



Van Lanschot

2016 annual results

Strong increase in
profit and dividend

9 March 2017



Good progress on Strategy 2020



Next steps in omnichannel Private Banking model



Outsourcing mortgages servicing



Partner selected for payment servicing



Bolt-on acquisition realised



Product development continued



KCM London successfully migrated



KCM teams strengthened



New Merchant Banking niche FI & FinTech started

Strong increase in profit and dividend

**Underlying net result
+35% to €81.3 million**

Client assets €69.4 billion (+10%)

**Assets under management
€57.5 billion (+14%)**

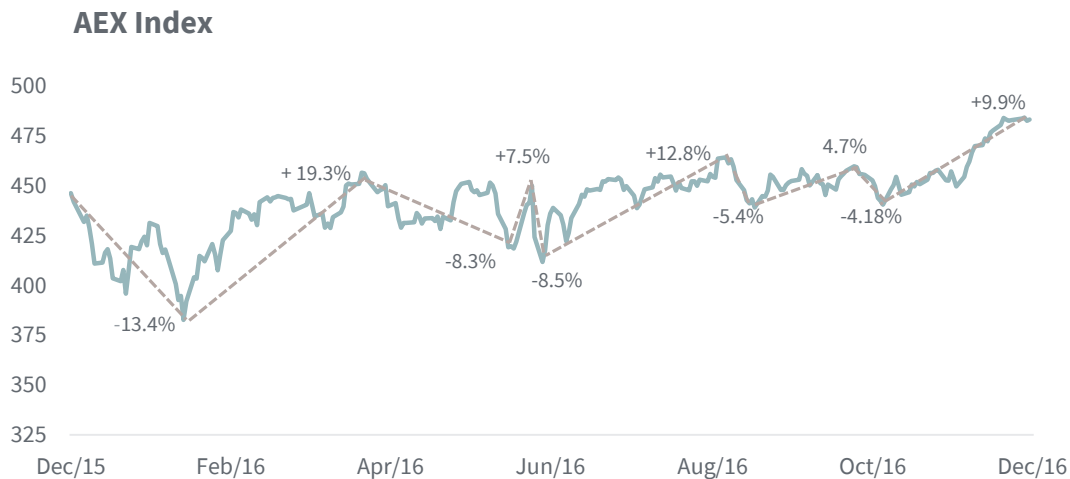
**Capital ratios continue
to improve**

CET I ratio at 19.0%

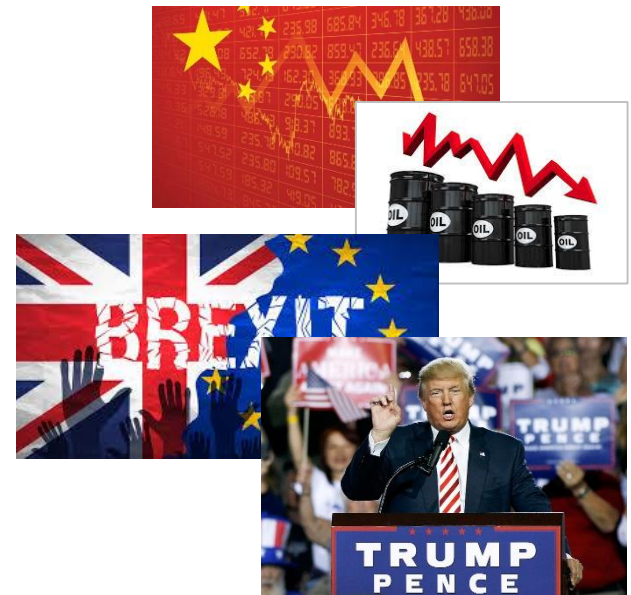
**Dividend per share up
from €0.45 to €1.20**

Market developments at a glance

- Equity markets were highly volatile in 2016
- China, oil prices, Brexit and U.S. elections were key events that shaped financial markets
- Political uncertainties will continue to drive market developments in 2017



Source: Bloomberg



2016 highlights

Strong increase underlying net result

Underlying net result increases with 35% to €81.3 million (2015: €60.1 million)

- Net result increases to €69.8 million (2015: €42.8 million)
- Commission income under pressure due to lower trading activity by clients, especially in Merchant Banking
- Operating expenses fairly stable at €386.8 million, with underlying a structural cost reduction achieved
- Improving credit quality leads to net release of loan loss provision of €6.9 million (2015: net addition of €51.0 million)

Further increase client assets

Client assets increase by 10% to €69.4 billion (2015: €63.0 billion)

- The acquisition of Staalbankiers' private banking activities leads to an increase of €1.9 billion client assets
- Client assets Evi stable in a volatile market, at €1.5 billion
- New Asset Management mandates lead to growth in assets under management to €37.8 billion

Capital position strengthened further

Strong balance sheet

- Further reduction of Corporate Banking loan book volume to €1.4 billion with RWA of €1.2 billion
- CET I ratio (phase-in) increases to 19.0% (2015: 16.3%)
- CET I ratio (fully loaded) reaches 18.6% (2015: 15.4%)
- Fully loaded leverage ratio amounts to 6.9% (2015: 6.1%)

Good progress on Strategy 2020

Important steps made in Strategy 2020

- Agreement on servicing of mortgages and payments with Stater and Fidor respectively
- Acquisition of Staalbankiers' private banking activities completed; client transition in progress
- Evi became an autonomous core activity that is free to grow in its own way
- Sales force of Kempen Capital Management strengthened; new strategies ready to be implemented
- New niche at Kempen Merchant Banking: Financial Institutions & FinTech



Underlying net result rises 35% to €81.3 million

€ million	2016	2015	2016 vs 2015
Commission income	243.7	265.6	-8%
Interest income	212.9	202.8	5%
Other income	25.2	52.2	-52%
Income from operating activities	481.8	520.6	-7%
Operating expenses	-386.8	-387.4	0%
Gross result	95.0	133.1	-29%
Operating profit before one-off charges and tax	108.2	84.7	28%
Operating profit before tax	85.8	54.3	58%
Income tax	-16.0	-11.5	39%
Net profit	69.8	42.8	63%
Underlying net result	81.3	60.1	35%
Efficiency ratio (%)	80.3%	74.4%	

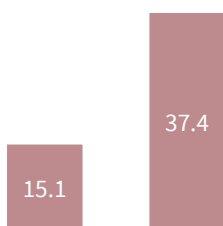
Underlying net result increases by 35%

€ million

Core activities

Private Banking

+147%



2015 2016

Evi

+27%



2015 2016

Asset Management

-46%



2015 2016

Merchant Banking

-69%

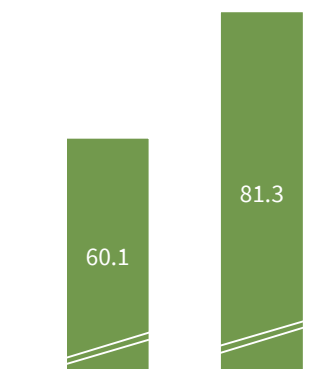


2015 2016

Total

(incl. Other and Corporate Banking)

+35%

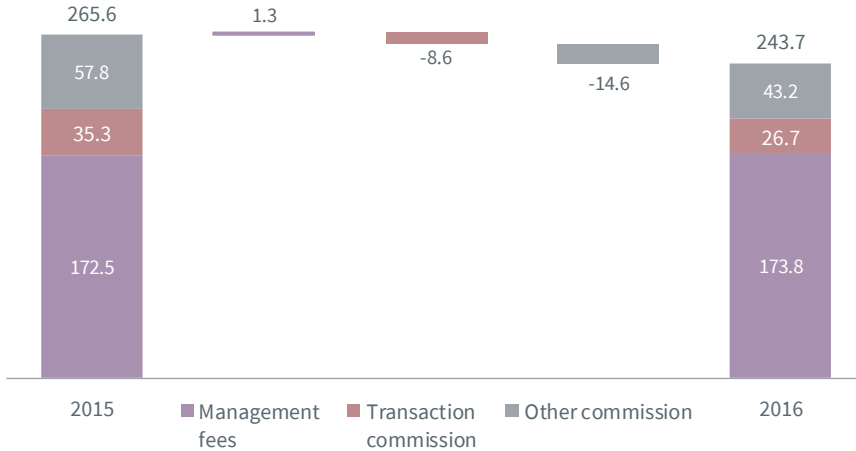


2015 2016

Management fees hold up well; transaction and other commissions hampered by market circumstances

