

# Van Lanschot NV

## 2013 half-year results



Van Lanschot

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# 2013 half-year results

## Highlights



### Profit recovery

#### **Net profit € 33.7 million**

- Underlying net profit € 37.7 million
- Commission income +10%
- Operating expenses -7%
- Loan loss provisioning stable

### Strong capital and liquidity

#### **Core Tier I ratio grows to 12.5%**

- Leverage ratio 7.5%
- Well diversified funding profile: funding ratio 77.5%, supplemented by successful wholesale market transactions

### Client assets

#### **Client assets € 51.3 billion**

- Net inflow of discretionary mandates in Private Banking and Asset Management
- Discretionary mandates comprise 38% of Private Banking assets under management
- Decline of savings and deposits due to loan repayments, lower deposit rates and a shift to investment products

# 2013 half-year results

## Key figures



<i>€ million</i>	<b>H1 2013</b>	<b>H2 2012</b>	<b>H1 2012</b>
Interest	109.6	109.2	127.3
Securities commission	94.9	84.5	82.5
Other commission	24.6	24.0	25.8
Other income	48.3	39.5	32.5
<b>Income from operating activities</b>	<b>277.4</b>	<b>257.2</b>	<b>268.1</b>
Operating expenses	187.2	196.1	201.2
Non-recurring charges	6.1	35.4	10.7
<b>Gross result</b>	<b>84.1</b>	<b>25.8</b>	<b>56.2</b>
Addition to loan loss provision	41.5	73.4	41.8
Other impairments	5.0	115.8	4.4
<b>Operating profit before tax</b>	<b>37.6</b>	<b>-163.5</b>	<b>10.0</b>
Operating profit before tax of non-strategic investments	0.2	-12.8	0.8
Tax	4.1	-18.5	0.4
<b>Net profit</b>	<b>33.7</b>	<b>-157.8</b>	<b>10.5</b>
<b>Underlying net profit</b>	<b>37.7</b>	<b>-8.5</b>	<b>19.6</b>
Efficiency ratio (%)	67.5	76.2	75.0

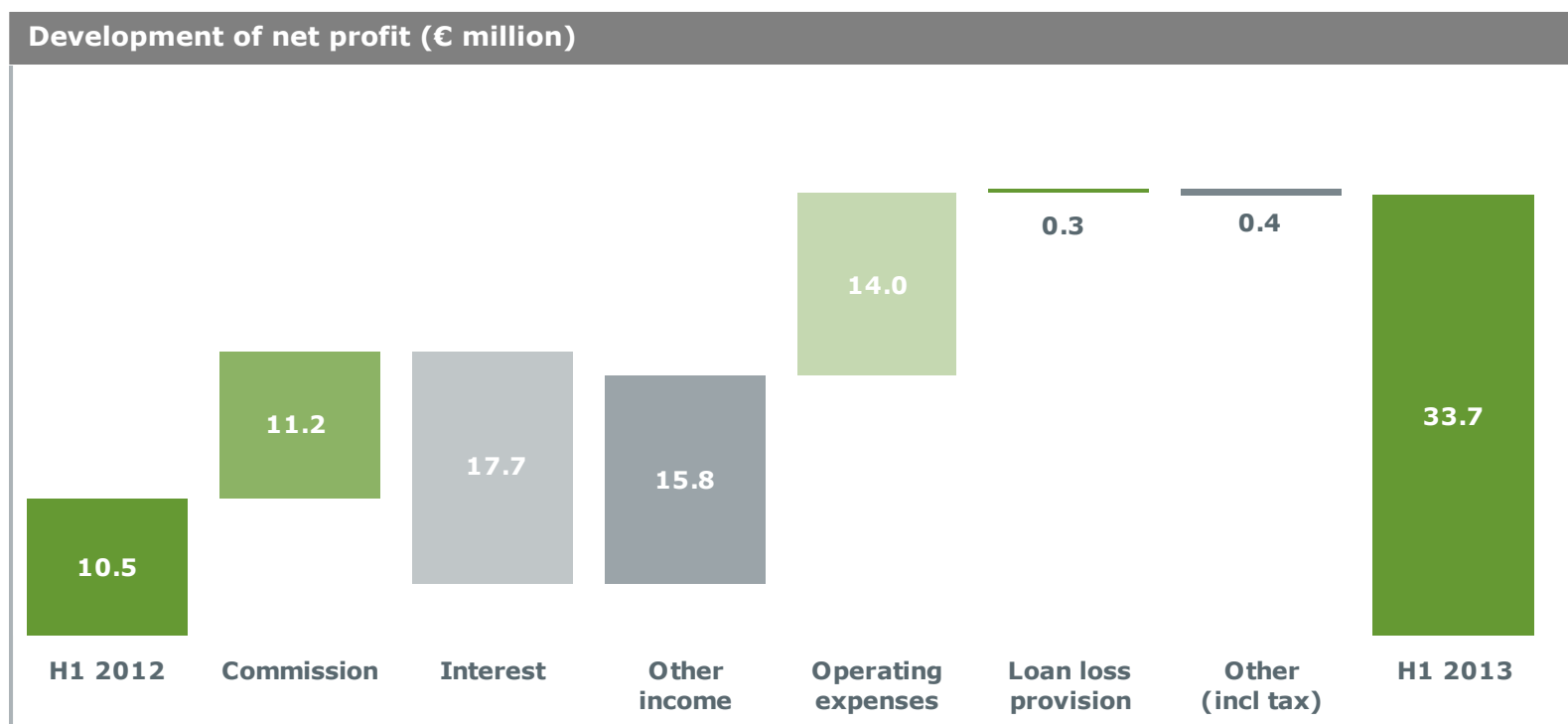
# Profit recovery

Mainly thanks to higher commission income and cost savings



## Net profit up at € 33.7 million (H1 2012: € 10.5 million)

- Underlying net profit before non-recurring charges € 37.7 million
- Commission income +10% to € 119.5 million
- Interest -14% to € 109.6 million, but in line with H2 2012
- Costs -7% to € 187.2 million
- Addition to loan loss provision stable at € 41.5 million



