2013 annual results

Van Lanschot

1737

11 March 2014

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

Key financials

	2013	2012
Core Tier I ratio	13.1%	11.0%
Funding ratio	81.3%	84.4%
Leverage ratio	7.3%	7.0%
Client assets	€ 53.5bn	€ 52.3bn
Net profit / (loss)	€ 33.5m	- € 147.3m

Financial targets 2017

	Target 2017	2013
• Core Tier I ratio	> 15%	13.1%
• Return on Core Tier I equity	10-12%	2.5%
• Cost-income ratio	60-65%	70.8%

Basel III

	31-12-2013
• Fully-loaded common equity ratio	10.5%
• LCR	151.3%
• NSFR	102.9%
• Leverage ratio	5.1%

2013 annual results

Execution of strategy on track

2013 annual results
Highlights

Van Lanschot

Profit recovery in 2013

Net profit € 33.5 million; proposed dividend of € 0.20 per share
- Underlying net profit € 38.9 million
- Commission income +8%
- Interest income -8%
- Operating expenses -6%
- Loan loss provisioning -10%

Growth in client assets

Client assets increase to € 53.5 billion
- Inflow of discretionary mandates in Private Banking and Asset Management
- Discretionary mandates comprise 40% of Private Banking assets under management
- Outflow of non-discretionary assets related to closure of foreign offices and low-fee custody mandates
- Decline of savings and deposits due to loan repayments, lower deposit rates and a shift to investment products

Balance sheet strengthened

Core Tier I ratio grows to 13.1%
- Leverage ratio under Basel III 5.1%
- Fully-loaded Basel III common equity ratio 10.5%
- Well diversified funding profile: funding ratio 81.3%, supplemented by successful wholesale market transactions

Execution of strategy on track

Long-term financial targets confirmed
- Transformation of Private Banking with the introduction of three service levels
- Successful launch of Evi van Lanschot in the Netherlands and Belgium
- First steps taken to simplify products, processes and organisation
- Corporate Banking business unit formed; RWA reduction and margin improvement in 2013

2013 annual results
Key figures

€ million	2013	2012	Δ
Commission	234.8	216.7	8%
Interest	213.9	233.2	-8%
Other income	81.1	75.4	8%
Income from operating activities	**529.8**	**525.3**	**1%**
Operating expenses	374.9	397.3	-6%
Non-recurring charges	8.0	46.1	-83%
Gross result after non-recurring charges	**146.9**	**81.9**	**79%**
Addition to loan loss provision	103.7	115.2	-10%
Other impairments	2.4	120.2	-98%
Operating profit before tax	**40.8**	**-153.5**	
Operating profit before tax of non-strategic investments	-3.4	-11.9	-71%
Income tax	3.9	-18.1	
Net profit	**33.5**	**-147.3**	
Underlying net profit excluding non-recurring charges	**38.9**	**11.1**	
Cost-income ratio (%)	70.8	75.6	

Profit recovery in 2013

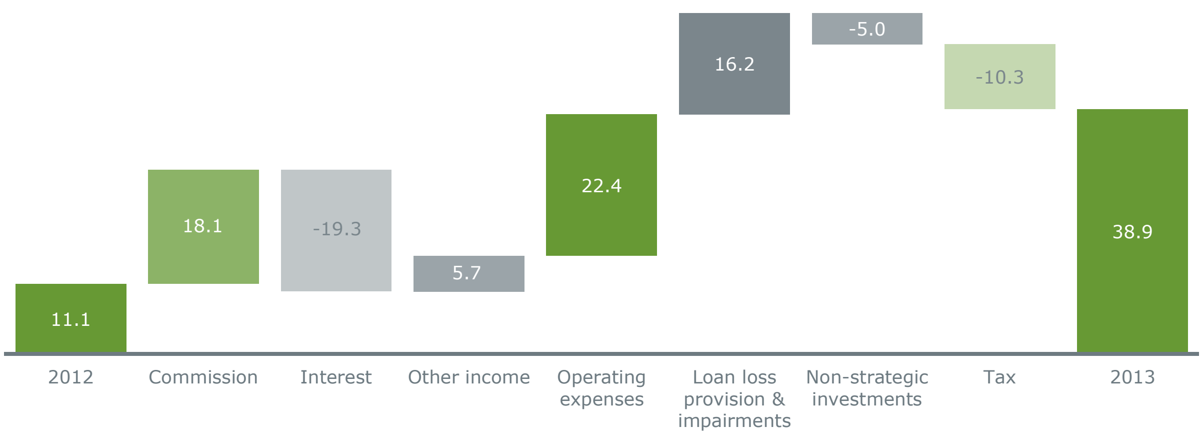
Thanks to higher income, lower costs and lower loan losses

