

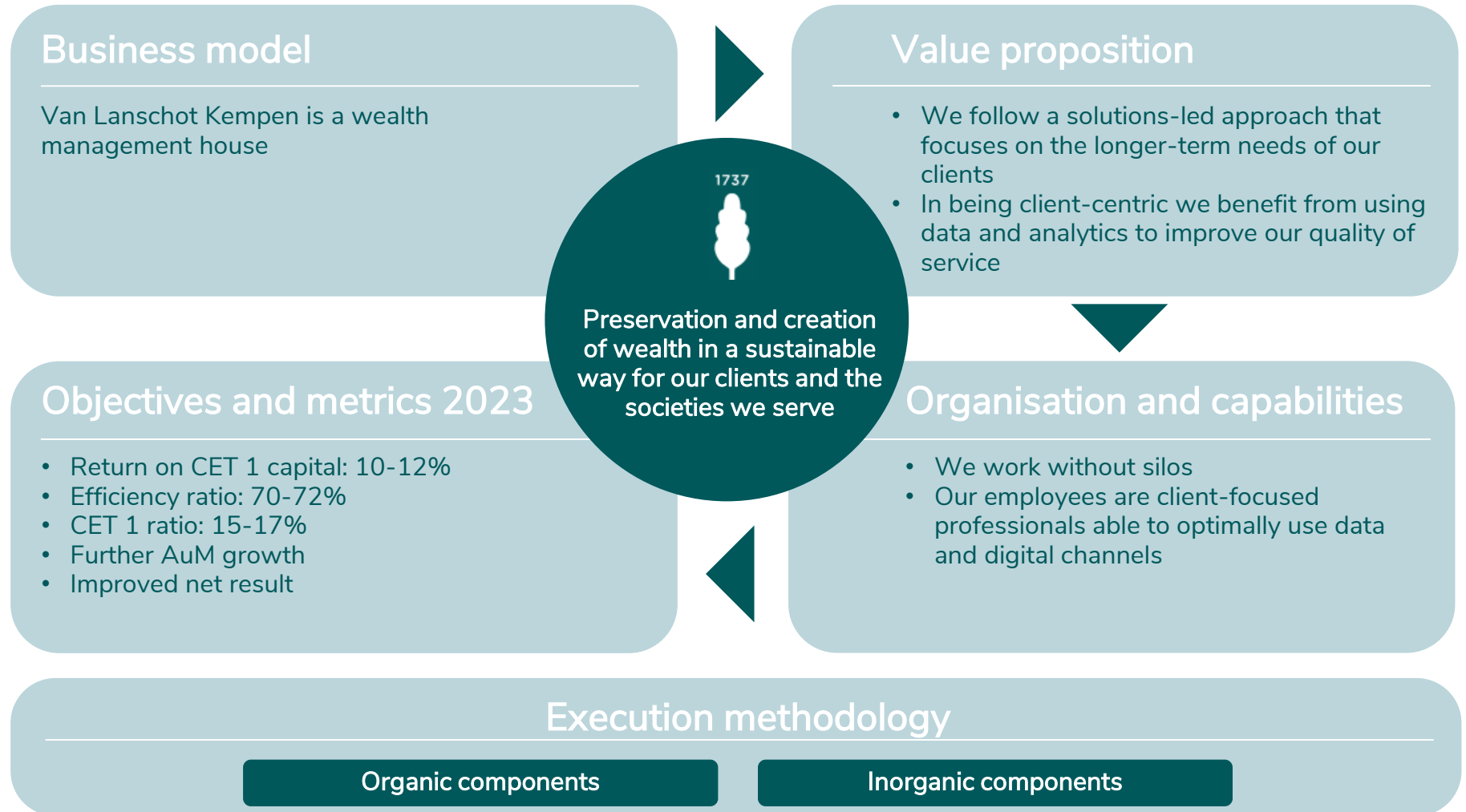
# 2020 half-year results

26 August 2020

# Covid-19 has been a defining factor for the first half of this year

- For our clients, this has been a period of profound uncertainty about the present and future. Our past investments in omni-channel capabilities have served us well; in the sense that we were able to serve our clients well and be there for them in their time of need
- We were rewarded with meaningful growth in client assets during this period. For this we are very grateful to our clients. As such, our strong operational performance during a challenging first half, is a testimony to the investments we have made in the past in technology and in our people
- We are absolutely delighted with the acquisition of Hof Hoorneman – a respected Dutch wealth management house. This transaction is in line with our stated goal of pursuing growth via acquisitions. Furthermore, this is an important step in our pursuit of an integrated and focused wealth management strategy
- Notwithstanding the economic challenges and market volatility confronting us as a result of Covid-19, we believe that we are well positioned from a capital and asset quality perspective to weather the storm. In no small part this is due to our focused wealth management strategy in a stable and wealthy corner of Europe
- We believe that our unique integrated wealth management proposition will continue to allow us to serve our private, institutional and mass affluent clients well in the present and in the future

# Our strategic framework



# Our progress as a sustainable wealth manager in H1 2020



65% of fund managers on the approved list meet the sustainability criteria



AuM at Private Banking invested in dedicated sustainable or impact investing solutions grew by more than 10% to €2.3 billion



We engaged with 68 companies in which our funds invest



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



73% of our employees feel well prepared to work with new technology



Net Promoter Score

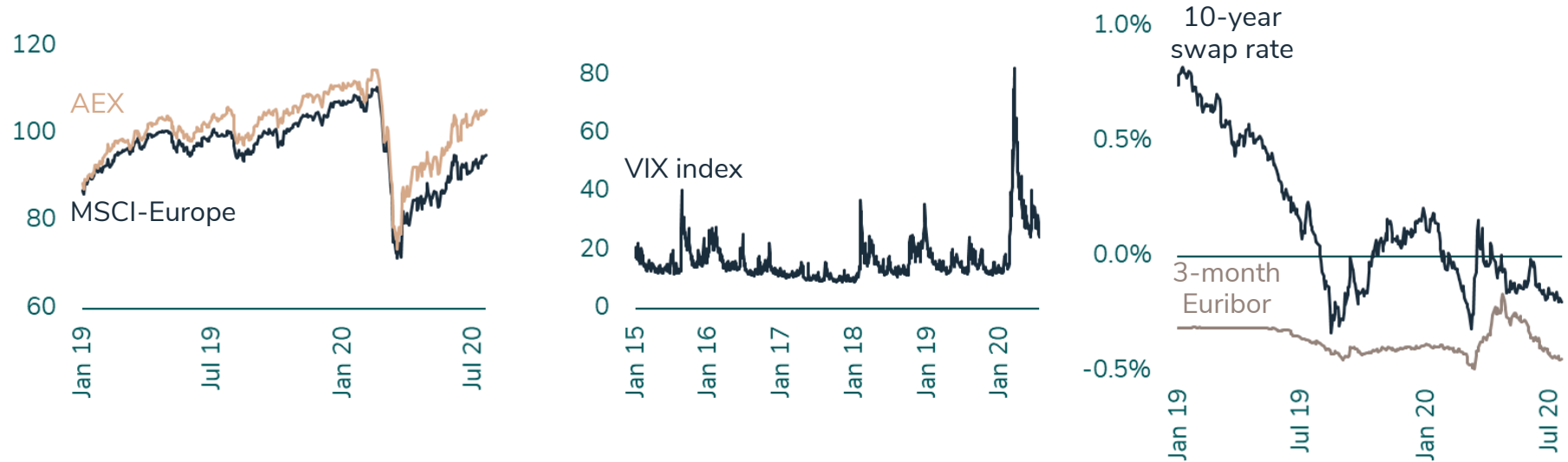
- Private Banking at 22
- Evi at 6

# 2020 half-year results



**VAN LANSCHOT  
KEMPEN**

# Exceptional market circumstances in H1 2020



- Covid-19 triggered a chain of events in the markets that has led to an increase in the volatility and illiquidity of these markets
- Markets showed some recovery during the second quarter of 2020

