

# Van Lanschot

## Credit Update

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**Van Lanschot**

September 2014

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## **Profile of Van Lanschot**

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**2014 half-year results**

**Funding and liquidity**

**Execution of strategy on track**

# Executive summary



## Van Lanschot's profile

- Pure-play, independent wealth manager
- Oldest bank in the Netherlands with a history dating back more than 275 years
- Three lines of business – Private Banking, Asset Management and Merchant Banking – combining their strengths to preserve and create wealth for our clients
- Local visibility with 34 offices and client meeting centres in the Netherlands, Belgium and Switzerland

## Financial targets 2017

	<b>Target 2017</b>	<b>H1 2014</b>
• Common Equity Tier I ratio	> 15%	13.8%
• Return on Common Equity Tier I	10-12%	8.1%
• Efficiency ratio	60-65%	66.2%

## Key financials

	<b>H1 2014</b>	<b>H1 2013</b>
Net profit	€ 49.4m	€ 36.3m
	<b>30-06-2014</b>	<b>31-12-2013</b>
Common Equity Tier I ratio	13.8%	13.1%
Funding ratio	87.9%	81.3%
Client assets	€ 56.1bn	€ 53.5bn

## Basel III

	<b>30-06-2014</b>	<b>Norm</b>
• Fully-loaded Common Equity Tier I ratio	11.6%	9.5%
• Leverage ratio	4.9%	3.0%

## Strategy



- We choose to be a pure-play, independent wealth manager



- Our objective is to preserve and create wealth for our clients



## Progress

- Solid profit in H1 2014
- Growth in client assets
- Execution of strategic initiatives on track

## Private Banking

- Private Bank of choice for high net-worth individuals, entrepreneurs and family businesses
- Specialised services for business professionals and executives, healthcare professionals, and foundations and associations
- Three service concepts: Personal Banking, Private Banking and Private Office

## Asset Management

- Specialised EU investment management boutique
- Focus on a limited number of high quality investment strategies in combination with integrated solutions for pension funds, insurance companies and HNWI's

## Merchant Banking

- The most relevant boutique firm for corporates and institutional investors based on superior market knowledge in its niches
- Growth through increased share of served market niches based on leading advisory, research and trading knowledge

# Van Lanschot has chosen to be an independent wealth management firm



## Why wealth management?

### ***Building on our distinctive strengths***

We can build on our inherent strengths in private and institutional wealth management by working together for the benefit of new and existing clients

### ***Supported by demographics and economic fundamentals***

There is room for a high-quality, high-service, independent wealth manager in the Benelux, leading to an attractive business model supported by demographics and macro economic fundamentals

## Our commitment

### ***Mission***

Preservation and creation of wealth for our clients

### ***Vision***

To be the preferred wealth manager for our domestic and international client base by providing top-quality advice and service, and superior risk-adjusted returns. And in doing so attract, develop and retain the best available talent in the market and provide an exciting, entrepreneurial working environment

# We have created a three-pronged strategy to realise our strategic repositioning

## Focus



- Reinforced Private Banking offering with specific service concepts
- Specialist services for specific client segments (Entrepreneurs and family businesses, business professionals and executives, healthcare professionals, and foundations and associations)
- Continued focus on Asset Management and Merchant Banking
- Active reduction of activities without a clear link to Private Banking (e.g. Corporate Banking: target 50% reduction of € 4.4 bln in RWA in the coming 5 years)

## Simplify



- Transparent and simplified product and service offering
- Efficient organisation, with centralised teams for Private Banking mid-office and investment expertise
- Lean IT and streamlined back office
- Significant reduction of cost base

## Grow



- Growth in all core segments:
  - Private Banking: growing assets managed for our clients
  - Asset Management: leveraging strong long-term track record in niche products and integrated solutions and expanding client base geographically
  - Merchant Banking: (selective) broadening of product offering combined with extending geographic footprint

# Experienced and balanced management board



**Karl Guha (1964)**  
**Chairman of the Board**

Background: CRO at UniCredit Banking Group



**Constant Korthout (1962)**  
**CFO / CRO**

Background: 18 years at Robeco Group, since 2002 as CFO



**Arjan Huisman (1971)**  
**COO**

Background: Partner with Boston Consulting Group



**Richard Bruens (1967)**  
*Private Banking*

Background: Management team ABN AMRO Private Banking International



**Ieko Sevinga (1966)**  
*Commercial activities*

Background: Director of Kempen & Co

## Supervisory Board

- **Tom de Swaan, Chairman (1946)**
- **Jos Streppel, Deputy Chairman (1940)**
- **Willy Duron (1945)**
- **Godfried van Lanschot (1964)**
- **Heleen Kersten (1965)**
- **Jeanine Helthuis (1962)**

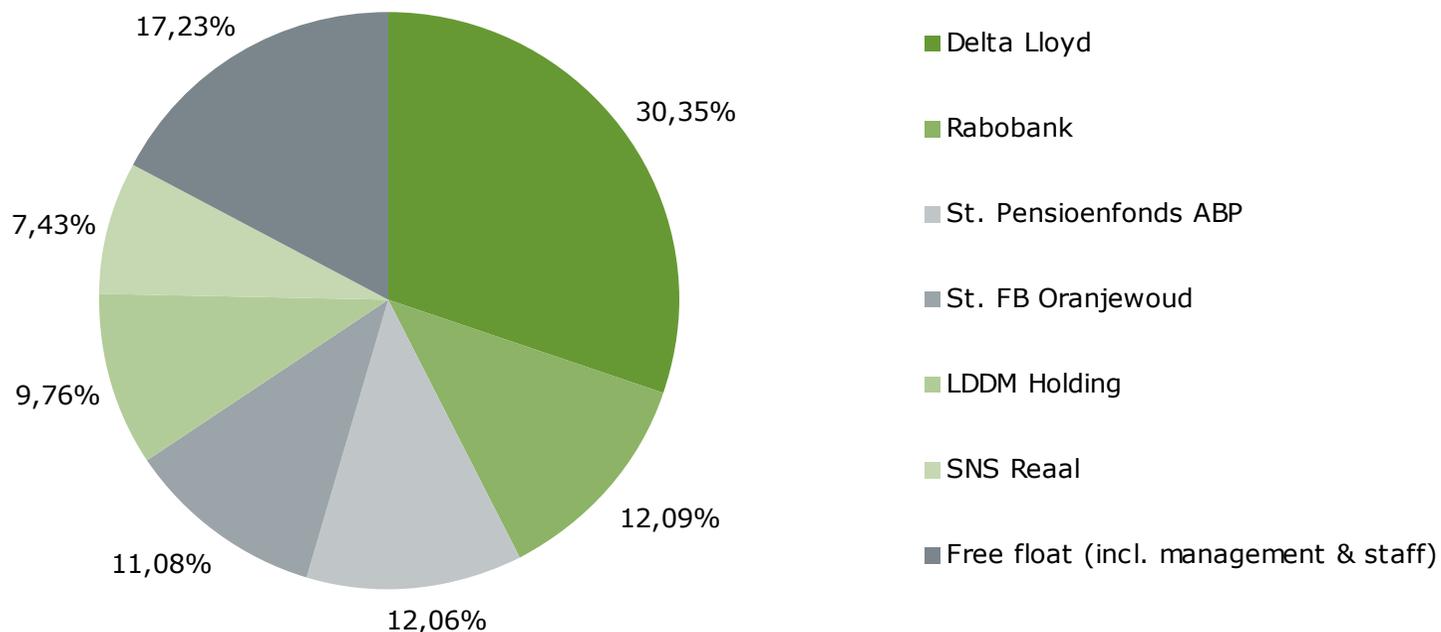
- Former CFO ABN AMRO, former Board member Dutch Central Bank
- Former CFO of Aegon
- Honorary chairman of KBC Group, former CEO KBC Group
- Independent investor
- Chairperson of Stibbe law firm
- Former CEO of Monuta

