



Van Lanschot

# Van Lanschot Conditional Pass- Through Covered Bond Programme

September 2016

More information: [corporate.vanlanschot.nl](http://corporate.vanlanschot.nl)

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# Executive summary – Covered Bond Programme

## Robust Programme Structure

Dutch Law based, registration with Dutch Central Bank	✓
AAA / AAA rated by S&P and Fitch	✓
Significant de-linkage from rating of the Issuer	✓
Contractually committed minimum OC of 15%	✓
True sale of the assets with live cash flows as from the start	✓
High quality cover pool of Dutch residential mortgage loans	✓
Fully originated and serviced by Van Lanschot	✓

## Favourable Regulatory Treatment

UCITS compliant	✓
CRR Article 129 compliant	✓
LCR eligible (level 1)	✓
ECB CBPP3 eligible	✓
Exempt from Bail-in	✓
ECB repo eligible	✓
Solvency II compliant	✓

## Industry Compliance

ECBC Covered Bond Label	✓
Investor Reporting through National Transparency Template (NTT)	✓
Member of the Dutch Association of Covered Bond Issuers (DACB)	✓

## Headlines of the pool as per 30 June 2016

Net principal balance	€ 1,300,561,096
Weighted average seasoning (in years)	11.08
Weighted average CLTIMV	67.92%
Weighted average CLTOMV	67.10%
Average principal balance (borrower)	€ 405,244
Fixed rate	€ 1,180,286,176
Floating rate	€ 127,437,632

# Van Lanschot at a glance

## Van Lanschot's profile

- Clear choice for wealth management targeting institutional and private clients
- Strong brand names, reliable reputation, rich history
- Mutually reinforcing core activities with their own distinct culture and positioning as niche players
- Straightforward governance model with highly experienced Executive Board
- Capital increasingly freed up by winding down corporate loan portfolio
- Strong balance sheet, capital ratios, cash reserves and diversified funding mix

## April 2016 strategy update

- Next phase of wealth management strategy: building on a strong foundation, adapting to a changing world, taking advantage of opportunities and creating value for clients
- Launch of €60m investment programme for mid 2016-19 to implement omnichannel Private Bank, accelerate *Evi* development and finalise IT transformation
- Efficiency gains to result from partnerships for standardised universal banking services, streamlining of operations and support functions, and transfer to omnichannel Private Banking offering
- Continued run-off of Corporate Bank
- 2020 financial targets and revised capital and dividend policy defined

## Solid performance on all key financials

	H1 2016	H2 2015	H1 2015
• Net profit	€31.5m	€5.1m	€37.7m
• Underlying result	€37.7m	€22.4m	€37.7m
• CET I ratio	17.3%	16.3%	14.6%
• CET I ratio, fully loaded	16.9%	15.4%	13.6%
• Total capital ratio	18.2%	17.0%	15.3%
• Leverage ratio, fully loaded	6.4%	6.1%	5.7%
• Funding ratio	94.0%	94.3%	94.8%
• Client assets	€66.2bn	€63.0bn	€59.6bn
• AuM	€54.3bn	€50.3bn	€45.7bn
• Loan book	€10.3bn	€10.5bn	€10.8bn

## Financial targets

	H1 2016	Target 2020
• Common Equity Tier I ratio	17.3%	15% - 17%
• Return on CET I	6.8%	10 - 12%
• Efficiency ratio	81.1%	60 - 65%

**Van Lanschot expects to build up excess capital of at least €250 million up to 2020 and is committed to return this to its shareholders, subject to regulatory approval**

# Highlights 2016 half-year results

**Stable underlying net result of  
€37.7 million in challenging  
market**

**Client assets €66.2 billion (+5%)**

**Assets under management  
€54.3 billion (+8%)**

**Capital ratios continue  
to improve**

**CET I ratio: 17.3% (+1.0%)**

**Good progress on Strategy 2020**

**Acquisition private banking  
activities Staalbankiers**



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# 1. Van Lanschot

# As a wealth manager Van Lanschot builds on the experience of its core activities



Van Lanschot



**KEMPEN**  
CAPITAL MANAGEMENT



**KEMPEN & CO**  
Merchant Bank

## Private Banking

- Private Bank for entrepreneurs, family businesses and high net-worth individuals
- Specialist services for business professionals and executives, healthcare professionals, and foundations and associations
- A strong network with local presence having 4 regional offices and 23 client reception facilities in the Netherlands, 8 in Belgium and 2 in Switzerland (onshore)
- AuM value of €17.2 billion\*
- Loan book of €8.3 billion

## Evi van Lanschot

**evi**

- Online savings and investment service, playing into the trend of increased individual responsibility for pensions, healthcare and other needs at all levels of society
- Targeting the younger generation and mass affluent clients preferring an online solution

## Asset Management

- Specialist European investment management boutique with a sharp focus and a clear investment philosophy
- Focus on a number of investment strategies: small caps, property, high-dividend equities, fixed-income securities and funds of hedge funds
- Targeting open architecture-based banks and asset managers, pension funds, insurers, and foundations and associations
- Offering institutional clients a fiduciary service that provides them with fully comprehensive asset management solutions
- Offices in Amsterdam, London and Edinburgh
- AuM value of €45.9 billion\*\*

## Merchant Banking

- Offers specialist services including equities research and trading, acquisitions & mergers services, capital market transactions and debt advisory services to institutional investors, corporates, financial institutions and public and semi-public entities
- Has adopted a niche strategy aimed at the Benelux market and European life sciences & healthcare and property
- Develops and offers structured products to Van Lanschot Private Banking clients and other national and international private banks and brokers
- Offices in Amsterdam and New York

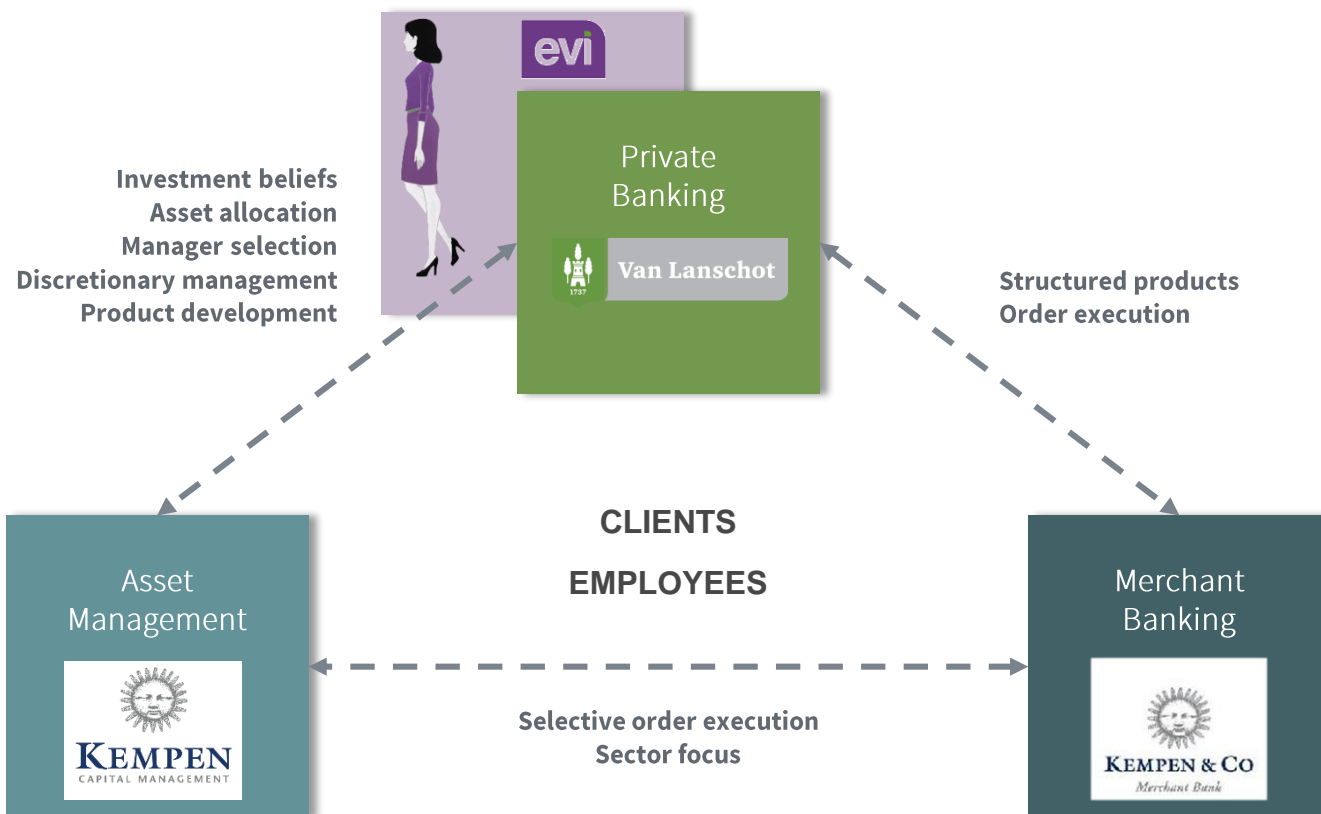


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\* Including Evi

\*\* As of 30 June 2016. AuM of Asset Management including €8.8 billion of AuM managed for Van Lanschot Private Banking

# Van Lanschot's core activities have individual strengths which are mutually reinforcing





# Transforming from small “universal” bank to specialised wealth manager

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 mission:

Preservation and creation of wealth for our clients

# In April 2016 the next phase of our wealth management strategy was introduced

## Key themes for core activities:

### Private Banking

- Enhance client experience through omni-channel servicing model
- Foster AuM growth by enhancing front-line effectiveness

### Asset Management

- Intensify distribution
- Launch new strategies
- Further develop UK as second home market

### Evi

- To play into trend of increased individual responsibility for pensions and other needs
- Will become a separate segment to realise its full potential

### Merchant Banking

- Continue capital light operating model
- Build on solid, sustainable position in selected niches

## Supported by:

Continued run-off of  
Corporate Bank

Rightsizing support  
functions and  
streamline operations

Finalise transformation  
of IT platform

Outsourcing  
standardised 'universal'  
banking services

# Summary of 2016 half-year results

## Stable result in challenging markets

### Underlying net result stable at €37.7 million (H1 2015: €37.7 million)

- Net result amounts to €31.5 million (H1 2015: €37.7 million)
- Commission income under pressure due to less trading activity by clients, especially at Merchant Banking
- Operating expenses fairly stable at €194.8 million, with underlying structural reduction achieved
- Improving credit quality leads to net release of loan loss provision of €1.7 million (H1 2015: net addition of €31.9 million)

## Capital position further strengthened

### Strong balance sheet

- Further reduction of Corporate Banking RWA by €0.3 billion to €1.6 billion
- CET I ratio (phase-in) increases to 17.3% (FY 2015: 16.3%),
- CET I ratio (fully loaded) reaches 16.9% (FY 2015: 15.4%)
- Fully loaded leverage ratio amounts to 6.4% (FY 2015: 6.1%)

## Strategy 2020 started

### First steps made in Strategy 2020

- Agreement with Stater on the servicing and administration of mortgages, to be finalised in the course of 2017
- Acquisition of private banking activities of Staalbankiers announced
- Sales force of Kempen Capital Management strengthened
- New niche at Kempen Merchant Banking: Financial Institutions & FinTech

# 2016 half-year results by segment

## Private Banking

### Strong profit improvement, assets under management stable

- Underlying net result increases to €16.8 million (H1 2015: €4.5 million) on the back of substantially lower loan loss provisioning and cost reduction
- Assets under management stable at €17.2 billion (-1%)
- Commission income under pressure (€52.4 million vs €57.3 million in H1 2015) due to reduced client trading activity

## Asset Management

### New mandates lead to growth in assets under management and lower average margin

- €37.1 billion of assets under management (+13%) due to net inflow of €2.7 billion and market performance
- Commission income +7% to €43.4 million; mix effect and margin pressure lead to lower average margin
- Underlying net result lower at €5.5 million (-38%) as costs increase following integration of KCM London

## Merchant Banking

### Low activity on European capital markets puts pressure on income

- Commission income -52% to €19.3 million
- Underlying net result at €2.1 million (H1 2015: €15.1 million)



Van Lanschot

# 1. Van Lanschot Capital & Funding

# Balance sheet shows strong capital and funding position

## Significant capital buffer

- Total equity of €1.3 billion
- Common Equity Tier I ratio (phase-in) 17.3%\*
- Leverage ratio (fully loaded) 6.4%

