

# 2018 half-year results

Solid results and proposal for special capital return

22 August 2018



**VAN LANSCHOT  
KEMPEN**



# Solid results and proposal for special capital return

**Net result €39.3m (H1 2017: €62.3m), underlying net result €47.2m (H1 2017: €69.6m)**

- Decline in net result predominantly driven by significant sale proceeds in 2017

**Strong increase in commission income (+13%)**

- Increase driven by AuM growth at Private Banking and Asset Management, and strong results at Merchant Banking

**Efficiency ratio up to 81.1%**

- Higher costs combined with the impact of current low interest rate levels push efficiency ratio to 81.1%
- Efficiency ratio has full management attention

**Client assets stable at €83.7bn, AuM stable at €69.1bn**

- Net inflow of €0.3bn AuM at Private Banking
- Evi's AuM client base expanded by 20%
- Small outflow at Asset Management and promising pipeline

**Run-off Corporate Banking loan portfolio continues and net release of total loan loss provisions**

- Further decline of loan book Corporate Banking to less than €0.7bn
- €3.5m net release of total loan loss provisions

**Strong increase capital ratio: CET1 ratio at 21.4% from 20.3%**

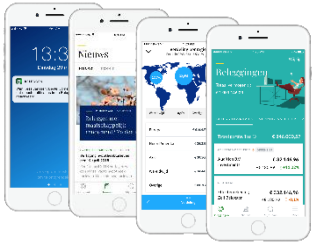
- Increase as a result of Corporate Banking run-off and improved credit quality

**Special capital return proposal**

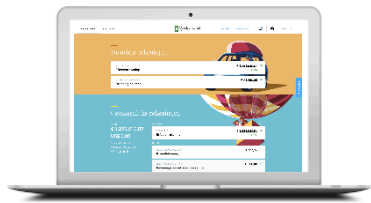
- Proposal for special capital return of €1.50 per share (over €60m)
- In total €210m in dividends and capital returns will be returned after approval



# Focus on changing client needs and digitisation




Innovative wealth management apps



New website and online portal for clients



Developing new payments platform and payments app with Fidor



Comprehensive strategic advice service launched

- Private Markets Fund
- Global Impact Pool



New products for Private Banking and Asset Management



- Investment funds will stop investing in tobacco
- Engagement with companies

Continued focus on integrated ESG approach



Merchant Banking licensed to act as underwriter in equity issues on US markets



Wealth management proposition for everyone



# Commission income (+ 13%) is key driver of net result

## Key drivers of underlying net result € m



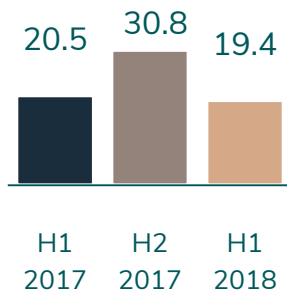
- Increase in commission mainly driven by higher management fees and higher activity at Merchant Banking
- Lower interest income due to margin pressure and Corporate Banking run-off
- Significant sale proceeds (private equity investments and positions in own funds) in H1 2017 are the main cause of lower other income
- Operating expenses rise mainly due to higher staff costs, consultancy fees and higher project costs



# Underlying net result Private Banking and Evi in line with H1 2017

## Underlying net result € m

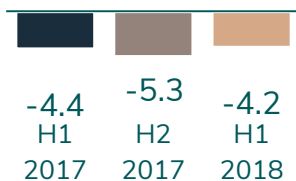
### Private Banking



### Private Banking continues to grow due to net inflows

- Client assets grow by €0.5bn to €31.9bn (2017: €31.4bn)
- AuM increase to €22.8bn (2017: €22.6bn), driven by net inflows of €0.3bn
- Commission income rises 6% to €64.6m due to net inflows and last year's acquired AuM
- H2 2017 higher interest income mainly due to relatively high result on our investment portfolio (allocated to Private Banking) and lower loan loss provisions

### Evi



### Focus on client attraction leads to significant growth of Evi's client base

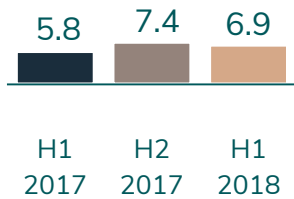
- Evi's AuM client base grows by 20% to c. 15,600 clients
- Shift from savings to AuM, total client assets stable at €1.5bn
- AuM increase to €1.0bn (2017: €0.9bn)
- Commission income stable at €2.1m



# Increasing underlying net result at Asset Management and Merchant Banking

Underlying net result  
€ m

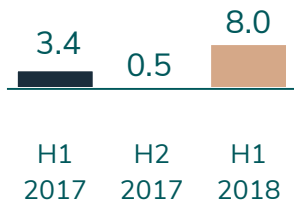
## Asset Management



## AuM at Asset Management fairly stable

- AuM total €45.4bn (2017: €45.5bn)
- Commission income rises by 12% to €50.4m (H1 2017: €44.9m)
- Launch of new investment strategies: Private Markets Fund and Global Impact Pool
- New fiduciary mandate for Arcadis Pensioenfonds €1.1bn started in July 2018
- Promising pipeline for 2018-19

## Merchant Banking



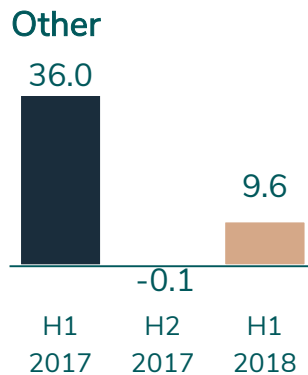
## Underlying net result more than doubles at Merchant Banking

- High number of corporate finance and equity market transactions, mainly in the Real Estate and Life Sciences teams
- Strong increase in commission income by 39% to €30.9m



# Underlying net result at Corporate Banking stable and Other decreases

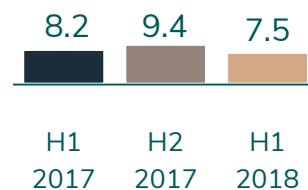
Underlying net result  
€ m



## Lower result in Other

- Decrease in capital gains as a result of the sale of private equity investments and the sale of positions in our own funds in H1 2017
- In August 2018, we agreed to sell part of our minority stake in Ploeger Oxbo. This transaction is expected to generate a capital gain of around €10m

