



Van Lanschot

2012
275
1737

Citadel Programme Update

MARCH 2012

- **Citadel programme summary**

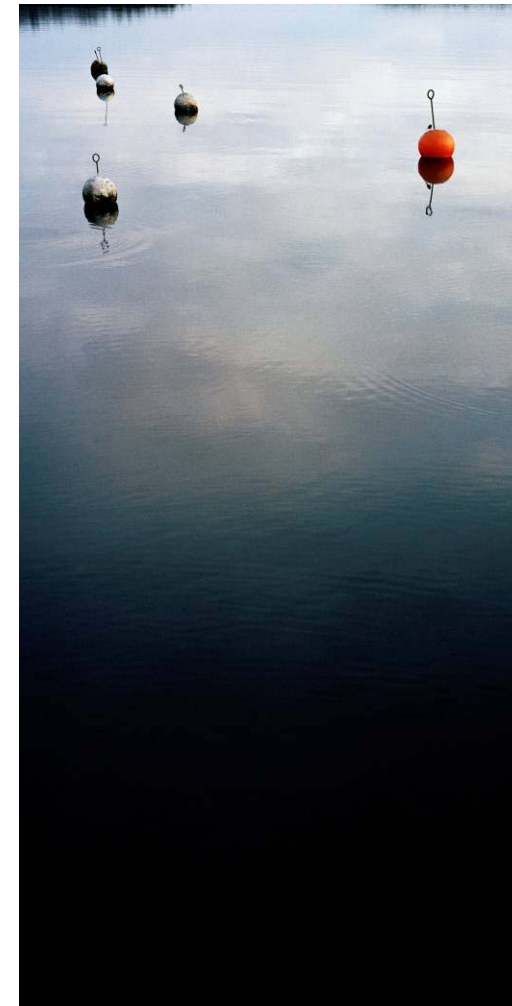
- Citadel 2010-I performance

- Dutch housing market

- Annexes

Citadel programme at a glance

- There are currently three transactions outstanding under the Citadel programme
 - Citadel 2010-I Class A1 fully placed / Class A2 partly placed
 - Citadel 2010-II retained
 - Citadel 2011-I retained
- The Citadel 2010-I transaction was partly placed in the market in Q4 2010.
- Citadel 2010-I is the securitisation of a € 1,237bn pool of prime Dutch residential mortgage loans:
 - Class A1 (Remaining WAL*: 0.8 yrs) and Class A2 notes (Remaining WAL*: 3.3 yrs)
 - Size placed in 2010: Class A1 € 247.4m and Class A2 € 500m
 - Class A1 and A2 rated AAA/AAA by S&P and Fitch (Class B also rated AAA by S&P)
 - Class B-E notes are retained by Van Lanschot



Transaction highlights Citadel 2010-I

Experienced Originator

- Van Lanschot (A-/A- stable) is a private bank focusing on high net-worth clients
- Van Lanschot is an experienced originator and servicer
- Van Lanschot has very low historical losses on the mortgage portfolio

Robust Structure

- Excess spread of 50bps p.a. guaranteed in the interest rate swap provided by Rabobank (AA/Aaa/AA) (S/M/F)
- Non-amortising reserve account funded by the proceeds of the Class E notes which is equal to 1.00% of the Class A-D notes (€ 12.4m)
- Liquidity facility of 1.25% of the outstanding Class A-D notes with a floor of 0.50% of the Class A-D notes at closing (€ 6.2m) provided by Rabobank
- Transaction is rated in accordance with the latest rating agency criteria
- Transaction is structured bankruptcy remote from Van Lanschot with (i) credit enhancement and (ii) collateral account to cover set-off and other claim exposure above 10% of the initial pool balance (if Van Lanschot is rated less than A)

Strong Collateral

- € 1.237bn pool of prime Dutch residential mortgage loans
- All mortgage loans originated by Van Lanschot (i.e. no intermediaries)
- Static pool, only further advances subject to strict criteria
- All life insurance policies provided by third parties

Capital structure of Citadel 2010-I as at 27-02-2012

	Amount (€)	Ratings (S/F)	Credit Enhancement*	Remaining WAL**	Expected Maturity***	Legal Final Maturity	Coupon	Step-up Coupon
Class A1	86,857,192	AAA/AAA	20.10%	0.8	Aug-13	Nov-42	PLACED	PLACED
Class A2	753,350,000	AAA/AAA	20.10%	3.3	Aug-15	Nov-42	PARTLY PLACED	PARTLY PLACED
Class B	75,450,000	AAA/NR	14.00%	3.5	Aug-15	Nov-42	RETAINED	RETAINED
Class C	129,900,000	A-/BBB	3.50%	3.5	Aug-15	Nov-42	RETAINED	RETAINED
Class D	30,900,000	NR	1.00%	3.5	Aug-15	Nov-42	RETAINED	RETAINED
Class E	2,362,972	NR	-	-	-	Nov-42	RETAINED	RETAINED

*) Includes the reserve account of 1% of the Class A-D notes and excludes the excess spread of 50bps p.a.

