Van Lanschot

1737

2015
half-year results

25 August 2015

Highlights 2015 half-year results

Quality of earnings improved

Net profit
€ 34.0 million

Inflow of discretionary mandates

Client assets
€ 58.5 billion (+2%)

Strong capital ratios

14.6%

Execution of strategy

on track

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1. 2015 half-year results

Highlights 2015 half-year results

Execution of strategy on track	**Quality of earnings improves, announced transactions in line with strategy** • Private Banking: securities commission +18%, launch of Evi Pension, new proposition for entrepreneurs, increase in mortgage production • Asset Management: inflow in credit strategy following Gold-rating, acquisition of fiduciary management MN UK • Merchant Banking: commission income doubled, solid market share in selected niches, involved in appealing transactions • Corporate Banking: run-off ahead of schedule, sale of non performing CRE loans announced
Strong growth in commission income	**Net profit of € 34.0 million (H1 2014: € 49.4 million)** • Strong growth in commission income +24% • Interest income slightly lower as result of run-off Corporate Banking and current market conditions • Lower other income after significant gains in H1 2014 on participations and financial transactions • Loan loss provisioning -10%
Inflow of discretionary mandates	**Client assets increase € 1.1 billion to € 58.5 billion** • Strong market performance • € 0.3 billion inflow of discretionary mandates at Private Banking • Client savings decrease due to savings rate reduction in line with funding strategy; focus on clients with Private Banking profile • Assets under management at Asset Management grow 2%
Strong capital ratios	**Common Equity Tier I ratio stable at 14.6%** • Leverage ratio (fully loaded) 5.7% (+0.4%-point) • Common Equity Tier I ratio (fully loaded) 13.6% (+0.2%-point) • Well diversified funding profile: funding ratio of 94.3%, in addition to wholesale funding • Conditional Pass-Through Covered Bond issued with low coupon (0.275%)

Key figures 2015 half-year results

€ million	H1 - 2015	H2 - 2014	H1 - 2014	H1 - 2015 vs H1 - 2014
Commission income	141.0	126.5	113.8	
Interest	102.0	107.1	106.6	
Other income	31.1	19.0	74.0	
Income from operating activities	**274.1**	**252.6**	**294.4**	**-7%**
Operating expenses	193.9	186.7	195.0	
One-off gains / losses	-0.7	66.5	-6.2	
Gross result after one-off gains / losses	**79.5**	**132.4**	**93.2**	**-15%**
Gross result before tax of non-strategic investments	-0.1	1.8	1.6	
Additions to loan loss provision	31.9	40.5	35.5	
Other impairments	2.8	14.8	4.7	
Operating profit before tax	**44.7**	**78.9**	**54.6**	**-18%**
Income tax	10.7	19.6	5.2	
Net result	**34.0**	**59.3**	**49.4**	**-31%**
Underlying net profit *	34.5	9.4	54.1	-36%
Efficiency ratio (%)	70.7%	73.9%	66.2%	

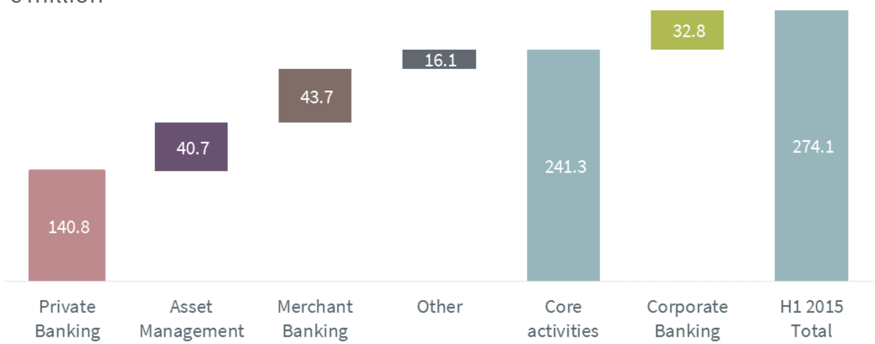
* Underlying net profit is net profit excluding one-off gains and losses

