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Van Lanschot Kempen: net profit of over €83 million and capital return proposal

- **Net profit moved significantly ahead of H1 2018 (€83.6 million compared with €39.3 million) on the back of book profits from the sale of two holdings**
- **Underlying net result amounts to €92.5 million (H1 2018: €47.2 million)**
- **Client assets rise 20% to €97.3 billion while AuM adds 23% to €82.6 billion on the back of net inflows of €8.7 billion and a positive stock market performance of €6.9 billion**
- **Fully loaded CET 1 ratio increases to 22.7% (2018: 21.4%)**
- **Capital return proposal in the amount of €1.50 per share**

Van Lanschot Kempen today released its 2019 half-year results. Karl Guha, Chairman, said: "Our net result for the first half is significantly up on the year-earlier total and reflects book profits on the sale of our holdings in AIO II (€36.0 million net) and VLC & Partners (€16.1 million net). Ignoring the results of these holdings, our net profit is in line with last year. Our capital ratio increased further to 22.7% and our ample capital position enables us to propose a capital return to our shareholders in the amount of €1.50 per share.

"Conditions in the first six months of 2019 were turbulent, bringing market uncertainties and exceptionally low market rates. Our wealth management strategy makes us less dependent on interest income, but the pressure on interest income will increase if market rates fall further. We note more client uncertainty and a greater need for advice in these conditions."

Net inflows of assets under management (AuM) and a favourable stock market performance added an impressive €16.1 billion to client assets, to €97.3 billion. AuM was up €15.6 billion to €82.6 billion, with strong net inflows fed in particular by Asset Management (€8.8 billion) landing the Stichting Pensioenfonds PostNL fiduciary mandate. Geopolitical and economic uncertainties across the world have made our clients more cautious about investing, and some have taken profits. As a result, savings were up by €0.4 billion, whereas Private Banking faced a minor net AuM outflow of €0.1 billion.

Over the past few years, we have nurtured Evi's growth into a mature organisation with a strong brand. It's now time for the next stage for Evi and we see opportunities to further enhance our proposition for mass affluent[i] clients. We have determined our next steps to this end, one of which will be to step up collaboration between Evi and Private Banking.

Commission income has been lower (–5%) in the wake of such factors as a changing AuM mix and lower fee income at Merchant Banking. Meanwhile interest income came down by 6% in the wake of persistently low interest rates. We are pleased with the 9% reduction in operating expenses to €190.4 million. Our aim for 2019 is a net cost level at around €390 million and we're on course to stay within this range. Our efficiency ratio stands at 75.5% (H1 2018: 81.1%).

Our CET1 ratio[ii] has gone up to 22.7% from 21.4%. Our strong capital base enables us to propose a capital return of €1.50 per share. If carried, this will lead to a pay-out to our shareholders – expected in December – of over €60 million. We will continue to optimise our capital base going forward, while leaving room for possible acquisitions. If possible, we will also consider paying out capital to our shareholders, subject to approval by the regulator.

Van Lanschot Private Banking: underlying net result up in challenging market conditions

In the first half of the year, Private Banking saw its client assets advance by €2.6 billion to €33.1 billion, mainly on the back of a positive stock market performance of €2.1 billion. AuM grew to €23.3 billion, compared with €21.3 billion in the same period last year. The €0.4 billion net inflow in savings reflects a reluctance to invest on the part of clients at this point, among other factors. Despite robust price rises in the first six months of 2019, the markets are looking at uncertain conditions across the world and clients have turned cautious as a result. Some of them have taken profits, causing a slight AuM outflow of €0.1 billion at Private Banking.

Private Banking continues to build its responsible solutions suite for clients and is rightfully proud of its Duurzaam+ sustainable discretionary management offering, which now has over €1 billion in assets under management. In addition, this spring it launched its green mortgage, which enables clients to borrow money at attractive interest rates to make their homes more sustainable.

This year and in keeping with schedule, Van Lanschot Kempen will complete its strategic investment programme, which has seen €60.1 million invested to date and which will require another few million to finish up in the second half. By now, all clients have migrated to the new payment platform and have access to our payment app, hitting a key milestone for Private Banking. Capital spending is expected to return to normalised levels from 2020 and be recognised as regular operating expenses.