**) Based on CPR of 6%, no defaults and delinquencies

***) There will be a step-up and call option on the Quarterly Payment Date falling in August 2015

WAL scenarios	CPR 0%	CPR 2%	CPR 4%	CPR 6%	CPR 8%	CPR 10%	CPR 12%
Class A1	3.4 yrs	2.0 yrs	1.1 yrs	0.8 yrs	0.6 yrs	0.5 yrs	0.5 yrs
Class A2	3.5 yrs	3.5 yrs	3.4 yrs	3.3 yrs	3.2 yrs	3.1 yrs	2.9 yrs

Main assumptions for weighted-average life (WAL) calculations

- Redemption at first call date in August 2015
- No arrears
- No losses

Key structural features of Citadel 2010-I

Set-off risk is effectively mitigated

- Only 9.00% life mortgage loans in the pool and Van Lanschot does not provide life insurance itself
- All investment portfolios are held in the name of the borrower i.e. held bankruptcy remote from Van Lanschot
- No savings mortgage loans and no loans with construction deposits included in the pool
- Transaction is structured bankruptcy remote from Van Lanschot with (i) credit enhancement and (ii) collateral account to cover set-off exposure above 10% and other claim exposure above 10% of the initial pool balance (as long as Van Lanschot is rated less than A by Fitch or S&P)
 - Currently deposits are 8.48% and the other claim exposure is 6.1% of the pool

Interest Rate Swap

- Rabobank (AA/Aaa/AA) as swap counterparty will provide a swap to the Issuer to hedge the mismatch between the interest on the mortgage loans and the coupon on the notes
- Excess spread of 50bps p.a. is guaranteed in the swap

Liquidity Facility

- Liquidity facility of 1.25% of the outstanding Class A-D notes with a floor of 0.50% of the Class A-D notes (€ 6.2m) provided by Rabobank (AA/Aaa/AA)

Reserve Fund

- The reserve fund of 1.00% of Class A–D notes will be fully funded at closing and will not amortise

Account Bank & GIC

- Provided by Bank Nederlandsche Gemeenten (AAA/-/AAA)

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- **Citadel 2010-I Performance**

- Dutch housing market

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Highlights and pool characteristics of Citadel 2010-I

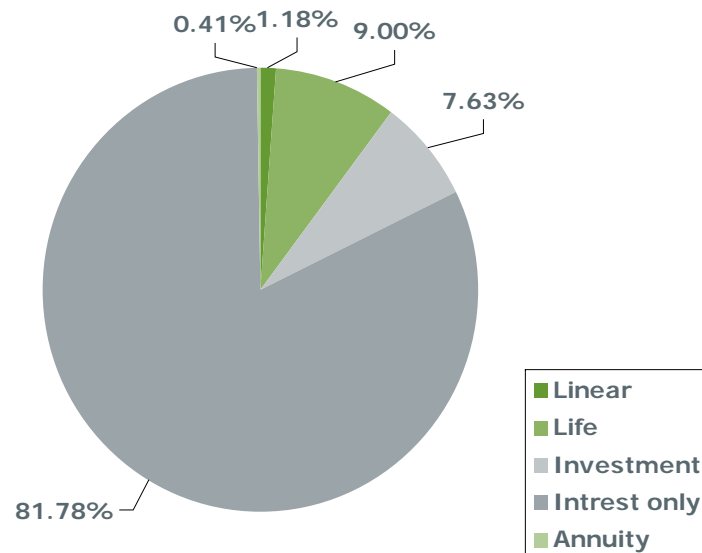
- Strong transaction
- Above average prepayments
- No losses and low arrears
- Low risk borrowers, reflecting the bank's target client group of high net worth individuals

Pool Characteristics as at 31-01-2012

Principal amount	€1,076,452,995
Number of loans	2,245
Number of loan parts	4,035
Average principal balance (borrower)	€ 479,489
Average principal balance (parts)	€ 266,779
Minimum current interest	1.62%
Maximum current interest	6.65%
WA interest	4.50%
WA seasoning (yrs)	6.59
WA maturity (yrs)	23.06

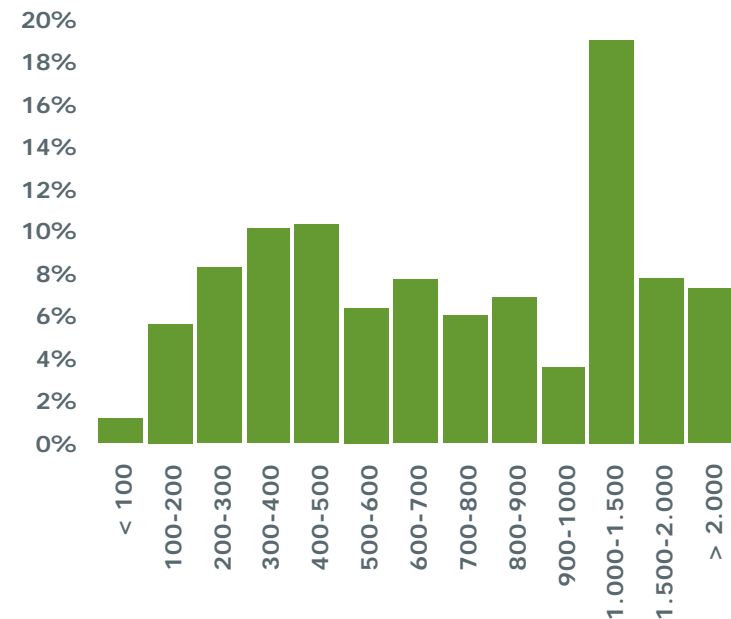
Loan type and size reflects the type of borrower and the tax treatment of mortgage interest in the Netherlands