## Corporate Banking



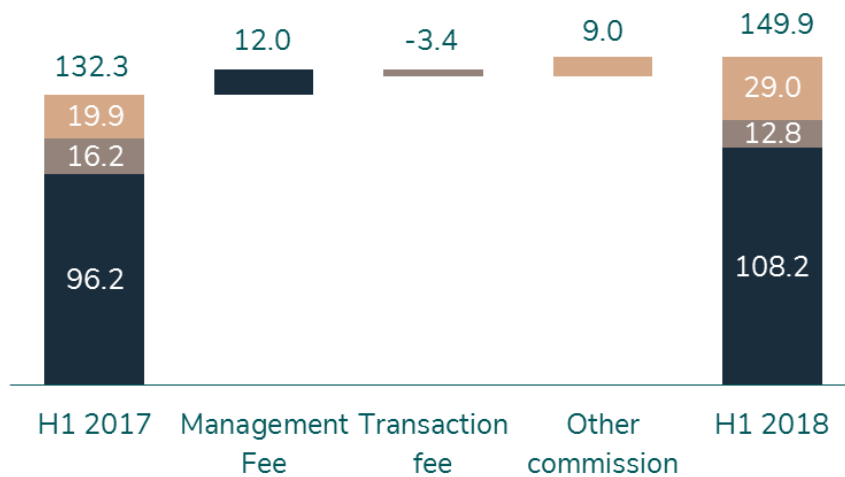
## Run-off Corporate Banking loan portfolio continues

- Corporate Banking loan portfolio decreases from €0.9bn to €0.7bn, risk-weighted assets decrease to €0.6bn
- €3.2m net release of loan loss provisions

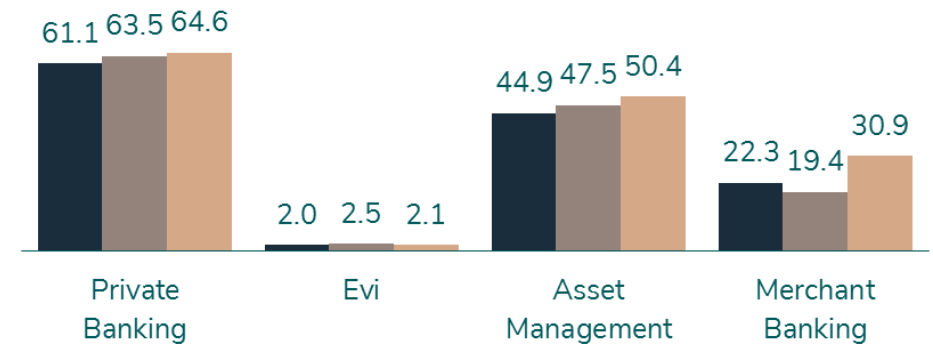


# Growth in commission underscores our successful wealth management strategy

**Total commission**  
€ m



**Commission by segment**  
€ m



■ Management Fee ■ Transaction fee ■ Other commission

■ H1 2017 ■ H2 2017 ■ H1 2018

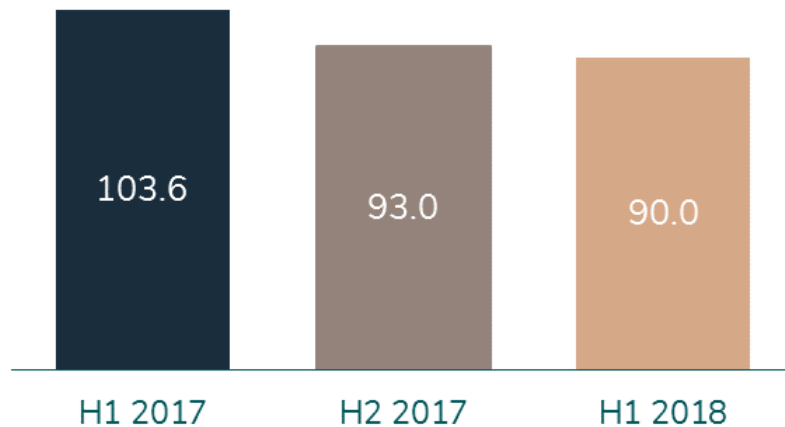
- Management fees up by 12% due to AuM inflows, acquired AuM and market performance
- Successful corporate finance and capital market transactions lead to higher other commission at Merchant Banking
- Transaction fees down due to lower transaction volume versus last year



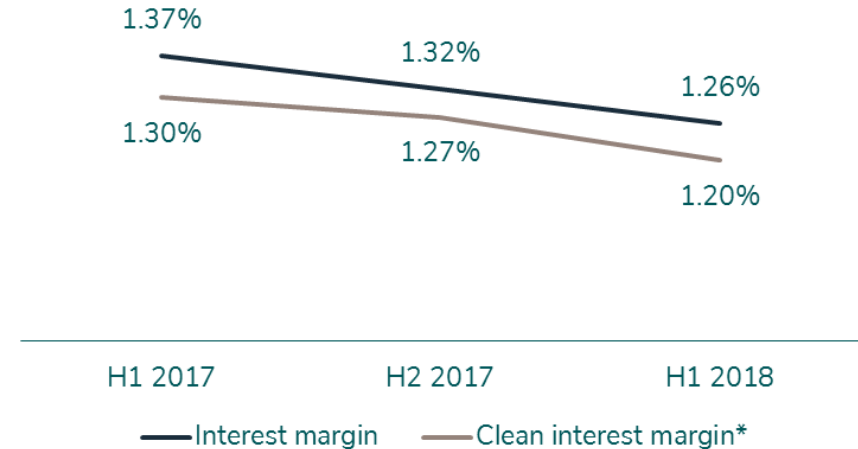


# Margin pressure and a smaller loan portfolio continue to affect interest income

Interest  
€ m



Interest margin (12-mth moving average)  
%

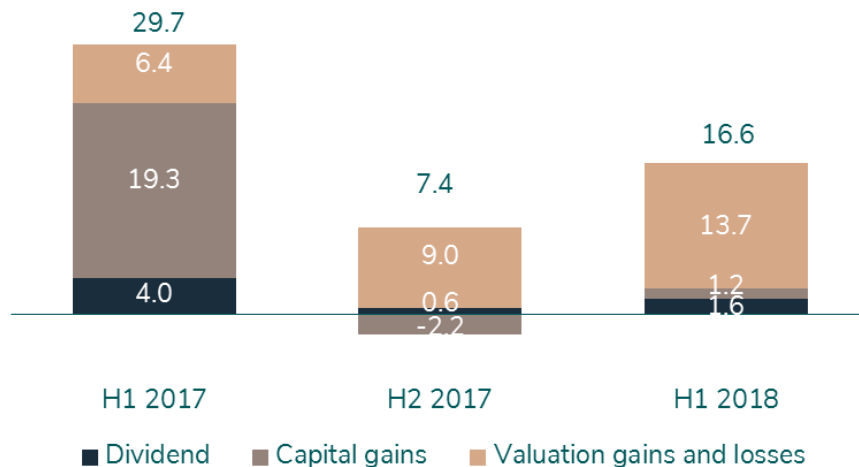


- A smaller loan portfolio – mainly due to the run-off at Corporate Banking – has caused a decline in interest income in recent years
- Due to the challenging low interest levels, margin pressure continues to impact interest income

