2014
half-year results

Van Lanschot

1737

26 August 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

	H1 2014	H1 2013
Net profit	€ 49.4m	€ 36.3m

	30-06-2014	31-12-2013
Common Equity Tier I ratio	13.8%	13.1%
Funding ratio	87.9%	81.3%
Client assets	€ 56.1bn	€ 53.5bn

Financial targets 2017

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

Basel III

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

2014 half-year results

Execution of strategy on track

2014 half-year results
Highlights

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Solid profit H1 2014	**Net profit +36% to € 49.4 million (H1 2013: € 36.3 million)** – Underlying net profit € 54.1 million (H1 2013: € 40.3 million) – Income from operating activities +5% – Cost reduction on track; personnel costs lower, other administrative expenses higher – Loan loss provisioning -14%
Growth in client assets	**Client assets increase to € 56.1 billion** – Inflow of discretionary mandates and savings and deposits in Private Banking – Evi developing towards € 1 billion – Discretionary mandates comprise 41% of Private Banking assets under management – Asset Management obtained major mandates of two Dutch pension funds
Further strengthening of capital base and funding profile	**Common Equity Tier I ratio grows to 13.8%** - Leverage ratio 4.9% - Fully-loaded Basel III Common Equity Tier I ratio 11.6% - Well diversified funding profile: funding ratio grows to 87.9%, supplemented by successful wholesale market transactions
Execution of strategy on track	**Good progress in execution of strategy** – Private Banking transformation well on track and focussed on growth – Asset Management & Merchant Banking expanding in their niches – Corporate Banking on track; capital release and margin improvement in 2014 – Incremental steps taken to simplify products, processes and organisation

2014 half-year results
Key figures

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

Solid profit in H1 2014

Thanks to higher other income and lower loan losses

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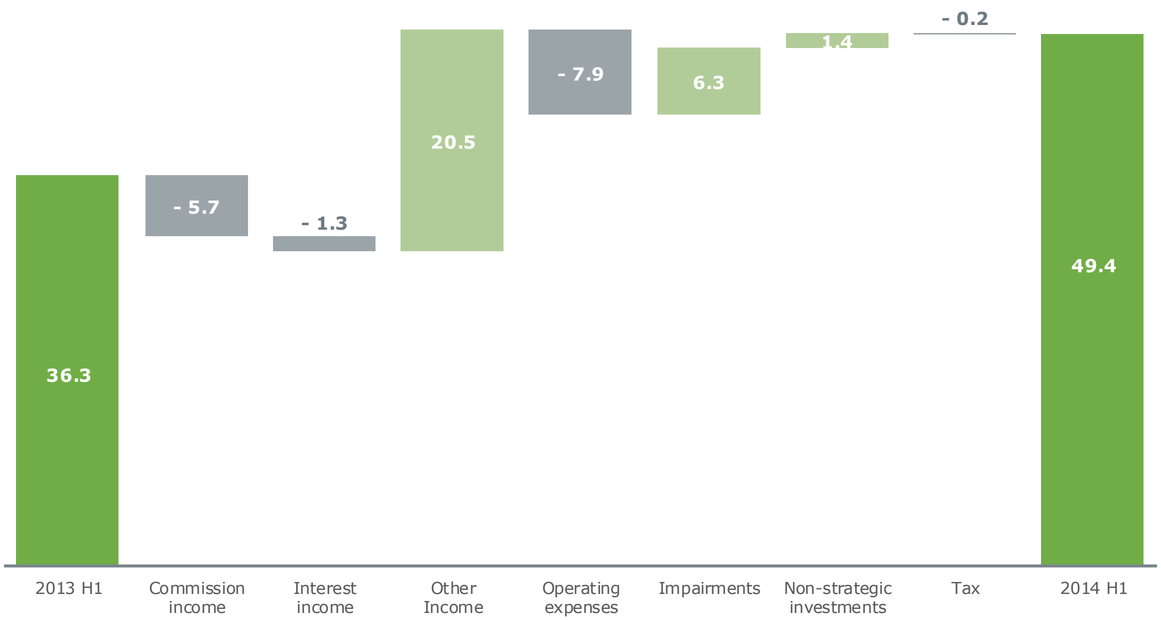
H1 2014 net profit € 49.4 million