All activities contribute to our net profit

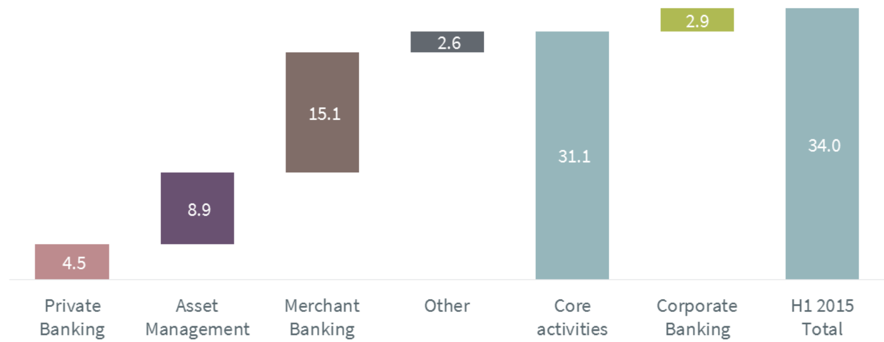
Net profit is € 34.0 million (H1 2014: € 49.4 million)

- The core activities, Private Banking, Asset Management and Merchant Banking, generate 82% of the operating income (2014: 75%)
- All activities contribute to the profitability of Van Lanschot
- Corporate Banking contributes positively as a result of lower loan loss provisioning

Operating income by segment
€ million



Net profit
€ million

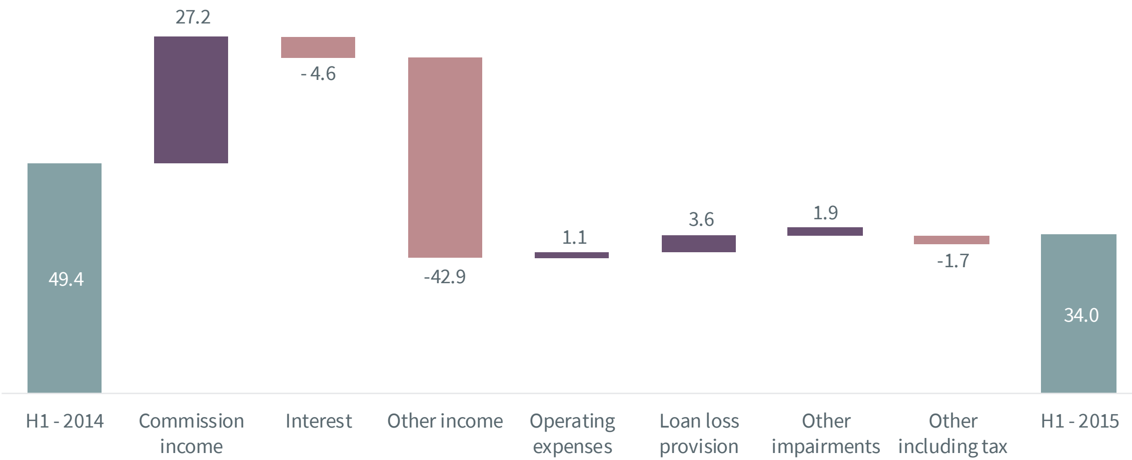


Quality of earnings improves

Net profit is € 34.0 million (H1 2014: € 49.4 million)

- Increase in commission income (+24%) driven by Merchant Banking and Private Banking
- Decrease in interest income due to reduction of loan book and lower interest income on investment portfolio as capital market rates are low
- Other income lower due to significant gains on participations and financial transactions in H1 2014
- Operating expenses largely in line with H1 2014
- Loan loss provisioning down as provisioning at Corporate Banking clearly improved

