

Annual results 2019

20 February 2020



**VAN LANSCHOT
KEMPEN**



We want to be a leading wealth manager in our markets

Focused wealth management strategy

- We're a well-capitalised, profitable wealth manager with a strong position in the market
- We believe that our knowledge and experience, personal, client-focused approach, unique combination of activities and track record set us apart from the competition
- We're convinced our strategy offers ample growth opportunities

Leading player in our relevant markets

- A leading wealth manager in the Benelux region
- The number one online wealth management alternative for the mass affluent in selected markets
- A prominent, active investment manager that delivers alpha in illiquid markets, as well as in income-generating strategies and ESG in Europe
- The leading fiduciary manager in the Netherlands, and a challenger in UK fiduciary market
- The preferred trusted adviser in selected merchant banking niches across Europe

From responsible to sustainable investing

- We're a conviction-based, active investor, focusing on the long term
- We're convinced we can achieve significant social and environmental impact by advising our clients in making sustainable investment decisions
- We aim to increase our positive contribution and visibility

2023 financial targets

- CET 1 ratio: 15-17%
- RoCET 1: 10-12%
- Dividend policy: 50-70% of underlying net result attributable to shareholders
- Efficiency ratio: 70-72%

In 2019, we have made good progress in delivering on our ambitions

Accelerate growth – organically and inorganically

- Client assets grew 26% to €102.0bn
- Net inflows of AuM at Private Banking and at Asset Management
- Ongoing search for acquisitions to accelerate our growth

Activate our full potential

- Co-creation between Private Banking and Asset Management allows for swift and tailored product development (e.g. European Private Equity Fund and Global Impact Pool)
- Wealth management proposition for Evi's mass affluents and closer collaboration between Evi and Private Banking
- Merchant Banking and Private Banking working together on successful transactions for clients

Advance through digitalisation and analytics

- Outsourced payment services to Fidor: new payments platform and payments app launched
- Laid the foundation for a modern, cloud-based infrastructure for advanced analytics to enable faster development

Adapt the workforce

- Transition to integrated HR practices and modernisation of employment conditions
- Implementation of agile approach with multidisciplinary set-up of several teams
- Encouraging development and training by launching a revamped learning management system to bring different skills and capabilities into our organisation

From responsible to sustainable wealth manager – 2019 highlights



98% of fund managers on the approved list are scored on their overall sustainability profile



AuM at Private Banking invested in sustainable or impact investing solutions grew by 55% to more than €2 billion



We engaged with 84 companies in which our funds invest



From 2023, we'll actively offer our clients only sustainable investment solutions



We've signed up to a financial sector initiative to report on the climate impact of our loan portfolio and investments



In 2019, over one-third of our new clients invested in our Duurzaam+ proposition

Increased range of sustainable and impact solutions

- Global Impact Pool showed significant growth in 2019, passing the €100 million mark
- Sustainable solutions in various asset classes
- Duurzaam+ proposition
- Launch of Groenhypotheek

Our positioning in a changing environment

Key themes



Low interest rates impact our interest income



Market volatility and flat yield curve impact our clients



Increased focus on compliance



Pressure on sustainability of business model for traditional banking

Our positioning

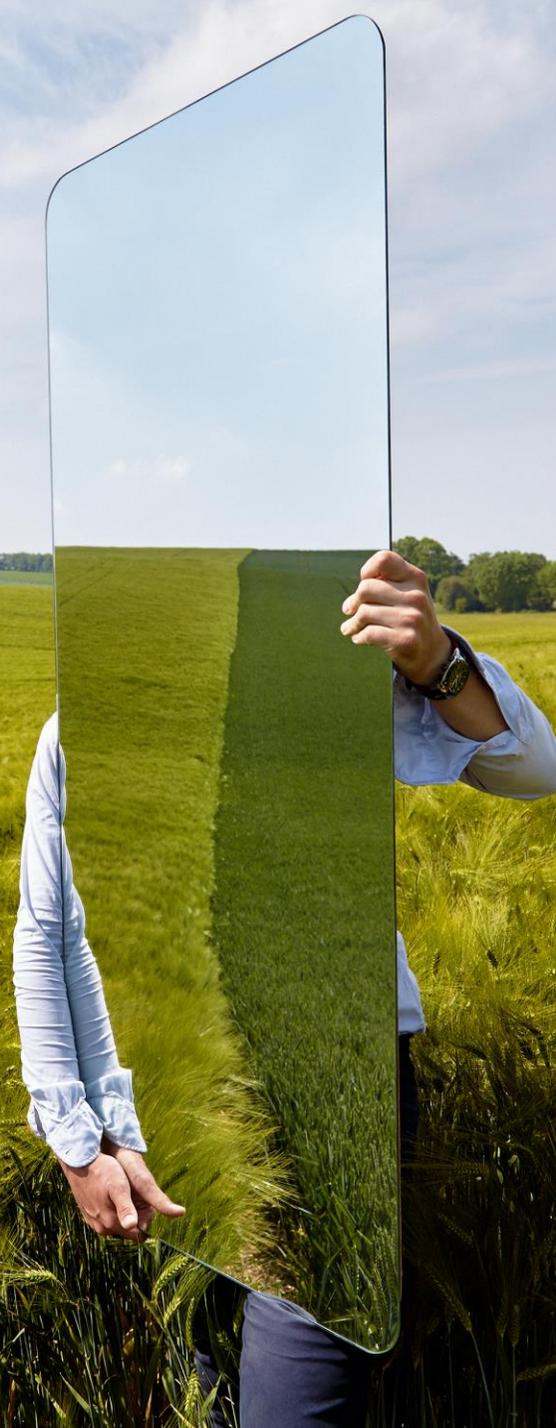
- Focus on wealth management, reducing dependence on interest income
- Keep Private Banking loan portfolio stable
- Charge negative interest rates for larger savings balances (above €1 million from 1 April)

- Provide integrated wealth management solutions for private, institutional and corporate clients
- Swift, tailored alternative product development

- Fulfil our role in combating money laundering and financial crime and undertake continuous efforts to further optimise our control arrangements
- Have an advanced monitoring system and team of experts in place

- Make a clear choice for wealth management with capital-light balance sheet
- Benefit from focused strategy and client base to allow for swift implementation of new technology

2019 annual results



**VAN LANSCHOT
KEMPEN**

Good overall performance



Net result €98.4m (2018: €80.3m)
Underlying net result €108.8m
(2018: €103.0m)

Commission income €290.4m (-1%)
Interest income €175.3m (0%)



Operating expenses
€384.1m (-3%)