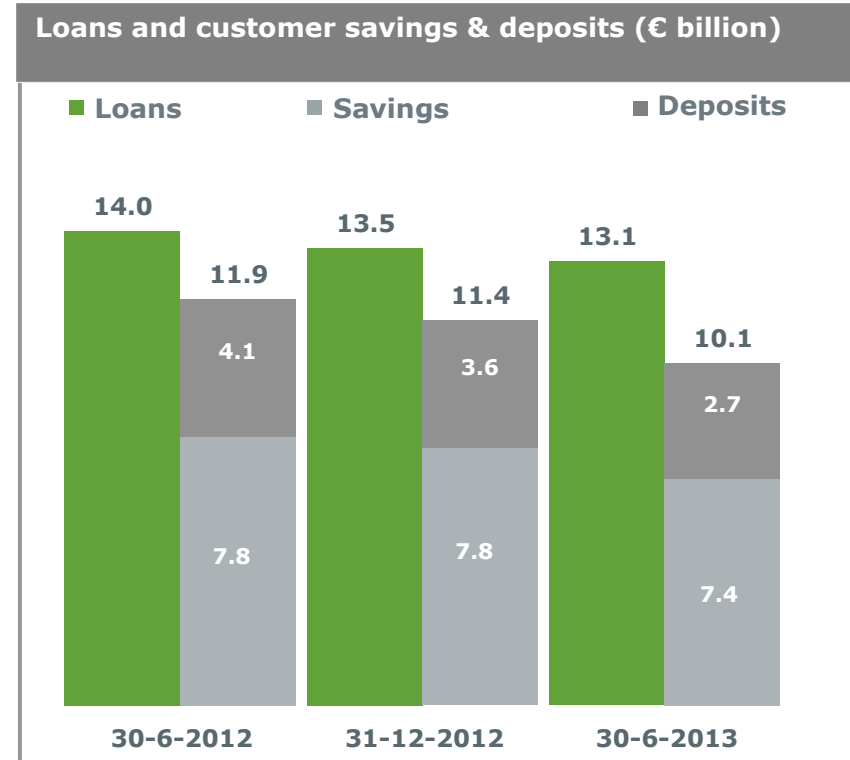
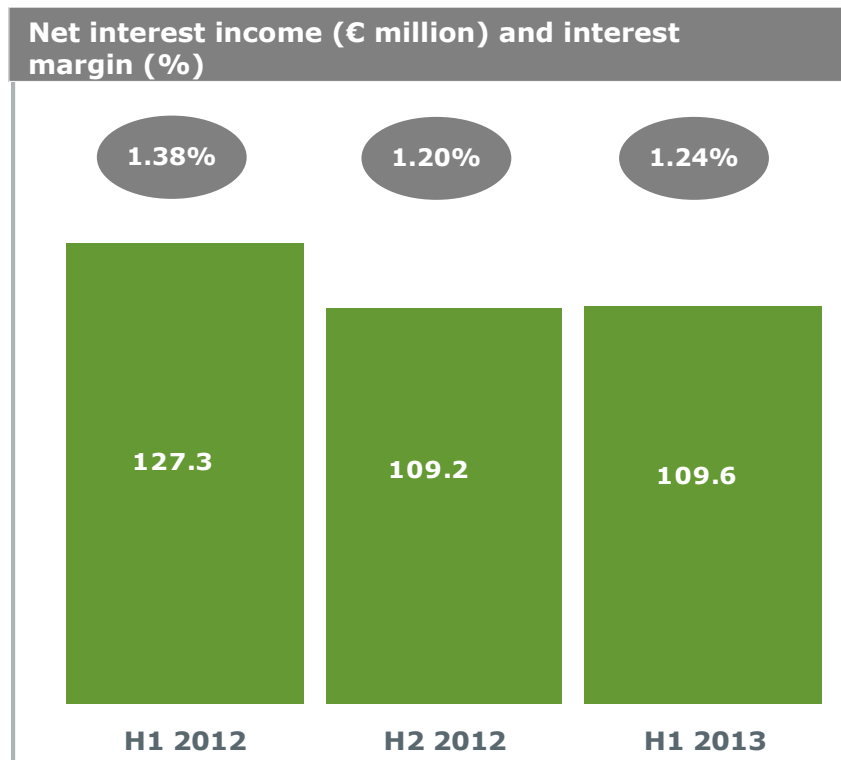
# Interest

Slight increase in interest margin to 1.24%



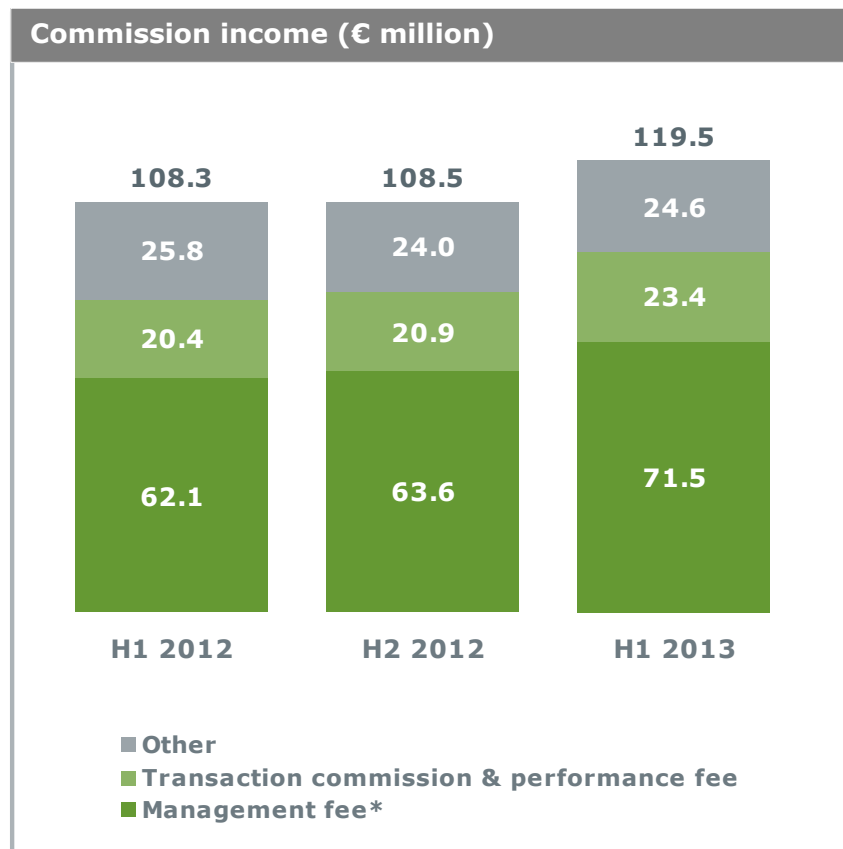
## Interest result € 109.6 million

- Declining loan volumes due to continuing deleveraging by clients
- Lower interest expenses due to lower deposit volumes and deposit rates; premium deposit not extended on maturity in H1 2013
- Impact of yield curve on both loan and savings rates
- The bank chooses not to be a price leader in the savings market



