

Van Lanschot Kempenn: net profit at €50 million and 13% growth in client assets

- Net profit at €49.8 million for 2020, of which €40.4 million recorded in second half
- Record net inflows of €1.4 billion at Private Banking
- Client assets increased by 13% to €115.0 billion and AuM were up by 13% to €99.0 billion on the back of net inflows of €6.9 billion
- Solid cost management pushed down costs by €12.3 million to €371.8 million
- Very limited addition to loan loss provision of €1.9 million
- Capital ratio increases to 24.3%
- Proposed dividend of €0.70 per share (2019: €1.45 per share)

Van Lanschot Kempenn today released its 2020 full-year results. **Karl Guha, Chairman**, said: "Covid-19 has been a defining feature of the year. In more ways than one, it has forced us all to confront the fragility and realities of life.

"We have had a reasonably good year financially, notwithstanding the market dislocations and limitations placed upon us by the pandemic. Our investments over the last several years in technology – in particular in our omni-channel service model and other forms of digitalisation – have allowed us to serve our clients well and be there for them in their times of need. We believe that dedication to clients and catering to their needs is a defining feature for us. And we were well rewarded by our clients, as evidenced by the growth in assets under management. We are very grateful to our clients for the trust they have placed in us.

"Our resilience as a house in these challenging times is a testimony to our business model and to our people. As a management team, we have done all we could – individually and collectively – to encourage and be there for our colleagues as they grappled with the challenges placed on them by Covid-19. I must admit that I am extremely proud of who we are as a house and of my colleagues. It would be patently unfair not to mention the following two achievements in particular – the transition of IT infrastructure in Belgium to our common platform and the closure of the acquisition of Hof Hoorneman Bankiers. Both have taken Herculean efforts to bring to successful completion.

"We do not know what 2021 will bring but I assure our clients that we will be there for them – regardless of the circumstances. On behalf of the house and my colleagues, I would like to say this to you – we have your backs. And thank you."

2020 results

Client assets increased to €115.0 billion in the year (2019: €102.0 billion) and assets under management (AuM) advanced to €99.0 billion (2019: €87.7 billion). The robust €6.9 billion net AuM inflow continues the upward trend of the past years, and the year ended on favourable market performance of €3.4 billion despite volatile markets in the first half of 2020. Savings and deposits increased to €10.1 billion (2019: €9.5 billion).

As noted previously, exceptional market circumstances related to Covid-19 in the first quarter triggered losses in structured products activities, which worked out at €35.1 million for 2020. This did not affect the positions of our clients. The loss was partly offset by increased commission income and lower operating expenses, taking the overall net result to €49.8 million (2019: €80.2 million).

Commission income increased by €6.0 million to €296.4 million on the back of higher average AuM volumes. Interest income was still weak, declining to €152.1 million (2019: €175.3 million). Like other players in the market, we started charging negative interest to our clients for savings in excess of a specific amount in the past year. However, we recognise the desire of our Private Banking clients to keep a proportion of their assets in savings, and have designed a wealth management arrangement through which we offer our clients the possibility to keep a certain percentage of their assets invested with us in cash, without paying the negative interest rate.

Operating costs declined to €371.8 million in 2020 (2019: €384.1 million), driven by the disciplined implementation of cost-saving measures announced at the beginning of the year. Due to the partly non-structural character of the cost savings and the acquisition of Hof Hoorneman Bankiers, we expect operating costs to be at a higher level in 2021 than they were in 2020.

The loan portfolio stood at €8.4 billion at year-end, with the vast majority in residential mortgages in the Netherlands. The run-off of the corporate banking portfolio also proceeded successfully in 2020, reducing the portfolio to €195 million (2019: €318 million). Reflecting our wealth management strategy, overall credit risk is very limited, as demonstrated by the low volume of loans passed on to the Recovery department and the modest €1.9 million addition to the loan loss provision in 2020. This also includes a management overlay of €4.9 million, as we believe the IFRS 9 models are too optimistic for certain clients and industries, given the current circumstances.

The acquisition of Hof Hoorneman Bankiers was completed and was consolidated in the balance sheet and client assets as at year-end 2020. Van Lanschot Kempfen expects to complete the integration of Hof Hoorneman Bankiers clients, employees and investment funds by the end of 2021. The client assets amount to €2.0 billion and we are very pleased to welcome the former Hof Hoorneman Bankiers clients.

Van Lanschot Private Banking

In 2020, Private Banking saw net result decline to €39.9 million (2019: €44.0 million) due to lower interest income and an addition to loan loss provisions instead of the release in 2019. Commission income added €4.0 million to €134.1 million, mostly driven by higher transaction fees. Costs were €8.0 million down to €211.1 million, primarily reflecting lower staff costs.