Efficiency ratio 75.5%
(2018: 79.4%)



Client assets €102.0bn (+26%)
AuM €87.7bn (+31%)

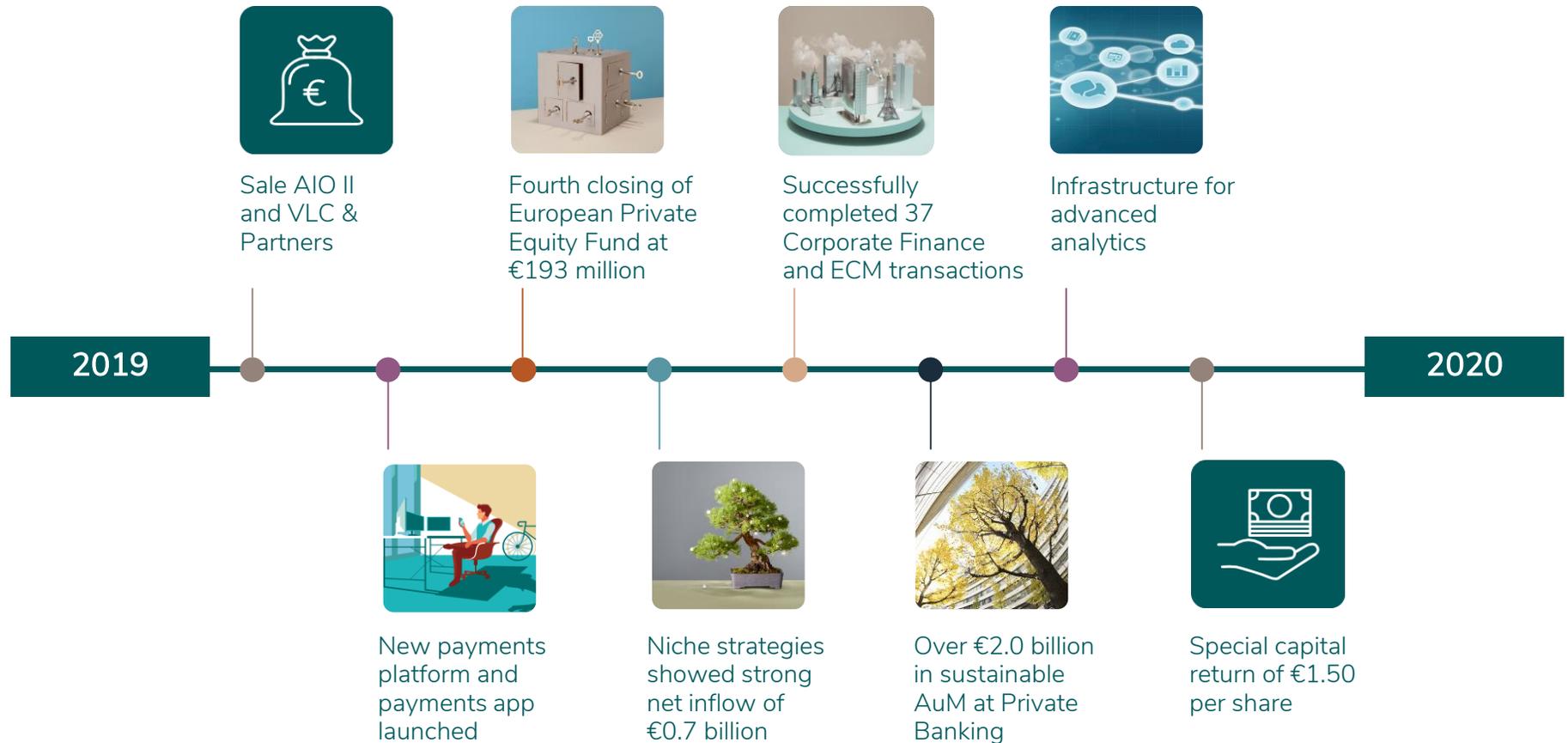
AuM net inflow €9.9bn



Strong capital ratios
CET 1 ratio rises to 23.8%

Dividend per share stable at €1.45

2019 highlights



Overview net result

€ m	2019	2018	% change
Commission	290.4	293.2	-1%
Interest	175.3	175.6	0%
Other income	43.1	30.3	42%
Income from operating activities	508.7	499.2	2%
Operating expenses	-384.1	-396.4	-3%
Gross result	124.7	102.8	21%
Loan loss provision	12.1	12.7	-5%
Other impairments	-34.9	0.9	
Operating profit before tax of non-strategic investments	37.8	17.8	
Operating profit before special items and tax	139.6	134.3	4%
Strategic investment programme	-11.1	-22.0	-50%
Amortisation of intangible assets arising from acquisitions	-6.2	-8.3	-25%
Restructuring charges	-2.8	-8.3	-67%
Operating profit before tax	119.5	95.8	25%
Income tax	-21.1	-15.5	37%
Net profit	98.4	80.3	23%
Underlying net result*	108.8	103.0	6%
Efficiency ratio (%)	75.5%	79.4%	

* Underlying net result excludes costs associated with the strategic investment programme and restructuring charges

Net result considerably up to €98.4m

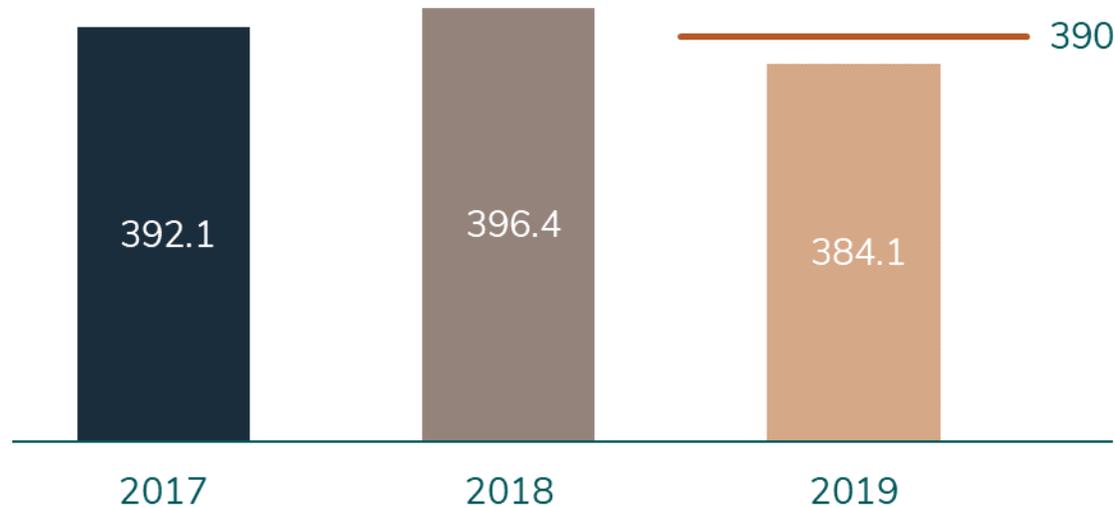
Key drivers of net result € m



- Impairment of goodwill relates to the write-down of goodwill involved in the acquisition of Kempen & Co in 2007 and more specifically to its Merchant Banking activities
- Ignoring exceptional items, impact of sale of our stakes and impairment of goodwill, net profit rose by 22%