# Higher commission income

At Private Banking, Asset Management and Merchant Banking



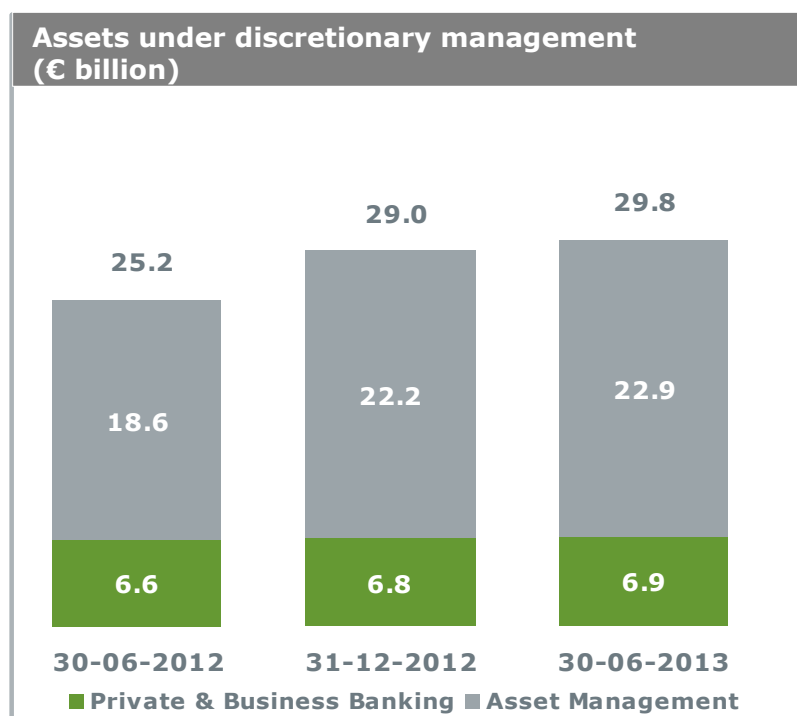
## Total commission income +10% to € 119.5 million

- Growth in assets under management at Private Banking and Asset Management led to higher securities commission of € 94.9 million
- Higher recurring commission thanks to successful strategy aimed at attracting discretionary mandates
- Other commission € 24.6 million
  - Merchant Banking involved in several successful deals in H1 2013: corporate finance commission € 11.8 million

\*Management fee includes portfolio commission and custody fee

# Higher securities commission

Driven by growth in assets under discretionary management



## Securities commission +15% to € 94.9 million

- Management fee up strongly (+15%) as a result of private banking clients opting for discretionary asset management
- Share of assets under discretionary management within Private Banking increased to 38% (year-end 2012: 36%)
- Increased investment activity among clients led to 16% rise in transaction commission

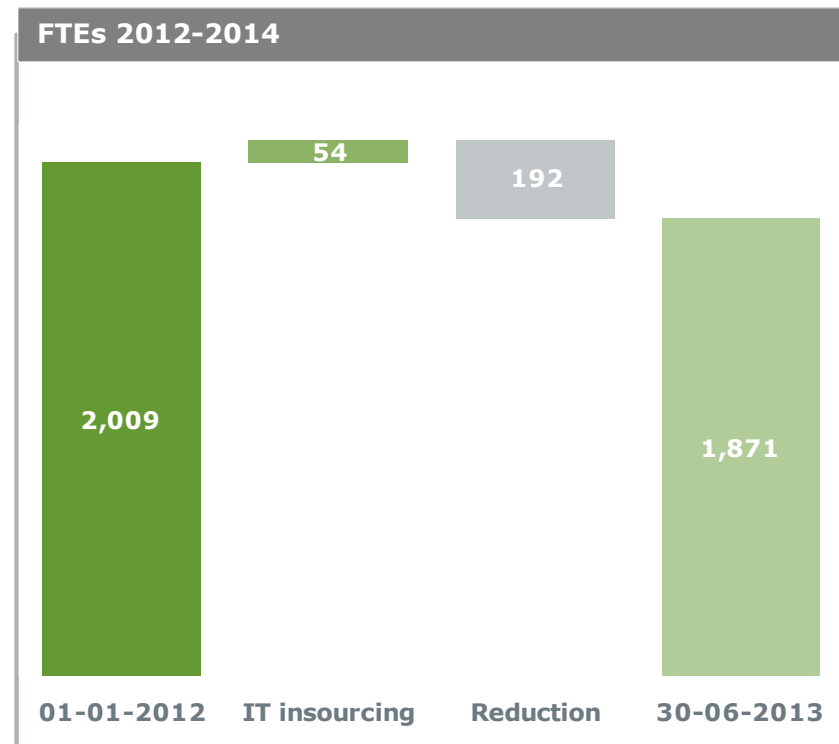
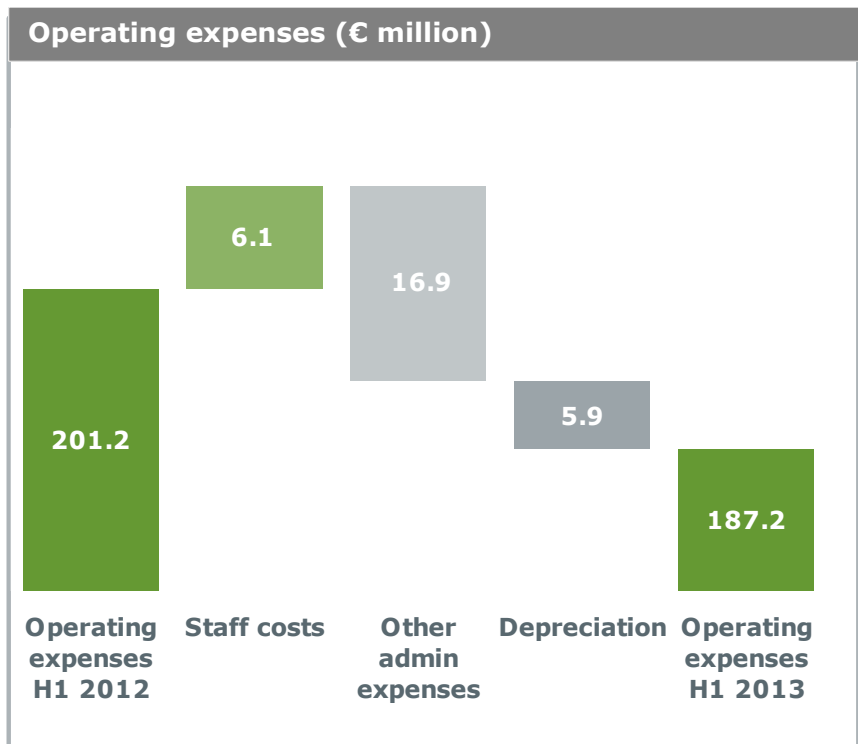
# Operating expenses