# Income from securities and associates decreases mainly due to significant sale proceeds H1 2017

## Income from securities and associates

€ m



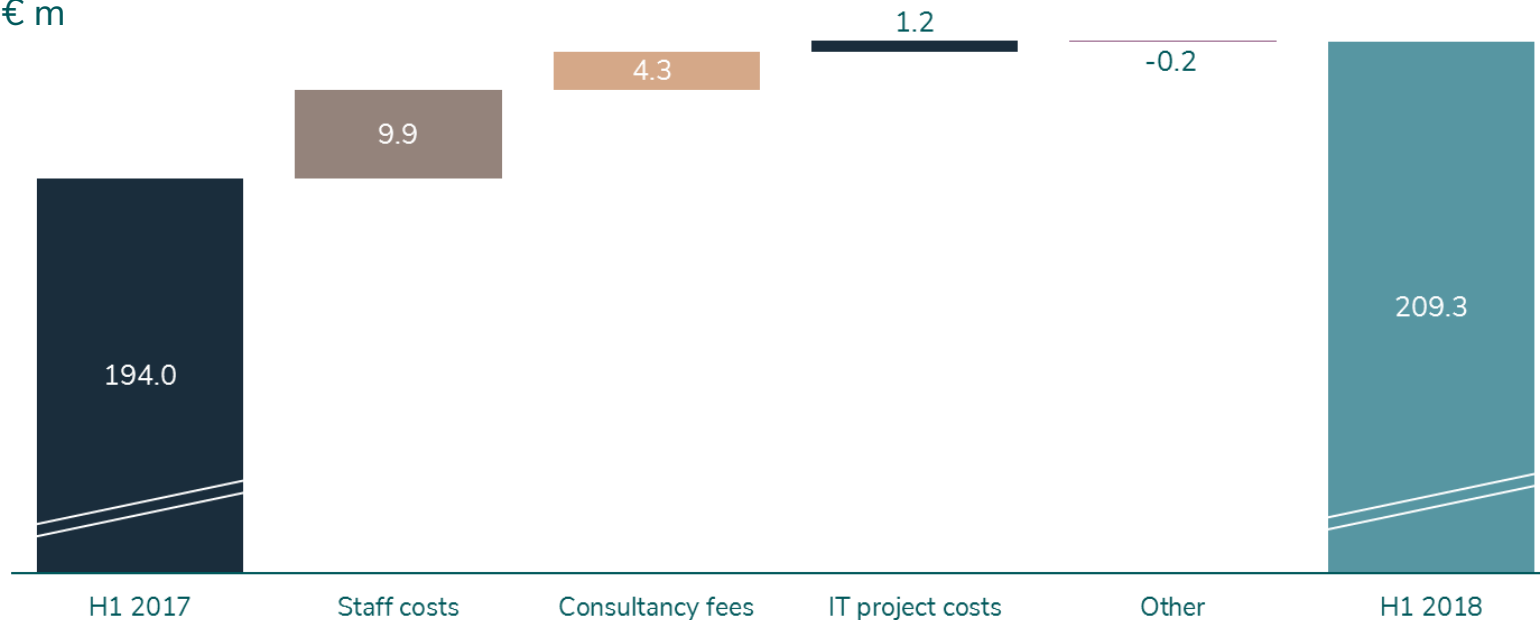
| € m                            | Book value<br>30/6/2018 | Income<br>2018 |
|--------------------------------|-------------------------|----------------|
| VLP (minority interests)       | 58.1                    | 11.7           |
| Bolster (new fund)             | 20.8                    | 1.2            |
| Co-investments in own products | 88.7                    | 1.8            |
| Other equity investments       | 14.2                    | 1.9            |
| <b>Total</b>                   | <b>181.8</b>            | <b>16.6</b>    |

- Income from securities and associates relates to our minority equity investments and stakes in our own investment funds
- Decrease in capital gains due to the sale of a minority stake and the sale of positions in our own funds in H1 2017
- In August 2018 we agreed to sell part of our minority stake in Ploeger Oxbo. This transaction is expected to generate a capital gain of around €10m net