# Van Lanschot is listed on the Amsterdam stock exchange and has a stable shareholder base



## Holders of depositary receipts

- Van Lanschot has issued ordinary shares A
- These shares are held by *Stichting Administratiekantoor van gewone aandelen A Van Lanschot* (the Trust)
- The Trust has issued depositary receipts for these shares, which are listed and traded on Euronext Amsterdam
- In compliance with chapter 5.3 of the Dutch Financial Supervision Act the following holdings of depositary receipts have been included in the Substantial Holdings register of the Netherlands Authority for the Financial Markets



# Solid profile reflected in strong creditworthiness



## Fitch

- Long-term credit rating: A-
- Outlook long-term credit rating: Negative
- Short-term credit rating: F2
- Latest press release: 30-09-2014
- Rating has been reconfirmed since 2009

## Standard & Poor's

- Long-term credit rating: BBB+
- Outlook long-term credit rating: Negative
- Short-term credit rating: A-2
- Latest rating report: 16-12-2013

## **Profile of Van Lanschot**

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## **2014 half-year results**

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## **Funding and liquidity**

## **Execution of strategy on track**

# 2014 half-year results

## Highlights



### Solid profit H1 2014

#### **Net profit +36% to € 49.4 million (H1 2013: € 36.3 million)**

- Underlying net profit € 54.1 million (H1 2013: € 40.3 million)
- Income from operating activities +5%
- Cost reduction on track; personnel costs lower, other administrative expenses higher
- Loan loss provisioning -14%

### Growth in client assets

#### **Client assets increase to € 56.1 billion**

- Inflow of discretionary mandates and savings and deposits in Private Banking
- Evi developing towards € 1 billion
- Discretionary mandates comprise 41% of Private Banking assets under management
- Asset Management obtained major mandates of two Dutch pension funds

### Further strengthening of capital base and funding profile

#### **Common Equity Tier I ratio grows to 13.8%**

- Leverage ratio 4.9%
- Fully-loaded Basel III Common Equity Tier I ratio 11.6%
- Well diversified funding profile: funding ratio grows to 87.9%, supplemented by successful wholesale market transactions

### Execution of strategy on track

#### **Good progress in execution of strategy**

- Private Banking transformation well on track and focussed on growth
- Asset Management & Merchant Banking expanding in their niches
- Corporate Banking on track; capital release and margin improvement in 2014
- Incremental steps taken to simplify products, processes and organisation

# 2014 half-year results

## Key figures



<i>€ million</i>	<b>H1 2014</b>	<b>H2 2013</b>	<b>H1 2013</b>	<b>H1-14 vs H1-13</b>
Commission	113.8	115.3	119.5	-5%
Interest	106.6	106.0	107.9	-1%
Other income	74.0	27.6	53.5	38%
<b>Income from operating activities</b>	<b>294.4</b>	<b>248.9</b>	<b>280.9</b>	<b>5%</b>
Operating expenses	195.0	187.7	187.2	4%
Non-recurring charges	6.2	1.9	6.1	2%
<b>Gross result after non-recurring charges</b>	<b>93.2</b>	<b>59.3</b>	<b>87.6</b>	<b>6%</b>
Addition to loan loss provision	35.5	62.2	41.5	-14%
Other impairments	4.7	-2.6	5.0	-6%
<b>Operating profit before tax</b>	<b>53.0</b>	<b>-0.3</b>	<b>41.1</b>	<b>29%</b>
Operating profit before tax of non-strategic investments	1.6	-3.6	0.2	-
Income tax	5.2	-1.1	5.0	4%
<b>Net profit</b>	<b>49.4</b>	<b>-2.8</b>	<b>36.3</b>	<b>36%</b>
<b>Underlying net profit excluding non-recurring charges</b>	<b>54.1</b>	<b>-1.4</b>	<b>40.3</b>	<b>34%</b>
Efficiency ratio (%)	66.2%			

# Solid profit in H1 2014

Thanks to higher other income and lower loan losses

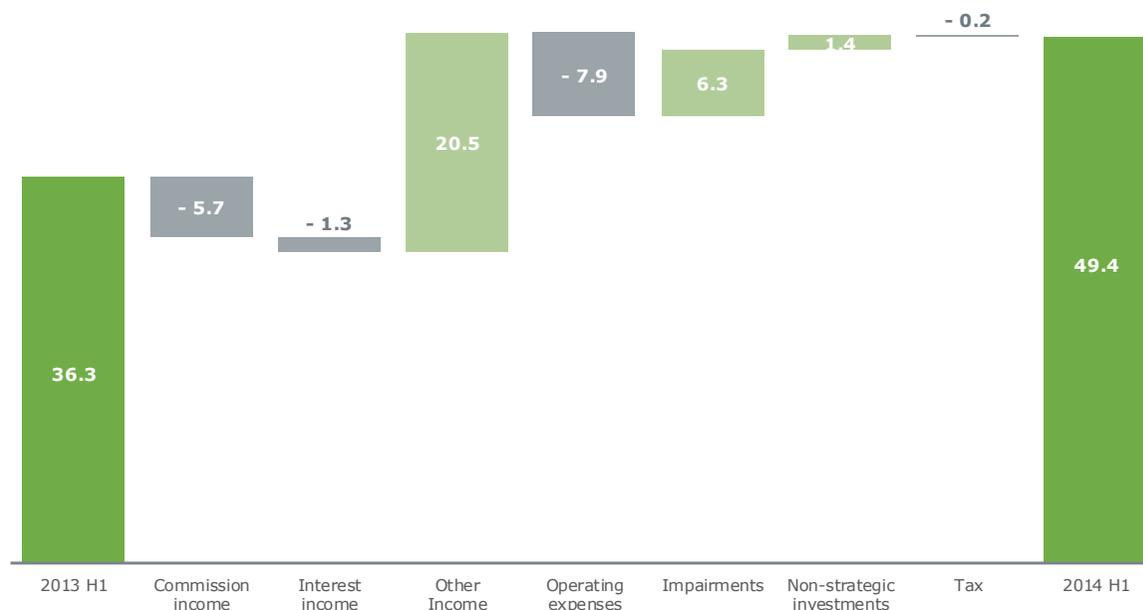


## H1 2014 net profit € 49.4 million

- Lower commission income due to lower income Merchant Banking; stable securities commission income
- Pressure on interest income following from loan book reduction, partly compensated by repricing
- Increase in other income due to gain on sale of a participation and financial transactions
- Cost reduction on track
- Lower addition to loan loss provision

## Underlying net profit € 54.1 million

### Key drivers of profit in H1 2014 (€ million)



# Securities commission stable at € 94.9 million

Total commission income decreases 5% to € 113.8 million



Lower commission income due to lower other commission; stable securities commission.