Breakdown by mortgage loan type*



- Large proportion of interest-only loan parts reflects the tax-deductibility of mortgage interest in the Netherlands

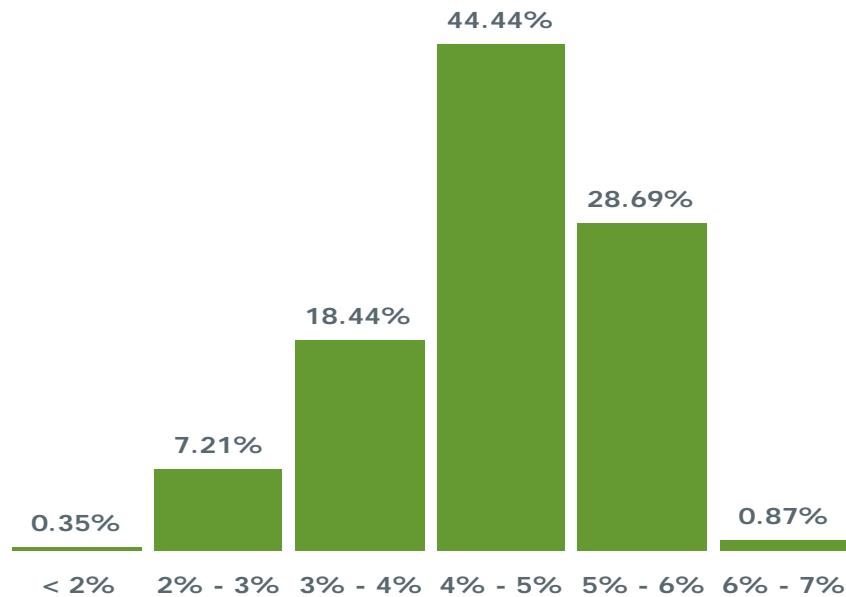
Breakdown by mortgage loan size*



- Van Lanschot's target group clients are high net worth individuals
- Average loan size is therefore higher than average for the Dutch market as a whole

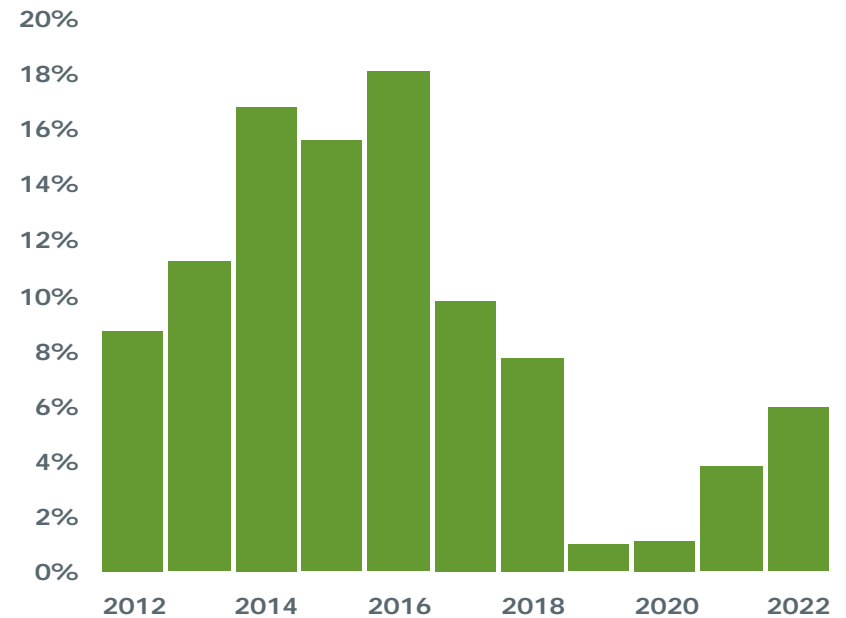
Pool characterised by high interest rates

Breakdown by interest rate*



- Lowest rate 1.62% highest rate 6.65%
- Weighted average interest rate 4.5%

Breakdown by interest reset year*

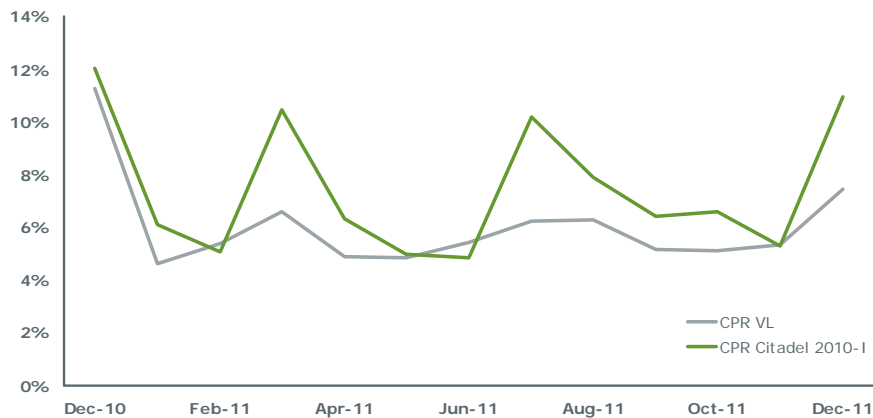


- Large portion of the loans subject to interest reset in the coming years
- 69% of mortgage pool has a fixed interest rate