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

Underlying net profit € 54.1 million

Key drivers of profit in H1 2014 (€ million)



Securities commission stable at € 94.9 million
Total commission income decreases 5% to € 113.8 million

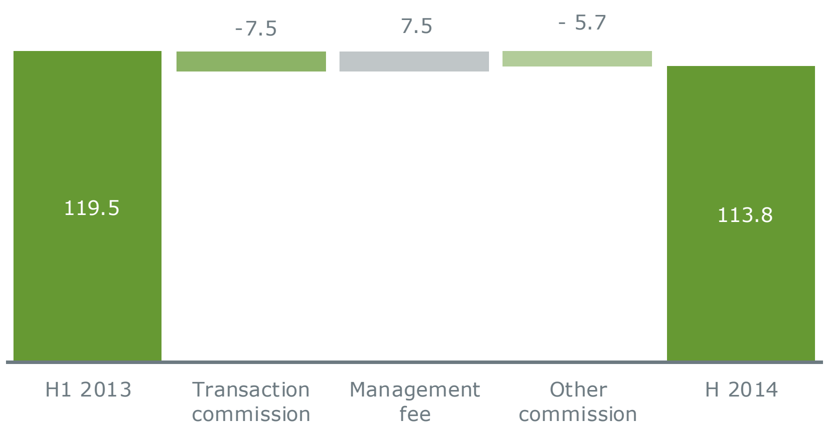
Lower commission income due to lower other commission; stable securities commission.

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

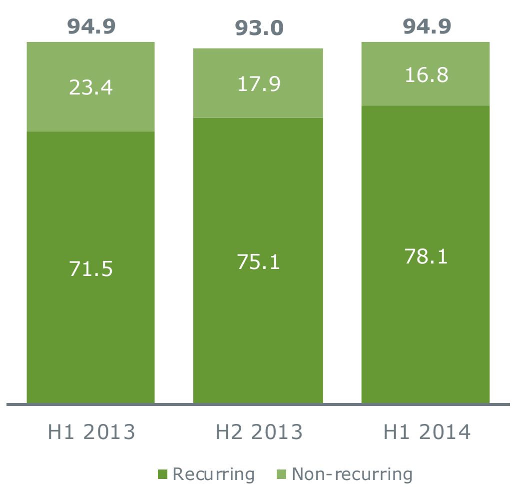
Other commission:
- Merchant Banking: lower compared to strong H1 2013

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

Commission income (€ million)



Securities commission (€ million)



Interest income stable, despite reduction of loan book

Higher clean interest margin* offset by lower hedge results

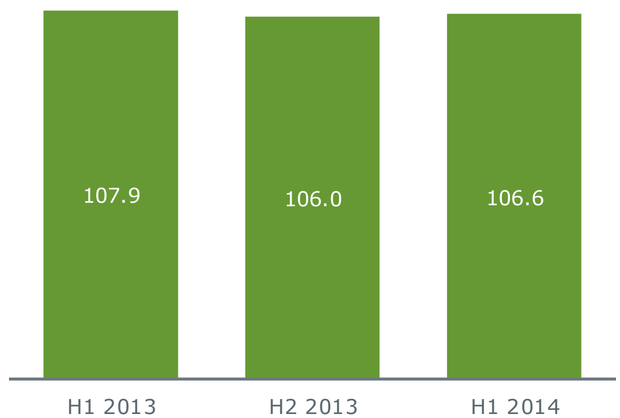
Interest income down 1% at € 106.6 million, interest margin H1 2014 1.21% (H1 2013: 1.23%)

