

# F. van Lanschot Bankiers N.V.

## Credit Update



Van Lanschot

May 2013

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# Content



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## Profile of Van Lanschot

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### 2012 annual results and Q1 2013 trading update

### Funding and liquidity

# Executive summary



## Profile of Van Lanschot

- The oldest independent bank in the Netherlands with history dating back more than 275 years
- A relationship-oriented bank, with genuine personal attention, whereby the interests of the client really do come first
- Local visibility with 34 offices and client meeting centres in the Netherlands, Belgium and Switzerland

## Strategy

- Our objective is to preserve and create wealth for clients
- We choose to be a pure-play, independent wealth manager
- We strongly believe that wealth management offers attractive growth opportunities and that we have inherent and distinctive strengths
- Private banking, asset management and merchant banking are the areas in which we excel

## Key financials

	<b>Q1 2013</b>	<b>FY 2012</b>
Core Tier 1 ratio (%)	11.9%	11.0%
Funding ratio (%)	83.1%	84.4%
Leverage ratio (%)	7.4%	7.5%
Client assets (€)	53.0 billion	52.3 billion
Underlying profit (€)	26.3 million	2 million

## Financial targets 2017

Core Tier I ratio > 15%

Return on Core Tier I equity of 10-12%

Cost-income ratio of 60-65%

## Evolution into an independent Private Bank



1737

2013

**1737**  
Established as  
a trading  
house in  
's-Hertogenbosch

**29-6-1999**  
Listed on  
Euronext  
Amsterdam

**30-9-2004**  
Acquisition  
CenE Bankiers

The logo for CenE Bankiers, featuring the text "CenE BANKIERS" in blue with a red building icon between the words.

**1-1-2007**  
Acquisition  
Kempen & Co

The logo for Kempen & Co, featuring a sun icon above the text "KEMPEN & CO" and "Merchant Bank" below it.

**14-05-2013**  
Strategic Review:  
focus on private  
banking, asset  
management and  
merchant banking

- Our objective is to preserve and create wealth for clients
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## Van Lanschot: a local and authentic bank



- Local visibility with 34 offices and client meeting centres in the Netherlands, Belgium and Switzerland
- Van Lanschot is the number 2 player in the Netherlands and Belgium with a market share of around 15% in the private banking market
- A relationship-oriented bank, with genuine personal attention, whereby the interests of the client really do come first
- Strong brand with an outspoken experience – exclusive, solid – as has been the case for the past 275 years



## Experienced and balanced management board



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

Background: CRO at UniCredit Banking Group



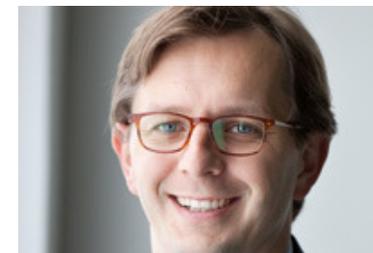
**Constant Korthout (1962)**  
**CFO / CRO**

Background: 18 years at Robeco Group, since 2002 as CFO



**Ieko Sevinga (1966)**  
*Commercial activities*

Background: Director of Kempen & Co



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

Background: Partner with Boston Consulting Group

### Supervisory Board

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>- <b>Tom de Swaan, Chairman (1946)</b></li><li>- <b>Jos Streppel, Deputy Chairman (1940)</b></li><li>- <b>Willy Duron (1945)</b></li><li>- <b>Godfried van Lanschot (1964)</b></li><li>- <b>Heleen Kersten (1965)</b></li><li>- <b>Abel Slippens (1951)</b></li><li>- <b>Jeanine Helthuis (1962)*</b></li></ul> | <ul style="list-style-type: none"><li>- Former CFO ABN AMRO, former Board member Dutch Central Bank</li><li>- Former CFO of Aegon</li><li>- Honorary chairman of KBC Group, former CEO KBC Group</li><li>- Independent investor</li><li>- Chairperson of Stibbe law firm</li><li>- Former CEO of Sligro Food Group</li><li>- Former CEO of Monuta</li></ul> |
|---|---|

\*Nomination to be proposed to shareholders at EGM 2 July 2013

## Van Lanschot is listed on the Amsterdam stock exchange



Delta Lloyd	30%	Shareholder since the early 1970s
ABP	13%	
Rabobank	12%	As a result of the acquisition of Friesland Bank on 2 April 2012
Stichting FB Oranjewoud	11%	Charitable association, former shareholder of Friesland Bank
Van Lanschot family	11%	Shareholder agreement renewed in May 2011, with right to maintain shareholding at current level in the event of share issues and to nominate one member of the Supervisory Board
SNS Reaal	5%	
Management and staff	4%	As a result of the acquisition of Kempen & Co Increasing employee ownership through remuneration policy and employee share plan
Freefloat	14%	

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## Solid profile reflected in strong creditworthiness

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Van Lanschot

On 16 November 2012, Standard & Poor's (S&P) downgraded the credit ratings of almost all Dutch banks. These downgrades were the result of a negative reassessment of the country risk faced by the Dutch banks due to the macro-economic conditions in the Netherlands

### Standard & Poor's

- Long-term credit rating: BBB+
- Outlook long-term credit rating: Negative
- Short-term credit rating: A-2
- Latest rating report: 11-01-2013

### Fitch

- Long-term credit rating: A-
- Outlook long-term credit rating: Negative
- Short-term credit rating: F2
- Latest rating report: 14-11-2012

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## Our strategy is to focus, simplify and grow



**Focus**



**Simplify**



**Grow**



Our strategy is to:

**Focus** on private banking in combination with asset management and merchant banking, and actively reduce activities not linked to private banking

**Simplify** our product offering, client service model and IT/operations

**Grow** through a revised offering to clients in private banking, and continuing the success of asset management and merchant banking