# Operating expenses rise 8%

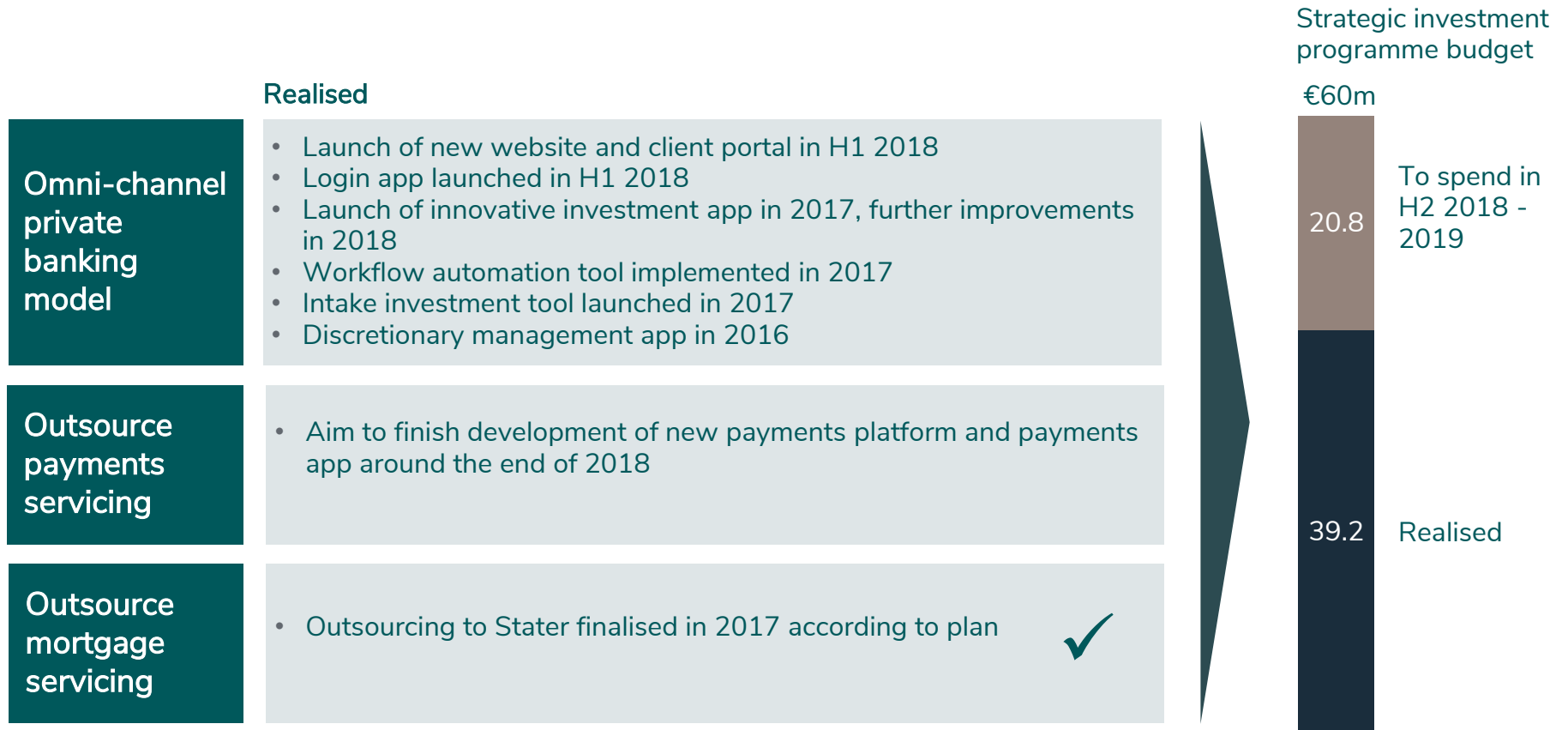
Operating expenses  
€ m



- Staff costs rise mainly due to salary increases, a higher contribution to cover social security costs and costs associated with the acquisition of UBS in the Netherlands
- Consultancy fees and high level of projects reflecting the implementation of our wealth management strategy
- Across 2018, the greater proportion of costs are expected to be recorded in the first six months of the year



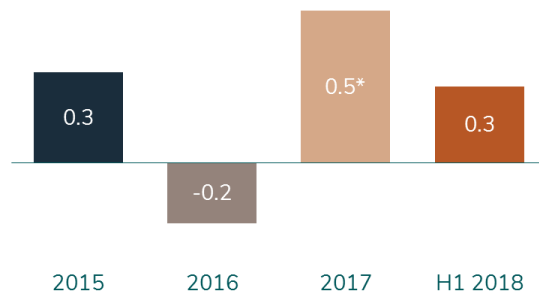
# Good progress on strategic investment programme



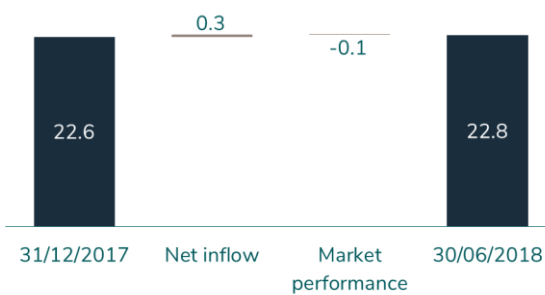
# Total AuM fairly stable and reflects continued trust from clients

## Private Banking

Net inflow AuM  
€ bn

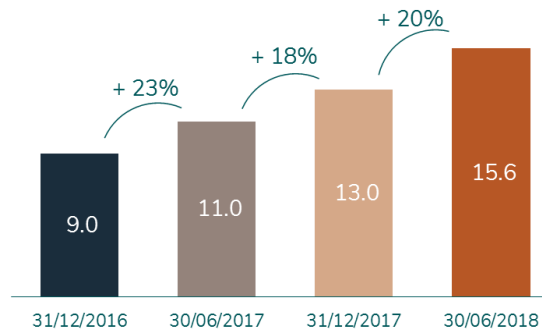


AuM  
€ bn

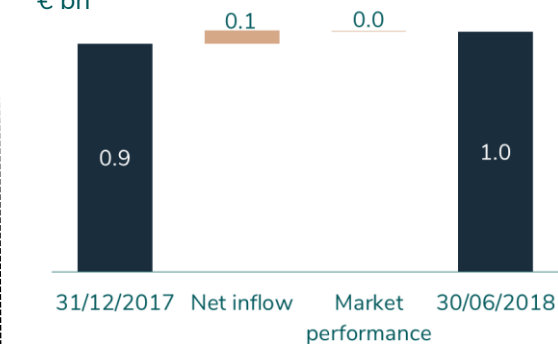


## Evi

AuM client base  
x 1,000

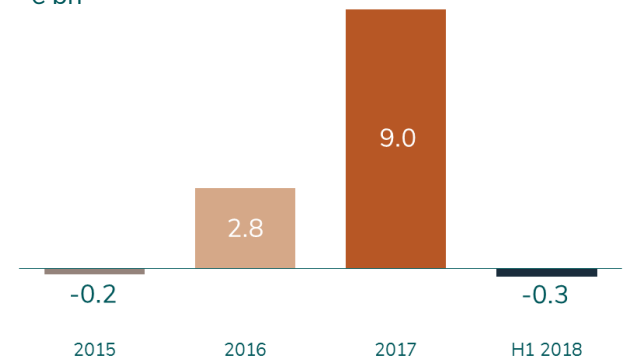


AuM  
€ bn



## Asset Management

Net inflow AuM  
€ bn



AuM  
€ bn



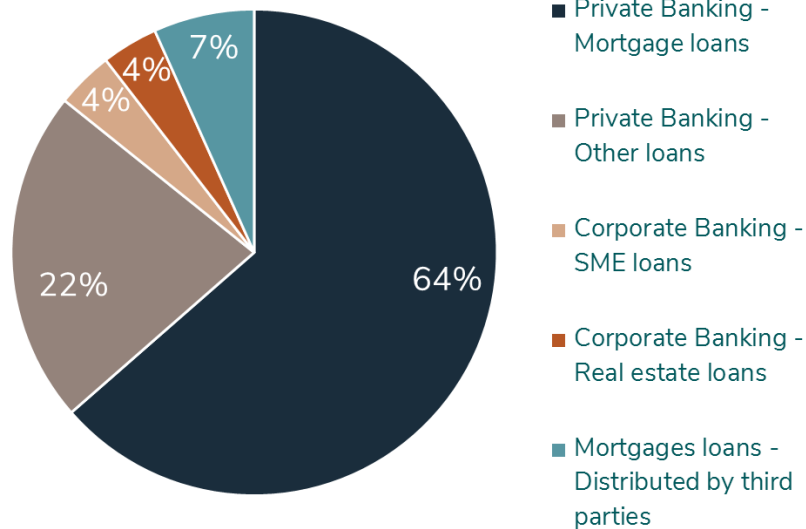
■ Solutions - fiduciary ■ Fixed income & (smart) passive ■ Equity active & alternatives