Key drivers of net profit in H1-2015
€ million



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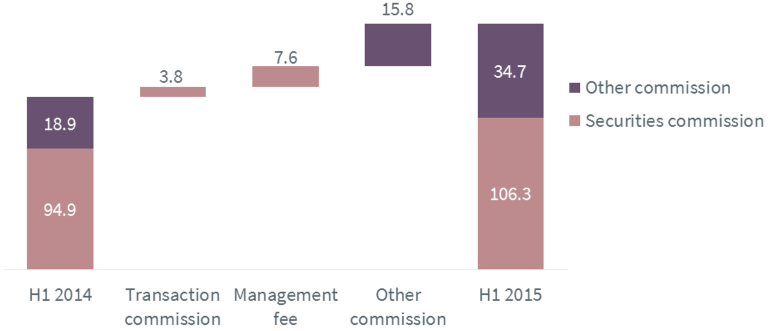
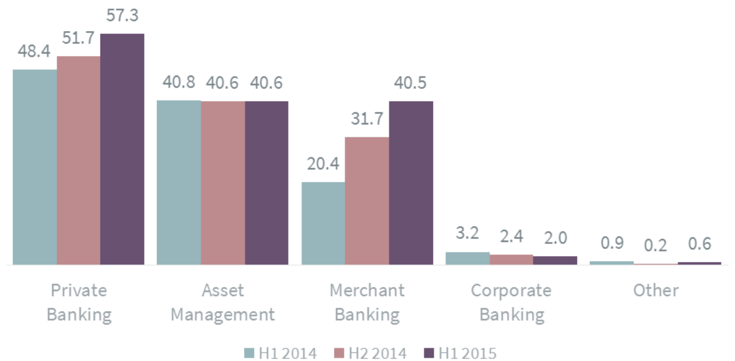
Merchant Banking and Private Banking drive increase in commission income

- Securities commission increases 12% vs. H1 2014, based on both transaction fees and management fees
- Transaction income increases in particular due to the positive stock market climate
- Management fees grow mainly due to the growth of assets under management
- Recurring income in the form of management fees almost stable at 81% of total securities commission (H1-2014: 82%)
- Merchant Banking commission increases due to
  - significantly higher other commission following from equity capital market deals and advisory activities
  - Higher securities trading leading to higher transaction commission

Total commission income
€ million



Commission income by segment
€ million



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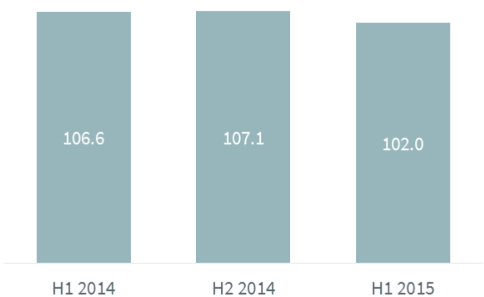
Limited decrease in interest income following loan book reduction, interest margin stable

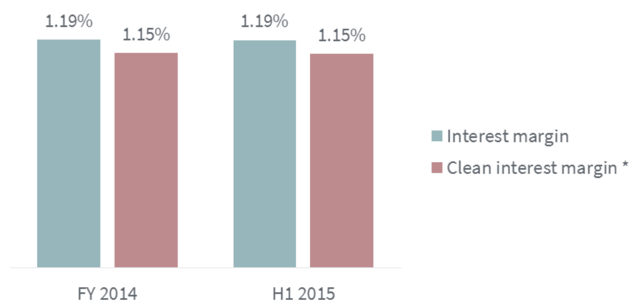
- The interest income decline results from the run-off of the corporate loan book and lower income from the investment portfolio

- Relatively high liquidity buffers in conjunction with low yield environment put pressure on interest margin. To manage the liquidity buffer savings rates have been lowered further in 2015, resulting in a outflow of € 0.7 billion in savings & deposits

Interest income
€ million



Interest margin
%



* Clean interest margin is interest margin adjusted for among others initial loan commission and penalty interest

Other income decreases to € 31.1 million

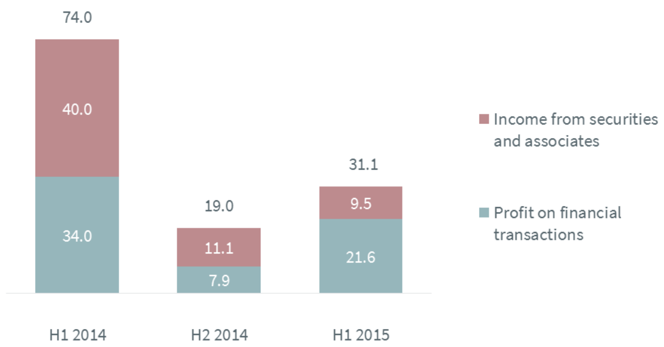
Profit on financial transactions

- Profit on financial transactions amounts to € 21.6 million, of which profit on investment portfolio (€ 19.1 million) decreased compared to H1 2014 (€ 31.4 million)