Securities commission:

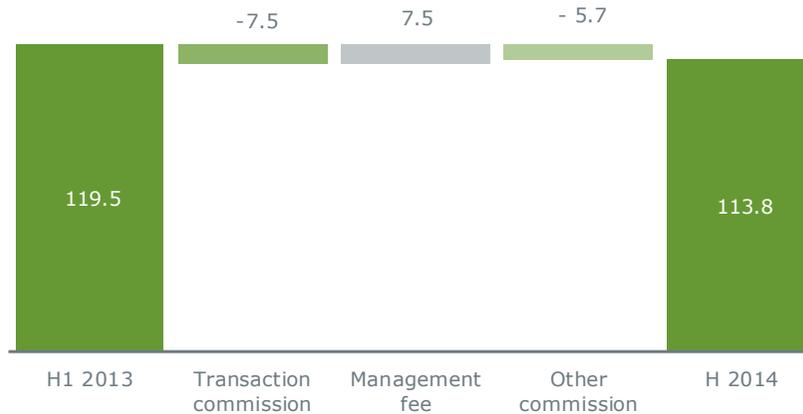
- Introduction of new fee structure leads to shift from non-recurring transaction fees to recurring management fees\*. Only 16% is related to transactions (24% in H1 2013)
- Recurring management fee increases in line with growth in assets under discretionary management

Other commission:

- Merchant Banking: lower compared to strong H1 2013

\* Management fees include performance fees, advisory fees and service fees

## Commission income (€ million)



## Securities commission (€ million)



# Interest income stable, despite reduction of loan book

## Higher clean interest margin\* offset by lower hedge results



**Interest income down 1% at € 106.6 million, interest margin H1 2014 1.21% (H1 2013: 1.23%)**

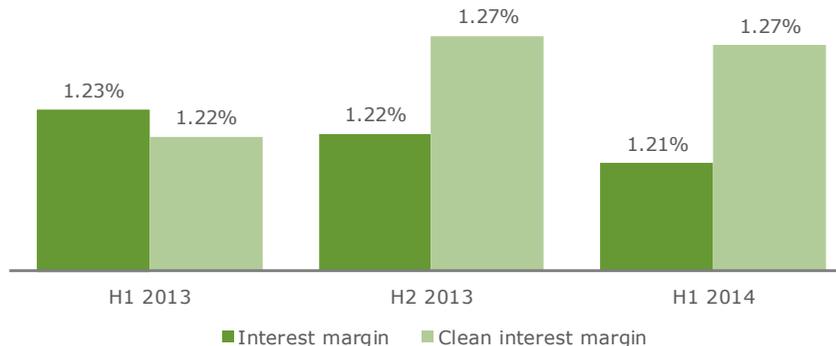
- Interest income positively influenced by repricing of the private and corporate loan portfolio, growth of investment portfolio and lower savings and deposit rates
- Interest income negatively influenced by low interest rate environment impacting variable rate loans, focus on loan book reduction and higher level of savings and deposits

**Clean interest margin\* increases to 1.27% (H1 2013: 1.22%)**

**Interest income (€ million)**



**Interest margin (%)**



\* Clean interest margin = interest margin adjusted for initial loan commission, penalty interest, etc.

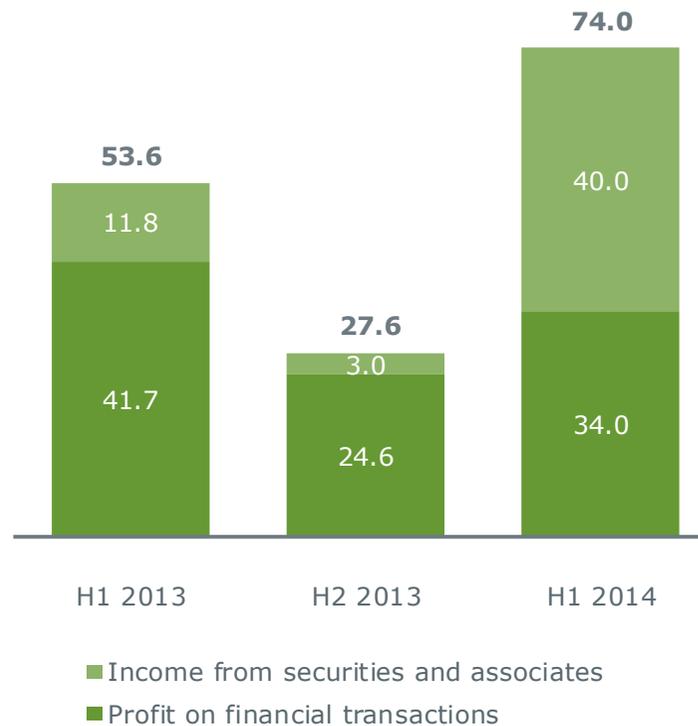
## Other income increases to € 74.0 million

Gain on sale of a participation and financial transactions



- Sale of the 21% stake of Van Lanschot Participaties in DORC Holding BV resulted in a material gain
- Van Lanschot Participaties is part of the regular activities of Van Lanschot and invests in stable, medium-sized enterprises in the Netherlands with strong management

### Other income (€ million)



# Cost reduction on track

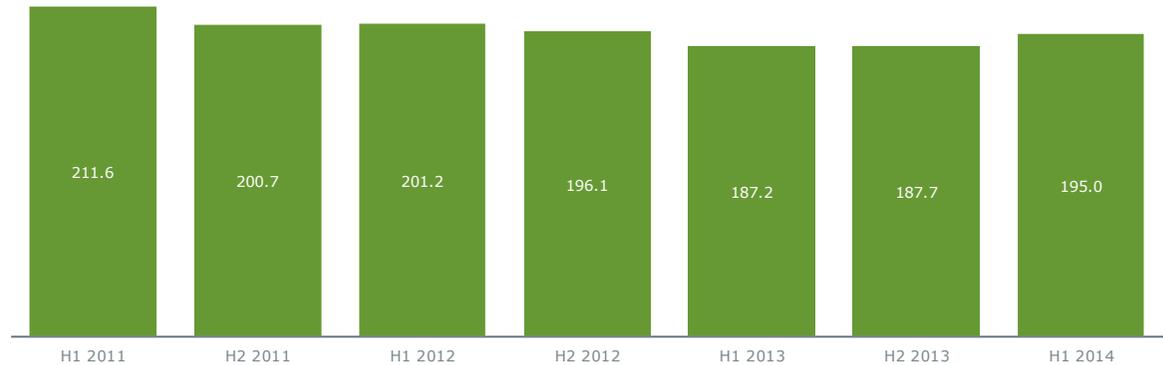
Personnel costs lower, other administrative expenses higher