The year saw high net AuM inflows of €1.4 billion at Private Banking, and these were recorded within discretionary management as well as non-discretionary management. We believe this is the result of our unique advisory proposition, our expert bankers and our differentiated offering for entrepreneurs, as well as to favourable circumstances for investing. These higher inflows were recorded in our three jurisdictions; the Netherlands, Belgium and Switzerland. Total AuM within Private Banking grew to €27.4 billion (2019: €24.7 billion) and client assets to €38.6 billion (2019: €34.2 billion). This latter figure also includes €2.0 billion in client assets from the acquisition of Hof Hoorneman Bankiers, of which €1.0 billion comprised AuM. Savings increased to €9.3 billion (2019: €8.6 billion).

In 2020, we witnessed a significant increase in the appetite of our clients for sustainable investing. We saw nearly one-third of new clients opting for our sustainable investment proposition, taking sustainable AuM volumes up to €3.1 billion and 27% of total discretionary management volumes at Private Banking Nederland.

Notwithstanding the challenges of Covid-19, sentiment among our clients to continue or start to invest remained steady in the past year. For our part, despite Covid-19 we have managed to maintain our service

to clients on a level thanks to our omni-channel service model, including digital communications channels combined with personal interaction wherever possible. This achievement was duly reflected in our high Relationship Net Promoter Score of 26 (2019: 23).

The residential mortgage portfolio increased by €147 million to €6.0 billion as demand for mortgage loans has been growing among our target client groups. Other loans within Private Banking have largely remained the same.

Van Lanschot Belgium also had a good year. In addition to another very strong net AuM inflow showing, it completed the migration to the group infrastructure in the summer and we will avoid higher IT costs going forward. Our Belgian clients have gained access to our omni-channel service model, and are benefiting from an improved client experience.

Evi van Lanschot

Evi's net result improved to -€0.8 million (2019: -€2.1 million). Commission income added 5% to €5.3 million, primarily on the back of higher average AuM volumes. Costs were €1.8 million down, to €9.3 million.

In 2020, Evi took further upscaling strides by, among other factors, receiving the inflows from collaboration with a.s.r. bank, increasing AuM by €157 million. Around €200 million is expected to be added to this from the acquisition of Hof Hoorneman Bankiers as 2021 progresses. Other examples of economies of scale include increased collaboration with Private Banking on client due diligence, as well as the use of the client contact centre.

Evi bumped up its client assets to €1.6 billion (2019: €1.5 billion) and its AuM to €1.2 billion (2019: €1.0 billion). The first half of the year taught us that Evi clients are more likely to sell off their investments when stock markets nosedive than are our Private Banking clients.

We are actively discouraging savings at Evi and have seen a lower amount of savings in 2020. In Belgium, we discontinued our relationship with savings-only Evi clients and the Evi product is now fully integrated in the Van Lanschot Belgium proposition from 2021.

Kempen Asset Management

In 2020, Asset Management reported a net result of €19.0 million (2019: €15.2 million). Commission income was up by €3.6 million to €105.3 million, mainly on higher average AuM volumes. Costs were €1.1 million down, to €78.6 million.

The €5.4 billion net inflows combined with a positive market performance of €3.1 billion to increase AuM to €70.5 billion (2019: €62.0 billion). Fiduciary management recorded substantial net inflows of €6.0 billion through new mandates. The UK office has also won multiple mandates during the year.

Investment strategies saw net outflows of €0.6 billion in 2020. A proportion of this was down to credit strategies, as some of the team left (which was handled well in-house) and clients made certain strategic investment choices. The High Dividend Equity Fund is likewise facing an outflow, with clients diverting their assets to growth stocks and sustainable strategies. The year brought a robust inflow into the Sustainable Value Creation Fund and Global Small Cap Fund.

We are proud of the two new funds recently launched. The first, our Sustainable Global High Dividend Fund, is a key supplement to the current range of dividend products on offer. In addition, January 2021 saw

the launch of our Diversified Distressed Debt Pool, opening up the distressed debt market to both institutional and private clients.

In 2020, we have released our climate change policy, in which we committed to targets for the short, medium and longer term and to become a net zero investor by 2050. Furthermore, we have co-signed the Net Zero Asset Managers Initiative of a group of asset managers committed to achieve net zero emissions of greenhouse gases in their portfolios by 2050.