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

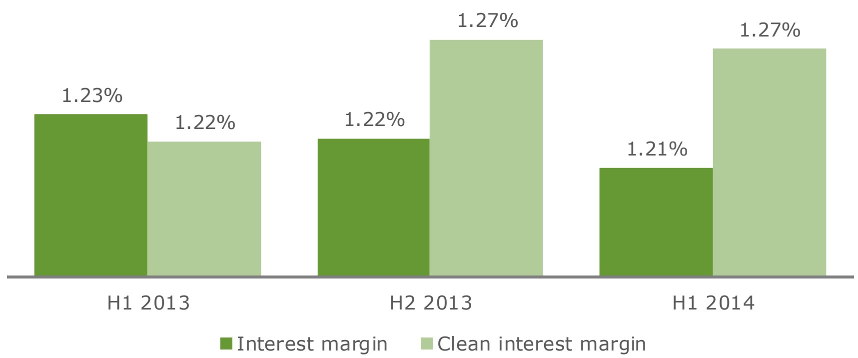
Clean interest margin* increases to 1.27% (H1 2013: 1.22%)

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

Interest income (€ million)



Interest margin (%)

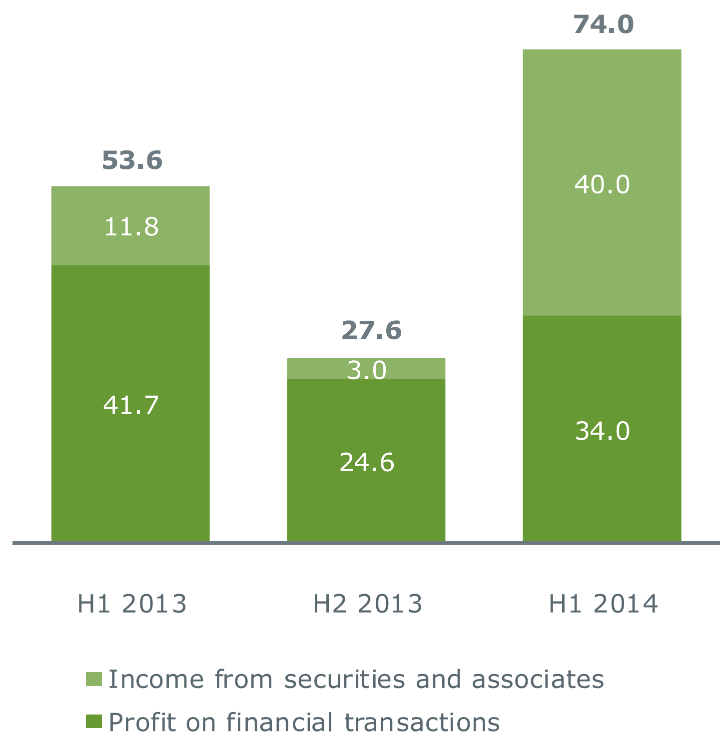


Other income increases to € 74.0 million

Gain on sale of a participation and financial transactions

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

Other income (€ million)