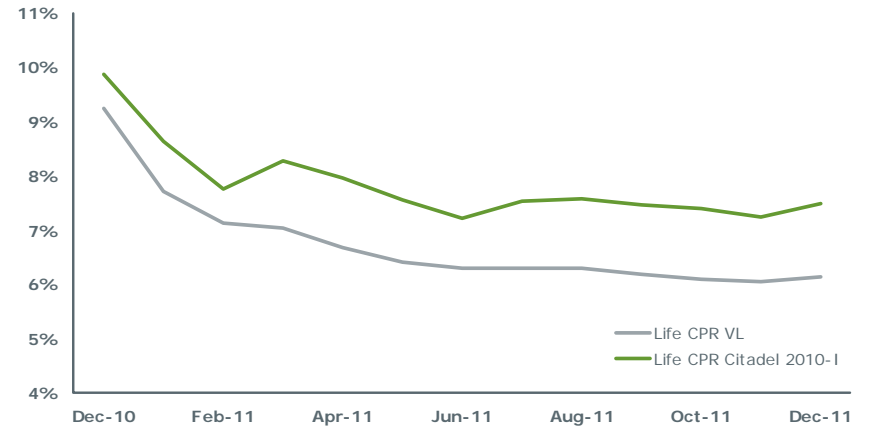
High level of prepayments, partly due to household deleveraging

- Citadel 2010-I life CPR of 7.5 %
- Prepayments are higher than the CPR of 6% originally calculated
- Prepayments have increased given ongoing deleveraging of Dutch households
- This trend is stronger among high net worth clients due to the greater availability of assets

Annualised CPR



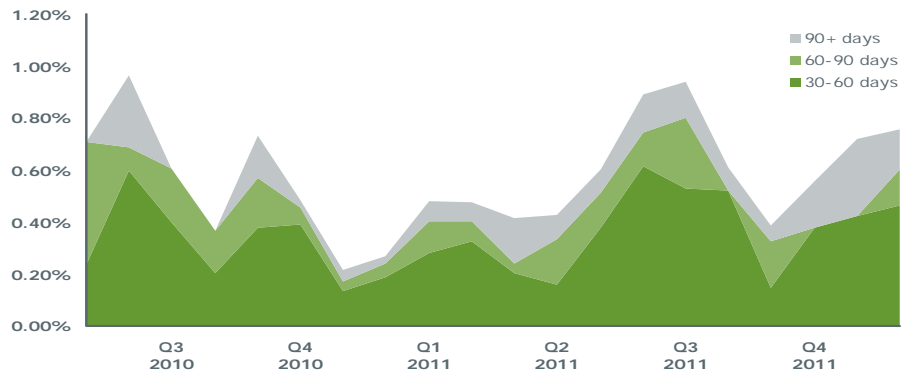
Life CPR



High level of prepayments, partly due to household deleveraging

- Very limited arrears
- Most arrears are in the 30-60 days bucket
- No defaults since closing
- No losses since closing

Percentage of mortgages in arrears



Defaults since closing

Number of Loans Defaulted during the Period	Percentage of Number of Performing Loans Outstanding (2) (%)	Principal Balance of Loans Defaulted during Period	Percentage of Scheduled Balance of Performing Loans (2) (%)	Recoveries during Period on Defaulted Loans	Recoveries as a Percentage of Current Balance of the Defaulted Loans (2) (%)
0	0.000%	0	0.00%	0	0.00%

Number of Loans Defaulted since Closing	Percentage of Number of Loans at Closing (%)	Principal Balance of Loans Defaulted since Closing at Defaulted Date	Percentage of Scheduled Balance at Closing (%)	Recoveries since Closing on Defaulted Loans	Recoveries as a Percent. of Princip. Outstanding on Defaulted Loans (3) (%)
0	0.000%	0	0.00%	0	0.00%

* At the beginning of the quarter

** As a percentage of outstanding balance of all defaulted loans at the default date

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Summary of the Dutch Housing Market*

- The Dutch existing homes market is still showing no signs of recovery
- In Q4 2011 prices continued to drop
- An average drop of 5% in existing house prices is expected in 2012
- Few vendors are under pressure to sell, the level of payment arrears and forced sales are low
- Affordability will further improve due to lower stamp duty and lower prices
- The year-on-year price drop in 2011 was 2.3%
- The expected number of houses to be sold in 2012 is comparable to 2011
- The market for new-build houses continues to struggle