Our business model will allow us to have an **asset-light balance sheet and strong capital base**

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## Our strategy is to focus – Focus means making choices

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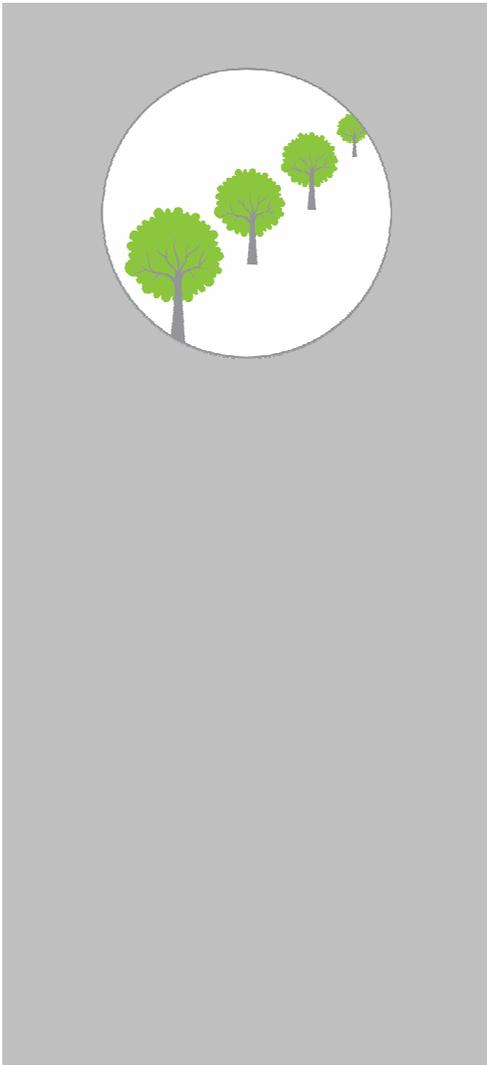


- **Reinforced** private banking offering with specific service concepts ...
  - personal banking
  - private banking
  - private office
- ... and specialist services for
  - entrepreneurs
  - healthcare professionals
  - business professionals & executives
  - foundations & associations
- **Continued focus** on asset management and merchant banking
- **Active reduction** of activities without a clear link to private banking
  - **Active reduction** of corporate loans not related to private banking
  - Managed in a separate business unit by **dedicated management**
  - **Target 50% reduction** of € 4.4 billion in risk-weighted assets in the coming 5 years
  - **Reallocation of capital** to areas of higher profitability

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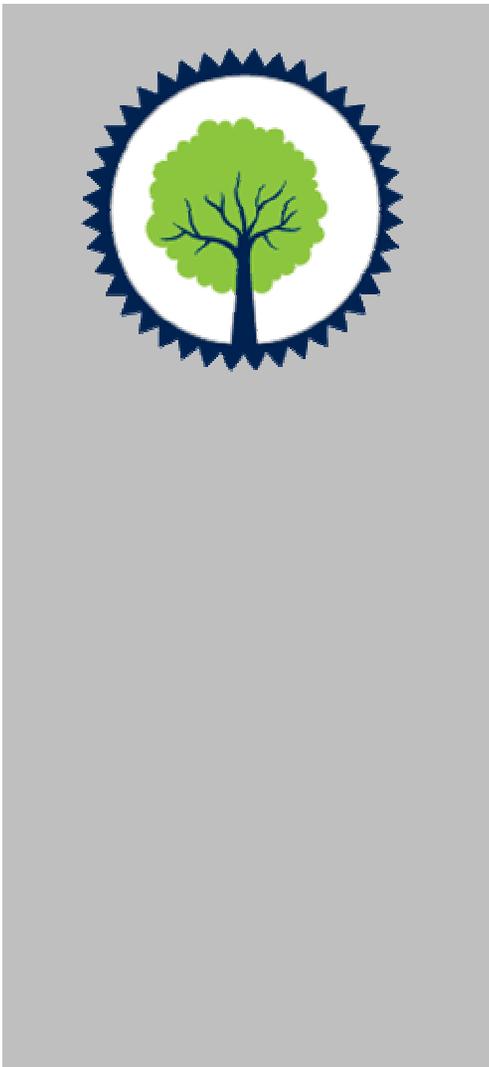
## Our strategy is to simplify – Simplify means increasing our effectiveness and efficiency

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- **Transparent and simplified** product and service offering
- **Efficient organisation**, with centralised teams for private banking mid-office and investment expertise
- **Lean** IT and **streamlined** back office
- **Significant reduction of cost base** from € 409 million in 2012 to around € 340 million in 2017

# Our strategy is to grow – We envisage growth in all our core activities



## Private banking

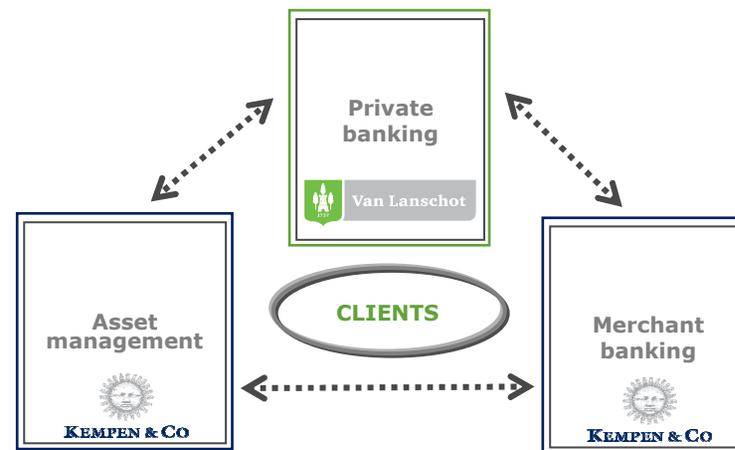
- Growing assets managed for our clients
- More focused service concepts
- More tailored product offering
- Maintaining client proximity