Private Banking's underlying net result rose to €28.6 million from €26.9 million, while its income contracted to €140.5 million from €148.0 million. A €2.6 million fall in commission income fed into the decline, as average AuM volumes were slightly lower and payment commissions were down. Lower income was offset by a 5% reduction in operating expenses to €107.2 million, in addition to a sizeable release from provisions of €7.4 million. Savings grew to €8.9 billion and lending at Private Banking increased to €7.9 billion on some minor growth in its mortgage portfolio.

As announced at the time of the annual results publication, the corporate banking portfolio is now part of Private Banking and comparative figures have been adjusted accordingly. This portfolio is being run off further and now stands at €0.4 billion (year-end 2018: €0.5 billion). Risk-weighted assets amounted to €0.4 billion (year-end 2018: €0.5 billion).

Evi van Lanschot: Net result higher and start of a new phase

Lower operating expenses underpinned a strong improvement in Evi's underlying net result; -€1.6 million compared with last year's –€4.2 million. Client assets at Evi added €0.1 billion to €1.5 billion, mostly reflecting the positive stock market performance.

Evi is ready for a new phase, in which it will primarily be looking to grow in the mass affluent sector. Market developments such as low interest rates and pension changes are expected to drive increasing demand for wealth management solutions from this group of clients, and wealth coach Evi is able to offer these online and in an easily accessible way. To make the most of all Van Lanschot Kempen's knowledge and experience in wealth management, Evi will step up collaboration with Private Banking.

Kempen Asset Management: Fiduciary management drives strong net inflows

At Asset Management, an €8.8 billion in net inflows combined with a positive stock market performance of €4.7 billion to drive AuM growth to €58.4 billion (2018: €44.8 billion), with the previously announced fiduciary mandate signed with Stichting Pensioenfonds PostNL chipping in €9.0 billion to net inflows. By contrast, the decision to centralise small cap strategies in Amsterdam at the end of 2018 resulted in a net investment strategies outflow of €0.2 billion.

In the first quarter of 2019, Kempen Asset Management successfully launched its European Private Equity Fund, which has garnered a great deal of interest from Private Banking clients and attracted over €122 million in capital commitments. Kempen's Global Listed Infrastructure Fund also got off to a solid start. In July, its collaboration with het nederlands pensioenfonds helped land Stichting Pensioenfonds Owase's fiduciary mandate (€0.9 billion), which is expected to come on stream at the start of 2020.

Asset Management's underlying net result rose to €7.3 million (H1 2018: €6.9 million) on the back of falling costs, while the change in the AuM composition pushed down commission income slightly.

Kempen Merchant Banking: Solid results in first half of 2019

Merchant Banking notched up fine figures for the first six months of 2019, although its commission income was below what was a highly successful first half of 2018. Its underlying results came down to €3.5 million from €8.0 million. Its Real Estate team did it proud by getting in on the sales transaction of a €1.4 billion Dutch residential property portfolio by Round Hill Capital to Heimstaden. The same team was also involved in two real estate transactions in Germany (by Brack Capital Properties) and in Tritax Eurobox's capital market transaction in the United Kingdom. Merchant Banking's Life Sciences team was involved in Austrian company Hookipa's US Nasdaq IPO and was a player in Biocartis's capital market transaction in Belgium and that of Oncopeptides in Sweden.

Other activities

In the first quarter of 2019, Van Lanschot Kempen sold its non-strategic stake in AIO II and locked in a net book profit of €36.0 million. The sale of VLC & Partners generated a net book profit of €16.1 million, including the expected value of the agreed earn-out. Both transactions are in keeping with Van Lanschot Kempen's strategic focus on wealth management. In July, it sold its stake in Marfo Food Group, and the book profit of around €6 million will be recognised in the second half of 2019.

Lower interest rates and reduced compensation for prepayments cut interest income to €84.7 million from €90.0 million. Interest income has continued to be squeezed, but not as severely as in the year-earlier period, as margins on mortgages have remained relatively stable and the bulk of the impact of current low interest rates had already been priced in. Interest income pressure is likely to rise if market rates are cut any further over the next few months.