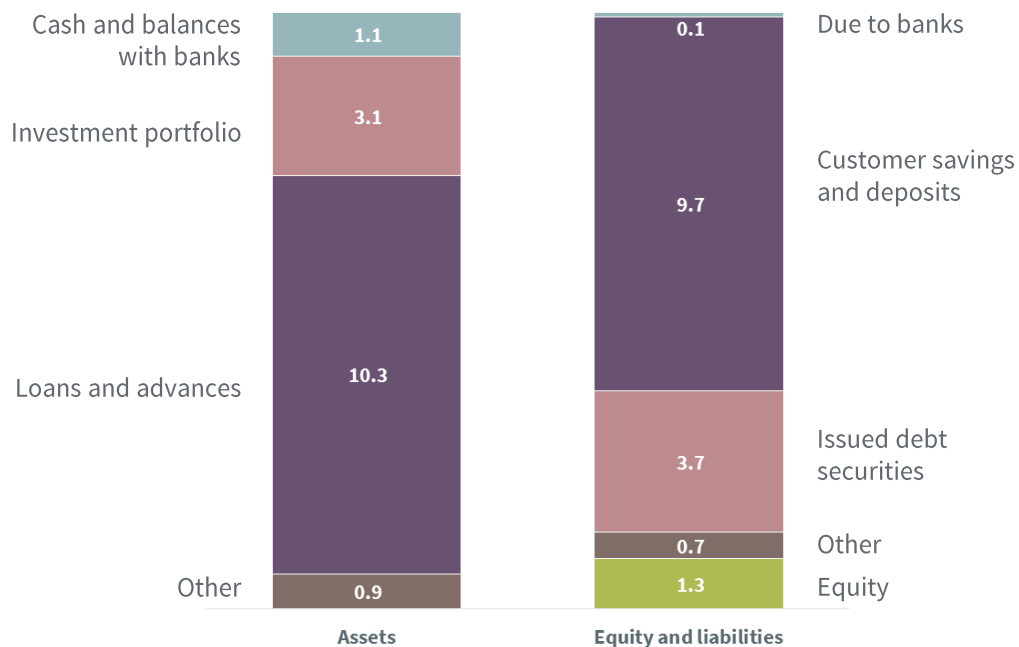
## Low-risk assets

- Loan book shows a decrease of €0.2 billion to €10.5 billion (compared with 31 December 2015) in line with focus on wealth management\*\*
- Investment portfolio consists mainly of low-risk European government bonds and bonds issued by financial institutions

## Solid, well-diversified funding position

- Largely self-funded by customer savings and deposits; funding ratio of 94.0% at 30 June 2016
- Funding mix is complemented by capital market funding

**Balance sheet 30 June 2016**  
 € billion, balance sheet total = €15.4 billion



\* Excluding retained profit current year

\*\* In Q2 2016 Van Lanschot stopped netting current account balances at individual client level. Relevant 2015 figures have been restated

# Van Lanschot has various funding programmes

## Unsecured programmes

### Debt Issuance Programme / MTN

- € 5.0 billion programme
- Used for public wholesale funding (senior unsecured and subordinated), and structured retail products out of Level 2 SNIP
- Prospectus last updated on 8 January 2016
- Private placements

Bloomberg ticker: LANSNA Corp

### Non-MTN / Specials

- Euro and non-euro issues on stand-alone documentation
- Private placements
- Structured products
- Hybrid instruments

Bloomberg ticker: LANSNA Corp

## Secured programmes

### CPT Covered Bond Programme

- Residential mortgage loan portfolio, fully originated and serviced by Van Lanschot
- Conditional Pass-Through Structure
- Registered with the Dutch Central Bank
- ECBC Covered Bond Label
- Significant de-linkage from Van Lanschot rating

Bloomberg ticker: LANSNA Corp

### RMBS Programmes

- Residential mortgage loan portfolio, fully originated and serviced by Van Lanschot
- Lunet RMBS 2013-I structured to be PCS and DSA compliant
- Courtine RMBS 2013-I retained by Van Lanschot for liquidity management purposes

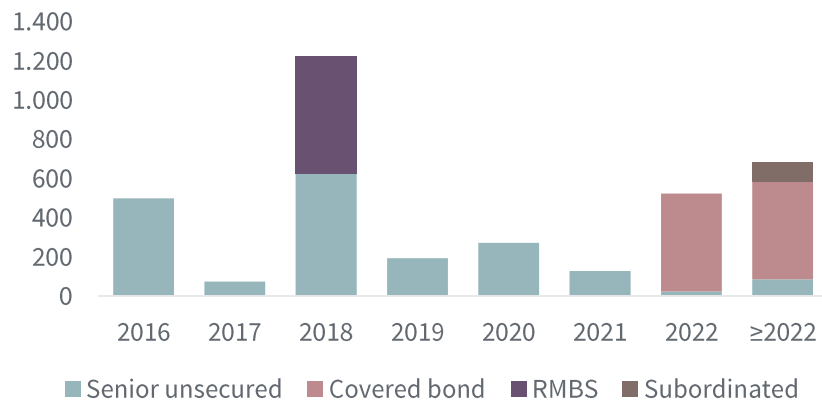
Bloomberg ticker: LUNET Mtge / CRTIN Mtge

# Well diversified funding profile

- Largely 'self funded' with a funding ratio of 94.0% at 30 June 2016
- As a wealth manager, majority of funding consists of customer savings and deposits
- Funding mix is complemented by wholesale funding
- Comfortable funding diversification across maturities and instrument types
- The proceeds of the proposed issuance under the Programme are going to be used for refinancing and general corporate purposes

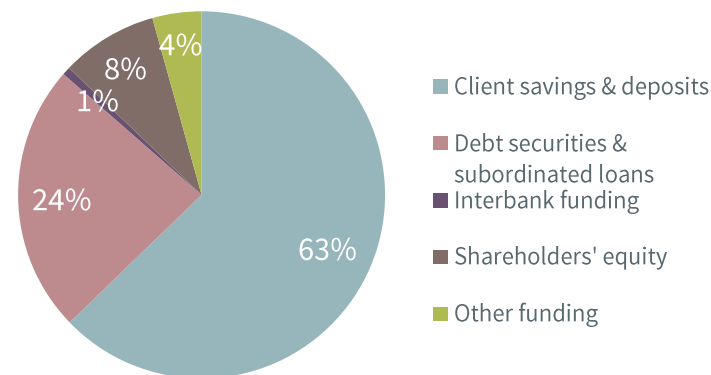
## Redemption profile at 30-06-2016

(€ million)



## Funding mix at 30-06-2016

100% = €15.4 billion







Van Lanschot

## 2. Covered Bond Programme

# Programme Highlights (1/2)

Conditional Pass-Through Covered Bond Programme Characteristics			
Programme Size	EUR 5 billion	Currency	Euro
Ratings	AAA / AAA (Fitch / S&P)	Format	Conditional Pass-Through
Contractually committed minimum OC	15%	Extension Period	Max. 32 years
Applicable law	Dutch Law	Minimum Denomination	EUR 100,000

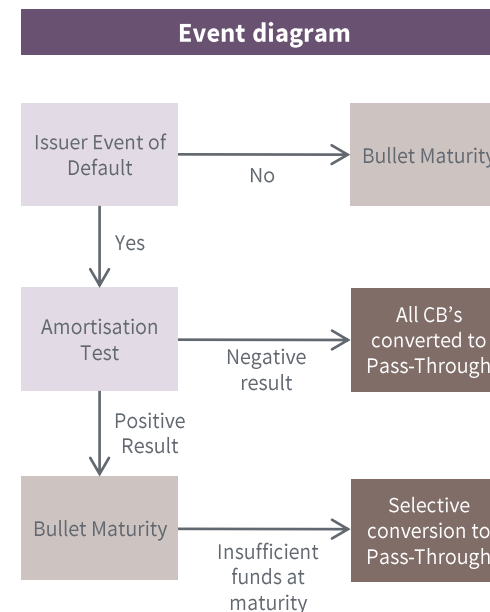
Programme Parties Overview	
Issuer	F. Van Lanschot Bankiers N.V. ("Van Lanschot")
Guarantor	Van Lanschot Conditional Pass-Through Covered Bond Company B.V.
Security Trustee	Stichting Security Trustee Van Lanschot Conditional Pass-Through Covered Bond Company
Administrator	Intertrust Administrative Services B.V.
Servicer	Van Lanschot
Asset Monitor	PriceWaterhouseCoopers (PwC)
CBC Account Bank	Société Générale S.A.
Arrangers	Van Lanschot and Rabobank
Paying Agent	Citibank, N.A. London Branch

# Programme Highlights (2/2)

Key Benefits			
Dual Recourse	<ul style="list-style-type: none"> <li>✓ Obligation for Van Lanschot to redeem the bond at expected maturity date</li> <li>✓ Recourse to CBC in case of default of Van Lanschot</li> </ul>	Stable Rating	<ul style="list-style-type: none"> <li>✓ Significant de-linkage from issuer rating: a downgrade of the issuer rating does not directly affect the Covered Bond rating</li> </ul>
Regulatory Treatment	<ul style="list-style-type: none"> <li>✓ UCITS compliant</li> <li>✓ CRR Article 129 compliant</li> <li>✓ Expected to qualify as LCR eligible (level 1)</li> <li>✓ ECB CBPP3 eligible</li> <li>✓ Exempt from Bail-in</li> <li>✓ ECB repo eligible</li> <li>✓ Solvency II compliant</li> </ul>	Robust Structure	<ul style="list-style-type: none"> <li>✓ External Administrator</li> <li>✓ External Account Bank</li> <li>✓ True sale of the assets with live cash flows as from the start</li> <li>✓ Strong and severe programme tests</li> </ul>
Industry Compliance	<ul style="list-style-type: none"> <li>✓ ECBC Covered Bond Label</li> <li>✓ Investor Reporting through National Transparency Template (NTT)</li> <li>✓ Member of the Dutch Association of Covered Bond Issuers (DACB)</li> </ul>	Cover Pool	<ul style="list-style-type: none"> <li>✓ High quality portfolio of prime Dutch residential mortgage loans</li> <li>✓ No ABS investments in the pool</li> <li>✓ All mortgage loans backed by eligible collateral</li> </ul>

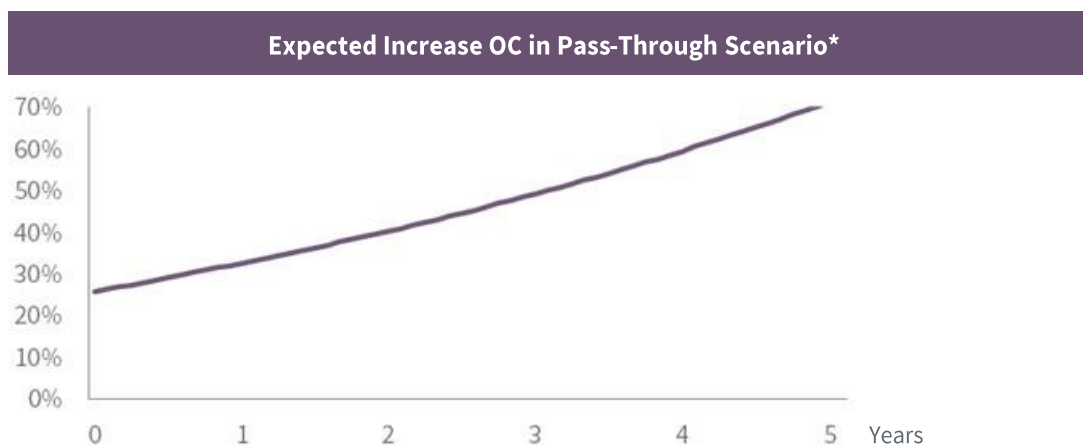
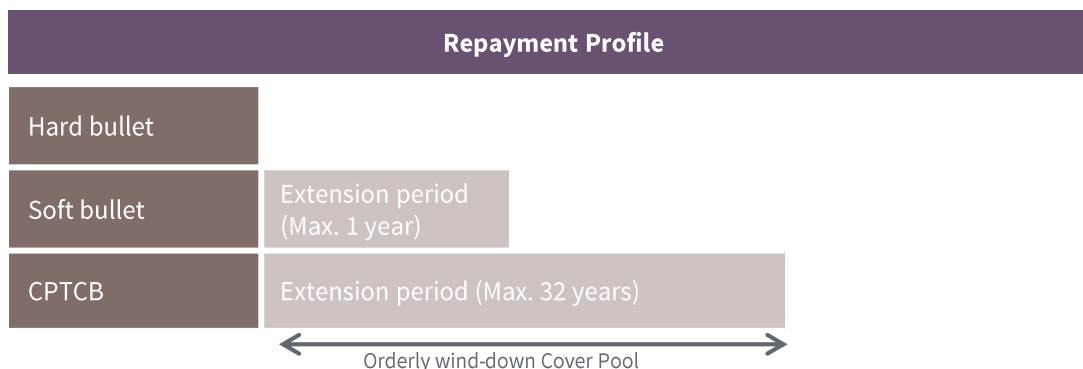
# Conditional Pass-Through Mechanism (1/2)