## Asset management

- Leveraging strong long-term track record in niche products and integrated solutions
- Expanding client base geographically

## Merchant banking

- Selective broadening of product offering
- Extending geographic footprint throughout Europe within selected niches



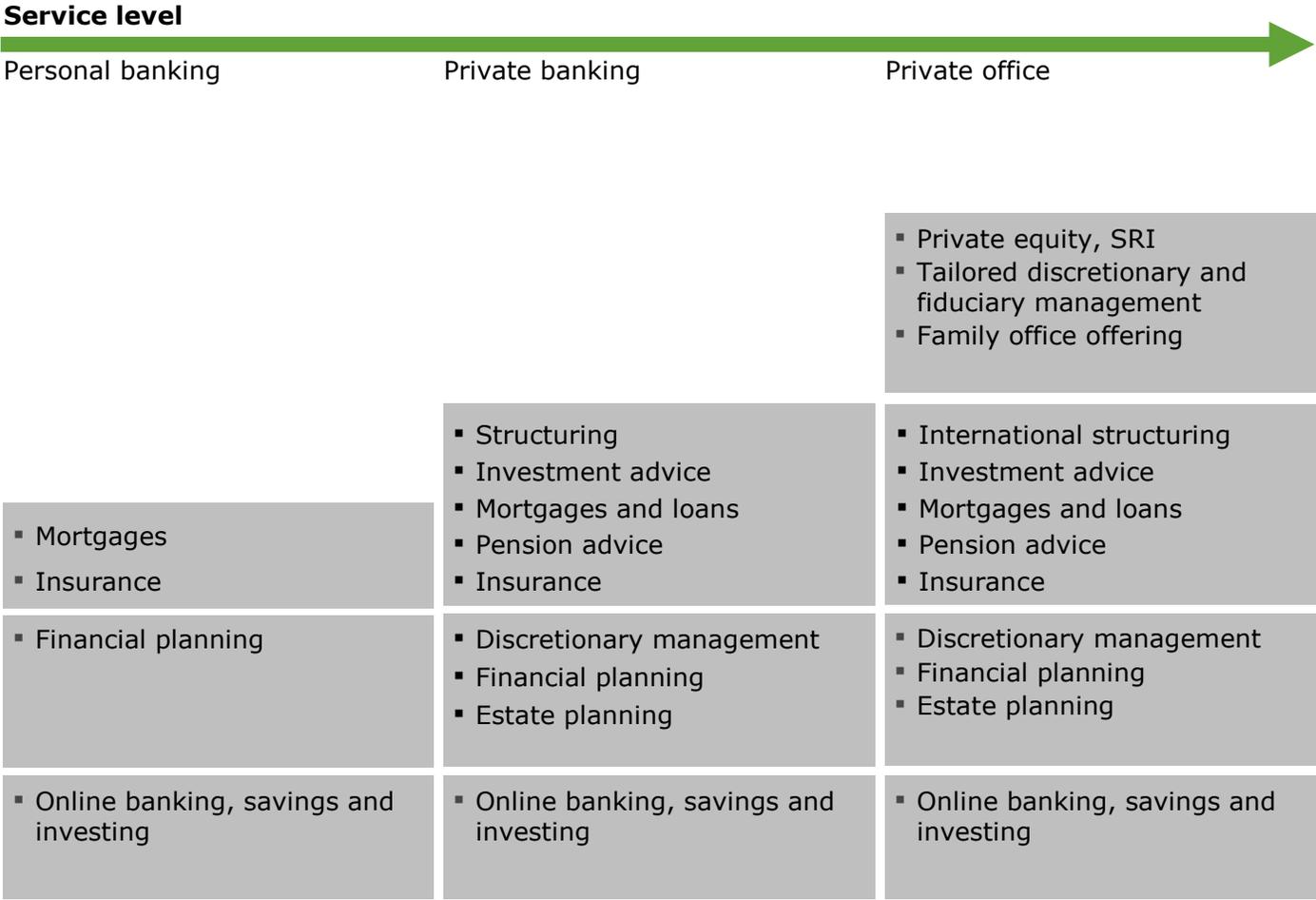
## Growth in private banking means ...



private  
banking

- **New service offering** – personal banking:
  - an inclusive offering for all clients seeking advice on wealth preservation and creation
  - welcoming wealth management starters
- State-of-the art **online solutions** for wealth management, investment advice and savings, supported by personal advice and service from bankers
- **Specialist expertise and advice** for more complex wealth requirements in private banking and private office, benefiting from capabilities in asset management and merchant banking
- **Local visibility** with 34 offices and client meeting centres in the Netherlands, Belgium and Switzerland

# Growth in private banking means a choice of service levels for clients



## A wealth manager with an asset-light balance sheet and strong capital base



**Focus**



**Simplify**



**Grow**



### Targets 2017

- Core Tier I ratio > 15%
- Return on Core Tier I equity of 10-12%
- Cost-income ratio of 60-65%

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## **Content**



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### **Profile of Van Lanschot**

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### **2012 annual results and Q1 2013 trading update**

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### **Funding and liquidity**

## 2012 Annual results - Highlights



### Growth in client assets

#### Client assets +5% to € 52.3 billion

- Increase in assets under management through robust performance of discretionary management products and new institutional mandates
- Closure of several foreign offices led to outflow

### Non-recurring items

#### Bank is profitable despite market conditions

- Underlying profit € 2.0 million
- High additions to loan loss provision as a result of thorough review
- Previously announced goodwill impairment (non-cash) and non-recurring costs led to a net loss of € 155.4 million