Impact of cost reduction programme visible



## Operating expenses down 7% to € 187.2 million

- Reduction of workforce by approximately 10%, almost 200 FTE, since the beginning of 2012
- Further FTE reduction expected in H2 2013 and 2014 as part of the ongoing cost reduction programmes
- Shift from other administrative expenses to staff costs due to insourcing of IT activities





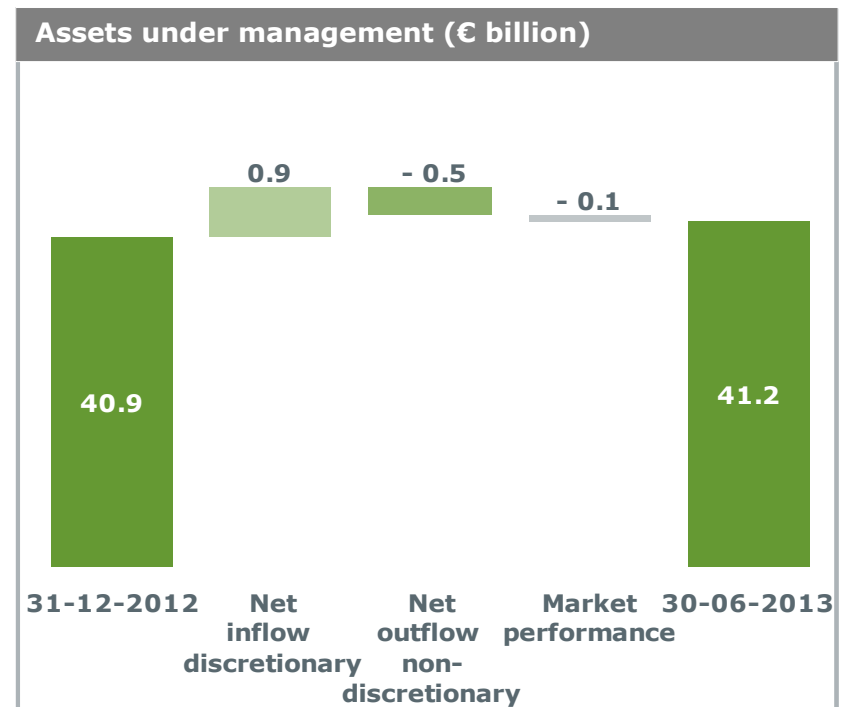
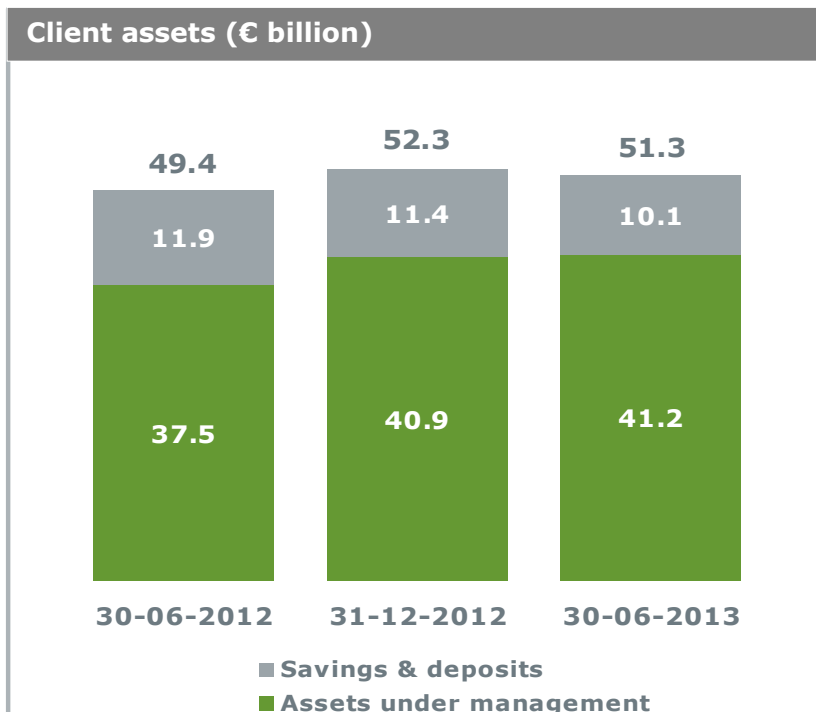
# Client assets