Conditional Pass-Through Covered Bond: Features	
Going-Concern	<ul style="list-style-type: none"> <li>Under going-concern conditions, the Covered Bonds are bullet securities, i.e. Van Lanschot pays the coupon and principal payments</li> <li>The Asset Cover Test ensures that the Cover Pool meets the minimum OC criteria</li> </ul>
Issuer Event of Default	<ul style="list-style-type: none"> <li>In the case of a default of Van Lanschot and a Covered Bond reaches its maturity date, then the covered bonds will be redeemed at their respective maturities if there are sufficient funds available in the CBC</li> <li>In the case of (1) a default of Van Lanschot and (2) a Covered Bond reaches its maturity date and (3) the CBC does not have sufficient funds to redeem the Covered Bonds and the proceeds of a partial sale of the Cover Pool would not be sufficient to redeem the Covered Bond then the Pass-Through mechanism is triggered (solely for the respective series)</li> <li>After a default of Van Lanschot the Amortisation Test replaces the Asset Cover Test. A breach of the Amortisation Test will result in all Covered Bonds becoming Pass-Through Covered Bonds (irrespective of their maturity date)</li> </ul>



# Conditional Pass-Through Mechanism (2/2)

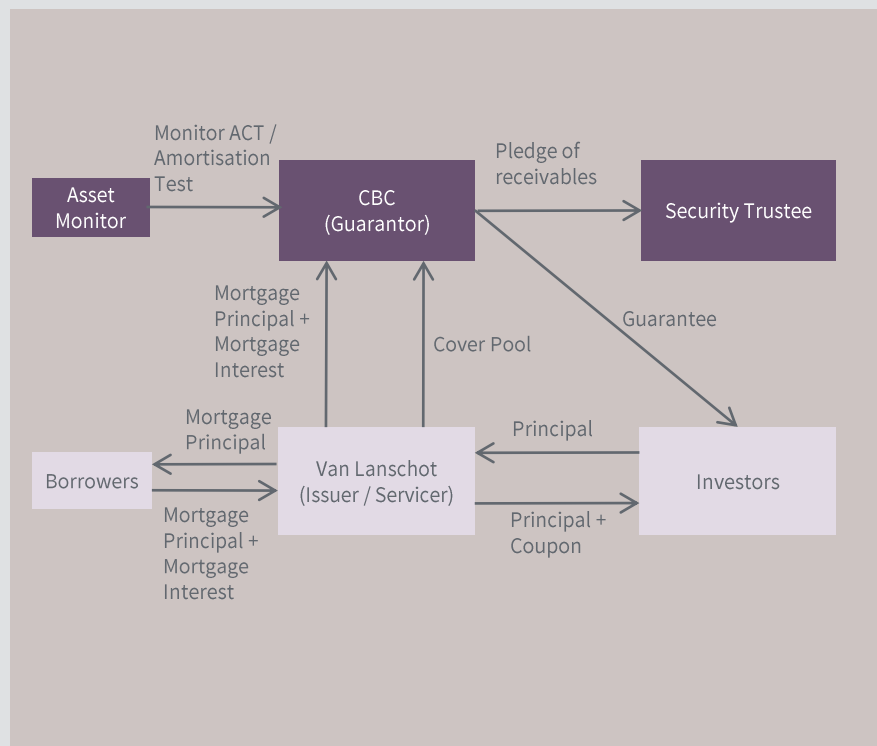
- In case a Covered Bond becomes Pass-Through the maturity date of that bond is extended by 32 years from the Maturity Date
- The CBC will attempt to sell a randomly selected part of the cover pool at least every six months
- Under such a sale, the outcome of the Amortisation Test is not allowed to deteriorate. This requirement (along with the general requirements of the Amortisation Test) prevents time-subordination of longer-dated covered bonds
- Repayments and excess interest from Cover Pool mortgage loans will be distributed pari passu to the Pass-Through Covered Bonds. As a result the OC is expected to increase which makes a successful sale of the mortgage loans more likely



\* Assuming all bonds in Pass-Through modus, 5% CPR, 0.4% coupon, no losses, 1.5% minimum mortgage interest rate

# Van Lanschot CPTCB Structure\*

- A pool of Dutch prime residential mortgages is transferred to the CBC and subsequently pledged to the Security Trustee. Hence, the Cover Pool is segregated in the CBC
- Van Lanschot's obligation of payments to investors on the bonds is backed by an irrevocable guarantee of the CBC
- The Asset Monitor conducts tests on the accuracy of the Asset Cover Test and Amortisation Test



\* Simplified structure, see Prospectus for legal structure

# Overview of CPTCB Structures

Conditional Pass-Through Covered Bond Programmes				
	Van Lanschot	NIBC Bank	Aegon Bank	Unicredit (OBG2)
Country	Netherlands	Netherlands	Netherlands	Italy
Legislative	Yes	Yes	Yes	Yes
Issuer ratings (Fitch/Moody's/S&P)	BBB+/NR/BBB+	BBB-/Baa1/BBB-	A-/NR/A+	BBB+/Baa1/BBB-
Programme ratings (Fitch/Moody's/S&P)	AAA/NR/AAA	AAA/NR/AAA	AAA/NR/AAA	AA+/NR/NR
Repayment Type	Conditional Pass-Through	Conditional Pass-Through	Conditional Pass-Through	Conditional Pass-Through
Collateral type	Prime Dutch residential mortgages	Prime Dutch residential mortgages	Prime Dutch residential mortgages	Residential mortgages and SME mortgages
Max. Asset Percentage	95%	95%	93%	78%
Contractually committed minimum OC	15%	15%	10%	7.50%
Minimum Mortgage Loan Interest Rate	1.50%	3%	1.75%	NA
Swaps active	No (option possible)	No swap in place	No (option possible)	No swap in place
Extension Period	Max. 32 years	Max. 32 years	Max. 32 years	Max. 38 years

# Van Lanschot Investor Reporting



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## Debt investors

Information on the issuance programmes, issued loans, securitisations, Van Lanschot Perpetual Capital Securities and relevant presentations.

### Issuance Programmes

Van Lanschot maintains three issuance programmes:

- EUR 5,000,000,000 Debt Issuance Programme (DIP)
- EUR 2,000,000,000 Structured Notes Issuance Programme (SNIP)
- EUR 5,000,000,000 Conditional Pass-Through Covered Bond Programme (CPTCBP)

Stock Van Lanschot (AEX): LANS 18.92 EUR +0.66



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## Investor Reporting for Covered Bonds

- Van Lanschot is a member of the Dutch Association of Covered Bond issuers (DACB). The objective of the DACB is to continuously improve the quality of the Dutch covered bond product offering (See also [www.dacb.nl](http://www.dacb.nl))
- The Van Lanschot Covered Bond Programme carries the ECBC Covered Bond Label
- Investor reports follow the (Dutch) National Transparency Template and are available via <http://corporate.vanlanschot.nl/debtinvestors>







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### 3. Mortgage portfolio

# Strong portfolio with consistently low losses

## Private Banking

- Stable mortgage book. New mortgage business almost compensates for repayments and prepayments
- Average loan to value 70% (2015: 71%)
- Other loans includes loans to wealthy private individuals to pay for second homes, for instance, or to provide current account overdraft facilities. This category also includes SME loans that fit into the Private Banking relationship model
- Impaired ratio down to 1.9% (2015: 2.1%)
- Applying stricter provisioning criteria means that loans are classified as impaired sooner, while provisions taken are typically smaller

€ million	30-6-2016	31-12-2015	% Change
Mortgages	5,940	5,980	-1%
Other loans	2,393	2,375	1%
<b>Private Banking</b>	<b>8,333</b>	<b>8,355</b>	<b>0%</b>
SME loans	809	939	-14%
Real estate financing	918	1,059	-13%
<b>Corporate Banking</b>	<b>1,727</b>	<b>1,998</b>	<b>-14%</b>
Mortgages third party distribution	416	332	25%
Provisions	-171	-180	-5%
<b>Total</b>	<b>10,305</b>	<b>10,504</b>	<b>-2%</b>

## Traditionally limited number of defaults and loan losses

	31-12-2013	31-12-2014	31-12-2015	30-06-2016
Impaired ratio	1.7%	1.7%	2.1%	1.9%
Coverage ratio	62%	61%	42%	46%

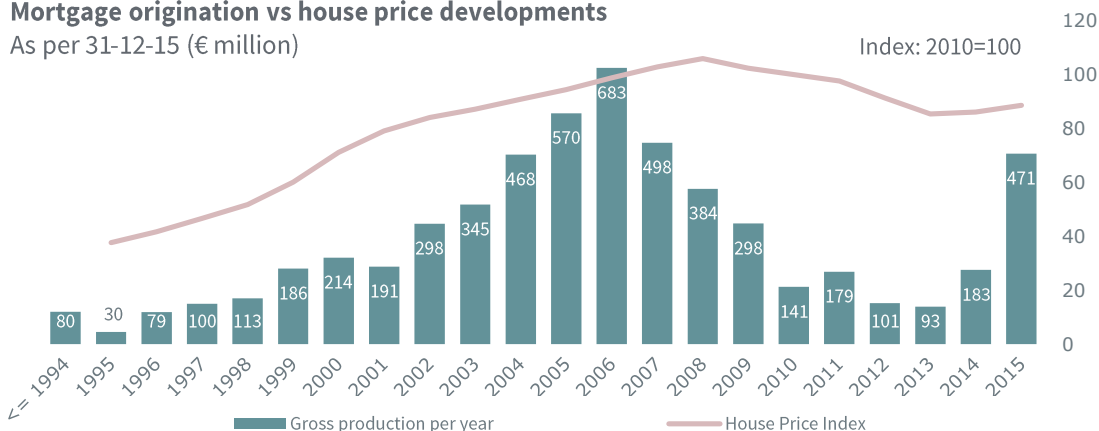
\* In the following part of the presentation only the Dutch portfolio will be considered

# Healthy seasoned and geographically well distributed portfolio

- 68% of the total mortgages exposure relates to contracts older than eight years, and therefore are less affected by house price decline
- The mortgage portfolio is well distributed throughout The Netherlands
- The three regions with highest concentration rates are:
  - Gooi & Vechtstreek;
  - The Hague & Wassenaar
  - 's-Hertogenbosch
- The mortgage portfolio is mainly concentrated in the regions where house prices decreased relatively moderately compared to 2008 peak

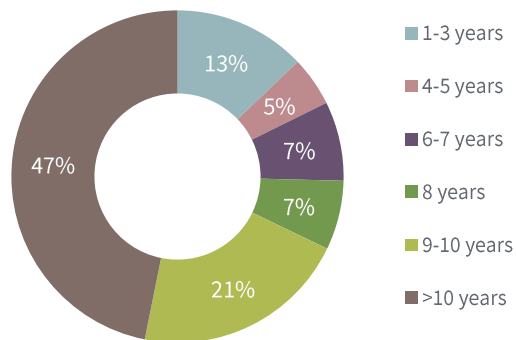
## Mortgage origination vs house price developments

As per 31-12-15 (€ million)