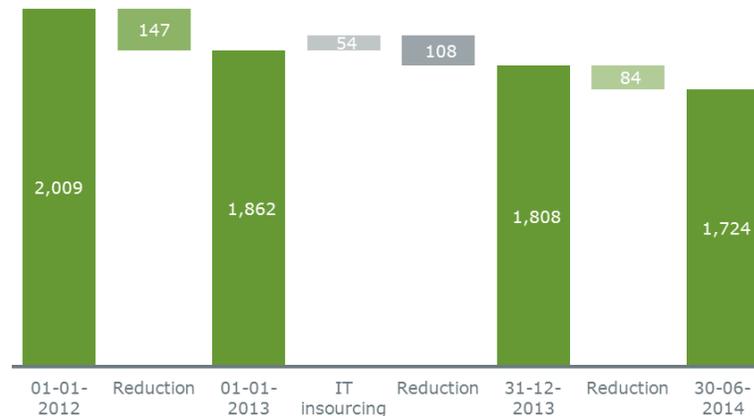
## Operating expenses up 4% to € 195.0 million

- After a total cost reduction of 9% in 2012 and 2013 costs will stabilize this year
- Personnel costs down 7% mainly due to FTE reduction
- Other administrative expenses up 24%
  - Higher other operating expenses because of resolution levy related to nationalisation of SNS Reaal (H1 2014: € 5.6 million)
  - Lower marketing and IT costs in H1 2013 pending results of strategic review

### Operating expenses (€ million)



### FTE development



# Growth in client assets

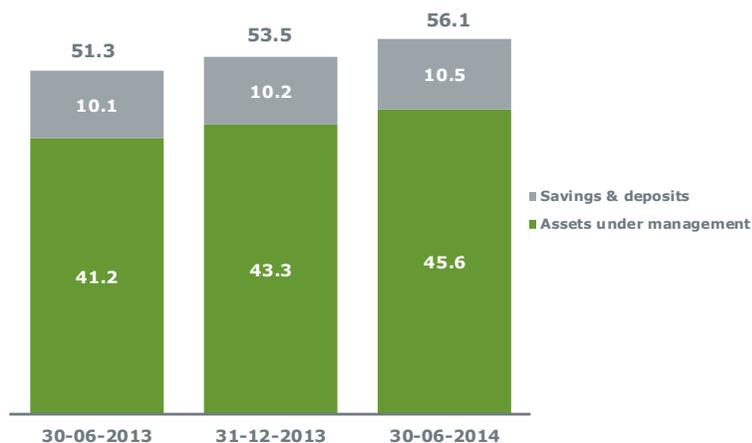
Strong market performance and inflow of assets under discretionary management



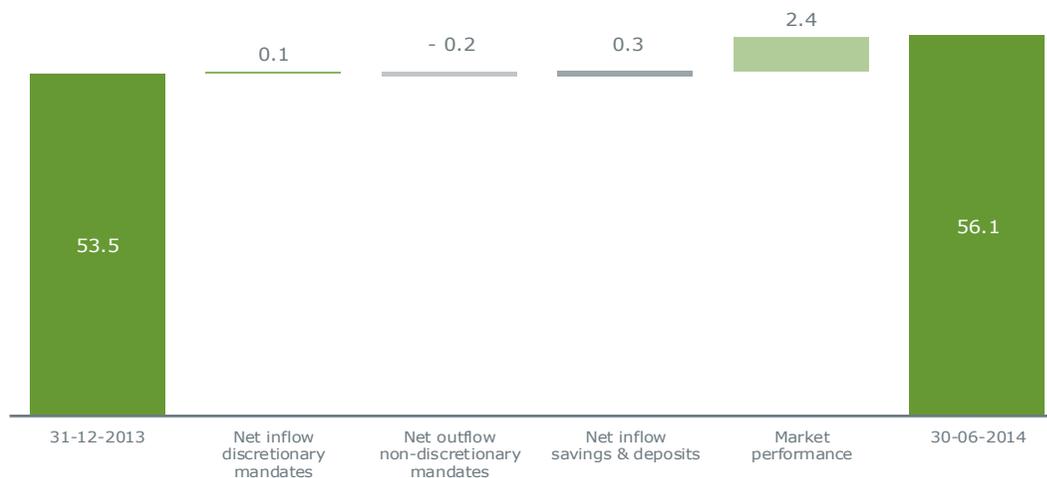
## Client assets grow 5% to € 56.1 billion

- Savings and deposits up 3% to € 10.5 billion
- Assets under management up 5% to € 45.6 billion
- Outflow of non-discretionary mandates, related to the introduction of a new proposition and pricing, offset by inflow of discretionary mandates and strong market performance
- Share of discretionary mandates in total Private Banking assets under management increased to 41% (2013: 40%)
- Evi van Lanschot, our online savings and investment proposition, is developing towards € 1 billion

### Client assets (€ billion)



### Growth in client assets H1 2014 (€ billion)



# Deleveraging continues

Steady reduction in loan book in line with strategy



**Total loan book € 11.9 billion;  
4% reduction in H1 2014**

## Mortgages

- 51% of the loan book is made up of mortgages to wealthy individuals
- Accelerated repayment of mortgages continues and new business remains limited
- Mortgage book down by 3% in H1 2014

## Other private banking loans

- This includes loans to healthcare professionals, business professionals & executives, security-backed loans and foreign mortgages

## Corporate loans

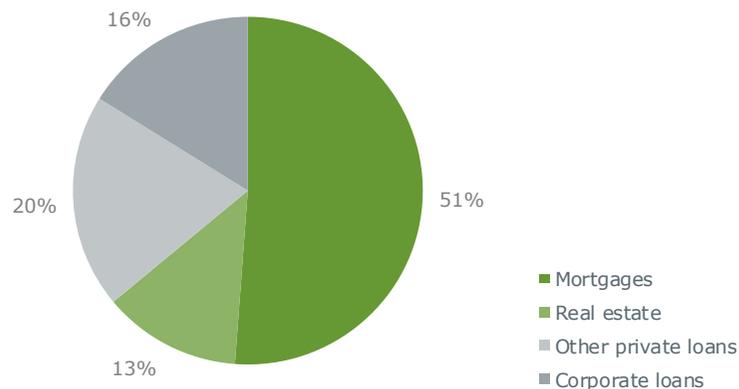
- Corporate loans down in line with focus on wealth management