Increase in assets under discretionary management



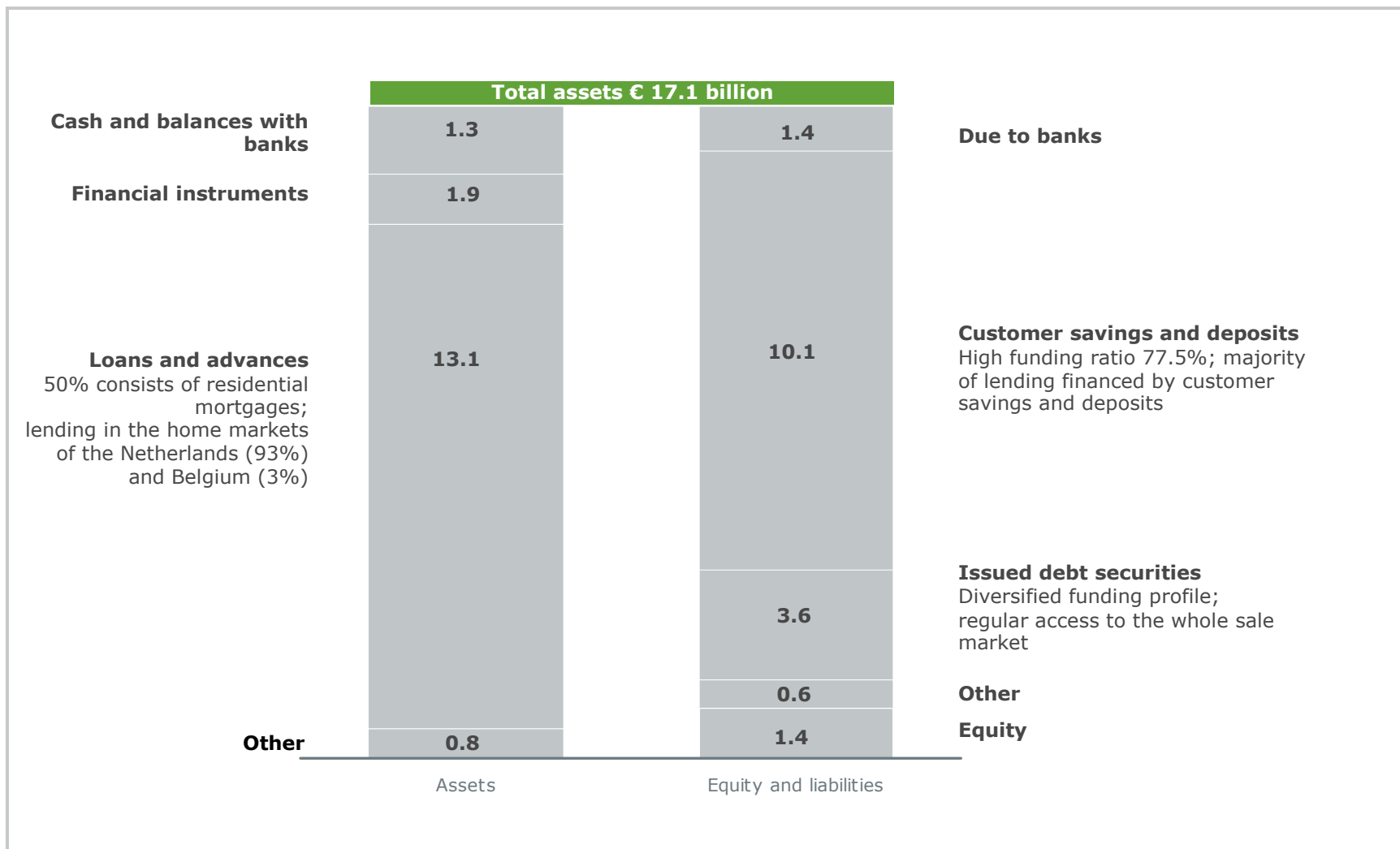
## Client assets € 51.3 billion

- Total assets under management +1% to € 41.2 billion
- Continued inflow of institutional mandates at Kempen Capital Management
- Outflow of assets under non-discretionary management mainly relating to low-fee generating custody assets and closure of offices in Luxembourg and Curacao
- Decrease of customer savings and deposits due to loan repayments, lower deposit rates and a shift to investments



