

## PRESS RELEASE *Amsterdam/'s-Hertogenbosch, the Netherlands, 7 May 2020*

### Van Lanschot Kempenn trading update: first quarter of 2020

- The unprecedented impact of Covid-19 on the world's economies, financial markets and society at large has also affected our performance
- The underlying activities of primarily Private Banking and Asset Management are making good progress
- A series of incidental items related to the market volatility has resulted in net losses of €10.5 million
- Net AuM inflows of €1.8 billion underpins the success of our integrated wealth management model
- Limited credit exposure makes for low levels of provisioning
- Liquidity and solvency remain very robust at an LCR of 151.6% and a CET 1 ratio of 22.8%

Van Lanschot Kempenn today published its trading update for the first quarter of 2020. Please note that due to the exceptional circumstances, additional financial information has been provided.

Constant Korthout, Chief Financial & Risk Officer, said: "The world is facing the substantial challenge of addressing the issues related to the coronavirus crisis. Current circumstances are extraordinary, with nearly 90% of our staff working from home. The pandemic has had an impact on our clients as well. We are very aware that these are times when we can make a difference by being there for our clients and by providing tailored and client-specific assistance, particularly with respect to our private banking clients. Needless to say, we are very grateful to our clients for their trust, as evidenced by the inflows recorded at Private Banking and Asset Management.

"Regrettably, we have to report a loss for this first quarter; the outcome of a very volatile market leading to a number of incidental items. As part of our 2013 strategic reorientation, we have been able to materially re-risk our balance sheet. Consequently, our credit exposure is limited, largely consisting of Dutch residential mortgages. As such, this has allowed us to maintain low levels of provisioning.

"Client assets and assets under management (AuM) have declined during the quarter – from €102.0 billion to €94.5 billion and from €87.7 billion to €80.6 billion respectively. The net inflows of €1.8 billion were not sufficient to offset the negative market impact. Savings and deposits were unchanged at €9.5 billion while the overall loan portfolio was marginally higher at €8.8 billion.

"Our capital and liquidity ratios have remained robust.

"First-quarter costs developed in line with the guidance given earlier. We have also proactively initiated a series of additional cost saving measures. With these measures and in normal market conditions, we expect the year to end on a positive note."

## First quarter results

The first quarter of 2020 ended with a loss of €10.5 million after tax. The reported loss is driven by two specific items – structured products and investments in own funds. Both were materially impacted by the current market circumstances.

As mentioned above, exceptional volatility and illiquidity in certain segments of the financial markets have led to pre-tax losses of €21.9 million in our structured product portfolio. We offer structured products to our clients at Private Banking as part of our overall wealth management proposition – as an alternative investment product to help diversify their investment portfolios, with risks and returns tailored to the requirements of the client. The activities related to structured products in terms of structuring, hedging and the inherent risk are carried out by Merchant Banking. In essence, this involves using company-issued debt with embedded derivatives linked to equity indices. The extreme volatility and illiquidity of the markets in March made it impossible to make timely adjustments to these hedges, causing losses to mount. In normal market conditions, this portfolio does not typically show any major swings.

Van Lanschot Kempfen's exposure to its own funds also generated a loss of €10.7 million before tax. These positions are retained to ensure that we co-invest with our clients and to provide seed capital to start-up investment funds. Results on these exposures to own funds are expected to improve as markets recover.

The operational performance of the firm across the various activities of Private Banking, Asset Management and Merchant Banking was reasonably good.

Commission income was up 15% on the first quarter of 2019. Interest income was under persistent pressure and affected by a one-time €2.9 million charge at Private Banking, following a ruling by Kifid (the Dutch Financial Services Complaints Institute) in the quarter. As mentioned earlier, our credit exposure remains modest. However, deterioration in market conditions and the related IFRS requirements meant that loan loss provisions of €2.4 million were booked for the quarter. Please note that as part of the strategic reorientation, we have successfully run down our Corporate Banking activities; consequently a large proportion of the loan portfolio comprises mortgage loans in the Netherlands.

Notwithstanding the market circumstances, we are happy to report a net inflow of €0.5 billion in AuM at Private Banking. We believe that this is a direct consequence of all the initiatives and the work over the last few years in terms of client coverage – ranging from omni-channel to a very tailored approach for our clients in terms of investment propositions and other needs. We have also been able to successfully use many aspects of the digital and data-driven world to improve the quality of service. We believe in marrying technology with a very people-centric approach, and this approach has stood us and our clients well in these trying times. On a separate note, the collaborative agreement with a.s.r. bank that we had announced earlier is now successfully concluded and some 6,600 former a.s.r. bank clients have opted to join Evi, bringing over €150 million in AuM.