2013 net profit € 33.5 million

Underlying net profit
€ 38.9 million

- Increase in commission income in line with wealth management strategy
- Pressure on interest income due to reduction of the loan book, partly compensated by repricing
- Efficiency measures lead to lower operating expenses
- Lower addition to loan loss provision despite difficult economic conditions

Key drivers of profit in 2013 (€ million)



Strong growth in commission income

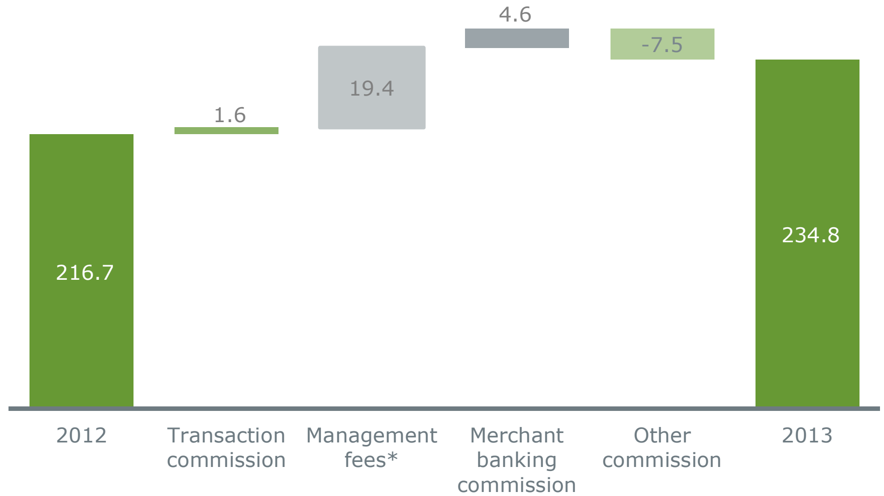
Driven by shift to discretionary mandates and inflow of institutional mandates

Commission income up 8% to € 234.8 million

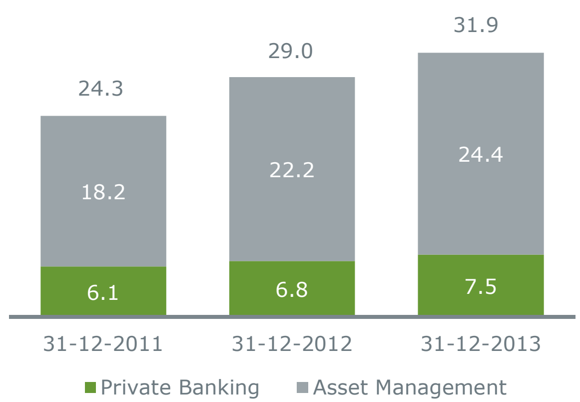
- Securities commission (transaction commission + management fees) up 13%, reflecting increased investment appetite and higher assets under management
- Increase in management fees in line with growth in assets under discretionary management
- Kempen successful in attracting new institutional mandates
- Recurring income in the form of management fees now 78% of total securities commission (2012: 75%)
- Merchant banking – Corporate Finance commission increased to € 23.5 million, partly due to increased activity in capital market transactions

* Management fees include performance fees, portfolio commission and custody fees

Commission income (€ million)



Assets under discretionary management 2011 – 2013 (€ billion)



Interest margin remained under pressure in 2013
Impacted by low interest rate environment

Interest income down 8% at € 213.9 million

Interest margin 1.20% (2012: 1.28%)

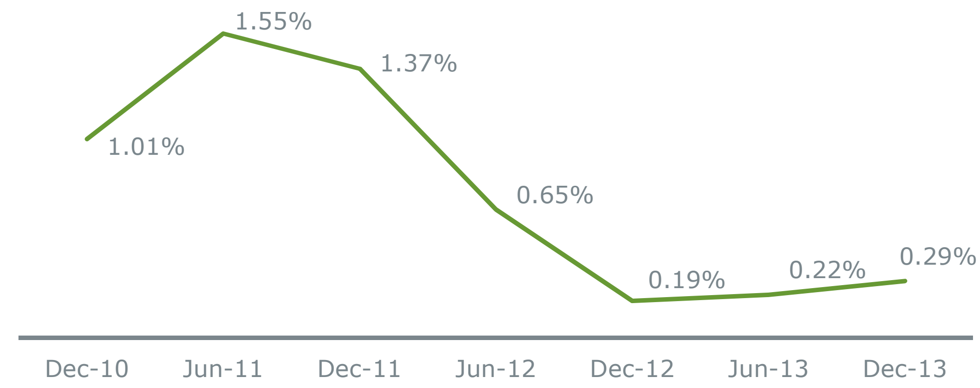
Main drivers of interest:

- Low interest rate environment impacting variable rate loans
- Repricing of the loan portfolio
- Lower level of long-term deposits in combination with lower deposit rates
- Focus on reducing the loan book
- Funding diversification by issuing wholesale market term funding

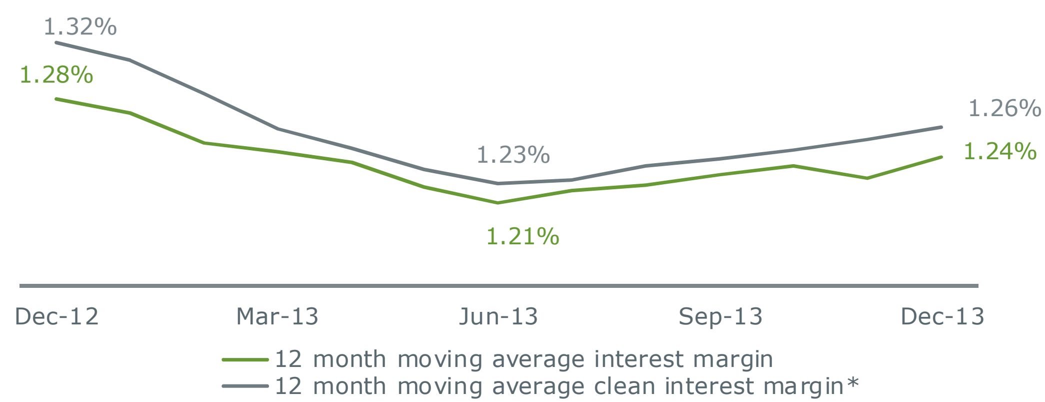
The interest margin based on the 12-month moving average is 1.24% (2012: 1.28%)

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

3-month Euribor



Interest margin: 12-month moving average



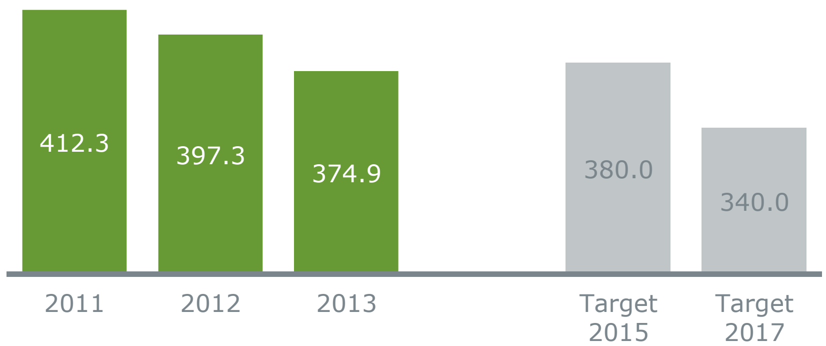
Operating expenses decreased further

Efficiency measures lead to additional FTE reduction

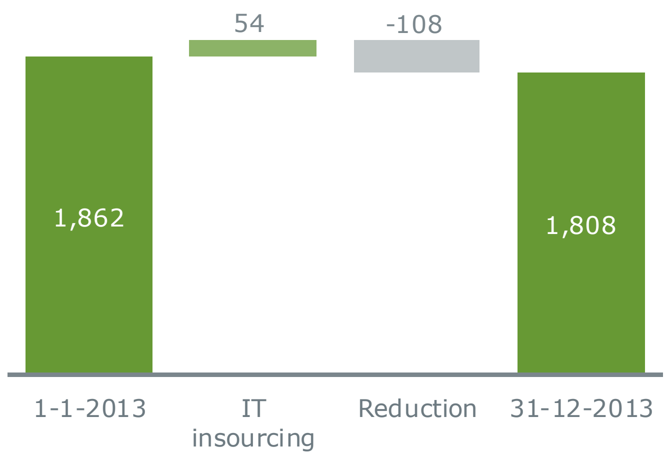
Operating expenses down 6% to € 374.9 million