### Solid profile

#### Undiminished solid profile

- Core Tier I ratio 11.0%
- Comfortable funding and liquidity; high funding ratio 84.4%

### Cost reduction

#### Investment and cost reduction programme on track

- Reduction of 147 FTEs in 2012; salary costs down € 8.2 million
- Further cost reductions in the coming years

# Growth in assets under management due to supportive equity markets and strong inflows in asset management



Client assets up 5% to € 52.3 Billion

Total assets under management up 11% to € 40.9 billion

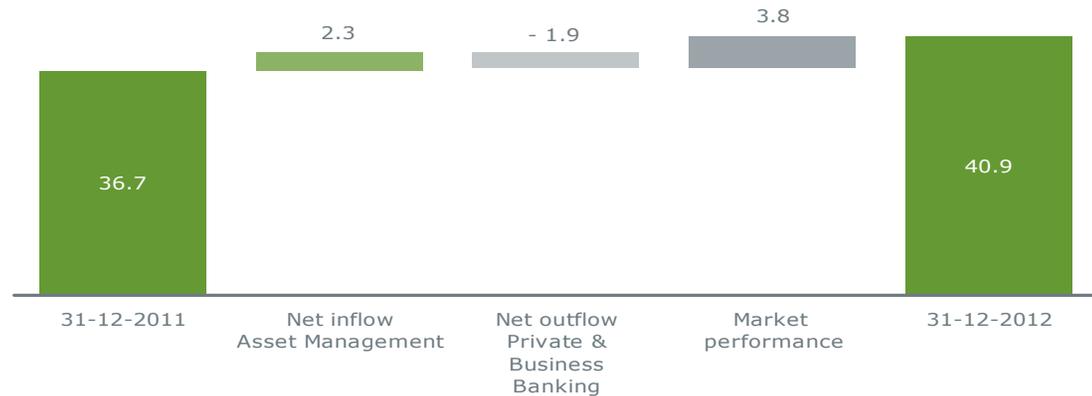
Strong market performance due to robust performance of discretionary management products

Asset Management successful in attracting new institutional mandates

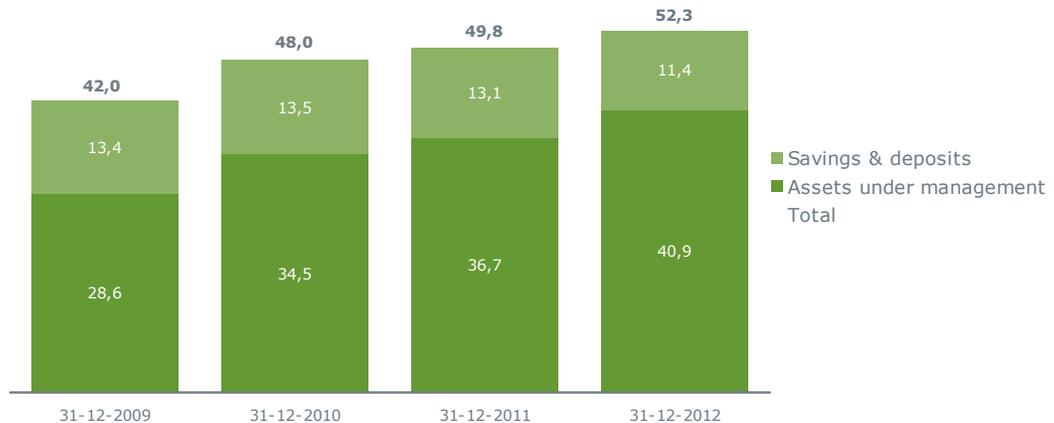
Net outflow of Private & Business Banking due to:

- Deleveraging by private individuals and businesses
- Closure of offices abroad

## Assets under management (€ billion)



## Client assets (€ billion)



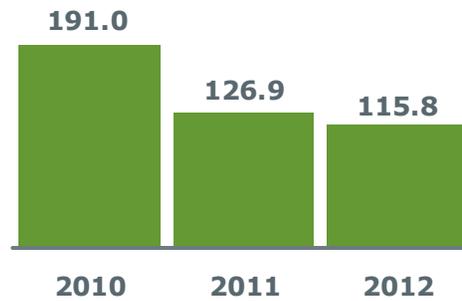
# Underlying positive result Net profit hit by previously announced goodwill impairment and non-recurring charges



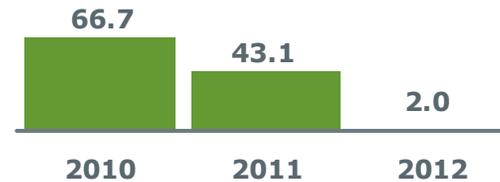
Reconciliation of underlying net profit (€ million)

<b>Underlying net profit</b>	<b>2.0</b>
Non-recurring charges	-44.7
Impairment on goodwill and intangibles	-126.6
Tax effect	13.9
<b>Net result</b>	<b>-155.4</b>