## Real estate

- Focus by specialist CRE team leads to reduction in real estate loans of 3%

€ million	30-06-2014	31-12-2013	Δ
Mortgages	6,269	6,483	-3%
Other private banking loans	1,565	1,695	-8%
Corporate loans	2,441	2,610	-6%
Real estate	1,975	2,036	-3%
Provision	-321	-333	-4%
<b>Total</b>	<b>11,929</b>	<b>12,491</b>	<b>-4%</b>

## Loan book at 30-06-2014 (€ 11.9 billion)



# Loan impairment charges

Loan loss provisioning continues to trend down



## Addition to loan loss provisions down 14% on H1 2013

### Mortgages: -18%

- Loan losses on mortgage book traditionally very low: addition to loan loss provisions in H1 2014 only 17% of total, while the mortgage book represents 51% of the total loan book
- NPLs remain low at 1.8%

### Other private banking loans: -59%

- NPLs influenced by a few larger items

### Corporate loans: -6%

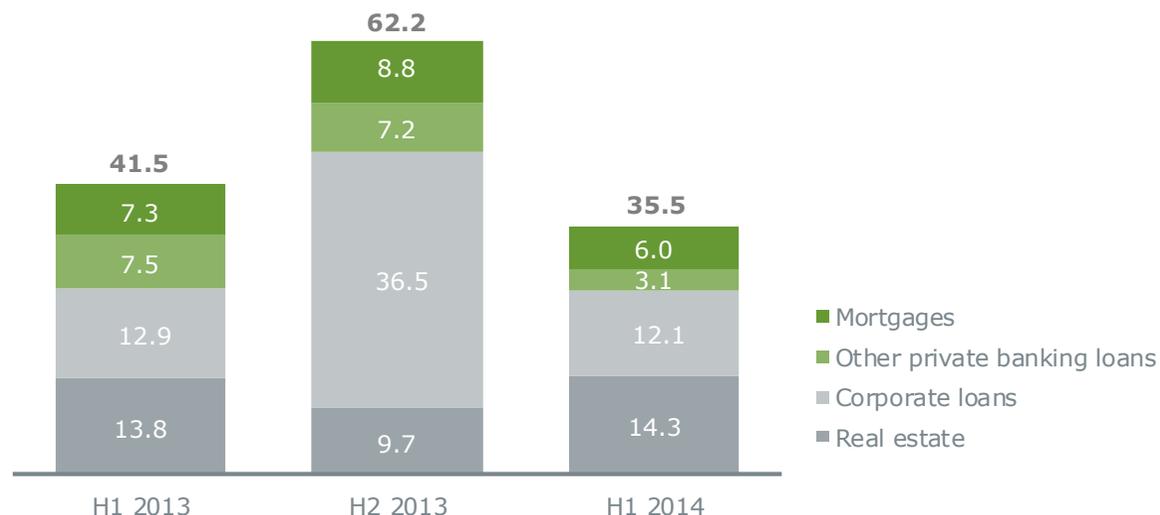
- Despite difficult economic conditions in the Netherlands, NPLs relatively low at 7.3%

### Real estate: +4%

- Addition to loan loss provisions 4% higher than in H1 2013

**High coverage ratios reflect Van Lanschot's prudent provisioning policy**

## Addition to loan loss provisions by type of loan



€ million	Impaired loans	Provision	NPL	Coverage ratio
Mortgages	115	64	1.8%	56%
Other private banking loans	125	62	8.0%	50%
Corporate loans	178	97	7.3%	54%
Real estate	208	88	10.5%	42%
IBNR		10		
<b>Total</b>	<b>626</b>	<b>321</b>	<b>5.2%</b>	<b>51%</b>

# Robust balance sheet

## Strong capital and funding position



### Significant capital buffer

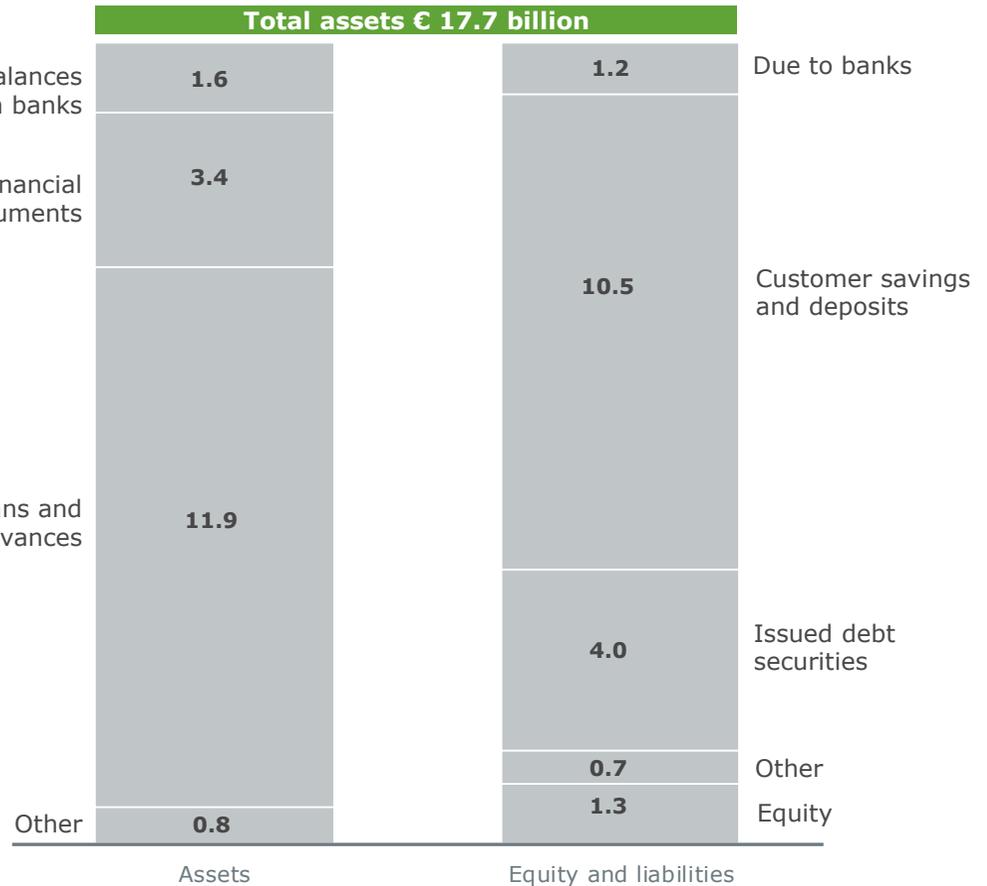
- Total equity of € 1.3 billion
- Common Equity Tier I ratio 13.8%\*
- Leverage ratio (fully loaded) 4.9%

