Van Lanschot

2016 half-year results

24 August 2016

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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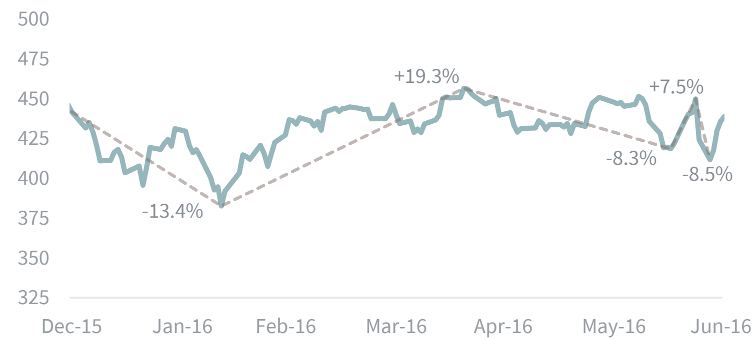
2016 half-year results

Market developments at a glance

- First half of 2016 has seen major volatility for equity markets, e.g. uncertainty on China, oil and Brexit
- Meanwhile, bond markets are still strongly affected by ECB monetary policy
- Savings rates in the Dutch market have come down significantly, but there is scope for a further decrease
- Going forward, markets look set to be dominated by politics rather than economics

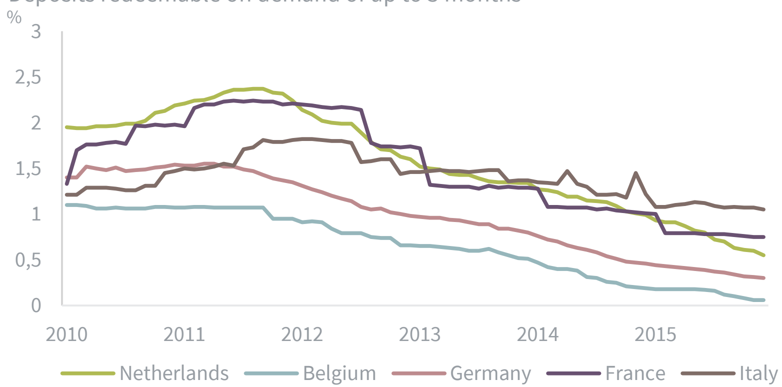
AEX Index



Source: Bloomberg

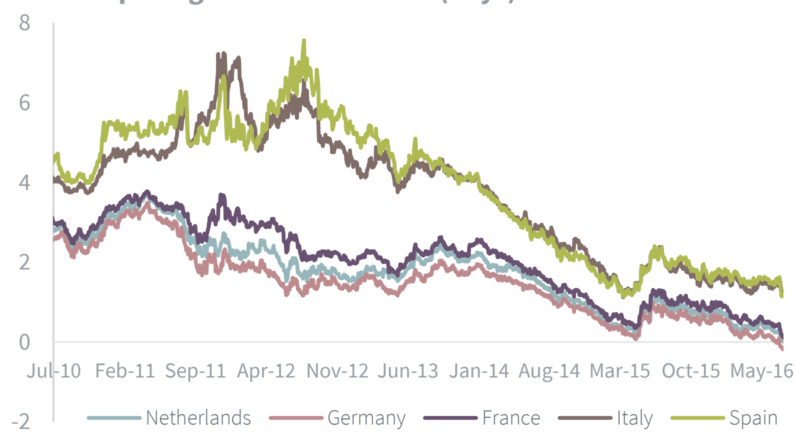
European savings rates

Deposits redeemable on demand of up to 3 months



Source: European Central Bank

European government bonds (10yr)



Source: Bloomberg

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)

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%
Income from operating activities	**240.2**	**274.1**	**-12%**
Operating expenses	-194.8	-193.9	0%
Gross result	**45.4**	**80.2**	**-43%**
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%
Operating profit before one-off gains / losses and tax	**49.8**	**50.9**	**-2%**
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	
Operating profit before tax	**39.5**	**50.1**	**-21%**
Income tax	-8.0	-12.4	-36%
Net profit	**31.5**	**37.7**	**-16%**
Underlying result*	**37.7**	**37.7**	**0%**
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