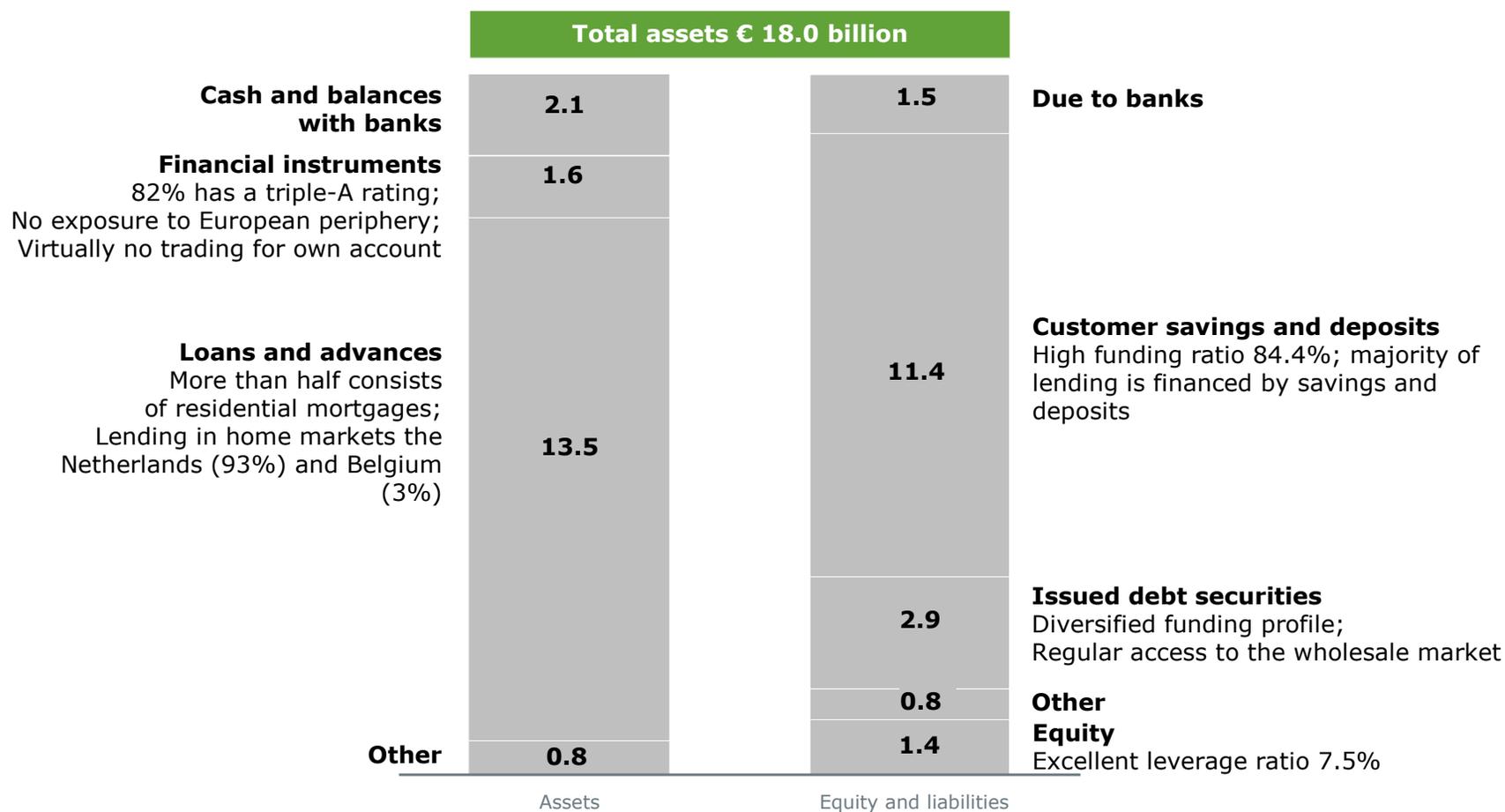
Gross results (€ million)



Underlying net profit (€ million)



## Balance sheet is for the client



Numbers at 31 December 2012

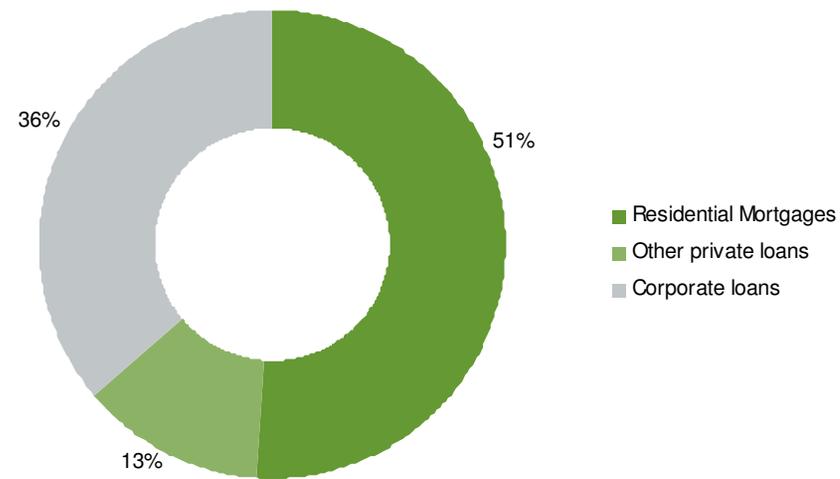
# Loan book - Increased loan loss provisioning in line with prudent strategy



The bank continually reviews the loan book with regard to private banking potential

Total loan book at 31 December 2012 € 13.5 billion

Loan book by sector at 31 December 2012



- 94% of the loan book comprises loans and advances in the Netherlands and Belgium; no loans and advances outside Europe
- More than half of the loan book consists of residential mortgages
- Strong diversification in terms of sectors and clients; limited concentrations
- Thorough review of loan book carried out; impaired loans adequately provisioned based on current valuations
- Addition to provision of € 115 million, or 107 bps of average risk weighted assets

## Loan book with a focus on private banking Impaired loans (NPLs) relatively low at 3.9%; High coverage ratio of 56%



### Mortgage loans:

Low NPLs at 1.4%

Mortgage loans for an amount above € 2 million make up only € 0.5 billion or 4% of the total loan book

In addition to the usual collateral, mortgage clients also hold client assets at the bank representing 48% of the total mortgage debt