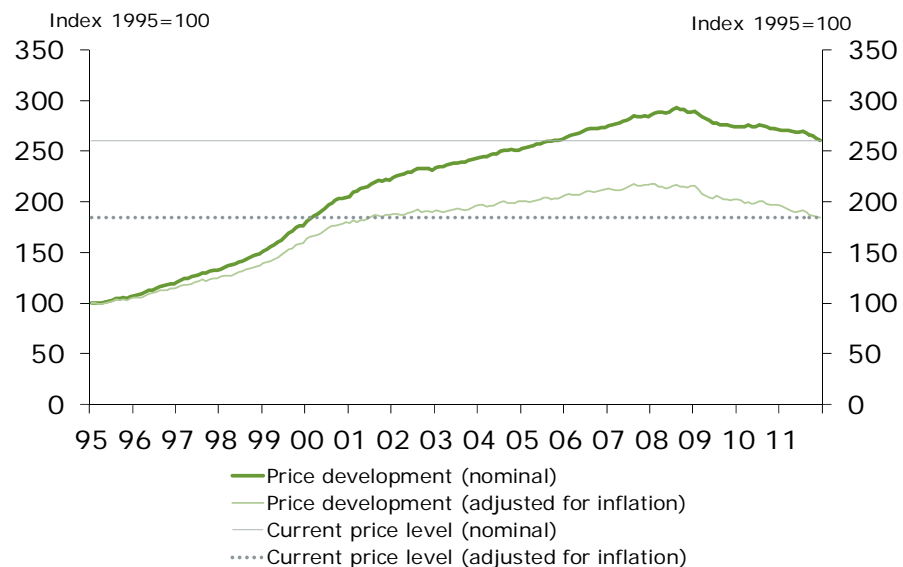
* Source: Rabobank Economic Research Department / Statistics Netherlands (CBS)

Existing homes

- The year-on-year price drop in 2011 was 2.3% according to existing homes index (PKB Index)
- The gap between prices at the peak of the index and the current level increased further, currently at 10.9%
- Since 1995 house prices have increased by a factor of 2.6
- An average drop of 5% in existing house prices is expected for 2012

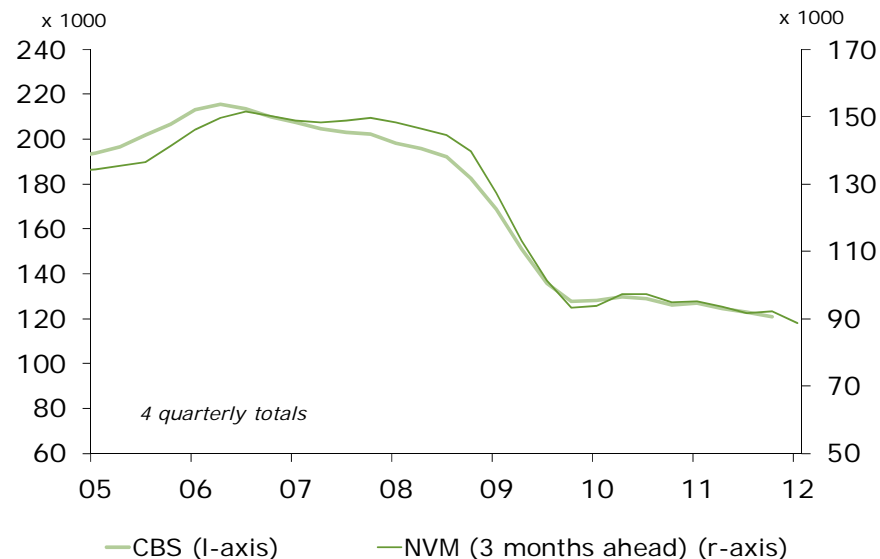
Development house price index

Source: Statistics Nederlands (CBS)



Number of transactions

Source: Statistics Nederlands (CBS) and NVM



New-build housing

- Recovery in construction output in the first half of 2011 did not continue in the second half of the year
- At the end of 2011, the order books in the house-building industry were not well filled
- The number of issued building permits declined
- The construction sector benefited from a mild start of the winter

Construction output

Statistics Netherlands (CBS)



Productive hours

Statistics Netherlands (CBS)



Affordability

- The affordability of purchasing a house remained unchanged in 2011 despite deteriorating economic conditions
- For 2012 the affordability is expected to improve due to decreasing house prices
- Due to the rise of non-housing fixed costs there is less room for spending on housing

