

Evi van Lanschot

Net result at Evi improved significantly by €1.2 million to a negative €0.4 million, mostly reflecting the measures undertaken to lower costs. Commission income was slightly lower at €2.4 million (H1 2019: €2.5 million).

Client assets at Evi increased to €1.6 billion, helped in part by the net AuM inflows from its partnership with a.s.r. bank. Happily, the tie-up has brought in €157 million in AuM inflows and around 7,000 new clients. As part of its revised strategy to focus more on mass affluent clients and on collaboration with Private Banking, Evi decided to offer its savings product solely in conjunction with investment products going forward.

Kempen Asset Management

Net result added €2.2 million to €9.5 million. Commission income was up €3.8 million to €52.1 million and expenses remain flat.

AuM at Asset Management were ahead by €2.7 billion to €64.7 billion, with fine net inflows of €3.8 billion, of which €3.1 billion in fiduciary management and €0.7 billion in niche strategies, more than making up for the negative market performance. Inflows reflected both new and existing mandates in the Netherlands and the UK. Also, in July 2020 the €1 billion mandate for Stichting Pensioenfonds Grontmij via Het nederlandse pensioenfonds got under way. In 2019, we took further steps to enhance our distribution capabilities abroad using placing agents, and the first half of 2020 saw this result in a number of new clients for our real estate proposition in Germany. In 2020, we will be continuing on this path by expanding to Scandinavia and by adding alternative strategies to our offering.

We are proud to have received recognition for our performance in the past year by scooping three Morningstar Awards, including “Best Fund House”, as well as nine Lipper Awards, including “Best Fund House Overall (small)”. To enhance our focus on solutions offered to clients, we have decided to discontinue our active government bond funds, which currently have only modest assets under management. In addition, early in July, we announced that we had hired six specialist staff in Switzerland to specifically focus on expanding our digital service offering in fiduciary management.

To encourage sustainability, we engage investee companies one-on-one and through multi-investor collaboration. A key engagement area is to help the oil and gas industry to transition to a low-carbon economy, and the Climate Action 100+ investor initiative has seen us engage in ongoing dialogue with Shell, Equinor and BP. The first half of 2020 saw these energy majors up their climate ambitions. We welcome these developments and will continue to engage with them to encourage a further shift towards more sustainable operations.

Kempen Merchant Banking

The performance of Merchant Banking is impacted by the previously announced loss on the structured products activities. Commission income inched down to €27.0 million (H1 2019: €27.4 million) and net result dropped to a negative €16.9 million (H1 2019: €3.5 million).

As reported in our first-quarter trading update, Merchant Banking saw its structured products activities record losses of €21.9 million. In the second quarter we saw an additional loss of €5.5 million. This was mainly due to the further decline in dividend expectations in the market at the beginning of the second quarter and the hedging of the existing portfolio. We will continue to offer structured products to our clients at Private Banking as an alternative investment product to help diversify their investment portfolios. Taking larger risks does not fit with our remit as a wealth manager. For this reason we have decided to hedge risks

to a significant extent for both the existing portfolio and for new issues. Existing positions will be gradually reduced. In the second half of 2020, we will decide on the future model of our structured products offering.

Corporate Finance and Equity Capital Markets had a good first half, notching up 16 transactions, of which eight in M&A. During the second quarter the team was mainly active with capital market transactions in life sciences: capital was raised for six companies. Its team acted as advisers in Hyloris Pharmaceuticals' IPO in Belgium and was involved in Argenx's capital increase via Nasdaq. Our focus on Scandinavia is also producing rewards: we were party to the capital increases for Bioinvent, Immunovia and Oncopeptides.

Other activities

Participating interests in our own funds staged a recovery in the second quarter, taking the first half's pre-tax net loss to €6.5 million. We retain these exposures as they allow us to co-invest in our funds with our clients, while also providing seed capital to start-up investment funds.

Covid-19 notwithstanding, our portfolio of equity holdings had a stable first half, reflecting the fact that it primarily comprises stakes in companies that were hit less hard by the pandemic in the first half of 2020.

Liquidity and solvency

Our capital ratio rose further in the past six months. At 24.0%, the CET 1 ratio (2019: 23.8%) remained well ahead of our 15-17% target, while the total capital ratio worked out at 27.0% and risk-weighted assets were stable at €4.2 billion.

As previously announced, Van Lanschot Kempenn has postponed payment of its 2019 dividend. At its 28 May 2020 general meeting, shareholders adopted a dividend proposal of €1.45 per share. In the opinion of the Statutory and Supervisory Boards, the 2019 dividend can be paid to shareholders as soon as circumstances related to Covid-19 allow and as long as we remain in compliance with our stated capital ratio targets. Taking the advice of the ECB and DNB, this will not be earlier than January 2021. The 2019 dividend of €59.4 million is reserved for our shareholders on the balance sheet and is not included in our capital ratios.

We will continue to optimise our capital position and allow scope for potential takeovers. If possible, we will consider capital returns to shareholders, subject to regulatory approval.

In view of this year's extraordinary circumstances, we have asked our auditors to issue a review report on our half-year figures – a statement which we received on 25 August 2020ⁱⁱ.