# Robust balance sheet

Strong capital ratios, solid liquidity and low leverage



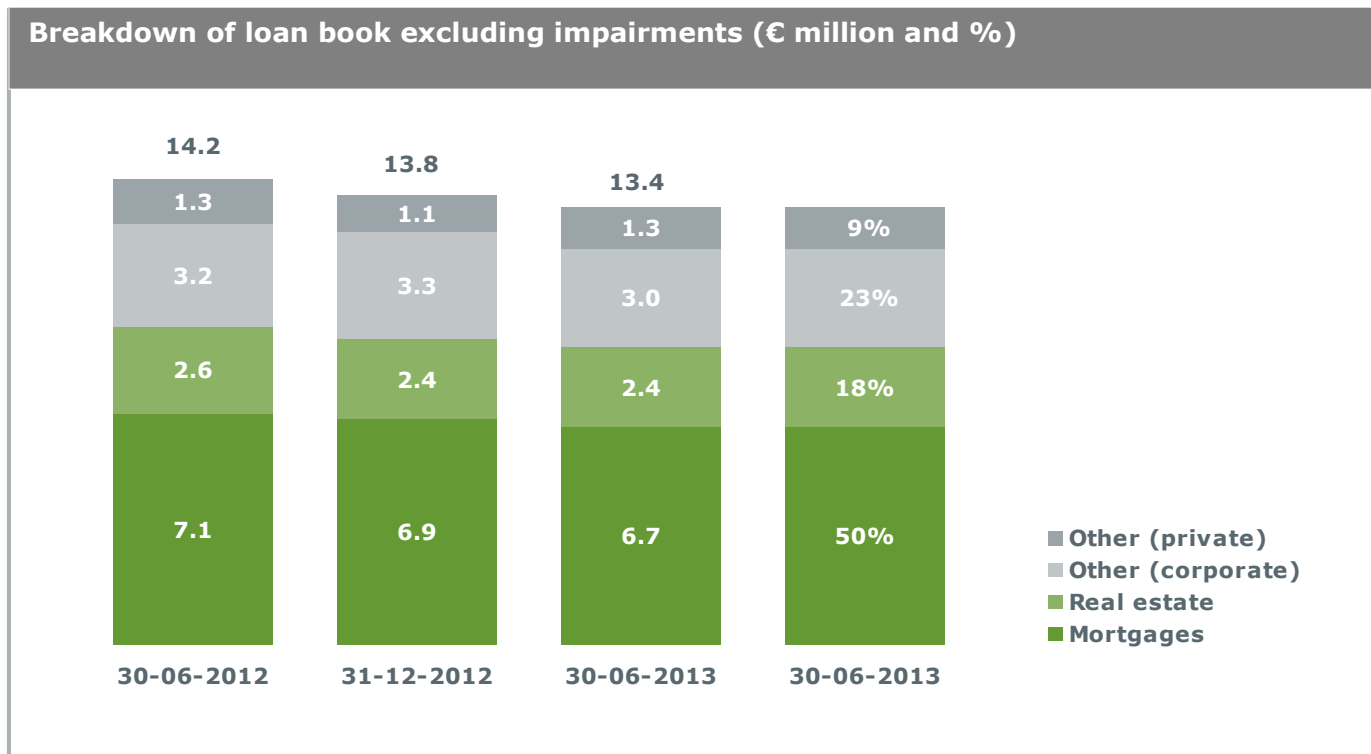
# Loan book

Loan book decreasing due to continuing deleveraging by clients



## Loan book (net of impairments) decreased from € 13.5 billion to € 13.1 billion

- Customers are using available funds for repayment of mortgages and other loans
- Active reduction of real estate and corporate loan book



## Quality loan book remains good

### Prudent loan loss provision policy



- Strong mortgage portfolio with traditionally low losses; NPLs remain at 1.4%
- Difficult economic circumstances in the Netherlands and a tough real estate market resulting in higher loan loss provisions
- High coverage ratios driven by conservative provisioning policy

(x € million)	Loan portfolio	Impaired loans	Provisions for impaired loans	NPL (%)	Coverage ratio (%)
Mortgages	6,696	95	60	1.4%	63%
Other private loans	1,271	105	53	8.3%	50%
Real estate	2,429	261	135	10.7%	47%
Other corporate loans	3,011	136	64	4.5%	47%
	<b>13,407</b>	<b>597</b>	<b>312</b>	<b>4.6%</b>	<b>52%</b>
Other impairments (incl. IBNR)	- 321				
<b>Total</b>	<b>13,086</b>				

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## Diversified portfolio

Underlying fundamentals are robust



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### Mortgages

- About half of the loan portfolio (€ 6.7 billion) consists of residential mortgages
- Healthy portfolio with traditionally low losses
- Mortgage clients generally hold client assets at Van Lanschot
- Average Loan-to-Value (LTV) based on market value 82% (year-end 2012: 77%)

### Real estate

- Real estate portfolio € 2.4 billion
- Small-scale properties in the Netherlands
- Virtually no exposure to project development
- Only 26% of the real estate loans comprises offices
- Vacancy rate 9.6% (national average 16%\*)
- Loan-to-Value based on foreclosure value 83% (year-end 2012: 71%)

### Corporate loans

- Corporate loan book € 3.0 billion
- Well diversified with low sector concentration

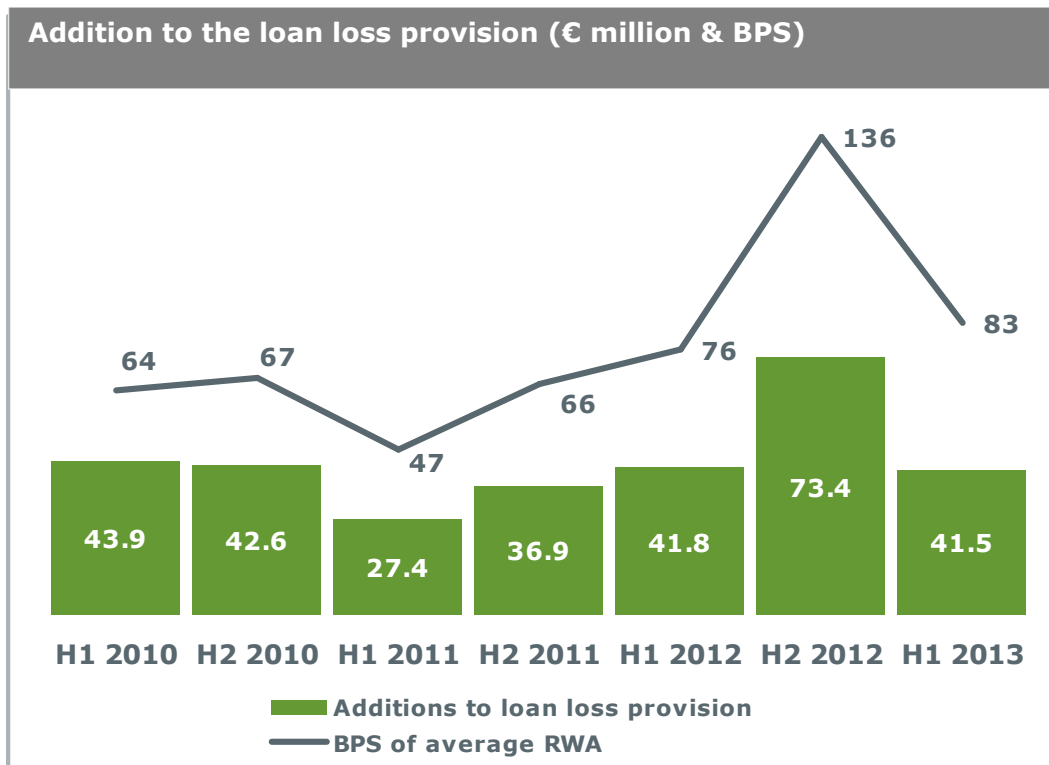
\* Source: NVM Business

# Loan loss provision

Addition to the loan loss provision stable



- Loan loss provisioning remains at elevated levels due to challenging market conditions in the Netherlands, although now seems to be stabilising
- Addition to loan loss provision decreased compared with H2 2012 to € 41.5 million
- Provisioning down from 136 bps to 83 bps of average RWA despite balance sheet deleveraging