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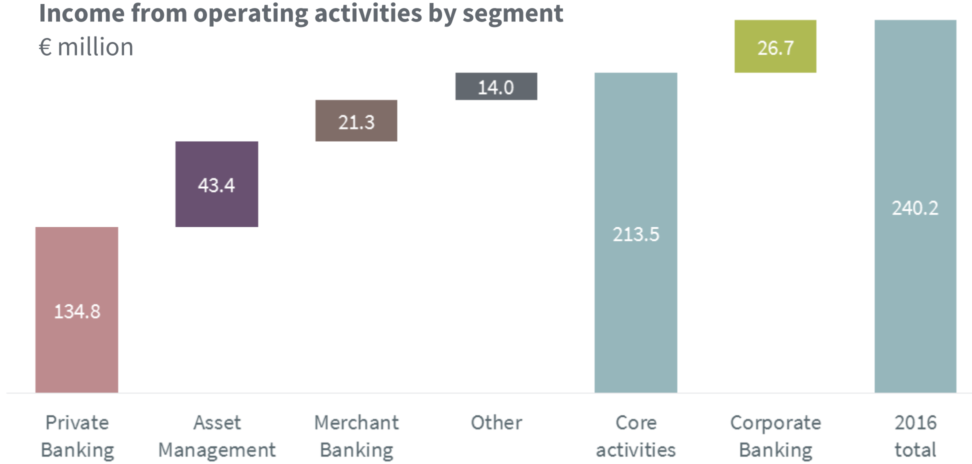
All activities contribute to underlying net result

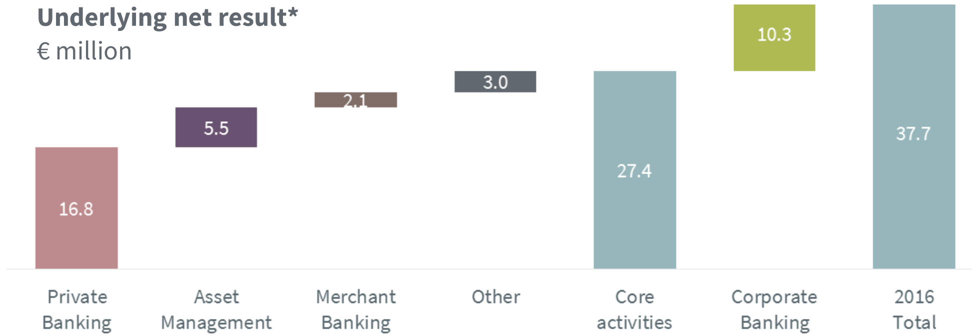
Underlying net result amounts to €37.7 million (H1 2015: €37.7 million)

- Core activities Private Banking, Asset Management and Merchant Banking generate 83% of combined income from operating activities (2015: 82%)
- Strong increase in underlying net result at Private Banking and Corporate Banking due to low level of loan loss provisioning and reduced costs
- Income at Asset Management positively impacted by growth in assets; however, higher costs have a dampening effect
- Low activity in European capital markets results in lower revenues at Merchant Banking

Income from operating activities by segment
€ million



Underlying net result*
€ million



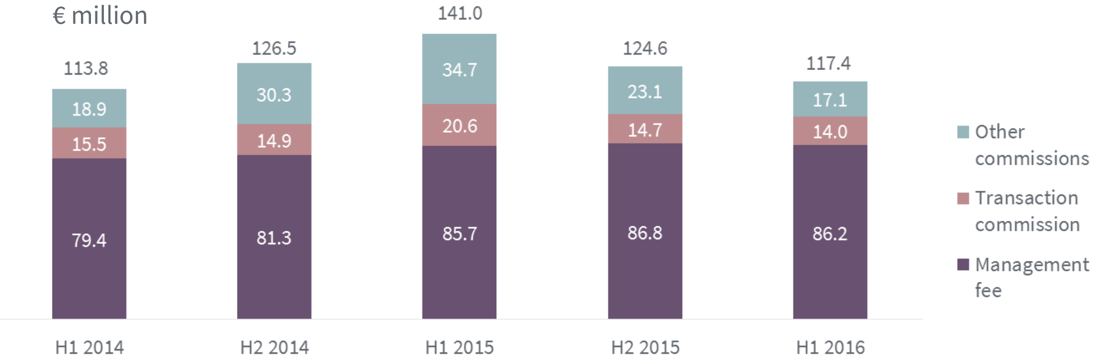
* Underlying net result H1 2016 excludes one-off costs related to the interest rate derivatives recovery framework and the Strategy 2020 investment programme

Management fees hold up well, while market circumstances put pressure on commission income

- Total commission income down 17% as transaction fees and other commissions are under pressure in uncertain markets
- Less trading activity by clients at Private Banking the main reason for the decrease in commission income compared with H1 2015
- Commission income at Asset Management benefits from higher levels of assets under management; mix effect and margin pressure lead to lower average margin
- Slow European capital markets and the resulting lower level of client activity cause substantial drop in commission income at Merchant Banking, compared with a very strong H1 2015

Commission income by category

€ million



Commission income by segment

€ million

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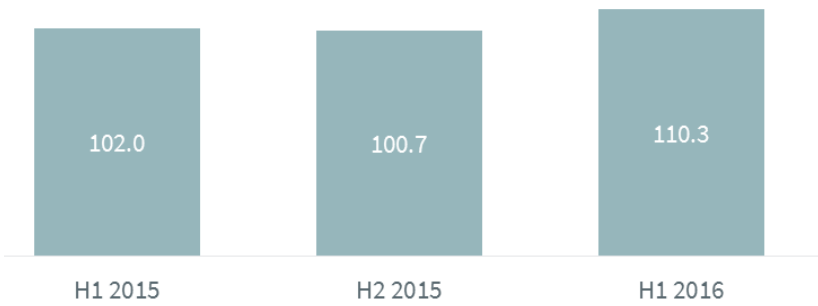
Interest margin improves on the back of lower cost of hedges and active balance sheet management