### The balance sheet is for our clients

- Loan book decreased € 0.5 billion to € 11.9 billion in line with focus on wealth management but comprises still 67% of the balance sheet
- Investment portfolio extended with low risk European government bonds and bonds issued by financial institutions

### Solid funding position

- Funding profile further diversified – in terms of instrument, source and maturity
- Loan-to-deposit ratio 113.8% (funding ratio 87.9%)



\* Taking into account the net profit of the current year this ratio would be 14.2%

# Increase of Common Equity Tier I Ratio

## RWA reduction continued

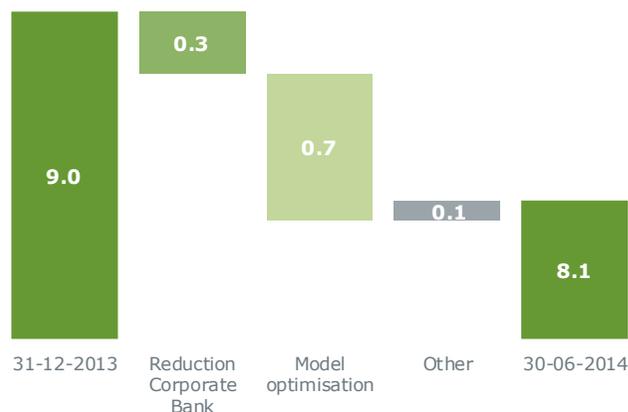
### Risk-weighted assets

- Corporate Banking run-off successfully; corporate loan book exposure reduced by over € 300 million in H1 2014
- Total RWA at 30-06-2014 € 8.1 billion (-10%)
- Common Equity Tier I ratio 13.8%\*

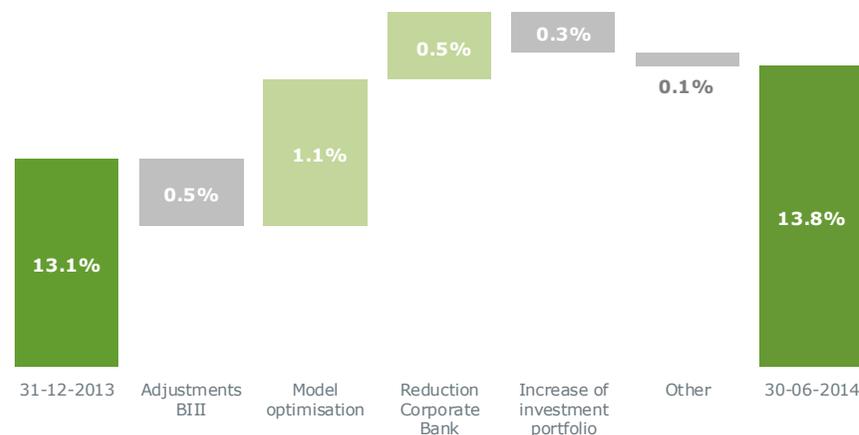
### Van Lanschot already meets the Basel III capital requirements

- Fully loaded Common Equity Tier I ratio 11.6%
- Leverage ratio 4.9%

### Risk-weighted assets (€ billion)



### Development of Common Equity Tier I ratio (phase in)



\* Taking into account the net profit of the current year this ratio would be 14.2%

## **Profile of Van Lanschot**

## **2014 half-year results**

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## **Funding and liquidity**

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## **Execution of strategy on track**

# Access to wholesale funding well maintained



**Aim for further diversification of funding profile**

RMBS: 2010, 2012, 2013  
Senior Unsecured €: 2010, 2011, 2012, 2013, 2014  
Senior Unsecured CHF: 2012

**Regular presence in wholesale markets through (un)secured funding programs**

15 wholesale market transactions since 2010

**Establishing a curve**

3 years: 2010 - €400m, 2011- €500m  
4 years: 2012 - €500m, CHF250m  
5 years: 2013 - €300m, 2014 - €200m  
7 years: 2012 - €135m

**Debt investor relations**

Create and enhance strong relationships with investors, through deal-related roadshows and non deal related credit updates