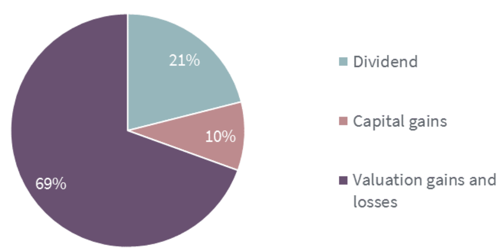
Income from securities and associates

- Income from securities and associates (€ 9.5 million) decreased as last year included a material gain following the sale of a participation

Other income
€ million



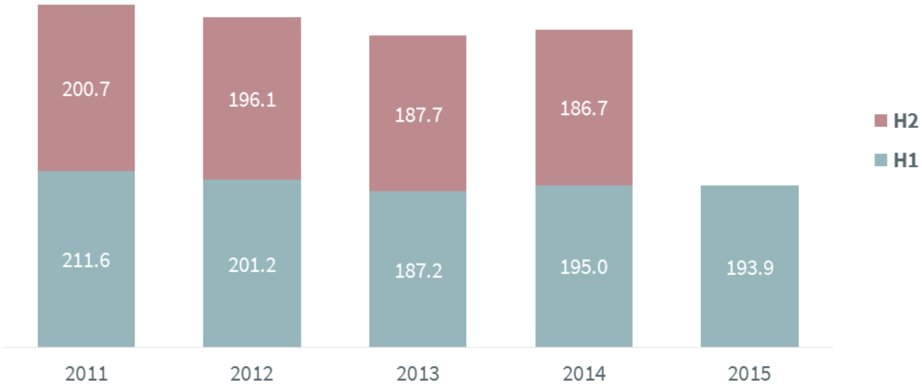
Income from securities and associates
100% = € 9.5 million



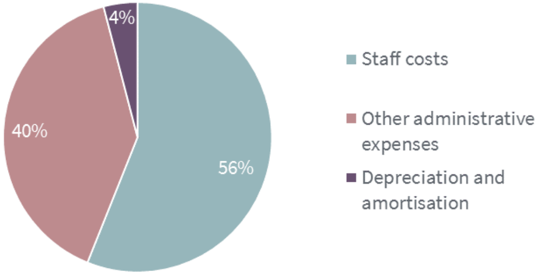
On track to realize efficiency ratio target in 2017

- Operating expenses fairly stable at € 193.9 million
- Efficiency ratio amounts to 70.7%
- The number of fte decreases with 15 to a total of 1,697
- Van Lanschot continues to simplify products and processes, to improve IT-infrastructure and to streamline back office activities
- The transformation leads to temporarily higher costs in order to eventually reduce the cost level
- Marketing efforts will be continued to support income growth
- Van Lanschot is on track to realize its efficiency ratio target of 60-65% in 2017

Operating expenses
€ million



Operating expenses H1 2015
100% = € 193.9 million

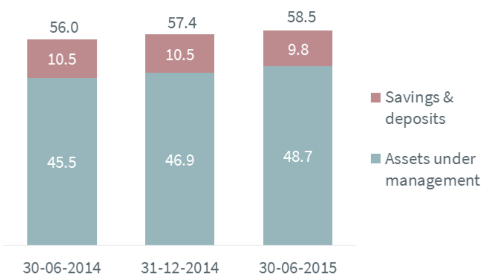


Positive market performance supports client assets growth

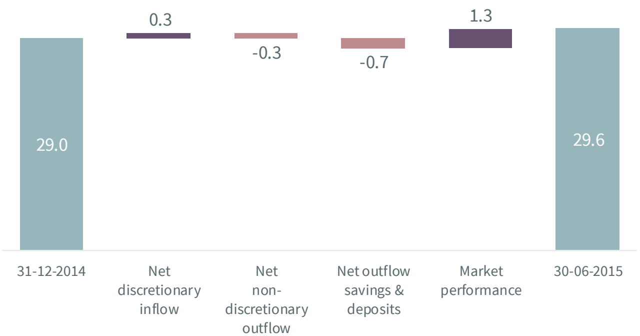
Client assets grow € 1.1 billion to € 58.5 billion