- Initial target for costs base in 2015 of € 380 million already achieved
- Further FTE reduction in line with strategic plans
- IT investments and efficiency measures in mid and backoffice have enabled simplification of products and processes
- Shift from other administrative expenses to staff costs as a result of insourcing of IT activities
- Depreciation expenses decreased following impairment of intangibles in 2012

Operating expenses 2011 - 2013 (€ million)



FTE development in 2013



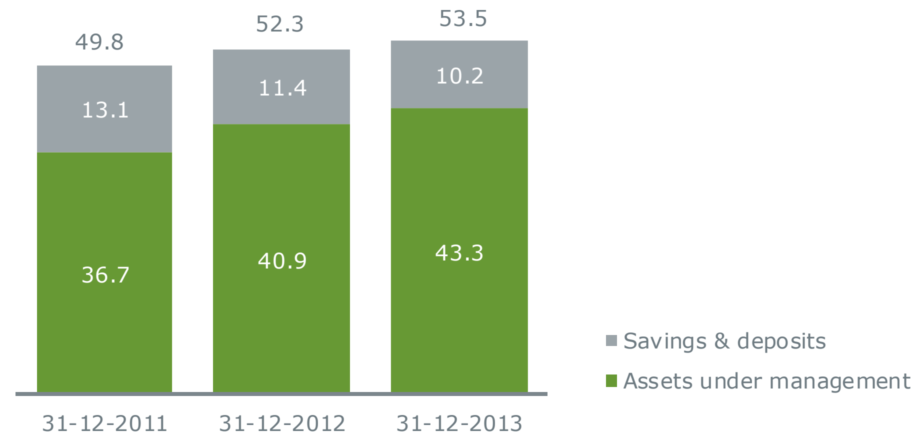
Growth in client assets

Inflow of asset under management and strong market performance

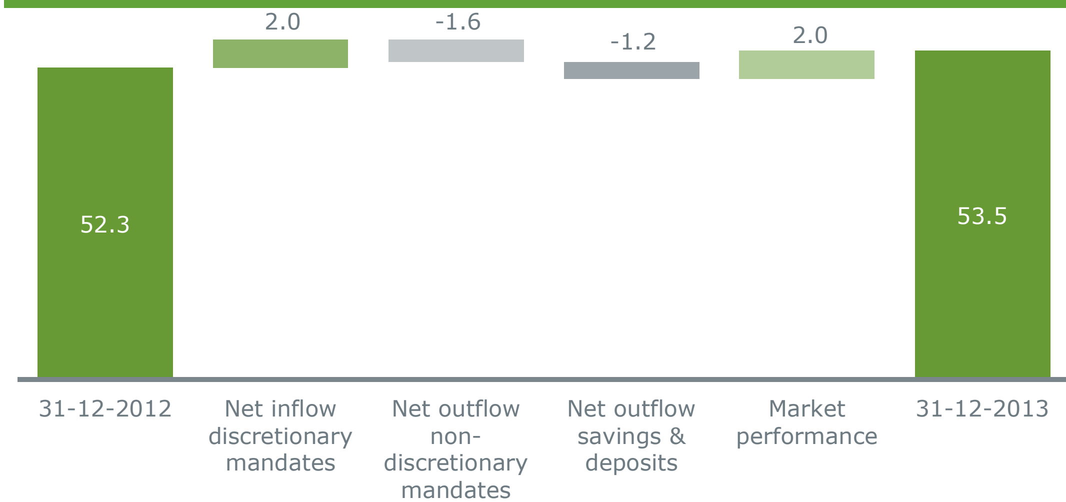
Client assets grow 2% to € 53.5 billion

- Assets under management up 6% to € 43.3 billion
- Outflow of non-discretionary mandates offset by inflow of private and institutional discretionary mandates and strong market performance
- Outflow of non-discretionary assets under management relates partly to low-fee custody mandates and closure of foreign offices
- Share of discretionary mandates in total Private Banking assets under management increased to 40% (2012: 36%)
- Outflow of savings and deposits mainly in the first half year partly due to maturity of premium deposit account

Client assets 2011 – 2013 (€ billion)



Growth in client assets in 2013 (€ billion)