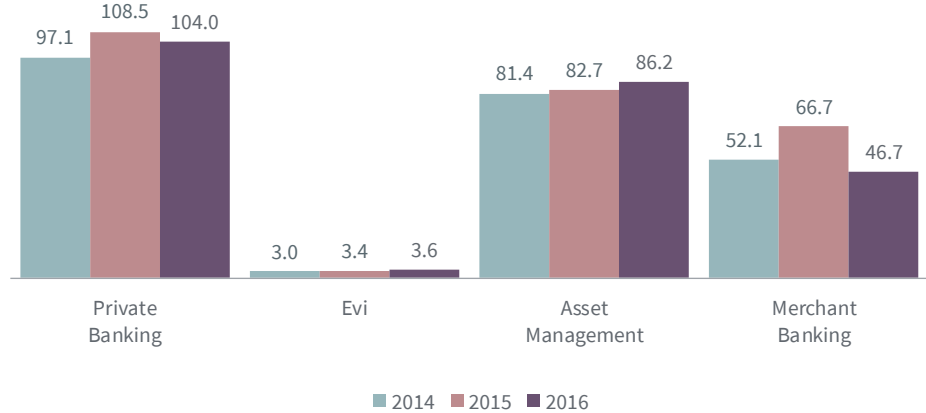
Commission income 2016 versus 2015

€ million



Commission income by segment

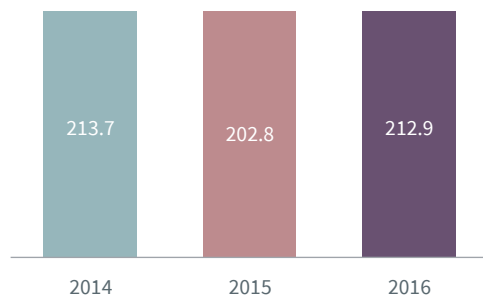
€ million



Interest margin supported by lower cost of hedges and active balance sheet management

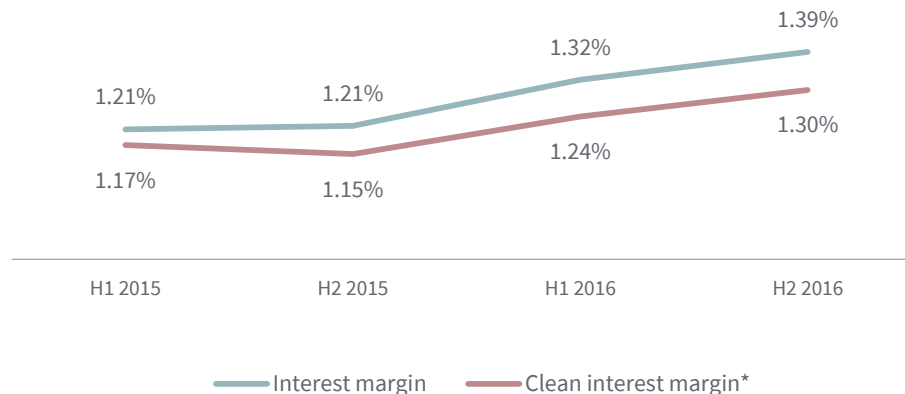
Interest income

€ million



Interest margin (12-mth moving average)

%



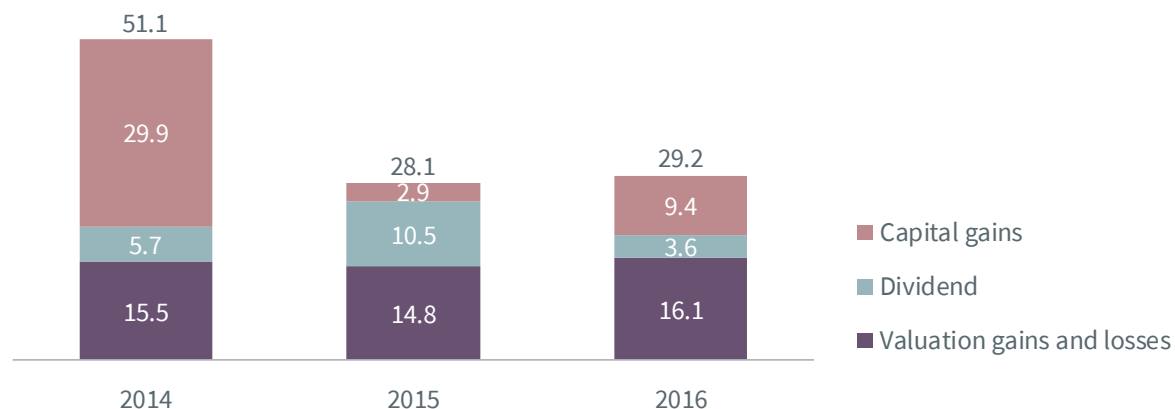
- Active balance sheet management by:
 - Lowering the rates paid on sight deposits
 - Discouraging savings clients not interested in investing
 - Only issuing a seven-year €500 million covered bond and €50 million Tier 2 capital
 - Not refinancing maturing senior unsecured loans

* The clean interest margin equals the gross interest margin adjusted for interest equalisation and interest-related derivatives amortisation

Steady income from securities and associates

Income from securities and associates

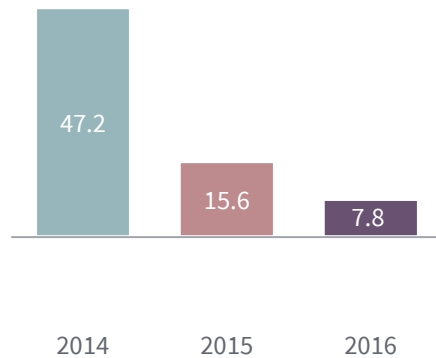
€ million



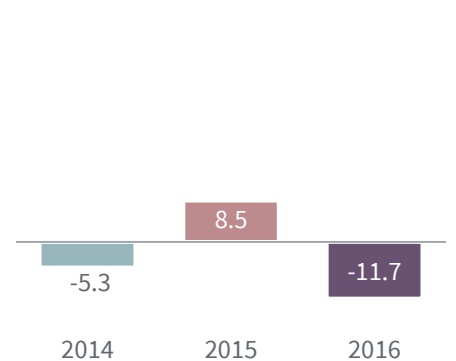
- Income from securities and associates relates to investments of our equity investment company and stakes in our own investment funds
- 2016 was a successful investment year for Van Lanschot Participaties with 3 new investments
- In the beginning of 2017 a capital gain is realised on the sale of our stake in TechAccess

Result on financial transactions impacted by market circumstances and reduced client activity

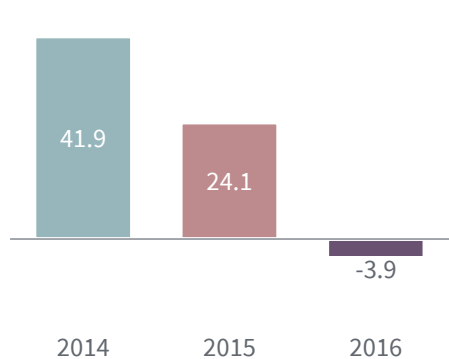
Results on investment portfolio
€ million