We have also had a reasonably good quarter in our Asset Management activities. Inflows of €1.4 billion were recorded during the quarter. Our performance was recognised at the annual Morningstar Awards

event – for the Best Fund House Overall category, for Best Fund House: Fixed Income, and in the Dutch Equities category for the Kempen Orange Fund. In the Fixed Income category, our Kempen Euro Credit Plus Fund won an award from *De Tijd* and *L'Echo*.

At Merchant Banking, Corporate Finance had a good quarter and was involved in a number of significant transactions, including five public acquisitions in three different countries. The team also advised ADO Properties in its bid for Adler Real Estate in Germany and acted as adviser to Terrapay for its sale and capital increase.

In the area of sustainability, Van Lanschot Kempfen made further strides by achieving solid results with its engagements, as described in the Kempen Annual Stewardship and Responsible Investment Report 2019 and by the publication of its research report on the renewable energy sector.

### **Strong capital position**

At the end of the first quarter 2020, our CET 1 ratio stood at 22.8%, significantly above our own stated capital target ratio of 15-17%. Compared with the midpoint of this target range, the excess capital amounts to €290 million at this point. On 17 March 2020, De Nederlandsche Bank (DNB) announced that the introduction of a threshold for risk weightings of mortgage loans – previously scheduled for the autumn of 2020 – will be postponed, for as long as it deems necessary. Consequently, Van Lanschot Kempfen will likewise postpone its c.300 basis point reduction in the capital ratio that had been announced in response to the DNB-imposed measure.

### **Dividend 2019**

As previously announced, Van Lanschot Kempfen will postpone the payment of 2019 dividend. Payment will not be earlier than 1 October 2020. Please note that payment is conditional upon being in compliance with our capital ratio targets and as circumstances allow – such as the uncertainties over the coronavirus (Covid-19) – in the opinion of the Statutory and Supervisory Boards. This decision is in response to the advice from the European Central Bank (ECB) and DNB. The dividend proposal, however, will be presented to the shareholders for approval during the annual general meeting on 28 May 2020.

## Key figures<sup>i</sup>

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.

€ billion	31/3/2020	31/12/2019	
<b>Client assets</b>	94.5	102.0	-7%
- Assets under management	80.6	87.7	-8%
- Assets under monitoring & guidance	3.2	3.1	2%
- Assets under administration	1.2	1.6	-23%
- Savings and deposits	9.5	9.5	-1%
AuM inflows	1.8	-0.3	-
Loans and advances to clients	8.8	8.6	3%
Funding ratio (%)	107.3	111.0	
Common Equity Tier I ratio (fully loaded) (%)	22.8	23.8	
LCR (%)	151.6	156.9	
NSFR (%)	151.4	154.4	

€ m	Q1-2020	Q1-2019	
Commission	78.3	68.3	15%
- Of which securities commissions	64.3	58.1	11%
- Of which other commissions	14.0	10.2	37%
Interest	37.0	43.5	-15%
Other income	-26.9	8.4	-
<b>Income from operating activities</b>	<b>88.3</b>	<b>120.2</b>	<b>-27%</b>
<b>Operating expenses</b>	<b>99.3</b>	<b>95.9</b>	<b>4%</b>
<b>Gross result</b>	<b>-10.9</b>	<b>24.4</b>	<b>-</b>
Addition to loan loss provision	2.4	-0.4	-
Other impairments	0.2	-0.7	-
<b>Impairments</b>	<b>2.6</b>	<b>-1.1</b>	<b>-</b>
Operating profit before tax of non-strategic investments	0.4	0.2	74%
<b>Operating profit before special items and tax</b>	<b>-13.2</b>	<b>25.6</b>	<b>-</b>
Strategic investment programme	-	5.4	-
Amortisation of intangible assets arising from acquisitions	1.6	1.6	0%
<b>Operating profit before tax</b>	<b>-14.7</b>	<b>18.6</b>	<b>-</b>
Income tax	-4.3	3.3	-
<b>Net result</b>	<b>-10.5</b>	<b>15.3</b>	<b>-</b>
Efficiency ratio (%)	112.4	79.7	

<sup>i</sup> 2019 adjusted for sales of stakes in AIO II and VLC & Partners.