Key dataⁱⁱⁱ

€ million	H1 2020	H2 2019	H1 2019		
Statement of income					
Net result ^{iv}	9.5	13.8	-31%	31.4	-70%
Efficiency ratio excluding one-off charges (%) ^v	93.2	75.5		75.5	

€ billion	30/06/2020	31/12/2019	30/06/2019		
Client assets					
- Assets under management	103.4	102.0	1%	97.3	6%
- Assets under monitoring & guidance	89.2	87.7	2%	82.6	8%
- Assets under administration	3.2	3.1	2%	3.3	-4%
- Savings and deposits	1.2	1.6	-23%	1.8	-32%
	9.8	9.5	3%	9.6	3%

€ million	30/06/2020	31/12/2019	30/06/2019		
Statement of financial position and capital management					
Equity attributable to shareholders	1,225	1,211	1%	1,263	-3%
Equity attributable to AT1 capital securities	102	102	0%	102	0%
Equity attributable to other non-controlling interests	0	4		4	
Savings and deposits	9,826	9,545	3%	9,582	3%
Loans and advances to clients	8,477	8,598	-1%	8,783	-3%
Total assets	14,901	14,319	4%	14,540	2%
Funding ratio (%)	115.9	111.0		109.1	
Risk-weighted assets	4,195	4,205	0%	4,462	-6%
Common Equity Tier 1 ratio (fully loaded) (%) ^{vi}	24.0	23.8		22.4	
Tier 1 ratio (fully loaded) (%) ^{vi}	25.1	25.0		23.6	
Total capital ratio (fully loaded) (%) ^{vi}	27.0	26.9		25.5	

	H1 2020	H2 2019	H1 2019		
Other key data					
Weighted average of outstanding ordinary shares (x 1,000)	40,964	40,974	0%	41,037	0%
Underlying earnings per share (€)	0.15	0.31	-52%	2.21	-93%
Return on average Common Equity Tier 1 (%) ^{vii}	1.2	2.4		13.1	
Number of staff (FTEs at period end)	1,519	1,560	-3%	1,594	-5%

€ million	H1 2020	H2 2019		H1 2019	
Commission	148.9	148.2	0%	142.2	5%
- Of which securities commissions	123.1	125.3	-2%	116.5	6%
- Of which other commissions	25.8	22.9	13%	25.7	0%
Interest	77.0	90.6	-15%	84.7	-9%
Income from securities and associates	0.6	16.1	-96%	17.3	-97%
Result on financial transactions	-25.3	0.7		-8.1	
Income from operating activities	201.3	255.6	-21%	236.0	-15%
Staff costs	117.6	120.1	-2%	118.4	-1%
Other administrative expenses	62.8	64.8	-3%	63.0	0%
- Of which regulatory levies and charges	7.9	2.8		8.8	-10%
Depreciation and amortisation	7.1	8.7	-19%	9.0	-21%
Operating expenses	187.5	193.7	-3%	190.4	-2%
Gross result	13.7	61.9	-78%	45.6	-70%
Addition to loan loss provision	1.3	-4.5		-7.5	
Other impairments	0.2	34.9	-99%	0.1	
Impairments	1.5	30.3	-95%	-7.5	
Operating profit before tax of non-strategic investments	0.7	0.8	-1%	1.0	-25%
Operating profit before special items and tax	13.0	32.3	-60%	54.1	-76%
Strategic investment programme	-	1.7	-100%	9.4	-100%
Amortisation of intangible assets arising from acquisitions	3.1	3.1	0%	3.1	0%
Restructuring charges	-	0.3	-100%	2.5	-100%
Operating profit before tax	9.9	27.3	-64%	39.1	-75%
Income tax	0.4	13.5	-97%	7.7	-95%
Net result	9.5	13.8	-31%	31.4	-70%

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 2020 half-year results at www.vanlanschotkempen.com/results. In a conference call on 26 August at 9:00 am CET, we will discuss our 2020 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

29 October 2020	Publication of 2020 third-quarter trading update
25 February 2021	Publication of 2020 annual results

Media Relations: +31 20 354 45 85; mediarelations@vanlanschotkempen.com

Investor Relations: +31 20 354 45 90; investorrelations@vanlanschotkempen.com

About Van Lanschot Kempen

Van Lanschot Kempen, a wealth manager operating under the Van Lanschot, Evi and Kempen 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

Disclaimer 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.

Van Lanschot Kempen's semi-annual accounts are prepared in accordance with IAS 34 (Interim Financial Reporting), as adopted by the European Union. In preparing the financial information in this press release, except as described otherwise, the same accounting principles are applied as in the 2019 Van Lanschot Kempen consolidated annual accounts.

The financial data in this press release have not been audited. The external independent auditor has issued a review report with respect to the half-year results contained in the Van Lanschot Kempen Performance report half-year results 2020. Small differences in tables may be the result of 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.

Elements of this press release contain information about Van Lanschot Kempfen NV and/or Van Lanschot Kempfen Wealth Management NV within the meaning of Article 7(1) to (4) of EU Regulation No. 596/2014.

This press release is a translation of the Dutch language original and is provided as a courtesy only. In the event of any disparities, the Dutch language version will prevail. No rights can be derived from any translation thereof.

ⁱ Related to the sales of stakes in AIO II and VLC & Partners

ⁱⁱ The half-year figures have not been audited

ⁱⁱⁱ 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

^{iv} Net result H1 2019 and H2 2019 excluding sales proceeds

^v Operating expenses (and also the efficiency ratio) in 2019 exclude the expenses of the strategic investment programme, the amortisation of intangible assets related to acquisitions and restructuring charges. In H1 2020 excluding the amortisation of intangible assets related to acquisitions

^{vi} At 31 December 2019 including retained earnings. At 30 June 2019 and 30 June 2020 excluding retained earnings

^{vii} Based on underlying net result