- Assets under management are up 4% in H1 2015 mainly due to market performance
- Savings & deposits decreased by € 0.7 billion due to savings rate reduction as result of funding strategy. Focus remains on clients with a Private Banking profile
- Private Banking client assets grow by € 0.6 billion. Discretionary mandates realizes a net inflow of € 0.3 billion, while non-discretionary mandates have outflow of € 0.3 billion mainly at execution only
- Assets under management of Asset Management increase due to market performance. Inflow in euro credit strategy following Gold-rating Morningstar. Net outflow is mainly caused by rebalancing of institutional clients as a result of market expectations

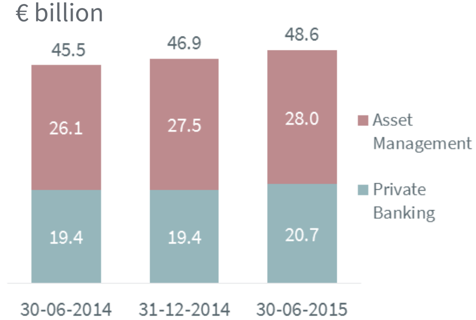
Client assets
€ billion



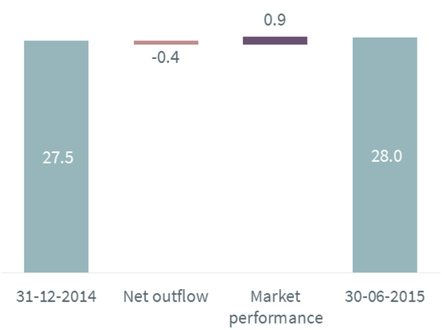
Development client assets: Private Banking
€ billion



Assets under management
€ billion



Development assets under management: Asset Management € billion



Loan book: run-off Corporate Banking ahead of schedule; growth in gross production mortgages

Total loan book (€ 10.4 billion) reduces by 5% in H1-2015. Run-off Corporate Banking is ahead of schedule

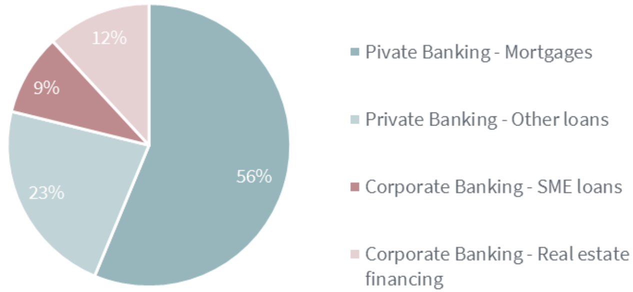
Mortgages Private Banking
- Mortgage book down by 1% in H1 2015
- Growth in gross production, while trend of (early) repayment continues

Other Private Banking loans
- Increase mainly due to securities lending and transfer of loans from Corporate Banking that now match Private Banking criteria

SME loans
- Run-off supported by improving economic climate
- Portfolio remains well diversified by sector

Real estate
- Portfolio of non-performing real estate loans (> € 400 million), announced to be sold, is classified as assets held for sale per 30-06-2015
- Exclusion of this portfolio largely explains reduction of provisions level

Loan book per 30-06-2015 *
100% = € 10.6 billion (excluding provisions)



€ million	**30-06-2015**	**31-12-2014**	**Δ**
Mortgages	5,961	6,041	-1%
Other loans	2,389	2,212	8%
Private Banking	**8,350**	**8,253**	**1%**
SME loans	983	1,289	-24%
Real estate financing	1,259	1,803	-30%
Corporate Banking	**2,242**	**3,092**	**-27%**
Provisions	-203	-324	-37%
Total*	**10,389**	**11,021**	**-6%**

*Total loan book excluding € 43 million mortgages third party distribution

Loan loss provisioning continues to trend down

Additions to loan loss provision down 10% to € 31.9 million versus € 35.5 million in H1 2014

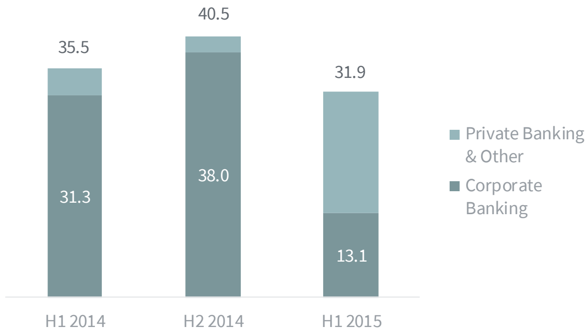
Private Banking

- Loan loss provisioning (€ 16.1 million) is higher in H1 2015 compared to H1 2014 (€ 4.1 million)
- Provisioning level H1 2015 is result of a few individual cases and stricter provisioning criteria