Kempfen Merchant Banking

Merchant Banking reported a net result for 2020 of €7.3 million (2019: €8.5 millionⁱⁱ). Commission income was comparable to 2019 despite reduced transaction commissions. Expenses were €0.6 million higher at €41.7 million due to increased staff costs.

Boasting 41 completed transactions in Europe and the US totalling €23 billion, the Corporate Finance & Equity Capital Markets team had a strong year, further bolstering its position as a pan-European player, with clients in 11 European countries. Its success is driven by disciplined implementation of its sector focus and a regional expansion strategy, coupled with unique expertise in the capital markets as well as in debt and corporate advice.

In 2020, Merchant Banking provided the best equities advice according to annual analyst research by Willem and Dirk Gerritsen (Utrecht University). Their findings put us at the top of the league based on our advice, commanding 56% returns on a portfolio with a long position in equities rated Buy and a short position in those rated Hold or Sell.

Structured products activities

In 2020, the activities related to structured products generated a pre-tax loss of €35.1 million. For the first half of 2020, we reported a pre-tax loss of €27.3 million and this loss increased in the second half of the year as a result of further hedging of risks in the existing portfolio.

We will continue to offer structured products to our Private Banking clients as an alternative investment solution to help diversify their investment portfolios. First-quarter losses prompted us to revisit our risk appetite: new exposures will be hedged one-on-one and the larger part of the existing exposures gradually wound down in the next three years. We expect to incur expenses for hedging these existing exposures.

Other activities

Following the losses incurred in the first quarter, the exposures in our own funds staged a recovery as the year progressed, working out at a negative pre-tax result of -€0.9 million for 2020. We retain these positions in our own funds to invest together with our clients and to provide seed capital for new funds.

Despite Covid-19, our private equity portfolio had a good and stable year. The portfolio mainly holds stakes in companies active in sectors that were not materially impacted by the current economic circumstances.

In 2020, we participated, to the tune of €400 million, in one of the tenders of the targeted longer-term refinancing operations programme run by the European Central Bank (ECB), as a precautionary measure against any future negative development in the European economy.

Organisational structure

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 reporting is also by client group from 2021, these being Private Clients (this includes Evi), Wholesale & Institutional Clients, Merchant Banking Clients, and Other.

With a history dating back to 1737, Van Lanschot Kempen is aware like no other of the importance of sustainable thinking and acting. We believe that we can only preserve and grow the value of our clients' wealth in a sustainable world, and so we have added a fifth pillar to our strategy: "Achieve our sustainability ambitions". We are rolling out a Sustainability Centre to bring together and coordinate our sustainability activities across the company and to enhance our external profile in this area.

In 2020, we took our first steps in quantifying our non-financial impact, with the first calculations included in our 2020 annual report. Going forward, we will further expand quantification of our non-financial impact and set objectives to help increase our positive contribution.

Financial targets

Given the current circumstances related to Covid-19 and the persistent low interest rate environment, we are changing the timeframe for our financial targets from 2023 to 2025. The targets remain unchanged: a CET 1 ratio of 15-17%, a return on CET 1 capital of 10-12%, an efficiency ratio of 70-72% and a dividend policy of 50-70% of underlying net result.

Solvency

Our capital ratio continued to advance in 2020. At 24.3% (2019: 23.8%), the CET 1 ratio is well ahead of its 15-17% target. The total capital ratio stood at 27.4% (2019: 26.9%) and risk-weighted assets were stable at €4.2 billion.

Our very strong capital ratio enables us to propose paying a 2020 dividend of €0.70 per share. As noted before, we are observing the recommendation of both the ECB and De Nederlandsche Bank (DNB) to postpone actual dividend payment. We will put our 2020 dividend proposal for approval to the shareholders at the general meeting of 27 May 2021. If approved, we will pay €0.20 per share in June and the remaining amount, again at the ECB's and DNB's recommendation, not before 30 September 2021. The 2019 dividend of €1.45 per share (totalling €59.4 million) remains earmarked for our shareholders in our balance sheet and is not included in our capital ratios. This dividend will likewise be held until after 30 September 2021.

We will continue to optimise our capital position and ensure that there remains scope for potential acquisitions within the wealth management sector. If possible, we will also consider capital returns to shareholders, subject to regulatory approval.