# Second quarter of 2020: Back on track

- **Our wealth management model works...**
  - Net inflow of €4.7bn in AuM and savings, of which €0.8bn at Private Banking and €3.8bn at Asset Management
  - Relatively low addition to loan losses, thanks to our low risk profile
  - Continuous deal flow at Corporate Finance/ECM
- **...but the current market circumstances have also had an impact on us**
  - Impact on AuM, due to negative market performance
  - Losses on our structured products activities, driven by high volatility and illiquidity of the markets
  - Losses on our co-investments
- **We're proud of our organisation in the first half of 2020**
  - During the peak of the corona crisis nearly 90% of our colleagues were working from home
  - Continuous support for our clients, with our omni-channel service model showing its added value
  - Successfully completed the migration of our Belgian Private Banking clients and employees to the group structure
- **Strong capital ratios**
  - CET 1 ratio of 24.0%
  - ECB extends recommendation not to pay dividends until January 2021
- **Successful next steps in our growth strategy**
  - Announcement of the acquisition of Hof Hoorneman Bankiers, bringing in €1.9 billion in client assets
  - Concluded our partnership with a.s.r. bank, bringing in €157m AuM at Evi

# Van Lanschot Kempen takes key step in growth strategy by taking over Hof Hoorneman

- Accelerate growth – organically and inorganically is one of our four strategic pillars
- This acquisition is an important step in our growth strategy
  
- The acquisition of Hof Hoorneman adds €1.9bn to our client asset base
- Excellent fit between the service concepts of Van Lanschot Kempen and Hof Hoorneman
- Strong basis for economies of scale and future growth
- Closing of the transaction expected at the end of 2020, followed by integration and migration in 2021
  
- Van Lanschot Kempen has a proven track record of integrating wealth management acquisitions





# H1 2020: Steady overall performance



Net result €9.5m  
(H1 2019: €83.6m,  
H1 2019 normalised\*: €31.4m)

Commission income €148.9m (+5%)  
Interest income €77.0m (-9%)



Operating expenses  
€187.5m (-2%)

Efficiency ratio 93.2%



Client assets €103.4bn (+1%)  
AuM €89.2bn (+2%)

Net inflow in AuM and  
savings €4.7bn



Strong capital ratios  
CET 1 ratio rises to 24.0%

Relatively limited addition to  
loan loss provision of €1.3m (6 bps\*\*)

\*Adjusted for sales of stakes in AIO II and VLC & Partners. Normalised net result is used in the rest of the presentation

\*\*Annualised loan loss provision / average total RWA

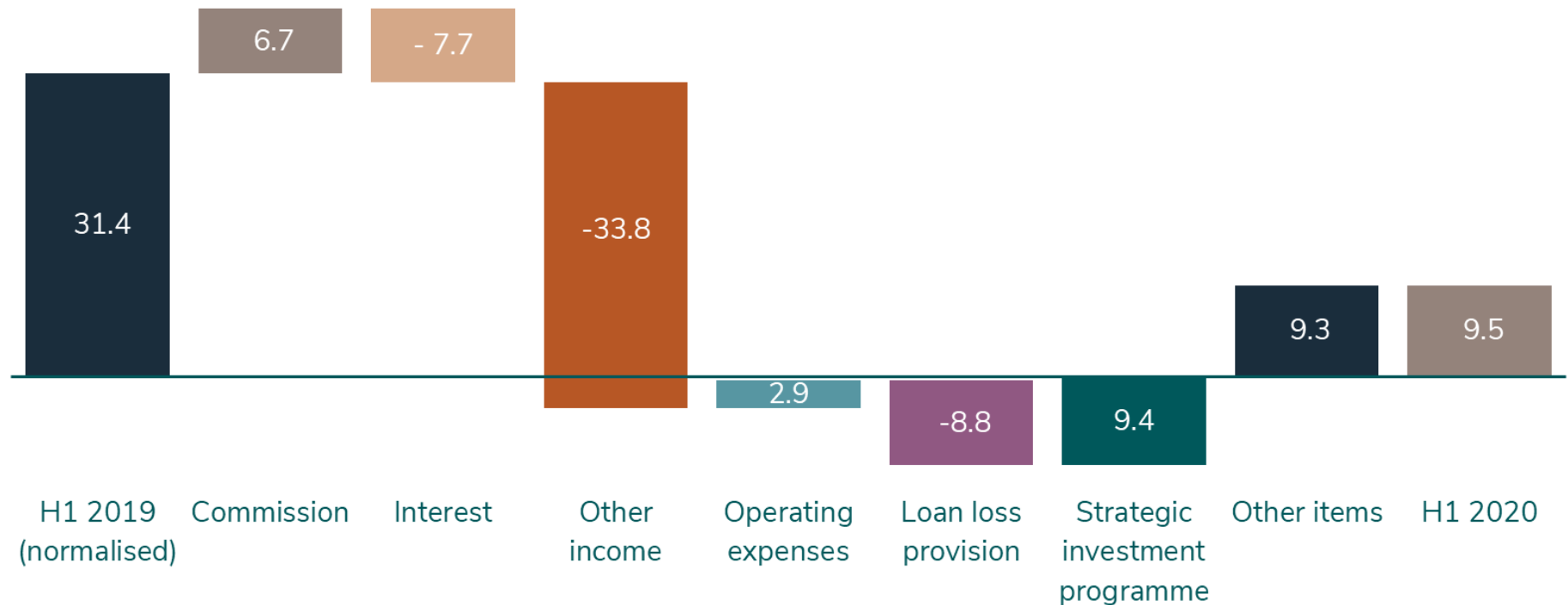
# Overview net result

€ m	H1 2020	H2 2019*	% change	H1 2019*	% change
Commission	148.9	148.2	0%	142.2	5%
Interest	77.0	90.6	-15%	84.7	-9%
Other income	-24.7	16.8		9.1	
<b>Income from operating activities</b>	<b>201.3</b>	<b>255.6</b>	<b>-21%</b>	<b>236.0</b>	<b>-15%</b>
Operating expenses	-187.5	-193.7	-3%	-190.4	-2%
<b>Gross result</b>	<b>13.7</b>	<b>61.9</b>	<b>-78%</b>	<b>45.6</b>	<b>-70%</b>
Loan loss provision	-1.3	4.5		7.5	
Other impairments	-0.2	-34.9	-99%	-0.1	
Operating profit before tax of non-strategic investments	0.7	0.8	-1%	1.0	-25%
<b>Operating profit before special items and tax</b>	<b>13.0</b>	<b>32.3</b>	<b>-60%</b>	<b>54.1</b>	<b>-76%</b>
Strategic investment programme	-	-1.7		-9.4	
Amortisation of intangible assets arising from acquisitions	-3.1	-3.1	0%	-3.1	0%
Restructuring charges	-	-0.3		-2.5	
<b>Operating profit before tax</b>	<b>9.9</b>	<b>27.3</b>	<b>-64%</b>	<b>39.1</b>	<b>-75%</b>
Income tax	-0.4	-13.5	-97%	-7.7	-95%
<b>Net profit</b>	<b>9.5</b>	<b>13.8</b>	<b>-31%</b>	<b>31.4</b>	<b>-70%</b>