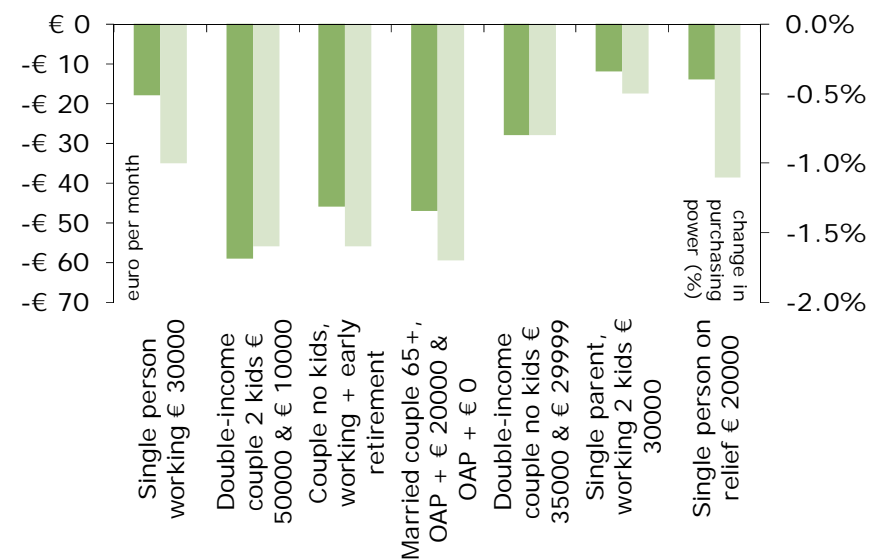
Improvement in affordability

Source: CPB, CBS/Land Registry, Reuters EcoWin, Rabobank



Reduced scope for spending on housing

Source: Nibud

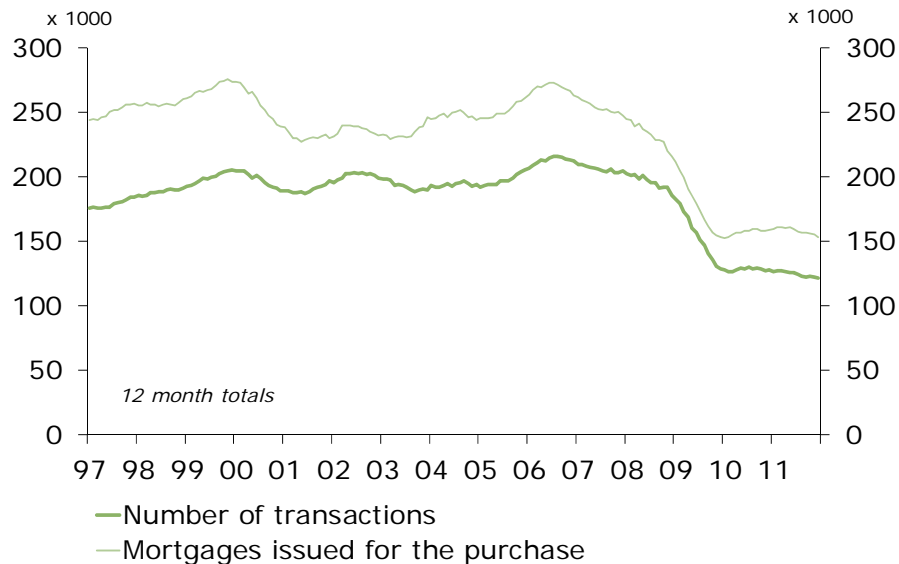


Mortgage market

- The number of mortgages issued is strongly related to transaction numbers
- In the market for mortgage renewals, both volume and turnover showed a year-on-year decline
- From 2001 to 2010 the mortgage amount increased faster than the average purchase price. Since 2010 the reverse is the case, the LTV ratio of mortgages is currently declining

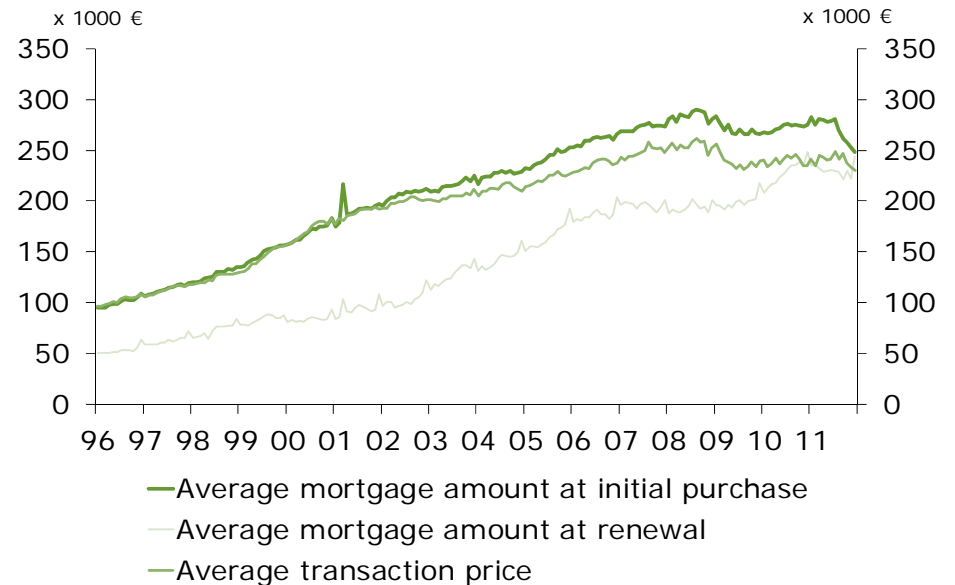
Further decline in mortgages registered

Source: Statistics Netherlands (CBS) and Land Registry



Average mortgage rate

Source: Statistics Netherlands (CBS) and Land Registry

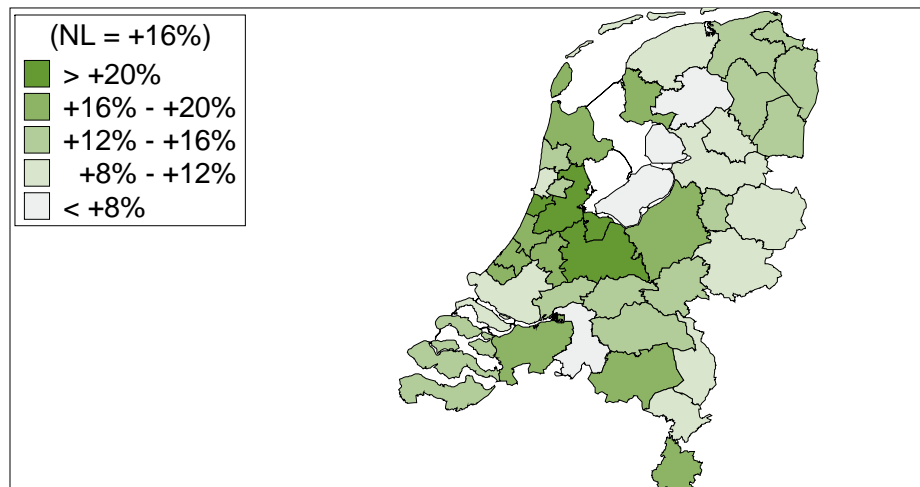


The downturn of the housing market

- The rise in house prices came to a halt in the 2nd quarter of 2008, after a period of nearly 25 years
- During the 'boom' of 2005-2008 as well as in the years following, there was regional divergence in price developments
- Most of former 'top performers' during the boom experienced the sharpest price drop, with a few exceptions