Cost-saving measures lead to operating expenses below the 2019 target

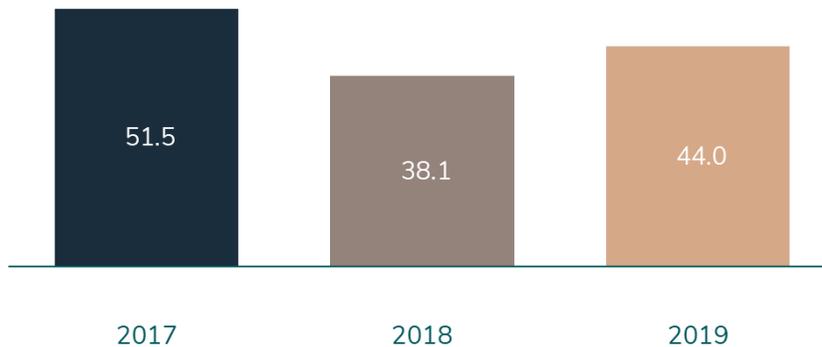
Operating expenses
€ m



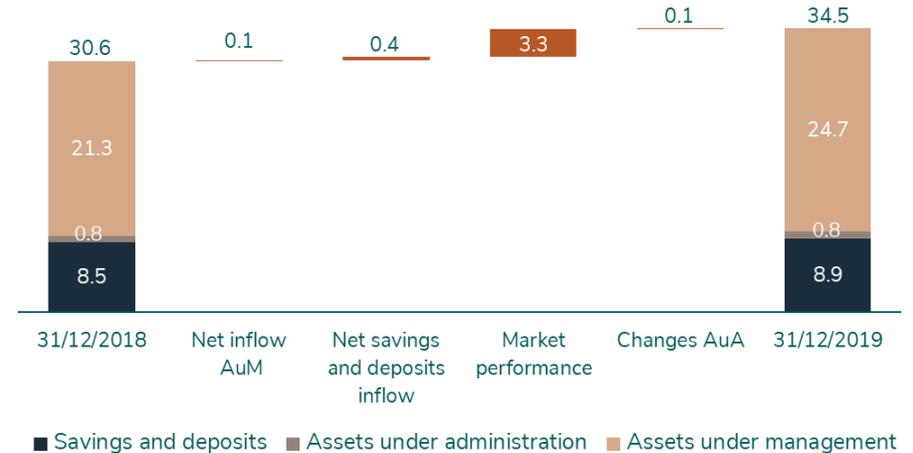
- Cost level well below 2019 cost target of €390m
- Focus on costs reflected mainly in lower consultancy fees and marketing costs
- In 2019 total headcount decreased by approximately 60, partly as a result of the strategic investment programme
- In 2020, operating expenses expected to increase due to new pension agreement, and harmonisation and update of employment conditions

Private Banking client assets rose 13% to €34.5bn

Net result Private Banking*
€ m



Private Banking client assets*
€ bn



- Net result amounted to €44.0m (2018: €38.1m)
- Strategic investment programme successfully completed in 2019
- Client assets rose to €34.5bn, mainly due to positive market performance and net inflow of savings and deposits
- Inflow in AuM positive for the third consecutive year (2018: €0.5m)
- AuM breaks down into 55% discretionary management and 45% non-discretionary management

* As of 2019 Corporate Banking activities are integrated into our Private Banking segment. Comparative figures have been adjusted accordingly.

Successful completion of strategic investment programme in 2019

Multichannel



Omnichannel

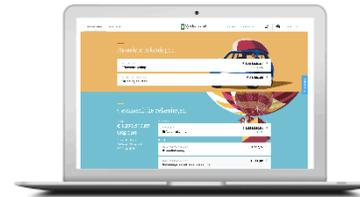
Discretionary management app merged into investment app; functionality further expanded in 2019



Introduced *Vermogenshorizon* in 2018, integrated investment intake in 2019



New website and online portal for clients in 2018, functionality consistently expanded in 2019



New payments platform and payments app in 2019



Budget c. €60m

2016

2019

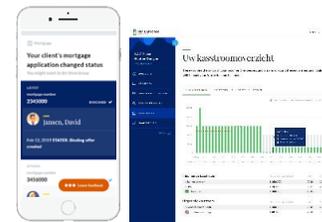
Outsourced mortgage servicing to Stater in 2017



Improved and new workflows, currently covering >80% of client processes



Digital alerting and client communication tools for advisers and bankers

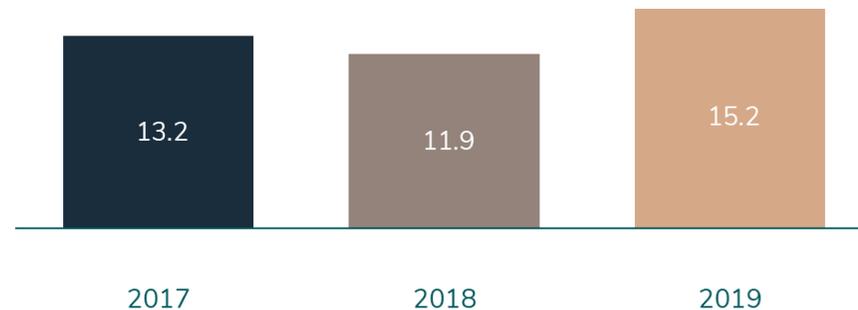


Next steps in 2020

- Rollout of secure (video) chat and document sharing
- Continuous expansion and improvement of digital functionalities