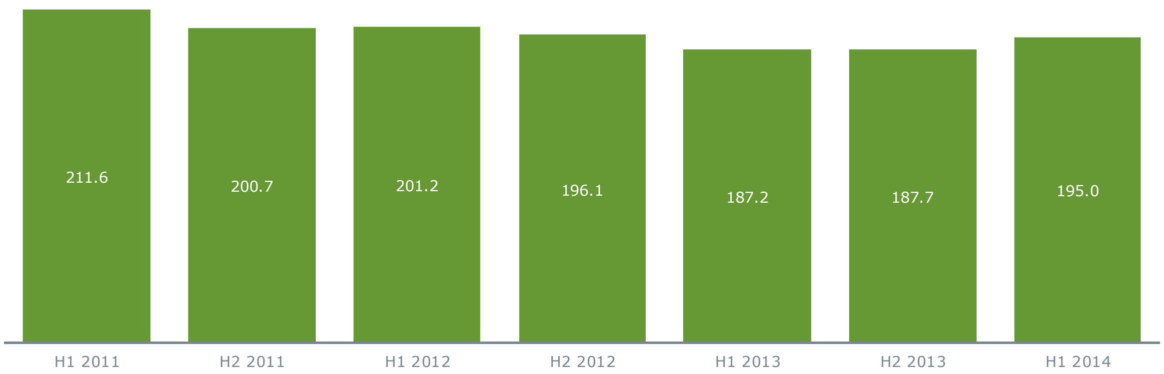
Cost reduction on track

Personnel costs lower, other administrative expenses higher

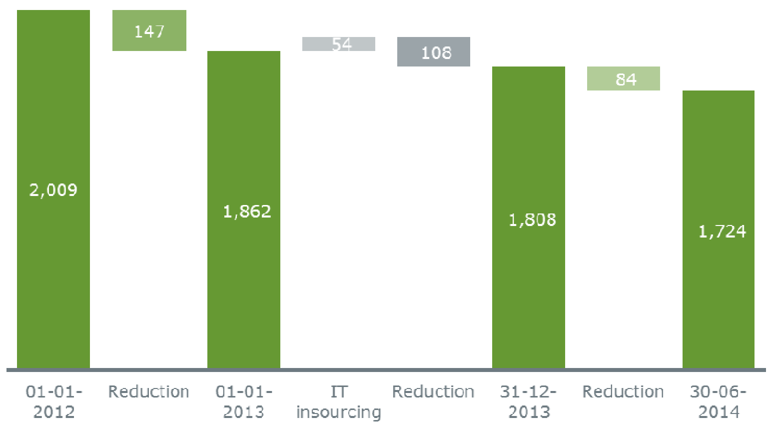
Operating expenses up 4% to € 195.0 million

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

Operating expenses (€ million)