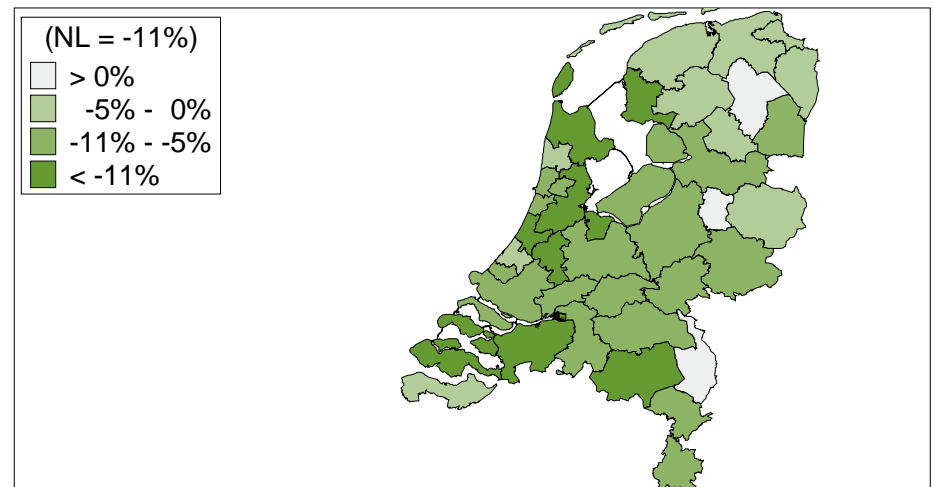
Median house price during the boom (2005-2008)

Source: NVM, Data processing: Rabobank



Median house price after the peak (2008-2011)

Source: NVM, Data processing: Rabobank

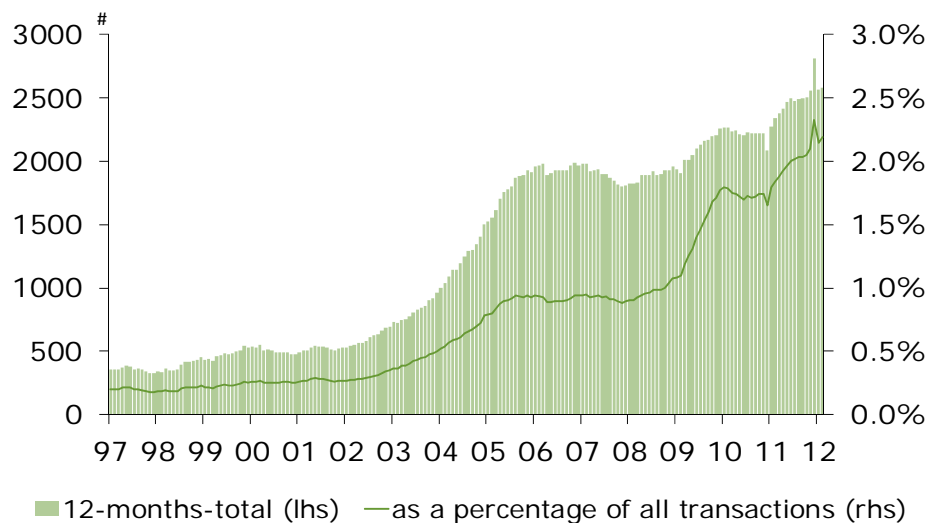


Mortgage foreclosures and losses in the Netherlands

- The Dutch Land Registry recorded 432 forced sales during Q3 2011
- The total number of foreclosures is expected to total 2,500 in 2011 (2,086 in 2010)
- The relative number of forced sales has increased due to a significant decrease in the number of transactions since 2008
- The proportion of forced sales in terms of the total number of owner-occupied houses is approximately 0.07%

Number of foreclosures

Source: Land registry, Rabobank



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- **Annex I: Origination and servicing**

- Annex II: Dutch tax regime

- Annex III: Contact details

Van Lanschot's product offering

Van Lanschot offers private banking services to wealthy individuals

- Advice on financial planning and wealth management
- Mortgage loans offered to target group clients as part of a full-service financial solution concept
- Focus on tailor-made advice and high quality service level
- Different types of mortgage loans
- Advice on best mortgage loan type and interest rate for the client: "does the solution suit the client"
- Van Lanschot's "advisory policy":
 - Check on income and assets: is the client able to pay the interest and redemptions, while maintaining desired standard of living
 - Risk awareness: changing interest rates, declining house prices
 - Scenarios and calculations for key moments in the lifecycle

Origination at Van Lanschot

- All mortgage loans are originated at branch offices of Van Lanschot
- Very limited use of intermediaries in origination of mortgage loans (none since 2009)
- Always direct contact with the client, even if client was introduced by intermediary
- Underwriting separate from commercial teams: all mortgage loan applications are checked and approved by Van Lanschot at head office

Origination & underwriting (I/II)