(x € million)	Total exposure	%	Impaired	Total loan loss provision	Addition to loan loss provision 2012	NPL (%)	Coverage ratio (%)
Mortgage loans	6,945	51%	94	57	16	1.4%	61%
Other private loans	1,827	13%	128	64	4	7.0%	50%
Corporate loans	5,002	36%	314	178	97	6.3%	57%
<b>Total</b>	<b>13,774</b>	<b>100%</b>	<b>536</b>	<b>299</b>	<b>117*</b>	<b>3.9%</b>	<b>56%</b>
<b>Impairments (incl. IBNR)</b>	<b>310</b>						
<b>Total loan book</b>	<b>13,464</b>						

\*Addition to loan loss provision excluding IBNR of - € 2 million

# Property portfolio

## Small loans; property located in the Netherlands



Property portfolio (corporates and private individuals) at year-end 2012 amounted to € 2.4 billion

Small loans; average loan size at year-end 2012 € 2.3 million

No project development

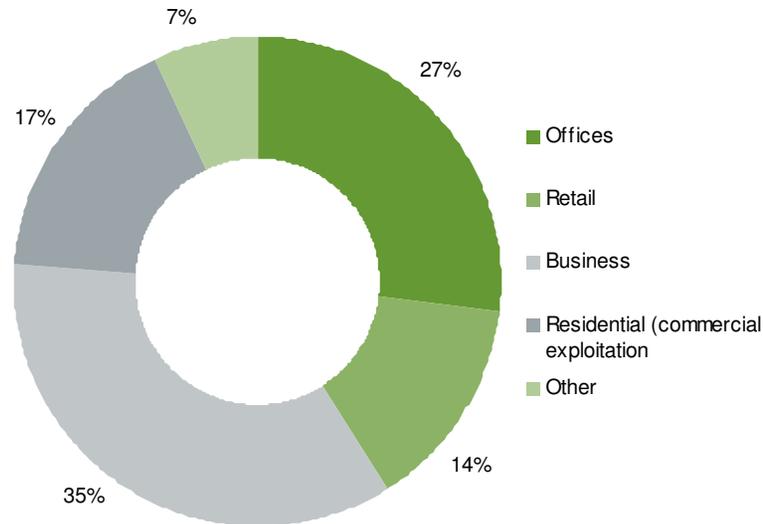
Relatively large portion relates to property wholly or partly for own use

Constant assessment of the direct and indirect private banking potential

In many cases, additional collateral is provided in addition to the underlying property

Vacancy rates are relatively low at 8.3%

Property loans by sector at 31 December 2012

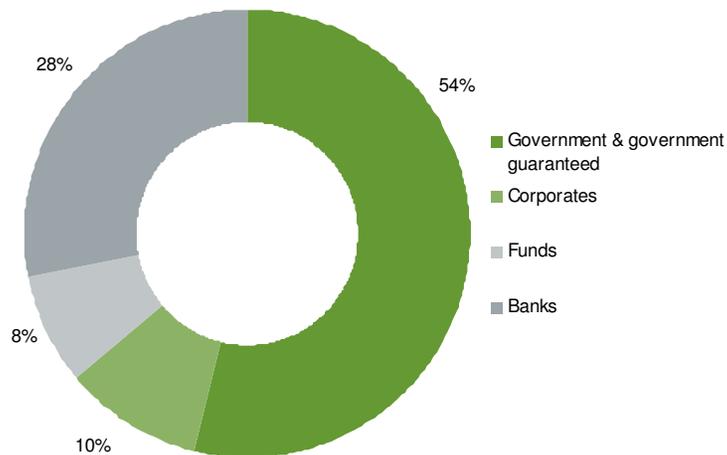


## Diversified investment and trading portfolio with low risk profile

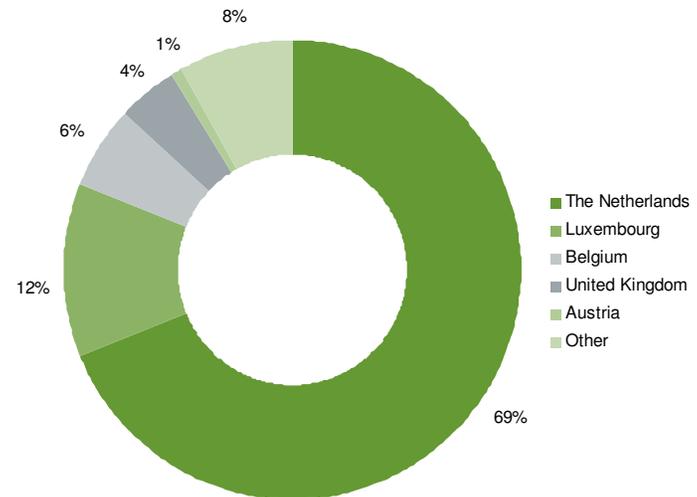


- Total investment and trading portfolio of € 1.6 billion held mainly for liquidity purposes
- Includes investments resulting from participation in LTRO of € 750 million
- Portfolio comprises mainly Dutch government bonds and small amounts in Luxembourg, Austria and Belgium
- No investments in European peripheral countries

Investment and trading portfolio by counterparty at 31 December 2012



Investment and trading portfolio by country at 31 December 2012



## Van Lanschot capital and funding ratios remain strong



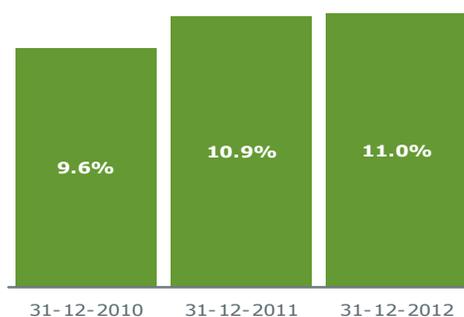
Strong capital position; Core Tier I ratio 11.0%