Increase in net interest income and net interest margin due to:

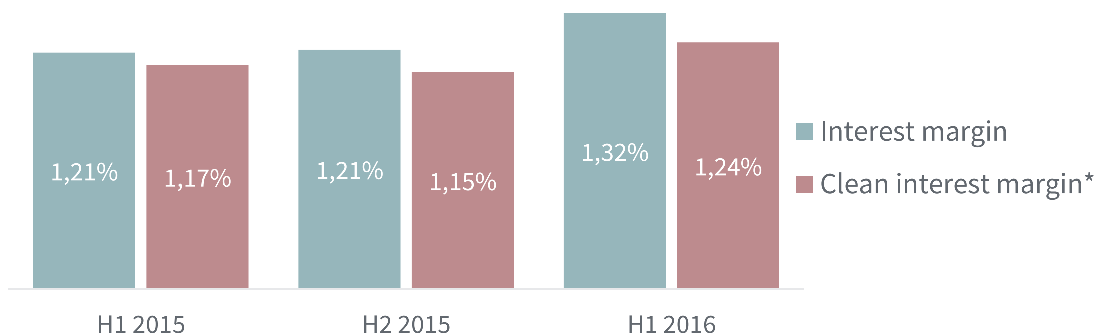
- Lower amortisation costs on discontinued interest hedges
- Lower savings rates
- Active balance sheet management

These developments offset the impact of the reduction of the loan book

Interest income
€ million



Interest margin (12m moving average)
%



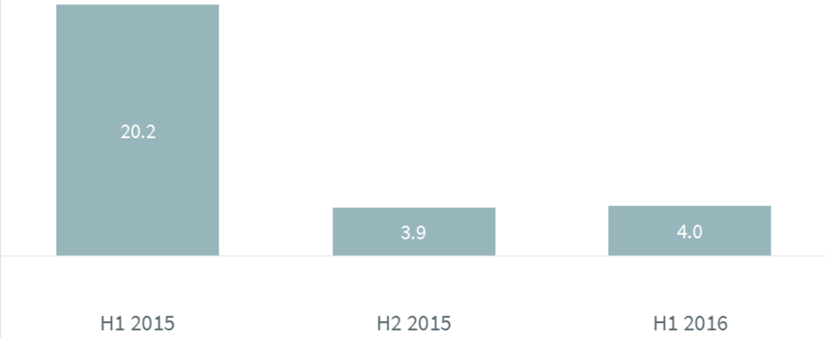
* Clean interest margin is interest margin adjusted for factors including initial loan commission and penalty interest

Other income decreases to €12.5 million

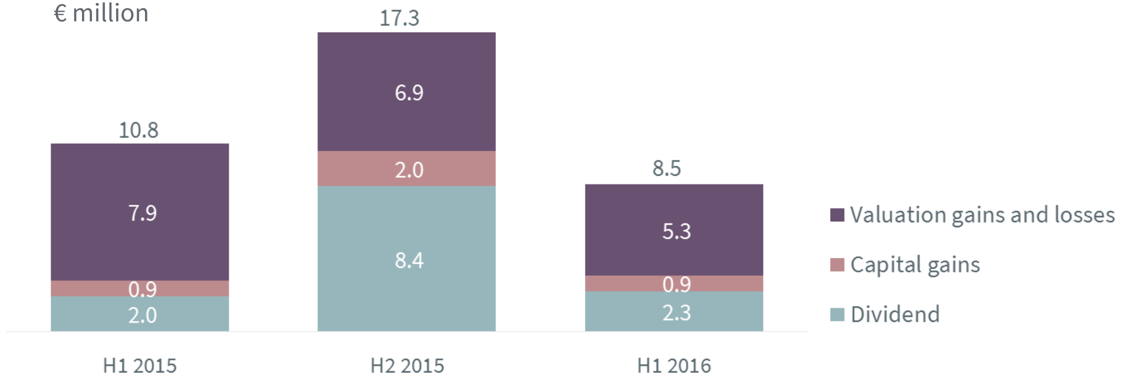
Profit on financial transactions
- Profit on financial transactions in H1 2016 decreases compared with H1 2015 as a result of lower profit on the investment portfolio

Income from securities and associates
- Valuation gains and losses decrease to €5.3 million (H1 2015: €7.9 million), as seed capital for our own investment funds has been reduced