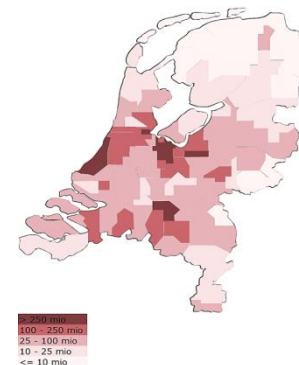
## Seasoning of mortgage portfolio

As per 31-12-15



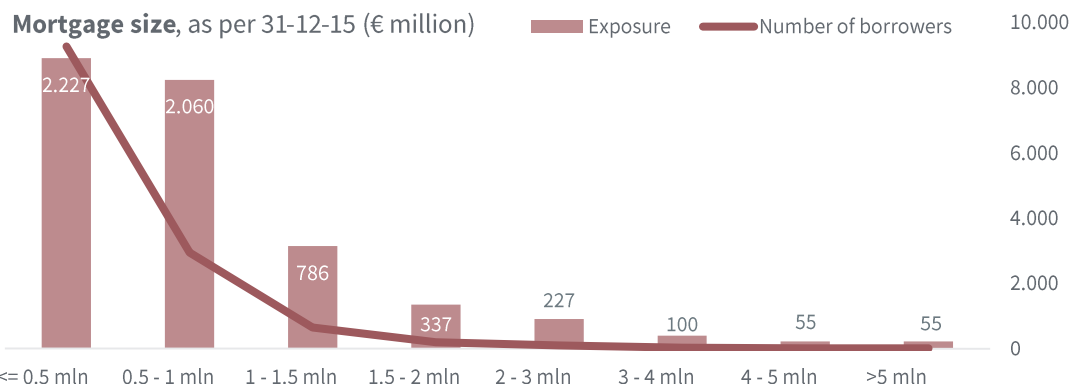
## Geographical distribution

As per 31-12-15

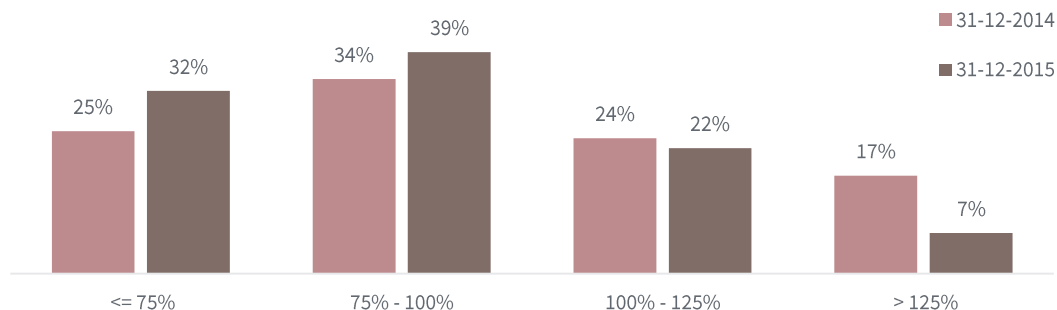


# LTV's indicate stabilisation of house prices

- Van Lanschot's target client base has naturally led to a mortgage portfolio with a relatively high average balance of € 440,000
- All mortgage loans are compliant with the Dutch Code of Conduct
- 73.3% of the total exposure (by balance) and 92.6% of contracts relate to loan amounts of less than € 1 million
- At the end of the first half of H1 2016, the mortgage portfolio commanded an average loan-to-value (LTV) of 70% based on foreclosure values – an improvement on last year (end-2015: 71%)
- LTV-ratio stabilizes because of:
  - Stabilized house prices
  - Continuing early repayments



**CLTIFV as percentage of Van Lanschot mortgage portfolio**  
As per 31-12-15



\* In 2014 we reported an average LTV based on foreclosure values of 94%. In the past we calculated LTVs on the basis of a number of buckets; in 2015 the methodology was improved, resulting in a calculation of weighted LTV on the basis of individual loans. The average LTV has improved as a result.



# Proportion of redemption type mortgages increases

- The proportion of interest only mortgage loans is trending down as a result of industry-led measures, clients' focus on deleveraging and amended tax legislation
- Mortgage loans with a redemption profile (annuity and linear) are expected to increase going forward, due to new tax legislation as of 2013 i.e. for new mortgage loans only interest on annuity and linear mortgage loans is tax deductible

## Repayment types in new mortgage production

As per 31-12-15





Van Lanschot

## Annex I – Cover pool

# Pool characteristics (I/III)

## Key pool characteristics as of 30 June 2016

Principal balance	€ 1,300,561,096
Value of savings amount*	€ 11,489,313
Net principal balance	€ 1,307,723,807
Construction deposits	€ 7,162,711
Fixed rate	€ 1,180,286,176
Floating rate	€ 127,437,632
Number of loans	3,227
Number of loanparts	6,194
Average net principal balance (per borrower)	€ 405,244
Weighted average current interest rate (%)	3.17
Weighted average maturity (in years)	18.32
Weighted average remaining time to interest reset (in years)	5.50
Weighted average seasoning (in years)	11.08
Weighted average CLTOMV	67.10%
Weighted average CLTIMV	67.92%

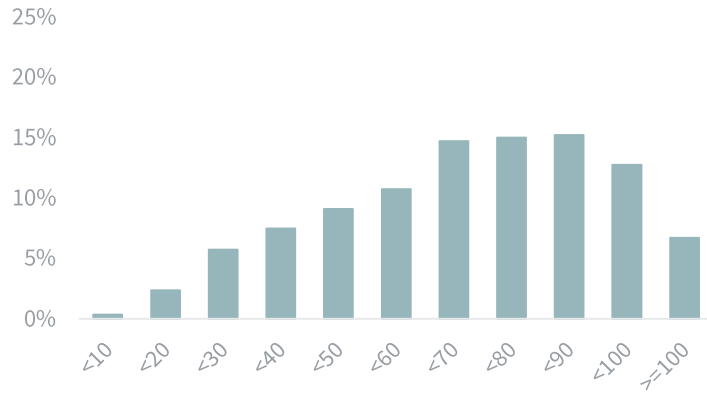
\* Connected to the savings mortgages

## Key eligibility criteria

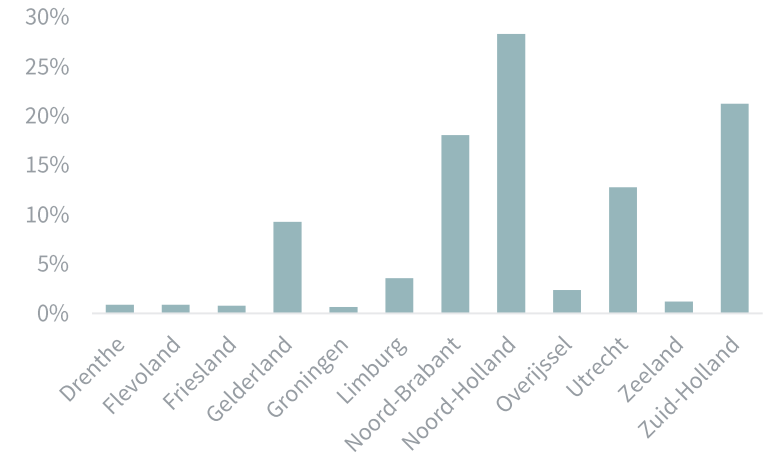
- Each mortgage is either a Life Mortgage Loan, Investment Mortgage Loan, Linear Mortgage Loan, Annuity Mortgage Loan, Interest-only Mortgage Loan, Insurance Savings Mortgage Loan or a combination thereof
- The maximum Outstanding Principal Amount per borrower, originated before August 2011 did not exceed 125% LTV at origination
- The maximum Outstanding Principal Amount per borrower, originated in and after August 2011, did not exceed 104% LTV at origination or if lower, the maximum amount as may be applicable under the relevant regulations at the time of origination
- First and subsequent ranking mortgages
- Only properties in the Netherlands
- All payments via direct debit
- Borrower is a private individual, resident of the Netherlands and not an employee of Van Lanschot
- Each mortgage loan is originated by the Transferor
- Each mortgage loan is denominated in Euro
- Property primarily used for residential purpose
- One of the properties is occupied by the Borrower at the time of origination

# Pool characteristics (II/III)

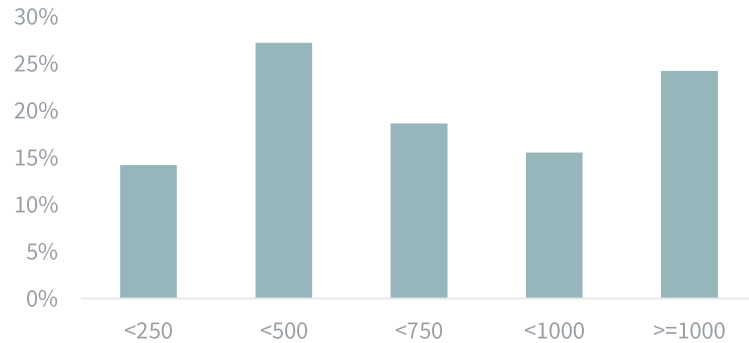
**Current Loan to Original Market Value**



**Geographical Distribution**



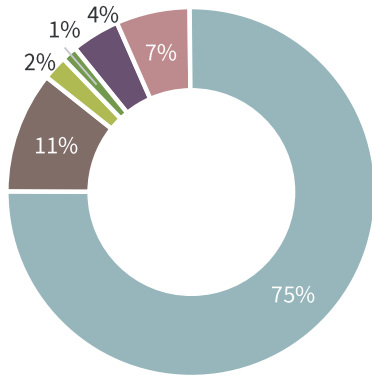
**Current Loan Balance  
(€1,000)**





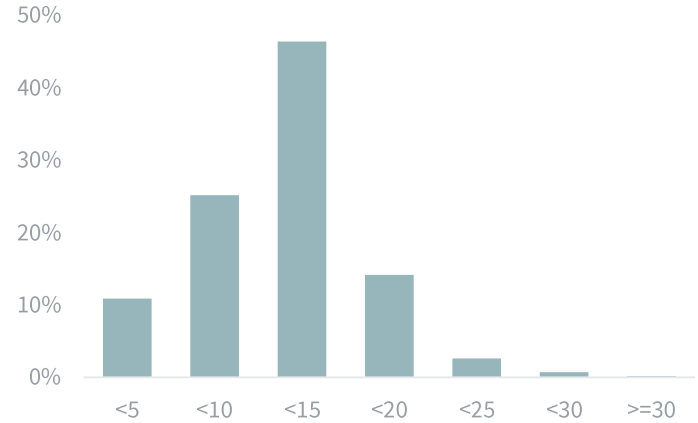
# Pool characteristics (III/III)

**Product type**

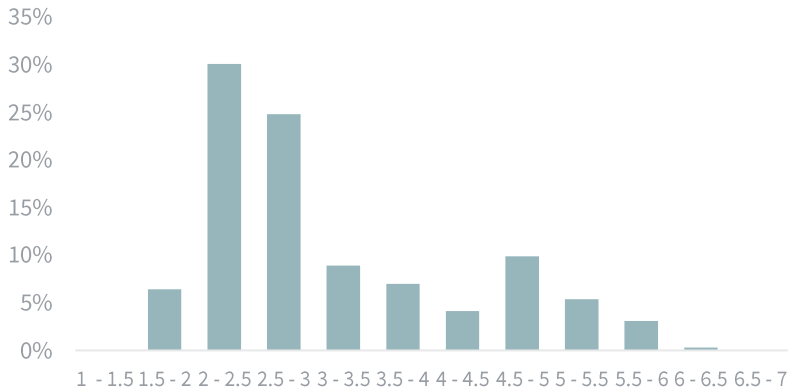


■ Annuity ■ Investment ■ Interest Only ■ Life ■ Linear ■ Savings

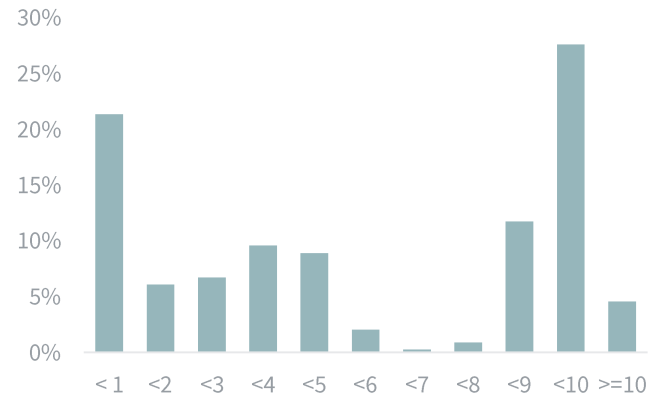
**Seasoning (in years)**



**Interest Rate (%)**



**Time to Interest Reset Date**





Van Lanschot

## Annex II – Van Lanschot Mortgages

# Van Lanschot: product offering

## Van Lanschot offers private banking services to wealthy individuals and to individuals starting to build up wealth

- Advice on financial planning and wealth management
- Focus on tailor-made advice and a high quality service level
- Mortgage loans offered to clients as part of a full-service financial solution concept. Preferable on the basis of advice but also on execution only terms
- Three types of mortgage loans offered (annuity, linear or interest-only)
- Advice based on the personal preferences and circumstances of the client: “does the mortgage loan fit the client?”
- 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 based on key events in the lifecycle such as unemployment, disability and death