\* Adjusted for sales of stakes in AIO II and VLC & Partners

# Net result amounts to €9.5m

## Key drivers of net result € m



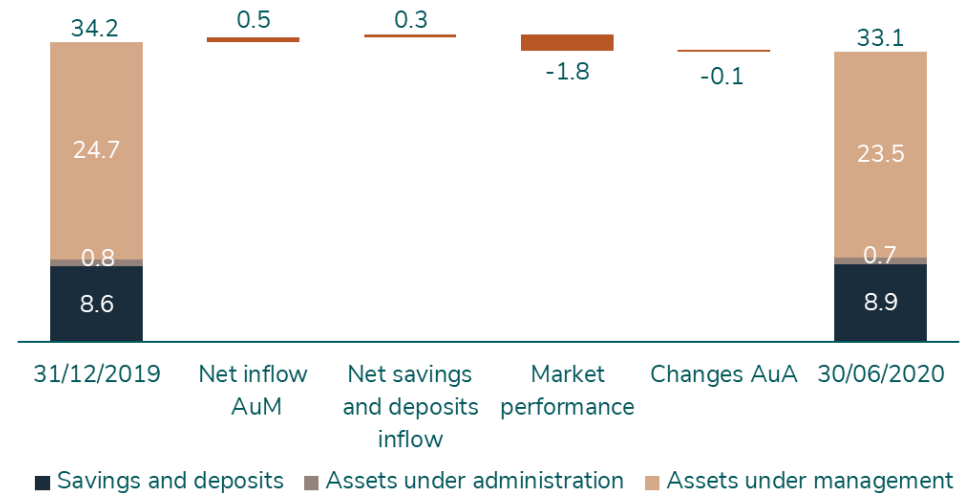
- Result impacted by the losses on structured product activities and co-investments
- Other items includes costs for restructuring charges in H1 2019 (€2.5m) and taxes (€7.3m)

# Private Banking net inflow AuM and savings at €0.8bn

Net result Private Banking  
€ m



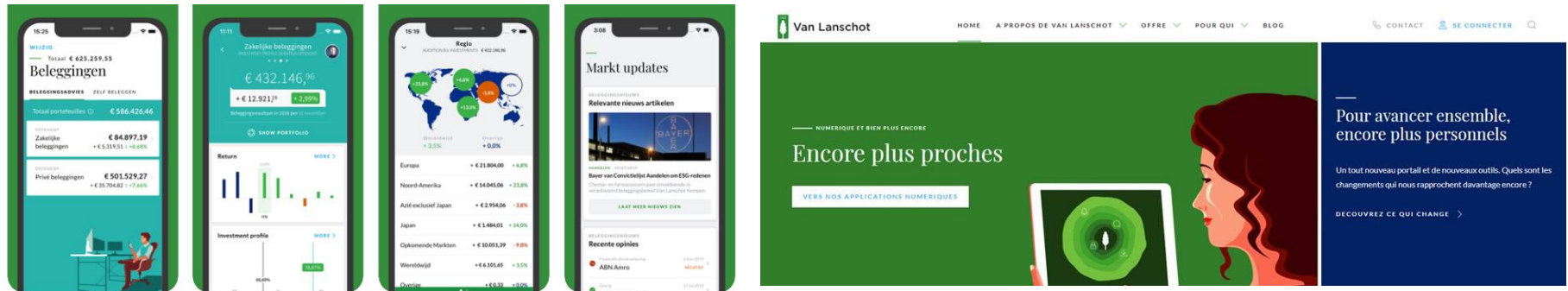
Private Banking client assets\*  
€ bn



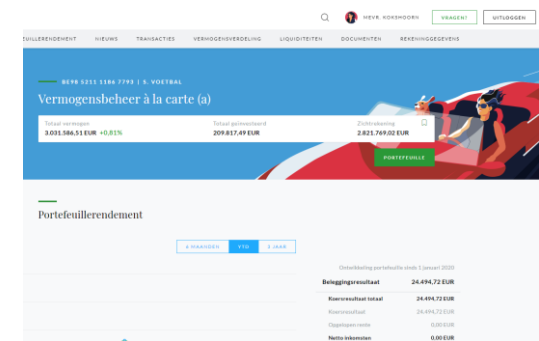
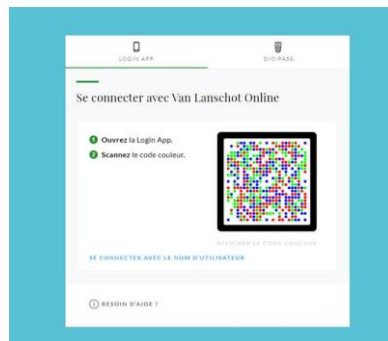
- Client assets decreased to €33.1bn, with negative market performance partly offset by net inflow
- Positive inflow in AuM at €0.5bn (H1 2019: -€0.1bn) shows sentiment among our clients is good
- Net result at €18.3m (H1 2019: €19.8m), driven by higher commission income, lower interest income and a small addition to loan loss provision

\* Reclassification of €0.3bn of savings from Private Banking to Other as per 1/1/2020. The comparative figures have been adjusted accordingly

# Omni-channel service model available for our clients in Belgium

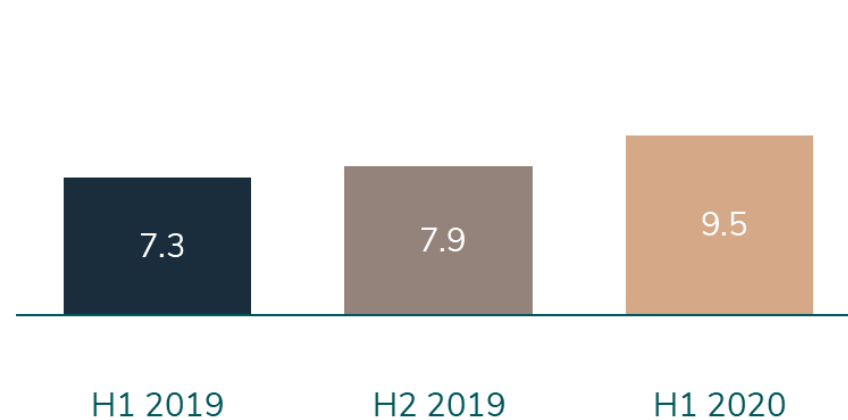


- We have successfully completed our work on phasing out our Belgian IT infrastructure. Private Banking clients and employees were successfully migrated to the group structure
- Our omni-channel service model, including all the digital tools, now available for our clients and employees in Belgium
- Integration of mid- and back-office, with an eye for country specifics – such as tax differences
- Avoiding high IT maintenance costs in the future