# Van Lanschot has various funding programmes

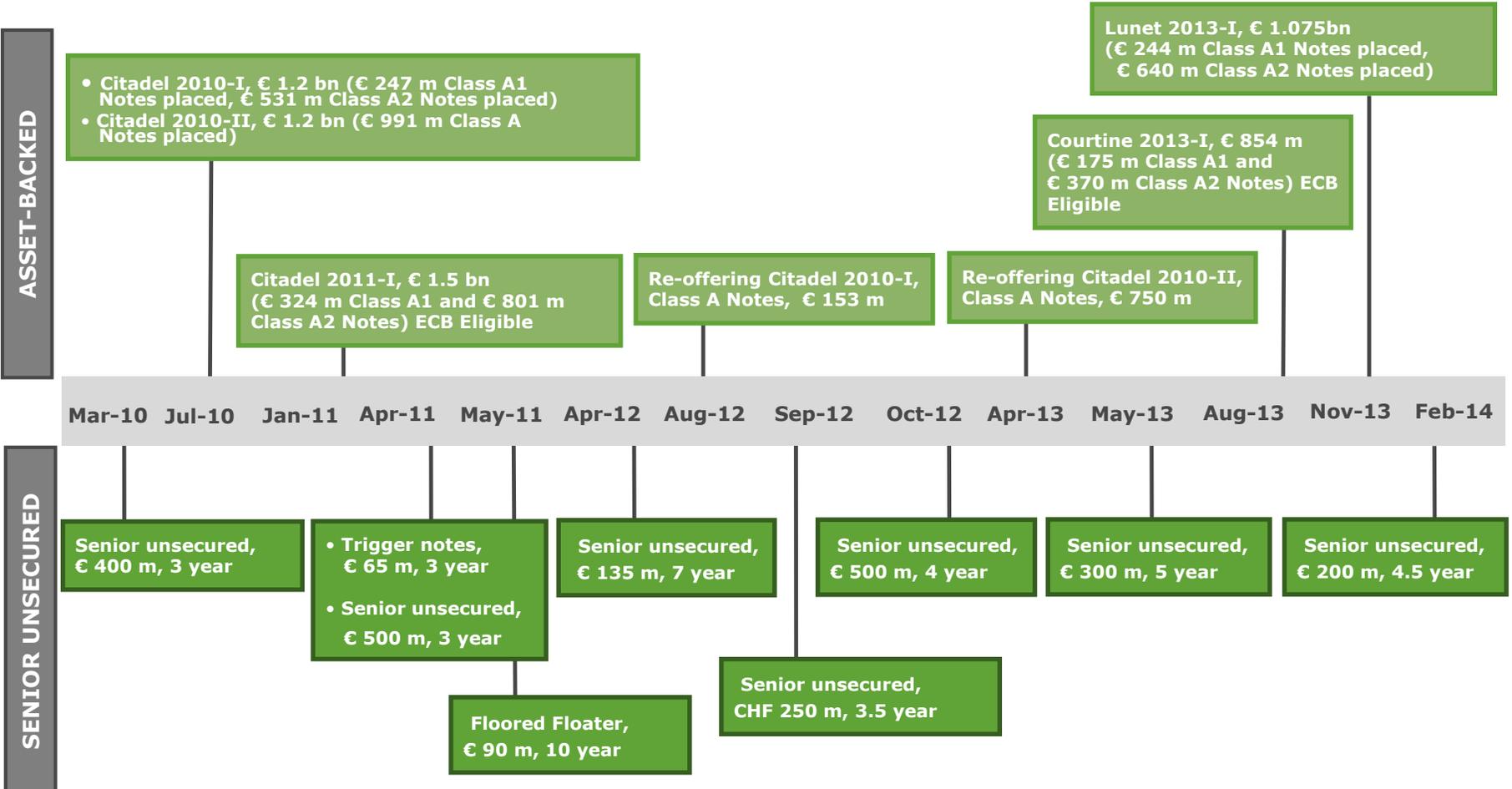


RMBS programmes	
Public	Retained
Lunet / Citadel RMBS Programmes	Courtine RMBS Programme
<ul style="list-style-type: none"> <li>• Top quality residential mortgage portfolio, fully originated and serviced by Van Lanschot</li> <li>• Lunet RMBS 2013-I structured to be PCS and DSA compliant</li> <li>• The Citadel programmes were successfully established with the objective of diversifying funding and creating eligible assets</li> </ul> <p>Going forward, the Lunet RMBS programme will be used for marketable RMBS transactions</p> <p><i>Bloomberg ticker: LUNET Mtge / CITAD Mtge</i></p>	<ul style="list-style-type: none"> <li>• Residential mortgage loan portfolio, fully originated and serviced by Van Lanschot</li> <li>• Notes retained by Van Lanschot for liquidity management purposes</li> </ul> <p>Going forward, the Courtine RMBS programme will be used for retained RMBS transactions</p> <p><i>Bloomberg ticker: CRTIN Mtge</i></p>
Unsecured programmes	
Debt Issuance Programme / MTN	Non-MTN / Specials
<ul style="list-style-type: none"> <li>• € 5.0 billion programme                             <ul style="list-style-type: none"> <li>- used for wholesale funding (senior unsecured and subordinated), and structured retail products</li> <li>- Prospectus last updated on 12 April 2013</li> </ul> </li> <li>• Private placements</li> </ul> <p><i>Bloomberg ticker: LANSNA Corp</i></p>	<ul style="list-style-type: none"> <li>• Euro and non-euro issues on stand-alone documentation</li> <li>• Private placements</li> <li>• Structured products</li> <li>• Hybrid instruments</li> </ul> <p><i>Bloomberg ticker: LANSNA Corp</i></p>

# Van Lanschot is a frequent issuer in the wholesale markets



- Strong funding position based on a stable level of bond issuance and a regular presence in wholesale markets
- Successful in raising funds in wholesale markets every year since 2010



# Well diversified funding profile



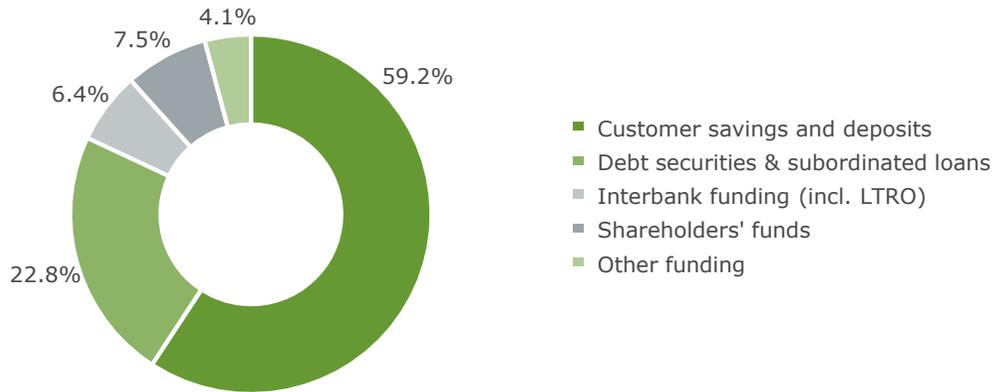
Largely 'self funded' in line with a traditional Private Bank: funding ratio 87.9% per 30 June 2014

As a Private Bank, majority of funding is customer savings and deposits

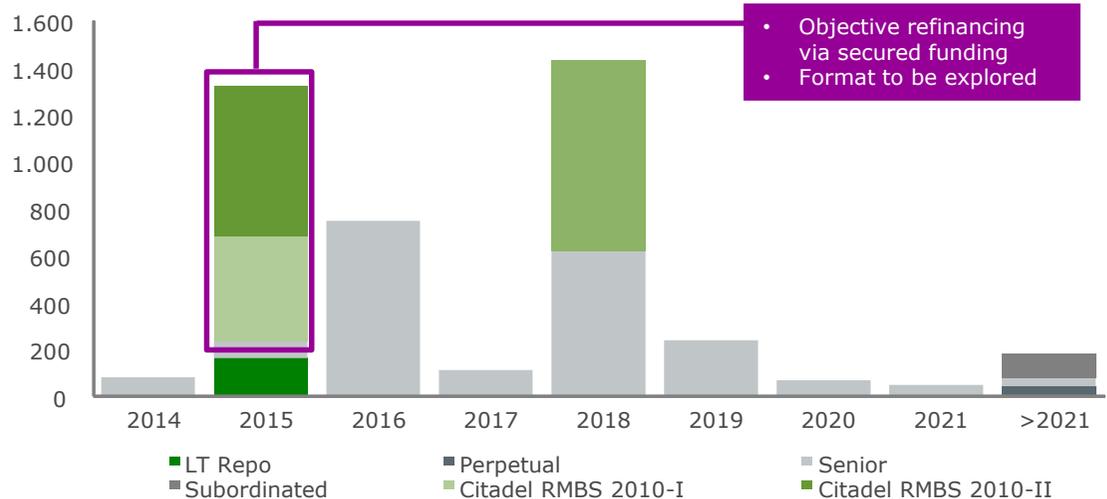
Funding mix complemented by wholesale funding

Comfortable funding diversification across maturities and instruments types

## Funding mix in 2014



## Wholesale funding by maturity in 2013



## **Profile of Van Lanschot**

## **2014 half-year results**

## **Funding and liquidity**

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## **Execution of strategy on track**