\* Excluding former Staalbankiers and UBS clients

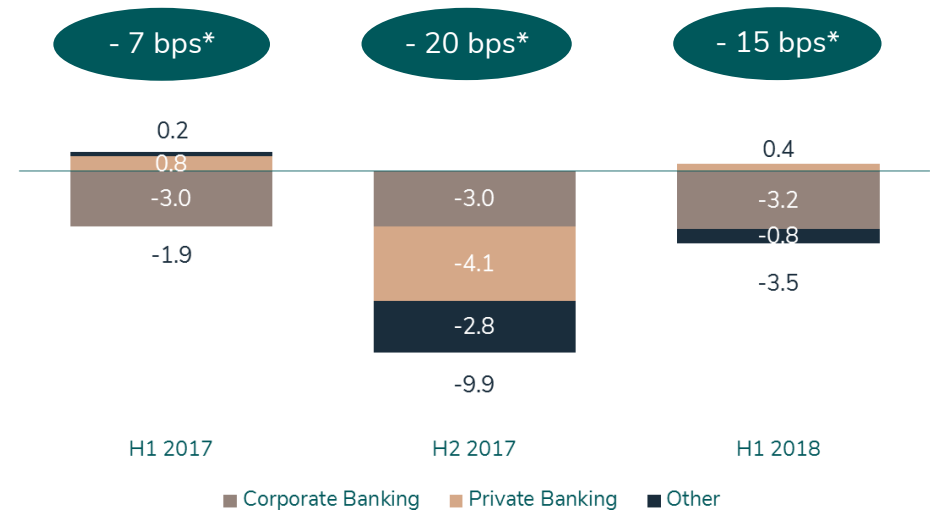


# Net release of loan loss provisions due to positive economic environment

Loan portfolio (excluding provision)  
at 30/06/2018 100% = €9.1bn



Additions to loan loss provision  
€ m

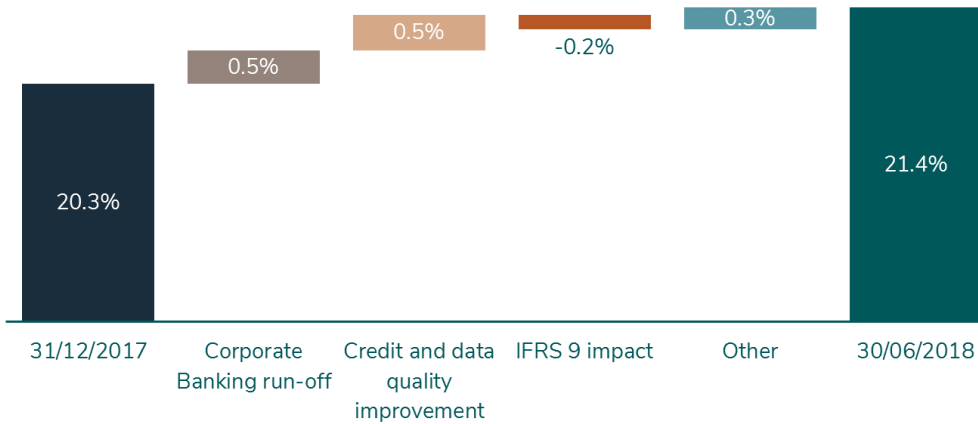


- Loan portfolio at Private Banking stable at €7.8bn
- Corporate Banking's loan portfolio came down by 21% to €0.7bn as expected
- Net release of loan loss provisions, mainly at Corporate Banking
- Net release mainly driven by positive economic environment and rising real estate prices

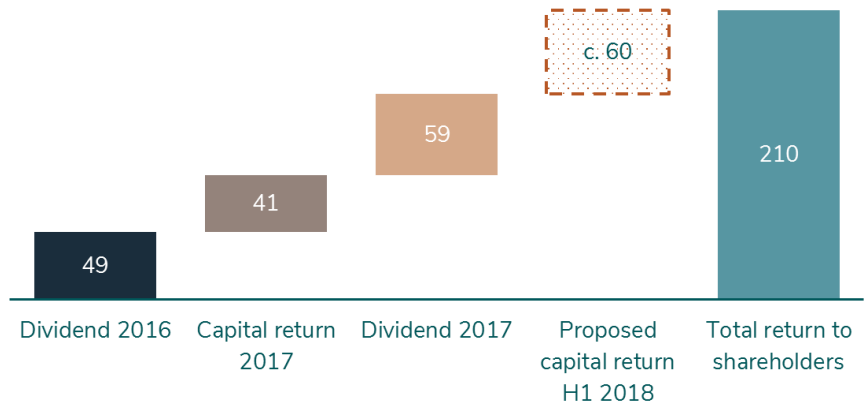
\* Annualised loan loss provision / Average total RWA

# Strong capital position and proposed special capital return

Common Equity Tier 1 ratio (fully loaded)  
%



Capital return  
€ m

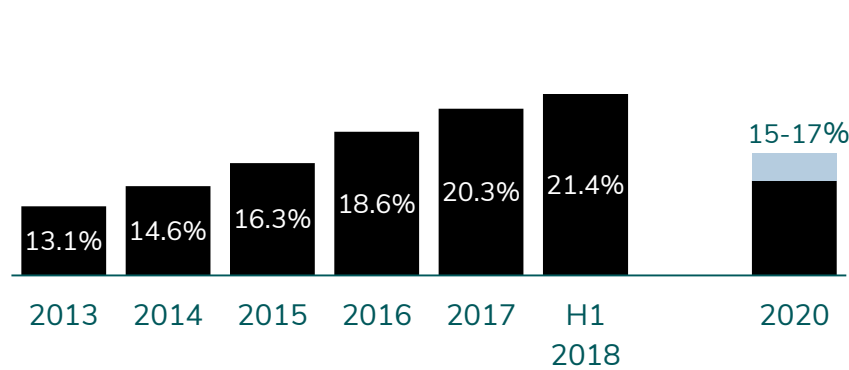


- Special capital return proposal of €1.50 per share (over €60m)
- Reiteration of commitment to return at least €250m to shareholders by 2020, based on current plans and currently known laws and regulations. Including the proposed capital return, €210m of the €250m will be returned
- Based on current assets and provisional calculations, risk-weighted assets expected to increase by no more than 10% as a result of Basel IV (currently at €4,798m)
- Impact of IFRS 9 on CET1 ratio is a 20 bps decrease (of which 5 bps equity deduction related to loan loss allowances)