Other results
€ million



Total profit on financial transactions
€ million



+

=

Consists of:

- Realised gains on AFS-portfolio
- Results on mark-to-market portfolio

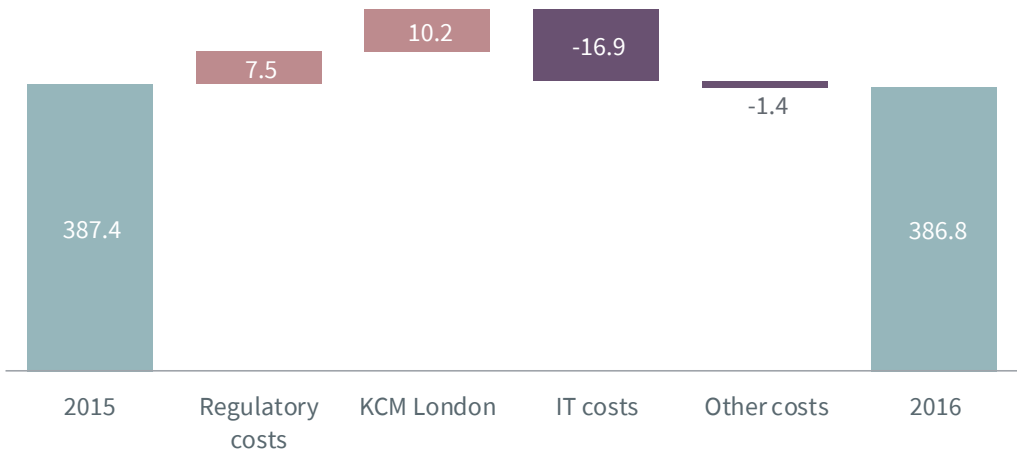
Results from:

- Brokerage activity
- Currency trading
- Interest rate hedges
- Medium-term notes

Operating expenses stable, with underlying structural reduction achieved

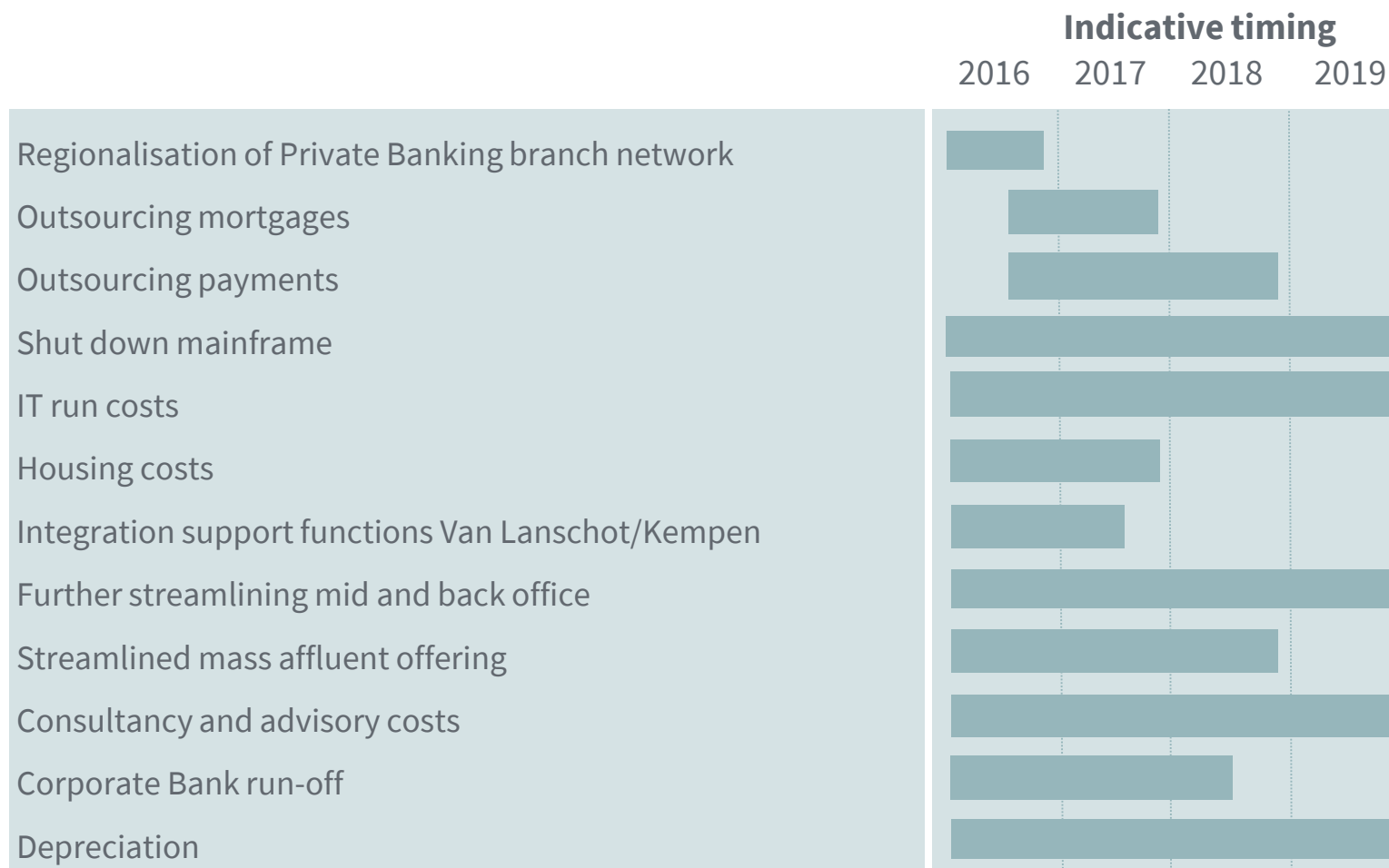
Operating expenses

€ million



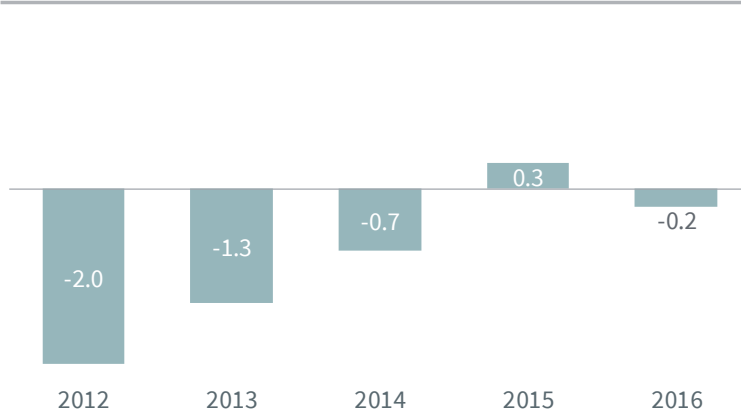
- Approximately €5 million of the costs of KCM London are non-recurring
- In 2017 we aim to absorb the additional costs following from the acquisition of Staalbankiers' private banking activities