FTE development



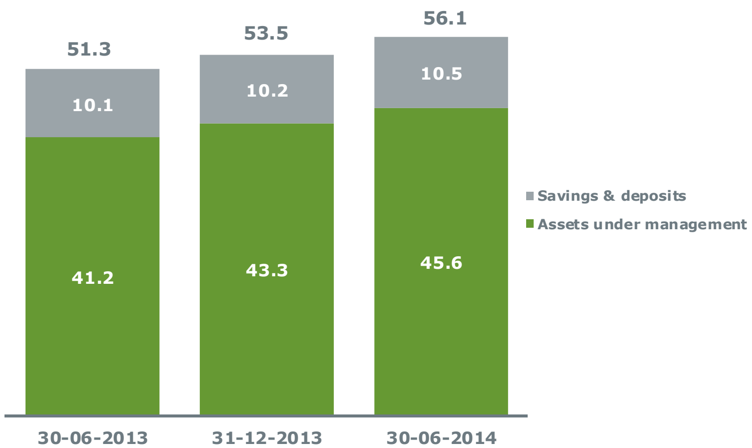
Growth in client assets

Strong market performance and inflow of assets under discretionary management

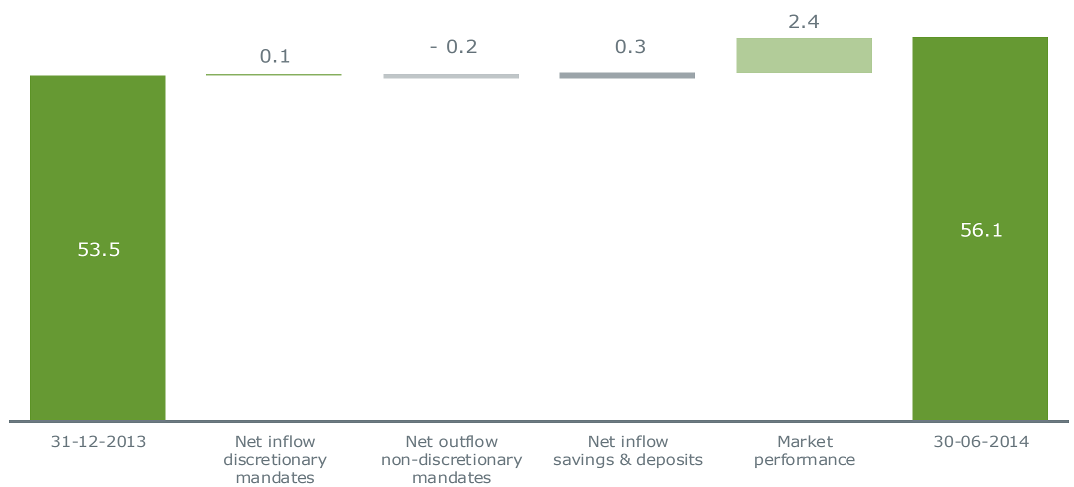
Client assets grow 5% to € 56.1 billion

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

Client assets (€ billion)



Growth in client assets H1 2014 (€ billion)



Deleveraging continues
Steady reduction in loan book in line with strategy

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

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

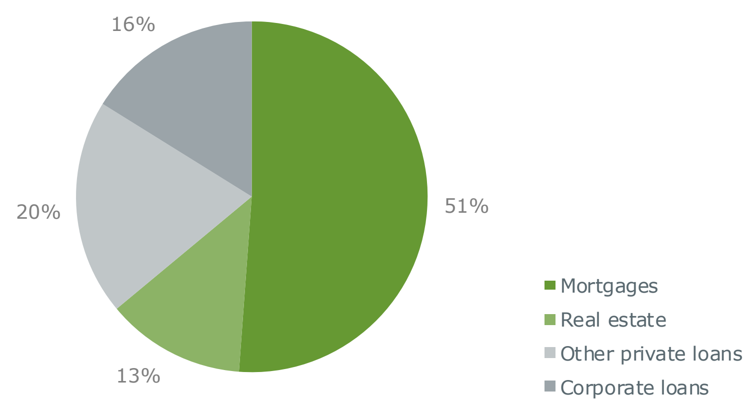
Other private banking loans
- This includes loans to healthcare professionals, business professionals & executives, security-backed loans and foreign mortgages

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

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

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

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



Loan impairment charges

Loan loss provisioning continues to trend down

Addition to loan loss provisions down 14% on H1 2013

Mortgages: -18%
- Loan losses on mortgage book traditionally very low: addition to loan loss provisions in H1 2014 only 17% of total, while the mortgage book represents 51% of the total loan book
- NPLs remain low at 1.8%

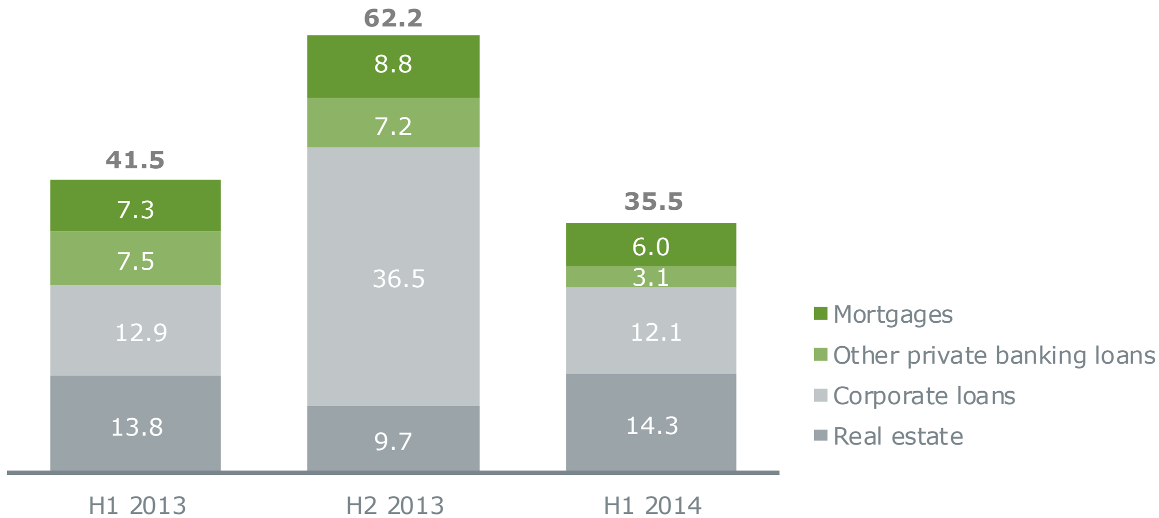
Other private banking loans: -59%
- NPLs influenced by a few larger items