Profit on financial transactions
€ million

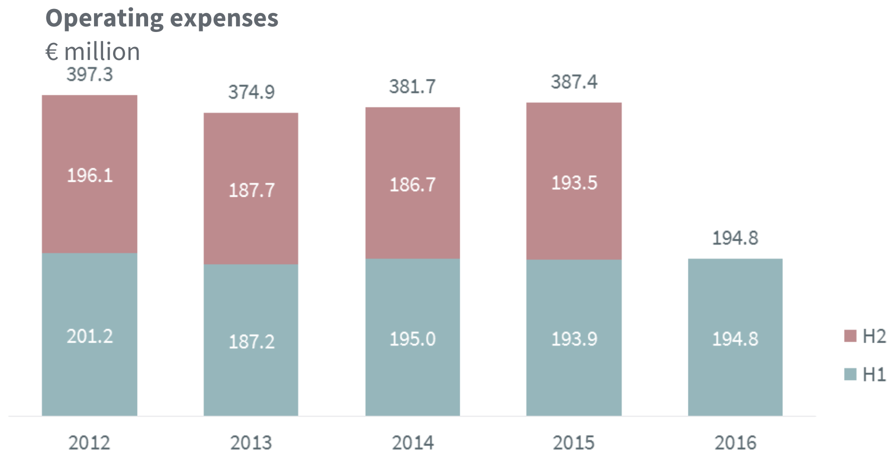


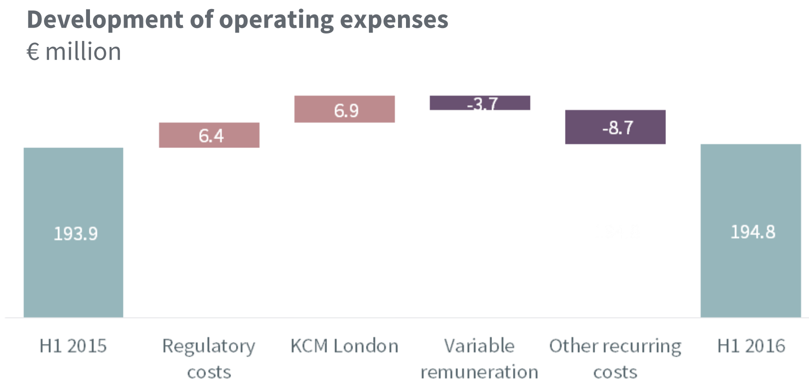
Income from securities and associates
€ million



Operating expenses stable, with underlying structural reduction achieved

- Operating expenses fairly stable at €194.8 million
- Recurring costs down by €8.7 million; primarily driven by lower IT costs
- Regulatory costs increase as expected (by €6.4 million), partly due to timing
- Cost increase related to the acquisition of KCM London (October 2015) follows from higher operating expenses, transition costs and a €2.5 million provision
- Efficiency ratio at 81.1% (H1 2015: 70.7%)
- Number of FTEs down by 20 to 1,646

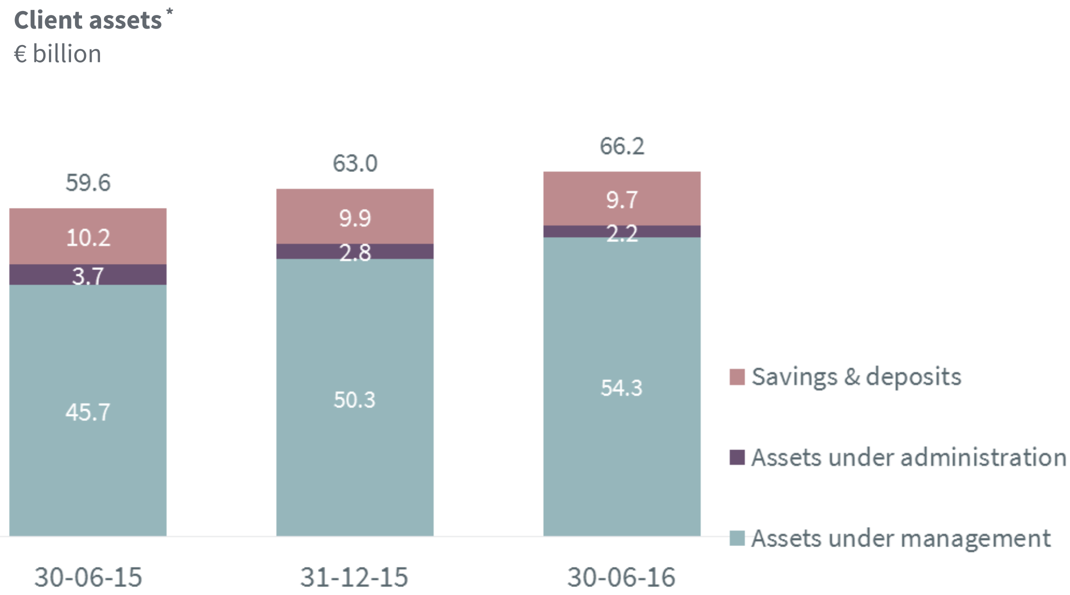




Client assets grow 5% to €66.2 billion

- Assets under management rose 8% in H1 2016 due to inflow from new mandates and positive market performance at Asset Management

- Savings and deposits declined by €0.2 billion, mainly at deposits



* Assets under administration have been introduced to provide better insight into the volume of assets Van Lanschot advises on. Assets under administration include portfolios for which Van Lanschot only acts as custodian and/or generates marginal fees. Comparative figures have been restated.