Cost reduction remains a keypoint of attention

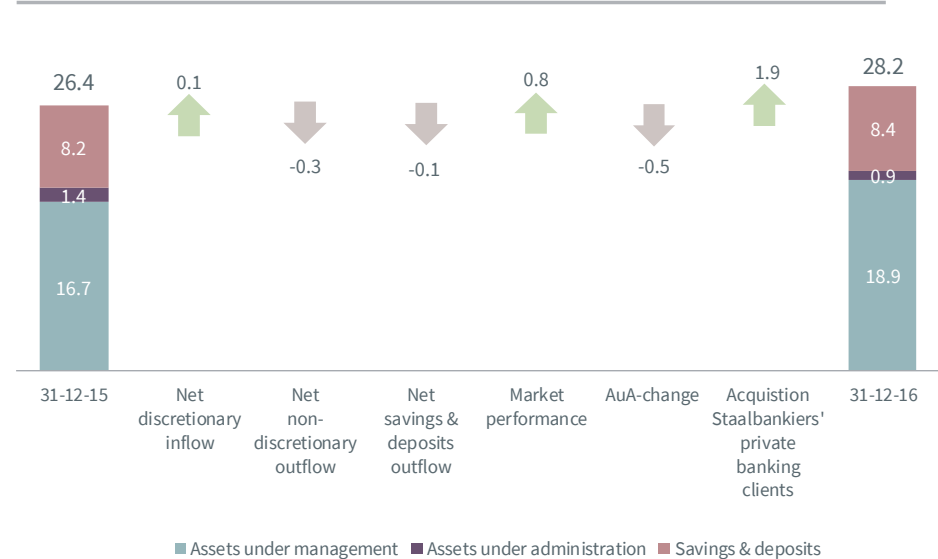


Private Banking's client assets add 7% to €28.2 billion, mainly driven by acquisition

Net inflow assets under management
€ billion



Client assets
€ billion

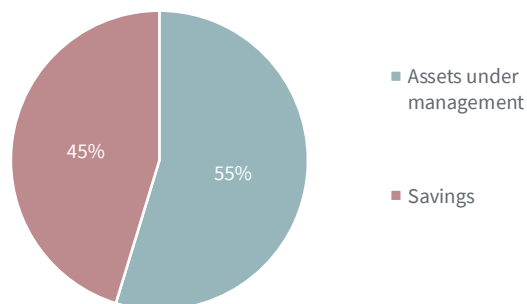


- After client caution in the first half and net inflows in the third quarter, profit-taking by clients in the fourth quarter lead to a net AuM outflow of €0.2 billion
- Migration of former Staalbankiers clients is in progress. So far attrition is limited

Client assets Evi stable in a volatile market, at €1.5 billion

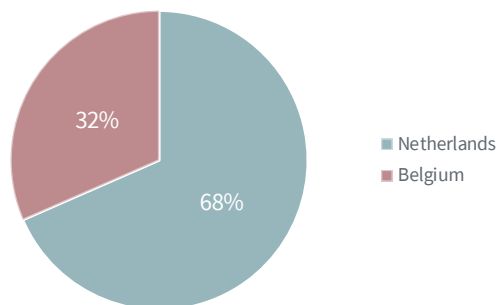
Client assets by product

100% = €1.5 billion



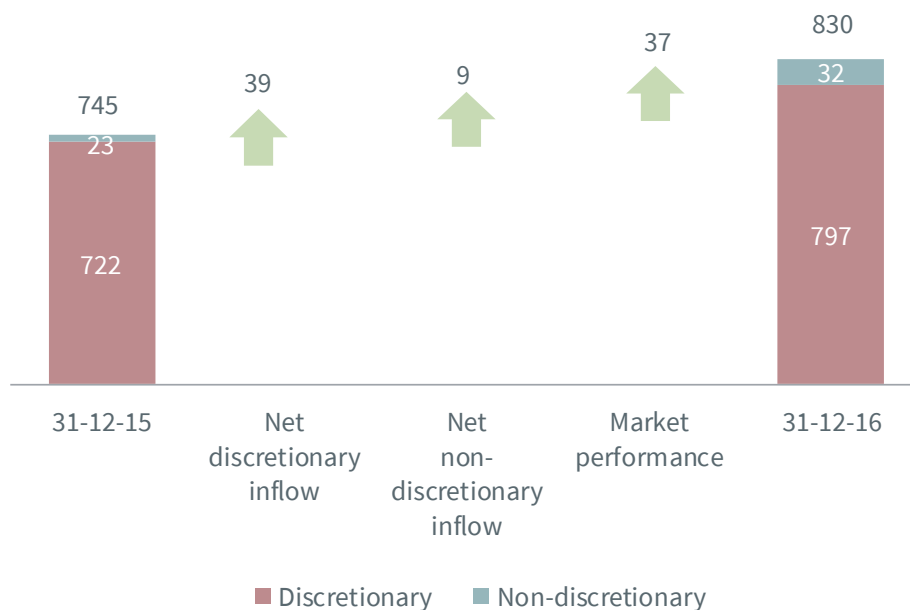
Client assets by country

100% = €1.5 billion



Assets under management

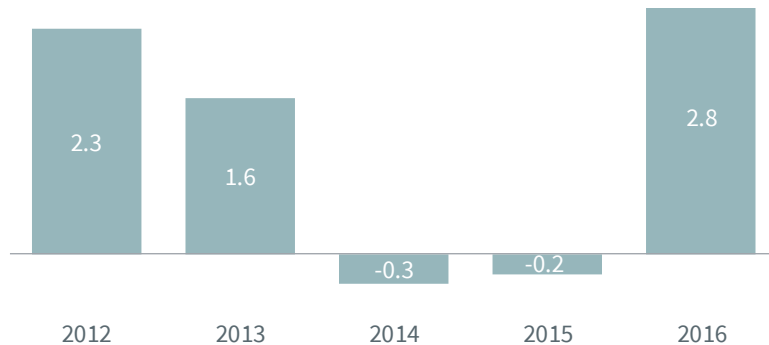
€ million



New mandates generate net inflow at Asset Management

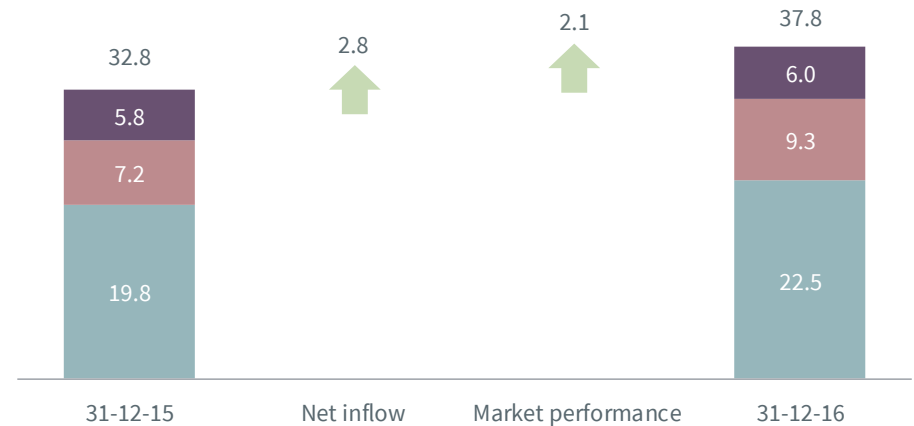
Net inflow assets under management

€ billion



Assets under management

€ billion



■ Solutions - fiduciary ■ Fixed income & (smart) passive ■ Equity active & alternatives

- Inflow primarily generated by fiduciary management (+ €1.2 billion) and credit strategies (+ €1.4 billion)
- KCM appointed as fiduciary manager for Stichting Bedrijfstakpensioenfondsvoor de Banden- en Wielenbranche with invested capital of c. €600 million in 2017