The result on financial transactions plunged by €9.8 million to –€8.1 million, mainly because of a fall in the result on hedge transactions and model adjustments. Also, fewer stakes were sold out of the investment portfolio.

Costs sharply down on cost-saving measures

Van Lanschot Kempen recorded a sharp 9% drop in operating expenses to €190.4 million, as cost-saving measures cut staff costs, consultancy expenses and IT change costs. An additional restructuring charge of €2.5 million was taken in the first half of the year to cover higher redundancy costs related to measures announced at the end of 2018. IT change costs were relatively low, as the prime focus to date has been on the strategic investment programme and as this has led to relatively low operating expenses in the first six months of the year. Van Lanschot Kempen's aim for 2019 is a net cost level at around €390 million, and it is on track to stay within this range. Its efficiency ratio stood at 75.5%.

Capital: Capital ratio rises to 22.7%, capital return proposal of €1.50 per share

Van Lanschot Kempen's capital ratio showed further growth in the past six months, and at 22.7% (2018: 21.4%) its CET 1 ratio is well ahead of the 12.9% SREP requirement. The return on average CET 1[iii] amounted to 12.9%. The issue of an AT1 bond in March caused an increase in the total capital ratio to 25.8% from 23.5%.

In view of its robust capital position, Van Lanschot Kempen is pleased to propose to return capital to its shareholders in the amount of €1.50 per share. If carried, the proposal will lead to over €60 million being paid to shareholders, taking the total amount of capital returned since 2016 to over €330 million, in the form of both dividend payments and capital returns.

As it will be charged to the share premium reserve, the capital return will not be subject to Dutch dividend tax. The total number of shares in issue will be unchanged and the CET 1 ratio will remain well above Van Lanschot Kempen's capital objective of 15-17%.

The capital return proposal will be put to the vote at an extraordinary general meeting to be held on 9 October 2019. The invitation to the meeting, including agenda and explanatory notes, will be posted on the website on 28 August 2019.

Van Lanschot Kempen will continue to optimise its capital base going forward, while leaving room for possible acquisitions. If possible, it will also consider paying out capital to its shareholders, subject to approval by the regulator.

Key data[iv]

€ million	H1 2019	H2 2018		H1 2018	
Statement of income					
Net result	83.6	41.0		39.3	
Underlying net result	92.5	55.8	66%	47.2	96%
Efficiency ratio excluding one-off charges (%)[v]	75.5	77.6		81.1	

€ billion	30/06/2019	31/12/2018		30/06/2018	
Client assets	97.3	81.2	20%	83.7	16%
- Assets under management	82.6	67.0	23%	69.1	20%
- Assets under monitoring & guidance	3.3	3.4	-2%	3.4	-2%
- Assets under administration	1.8	1.7	5%	1.9	-6%
- Savings and deposits	9.6	9.1	5%	9.3	3%

€ million	30/06/2019	31/12/2018		30/06/2018	
Statement of financial position and capital management					
Equity attributable to shareholders	1,275	1,256	2%	1,284	-1%
Equity attributable to AT1 capital securities	102	-		-	
Equity attributable to other non-controlling interests	4	12	-70%	11	-67%
Savings and deposits	9,582	9,091	5%	9,281	3%
Loans and advances to clients	8,783	8,561	3%	8,958	-2%
Total assets	14,537	13,980	4%	14,512	0%
Funding ratio (%)	109.1	106.2		103.6	
Risk-weighted assets	4,454	4,580	-3%	4,798	-7%
Common Equity Tier 1 ratio (fully loaded) (%)[vi]	22.7	21.4		21.4	
Tier 1 ratio (fully loaded) (%)[vi]	23.9	21.4		21.4	
Total capital ratio (fully loaded) (%)[vi]	25.8	23.5		23.3	

	H1 2019	H2 2018		H1 2018	
Other key data					
Weighted average of outstanding ordinary shares (x 1,000)	41,037			41,002	
Underlying earnings per share (€)	2.21	1.29	71%	1.08	
Return on average Common Equity Tier 1 (%)[iii]	12.9	10.5		8.7	
Number of staff (FTEs at period end)	1,594	1,621	-2%	1,640	-3%