Solid capital ratios without government support

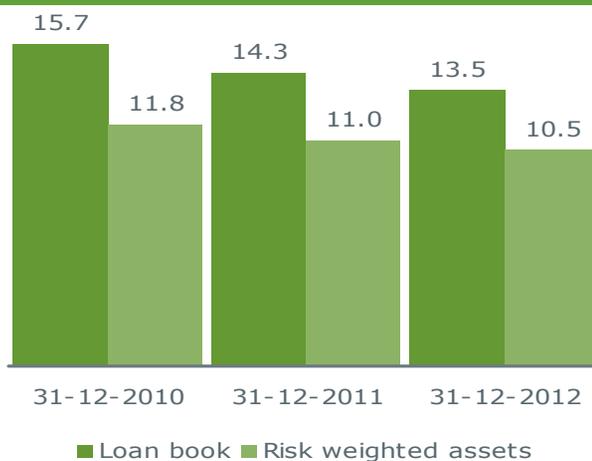
Further deleveraging: risk weighted assets down at € 10.5 billion

Ample liquidity and funding thanks to customer savings and deposits (funding ratio 84.4%) and access to the wholesale market

### Core Tier I ratio (%)



### Loan book and risk weighted assets (€ billion)



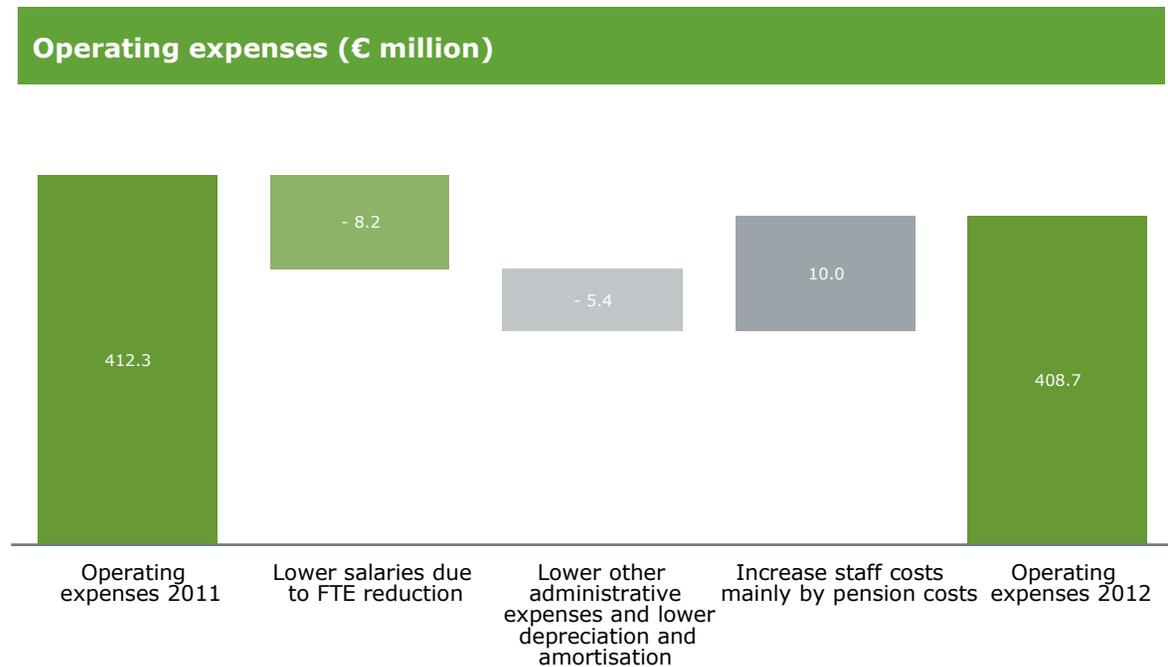
# Investment and cost reduction programme on track



Investment and cost reduction programme is aimed at achieving a structural cost reduction

In 2012, this programme has delivered a significant workforce reduction and a decline in salary costs of € 8.2 million

Effect on total operating expenses less visible because pension costs increased due to guaranteed indexation and IFRS accounting



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## Developments in 2013



Karl Guha, CEO of Van Lanschot: "The profit growth and results that the bank has achieved in the first quarter show resilience in continuing difficult economic conditions in the Netherlands and Belgium. The solid foundations of Van Lanschot are undiminished, as demonstrated by the bank's strong capital and liquidity position".

### Q1 developments

Net profit for first quarter 2013: € 24.8 million

- Underlying profit before non-recurring items: € 26.3 million
- Addition to loan loss provisions lower at € 19.7 million
- Client assets grow to € 53.0 billion

Significant improvement of capital ratio: Core Tier I ratio increased to 11.9%

Funding ratio 83.1%

### Q2 developments

Successful funding transaction in April: € 750 million of securitised Dutch mortgages placed with institutional investors

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## **Content**



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### **Profile of Van Lanschot**

### **2012 annual results and Q1 2013 trading update**

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### **Funding and liquidity**

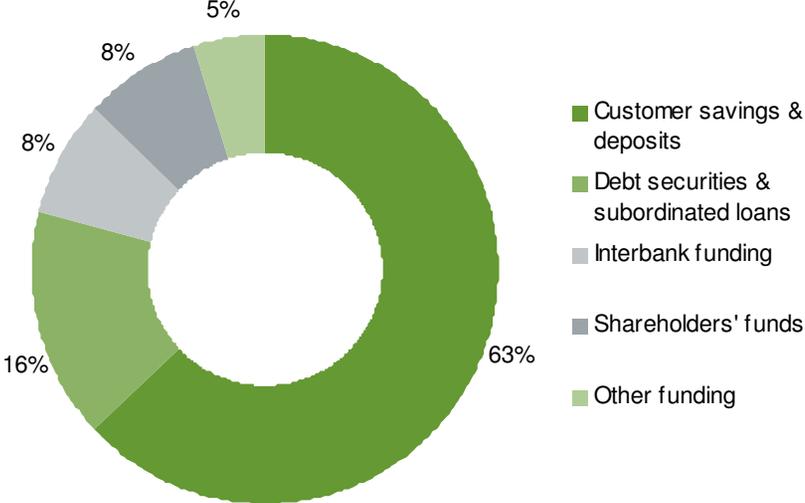
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# As a Private Bank, majority of funding is customer savings and deposits