Key dataⁱⁱⁱ

<i>€ million</i>	2020	2019		H2 2020	H1 2020
Statement of income					
Net result	49.8	98.4	-49%	40.4	9.5
Underlying net result	51.0	108.8	-53%	41.6	9.5
Efficiency ratio (%)	85.7	75.5		79.2	93.2
<i>€ billion</i>	31/12/2020	31/12/2019		30/6/2020	
Client assets					
- Assets under management	99.0	87.7	13%	89.2	11%
- Assets under monitoring & guidance	3.2	3.1	2%	3.2	1%
- Assets under administration	2.7	1.6	68%	1.2	
- Savings and deposits	10.1	9.5	6%	9.8	3%
<i>€ million</i>	31/12/2020	31/12/2019		30/6/2020	
Statement of financial position and capital management					
Equity attributable to shareholders	1,254	1,211	4%	1,225	2%
Equity attributable to AT1 capital securities	102	102	0%	102	0%
Equity attributable to non-controlling interests	0	4		0	-43%
Savings and deposits	10,141	9,545	6%	9,826	3%
Loans and advances to clients	8,448	8,598	-2%	8,477	0%
Total assets	15,149	14,319	6%	14,901	2%
Funding ratio (%)	120.0	111.0		115.9	
Risk-weighted assets	4,195	4,205	-2%	4,195	-2%
Common Equity Tier 1 ratio (%) ^{iv}	24.3	23.8		24.0	
Tier 1 ratio (%) ^{iv}	25.4	25.0		25.1	
Total capital ratio (%) ^{iv}	27.4	26.9		27.0	
	2020	2019		H1 2020	
Key figures					
Weighted average of outstanding ordinary shares (x1,000)	40,989	40,974	0%	40,964	0%
Underlying earnings per share (€)	1.08	2.52	-57%	0.15	
Return on average Common Equity Tier 1 capital (%) ^v	4.4	10.5		1.2	
Number of staff (FTEs at period end)	1,564	1,560	0%	1,519	3%

€ million	2020	2019		H2 2020	H1 2020
Commission	296.4	290.4	2%	147.5	148.9
- Of which securities commissions	247.4	241.8	2%	124.3	123.1
- Of which other commissions	49.1	48.6	1%	23.2	25.8
Interest	152.1	175.3	-13%	75.1	77.0
Income from securities and associates	17.7	50.5	-65%	17.1	0.6
Result on financial transactions	-32.3	-7.4		-7.0	-25.3
Income from operating activities	434.0	508.7	-15%	232.7	201.3
Staff costs	239.3	238.5	0%	121.7	117.6
Other administrative expenses	115.3	127.9	-10%	52.4	62.8
- Of which regulatory levies and charges	11.1	11.6	-4%	3.2	7.9
Depreciation and amortisation	17.2	17.7	-3%	10.2	7.1
Operating expenses	371.8	384.1	-3%	184.3	187.5
Gross result	62.2	124.7	-50%	48.5	13.7
Addition to loan loss provision	1.9	-12.1		0.6	1.3
Other impairments	-	34.9		-0.2	0.2
Impairments	1.9	22.9	-92%	0.4	1.5
Operating profit before tax of non-strategic investments	1.7	37.8	-96%	0.9	0.7
Operating profit before special items and tax	62.0	139.6	-56%	49.0	13.0
Strategic investment programme	-	11.1		-	-
Amortisation of intangible assets arising from acquisitions	6.2	6.2	0%	3.1	3.1
Restructuring charges	1.6	2.8	-43%	1.6	-
Operating profit before tax	54.2	119.5	-55%	44.3	9.9
Income tax	4.4	21.1	-79%	4.0	0.4
Net result	49.8	98.4	-49%	40.4	9.5
Underlying net result	51.0	108.8	-53%	41.6	9.5

ANNUAL REPORT / PRESENTATION / WEBCAST

For a detailed discussion of Van Lanschot Kempen's results and balance sheet, please refer to our annual report and presentation on the 2020 full-year results at www.vanlanschotkempen.com/results. In a conference call on 25 February at 9:00 am CET, we will discuss our 2020 full-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

30 April 2021	Publication of 2021 first-quarter trading update
27 May 2021	General meeting
1 June 2021	Ex-dividend date
9 June 2021	2020 dividend payment date – first tranche
26 August 2021	Publication half-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.

Van Lanschot Kempen's annual accounts are prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS-EU"). In preparing the financial information in this press release, except as described otherwise, the same accounting principles are applied as in the 2020 Van Lanschot Kempen consolidated annual accounts.

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.

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 Adjusted for the sales of our stakes in AIO II and VLC & Partners, and goodwill impairments.

ⁱⁱ The activities related to the structured products were transferred to the Treasury department in 2020 as part of the adjustment in our organisational structure from a business line-driven organisation to a functional model. The comparative figures have been adjusted accordingly.

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

^v Based on underlying net result.