Corporate Banking

- Loan loss provisioning of € 13.1 million decreases compared to H1 2014 (€ 31.3 million)
- The impaired ratio (6.7%) is positively effected by the announced sale of non-performing real estate loans

Additions to loan loss provision
€ million



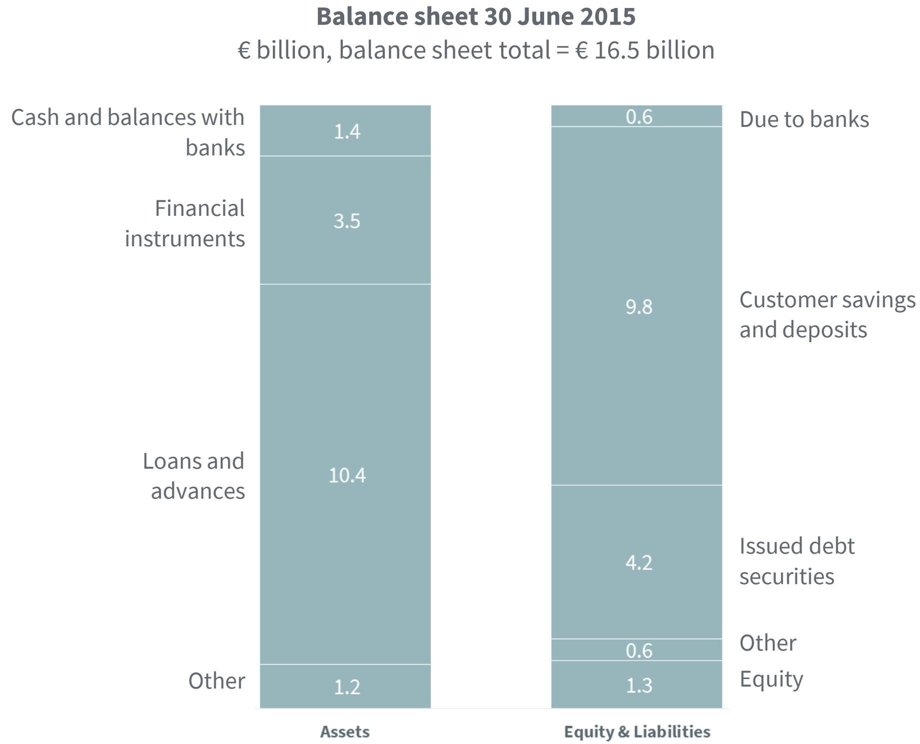
€ million	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	122	52	2.0%	43%
Other loans	152	73	6.4%	48%
Private Banking	**274**	**125**	**3.3%**	**46%**
SME loans	126	49	12.8%	39%
Real estate financing	25	15	2.0%	60%
Corporate Banking	**151**	**64**	**6.7%**	**42%**
IBNR		13		
Total	**425**	**203**	**4.1%**	**44%**

Balance sheet with strong capital and funding position

Significant capital buffer
- Total equity of € 1.4 billion, of which € 1.3 billion in share capital and reserves
- Common Equity Tier I ratio (phase-in) 14.6%
- Leverage ratio (fully loaded) 5.7%

Low risk assets
- Loan book decreases € 0.6 billion to € 10.4 billion in line with focus on wealth management
- Ultimate goal to run off Corporate Banking loan book entirely
- Investment portfolio consists mainly of low risk European government bonds and bonds issued by financial institutions

Solid, well diversified funding position
- Largely funded by customer savings and deposits; funding ratio of 94.3% at 30 June 2015 in line with wealth management profile
- Funding mix is complemented by wholesale funding; Conditional Pass-Through Covered Bond was issued with low coupon



Common Equity Tier I ratio stable at 14.6%

Risk-weighted assets

- Corporate Banking run-off leads to RWA reduction of € 0.3 billion
- RWA developments mainly caused by decreasing loan book and IRB model adjustments
- Decrease of total RWA € 0.1 billion in H1 2015