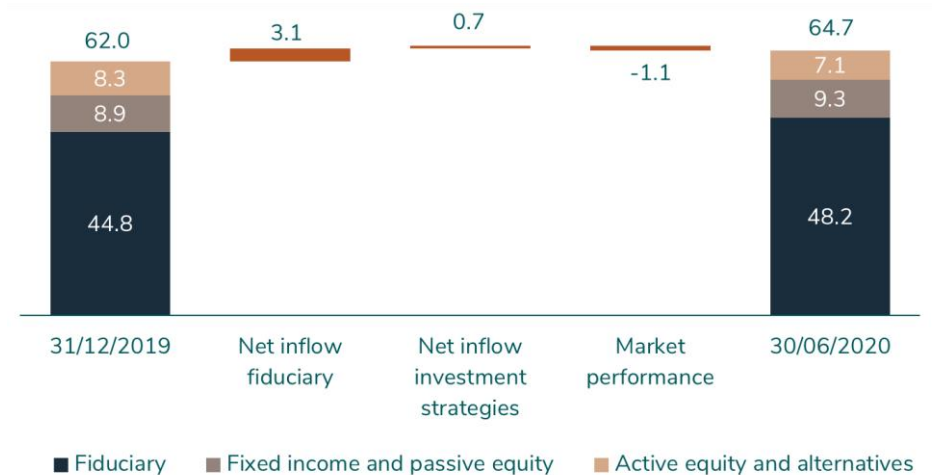


# Net inflow at Asset Management amounted to €3.8bn

Net result Asset Management  
€ m



AuM Asset Management  
€ bn

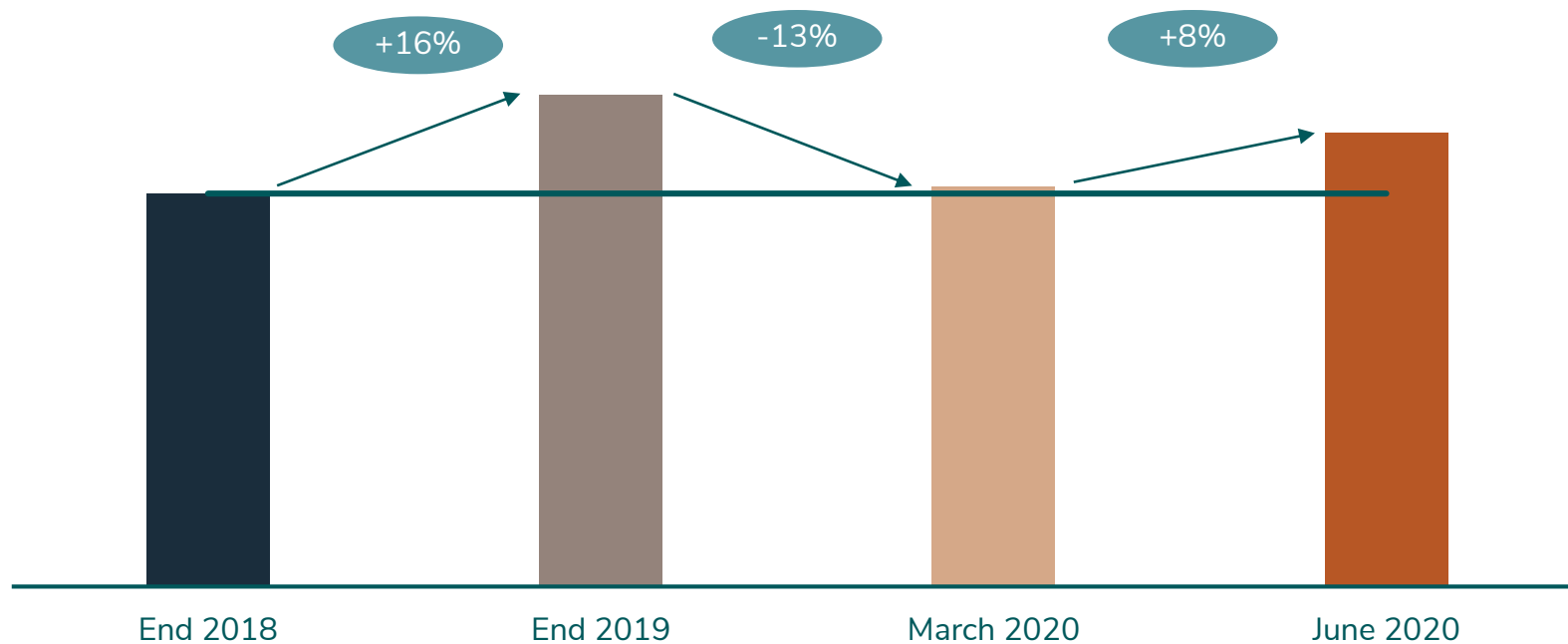


- Net inflow more than compensated for negative market performance in H1 2020
- Inflow in new and existing mandates, both within the Netherlands and the UK
- End of active government bond funds, in line with the strategy to focus more on specific niches
- Net result rose to €9.5m (H1 2019: €7.3m), thanks to higher commission income

\* Reclassification of €0.4bn of AuM from Fiduciary to Active equity and alternatives as per 1/1/2020. The comparative figures have been adjusted accordingly

# Annualised recurring management fees show recovery

## Development annualised recurring management fees



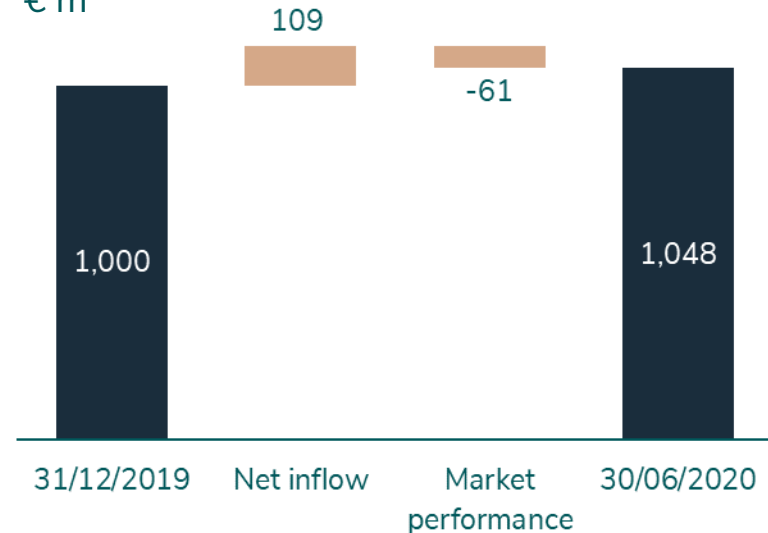
- Private Banking's AuM margin fairly stable, slight decline at Asset Management due to mix effect
- At Private Banking ~60% of AuM consists of equity and at Asset Management ~40%

# Evi's net result improved, client assets increased

Net result Evi  
€ m



Evi's AuM  
€ m



- Client assets grew to €1.6bn (end 2019: €1.5bn)
- Partnership with a.s.r. bank successfully concluded, bringing in €157m in AuM, €51m in savings and 7,000 clients
- Further improvement in net result to -€0.4m (H1 2019: -€1.6m), driven by a lower cost base