Net inflow at Asset Management amounted to €9.8bn

Net result Asset Management
€ m



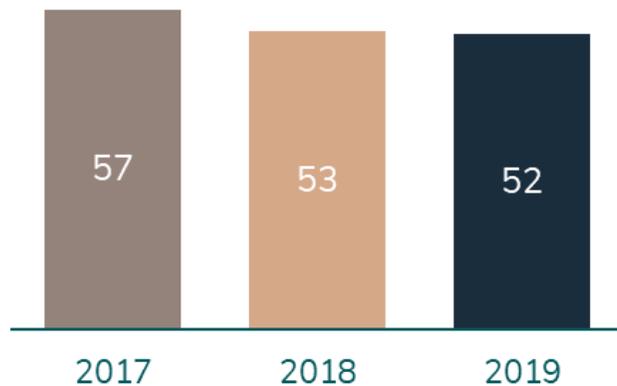
AuM Asset Management
€ bn



- Net result rose to €15.2m (2018: €11.9m) thanks to higher commission income, lower operating expenses and lower restructuring charges
- Net inflow driven by fiduciary mandates, mainly St. Pensioenfonds PostNL (€9.0bn)
- Inflow (€0.7bn) in investment strategies mainly realised at Global Small-cap Fund and Credit strategies, partly offset by outflow from European Small cap Fund.

Private Banking's AuM margin fairly stable, decline at Asset Management due to mix effect

AuM margin – Private Banking
bps



AuM margin – Asset Management
bps

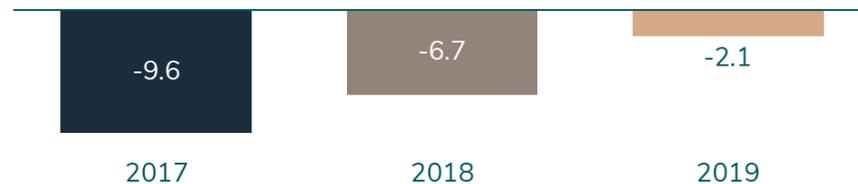


- Private Banking's AuM margin relatively stable in 2019; higher margin in 2017 was due to higher transaction provisions and UBS portfolio acquisition in H2 2017
- Margin development partly reflects AuM composition
- Inflow at Asset Management mainly in fiduciary management

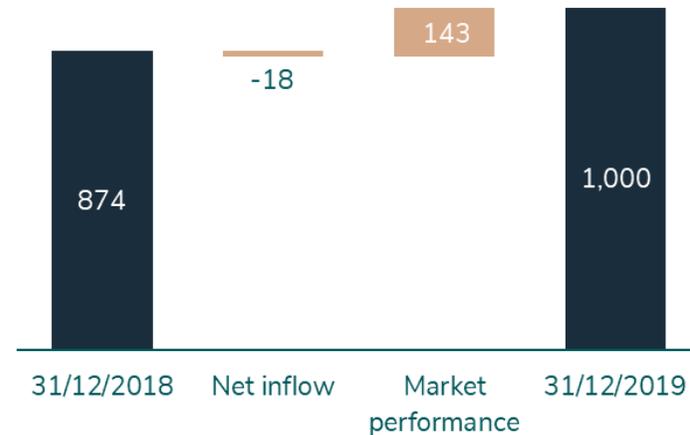
Annualised recurring management fee rose 15% in 2019 (around €30m)

Evi's net result improved, client assets relatively stable

Net result Evi
€ m



Evi's AuM
€ m



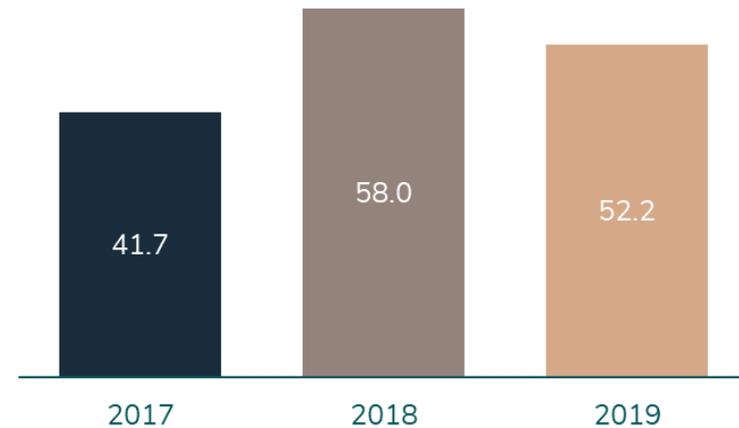
- Net result amounted to -€2.1m (2018: -€6.7m)
- Operating expenses fell by €5.0m compared with 2018, due to lower marketing and IT costs
- AuM grew due to positive market performance; total client assets add up to €1,540m
- Evi announced in January 2020 that a.s.r. clients with investment accounts are given the opportunity to switch to Evi at no cost

Solid results at Merchant Banking

Net result Merchant Banking
€ m



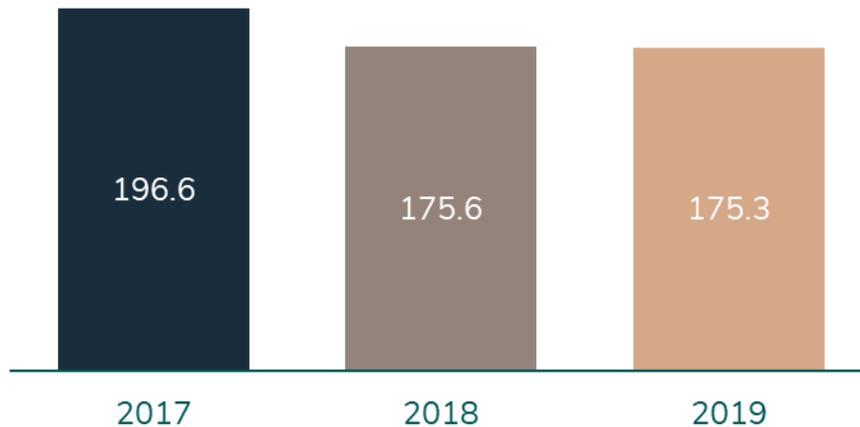
Commission
€ m



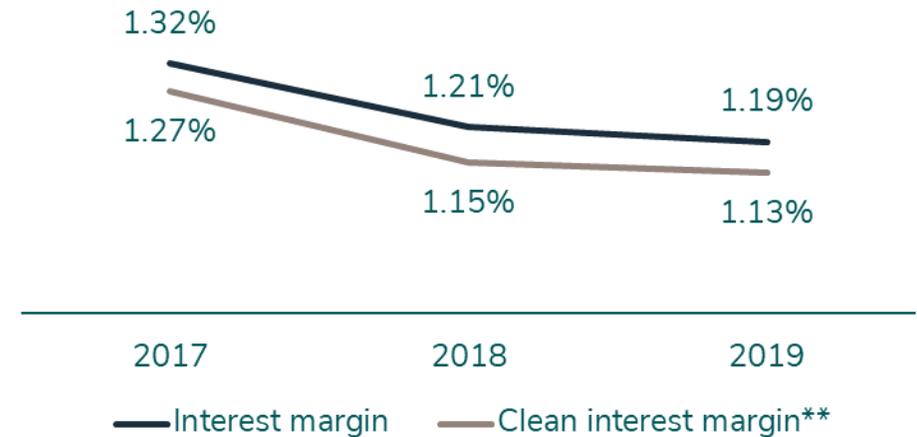
- Solid results in 2019, after a very strong 2018
- Net result came in at €7.5m (2018: €10.5m), partly due to the €2.7m impact of model adjustments
- Last year, a total 37 Corporate Finance and ECM deals were closed, of which 30 were outside the Netherlands, including three IPOs in the US