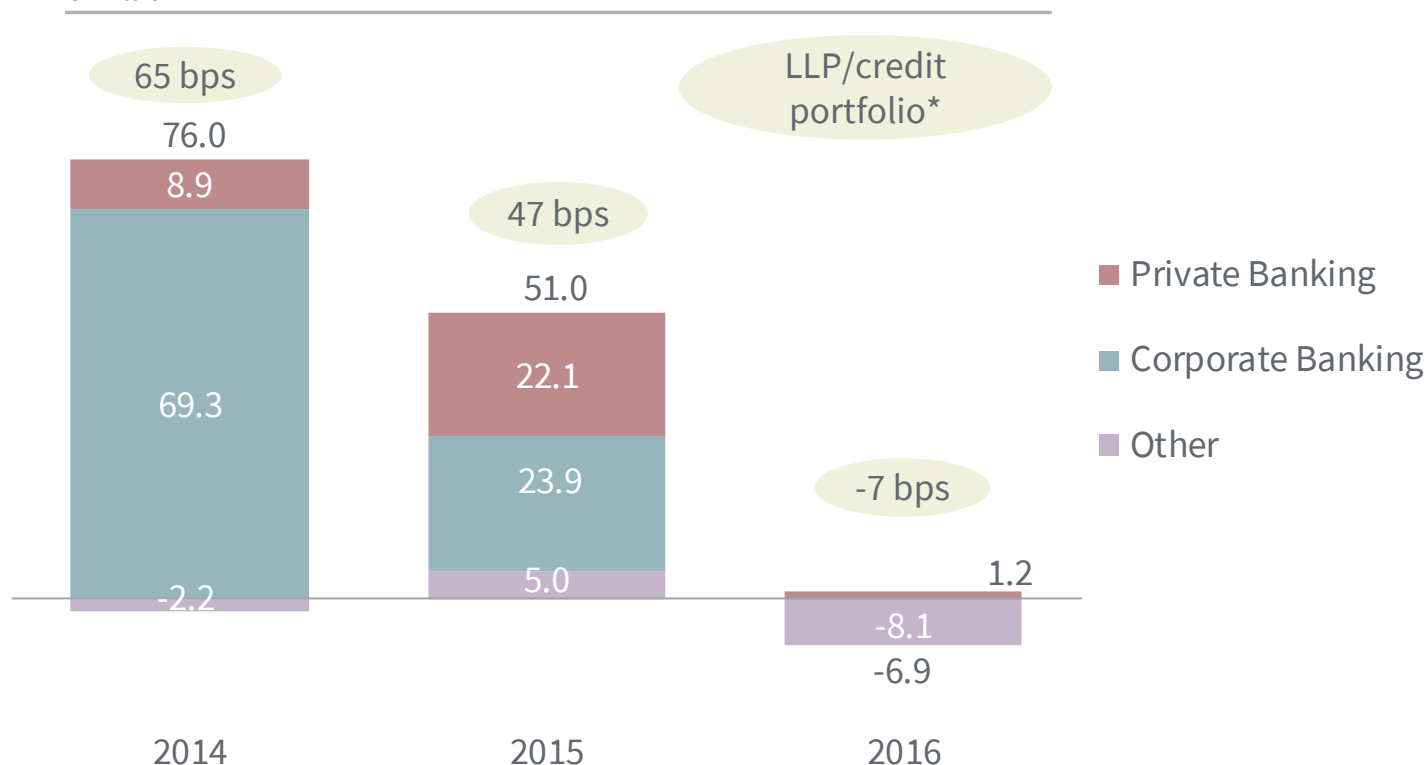
Loan book decreases by 8%; run-off of Corporate Banking continues

€ million	Loan book	% Change '16-'15	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	5,718	-4%	80	46	1.4%	58%
Other loans	2,200	-7%	172	62	7.8%	36%
Private Banking	7,917	-5%	252	108	3.2%	43%
SME loans	679	-27%	178	35	26.2%	20%
Real estate financing	705	-34%	70	11	9.9%	16%
Corporate Banking	1,384	-31%	248	47	17.9%	19%
Mortgages third party distribution	485	46%				
Provisions excl. IBNR	-155	-6%				
IBNR	-7	-52%		7		
Total	9,624	-8%	500	162	5.1%	31%

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

Additions to loan loss provision

€ million

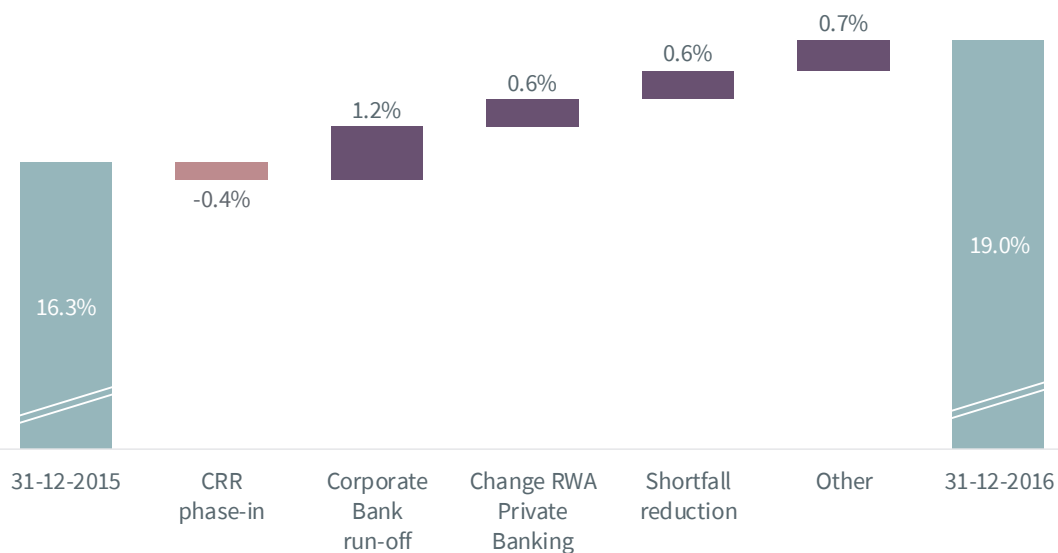


* Credit portfolio volume in 2014 includes netting

Strong increase of capital position

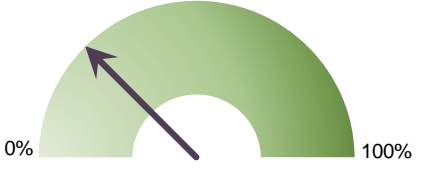
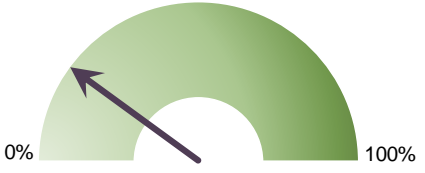
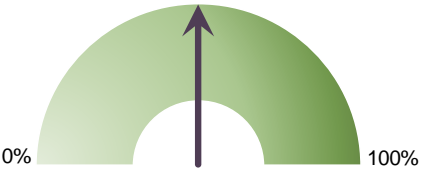

Common Equity Tier I ratio (phase-in)

%



We reiterate our commitment to return at least €250 million to our shareholders by 2020, based on our current plans and currently known laws and regulations

Good progress on Strategy 2020 investment programme

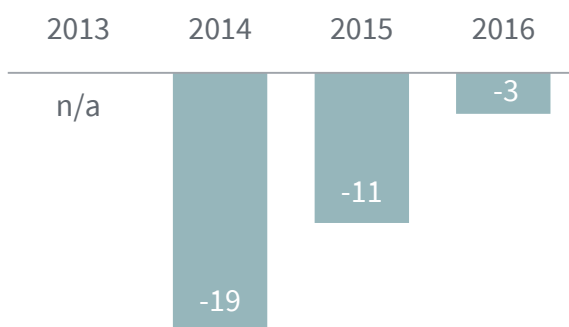
Project	Realised
<p>1</p> <p>Omni-channel</p> <ul style="list-style-type: none"> Digitisation of core customer journeys in Private Banking Integration into existing IT landscape Build-up of/training in digital capabilities 	<ul style="list-style-type: none"> Online client portal 'Mijn Van Lanschot' Wealth management app Investment advice app 
<p>2</p> <p>New payments system</p> <ul style="list-style-type: none"> Selection, customisation and implementation of SaaS-based payment engine Integration into omnichannel Ensure regulatory compliance 	<ul style="list-style-type: none"> Fidor contracted as external partner 
<p>3</p> <p>New mortgage system</p> <ul style="list-style-type: none"> Outsourcing of mortgage servicing and administration Ensure regulatory compliance 	<ul style="list-style-type: none"> Stater contracted as external partner Preparation in progress 
<p>4</p> <p>Evi</p> <ul style="list-style-type: none"> Further development of Evi 	<ul style="list-style-type: none"> Evi Doelbeleggen (including mobile onboarding) New website 