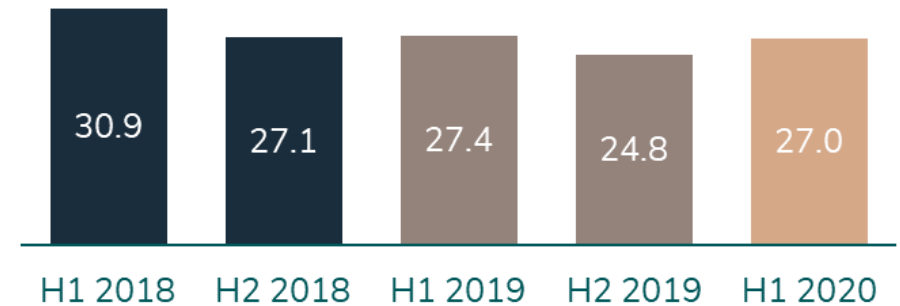


# Good deal flow at Merchant Banking

Net result Merchant Banking  
€ m

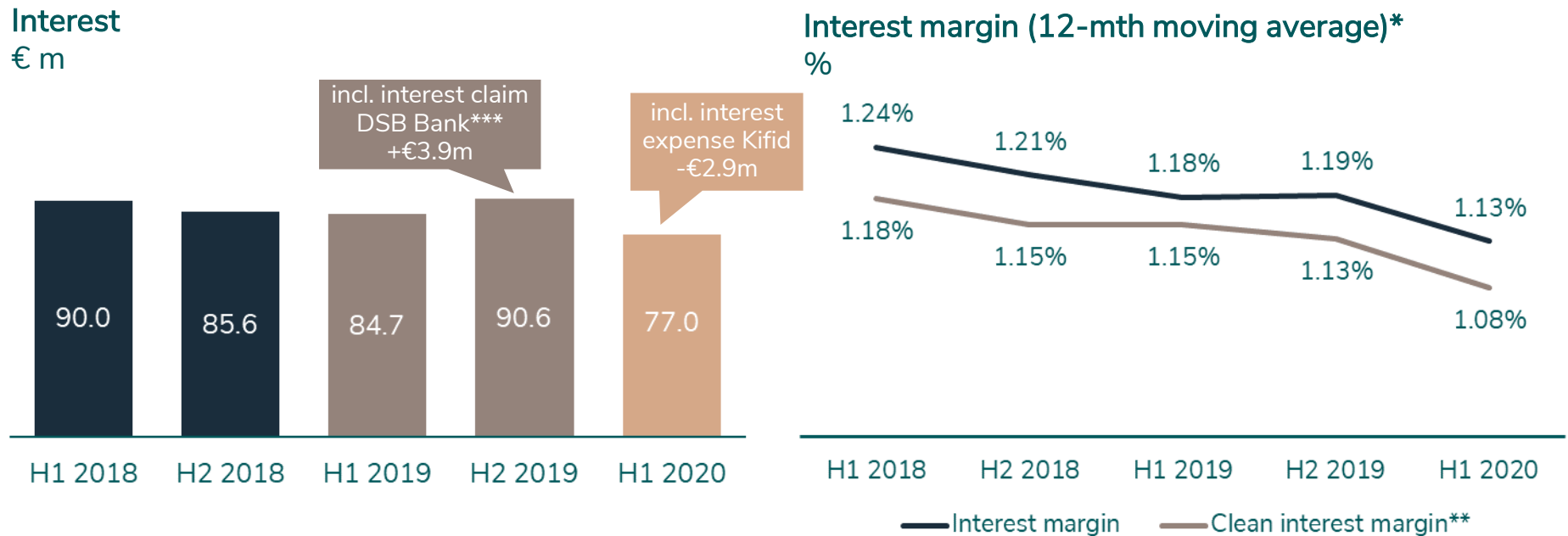


Commission  
€ m



- Involvement in 16 completed deals (M&A, capital market transactions)
- Our focus on the Nordic region is paying off with capital raisings for three companies in the life sciences sector
- Net result amounted to -€16.9m (H1 2019: €3.5m), due to the loss on the structured products activities
- The structured products cater to the need of our Private Banking clients and we will continue to offer these products – we have adjusted our risk appetite for these activities

# Continuous margin pressure due to low interest rate environment



- Continuous margin pressure as a result of low interest rate climate and a smaller corporate banking and Other Private Banking loan portfolio
- Growth in the mortgage portfolio; lower margin
- Charging negative interest rates for larger balances (above €1 million from 1 April)
- TLTRO participation for €400m as per end of June 2020

\* The interest and clean interest margin are calculated excluding the one-off interest claim to be received from DSB NV for H2 2019

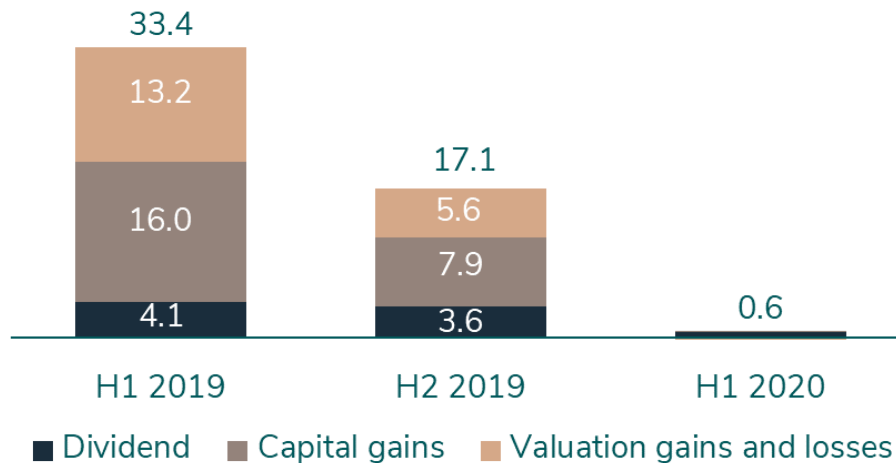
\*\* The clean interest margin equals the gross interest margin adjusted for interest equalisation and interest-related derivatives amortisation

\*\*\* 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 impacted by current exceptional market circumstances

## Income from securities and associates

€ m

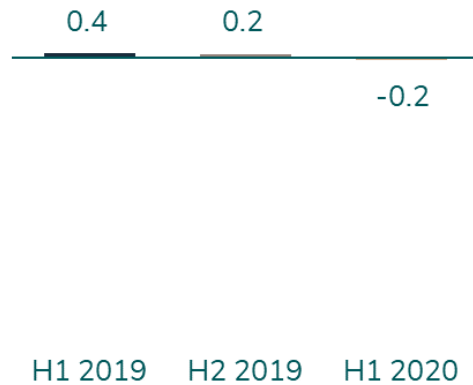


€ m	Book value 31/12/2019	Book value 30/06/2020	Income H1 2020
VLP (minority interests)	41.3	50.6	10.2
Bolster Investments Coöperatief U.A.	19.3	28.1	1.6
Co-investments in own products	117.7	124.2	-11.1
Other equity investments	5.1	3.6	-0.2
<b>Total</b>	<b>183.4</b>	<b>206.4</b>	<b>0.6</b>