Margin pressure due to low interest rate environment

Interest
€ m



Interest margin (12-mth moving average)*
%



- Margin pressure as a result of low interest rate climate and a smaller Corporate Banking loan portfolio
- Nevertheless, interest income and charges were almost equal to 2018, partly due to a one-off interest claim related to DSB Bank NV***
- Overall loan portfolio has grown, mortgage portfolio shows relatively stable margins
- Charge negative interest rates for larger savings balances (above €1 million from 1 April)

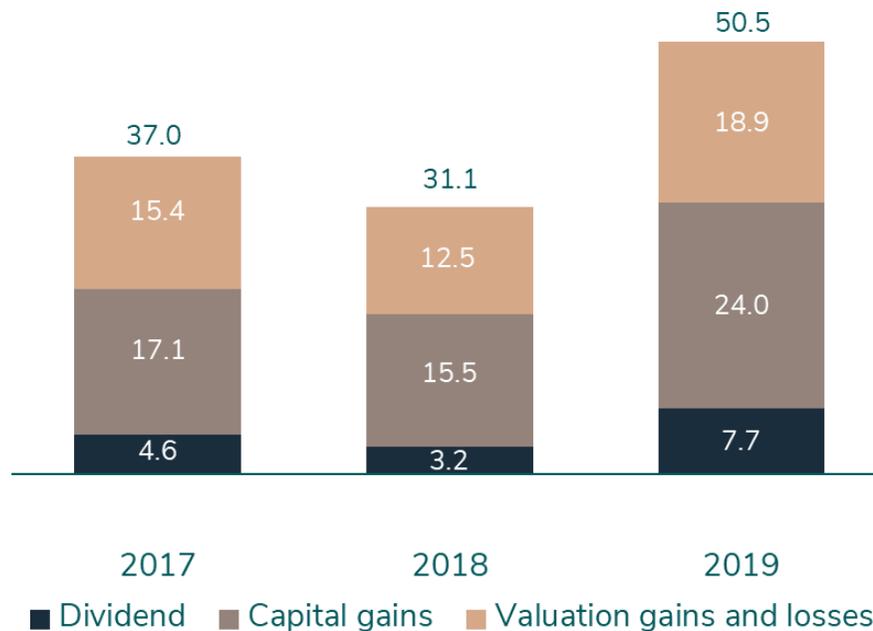
* The interest and clean interest margin are calculated excluding the one-off interest claim to be received from DSB NV

** The clean interest margin equals the gross interest margin adjusted for interest equalisation and interest-related derivatives amortisation

*** DSB Bank BV was a Dutch bank that failed in 2009. All Dutch banks contributed to the deposit guarantee scheme to indemnify DSB savers.

Income from securities and associates increases mainly due to book profits

Income from securities and associates € m



€ m	Book value 31/12/2019	Income 2019
VLP (minority interests)	41.3	18.1
Bolster Investments Coöperatief U.A.	19.3	1.7
Co-investments in own products	119.4	14.3
Other equity investments	5.1	-0.7
VLC & Partners	0.0	17.1
Total	185.1	50.5

- Income from securities and associates relates to our minority equity investments and stakes in our own investment funds
- In 2019, a capital gain was realised on the sale of VLC & Partners (€17.1m) and Marfo Food Group (€6.5m)
- Valuation gains up in 2019 due to positive market conditions compared with 2018

Lower result on financial transactions



- Result on financial transactions decreased by €6.6m to -€7.4m
- Fewer sales and the current investment climate led to a lower result on the investment portfolio
- Other results strongly negative due to:
 - A negative result on hedges, mainly due to adverse results on futures (linked to positive gains on the management book) and on the hedge of our Kempen Dutch Inflation Fund
 - A correction as a result of a model adjustment
 - Interest charges on medium-term notes

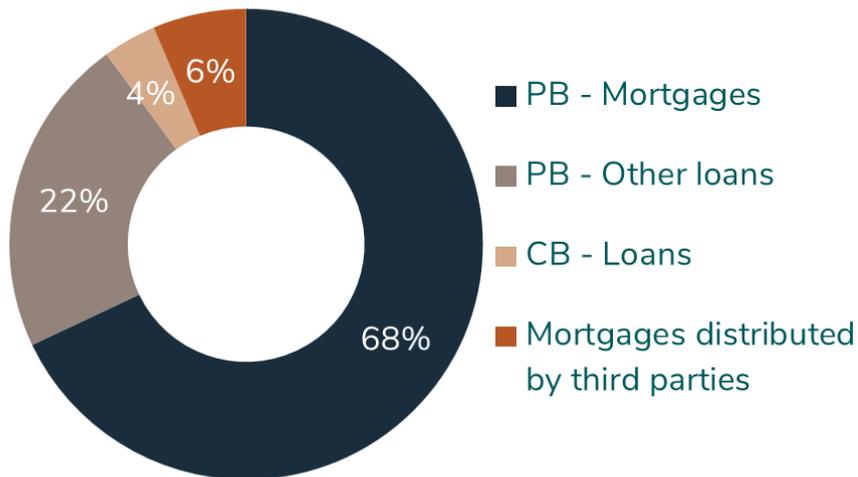
Loan portfolio relatively stable, net increase in Private Banking's mortgage portfolio

€ m	Loan portfolio 31/12/2019	Loan portfolio 31/12/2018	% change	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,885	5,756	2%	60	6	1.0%	10%
Other loans	1,906	1,793	6%	73	36	3.8%	49%
Private Banking loans	7,791	7,550	3%	133	42	1.7%	31%
Corporate Banking loans	318	523	-39%	101	13	31.6%	13%
Mortgages distributed by third parties	553	602	-8%	0	0	0.1%	0%
Total loan portfolio	8,662	8,674	0%	234	54	2.7%	23%
ECL stages 1 and 2					9		
Total	8,662	8,674	0%		64		