In 2016 €7.3 million was funded by the Strategy 2020 investment programme (total €60 million)

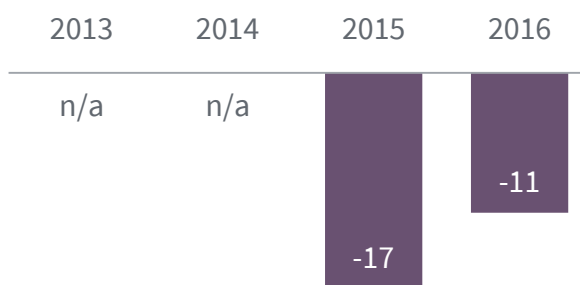
FOR ILLUSTRATIVE PURPOSES ONLY, NOT DRAWN TO SCALE

Progress also visible in non-financial KPIs

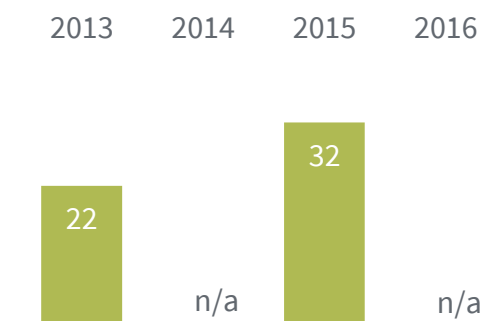
NPS Private Banking



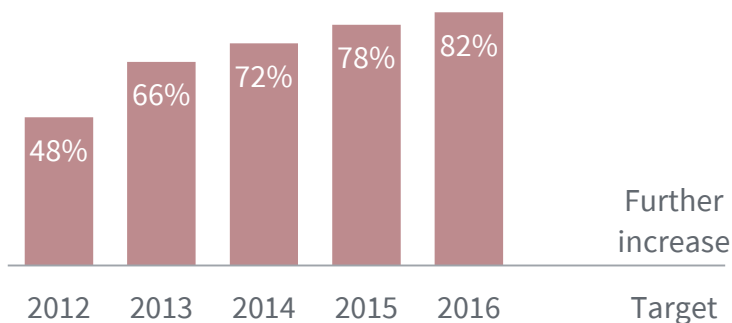
NPS Evi



NPS Asset Management

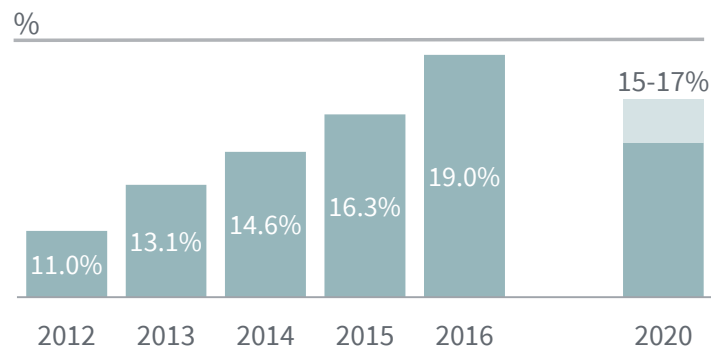


Assets under screening

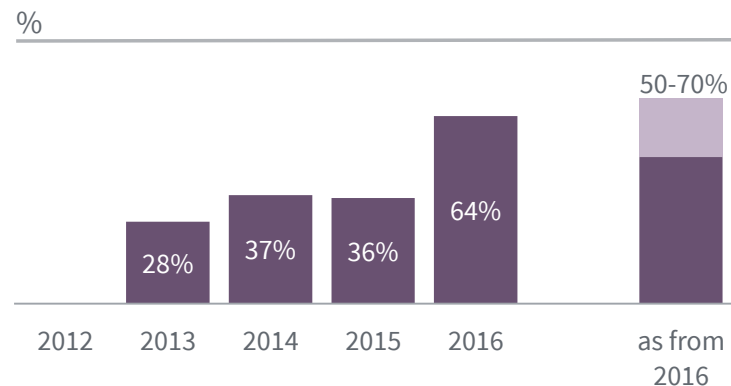


Overview of group targets

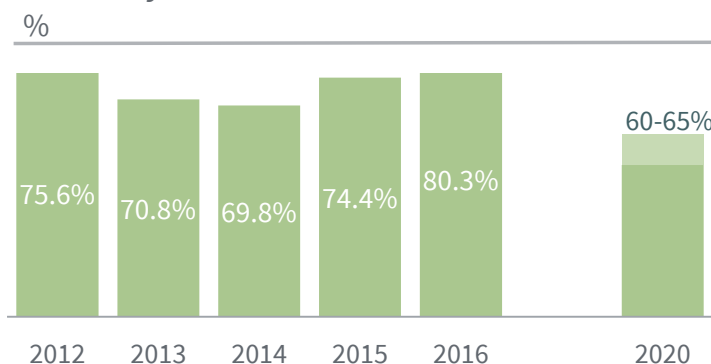
Common Equity Tier I ratio (phase-in)



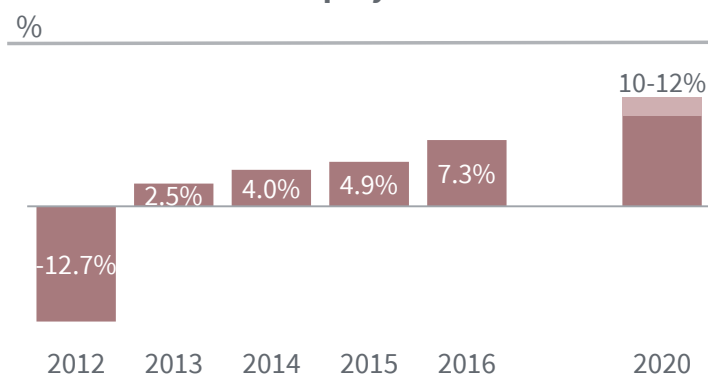
Dividend pay-out ratio*



Efficiency ratio



Return on Common Equity Tier I*



* Based on underlying net result attributable to shareholders. The dividend pay-out ratio for 2016 is based on the proposed dividend.



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Other topics

Acquisition of Staalbankiers' private banking activities completed; migration in progress

- Transaction completed on 15 December 2016
 - €1.7 billion of AuM, around 80% in discretionary management
 - c. €300 million of savings
 - 25 private bankers and investment experts
- Initial acquisition price of €16 million has been paid
- Migration of former Staalbankiers' client is in progress. Client response has been positive, with only limited attrition so far
- Final acquisition price (a maximum of €4 million higher or lower) will be determined at the end of the migration period depending on AuM actually transferred



Partnership with Fidor for payment services

Key improvements for Van Lanschot

- Real time transactions between savings/current accounts
- Real time authorization and booking of card transactions
- Payment App