Van Lanschot meets the Basel III capital requirements

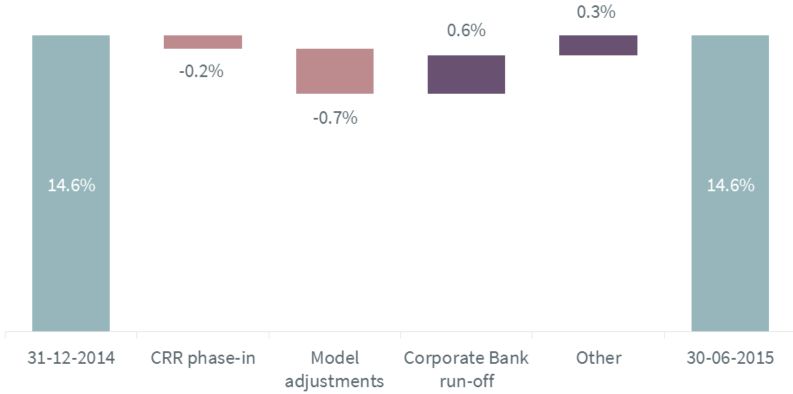
- Fully loaded Common Equity Tier I ratio 13.6 %
- Leverage ratio 5.7%
- The liquidity coverage ratio and the net stable funding ratio are well above 100%

Risk-weighted assets

€ billion

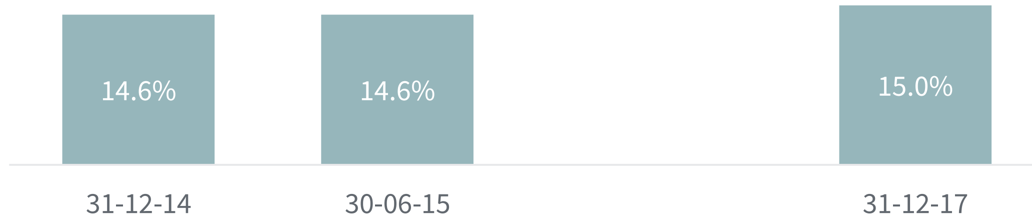
Development of Common Equity Tier I ratio phase-in

%

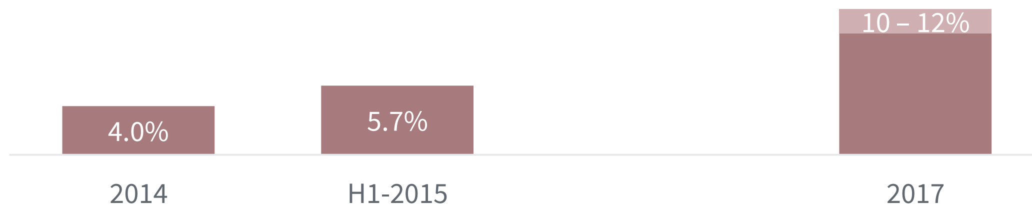


On track to achieve financial targets 2017

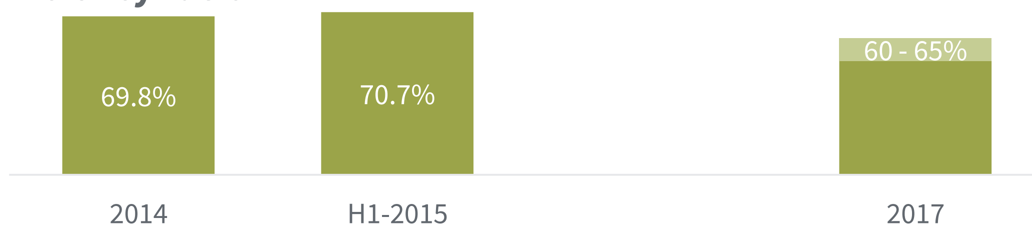
Common Equity Tier I ratio*



Return on Common Equity Tier I**



Efficiency ratio



* 2014 reflects Common Equity Tier I-ratio phase-in, including retained profit, H1-2015 excluding retained profit.

** Based on average Common Equity Tier I. 2014 excluding one-off gain following from pension scheme change. H1-2015 annualized.