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# Strategic priorities

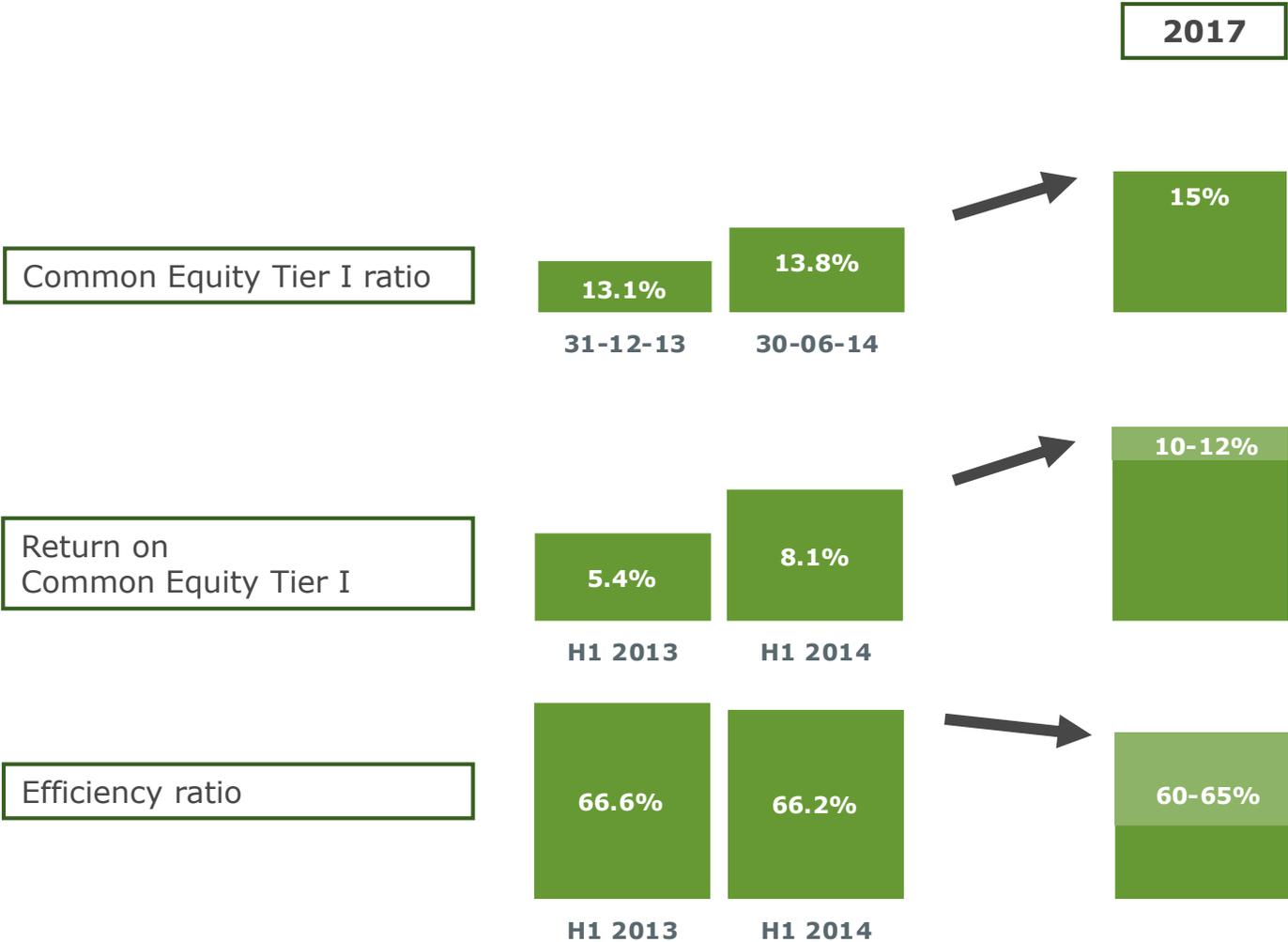
Results in H1 2014 and priorities for next 12 months



	<b>Results in H1 2014</b>	<b>Priorities next 12 months</b>
<b>Private Banking turnaround</b>	<ul style="list-style-type: none"> <li>▪ Evi developing towards € 1 billion</li> <li>▪ Significant progress on establishing new service offerings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Marketing campaign for Private Banking</li> <li>▪ Launch of Savings &amp; Deposit account</li> <li>▪ Launch of compliant proof investing for Business Professionals &amp; Executives</li> <li>▪ Enrich online offering</li> </ul>
<b>Asset Management growth</b>	<ul style="list-style-type: none"> <li>▪ New mandates in fiduciary real estate and credits</li> <li>▪ Global small cap strategy launched</li> <li>▪ Good results in third party distribution, additional products approved by Dutch banks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capitalise on promising pipeline</li> <li>▪ Introduction global real estate strategy</li> <li>▪ Roll out of new portfolio management and risk systems</li> </ul>
<b>Merchant Banking focus continued</b>	<ul style="list-style-type: none"> <li>▪ Solid market share in core sectors</li> <li>▪ Strong performance in Structured Products and Debt Advisory</li> </ul>	<ul style="list-style-type: none"> <li>▪ Focus on strengthening positions in targeted niches</li> </ul>
<b>Corporate Banking portfolio run-off</b>	<ul style="list-style-type: none"> <li>▪ RWA reduction on track, interest margin improvement above target</li> <li>▪ Centralisation results in improved knowledge sharing and efficiency gains</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continued run-off of real estate and corporate lending portfolios</li> <li>▪ Continued effort to improve margin and reduce RWA</li> </ul>
<b>IT / Operations transformation</b>	<ul style="list-style-type: none"> <li>▪ 80% of clients opted for online bank statements</li> <li>▪ Rationalisation of payments products</li> <li>▪ Start of mortgage products rationalisation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implementation of new CRM system</li> <li>▪ Further product rationalisation</li> <li>▪ Migration of savings products to new platform</li> </ul>
<b>Streamlining organisation</b>	<ul style="list-style-type: none"> <li>▪ Further FTE reduction realised</li> <li>▪ Transfer of corporate departments to Amsterdam</li> </ul>	<ul style="list-style-type: none"> <li>▪ Change governance to reflect strategy</li> <li>▪ Implementation of additional efficiency measures</li> </ul>

# Financial targets Van Lanschot for 2017

On track to achieve financial targets





**Van Lanschot**

# Disclaimer



## Forward-looking statements

This presentation contains forward-looking statements concerning future events. Those forward-looking statements are based on the current information and assumptions of Van Lanschot management concerning known and unknown risks, developments and uncertainties.

Forward-looking statements do not relate to definite facts and are subject to risks, developments and uncertainties. The actual results may differ considerably as a result of risks, developments and uncertainties relating to Van Lanschot's expectations regarding, but not limited to, estimates regarding income growth, cost development, the (macro) economic climate, political and market trends, acts of supervisory and regulatory authorities and private entities, and changes in the law and taxation.

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