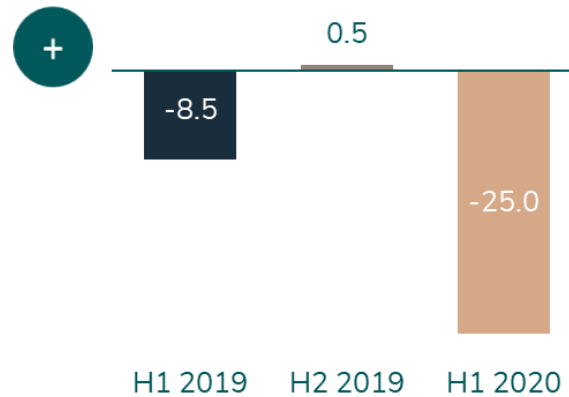
- Total results on co-investments in H1 2020 at a negative €6.5m – combined income from securities and associates of -€11.1m and results on financial transactions (result on the hedges) of +€4.6m
- Steady results in the portfolio with minority equity investments
- In H1 2019, a capital gain was realised on the sale of VLC & Partners (€16.1m)

# Lower result on financial transactions

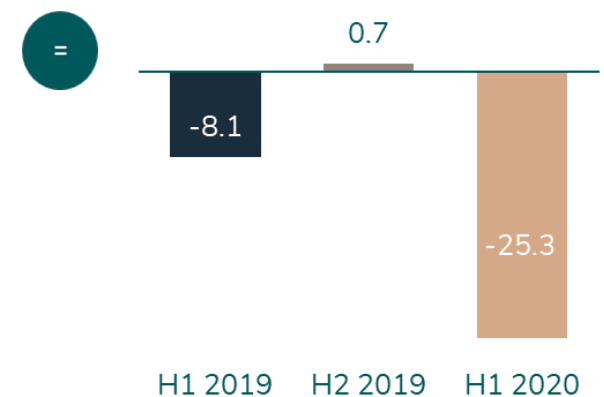
Results on investment portfolio  
€ m



Other results  
€ m



Total result on financial transactions  
€ m



- Result on financial transactions decreased to -€25.3m (H1 2019: -€8.1m), driven by the loss on structured products activities (€27.3m) – see next slide
- Positive result on FX trading of €4.6m

# Result on structured products impacted by exceptional volatility and illiquidity

## Structured products

- Structured products involve using company-issued debt with embedded derivatives linked to equity indices
- The structured products cater to the need of our Private Banking clients, offering an alternative instrument to diversify their portfolios to align risk and return in line with their wishes
- We apply macro hedging with respect to these positions and these hedges are effective under most market conditions

## Results H1 2020

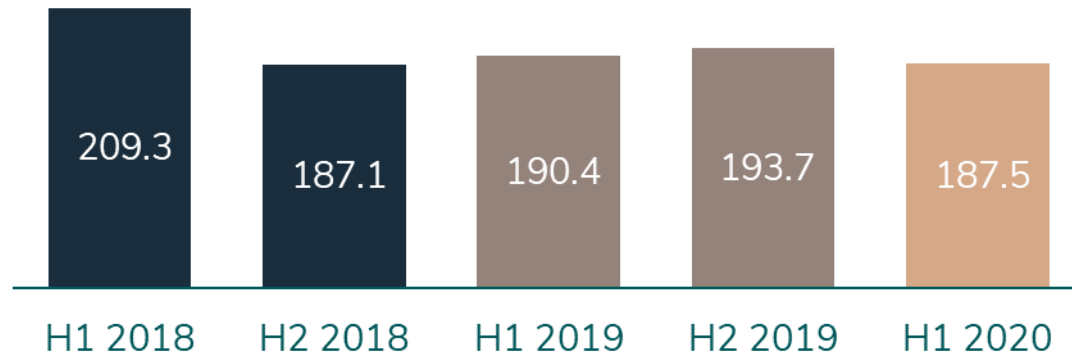
- Market dislocations in March resulted in a breach of the underlying correlations and caused ineffectiveness of the hedge
- In Q1 the closing of the positions resulted in a realised loss of €21.9m and in Q2 the decline in dividend expectations in the market and hedging of our positions resulted in an additional loss of €5.5m

## The future of structured products

- We will continue offering structured products to our Private Banking clients
- We are a wealth manager with a low-risk profile; taking high risks doesn't fit us
- In the second half of 2020, we will decide on the future model for our structured products offering

# Additional cost-saving measures introduced in Q1

Operating expenses  
€ m



- As previously indicated, we expected operating expenses to rise slightly in 2020. However, due to the cost-saving measures in the past six months, we have turned this expected increase into a slight decrease
- Strategic investment programme 2016 – 2019 finalised. Ongoing expenses from 2020 onwards absorbed in regular cost base

# Loan portfolio relatively stable, impaired loans decreased

€ m	Loan portfolio 30/06/2020	Loan portfolio 31/12/2019	% change	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,992	5,885	2%	53	4	0.9%	8%
Other loans	1,785	1,906	-6%	71	36	4.0%	51%
<b>Private Banking loans</b>	<b>7,777</b>	<b>7,791</b>	<b>0%</b>	<b>124</b>	<b>40</b>	<b>1.6%</b>	<b>33%</b>
<b>Corporate Banking loans</b>	<b>246</b>	<b>318</b>	<b>-23%</b>	<b>63</b>	<b>14</b>	<b>25.4%</b>	<b>22%</b>
Mortgages distributed by third parties	520	553	-6%	1	0	0.2%	1%
<b>Total loan portfolio</b>	<b>8,543</b>	<b>8,662</b>	<b>-1%</b>	<b>187</b>	<b>54</b>	<b>2.2%</b>	<b>29%</b>
ECL stages 1 and 2					12		
<b>Total</b>	<b>8,543</b>	<b>8,662</b>	<b>-1%</b>		<b>66</b>		

- Increase in the Private Banking mortgage portfolio, thanks to growth in demand from the target client groups
- Other loans down by 6%, mainly driven by a decrease in current accounts (in particular one large client)
- Corporate banking portfolio decreases by 23%, as the run-off continues
- Total impaired loans decrease to €187m from €234m
- Total impaired ratio improves to 2.2% from 2.7%, thanks to improved credit quality and the continued run-off of the corporate banking portfolio (impaired corporate banking loans: -38%)