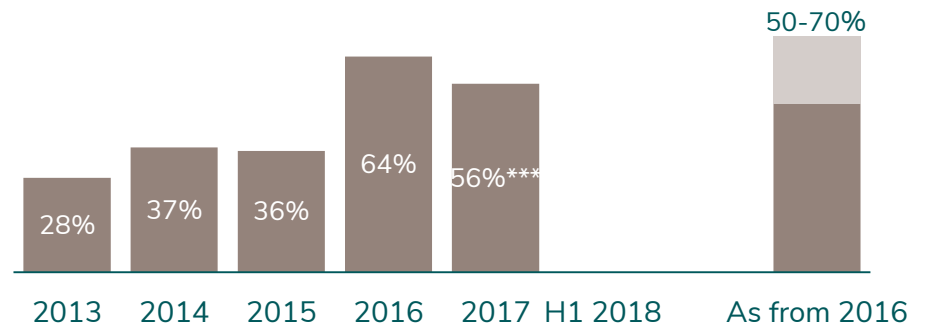


# Overview of group targets

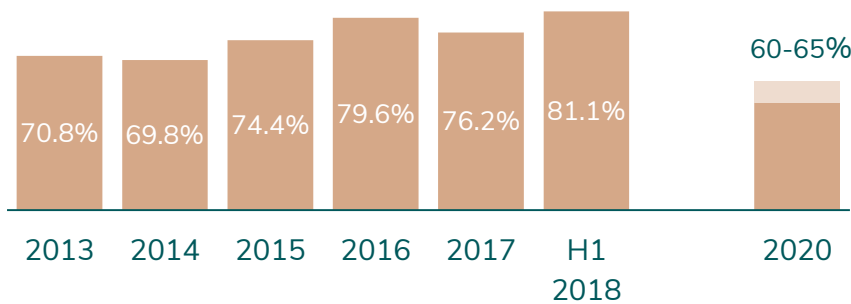
**Common Equity Tier 1 ratio\***  
%



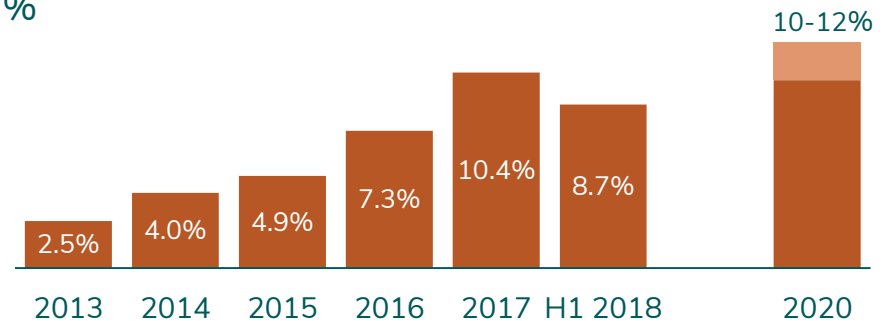
**Dividend pay-out ratio\*\***  
%



**Efficiency ratio\*\*\*\***  
%



**Return on Common Equity Tier 1\*\***  
%



\* H1 2018, 2017 and 2016 fully loaded; other years phase-in. H1 2018 excluding interim profit, other years including interim profits

\*\* Based on underlying net result

\*\*\* Final dividend pay-out ratio for 2017 amounts to 56%

\*\*\*\* Operating expenses (and so the efficiency ratio) in H1 2018, 2017 and 2016 exclude costs for strategic investment programme and amortisation of intangible assets arising from acquisitions. 2017 and 2016 also exclude a one-off charge for the derivatives recovery framework. For 2015, the figure excludes a one-off charge arising from the sale of non-performing real estate loans and for 2014 a pension scheme gain





# Solid results and proposal for special capital return

Net result at €39.3m  
(H1 2017: €62.3m)

Underlying net result at €47.2m  
(H1 2017: €69.6m)

Client assets at €83.7bn  
(2017: €83.6bn)

Assets under management at €69.1bn  
(2017: €69.0bn)

Capital ratios continue to improve  
CET1 ratio at 21.4% (2017: 20.3%)

Proposal to return €1.50 per share to  
shareholders



# Appendix



# Net profit €23m lower due to significant sale proceeds in H1 2017

| € m   | H1 2018      | H2 2017      | % change   | H1 2017      | % change    |
|---|--------------|--------------|------------|--------------|-------------|
| Commission  | 149.9        | 134.7        | 11%        | 132.3        | 13%         |
| Interest  | 90.0         | 93.0         | -3%        | 103.6        | -13%        |
| Other income  | 18.3         | 14.3         | 28%        | 36.9         | -50%        |
| <b>Income from operating activities</b>                     | <b>258.2</b> | <b>242.0</b> | <b>7%</b>  | <b>272.7</b> | <b>-5%</b>  |
| Operating expenses  | -209.3       | -198.0       | 6%         | -194.0       | 8%          |
| <b>Gross result</b>   | <b>48.9</b>  | <b>44.0</b>  | <b>11%</b> | <b>78.7</b>  | <b>-38%</b> |
| Loan loss provisioning                                      | 3.5          | 9.9          | -65%       | 1.9          | 82%         |
| Other impairments   | 1.1          | 3.0          | -64%       | -0.5         | -334%       |
| Operating profit before tax of non-strategic investments    | 8.8          | 5.6          | 58%        | 7.0          | 26%         |
| <b>Operating profit before special items and tax</b>        | <b>62.3</b>  | <b>62.6</b>  | <b>0%</b>  | <b>87.2</b>  | <b>-29%</b> |
| Strategic investment programme                              | -10.5        | -11.7        | -10%       | -9.7         | 8%          |
| Derivatives recovery framework                              | 0.0          | -1.7         | -100%      | 0.0          |             |
| Amortisation of intangible assets arising from acquisitions | -4.2         | -3.4         | 26%        | -2.7         | 56%         |
| <b>Operating profit before tax</b>                          | <b>47.6</b>  | <b>45.8</b>  | <b>4%</b>  | <b>74.7</b>  | <b>-36%</b> |
| Income tax  | -8.3         | -13.1        | -37%       | -12.4        | -34%        |
| <b>Net profit</b>   | <b>39.3</b>  | <b>32.7</b>  | <b>20%</b> | <b>62.3</b>  | <b>-37%</b> |
| <b>Underlying net result*</b>                               | <b>47.2</b>  | <b>42.7</b>  | <b>10%</b> | <b>69.6</b>  | <b>-32%</b> |
| Efficiency ratio (%)  | 81.1%        | 81.8%        |            | 71.1%        |             |