## Origination at Van Lanschot

- The origination of Private Banking and Private Office clients is done by our bankers and certified mortgage advisors of the Mortgage Centre
- The origination of Personal Banking clients is done by the bankers via telephone. The mortgage applications are handled by the certified mortgage advisor of the Mortgage Centre
- Van Lanschot has not used intermediaries for the origination of mortgage loans since 2009. However, since Q4 2014, we started to work with a limited number of carefully selected intermediaries. Van Lanschot applies same criteria for these clients.
- Van Lanschot always has direct contact with the client, also when the client is introduced by an intermediary

# Van Lanschot: underwriting (I/II)

## Governance

### Dutch Code of Conduct leading

- Mortgage underwriting criteria within Van Lanschot have evolved over time in line with the Dutch Code of Conduct, National Law and general market practice. The criteria below are those currently applied

## Loan

### Maximum Loan to Value

- Mortgage loans up to and including € 2 million: maximum 102% of market value (including 2% transfer tax)\*
- Mortgage loans above € 2 million: maximum 102% of market value, including minimum 25% client assets at Van Lanschot
- Interest-only loans up to 50% of market value

## Borrower criteria

- Dutch nationality or permanent resident of the Netherlands
- Employment contract for indefinite period , temporary contracts only accepted if they meet stringent criteria
- Self-employed borrowers: three years of history, except for business professionals and medical practitioners
- Cohabiting (registered) or married partners are jointly and severally liable

## Financial criteria

### Loan to income has to be compliant with Dutch Code of Conduct and National Law. Income components for calculation:

- Fixed salary, subject to employer's declaration and salary slip, of both borrowers taken into account
- Variable income partly taken into account under strict restrictions
- Income from client assets limited to 3% annual return on securities, 1% on savings
- Net rental income from other properties (after interest payments, installments and maintenance fees)

\*As part of the Government reforms, as of 1 January 2013 the maximum LTV will gradually decrease from 106% with 1% per year to 100% in 2018. For 2016 the maximum is 102%. Please note that other repayment types are also allowed. However, for those repayment types, borrowers do not benefit from tax deduction.

# Van Lanschot: underwriting (II/II)

## 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 75% Loan to Market value

## Property

- Mandatory property valuation by independent appraiser
- Full appraisal is carried out according to the requirements of the Dutch Central Bank
- Only valuation reports from qualified appraisers and valuation agents (mandatory external validation as of 1 January 2015)
- Valuation reports should not be older than 6 months
- Exception: sales contract for newly built properties\*\*

## Information

- Van Lanschot is required to follow strict requirements to provide information to its borrowers
- To prevent unfavourable borrower behavior, borrowers need to have a good understanding of:
  - how their mortgage will work
  - what they can expect to change in the future
  - what their choices are

## Loan Approval Governance

- Certified Mortgage Advisor: up to € 1,000,000 if fully compliant with Dutch Code of Conduct and Van Lanschot's credit policy (4 eyes principle), including specific standard open explains
- Credit Approval and Control: up to € 3 million, at three different levels (minimum 4 eyes)
- Credit Risk Committee: > € 3 million, consisting of two members of the Statutory Board, Manager of Credit Risk Management, Head Credit Approval & Control and Private Banking Directors
- No standard exception policy due to customer base of wealthy individuals

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

\*\*Always valuation afterwards but sometimes (depending on type of property and scale of investment) also valuation in advance

# Servicing during the life cycle of a mortgage loan

## Application

- Acceptance

## Offering

- Processing in credit system
- Production of mortgage offer (and possible other credit offerings)
- Sending directly to client or banker
- Follow-up on progress

## Acceptance by client

- Acceptance processing in credit system
- Collection of demanded collateral
- Contacting Notary Public, insurance companies etc.

## Registration

- Registration of collateral in credit system

## Payment

- Payment of loan to Notary Public through credit system

## Changes

- Processing change requests by clients (e.g. collateral, interest, duration etc). Process depends on nature of change

## Interest reset

- Clients receive a new interest proposal 3 months prior to renewal date

## Redemptions

- Partial redemptions
- Redemptions at maturity date; 6 months prior to maturity date we inform clients about redemption

# Van Lanschot: arrears management

## 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 at Service Center Loans, the Kredietsignalen monitoring desk
- Account managers have to make an activity plan on accounts overdrawn in excess of € 2,500 and >14 days, as well as overdrafts in excess of € 200 and > 45 days and a total credit exposure > € 100,000\*. The Kredietsignalen monitoring desk keeps track on progress every week
- Account Managers and the Kredietsignalen monitoring desk employees are supported by the 'Overstanden Desk', ENG: Overdrafts Desk, which supplies data about overdrafts to account managers and the Kredietsignalen monitoring desk and takes care of the written follow-up on overdrafts

### Private Banking clients

Day 0: non-payment of borrower

Day 30: a reminder letter is sent to the client with request to settle the overdrawn amount

Day 45: a second letter is sent

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

### Personal Banking clients

Day 0: non-payment of borrower

Day 7: a reminder letter is sent to the client with request to settle the overdrawn amount

Day 30: a second letter is sent

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

- VL adopted different approaches for Personal banking and Private banking clients given the different risk profiles (e.g. single product clients versus wealthy individuals)

\* New process as of October 1<sup>st</sup>, 2016.

# Van Lanschot: restructuring approach

## Team Prevention & Early:

- All accounts of Personal Banking clients which are overdrawn for more than one day and for an amount in excess of €250 are monitored by the team Early. They focus on analyzing the situation of the client in order to find a permanent solution, rather than just acting on signals. Within 30 days it must be clear whether a problem can be easily solved, or the R&R team has to be involved.
- Team Prevention aims to select, by data analytics, the potential problem-files in early phase
- Next step is defining the client proposition and the tools we will hand the client so he can prevent potential problems

## Restructuring:

- After 90 days material overdraft the client is in default, or earlier if needed. Registration of file with Restructuring and Recovery Department  
→ File under supervision
- Check of banking position / security check:
  - Mortgage
  - Pledged Securities
  - Guarantee / Pledges (e.g. life insurance)
- Together with private banker first client appointment
- Situation is considered to be curable: first tailor made recovery plan
- Situation is considered not to be curable: tailor-made rectification plan and vigorous follow-up
- There are no specific timelines for foreclosure, this is client-specific and is on case basis

## Recovery / foreclosure

- 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
- Van Lanschot has a vehicle available with which it may buy a property in an auction





