

PRESS RELEASE

Van Lanschot presents strategy update 2020

's-Hertogenbosch, the Netherlands, 26 April 2016

- Van Lanschot enters the next phase of its wealth management strategy: building on a strong foundation, adapting to a changing world, taking advantage of opportunities this offers and creating value for clients
- Key strategic themes for core activities:
 - Private Banking: enhance client experience through omnichannel service model and focus on increased front-line effectiveness
 - *Evi van Lanschot*: to become separate segment for self-directed clients, playing into the trend towards increased individual responsibility for pensions, healthcare and other needs at all levels of society
 - Asset Management: realise growth from strong position by launching new strategies, intensifying distribution and developing UK as second home market
 - Merchant Banking: building on a solid, sustainable position in selected niches with a capital-light operating model
- Launch of €60 million investment program for the 2016-2019 period to implement omnichannel private bank and finalise transformation of IT landscape
- Efficiency gains to result from partnerships for standardised universal banking services, streamlining of operations and support functions, and transfer to omnichannel private banking service model
- Continued run-off of the Corporate Bank to result in capital release
- 2020 financial targets and revised capital and dividend policy defined

Van Lanschot today presents an update of its strategy, as well as its trading update for the first quarter of 2016. The strategy update will be presented in full at the Investor Day held today at 1.30pm CET.

Karl Guha, Chairman: “Our clients choose Van Lanschot and Kempen as their trusted adviser to help them navigate the challenging financial and economic environment and an increasingly complex world. Their choice is informed by our key strengths: the trust and the long-term relationships that we have with our clients, and the high quality and professionalism of our people and services.

“Today we are announcing the next steps in our strategy to enhance our position as a focused, specialist and independent wealth manager. The overall direction and mission we set out three years ago remain unchanged, and we can build on a strong foundation with many elements of our transformation to wealth management now solidly in place. Today, we are moving on to the next stage of our journey to adapt to changing client needs, developments in our industry and challenging economic circumstances.

“The shift from collective to individual wealth creation in the Netherlands is one example of major forces driving our industry. In addition, new technology and digitisation are rapidly changing client requirements. We’re investing in longer-term growth initiatives in order to play into these trends. We will be focusing even more on the activities at the core of our wealth management businesses serving private and institutional clients.

“At the same time, we will continue to simplify processes and look at alternative ways to provide standardised, universal banking services such as payments and mortgage servicing. In that sense, we are moving further away from traditional banking and putting more emphasis on the areas in which we excel and can add real value for our clients.

“With this update we are well positioned to accelerate our growth, improve our returns and enhance our position as the wealth manager of choice for 2020 and beyond.”

Private Banking

We will continue to focus on the segments in which we have leading positions: entrepreneurs, business professionals & executives, medical specialists, foundations and associations, and wealthy individuals. Our key distinguishing factors are trust, our close relationships with our clients and our understanding of their long-term goals and ambitions in life. Tools such as our wealth planning and healthcare planning services help our clients to plot their wealth against their lifestyle preferences and expected needs. By increasing our front-line effectiveness we aim to expand our market share with existing and prospective clients.

We are in the process of further innovating our offering to stay in tune with the needs and preferences of our clients. Our digital and mobile offering will be expanded and improved to provide clients with an omnichannel service offering, combining the traditional personalised private banking approach based on client proximity with integrated digital platforms.

As part of the evolution to an omnichannel servicing model, our branch network is currently being adjusted to adapt to changing client behaviour and expectations. Proximity and local presence remain important, which is why we will continue to have client reception locations in over 20 locations in the Netherlands. At the same time, our clients will benefit from an improved alignment of our private bankers with specialists and commercial support teams based in four regional hubs.

We will continue to simplify and innovate our product offering, with a strong focus on pure-play wealth management products (investments and savings). For instance, a value-creating offering for today's low-yield environment requires ongoing attention, particularly for clients with limited risk appetite. We consider payments and mortgage structuring and advice as part of an integral service offering to our Private Banking clients. However, given the increasing standardisation in these areas and the investments required to meet regulatory requirements, we will be looking at alternative ways to provide processing and servicing of payments and mortgages. This may include for instance partnerships, SaaS (Software-as-a-Service) solutions or outsourcing.

Evi van Lanschot

We have been very successful in building up *Evi van Lanschot*, our online service for wealth creation and preservation for the younger generation and self-directed clients, which we launched in 2013. *Evi* plays into the trend of increased individual responsibility for pensions, healthcare and other needs at all levels of society. We will be expanding our current *Evi* product offering to include a number of new features such as investment solutions tailored to meet specific targets within a pre-defined time horizon, pension solutions – both on an individual basis via employers and directly for private individuals, and a discretionary investment proposition for minors (*Evi4kids*). In addition, we will implement data-driven marketing and sales efforts and tailor our marketing and acquisition strategy to the next generation. Going forward, *Evi* Belgium and *Evi* Netherlands will be combined and managed as a separate segment to develop its full potential.

To sum up, we will upgrade our offering to an omnichannel service model with the full range of private banking services for high net-worth clients and a digital offering via *Evi van Lanschot* for the younger generation and self-directed clients, with the aim to continue servicing those clients for whom we can add value and to do so via the appropriate service models.

Asset Management

Our positioning as a niche player in asset management has helped secure considerable growth in assets under management (AuM) over the past few years, and we will continue to focus on a limited number of niche strategies where we have unique capabilities and expertise, and can add value for our clients. We believe there will continue to be strong demand for actively managed investment strategies with a clear focus and vision in our chosen niches. At the same time, for our fiduciary clients and private banking assets managed by Van Lanschot, we will select the best passive investment managers as part of our overall advisory, asset allocation and manager selection process.