<i>Q1-2020 (€ million)</i>	Private Banking	Evi	Asset Management	Merchant Banking	Other	Total
Commission	35.0	1.1	26.6	15.1	0.4	78.3
Interest	32.9	0.8	0.0	-0.0	3.3	37.0
Other income	0.3	-	-0.3	-23.2	-3.8	-26.9
<b>Income from operating activities</b>	<b>68.2</b>	<b>1.9</b>	<b>26.4</b>	<b>-8.1</b>	<b>-0.1</b>	<b>88.3</b>
<b>Operating expenses</b>	<b>54.8</b>	<b>2.2</b>	<b>19.1</b>	<b>11.3</b>	<b>11.9</b>	<b>99.3</b>
<b>Gross result</b>	<b>13.5</b>	<b>-0.3</b>	<b>7.3</b>	<b>-19.4</b>	<b>-12.0</b>	<b>-10.9</b>
Impairments	2.1	-	-	-	0.5	2.6
Operating profit before tax of NSIs	-	-	-	-	0.4	0.4
<b>Operating profit before one-off charges and tax</b>	<b>11.4</b>	<b>-0.3</b>	<b>7.3</b>	<b>-19.4</b>	<b>-12.2</b>	<b>-13.2</b>
Amortisation of intangible assets arising from acquisitions	1.2	-	0.2	-	0.2	1.6
<b>Operating profit before tax</b>	<b>10.2</b>	<b>-0.3</b>	<b>7.1</b>	<b>-19.4</b>	<b>-12.3</b>	<b>-14.7</b>
Income tax	2.7	-0.1	1.8	-4.8	-3.8	-4.3
<b>Net result</b>	<b>7.5</b>	<b>-0.2</b>	<b>5.3</b>	<b>-14.5</b>	<b>-8.6</b>	<b>-10.5</b>

<i>Q1-2019 (€ million)</i>	Private Banking	Evi	Asset Management	Merchant Banking	Other	Total
Commission	30.6	1.3	24.0	11.9	0.5	68.3
Interest	39.6	0.7	0.0	0.0	3.2	43.5
Other income	0.3	-	0.2	1.4	6.4	8.4
<b>Income from operating activities</b>	<b>70.6</b>	<b>2.1</b>	<b>24.2</b>	<b>13.3</b>	<b>10.1</b>	<b>120.2</b>
<b>Operating expenses</b>	<b>53.9</b>	<b>3.1</b>	<b>19.5</b>	<b>10.2</b>	<b>9.3</b>	<b>95.9</b>
<b>Gross result</b>	<b>16.7</b>	<b>-1.0</b>	<b>4.7</b>	<b>3.1</b>	<b>0.8</b>	<b>24.4</b>
Impairments	-0.4	-	-	-	-0.7	-1.1
Operating profit before tax of NSIs	-	-	-	-	0.2	0.2
<b>Operating profit before one-off charges and tax</b>	<b>17.1</b>	<b>-1.0</b>	<b>4.7</b>	<b>3.1</b>	<b>1.7</b>	<b>25.6</b>
Strategic investment programme	5.4	-	-	-	-	5.4
Amortisation of intangible assets arising from acquisitions	1.2	-	0.2	-	0.2	1.6
<b>Operating profit before tax</b>	<b>10.5</b>	<b>-1.0</b>	<b>4.5</b>	<b>3.1</b>	<b>1.5</b>	<b>18.6</b>
Income tax	2.7	-0.3	1.3	0.8	-1.3	3.3
<b>Net result</b>	<b>7.8</b>	<b>-0.7</b>	<b>3.2</b>	<b>2.3</b>	<b>2.7</b>	<b>15.3</b>

## PRESENTATION/WEBCAST

In view of the current circumstances, we will discuss our Q1 2020 results in a conference call to be held on 7 May at 9:00 am. This may be viewed live at [www.vanlanschotkempen.com/results](http://www.vanlanschotkempen.com/results) and played back at a later date.

## ADDITIONAL INFORMATION

For additional information, go to [www.vanlanschotkempen.com/financial](http://www.vanlanschotkempen.com/financial)

## FINANCIAL CALENDAR

28 May 2020	Annual general meeting
26 August 2020	Publication of 2020 half-year 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, in a sustainable way, for its clients. Van Lanschot Kempen, listed at Euronext Amsterdam, is the Netherlands' oldest independent financial institution with a history dating back to 1737.

For more information, please visit [vanlanschotkempen.com](http://vanlanschotkempen.com)

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The financial data in this press release have not been audited, unless specifically stated otherwise. Small differences are possible in the tables due to rounding.

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