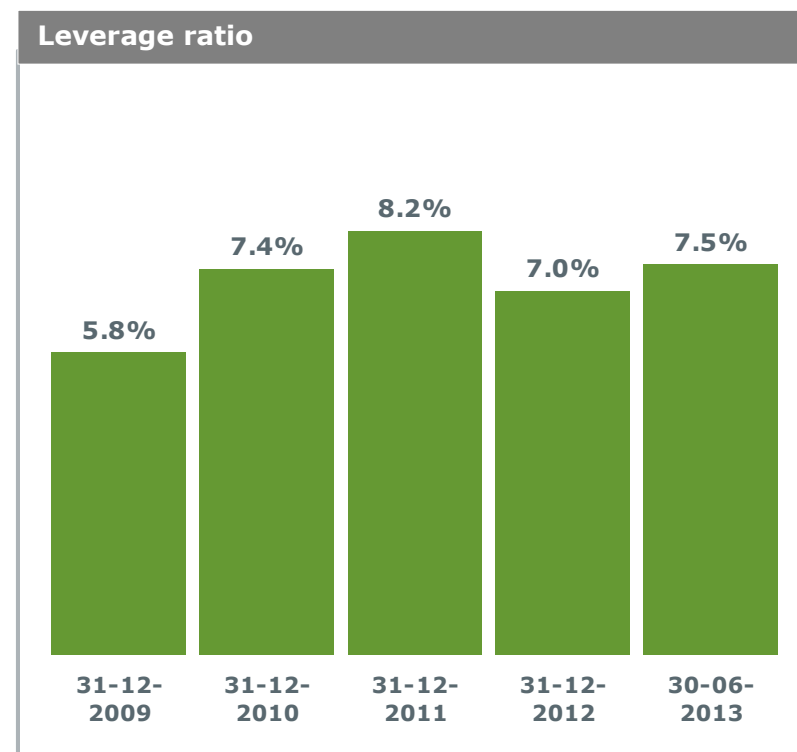
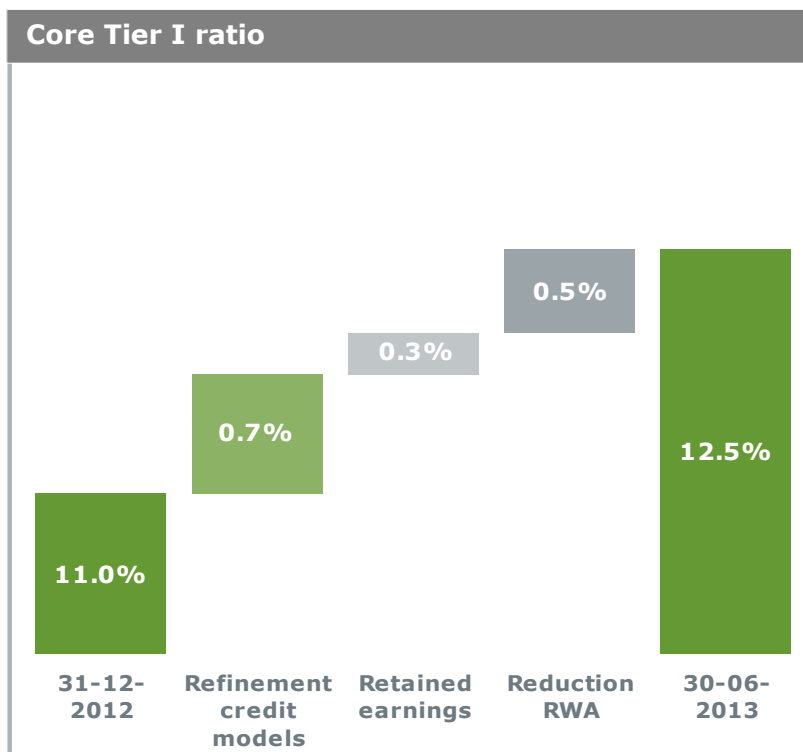


# Solid capital base

Higher Core Tier I ratio; leverage ratio remains strong



- Core Tier I ratio increases from 11.0% to 12.5%
- Increase thanks to retained earnings and RWA reduction
- RWA down from € 10.5 billion to € 9.5 billion
- Strong capital position reflected in excellent leverage ratio of 7.5%

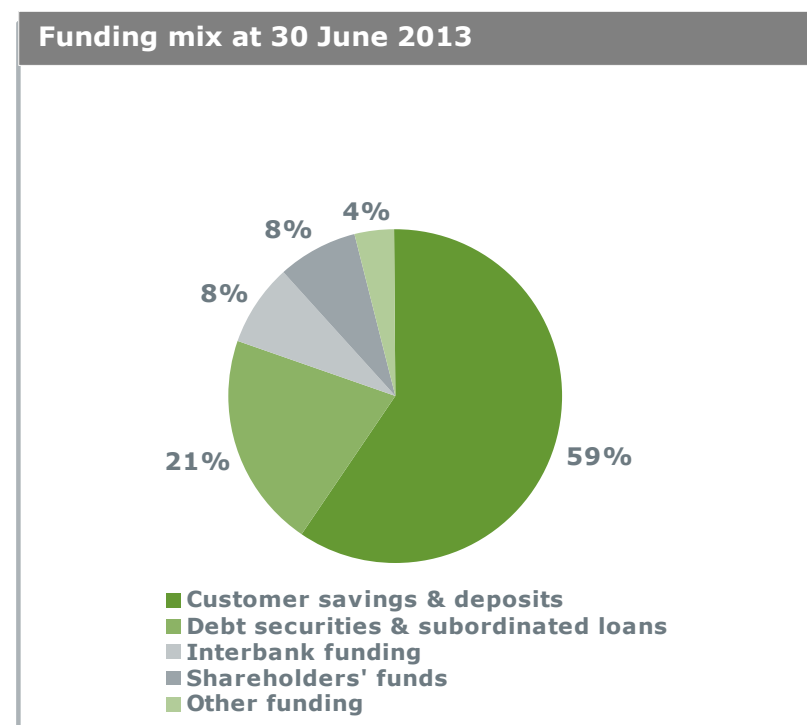
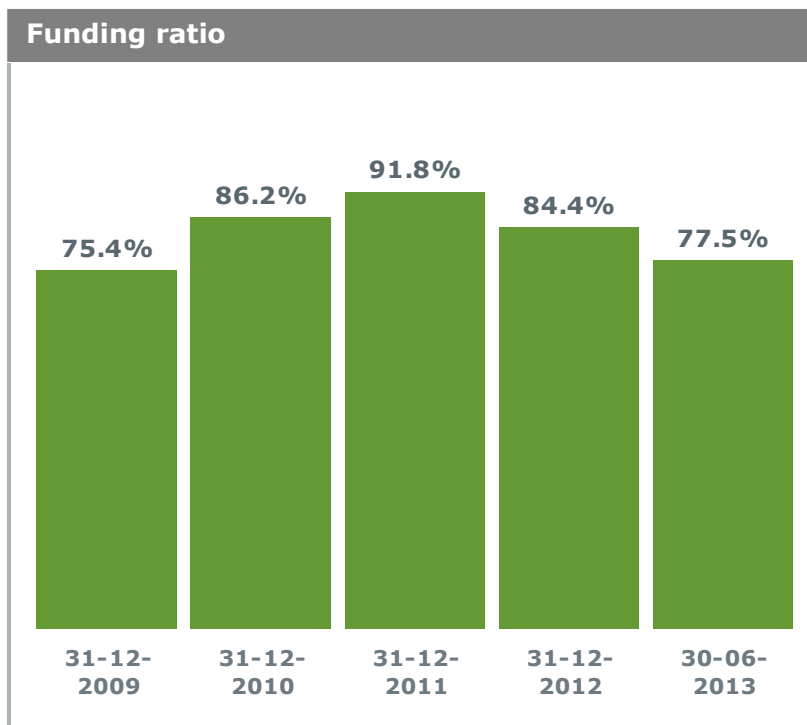