Results

€ million	H1 2019	H2 2018		H1 2018	
Commission	142.2	143.3	-1%	149.9	-5%
- Of which securities commissions	*116.5*	*117.6*	*-1%*	*120.9*	*-4%*
- Of which other commissions	*25.7*	*25.7*	*0%*	*29.0*	*-11%*
Interest	84.7	85.6	-1%	90.0	-6%
Income from securities and associates	33.4	14.5		16.6	
Result on financial transactions	-8.1	-2.5		1.7	
Income from operating activities	**252.1**	**241.0**	**5%**	**258.2**	**-2%**
Staff costs	118.4	119.1	-1%	125.2	-5%
Other administrative expenses	63.0	66.3	-5%	80.6	-22%
- Of which regulatory levies and charges	*8.8*	*2.5*		*8.0*	*9%*
Depreciation and amortisation	9.0	1.7		3.5	
Operating expenses	**190.4**	**187.1**	**2%**	**209.3**	**-9%**
Gross result	**61.7**	**53.9**	**15%**	**48.9**	**26%**
Addition to loan loss provision	-7.5	-9.2	-19%	-3.5	
Other impairments	0.1	0.1	-57%	-1.1	
Impairments	**-7.5**	**-9.1**	**-18%**	**-4.6**	**62%**
Operating profit before tax of non-strategic investments	37.0	9.0		8.8	
Operating profit before special items and tax	**106.2**	**72.0**	**48%**	**62.3**	**70%**
Strategic investment programme	9.4	11.5	-18%	10.5	-10%
Amortisation of intangible assets arising from acquisitions	3.1	4.0	-22%	4.2	-27%
Restructuring charges	2.5	8.3	-70%	-	
Operating profit before tax	**91.2**	**48.2**	**89%**	**47.6**	**92%**
Income tax	7.7	7.2	6%	8.3	-7%
Net result	**83.6**	**41.0**		**39.3**	
Underlying net result	**92.5**	**55.8**	**66%**	**47.2**	**96%**

Underlying net result

€ million	H1 2019	H2 2018		H1 2018	
Net result	**83.6**	**41.0**		**39.3**	
Strategic investment programme	9.4	11.5	-18%	10.5	-10%
Restructuring charges	2.5	8.3	-70%	-	
Tax effects	-3.0	-4.9	-40%	-2.6	13%
Underlying net result	**92.5**	**55.8**	**66%**	**47.2**	**96%**

FINANCIAL 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 2019 half-year results at www.vanlanschotkempen.com/en/financial/financial-results.

In a conference call for analysts on 27 August at 9.00 am CET, we will discuss our 2019 half-year figures in greater detail. This may be viewed live at www.vanlanschotkempen.com/en/financial/financial-results and played back at any later date.

ADDITIONAL INFORMATION

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

FINANCIAL CALENDAR

9 October 2019	Extraordinary general meeting
31 October 2019	Publication of Q3 trading update
20 February 2020	Publication of 2019 annual results

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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 for its clients. Van Lanschot Kempen, listed at Euronext Amsterdam, is the Netherlands' oldest independent financial services company with a history dating back to 1737.

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, and (k) changes in credit ratings.

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 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 2018 Van Lanschot Kempen consolidated annual accounts.

The financial data in this press release have not been audited, unless specifically stated otherwise. Small differences in tables may be the result of rounding.

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[i] Mass affluent clients are high net worth individuals with investable assets up to €500,000.

[ii] Fully loaded, excluding retained earnings.

[iiii] Return on average Common Equity Tier 1 based on underlying net result attributable to shareholders. Results on sales are not annualised.

[iv]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.

[v] 2018 and H1 2019 operating expenses (as well as the efficiency ratio) are exclusive of charges related to the strategic investment programme, amortisation of intangible assets arising from acquisitions, and restructuring charges.

[vi] At 31 December 2018 including retained earnings. At 30 June 2018 and 30 June 2019 excluding retained earnings.