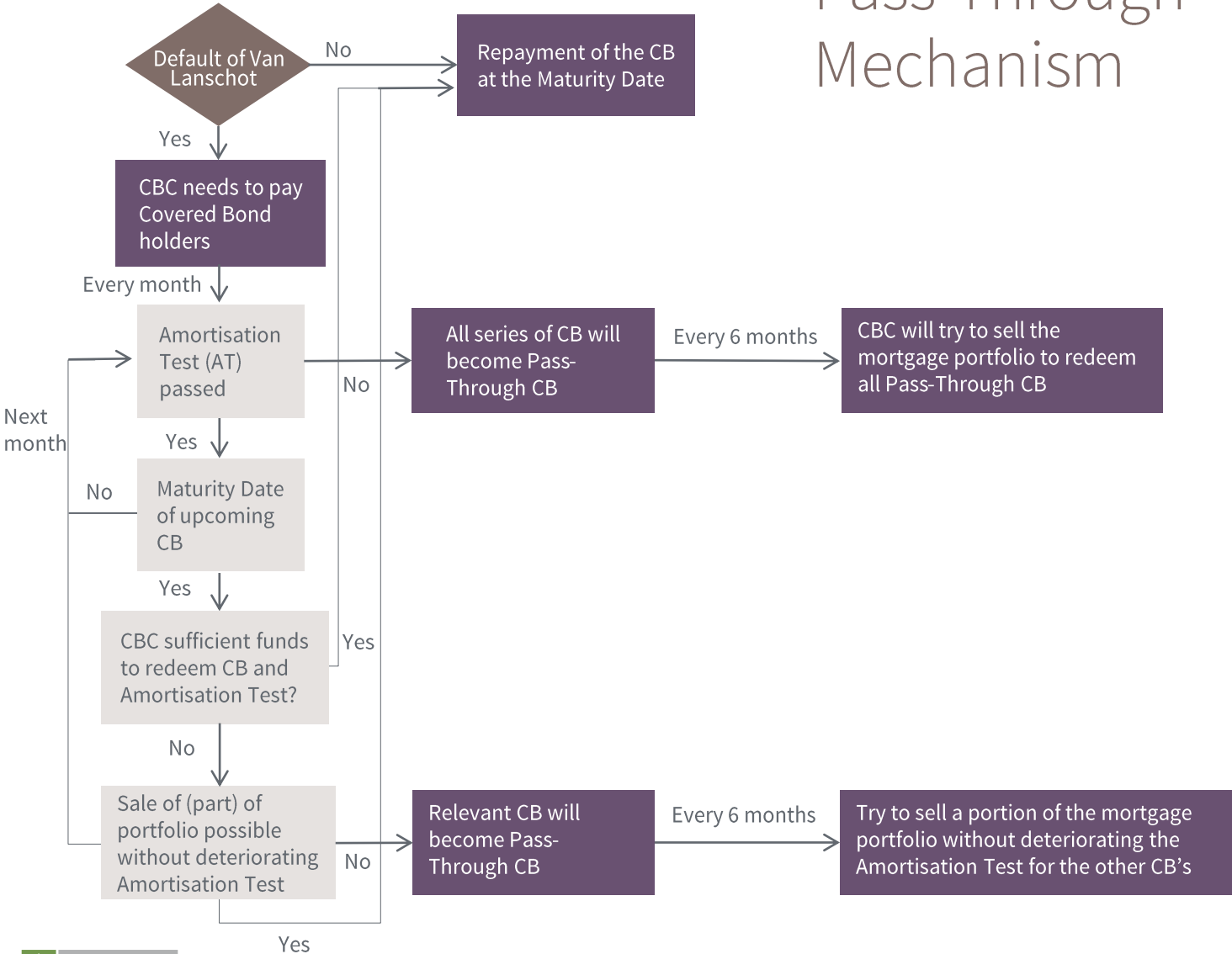
Van Lanschot

## Annex III – Covered Bond Programme

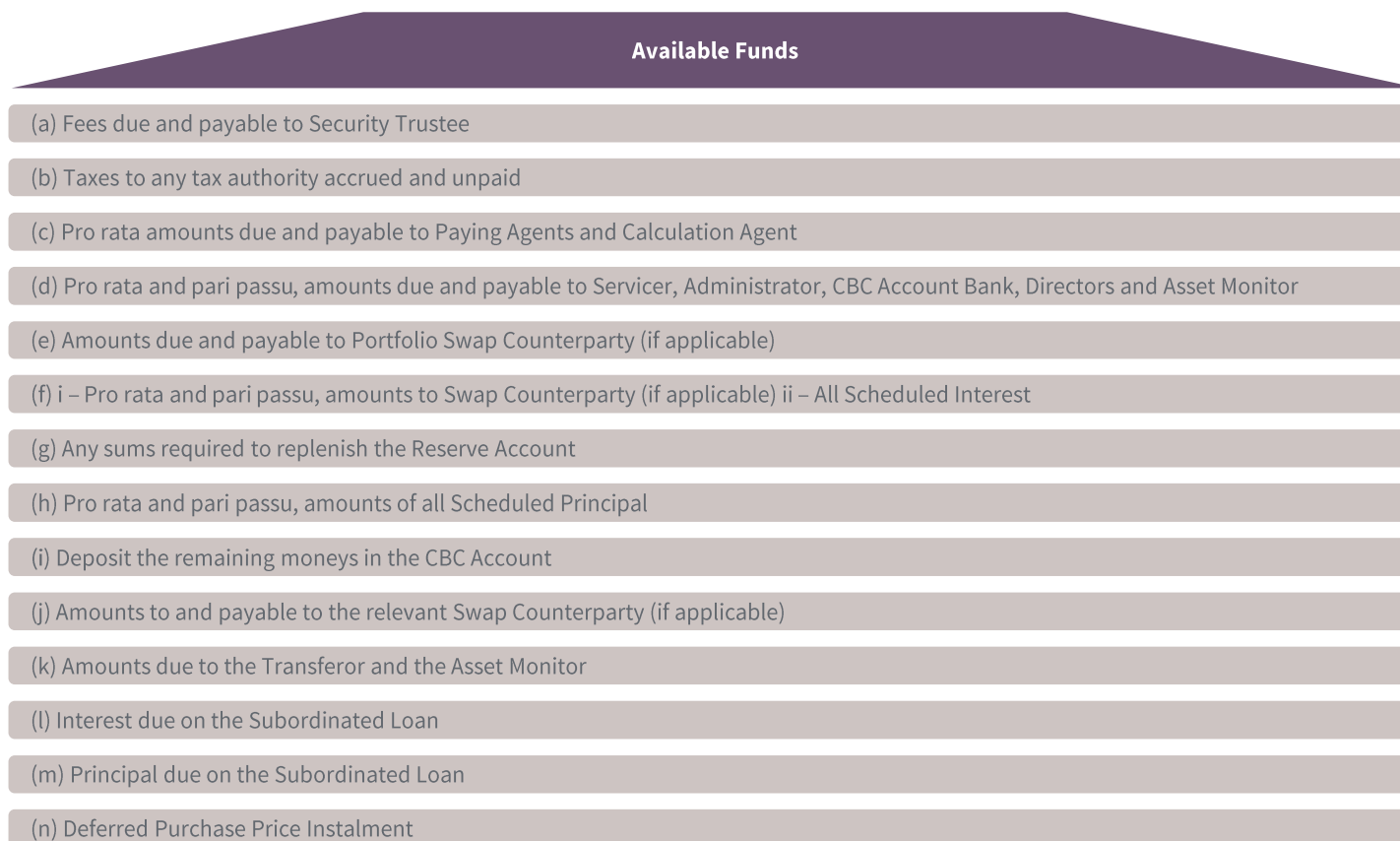
# Minimum Overcollateralisation

Asset Cover Test	Contractually committed minimum OC of 15%	<ul style="list-style-type: none"> <li>The nominal value of the cover assets excluding any defaulted receivables must always be at least equal to <b>115%</b> of the outstanding bonds under the program</li> </ul>
	Adjusted Aggregate Asset Amount $\geq$ Outstanding Bonds	<ul style="list-style-type: none"> <li>The Asset Cover Test will account for all risks by the following formula:                             <ul style="list-style-type: none"> <li>Adjusted Aggregate Asset Amount = A + B + C - Z</li> </ul> </li> <li>The calculation of 'A' includes (among others) the following parameters:                             <ul style="list-style-type: none"> <li><b>95%</b> asset percentage</li> <li>80% CLTIMV cut-off</li> <li>Deduction of savings set-off risk</li> <li>Deduction of other claims</li> <li>Deduction of defaulted receivables</li> </ul> </li> <li>'B' and 'C' represent cash and substitution assets</li> <li>'Z' represents the 'Interest Reserve Required Amount'</li> </ul>
	First Minimum Regulatory OC	<ul style="list-style-type: none"> <li>The nominal value of the cover assets must always be at least equal to <b>105%</b> of the nominal value of the outstanding bonds under the program</li> </ul>
	Second Minimum Regulatory OC	<ul style="list-style-type: none"> <li>The nominal value of the cover assets must always be at least equal to <b>100%</b> of the lower of (a) the outstanding balance of the cover assets or (b) 80% of all indexed valuations of the cover assets</li> </ul>

# Pass-Through Mechanism



# Priority of payments



# Programme comparison

	Van Lanschot	Aegon	NIBC	ABN AMRO	ING	SNS
Issuer	F. Van Lanschot Bankiers N.V.	Aegon Bank N.V.	NIBC Bank N.V.	ABN AMRO Bank N.V.	ING Bank N.V.	SNS Bank N.V.
Guarantor	Van Lanschot Covered Bond Company	Aegon Conditional Pass-Through Covered Bond Company	NIBC Conditional Pass-Through Covered Bond Company	ABN AMRO Covered Bond Company	ING Covered Bond Company	SNS Covered Bond Company
Issuer Rating (LT) (Fitch/Moody's/S&P)	BBB+/NR/BBB+	A-/NR/A+	BBB-/Baa1/BBB-	A+/A1/A	A+/A1/A	BBB+/Baa2/BBB+
Programme Ratings (Fitch/Moody's/S&P)	AAA/NR/AAA	AAA/NR/AAA	AAA/NR/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/NR
Collateral Type	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages
LTV Cut-Off (ACT)	80%	80%	80%	80%	80%	80%
Asset Percentage	95%	93%	95%	76%	79.5%	75%
Total Return Swap Provider	N/A	N/A	N/A	N/A*	ING Bank N.V.	SNS Bank N.V. (plus stand-by guarantee or similar)
Repayment Type	Conditional pass-through	Conditional pass-through	Conditional pass-through	Hard bullet/Soft bullet	Hard bullet/Soft bullet**	Soft bullet
Repayment Risk	Conditional pass-through	Conditional pass-through	Conditional pass-through	Extendable maturity – Pre-maturity test	Extendable maturity – Pre-maturity test	Extendable maturity - 12 months
UCITS Compliant	Yes	Yes	Yes	Yes	Yes	Yes
DNB UCITS Registration	Yes	Yes	Yes	Yes	Yes	Yes
CRD Compliant	Yes	Yes	Yes	Yes	Yes	Yes
Indexed Valuation	Kadaster, 90% increase 100% decrease	Kadaster, 90% increase 100% decrease	Kadaster, 90% increase 100% decrease	Kadaster, 85% increase 100% decrease	Kadaster, 90% increase 100% decrease	Kadaster, 100% increase 100% decrease



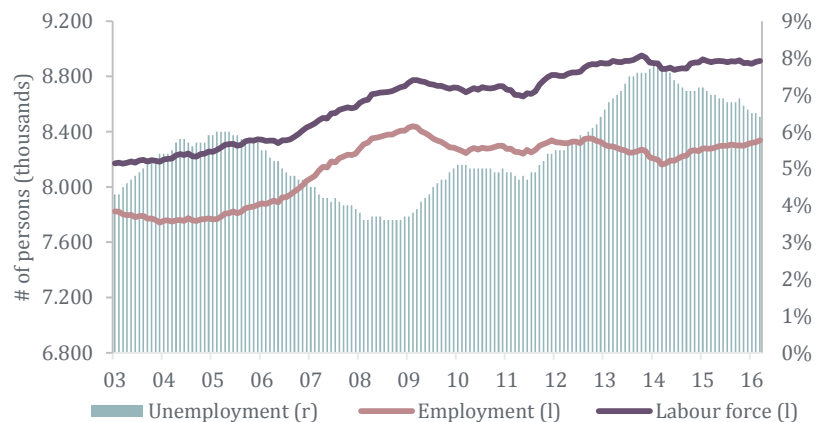
Van Lanschot

## Annex IV – Dutch economy and housing market

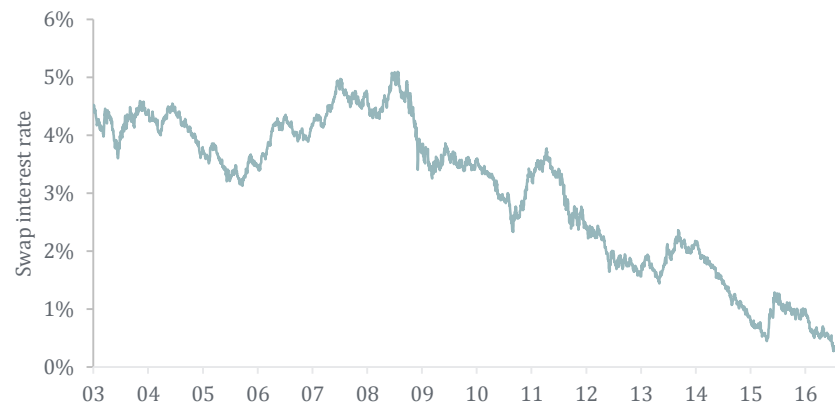
# Dutch economy

- The Dutch economy grew by 2% in 2015. This growth was widespread: alongside exports and private investment, for the first time since 2011 private consumption made a positive contribution to the growth in real Gross Domestic Product (GDP)
- Economic growth is expected to continue in 2016 and 2017 by 1.75%. This economic growth is expected to remain broad-based. International uncertainties are creating a significant downward risk for economic growth.
- Since the start of the year unemployment has fallen from 6.5% in January to 6.0% in July, the lowest level since the end of 2012. This fall has been driven above all by a rise in employment. During the first half of 2016 the number of people in work rose by 41,000, mainly accounted for by the business services sector and trade, transport and the hospitality industry
- The increase in the number of vacancies and hours worked through temporary agencies points to further growth in employment. It is expected that unemployment in 2016 will average 6.25% of the labour force and fall further in 2017 to 6%
- The downward pressure on interest rates caused by ECB's QE programme is expected to be compensated by an improving economic climate and a gradual rise in inflation

Unemployment<sup>1</sup>



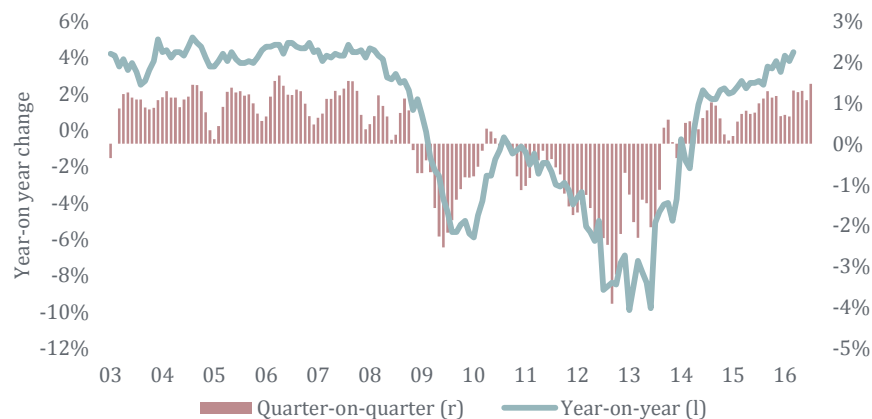
Eurozone 10y swap interest rate



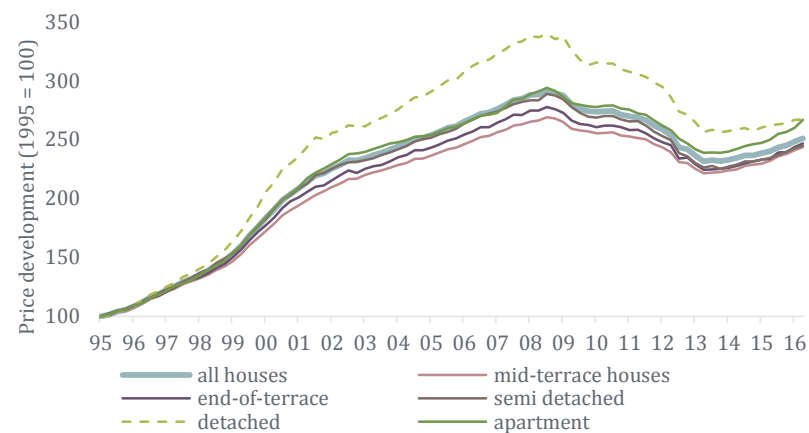
# House price developments

- The housing market got off to a strong start this year. Compared to the second quarter of 2015, this rise was 4.4%. Increasing shortages on the market, the failure of new house building to keep pace and the improved affordability of owner-occupied homes have pushed house prices up as well as generating high consumer confidence in the market. It is expected that house prices continue to rise during the coming eighteen months
- There are regional differences in price trends. In the Dutch big cities in particular, prices are rising faster than the average in the Netherlands. For example, prices in Amsterdam, Utrecht, The Hague and Rotterdam have risen 10%, 5%, 4% and 1% faster respectively than the Dutch average (4.4%) during the past year. Despite the fact that average prices have risen in all provinces over the past year, prices in southern province Zeeland in particular are lagging behind significantly, with rises of only 0.7%
- Despite the recent increase in sales prices, housing prices are still approximately 14% lower than their peak in 2008 (in nominal terms)

Price development (Y-o-y / Q-o-q)