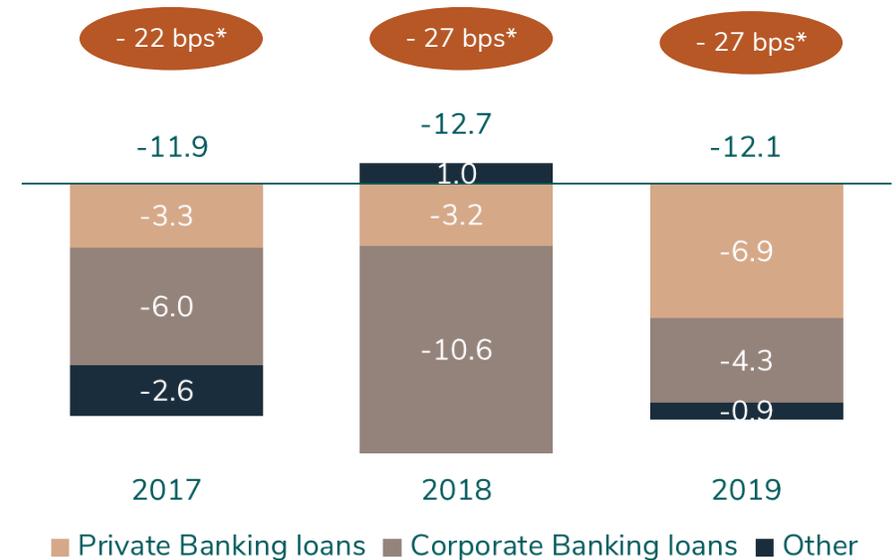
- Other loans up by 6%, mainly driven by an increase in Lombard loans and current accounts, including loan provided to the Reggeborgh family office for the VolkerWessels transaction
- Total impaired ratio improved to 2.7% from 3.8% due to improving credit quality, in addition the write-off of residual debts with no prospect of recovery which have been fully provisioned
- After a successful run-off, Corporate Banking activities were integrated into Private Banking as of 2019

Net release of loan loss provisions thanks to positive economic conditions

Loan portfolio (excluding provisions)
at 31/12/2019 100% = €8.7bn



Additions to loan loss provisions
€ m



- Corporate Banking loans came down from €0.5bn to €0.3bn (RWA Corporate Banking loans: €0.3bn)
- Release of loan loss provisions, mainly due to the continued positive economic environment in the Netherlands

* Loan loss provision / average total RWA

Strong capital position

Common Equity Tier 1 ratio* %

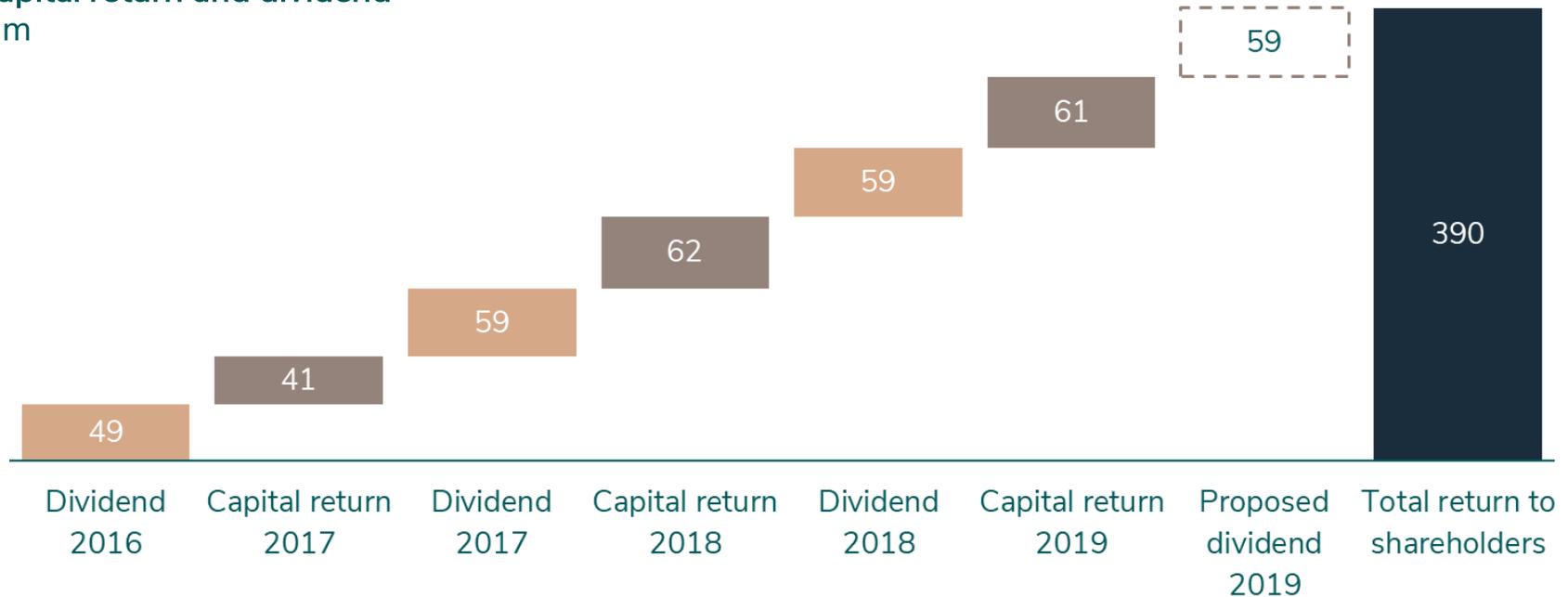


- CET 1 ratio increased strongly from 21.1% to 23.8%, with a 2023 target of 15–17%
- We expect an increase of around 15% in total RWA due to DNB's announced minimum risk-weight floor on Dutch mortgages. This absorbs our previously disclosed impact of Basel IV

* Some amounts differ from previously published reports, reflecting changes that result from the accounting changes related to provisions for pensions