# Addition to loan loss provision relatively limited

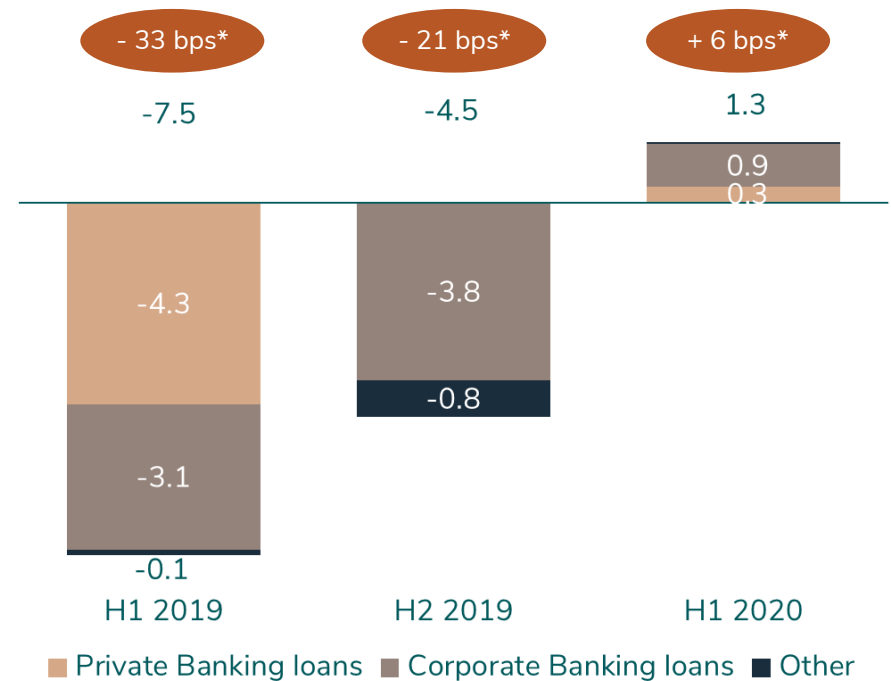
## Loan loss provision per stage

€ m	31/12/2019	30/06/2020	% change
Stage 1	3.7	6.5	78%
Stage 2	5.5	5.4	-3%
Stage 3	54.6	53.9	-1%
Total	63.8	65.8	3%

- Addition to loan loss provisions at stage 1 amounts to €2.5m, driven by the economic outlook including a sharp recession during 2020
- At stage 2, the effect of the economic outlook is offset by a lower nominal value
- Level of loan loss provisions at stage 3 stable
- Very limited exposure to corona-impacted sectors such as leisure, travel, retail and energy

## Additions to loan loss provisions

€ m



\* Annualised loan loss provision / average total RWA



# Continuing strong capital position

## **Strong capital ratios**

- CET 1 ratio increased from 23.8% to 24.0% in H1 2020, with a 2023 target of 15–17%
- Total capital ratio increased from 26.9% to 27.0%

## **Payment of the 2019 dividend postponed**

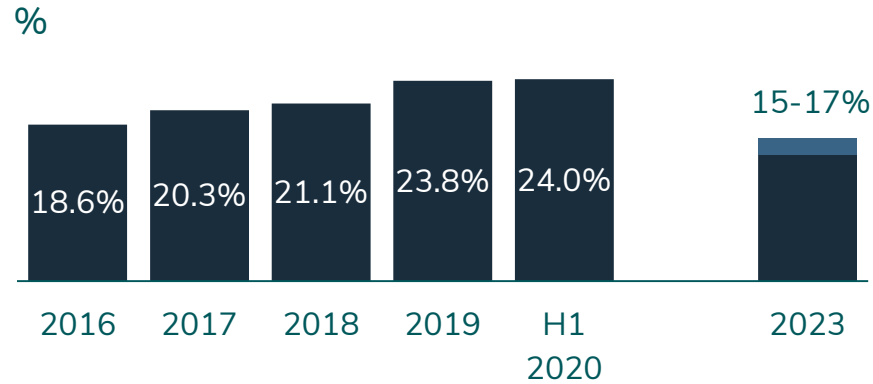
- 2019 dividend is adopted by the general meeting and deducted from our CET 1 ratio
- We reiterate our statement that the 2019 dividend can be paid to our shareholders as soon as circumstances related to Covid-19 allow and as long as we remain in compliance with our stated capital ratio targets
- Payment will not be earlier than January 2021

## **Optimisation of our capital base**

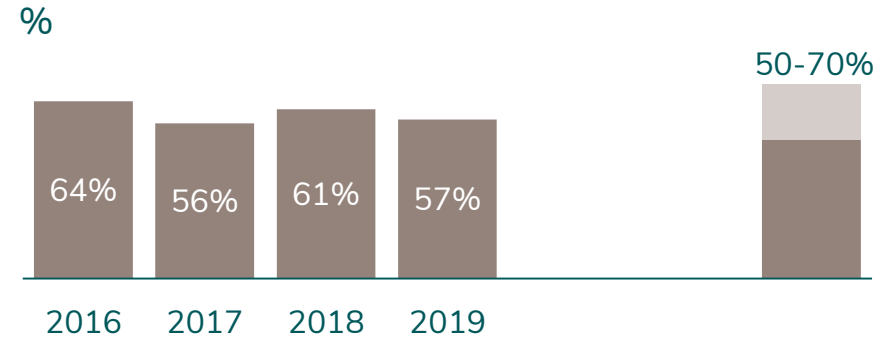
- In the future, we will continue to optimise our capital base while leaving room for possible acquisitions
- If possible, we will also consider paying out excess capital to shareholders, subject to approval by the regulator

# Overview of 2023 group financial targets

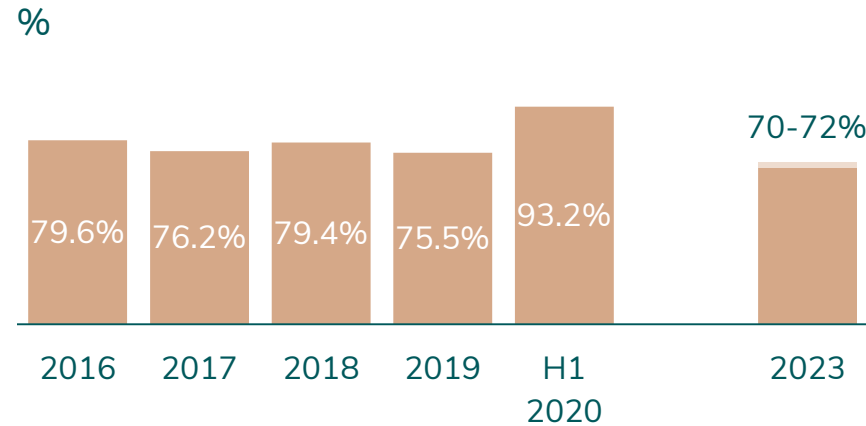
## Common Equity Tier 1 ratio



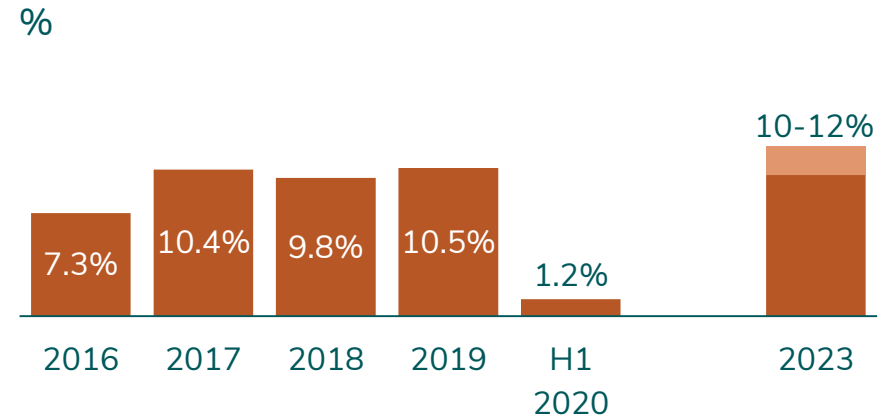
## Dividend pay-out ratio\*



## Efficiency ratio



## Return on Common Equity Tier 1\*



\* Based on (annualised) underlying net result attributable to shareholders

# H1 2020: Steady overall performance



Net result €9.5m  
(H1 2019: €83.6m,  
H1 2019 normalised\*: €31.4m)