Corporate loans: -6%
- Despite difficult economic conditions in the Netherlands, NPLs relatively low at 7.3%

Real estate: +4%
- Addition to loan loss provisions 4% higher than in H1 2013

High coverage ratios reflect Van Lanschot's prudent provisioning policy

Addition to loan loss provisions by type of loan



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

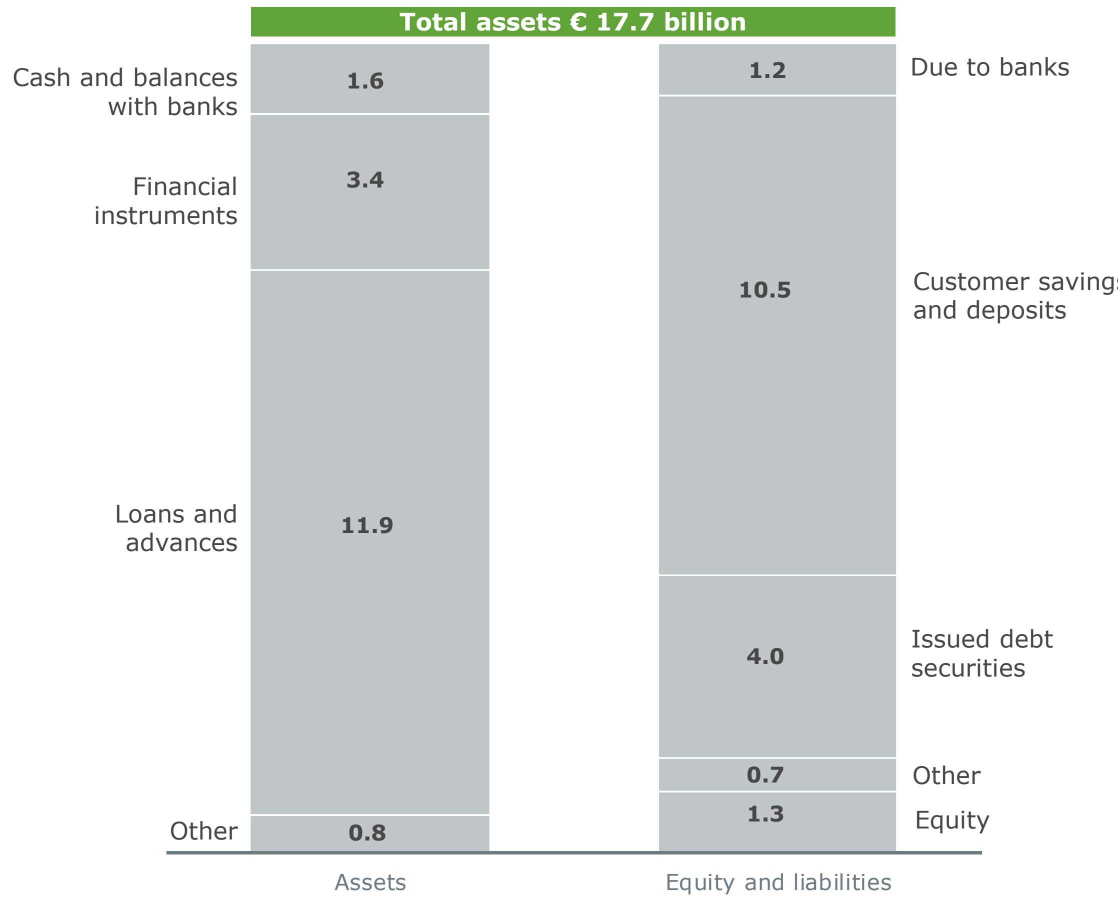
Robust balance sheet
Strong capital and funding position