Highlights 2015 half-year results

Quality of earnings improved

Net profit
€ 34.0 million

Inflow of discretionary mandates

Client assets
€ 58.5 billion (+2%)

Strong capital ratios

14.6%

Execution of strategy

on track

2. Execution of strategy on track

The transformation takes several years; in the first period focus and simplification were the key themes

2013 **2015** **2017**

- Creation of Corporate Banking to run-down corporate loan book
- Introduction of Evi van Lanschot, our online savings and investments solution
- Introduction service levels Private Banking
- Rationalisation product offering: payments, savings
- Organisational efficiency increased; FTE-reduction realised
- Simplification governance model

First results

- Strong capital base
- Comfortable liquidity position
- Solid net result
- Dividend doubled

Growth of the core activities and run off Corporate Banking will be the themes for the coming period

Core activities

- **Private Banking**: growth in investment services and mortgages, supported by marketing campaigns and extension of online possibilities
- **Asset Management**: further grow niche strategies and fiduciary management by expanding client base, mainly internationally and by wholesale distribution
- **Merchant Banking**: continue focus on selected niches and exploit synergies between product groups; continue international expansion

Non core

- **Corporate Banking:** continue winding-down of corporate loan portfolio

Acquisition of MN UK bolsters international growth of Asset Management

Description of acquisition	• KCM acquired the UK fiduciary management (FM) activities of MN with assets totalling € 10.9 bln of which € 3.5 bln represents full-service FM mandates • Pending regulatory approval, the transaction will be completed on 1 Oct 2015
Accessing UK fiduciary market	• Demand for FM is increasing in the UK • MN has successfully built a fiduciary business in the UK and KCM intends to develop that further, much like it has in NL over the past 10 years
Strengthening International Business Development	• The UK is KCM's second home market, and the acquisition of all MN UK activities allows KCM to further expand its UK business • The MN UK team counts 6 client-facing professionals
Talent management tool	• An increasing part of the team at Asset Management has an international background. Having presence in London helps to continue this development, as well as to attract and retain talent

Announced sale of non-performing real estate loan portfolio improves risk profile

Description of announced sale	• Divestment of non-performing real estate portfolio (> € 400 million), which is part of Corporate Banking loan book • Sold to Cerberus Capital Management; expected close in H2 2015
Rationale to divest	• Sale fits within objective to completely run-off Corporate Banking loan book • The transaction improves the risk profile of Van Lanschot • Expected to have positive effect on future loan loss provisioning
Implications on figures	• The portfolio is classified as Assets held for sale per 30 June 2015 • Sale has marginally positive effect on core capital; limited reduction of risk weighted assets as majority of portfolio is provisioned • Pre-tax charge of approximately € 23 million leads to one-off loss in H2

Executive summary

Van Lanschot's profile

- One strategy: pure-play, independent wealth manager focusing on preservation and creation of wealth for our clients
- Two leading brands: Van Lanschot and Kempen & Co
- Three core activities: Private Banking, Asset Management and Merchant Banking

Solid performance on all key financials

	H1 2015	H1 2014
• Net profit	€ 34.0m	€ 49.4m
	30-06-2015*	**31-12-2014**
• Common Equity Tier I ratio	14.6%	14.6%
• Total Capital ratio	15.3%	15.2%
• Leverage ratio (fully loaded)	5.7%	5.3%
• Funding ratio	94.3%	95.3%
• Client assets	€ 58.5bn	€ 57.4bn

Execution of strategy on track

- Private Banking: securities commission +18%, launch of Evi Pension, new proposition for entrepreneurs, increase in mortgage production
- Asset Management: inflow in euro credit strategy following Gold-rating Morningstar, acquisition of fiduciary management MN UK
- Merchant Banking: commission income doubled, solid market share in selected niches, involved in appealing transactions
- Corporate Banking: run-off is ahead of schedule, sale of non performing CRE loans announced

Financial targets 2017

	H1 2015	Target 2017
• Common Equity Tier I ratio	14.6%	>15%
• Return on Common Equity Tier I	5.7%	10-12%
• Efficiency ratio	70.7%	60-65%

* At 30 June 2015 based on phase-in and excluding retained earnings. Comparative figures at 31 December 2014 including retained earnings

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Disclaimer

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All figures in this document are unaudited. Small differences are possible in tables due to rounding.
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