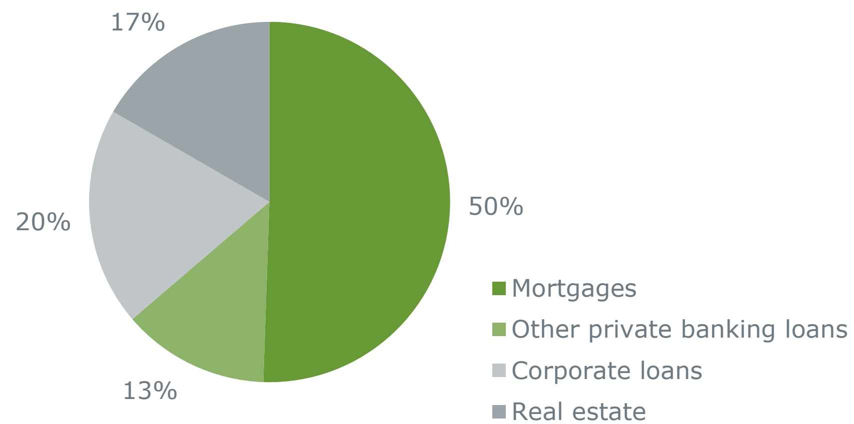


Loan book
Diversified portfolio of loans in the Netherlands and Belgium

Total loan book € 12.5 billion
- 50% of the loan book is made up of mortgages to wealthy individuals
- Other private banking loans include loans to healthcare professionals, business professionals & executives, security-backed loans and foreign mortgages
- Real estate and corporate loans with no link to private banking have been transferred to the Corporate Banking business unit to be actively reduced in the coming years

Predominantly domestic lending
- 95% of loans granted in the Netherlands
- 2% in Belgium

Loan book at 31-12-2013



Deleveraging continues
Steady reduction in loan book in line with strategy

7% reduction in loan book in 2013

Since 2009, the loan book has shrunk by 26%

Mortgages
- Accelerated repayment of mortgages continues and new business remains limited
- Mortgage book down by 7% in 2013

Real estate
- Focus by specialist CRE team leads to reduction in real estate loans of 11%

Corporate loans
- Corporate loans down 9% in line with focus on wealth management

€ million	31-12-2013	31-12-2012	Δ
Mortgages	6,483	6,945	-7%
Other private banking loans	1,690	1,673	1%
Corporate loans	2,516	2,755	-9%
Real estate	2,135	2,401	-11%
Impairments	-333	-310	7%
Total	**12,491**	**13,464**	**-7%**

Loan impairment charges

Total additions to loan loss provisions trending down

Addition to loan loss provisions down 10% on 2012

Mortgages
- Loan losses on mortgage book traditionally very low: addition to loan loss provisions in 2013 only 16% of total, while the mortgage book represents 50% of the total loan book
- NPLs remain low at 1.7%

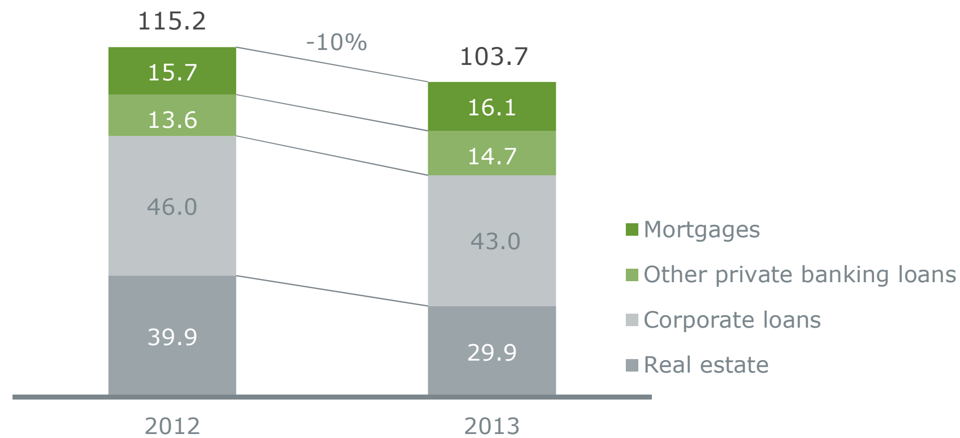
Real estate
- Addition to loan loss provisions 25% lower than in 2012
- NPLs steady at 10.1%

Corporate loans
- Despite difficult economic conditions in the Netherlands, NPLs only slightly up at 5.6%

Other private banking loans
- NPLs influenced by a few larger items

High coverage ratios reflect Van Lanschot's prudent provisioning policy

Addition to loan loss provisions in 2013 by type of loan (€ million)