Commission income €148.9m (+5%)  
Interest income €77.0m (-9%)



Operating expenses  
€187.5m (-2%)

Efficiency ratio 93.2%



Client assets €103.4bn (+1%)  
AuM €89.2bn (+2%)

Net inflow in AuM and  
savings €4.7bn



Strong capital ratios  
CET 1 ratio rises to 24.0%

Relatively limited addition to  
loan loss provision of €1.3m (6 bps\*\*)

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\*\*Annualised loan loss provision / average total RWA

# Appendix



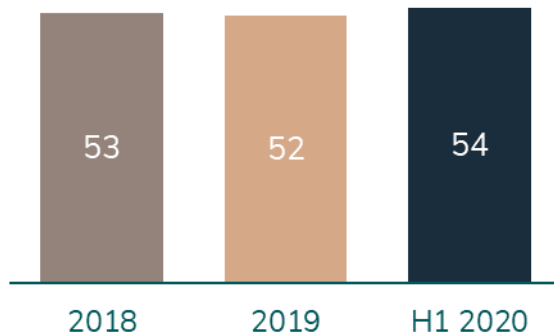
VAN LANSCHOT  
KEMPEN

# Key figures H1 2020 by segment

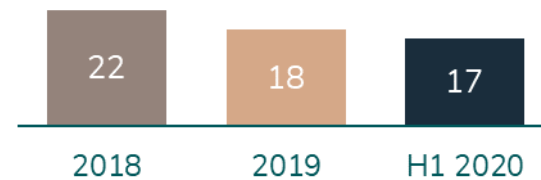
€ m	Private Banking	Evi	Asset Management	Merchant Banking	Other	Total
Commission income	66.4	2.4	52.1	27.0	1.0	148.9
Interest income	69.5	1.5	0.1	-0.0	6.1	77.0
Other income	0.6	-	-0.3	-27.2	2.2	-24.7
<b>Income from operating activities</b>	<b>136.4</b>	<b>3.9</b>	<b>51.9</b>	<b>-0.3</b>	<b>9.3</b>	<b>201.3</b>
Operating expenses	-108.2	-4.3	-38.8	-22.3	-13.9	-187.5
<b>Gross result</b>	<b>28.2</b>	<b>-0.5</b>	<b>13.1</b>	<b>-22.6</b>	<b>-4.5</b>	<b>13.7</b>
Impairments	-1.2	-0.0	-	-	-0.3	-1.5
Operating profit before tax of non-strategic investments	-	-	-	-	0.7	0.7
<b>Operating profit before one-off charges and tax</b>	<b>27.0</b>	<b>-0.5</b>	<b>13.1</b>	<b>-22.6</b>	<b>-4.1</b>	<b>13.0</b>
Amortisation of intangible assets arising from acquisitions	-2.3	-	-0.4	-	-0.4	-3.1
<b>Operating profit before tax</b>	<b>24.6</b>	<b>-0.5</b>	<b>12.7</b>	<b>-22.6</b>	<b>-4.4</b>	<b>9.9</b>
Income tax	-6.4	0.1	-3.2	5.6	3.4	-0.4
<b>Net profit</b>	<b>18.3</b>	<b>-0.4</b>	<b>9.5</b>	<b>-16.9</b>	<b>-1.0</b>	<b>9.5</b>

# 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



# 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

# KPI table

- KPI more than achieved
- KPI achieved
- KPI almost achieved
- KPI not achieved
- KPI far from achieved

Theme	KPI	Target	2020	Score H1 2020	Score 2019
<b>Financial and risk management</b>	1. CET 1 ratio	15-17%	<span style="color: green;">●</span>	24.0%	23.8%
	2. Return on equity (CET 1)	10-12%	<span style="color: red;">●</span>	1.2%	10.5%
	3. Efficiency ratio	70-72%	<span style="color: red;">●</span>	93.2%	75.5%
<b>Client-centricity</b>	4. Net Promotor Score (NPS):				
	a. Private Banking	10	<span style="color: green;">●</span>	22	23
	b. Evi	10	<span style="color: lightgreen;">●</span>	6	10
	c. Asset Management	20	<span style="color: green;">●</span>	n/a*	31
	5. Merchant Banking: number of successful transactions with repeat Corporate Finance clients (five-year period)	60-70%	<span style="color: yellow;">●</span>	59%	n/a
	6. Merchant Banking: bundled commission paid by repeat Securities clients	> 80%	<span style="color: green;">●</span>	94%	n/a
	7. Asset Management: average Morningstar rating of investment strategies (institutional share class)	> 3.5	<span style="color: lightgreen;">●</span>	3.5	3.9
	8. Three-year relative performance of discretionary management mandates				
a. Private Banking	> benchmark	<span style="color: orange;">●</span>	-1.6%	-0.4%	
b. Evi	> benchmark	<span style="color: red;">●</span>	-2.1%	-0.9%	
<b>Ethics and integrity</b>	9. Percentage of employees who positively evaluate our culture regarding ethical behaviour and integrity	> industry average	<span style="color: lightgreen;">●</span>	88%	77%
<b>Sustainability</b>	10. Private Banking sustainability ambition AuM invested in sustainable and/or impact investment wealth management solutions	last year + 10%	<span style="color: lightgreen;">●</span>	(S) €2,265m (I): €23.6m +€243m	(S): €2,026m (I): €20m +€728m
	11. Asset Management sustainability ambition				
	a. Percentage of internal and external fund managers on the approved list that meet the sustainability criteria	> last year	<span style="color: white;">○</span>	65%	n/a
	b. Engagement cases with companies that our funds invest in per year	80-100 cases	<span style="color: green;">●</span>	68 cases	84 cases
	c. Engagement for change trajectories for which at least one milestone has been reached in the past year	10-15 trajectories	<span style="color: white;">○</span>	n/a**	n/a
	12. Decrease in carbon emissions				
a. Direct emissions of our own organisation	- 2.5%/FTE per year	<span style="color: green;">●</span>	n/a**	-5.6%	
b. Indirect emissions via our balance sheet (mortgage portfolio)	CO <sub>2</sub> /EUR < last year	<span style="color: lightgreen;">●</span>	n/a**	-2.0%	
<b>Employees</b>	13. Employee engagement score	> 80%	<span style="color: lightgreen;">●</span>	n/a*	82%
	14. Employer Net Promotor Score (eNPS)*	> 10	<span style="color: yellow;">●</span>	4	n/a
	15. Gender balance in management positions	> 30% female and > 30% male	<span style="color: orange;">●</span>	20% female 80% male	21% female 79% male
	16. Percentage of total number of training courses followed to develop new skills in order to adapt the workforce (e.g. technical, digital, adaptability)	> 25%	<span style="color: red;">●</span>	6%	n/a

\*Measured once every two years, score for 2019

\*\*Only measured at year-end



# Disclaimer

## **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, (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 are only valid on the specific dates on which they are expressed, and accepts no responsibility or obligation to revise or update any information, whether as a result of new information or for any other reason.

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

The financial data in this document have not been audited. The external independent auditor has issued a review report with respect to the half-year results contained in this Van Lanschot Kempen Performance report half-year results 2020. Small differences in tables may be the result of rounding. Percentages are calculated based on unrounded figures.

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