## Well diversified funding profile

Balanced mix of retail and wholesale funding sources



- Loan book mainly funded by customer savings and deposits; funding ratio 77.5%
- Funding mix complemented by wholesale funding
- Several successful transactions in H1 2013, including:
  - 5-year unsecured bond of € 300 million
  - Sale of € 750 million of RMBS bonds (mortgage securitisation)





# Strategic review



- Clear choice to be a pure-play, independent wealth manager
- Our objective is to preserve and create wealth for clients
- We strongly believe that wealth management offers attractive growth opportunities and that we have inherent and distinctive strengths
- Our strategy is to:
  - **Focus** on private banking in combination with asset management and merchant banking, and actively reduce activities not linked to private banking
  - **Simplify** our product offering, client service model and IT/operations
  - **Grow** through a revised offering to clients in private banking, and continuing the success of asset management and merchant banking
- Our business model will allow us to have an asset-light balance sheet and strong capital base

# Specialised, independent wealth manager

Focus, simplify and grow



## Strategic plans



Revenue growth



Cost reduction

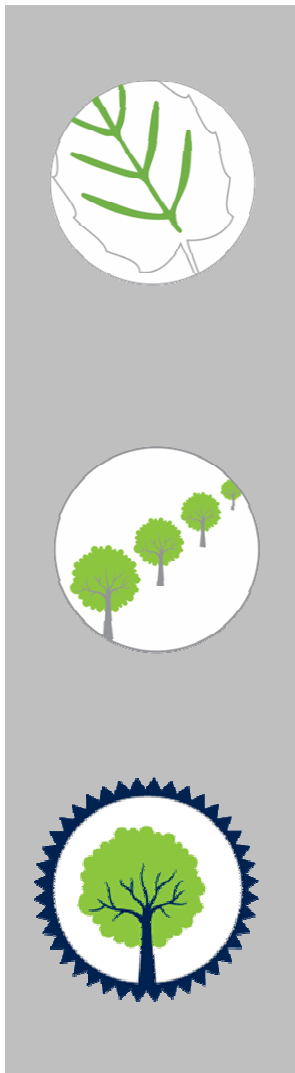


Strong balance sheet

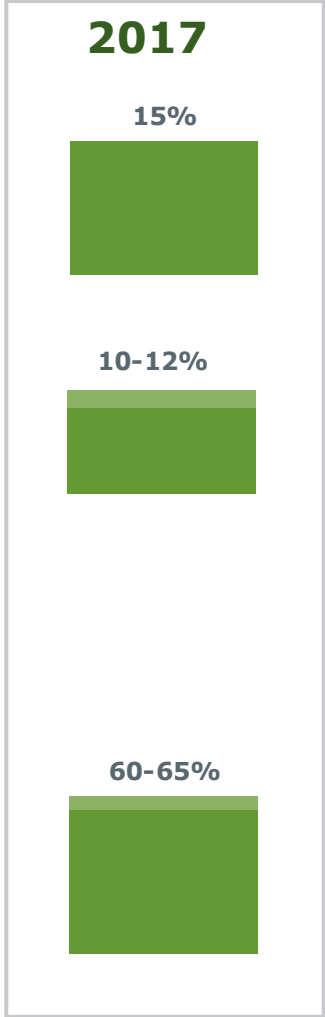
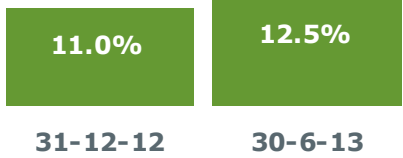
## Priorities 2013

- Launch of new online proposition
- Launch of marketing campaign for personal banking
- Creation of corporate banking business unit for run-off corporate loan book (expected 50% RWA reduction by 2017)
- Product rationalisation
- Completion of major part of FTE reduction within context of ongoing programme

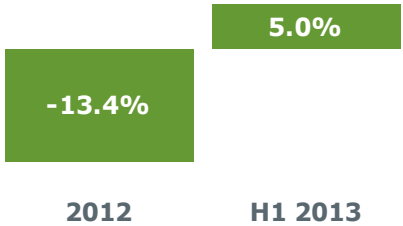
# On track to achieving our financial targets in 2017



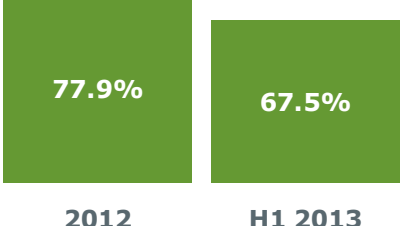
Core Tier I ratio



Return on Core Tier I Equity



Efficiency ratio



# Van Lanschot NV

## 2013 half-year results



Van Lanschot

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# Disclaimer



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## Forward-looking statements

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Forward-looking statements do not relate to definite facts and are subject to risks and uncertainty. The actual results may differ considerably as a result of risks and uncertainties relating to Van Lanschot's expectations regarding such matters as the assessment of market risk and revenue growth or, more generally, the economic climate and changes in the law and taxation.

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