Delivering on our promise

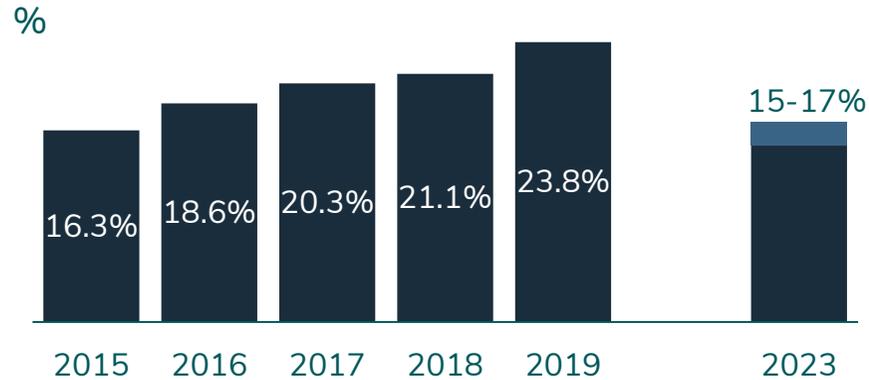
Capital return and dividend
€ m



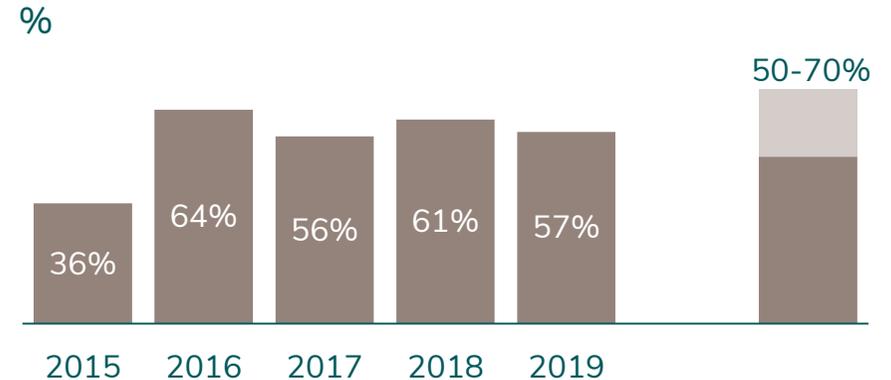
- Special capital return in December of €1.50 per share
- Total shareholder return since 2013: 2.1x
- In future, we will continue to optimise our capital base while leaving room for possible acquisitions. If possible, we will also consider paying out excess capital to shareholders, subject to approval by the regulator

Overview of 2023 financial group targets

Common Equity Tier 1 ratio*



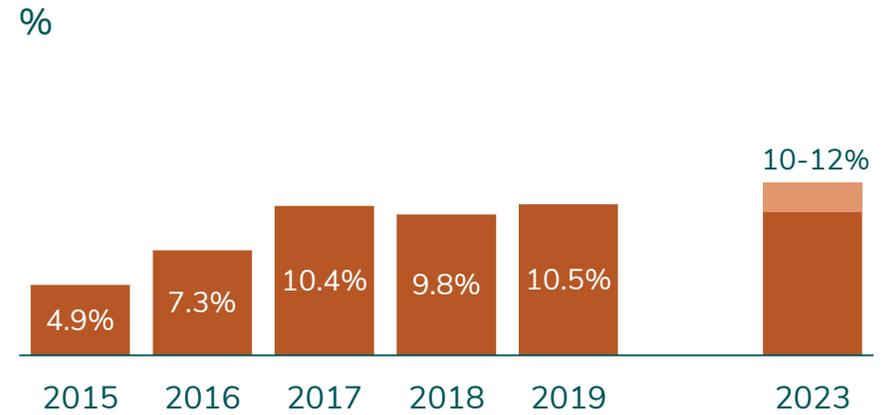
Dividend pay-out ratio**



Efficiency ratio



Return on Common Equity Tier 1**



* As of 2016 fully loaded; 2015 phase-in

** Based on underlying net result attributable to shareholders

Good overall performance



Net result €98.4m (2018: €80.3m)
Underlying net result €108.8m
(2018: €103.0m)

Commission income €290.4m (-1%)
Interest income €175.3m (0%)



Operating expenses
€384.1m (-3%)

Efficiency ratio 75.5%
(2018: 79.4%)



Client assets €102.0bn (+26%)
AuM €87.7bn (+31%)