€ million	Impaired loans	Provision	NPL	Coverage ratio
Mortgages	107	66	1.7%	62%
Other private banking loans	135	64	8.0%	47%
Corporate loans	142	99	5.6%	70%
Real estate	216	94	10.1%	44%
IBNR		10		
Total	**600**	**333**	**4.8%**	**56%**

Asset Quality Review on CRE and SME loan book

Review confirms comfortable capital buffers attributable to the corporate bank

SCOPE

- In consultation with DNB and with the assistance of KPMG and CBRE, an analysis of the SME and CRE loan books was performed under a base case and stress scenario
- The scope of the loan book review and stress test covered € 2.9 billion of SME loans and € 2.2 billion of CRE loans as at mid 2013
- The analysis comprised:
  - A review of the risk profile of the portfolios including an independent analysis of underlying collateral by CBRE
  - An assessment of the expected losses for both performing and non-performing loan books
  - Capital projections in the coming 5 years, taking account of expected loss on performing loan books, provisioning on non-performing loan books and portfolio income

FINDINGS

- "When compared to what CBRE considers to be a regular Dutch property lender portfolio, VLB's collateral compares **favourably** due to a lower representation in offices, relatively more residential property and smaller higher quality (and thus more liquid) properties." (CBRE)

CONCLUSIONS

- The analysis confirmed that there was **no need to increase** the level of provisions on the loan books reviewed
- The independent comprehensive analysis confirms that projected capital attributable to this part of the loan book in the coming 5 years will be **well above** required capital in both macroeconomic scenarios

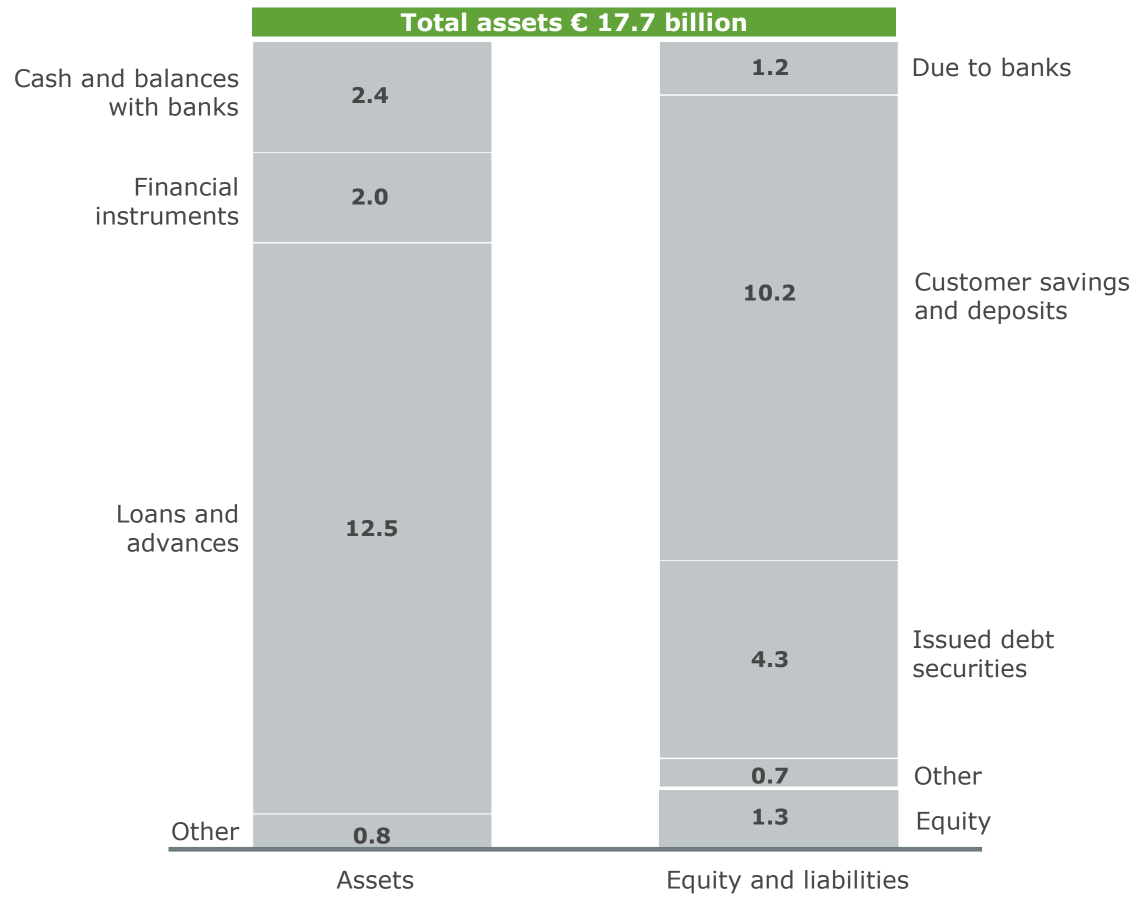
Robust balance sheet
Strong capital and funding position