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

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

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

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



Increase of Common Equity Tier I Ratio
RWA reduction continued

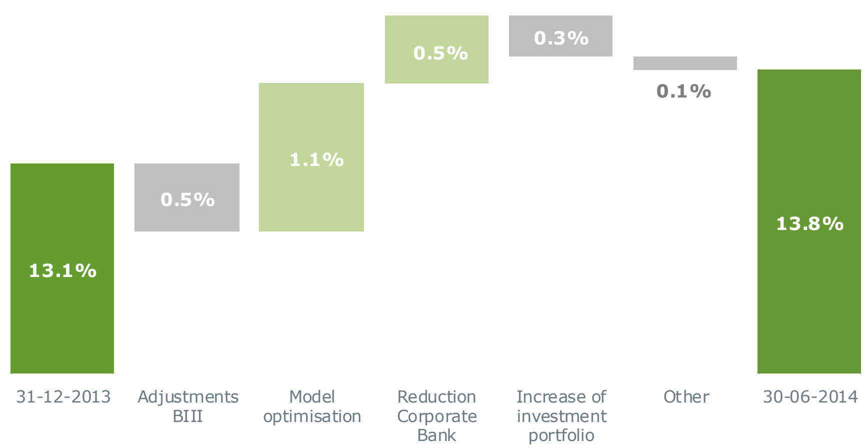
Risk-weighted assets
- Corporate Banking run-off successfully; corporate loan book exposure reduced by over € 300 million in H1 2014
- Total RWA at 30-06-2014 € 8.1 billion (-10%)
- Common Equity Tier I ratio 13.8%*

Van Lanschot already meets the Basel III capital requirements
- Fully loaded Common Equity Tier I ratio 11.6%
- Leverage ratio 4.9%

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

Risk-weighted assets (€ billion)

Development of Common Equity Tier I ratio
(phase in)



2014 half-year results

Execution of strategy on track

Strategic priorities

Results in H1 2014 and priorities for next 12 months

	Results in H1 2014	Priorities next 12 months
Private Banking turnaround	▪ Evi developing towards € 1 billion ▪ Significant progress on establishing new service offerings	▪ Marketing campaign for Private Banking ▪ Launch of Savings & Deposit account ▪ Launch of compliant proof investing for Business Professionals & Executives ▪ Enrich online offering
Asset Management growth	▪ New mandates in fiduciary real estate and credits ▪ Global small cap strategy launched ▪ Good results in third party distribution, additional products approved by Dutch banks	▪ Capitalise on promising pipeline ▪ Introduction global real estate strategy ▪ Roll out of new portfolio management and risk systems
Merchant Banking focus continued	▪ Solid market share in core sectors ▪ Strong performance in Structured Products and Debt Advisory	▪ Focus on strengthening positions in targeted niches
Corporate Banking portfolio run-off	▪ RWA reduction on track, interest margin improvement above target ▪ Centralisation results in improved knowledge sharing and efficiency gains	▪ Continued run-off of real estate and corporate lending portfolios ▪ Continued effort to improve margin and reduce RWA
IT / Operations transformation	▪ 80% of clients opted for online bank statements ▪ Rationalisation of payments products ▪ Start of mortgage products rationalisation	▪ Implementation of new CRM system ▪ Further product rationalisation ▪ Migration of savings products to new platform
Streamlining organisation	▪ Further FTE reduction realised ▪ Transfer of corporate departments to Amsterdam	▪ Change governance to reflect strategy ▪ Implementation of additional efficiency measures

Financial targets Van Lanschot for 2017

On track to achieve financial targets

	31-12-13 / H1 2013	30-06-14 / H1 2014	2017
Common Equity Tier I ratio	13.1% (31-12-13)	13.8% (30-06-14)	15%
Return on Common Equity Tier I	5.4% (H1 2013)	8.1% (H1 2014)	10-12%
Efficiency ratio	66.6% (H1 2013)	66.2% (H1 2014)	60-65%

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