\* Underlying net result excludes special items related to strategic investment programme and derivatives recovery framework

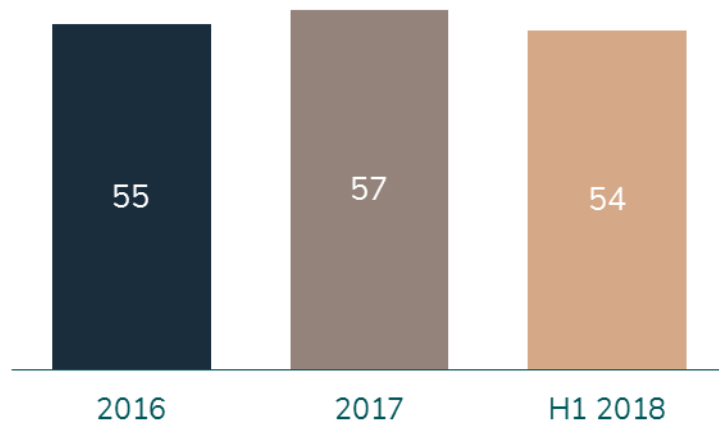
# Key figures for H1 2018 by segment

| € m   | Private Banking | Evi         | Asset Management | Merchant Banking | Corporate Banking | Other       | Total        |
|---|-----------------|-------------|------------------|------------------|-------------------|-------------|--------------|
| Commission income   | 64.6            | 2.1         | 50.4             | 30.9             | 0.9               | 0.9         | 149.9        |
| Interest income   | 70.2            | 1.3         | 0.0              | 0.0              | 11.7              | 6.7         | 90.0         |
| Other income  | 0.5             | 0.0         | 0.2              | 2.5              | 0.0               | 15.2        | 18.3         |
| <b>Income from operating activities</b>                     | <b>135.4</b>    | <b>3.4</b>  | <b>50.6</b>      | <b>33.4</b>      | <b>12.6</b>       | <b>22.8</b> | <b>258.2</b> |
| Operating expenses  | -106.7          | -9.1        | -40.9            | -22.7            | -5.7              | -24.2       | -209.3       |
| <b>Gross result</b>   | <b>28.7</b>     | <b>-5.7</b> | <b>9.7</b>       | <b>10.7</b>      | <b>6.9</b>        | <b>-1.4</b> | <b>48.9</b>  |
| Impairments   | -0.4            |             |                  | 0.0              | 3.2               | 1.8         | 4.6          |
| Operating profit before tax of non-strategic investments    |                 |             |                  |                  |                   | 8.8         | 8.8          |
| <b>Operating profit before one-off charges and tax</b>      | <b>28.3</b>     | <b>-5.7</b> | <b>9.7</b>       | <b>10.7</b>      | <b>10.0</b>       | <b>9.2</b>  | <b>62.3</b>  |
| Strategic investment programme                              | -10.5           |             |                  |                  |                   |             | -10.5        |
| Amortisation of intangible assets arising from acquisitions | -2.5            |             | -0.4             |                  |                   | -1.3        | -4.2         |
| <b>Operating profit before tax</b>                          | <b>15.3</b>     | <b>-5.7</b> | <b>9.2</b>       | <b>10.7</b>      | <b>10.0</b>       | <b>8.0</b>  | <b>47.6</b>  |
| Income tax  | -3.8            | 1.5         | -2.3             | -2.8             | -2.5              | 1.6         | -8.3         |
| <b>Net profit</b>   | <b>11.5</b>     | <b>-4.2</b> | <b>6.9</b>       | <b>8.0</b>       | <b>7.5</b>        | <b>9.6</b>  | <b>39.3</b>  |
| <b>Underlying net result*</b>                               | <b>19.4</b>     | <b>-4.2</b> | <b>6.9</b>       | <b>8.0</b>       | <b>7.5</b>        | <b>9.6</b>  | <b>47.2</b>  |
| FTE total H1 2018   | 759             | 29          | 238              | 114              | 3                 | 497         | 1,640        |

\* Underlying net result excludes special items related to strategic investment programme and derivatives recovery framework

# Margin affected by change in AuM mix and acquisitions

AuM margin - Private Banking  
bps



AuM margin - Asset Management  
bps

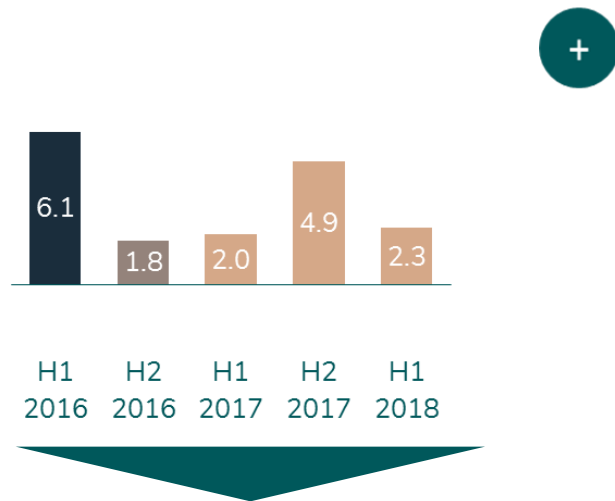


- Margin development partly dependent on the product mix
- Decrease at Private Banking in H1 2018 due to the acquisition of UBS Netherlands and lower transaction fees
- Limited margin pressure at Asset Management



# Result on financial transactions

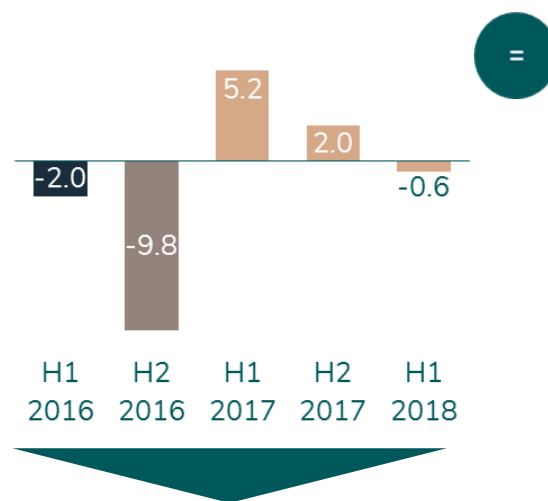
Results on investment portfolio  
€ m



Consists of:

- Realised gains on AFS portfolio
- Results on mark-to-market portfolio

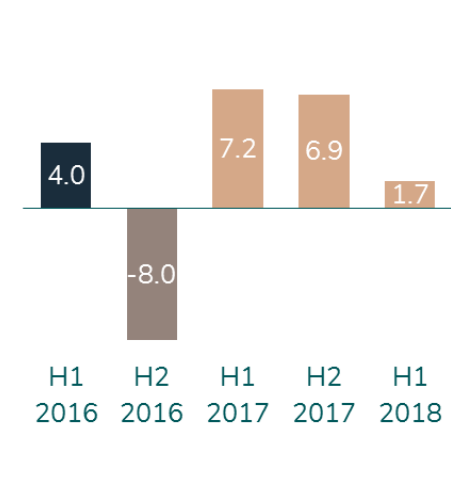
Other results  
€ m



Results from:

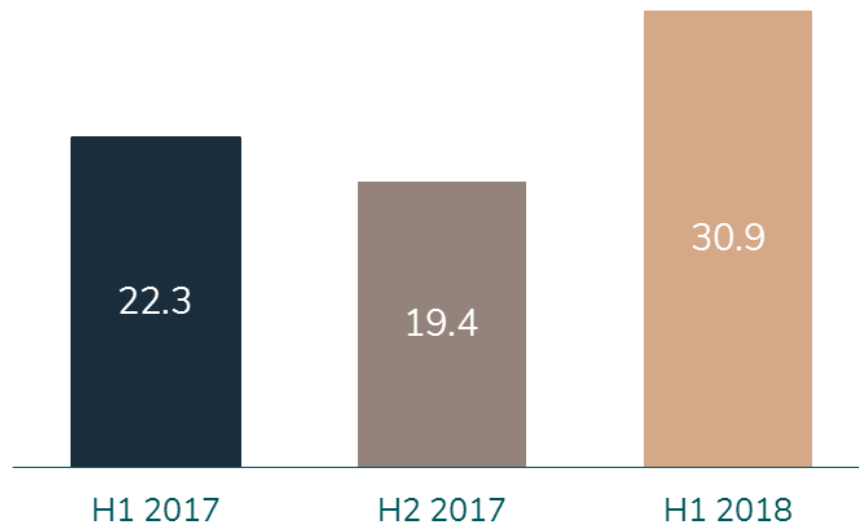
- Brokerage activity
- Currency trading
- Interest rate hedges
- Medium-term notes

Total result on financial transactions  
€ m



# Commission at Merchant Banking increases by 39%

Commission  
€ m



- High number of corporate finance and equity capital market transactions, mainly in the Real Estate and Life Sciences teams
- Commission income grew by 39% to €30.9m (H1 2017: €22.3m)
- Underlying net result doubled to €8.0m (H1 2017: €3.4m)

## Selection of H1 2018 deals

|   |   |  |   |
|---|---|--|---|
| <br>Acquisition of former Delta Lloyd portfolio from nationale medicijnen<br>€1.5 billion<br>Sole financial adviser<br>Kempen June 2018 | <br>Rights issue<br>€134 million<br>Joint Bookrunner<br>Kempen June 2018                          | <br>Women's Health<br>Accelerated bookbuild offering<br>€77.5 million<br>Joint Global Coordinator<br>Joint Bookrunner<br>Kempen May 2018 | <br>Public offer for Westfield<br>USD 24.7 billion<br>Financial adviser<br>Kempen May 2018            |
| <br>Global offering<br>USD 54.4 million<br>Adviser<br>Kempen May 2018   | <br>Accelerated bookbuild offering<br>€1.0 billion<br>Joint Bookrunner<br>Kempen May 2018         | <br>Fundraise<br>€25.0 million<br>Sole financial adviser<br>Kempen April 2018  | <br>Public offer for BUWOG GROUP<br>€5.2 billion<br>Financial adviser<br>Kempen March 2018            |
| <br>Rights issue<br>€77.7 million<br>Joint Bookrunner<br>Kempen March 2018  | <br>Public offer for BCP<br>€1.5 billion<br>Financial adviser<br>Kempen March 2018                | <br>Accelerated bookbuild offering<br>€36.0 million<br>Joint Global Coordinator<br>Joint Bookrunner<br>Kempen March 2018                 | <br>Sale of Dutch residential portfolio<br>Undisclosed<br>Sole financial adviser<br>Kempen March 2018 |
| <br>Capital increase via direct placement<br>€30.1 million<br>Financial Adviser & Coordinating Placement Agent<br>Kempen February 2018  | <br>Accelerated bookbuild offering<br>SEK 155 million<br>Joint Bookrunner<br>Kempen February 2018 | <br>Sale of residential portfolio<br>Undisclosed<br>Sole financial adviser<br>Kempen January 2018  | <br>Accelerated bookbuild offering<br>€193 million<br>Co-Lead Manager<br>Kempen January 2018          |



# Private Banking loan book stable, Corporate Banking run-off continues

| € m                                    | 30/06/2018   | 31/12/2017   | % change    | Impaired loans | Provision  | Impaired ratio | Coverage ratio |
|--|--------------|--------------|-------------|----------------|------------|----------------|----------------|
| Mortgages                              | 5,776        | 5,712        | 1%          | 71             | 10         | 1.2%           | 14%            |
| Other loans                            | 2,015        | 2,045        | -1%         | 137            | 73         | 6.8%           | 54%            |
| <b>Private Banking</b>                 | <b>7,791</b> | <b>7,756</b> | <b>0%</b>   | <b>208</b>     | <b>83</b>  | <b>2.7%</b>    | <b>40%</b>     |
| Loans to SMEs                          | 345          | 457          | -24%        | 143            | 27         | 41.6%          | 19%            |
| Real estate financing                  | 341          | 411          | -17%        | 54             | 4          | 15.8%          | 7%             |
| <b>Corporate Banking</b>               | <b>686</b>   | <b>868</b>   | <b>-21%</b> | <b>197</b>     | <b>30</b>  | <b>28.8%</b>   | <b>15%</b>     |
| Mortgages distributed by third parties | 610          | 600          | 2%          | 0              | 0          | 0%             | 12%            |
| ECL stage 3                            | -114         | -115         | -1%         |                |            |                |                |
| ECL stage 1 and 2                      | -15          |              |             |                | 15         |                |                |
| IBNR                                   |              | -6           |             |                |            |                |                |
| <b>Total</b>                           | <b>8,958</b> | <b>9,103</b> | <b>-2%</b>  | <b>405</b>     | <b>128</b> | <b>4.5%</b>    | <b>28%</b>     |

- Private Banking loan portfolio stable at €7.8bn
- Corporate Banking loan portfolio decreases from €0.9bn to €0.7bn
- Coverage ratio relatively low due to sufficiently high quality of collateral pledged to secure these loans





# Disclaimer

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