Assets under management at Private Banking are stable

AuM Private Banking at €17.2 billion

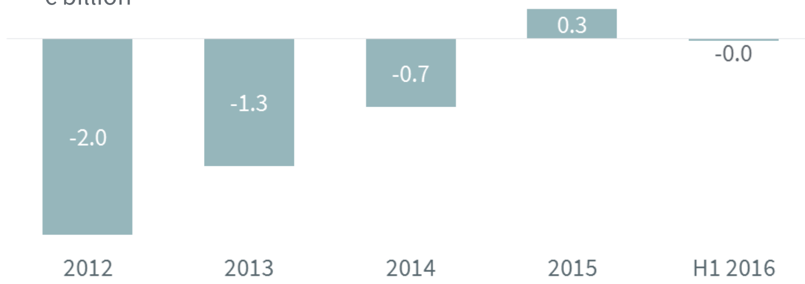
- Inflow of discretionary mandates balances outflow of non-discretionary mandates
- Share of discretionary assets under management in AuM at Private Banking stable at 52%
- Despite volatile markets, client assets at Evi are steady at €1.4 billion

Several achievements in H1 2016 should support future AuM growth:

- 84% of the newly appointed partners of 3 large audit firms have chosen Van Lanschot BP&E
- Client base for compliant investing expanded from three to six audit firms
- Pilot targeting healthcare professionals with *Evi Pension* as alternative to existing life annuity
- Branch opened in Liège, Belgium
- *Evi4Kids* launched

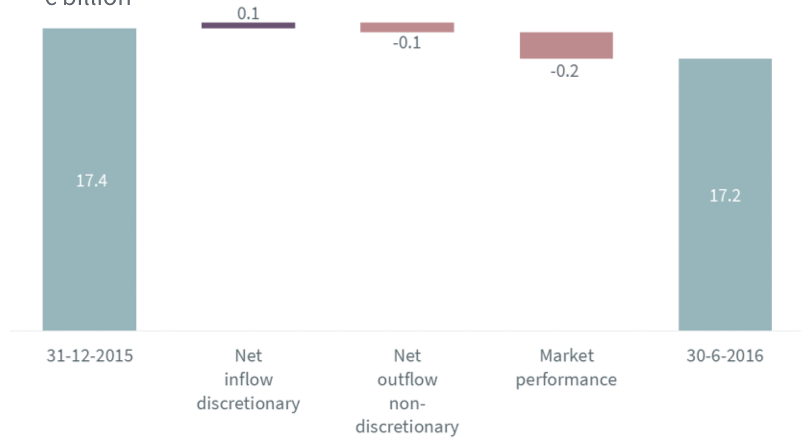
Net inflow assets under management* Private Banking

€ billion



Development assets under management*

€ billion



Client assets amount to €27 billion

* Comparative figures have been restated following the introduction of assets under administration; this restatement for inflow of AuM over the period 2012-14 is indicative

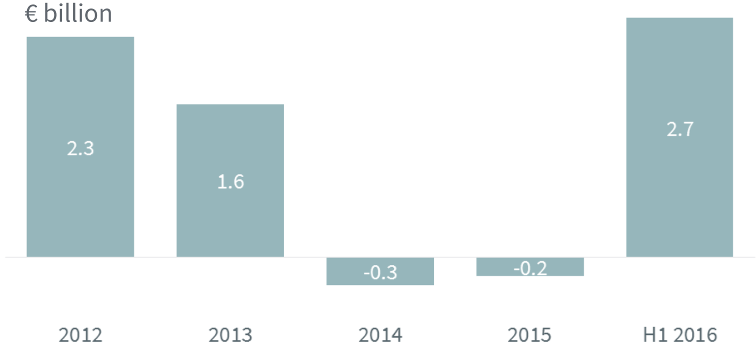
New mandates generate net inflow at Asset Management