Significant capital buffer
- Total equity of € 1.34 billion, of which € 1.29 billion in share capital and reserves
- Core Tier I ratio 13.1%
- Leverage ratio* 7.3%

The balance sheet is for our clients
- Loan book comprises 71% of the balance sheet

Solid funding position
- Funding profile further diversified – in terms of instrument, source and maturity – with various successful wholesale funding transactions in 2013
- Loan-to-deposit ratio 122.9% (funding ratio 81.3%)

* Leverage ratio = equity attributable to shareholders / total assets



Balance sheet strengthened; RWA reduction continued

New Basel III requirements already met

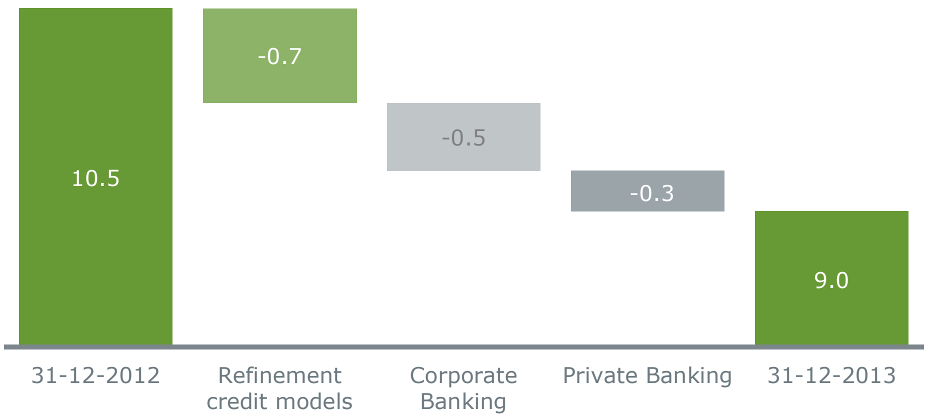
Risk-weighted assets

- Corporate Banking run-off successfully started; corporate loan book reduced by € 0.5 billion in 2013
- Total RWA at year-end 2013 € 9.0 billion (-15%)

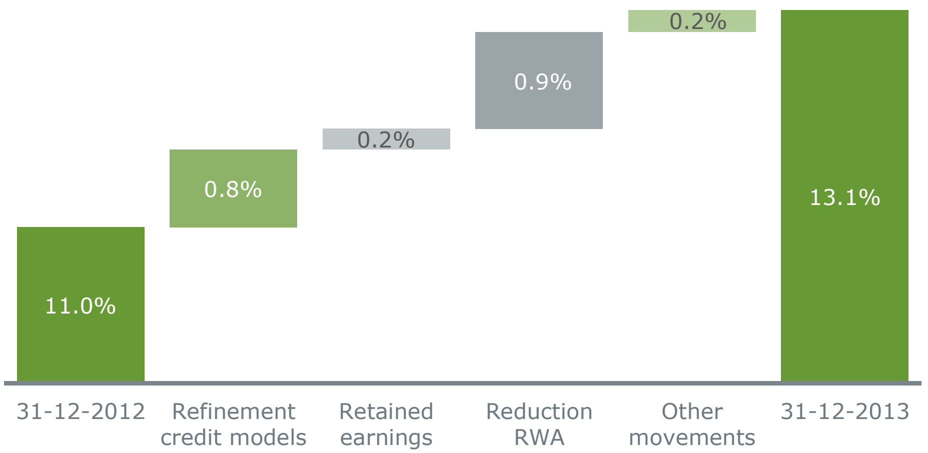
Van Lanschot already meets the new Basel III capital and liquidity requirements

- Fully loaded common equity ratio 10.5%
- Common equity ratio at 1 January 2014 under Basel III phase-in rules 12.6%
- LCR 151.3%
- NSFR 102.9%
- Leverage ratio 5.1%

Risk-weighted assets in 2013 (€ billion)