Largely 'self funded' in line with a traditional Private Bank: funding ratio 84.4% at 31 December 2012

Funding mix at 31 December 2012



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## Key focus areas for wholesale funding

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- Van Lanschot has relatively high proportion of retail funding, not dependent on capital markets
- New requirements under Basel III
- The bank wishes to demonstrate access to wholesale funding markets going forward

### Van Lanschot's focus on funding and liquidity

I - Continuing diversification of funding sources

II - Regular wholesale market issuance

III - Lengthening of the term structure, i.e. building a curve

IV - Maintain debt investor relations

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## Van Lanschot has various funding programmes

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### Debt Issuance Programme / MTN

**Unsecured**

- € 5.0 billion programme
  - used for wholesale funding (senior unsecured and subordinated), and structured retail products
  - Prospectus last updated on 12 April 2013
- Private placements

Bloomberg ticker: LANSNA Corp

### Non-MTN / Specials

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

Bloomberg ticker: LANSNA Corp

### Citadel Programme

**Asset Backed**

- RMBS, top quality mortgage portfolio, fully originated and serviced by Van Lanschot
- The Citadel programme was successfully established with the objective to diversify funding and to create eligible assets
- Call date 26 August 2015

Bloomberg ticker: CITAD Mtge

### Lancelot Programme

- Lancelot 2006 was a hybrid CMBS transaction consisting of part of Van Lanschot's commercial real estate loans portfolio
- On 26 January 2012 Van Lanschot called the Lancelot 2006 transaction on the first call date

Bloomberg ticker: LANCE Mtge

## Van Lanschot has solid access to the wholesale markets



Strong funding position based on stable level of bond issuance

### Long-term funding raised in 2011, 2012 and 2013:

- **Wholesale market issues:**

- April 2013 Re-offering of € 750 million Citadel 2010-II A-notes
- Oct 2012 Issue of € 500 million 4-year fixed coupon senior unsecured notes
- Sep 2012 Issue of CHF 250 million 3.5-year fixed coupon senior unsecured notes
- Jul/Aug 2012 Private placement of approx. € 153 million Citadel 2010-I A-notes
- Apr 2012 Issue of € 135 million 7-year fixed coupon senior unsecured notes
- Apr 2011 Issue of 3-year senior unsecured bonds to institutional investors for € 500 million
- Apr 2011 Issue of approx. € 65 million of Trigger Notes with a three year term
- May 2011 Issue of Floored Floater for approx. € 90 million with a ten year term

- **Eligible assets:**

- Jan 2011 Closing of Citadel 2011-I, € 1.5 billion (€ 324 million Class A1 and € 801 million Class A2 notes / ECB eligible)

# Comfortable funding diversification across maturities and instruments types



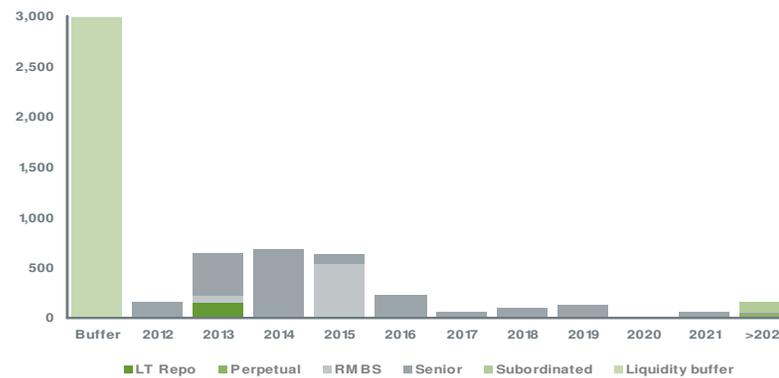
Wholesale funding is well diversified in terms of maturity

Successful in raising funds in wholesale markets in 2011, 2012 and 2013

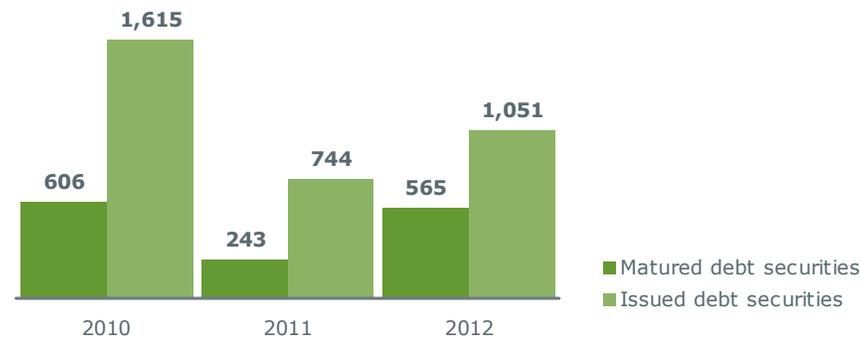
Basel III

- LCR > 100%
- NSFR > 100%
- Leverage > 3%

**Wholesale funding by maturity at 31 December 2012 (€ million)**



**Capital market funding: maturity vs issuance (€ million)**



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## Contacts at Van Lanschot



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