AuM at Asset Management up to €37.1 billion

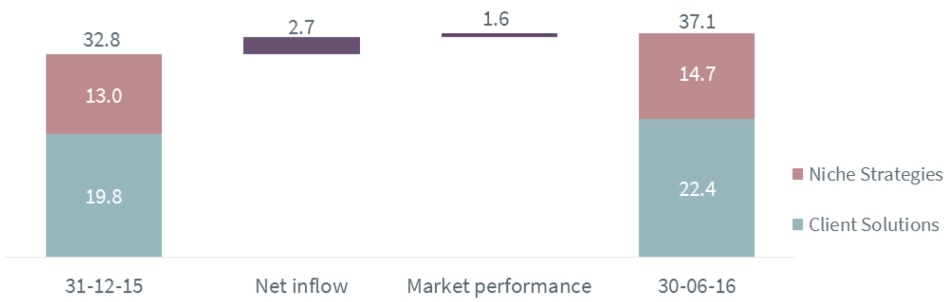
- New mandates won in H1 2016 add €2.7 billion
- Largest new mandates are a fiduciary mandate for Univé Group (€1 billion) and a mandate for corporate bonds of Fund de Réserve pour les Retraites (€1 billion)
- Positive market performance driven by favourable bond market

Strong pipeline based on RFPs from domestic and international institutional investors

Net inflow AuM Asset Management
€ billion



Development of AuM Asset Management
€ billion



Private Banking loan book stable; run-off of Corporate Banking continues

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.

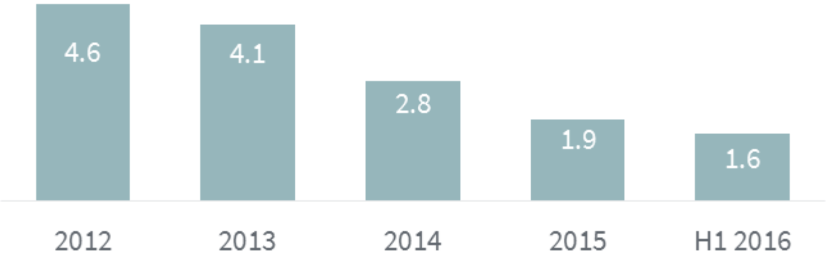
Corporate Banking

- Run-off in accordance with strategy
- SME loan portfolio remains well diversified by sector
- Average loan-to-value at real estate financing decreases to 72% (2015: 74%)
- Risk-weighted assets decrease by €0.3 billion, largely due to portfolio run-off

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

Development risk-weighted assets Corporate Banking

€ billion



Better credit quality and further run-off of Corporate Banking loans lead to net release of loan loss provisions

Net release of €1.7 million versus net addition of €31.9 million in H1 2015

Private Banking

- Provisioning level down to €2.4 million, compared with €16.1 million in H1 2015

Corporate Banking

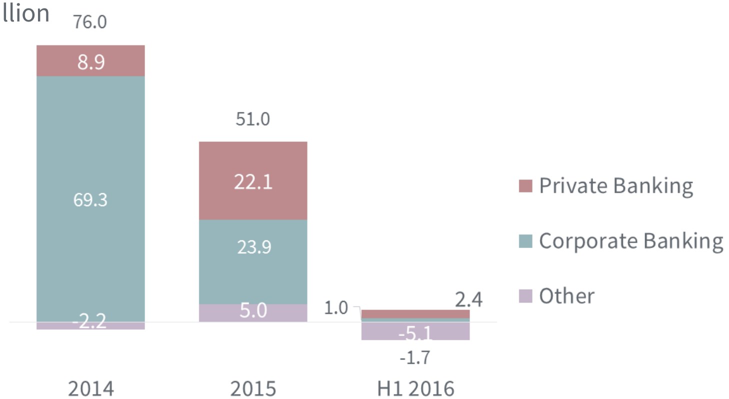
- Further reduction and improving financial position of clients lead to €1 million net addition, compared with €13.1 million in H1 2015

IBNR

- Release of €5 million in IBNR provisions due to lower expected losses on the back of improving credit quality

Additions to loan loss provision

€ million



€ million	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	111	52	1.9%	46%
Other loans	166	61	6.9%	37%
Private Banking	**277**	**113**	**3.3%**	**41%**
SME loans	194	38	23.9%	20%
Real estate financing	62	10	6.8%	16%
Corporate Banking	**256**	**49**	**14.8%**	**19%**
IBNR	-	10		
Total	**533**	**171**	**5.1%**	**30%**