We are in the process of expanding our existing capabilities and intensifying our distribution to specific countries and client segments, with a focus on the UK, France and Germany. This will result in a broader, more diversified revenue pool. We will do this in a cost-efficient manner, with dedicated specialists with an international background covering specific segments from our locations in Amsterdam and London. These measures will allow us to grow our existing strategies, using currently available capacity.

We are also preparing the introduction of selected additional capabilities, such as a high-yield fund, diversified growth funds and a strategy aimed at 'focusing capital on the long term'. In fiduciary management in the Netherlands, we want to secure scale by winning new mandates; we expect further consolidation in this market on the client side as well as among providers, and we aim to be at the forefront of this trend.

We will leverage our local presence and broad experience in the Netherlands to further grow fiduciary activities in the UK, one of the fastest-growing fiduciary markets in Europe. We aim to develop the UK into a second home market and will use our strengthened local presence to also grow the distribution of our niche strategies, primarily using wholesale distribution and consultants.

Merchant Banking

In our Merchant Banking businesses, Corporate Finance and Securities, we will continue to build on our solid, sustainable position in selected niches with a capital-light, focused operating model. Our specialist teams in Corporate Finance supply clients with high-quality, independent advice on the optimum structuring, timing and positioning of the transactions they are planning to undertake. Our clients benefit from our global network of specialist investors, shareholders, businesses and other leading market players. We help to create robust businesses capable of handling all sorts of different issues and challenges.

Kempen Corporate Finance is a leading player in its niche markets for mergers and acquisitions, capital market transactions and debt advisory services. The strength of Securities lies in its specialist research reports on listed companies in a number of niche markets, together with its ability to find sources of liquidity for international institutional investors.

We will continue to focus on our selected niches in European real estate, European life sciences and healthcare and Benelux small- and mid-caps where these are relevant to our clients and we have created solid, sustainable positions. We will selectively expand into adjacent niches and strengthen our position in Benelux small- and mid-caps, particularly in Corporate Finance. We will also continue to provide structured products to Van Lanschot Private Banking clients and other third parties.

Financial impact

With the launch of the next steps of our wealth management strategy, we are laying the foundation for further sustainable profit growth. Our strategy is aimed at growing commission income through increased AuM, whilst protecting net interest income through active management of on-balance sheet items such as our loan book, our investment portfolio and our funding.

In the 2012 to 2015 period, we have achieved structural cost reductions at Van Lanschot which were partially offset by investments in profitable growth at Kempen. On a net basis, operating expenses declined by 6% during this period. The plans announced today include a one-off investment programme of €60 million for the mid-2016 to 2019 period, in addition to what we consider a normalised annual level of change costs of c. €20 million. With this investment programme we will implement the omnichannel private banking service model, further develop *Evi* and finalise the transformation of our IT landscape. This should also improve efficiency in our mid- and back-office and structurally lower our operating expenses. We are expecting cost increases in the near term from – among other factors – regulatory expenses, the growth of *Evi* and the strengthening of our distribution capacities in Asset Management. On balance however, we expect recurring costs to decrease during the strategic planning period.

Loan loss provisioning has come down over recent years and we expect this downward trend towards normalised levels to continue, in part driven by the run-off of the Corporate Banking activities, which we will continue during the coming years. This will also result in an increasingly asset-light balance sheet. The detailed requirements and impact of the proposals of the Basel Committee on risk weights and IRB-models are unknown as yet, but our current assessment is that any resulting increase in risk-weighted assets will be more than offset by the decrease in risk-weighted assets from the run-off of the Corporate Banking loan portfolio.

Financial targets

With respect to our financial targets for 2017 as issued in 2013, we are already exceeding the CET I ratio target of >15%. With a further shift away from credit risk (Pillar I), the regulatory framework is expected to require a higher CET I ratio in the coming years, in order to cover Pillar II risk - e.g. interest rate risk and concentration risk - as well. Based on the current regulatory framework and business mix, we expect a CET I ratio in the range of 15-17% to be adequate. As previously communicated, we expect that the targeted efficiency ratio of 60-65% will not be reached by 2017, however we consider this a realistic target for 2020. Based on the current expectations and market situation, we believe that the target for return on CET I of 10-12% can be reached in the medium term.

Following this strategic update, we will no longer report on the 2017 targets but focus on achieving our new 2020 targets:

- Common Equity Tier I ratio: 15-17%
- Efficiency ratio: 60-65%
- Return on CET I: 10-12%

Capital policy

Since the start of our transformation towards an independent specialist wealth manager in 2013, we have successfully reduced our corporate loan book and we will continue to do so. This should bring us an asset-light balance sheet and high capital ratios, even taking into account the impact of the proposals of the Basel Committee. However, we feel the need to balance such high capital ratios with offering an attractive return to our shareholders. Since we are not planning any transformational acquisitions, and based on current plans and expectations and the outlook for future regulations, we expect to build up excess capital of at least €250 million. We are committed to return this excess capital to shareholders, subject to regulatory approval. In view of this, we are raising our target dividend pay-out ratio from the current level of 40-50% to 50-70%.

ADDITIONAL INFORMATION

As of 1.30pm CET today, the presentation and the webcast of the Investor Day covering this strategy update will be available on our website: <https://corporate.vanlanschot.nl/investorday>

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Van Lanschot NV is the holding company of F. van Lanschot Bankiers NV, the oldest independent bank in the Netherlands with a history dating back to 1737. Van Lanschot, a wealth manager operating under the Van Lanschot and Kempen & Co brand names, is active in Private Banking, Asset Management and Merchant Banking, with the aim of preserving and creating wealth for its clients. Van Lanschot NV is listed on Euronext Amsterdam.

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