Development of Core Tier I ratio in 2013



2013 annual results

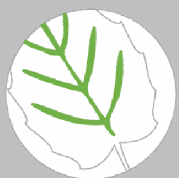
Execution of strategy on track

Strategic priorities
Results in 2013 and priorities for 2014

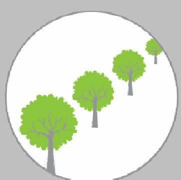
	Results in 2013	Priorities for 2014
Private Banking turnaround	▪ Personal Banking proposition formed ▪ Evi successfully launched in the Netherlands and Belgium ▪ Centralisation of investment advice, and private banking mid and back offices	▪ Marketing campaigns for specialist service concepts ▪ Launch of Evi asset management and investment advice modules in Belgium
Corporate Banking portfolio run-off	▪ Central team of specialists established ▪ Product range simplified ▪ € 0.5 billion RWA reduction ▪ Interest margin improved	▪ Continued run-off of real estate and corporate lending
Asset Management growth	▪ New mandates attracted ▪ Growth in assets under management and fee income	▪ Growth in assets under management by attracting new mandates
Merchant Banking focus continued	▪ Excellent performance in all niches ▪ New hires in key focus areas	▪ Further expansion of international positions in selected niches
IT / Operations transformation	▪ Migration to new securities platform completed ▪ Start made to rationalise mortgage and savings products ▪ Data centres upgraded	▪ Migration of savings products to new platform ▪ Launch of single savings and deposit account ▪ Implementation of new CRM system
Streamlining organisation	▪ FTE reduction realised in front office, back office and support functions	▪ Implementation of additional efficiency measures ▪ Further FTE reduction

Van Lanschot's financial targets for 2017

Geared to an asset-light balance sheet and strong capital base

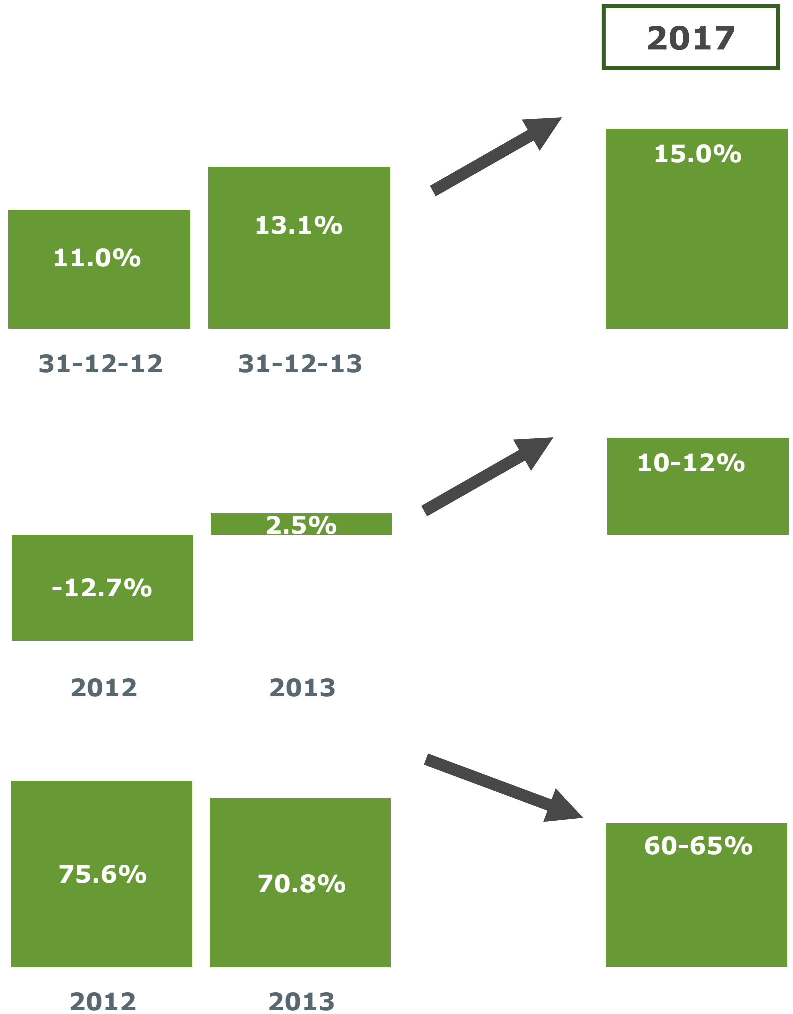


Core Tier I ratio



Return on Core Tier I equity

Cost-income ratio



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

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