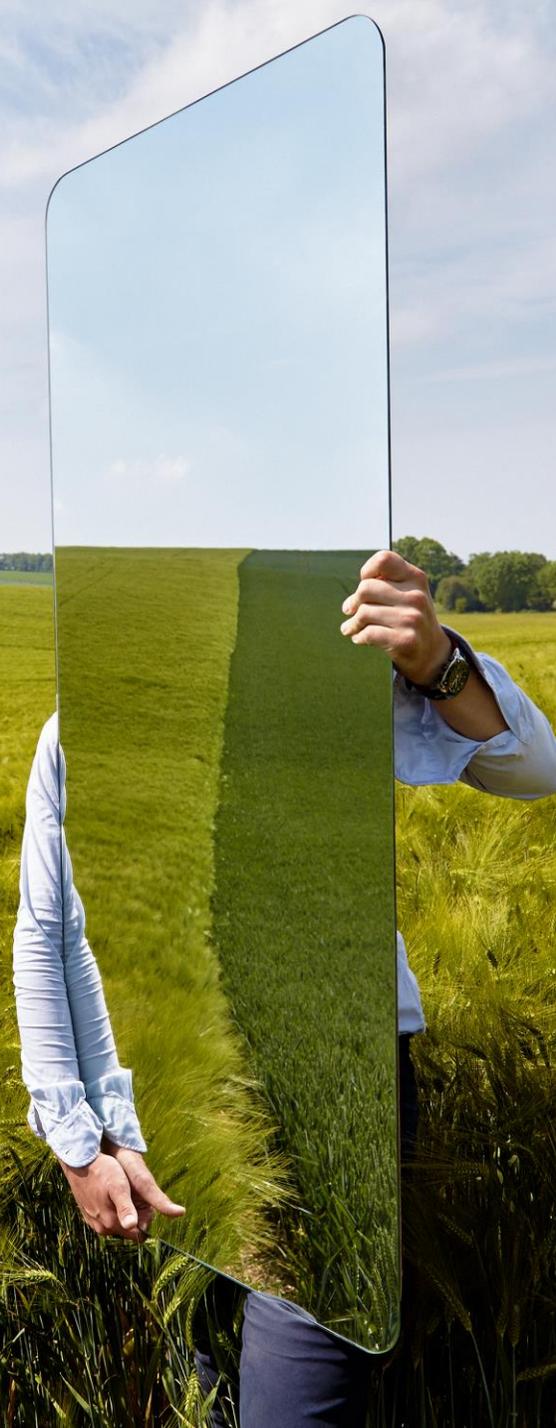
AuM net inflow €9.9bn



Strong capital ratios
CET 1 ratio rises to 23.8%

Dividend per share stable at €1.45

Appendix



**VAN LANSCHOT
KEMPEN**

Key figures 2019 by segment

€ m	Private Banking	Evi	Asset Management	Merchant Banking	Other	Total
Commission income	130.1	5.1	101.7	52.2	1.2	290.4
Interest income	154.0	3.2	0.1	-0.1	18.1	175.3
Other income	1.2	-	-0.7	2.6	40.0	43.1
Income from operating activities	285.3	8.2	101.1	54.7	59.3	508.7
Operating expenses	-219.1	-11.1	-79.6	-44.4	-29.8	-384.1
Gross result	66.2	-2.9	21.5	10.4	29.5	124.7
Impairments	11.2	-	-	-	-34.0	-22.9
Operating profit before tax of non-strategic investments	-	-	-	-	37.8	37.8
Operating profit before one-off charges and tax	77.4	-2.9	21.5	10.4	33.2	139.6
Strategic investment programme	-11.1	-	-	-	-	-11.1
Amortisation of intangible assets arising from acquisitions	-4.7	-	-0.8	-	-0.8	-6.2
Restructuring charges	-2.3	-	0.1	-	-0.6	-2.8
Operating profit before tax	59.3	-2.9	20.8	10.4	31.9	119.5
Income tax	-15.3	0.8	-5.6	-2.9	1.9	-21.1
Net profit	44.0	-2.1	15.2	7.5	33.8	98.4
Underlying net result	54.0	-2.1	15.1	7.5	34.3	108.8
FTE 2019	655	23	264	127	491	1,560

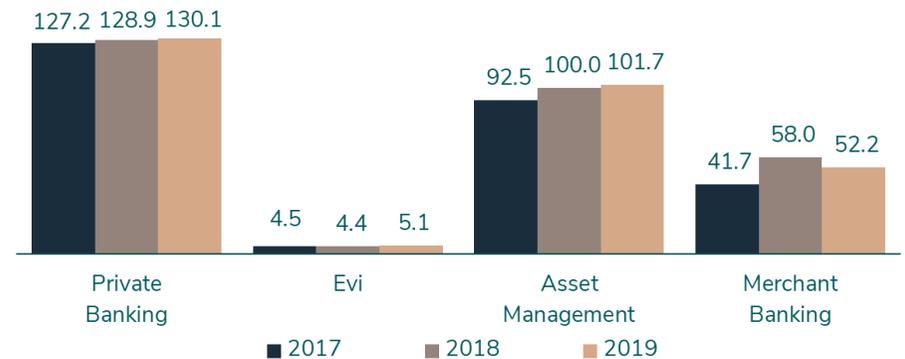
As of 2019, Corporate Banking activities are integrated into our Private Banking segment

Decline in commission income at Merchant Banking not fully offset by other segments

Total commission
€ m



Commission by segment
€ m



Financial and non-financial KPIs

Theme	KPI	Target	2019	Score 2019	Score 2018
Financial and risk management	1. CET 1 ratio	15-17%	●	23.8%	21.1%
	2. Return on equity (CET 1)	10-12%	●	10.5%	9.8%
	3. Efficiency ratio	70-72%	●	75.5%	79.4%
Ethics and integrity	4. Percentage of employees that feel the responsibility to act and behave ethically	> industry average: 81%	●	77%	n/a*
Client relations	5. Net Promotor Score (NPS):				
	a. Private Banking	10	●	23	2
	b. Evi	10	●	10	-20
	c. Asset Management	20	●	31	44**
Responsibility and sustainability	6. Private Banking: AuM invested in sustainable and/or impact investment wealth management solutions	> last year	●	2019: €2,046m +€728m	2018: €1,318m +€180m
	7. Engaging with companies in which our funds invest	80-100 engagements	●	84 engagements	91 engagements
	8. Asset Management: increase in the percentage of (internal and external) fund managers on our approved list that are scored on their overall sustainability profile	> last year	●	2019: 98%	2018: 37%
	9. Decrease in carbon emissions:				
	a. Direct emissions of our own organisation	-2.5%/FTE per year	●	-5.6%	-8.1%
	b. Indirect emissions via our balance sheet (mortgage portfolio)	CO ₂ /EUR < last year	●	-2.0%	-11.3%***
Employees	10. Employee engagement score	> 80%	●	82%	81%**
	11a. Employer Net Promotor Score (eNPS)****	> 10	n/a	n/a	n/a
	11b. Employees that recommend VLK as a good place to work	> 80%	●	83%	82%**
	12. Gender balance in management positions	> 30% female and > 30% male	●	21% female 79 % male	20% female 80% male
Preservation and creation of wealth	13. Private Banking: 3-year relative performance of discretionary management mandates	> benchmark	●	-0.4%	-0.1%
	14. Evi: 3-year relative performance of discretionary management mandates	> benchmark	●	-0.9%	-0.4%
	15. Asset Management: average Morningstar rating of investment strategies (institutional share class)	> 3.5	●	3.9	4.0

- This set of KPIs demonstrates our belief in value creation for the long term. It reflects both the interests of our stakeholders and our ambitions as a wealth manager
- In 2019 the KPI set is updated based on our new materiality matrix and as of 2020 the new KPI set will be reported

* An employee engagement survey is conducted once every two years. In 2017 these questions were not included.

** Measured once every two years, score for 2017

*** A method of data cleaning has been applied retroactively to ensure that figures are comparable. This led to an adjustment of the 2018 score.

**** In 2019, no official eNPS was measured. Instead, the employee engagement survey included a comparable question. Please refer to KPI 11b.

High scores on external ESG ratings



SUSTAINALYTICS

1st
in our peer group of
medium-sized banks



Sustainability certificates
on responsible investment policy
and balance sheet screening

Transparantiebenchmark:

10th
place in league table of
250 entrants



B rating
assessed by Carbon Disclosure
Project

ISS-oekom

C+ rating
top 5 out of 80 financials
and asset managers



A and A+ score
For Kempen's responsible
investment policy and process

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Disclaimer and cautionary note on forward-looking statements

This document 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, and (k) changes in credit ratings.

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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 document, except as described otherwise, the same accounting principles are applied as in the 2018 Van Lanschot Kempen consolidated annual accounts. The annual financial statements for 2019 are in progress and may be subject to adjustments due to subsequent events. The financial data in this document have not been audited, unless specifically stated otherwise. Small differences in tables may be the result of rounding.

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