Strengthening of capital position continues

CET 1 ratio phase-in grows from 16.3% to 17.3%

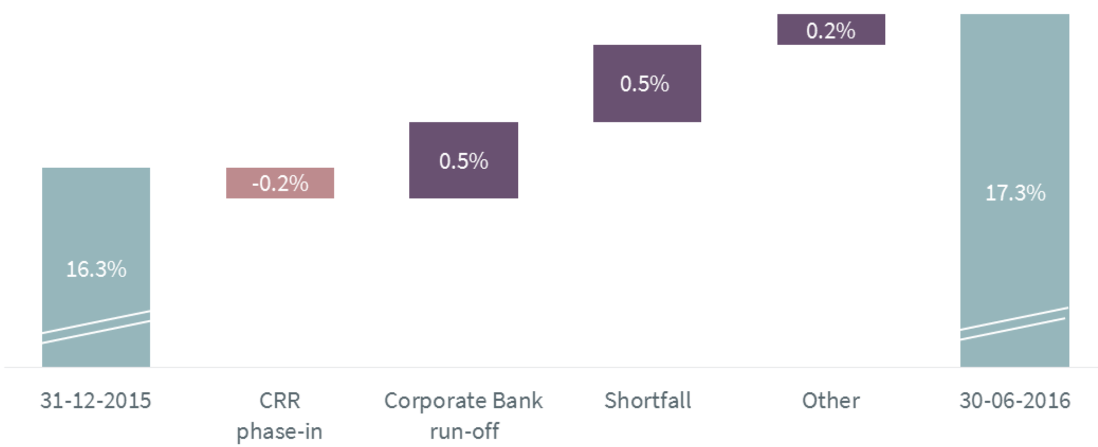
- Risk-weighted assets reduced to €6.1 billion (H1 2015: €6.4 billion) supported by Corporate Banking run-off
- Improved credit quality leads to smaller shortfall as gap between expected loss and level of provisions narrows

Van Lanschot meets Basel III capital requirements

- Fully loaded Common Equity Tier I ratio: 16.9%
- Leverage ratio: 6.4%
- Liquidity coverage ratio and net stable funding ratio well above 100%