Price development per segment

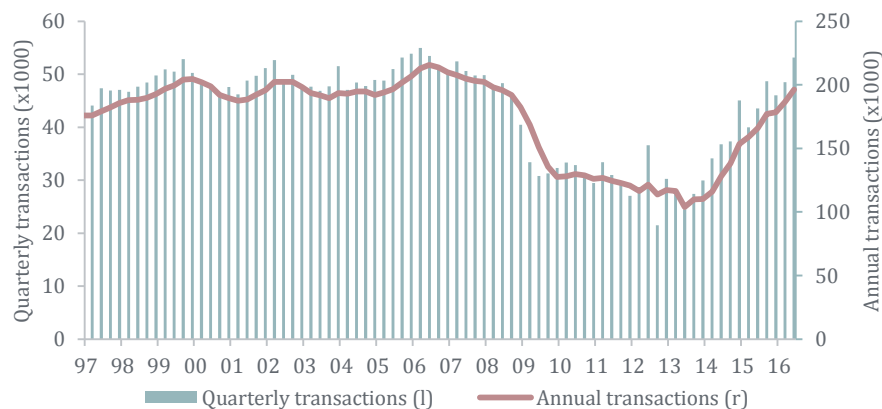




# Transaction and supply developments

- The number of sales in the first and second quarter of 2016 reached 42,897 and 50,315 homes respectively. Roughly ten thousand more homes are being sold each quarter than last year. It is expected that the end is not yet in sight for the rise in the number of transactions, but growth will weaken during the coming quarters. Factors behind further growth are the limited number of new homes, the sustained falls in interest rates and improved affordability
- Growth is weakening because transaction numbers appear to have reached their historical maximum and the positive effect of the growth factors is declining. It is expected that sales of existing owner-occupied homes will remain at their current high level during the coming period too. This means that for 2016 and 2017 the number of transactions will reach a total of between 200,000 and 220,000
- The structural reforms that the national government introduced in the period from 2008 to 2013 have been among the main reasons why transaction levels are back at pre-crisis levels while price levels are not. The pre crisis price levels must therefore not be regarded as a natural balance on the housing market

Quarterly and annual transactions



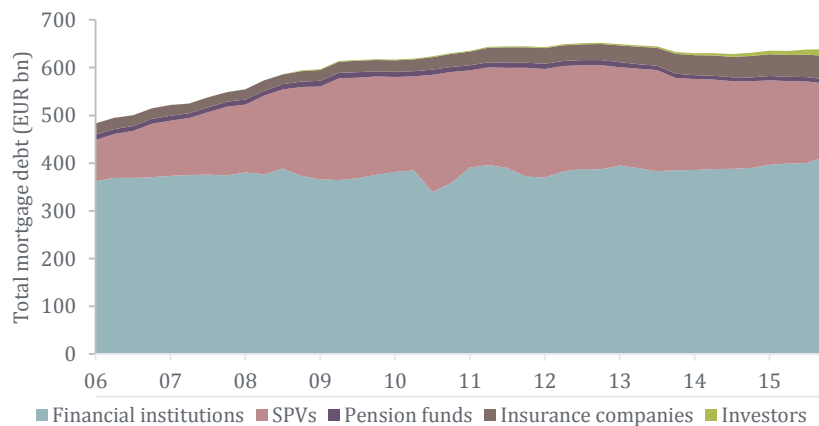
House supply (seasonally corrected)



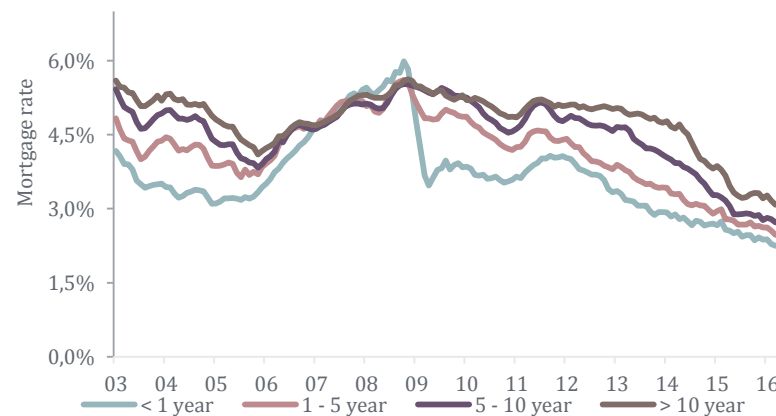
# Dutch residential mortgage market

- Since mid-2015 the volume of mortgage approvals has again been greater than repayments and gross mortgage debt is rising. Total outstanding mortgage debt in the Netherlands in Q1 of 2016 equaled EUR 658 billion
- It is expected that the level of total mortgage debt rises slowly in 2016 and 2017, just as in 2015. Set against the expected rise in the number of new mortgage approvals are the extra repayments on mortgages. As long as savings interest rates remain low, many households will choose to repay their mortgages or put their savings into a bank savings mortgage rather than a regular savings account
- Mortgage rates fell further during the second quarter of 2016. In June 2016 the average rate for new mortgage approvals was 2.4% with a fixed-rate period of two to five years, 2.6% for a fixed-rate period of six to ten years, and 3.1% for a fixed-rate period of longer than ten years. A year earlier, in June 2015, these rates were still 2.7%, 2.9% and 3.3% respectively, so that average interest rates have reached new record lows for all fixed-rate periods

Mortgage debt outstanding



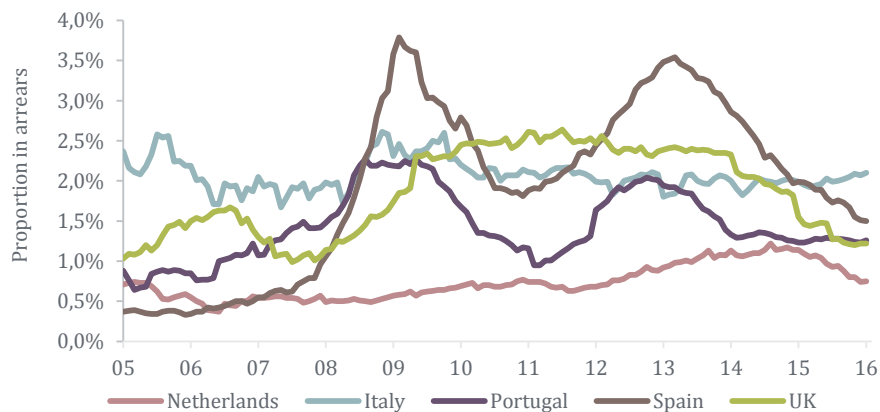
Average mortgage rates



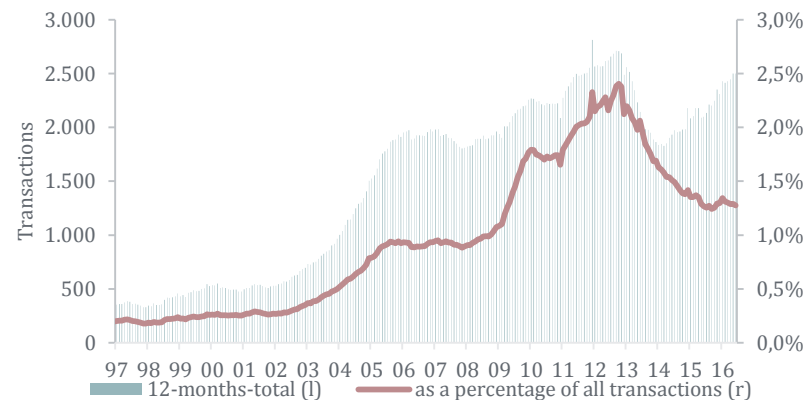
# Mortgage foreclosures and losses

- The mortgage payment arrears in Europe have been declining over the last couple of years, whereby the Netherlands remains to show the lowest arrears in the area with a decreasing trend since the second half of 2014 (with 60 days+ arrears below 0.8% in January 2016)
- The trend of declining public auctions that has been present from 2012 onwards continued in 2016. This decline should not be seen as an improvement of payment problems, but as a sign that banks supervise home-owners who have fallen into arrears more closely
- In Q1 2016, 532 sales were forced, which is 1.3% of the total number of sales
- The Netherlands continues to perform well in terms of the level of payment arrears and forced sales as compared to other European countries

Payment arrears (60+ days, all prime transactions)



Foreclosures





Van Lanschot

## Annex V – Van Lanschot

# Key figures 2016 half-year results

€ million	H1 2016	H1 2015	H1 2016 vs. H1 2015
Commission income	117.4	141.0	-17%
Interest income	110.3	102.0	8%
Other income	12.5	31.1	-60%
<b>Income from operating activities</b>	<b>240.2</b>	<b>274.1</b>	<b>-12%</b>
Operating expenses	-194.8	-193.9	0%
<b>Gross result</b>	<b>45.4</b>	<b>80.2</b>	<b>-43%</b>
Loan loss provisioning	1.7	-31.9	
Other impairments	-0.5	-2.8	-84%
Operating profit before tax of non-strategic investments	3.1	5.4	-42%
<b>Operating profit before one-off gains / losses and tax</b>	<b>49.8</b>	<b>50.9</b>	<b>-2%</b>
Recovery framework interest rate derivatives	-8.0	0.0	
Other one-off gains / losses	-2.0	-0.7	
Strategy 2020 Investment programme	-0.3	0.0	
<b>Operating profit before tax</b>	<b>39.5</b>	<b>50.1</b>	<b>-21%</b>
Income tax	-8.0	-12.4	-36%
<b>Net profit</b>	<b>31.5</b>	<b>37.7</b>	<b>-16%</b>
<b>Underlying result*</b>	<b>37.7</b>	<b>37.7</b>	<b>0%</b>
Efficiency ratio (%)	81.1%	70.7%	

\* Underlying net result H1 2016 excludes one-off costs related to the interest rate derivatives recovery framework and the Strategy 2020 investment programme

# Van Lanschot's solid profile is reflected in its creditworthiness

## Fitch

- Long-term credit rating: BBB+
- Outlook long-term credit rating: Stable
- Short-term credit rating: F2
- Latest press release: 09-09-2016

## Standard & Poor's

- Long-term credit rating: BBB+
- Outlook long-term credit rating: Stable
- Short-term credit rating: A-2
- Latest press release: 23-12-2015

*“Van Lanschot's capital ratios are solid and improving due to deleveraging... The bank has a balanced funding profile largely made up of customer deposits and a demonstrated ability to access wholesale funding markets. Liquidity is sound, underpinned by a large buffer of highly liquid assets.” (09-09-2016)*

*“The bank's strategic ambition is to become a pure player in wealth management. We think this pure wealth-management model should enable the bank to strengthen its franchise in the Netherlands and to some extent in Belgium and to simplify its product offering while reducing its risk exposure and increasing its capitalization over time, in line with what we view as a relatively cautious strategy. We view capital and earnings as strong.” (23-12-2015)*

# Excess capital expected of at least €250 million up to 2020, to be returned to shareholders

- CET I ratio at 17.3 % (16.9% fully loaded) per 30 June 2016
- Corporate bank run-off offers further upside potential (RWA H1 2016 = €1.6 bn)
- Impact Basel III tightening not known yet but RWA increase expected to be lower than decrease due to CB run-off
- Net profit (after one-off investment programme) will also have positive impact on capital
- No transformational M&A planned (selective add-on acquisitions may be considered)
- Commitment to return excess capital to shareholders, subject to regulatory approval
- Target pay-out ratio raised from 40-50% to 50-70% as of 2016