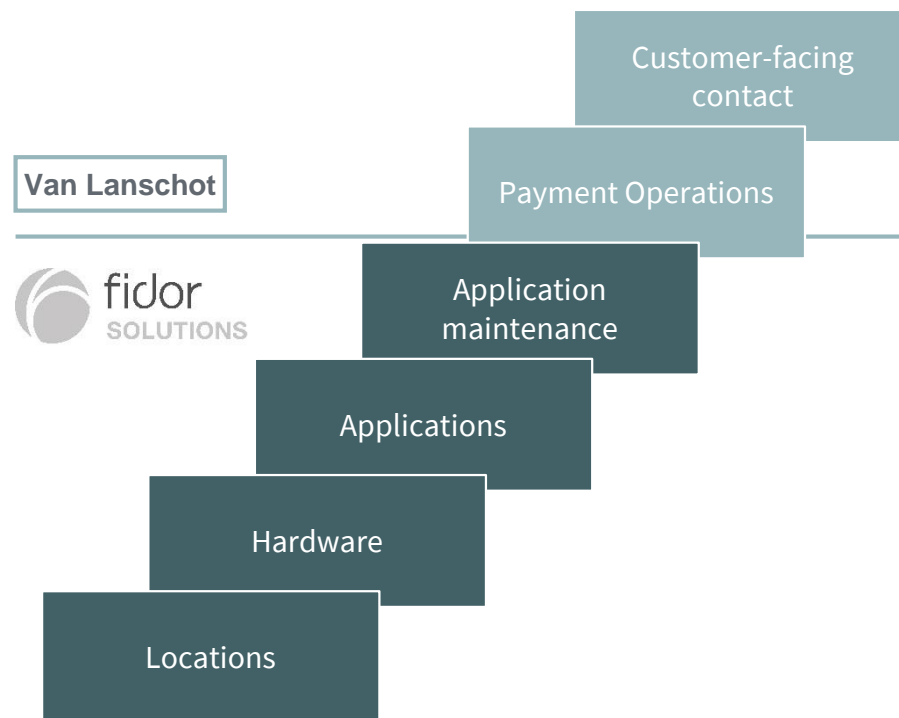
Benefits

- Lower maintenance costs
- Lower future change costs
- Innovation: powered by Fidor

Regulatory

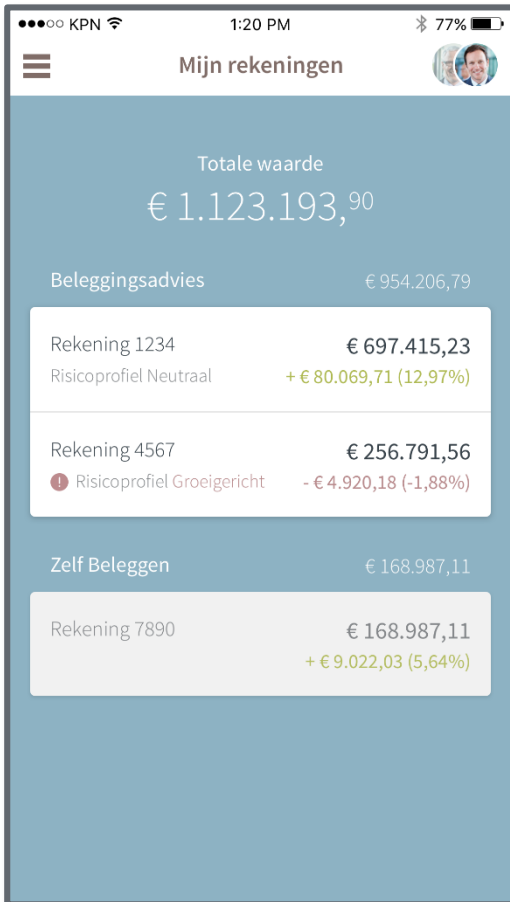
- PSD2 compliant – APIs available

High level solution



Innovative investment advice App launched today

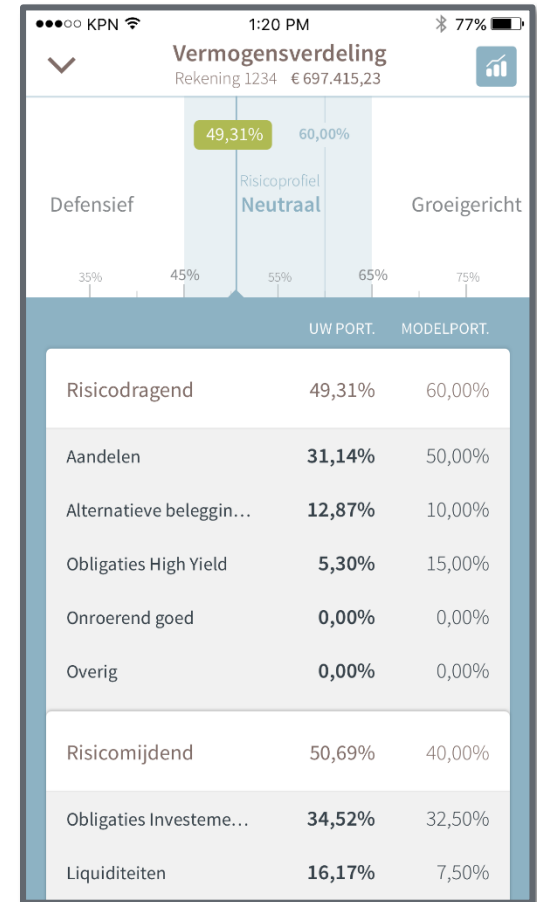
Overview of accounts



Investment portfolio snapshot



Details of investment portfolio



Strong increase in profit and dividend

**Underlying net result
+35% to €81.3 million**

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**Assets under management
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**Capital ratios continue
to improve**

CET I ratio at 19.0%

**Dividend per share up
from €0.45 to €1.20**



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Appendix

Underlying net result increases 35% to €81.3 million

€ million	2016	2015	2016 vs 2015
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Interest income	212.9	202.8	5%
Other income	25.2	52.2	-52%
Income from operating activities	481.8	520.6	-7%
Operating expenses	-386.8	-387.4	0%
Gross result	95.0	133.1	-29%
Loan loss provisioning	6.9	-51.0	
Other impairments	-1.1	-8.0	-87%
Operating profit before tax of non-strategic investments	7.4	10.6	-30%
Operating profit before one-off charges and tax	108.2	84.7	28%
Derivatives recovery framework	-8.0		
One-off charge on the sale of non-performing commercial property loans		-23.2	
Other one-off charges	-7.2	-7.2	
Strategy 2020 Investment Programme	-7.3		
Operating profit before tax	85.8	54.3	58%
Income tax	-16.0	-11.5	39%
Net profit	69.8	42.8	63%
Underlying net result*	81.3	60.1	35%
Efficiency ratio (%)	80.3%	74.4%	

* Underlying net result 2016 excludes one-off costs related to the derivatives recovery framework and the Strategy 2020 investment programme. The figure for 2015 excludes the one-off charge arising from the sale of non-performing real estate loans.