Development of Common Equity Tier I ratio* phase-in

%

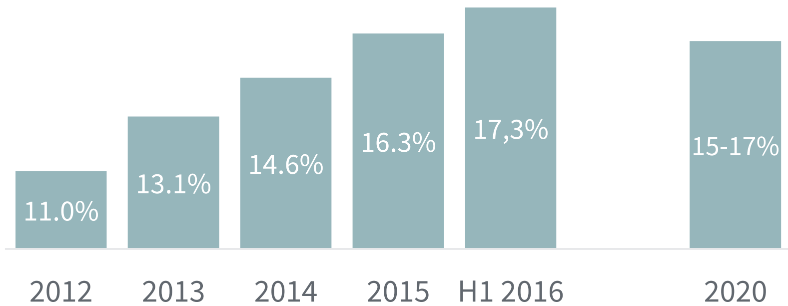


* H1 2016 excluding retained profit; 2015 including retained profit

Overview of group targets

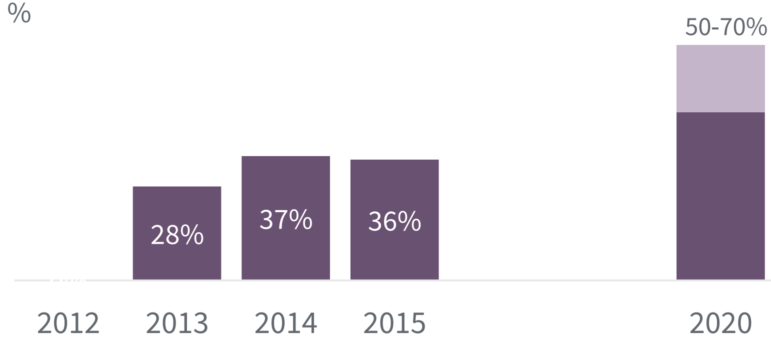
Common Equity Tier I ratio (phase-in)*

%



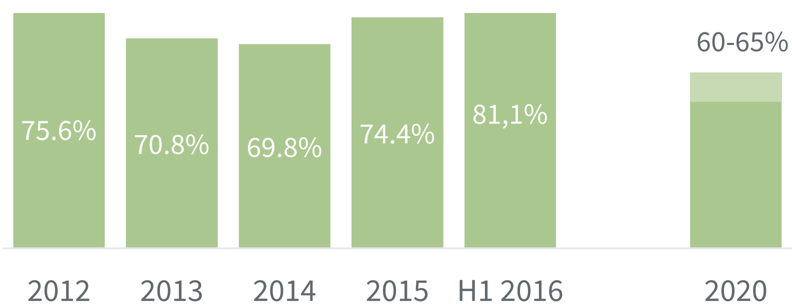
Dividend payout ratio**

%



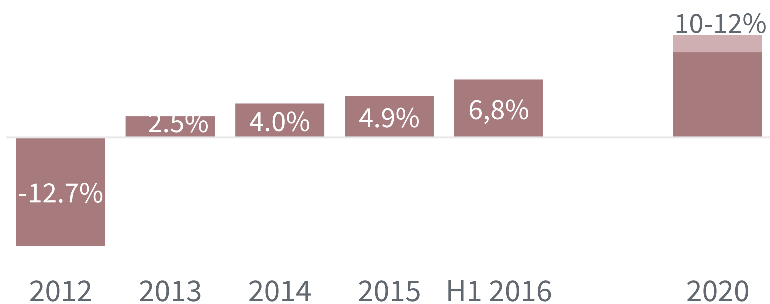
Efficiency ratio

%



Return on Common Equity Tier I**

%



* H1 2016 excluding retained profit; other years including retained profit

** Based on underlying net result

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Other topics

Van Lanschot intends to acquire the private banking activities of Staalbankiers

Description of announced acquisition	• Acquisition of a maximum €1.7 billion in AuM, €280 million in savings and a limited number of securities-backed loans • Transfer of Staalbankiers' private bankers and investment experts - a total of 25 employees - to Van Lanschot • Expected to be completed in Q4 2016 subject to regulatory approval
Rationale of the transaction	• Matches objective to grow our private banking activities organically and, where opportunities arise, through selective add-on acquisitions • Close fit with our client groups: Staalbankiers' clients are wealthy private individuals, entrepreneurs, professionals and institutions such as charitable organisations • Larger part of AuM is discretionary management
Implications on figures	• Following the transition period, the acquisition complies with RoCET I target of 10-12% • Initial acquisition price of €16 million, final price may be higher or lower depending on the AuM amount transferred (to be determined in Q2 2017) • Acquisition price to be capitalised in our balance sheet as an intangible asset and subsequently amortised

Moving from dedicated service offering per channel to integrated offering across channels

- Rationale:
  - Stay abreast of technological developments
  - Enhance client experience
  - Drive revenue growth/retention
  - Lower service costs
- Omnichannel offering to reflect our DNA: client-centric, alert, trusted partner
- Using existing innovative planning and simulation tools ('scan for tomorrow', *vermogensregie*) as starting point
- Compelling mobile and web offering with remote banker communication

Discretionary management app launched

Good progress on selecting outsourcing partners for mortgages and payments

Private Banking offering

Increasing differentiation / tailoring

- **Integrated financial advice and estate planning**
- **Financial planning**
- **Discretionary management**
- **Investment advisory**
- **Structured products**
- **Mortgages (advisory) and lending**
- **Savings and deposits**
- **Execution only**

- Ongoing product development/evolution to ensure comprehensive modern offering
- Benefit from in-house Kempen expertise (structured products, asset management)

- **Mortgages (servicing and administration)**
- **Payments**
- **Insurance**

- Agreement reached with Stater as business partner for mortgages servicing and administration. Effective in the course of 2017
- Selection process started for payments administration

In-house | *External*

Evi to become the 4th pillar of our wealth management strategy

Evi Netherlands and Belgium will be combined and managed as a separate segment to develop its full potential, with a dedicated budget and development team

Evi offers:
- Discretionary asset management
- Investment advice
- Savings accounts
- Pension solutions

Evi will be expanded:
- ✓ Evi4kids
- ✓ Marketing strategy tailored to next generation
- Target investing product (*Doelbeleggen*)
- Term deposits
- Further development of pension solutions

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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

Appendix

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

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

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

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

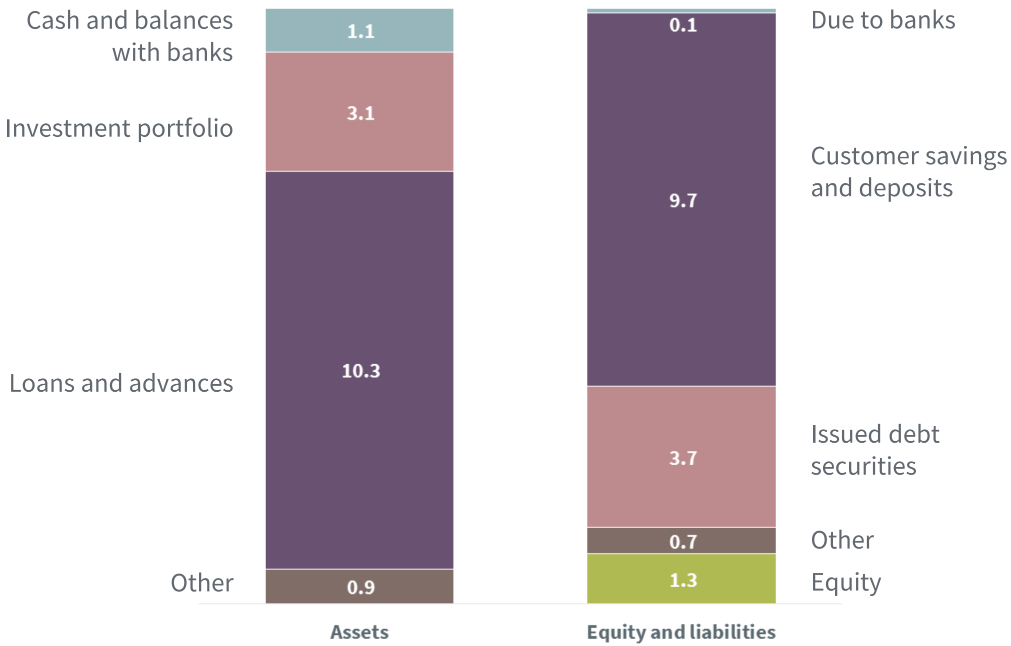
Balance sheet shows strong capital and funding position

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

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