Underwriting criteria

- Dutch nationality or permanent resident in the Netherlands
- Employment contract for indefinite period, in principle no temporary contracts
- Self-employed borrowers (three years of history, except for business professionals and medical practitioners)
- Cohabiting (registered) or married partners are jointly and severally liable
- Income is compliant with NIBUD norm of GHF (*Gedragscode Hypothecaire Financieringen*)
Income components for calculation:
 - Fixed salary, subject to employer's declaration and salary slips, of both borrowers taken into account
 - Maximum 50% of variable income taken into account provided it is of recurring nature
 - Income from invested capital limited to 3% of capital
 - Net rental earnings (interest, installments and maintenance fees deducted)
- Mortgages up to € 2m: maximum 104% of market value
- Mortgages above € 2m: maximum 100% of market value
- Interest-only up to 50% of market value
- Various Fraud & Insurance requirements

Fraud & Insurance requirements

- Various fraud checks done (BKR, SFH, VIS, EVA, employer's certificate)*
- Continuous contact between banker and client
- Mandatory hazard insurance based on reconstruction value
- Life insurance compulsory above 70% of market value
- Risk of disability needs to be covered for self-employed borrowers

*) BKR (Credit Registration Bureau), SFH (Anti-Fraud System), VIS (Identification System), Eva (Anti-Fraud System)

Origination & underwriting (II/II)

Loan approval

- Credit Approval and Control: up to € 3m, at three different levels (minimum 4 eyes)
- Credit Risk Committee: > € 3m, consisting of all members of Board of Managing Directors, Director of Credit Risk Management and Head of Private & Business Banking
- No standard exception policy due to customer base of wealthy individuals

Property valuation

- Mandatory property valuation
- Full appraisal is carried out according to the requirements of the Dutch Central Bank
- Only valuation reports from qualified appraisers and valuation agents
- Valuation reports should not be older than 6 months
- Exceptions:
 - Sales contract for newly built properties (not in pool)

*) WOZ (*Wet Waardering Onroerende Zaken*) is the Act on Valuation of Real Estate

Servicing & arrears management

Servicing

- All in-house: no outsourcing
- All mortgage loan payments via direct debit from current account with Van Lanschot

Arrears management/Timeline

- Mortgage loans are considered in arrears if current account is overdrawn for more than one day and for an amount in excess of € 250
- All accounts which are overdrawn are monitored by a central desk of the risk management
- Account managers have to report on accounts overdrawn in excess of € 5,000 at least monthly to risk management



Day 0: non-payment of borrower

Day 35: a reminder letter is sent to the client with request to settle the overdrawn amount

Day 55: a second letter is sent

Day 75: a third letter is sent

Day 90: the recovery department is informed about the default status

- During this period, the account manager is in regular contact with clients to resolve the arrears

Recovery & foreclosure (I/II)

Recovery department

- The recovery department contacts the client and assesses his position with Van Lanschot in terms of value and relationship
- Two possibilities arise:
 - Situation is considered to be curable: tailor-made rectification plan and vigorous follow-up
 - Situation is not considered to be curable: foreclosure process is initiated
- There are no specific timelines for foreclosure, this is client-specific

Foreclosure and repossession

- Van Lanschot always tries to convince the client to sell the property on a voluntary basis
- If the client does not agree to a voluntary sale, the sale will be forced via public auction
- Van Lanschot is always present at auctions, either through an employee or a representative

Recovery & foreclosure (II/II)

Foreclosure procedures

- New appraisal of the real estate
- Account manager discusses the minimum price internally
- Mandate given by Director of Credit Risk Management to participate and bid at public auction
- An account manager of the Recovery Department or a representative of the bank attends the auction, and participates in order to raise the price at least up to the minimum price
- Real estate bought by the bank is held by a private company of Van Lanschot
- The facility department of the bank makes sure that all necessary actions are taken to maintain the property

Workforce overview

- Recovery department: 10 full time employees

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- Annex I: Origination and servicing

- **Annex II: Dutch tax regime**

- Annex III: Contact details

Dutch tax regime (I/II)

Tax Legislation as of 2001

- Mortgage interest tax deductibility consists of two main elements:
 - Deductibility applied only to mortgage loans on the borrower's primary residence
 - Deductibility is only allowed for a maximum period of 30 years after initial claim for deduction of mortgage interest

Change of Tax Legislation as of 2004

- Interest deduction applies only to the borrower's outstanding mortgage loan amount increased with the difference between:
 - i. the purchase price of the 'new' property; and
 - ii. the profit (if any) on the sale of the 'old' property

Dutch tax regime (II/II)

Under the Income Tax Act of 2001, income is divided into three separate 'boxes'

Box 1

Taxable income from work and home

- Income from wages, pensions and social security benefits
- Interest on mortgage for purchase, maintenance or improvement of a home is deductible
- The tax rate is a rising scale, with a maximum tax rate of 52%

Box 2

Taxable income from substantial interest

- Holdings of at least 5% in private company

Box 3

Taxable income from savings and investments

- Income is determined on the basis of presumptive return on capital (4% of average capital) and taxed at a flat rate of 30% after deduction of an exempt amount

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Contact details

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Van Lanschot NV

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Van Lanschot cautions that expectations are only valid on the specific dates, and accepts no responsibility for the revision or updating of any information following changes in policy, developments, expectations or the like.

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