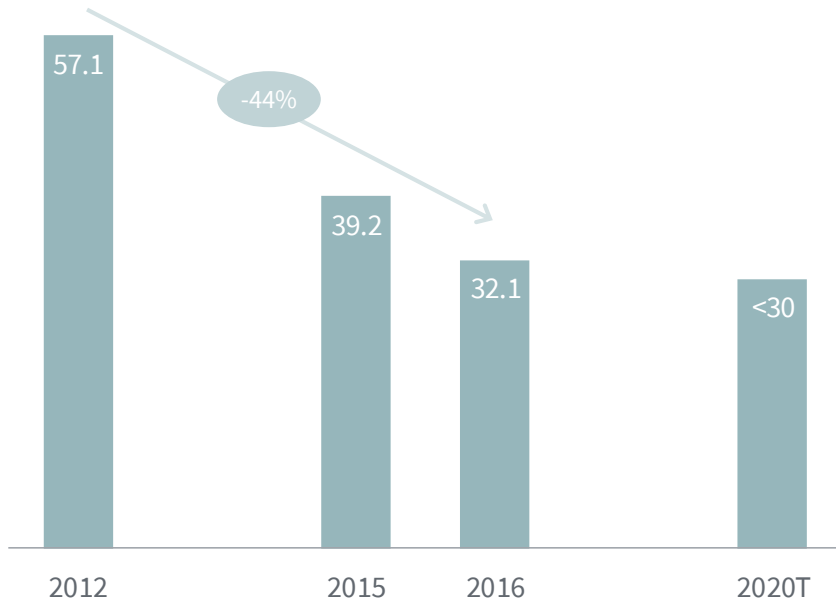
Key figures 2016 by segment

€ million	Private Banking	Evi	Asset Management	Merchant Banking	Other	Core Activities	Corporate Banking	Total
Commission income	104.0	3.6	86.2	46.7	0.1	240.7	3.0	243.7
Interest income	151.0	3.9	0.0	0.0	13.1	168.1	44.8	212.9
Other income	1.3	0.0	-0.2	1.8	22.4	25.2	0.0	25.2
Income from operating activities	256.2	7.6	86.0	48.5	35.7	434.0	47.7	481.8
Operating expenses	-202.9	-18.2	-72.5	-39.8	-29.8	-363.2	-23.6	-386.8
Gross result	53.3	-10.6	13.6	8.7	5.9	70.9	24.2	95.0
Loan loss provisioning	-1.2				8.1	6.9	0.0	6.9
Other impairments					-1.1	-1.1		-1.1
Operating profit before tax of non-strategic investments					7.4	7.4		7.4
Operating profit before one-off charges and tax	52.1	-10.6	13.6	8.7	20.4	84.1	24.1	108.2
Recovery framework interest rate derivatives	-0.9					-0.9	-7.1	-8.0
Strategy 2020 Investment Programme	-5.4	-1.8				-7.3		-7.3
Other one-off restructuring	-3.2				-4.0	-7.2		-7.2
Operating profit before tax	42.5	-12.5	13.6	8.7	16.4	68.7	17.0	85.7
Income tax	-10.0	2.9	-3.5	-2.5	1.4	-11.7	-4.3	-16.0
Net profit	32.6	-9.5	10.0	6.2	17.7	57.0	12.8	69.7
Underlying net result 2016	37.4	-8.2	10.0	6.2	17.8	63.2	18.1	81.3
Underlying net result 2015	15.1	-11.1	18.6	20.1	13.9	56.6	3.6	60.1
FTE client-facing	451	10	109	101	0	671	31	702
FTE total end-2016								1,670

Significant reduction of IT costs continues

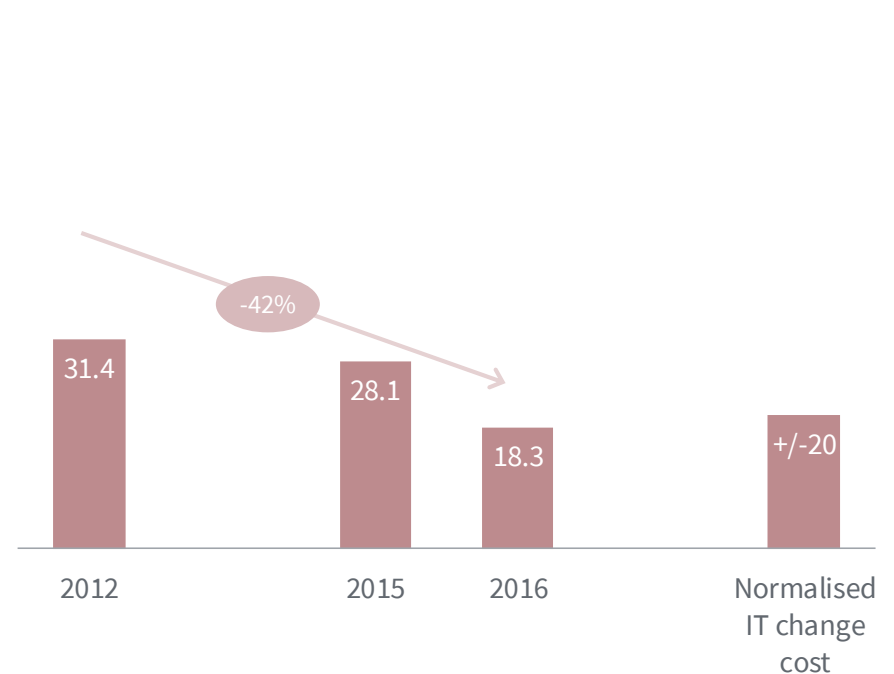
Recurring out of pocket IT cost (run cost)

€ million



Out of pocket IT project cost (change cost)

€ million

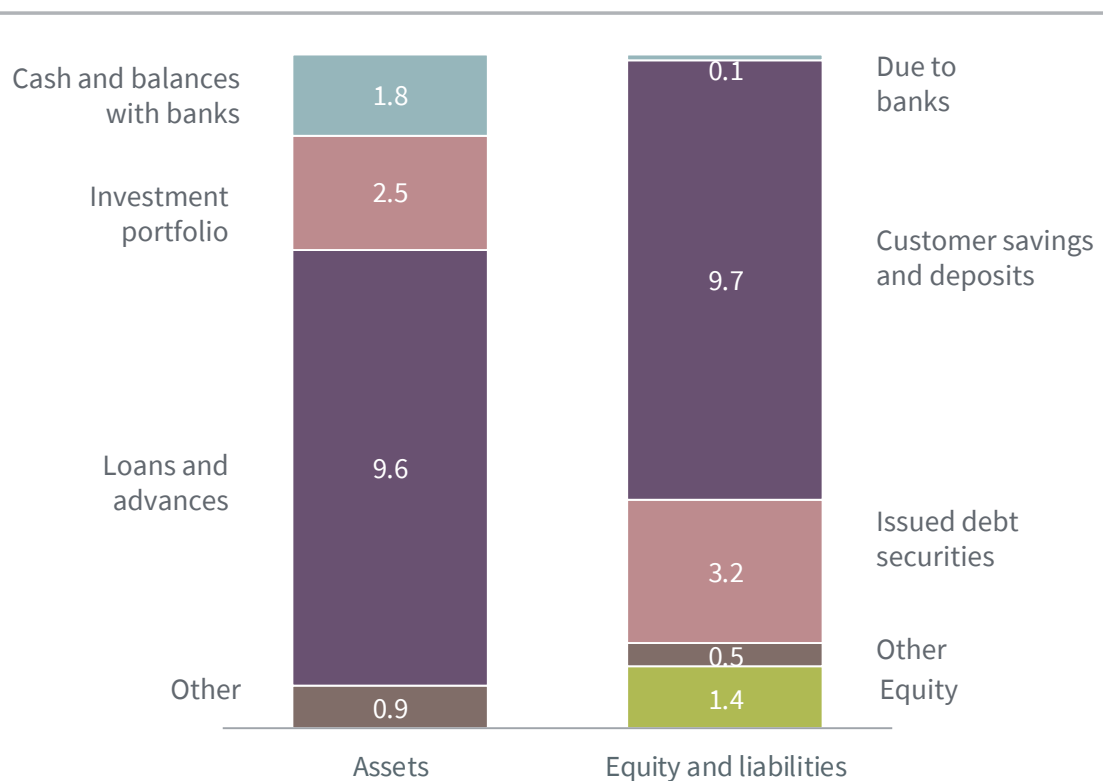


Expenses of Strategy 2020 investment programme amount to €7.3 million in 2016

Balance sheet shows strong capital and funding position

Balance sheet at 31 December 2016

€ billion, total assets = €14.9 billion



Disclaimer

Disclaimer and cautionary note on forward-looking statements

This document contains forward-looking statements on future events and developments. These forward-looking statements are based on the current information and assumptions of Van Lanschot's management about known and unknown risks and uncertainties. Forward-looking statements do not relate strictly to historical or current facts and are subject to such risks and uncertainties that by their very nature fall outside the control of Van Lanschot and its management.

Actual results may differ considerably as a result of risks and uncertainties relating to Van Lanschot's expectations regarding, but not limited to, estimates of income growth, costs, the macroeconomic and business climate, political and market trends, interest and exchange rates and behaviour of clients, competitors, investors and counterparties, actions taken by supervisory and regulatory authorities and private entities, and changes in the law and taxation.

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