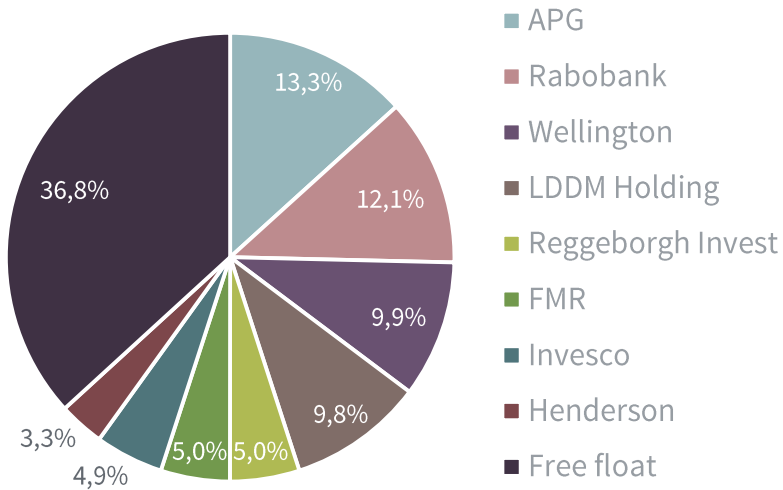
## Risk-weighted assets € billion



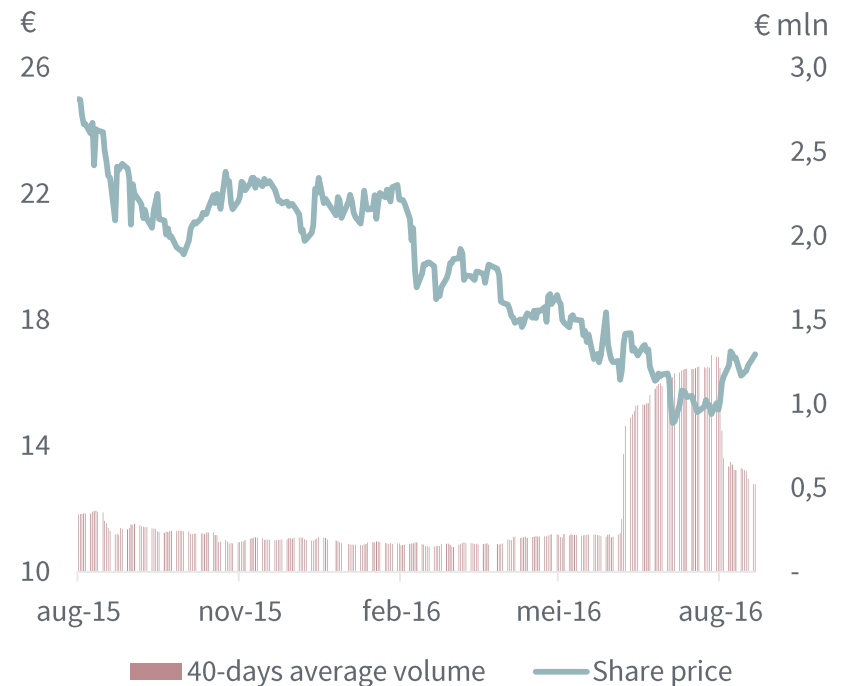
FOR ILLUSTRATIVE PURPOSES ONLY, NOT DRAWN TO SCALE

# Van Lanschot's free float and liquidity have increased following the secondary placement in June 2016

## Overview of principal shareholders



## Share price and daily volume

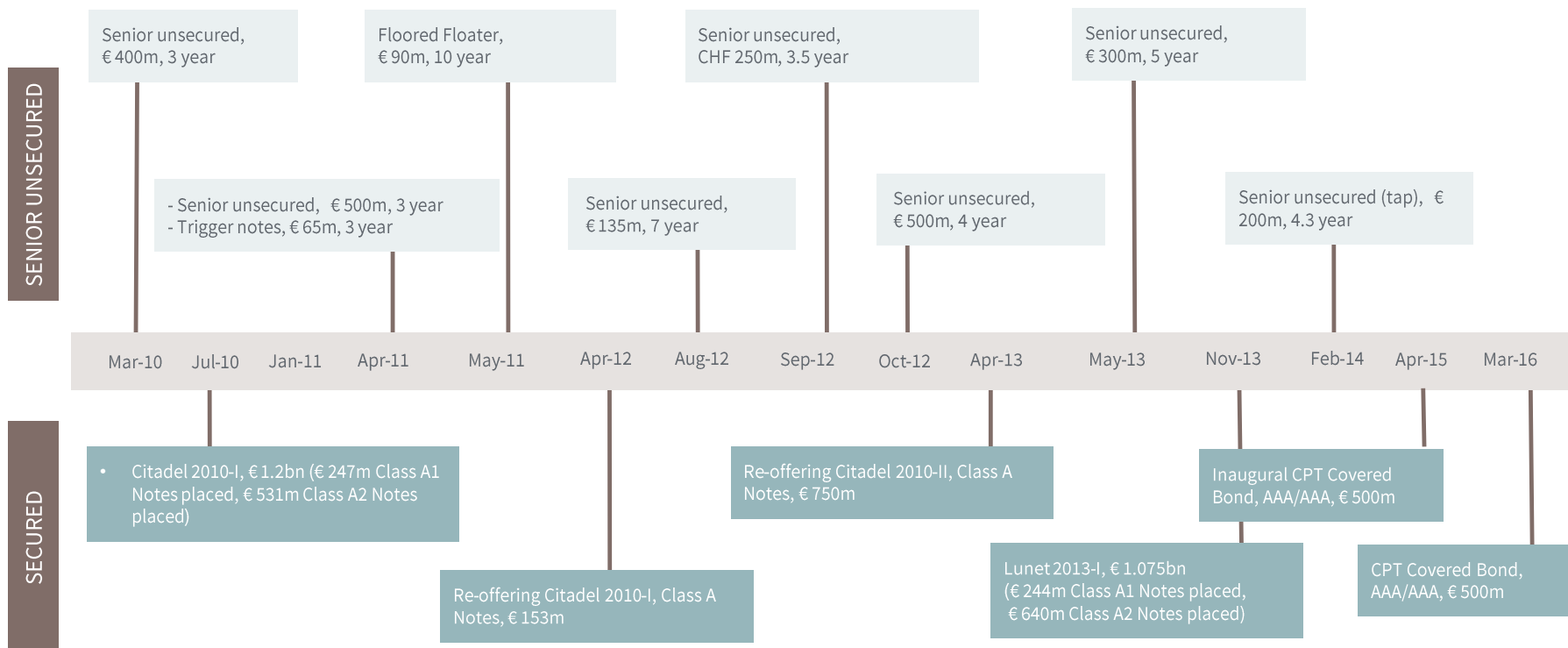


Share price and daily volume

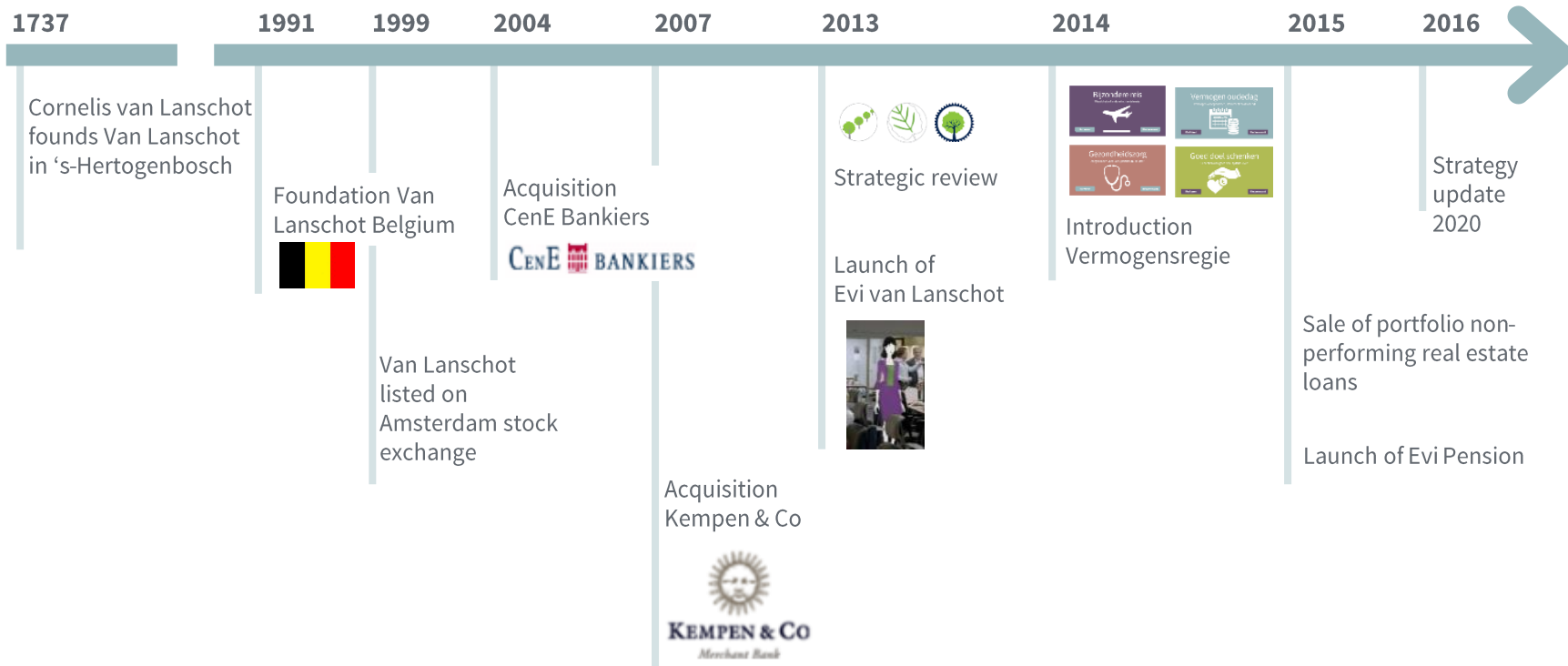


# Successful presence in wholesale markets

- 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



# Van Lanschot's rich history reaches back over 275 years



# Experienced and balanced management

## Highly experienced Executive Board



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

**Background:**  
CRO at UniCredit Banking Group



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

**Background:**  
Group CFO at Robeco Group



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

**Background:**  
Partner Boston Consulting Group



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

**Background:**  
Global Head Private Wealth Management at ABN AMRO Private Banking International



**Paul Gerla (1966)**  
*CEO Kempen & Co  
Asset Management*

**Background:**  
CFO Shell Pension Fund, Finance Director Shell Malaysia



**Joof Verhees (1960)**  
*Merchant Banking*

**Background:**  
Managing Director at Rabo Securities and head of European trading for ABN AMRO in London

## Well regarded Supervisory Board

**Willy Duron (1945)**  
*Chairman*

- Honorary Chairman of KBC Group
- Former CEO KBC Group
- Member board of directors Agfa-Gevaert and Tigenix

**Jos Streppel (1940)**  
*Deputy Chairman*

- Former CFO of Aegon and FGH Bank
- Former chairman of the Monitoring Commission Corporate Governance
- Member board of directors RSA Insurance Group Plc

**Jeanine Helthuis (1962)**

- Former CEO of Monuta
- Former member Management Board Fortis Bank
- Member of the supervisory board at Prorail

**Bernadette Langius (1960)**

- Former CEO of ABN AMRO Private Banking Netherlands
- Former Board Member at VU University

**Godfried van Lanschot (1964)**

- Independent investor



Van Lanschot

## Annex VI – Contact information

# Contact information



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## Annex VII – Glossary

- ABS Asset Backed Securities
- ACT Asset Cover Test
- AT Amortisation Test
- BKR Bureau Krediet Registratie (Credit Office) Registration
- CBC Covered Bond Company
- CBPP3 Covered Bond Purchase Programme 3
- CLTIFV Current Loan to Indexed Foreclosure Value
- CLTIMV Current Loan to Indexed Market Value
- CLTOMV Current Loan to Original Market Value
- CLTOFV Current Loan to Original Foreclosure Value
- CPR Constant Prepayment Rate
- CPT Conditional Pass-Through
- CPTCB Conditional Pass-Through Covered Bond Programme
- CRD Capital Requirements Directive
- DACB Dutch Association of Covered Bond Issuers
- DNB Dutch Central Bank
- DSA Dutch Securitisation Association
- ECB European Central Bank
- ECBC European Covered Bond Council
- EVA Anti-Fraud System



## Annex VII – Glossary

- HNWIs High Net Worth Individuals
- LCR Liquidity Coverage Ratio
- LT Long Term
- LTFV Loan to Foreclosure Value
- LTV Loan To Value
- MTN Medium Term Notes
- NHG Nederlandse Hypotheek Garantie (National guarantee system for the Mortgage Market)
- Nibud Nationaal Instituut voor budgetvoorlichting (National Institute for guidelines, prescriptions and education regarding financial planning)
- NTT National Transparency Template
- OC Overcollateralisation
- PCS Prime Collateralised Securities
- PwC PriceWaterhouseCoopers
- RMBS Residential Mortgage-Backed Security
- SFH Anti-Fraud System
- UCITS Undertakings for Collective Investment in Transferable Securities
- VIS Identification System