



Van Lanschot

# 2011 half-year results

AMSTERDAM, 16 AUGUST 2011

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- **Focus on both growth and solidity**

Floris Deckers, CEO

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- **2011 half-year results**

Constant Korthout, CFRO

- **The best private bank in the Netherlands and Belgium**

Floris Deckers, CEO

- **Q&A**

# Focus on both growth and solidity in H1 2011

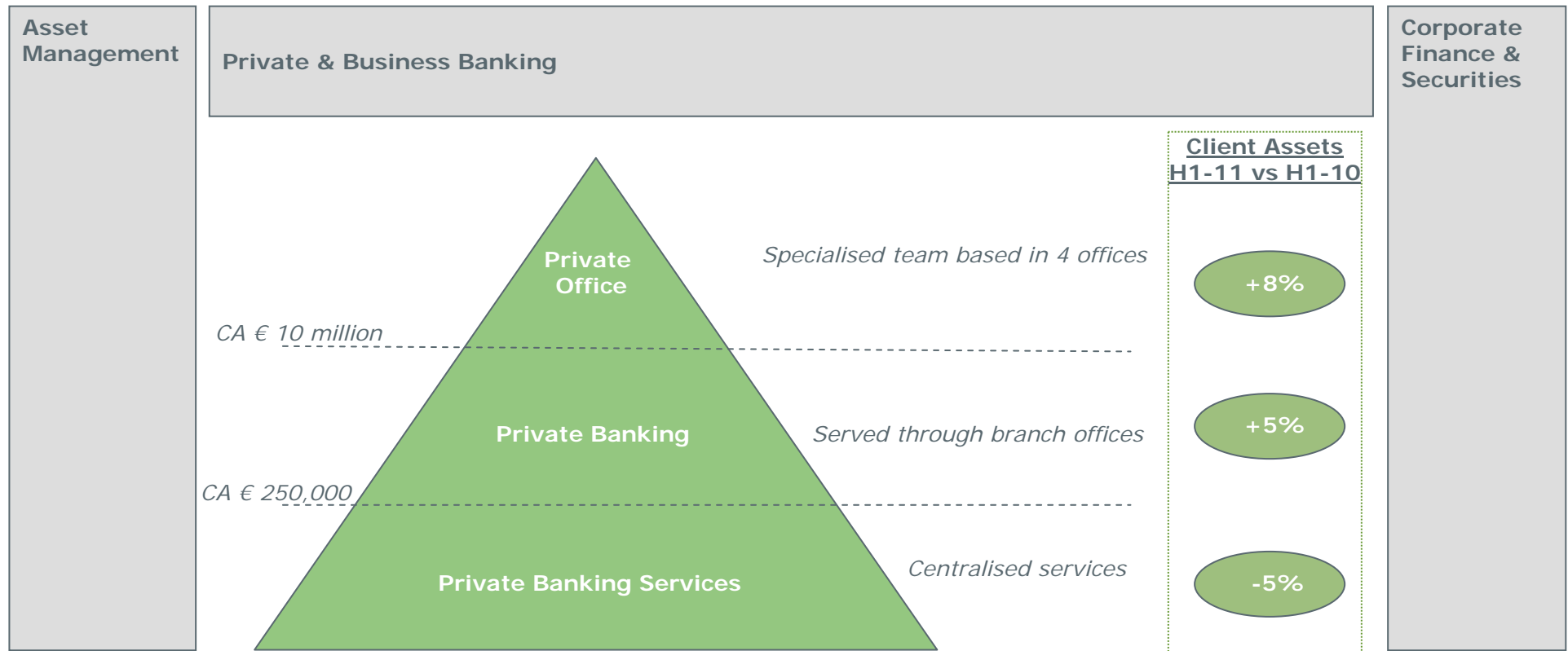
## Growth

- Assets under management +5% to € 37.3 billion
- Inflow of net new money +5% (annualised 11%) to € 1.9 billion
- Total client assets +3% to € 50.5 billion
- Commission +7% to € 123.2 million
- Net profit +85% to € 40.8 million

## Solidity

- Core Tier I ratio 10.2%
- Funding ratio 87.8%
- Diversification and lengthening of funding profile
- European stress test: under adverse stress scenario, Core Tier I ratio increases to 9.7% in 2012 compared with 9.6% at year-end 2010 (minimum EBA benchmark 5%)
- Reconfirmation Single A- (stable outlook) credit rating by Standard & Poor's in July 2011

# Long-established focus on private banking, complemented by asset management

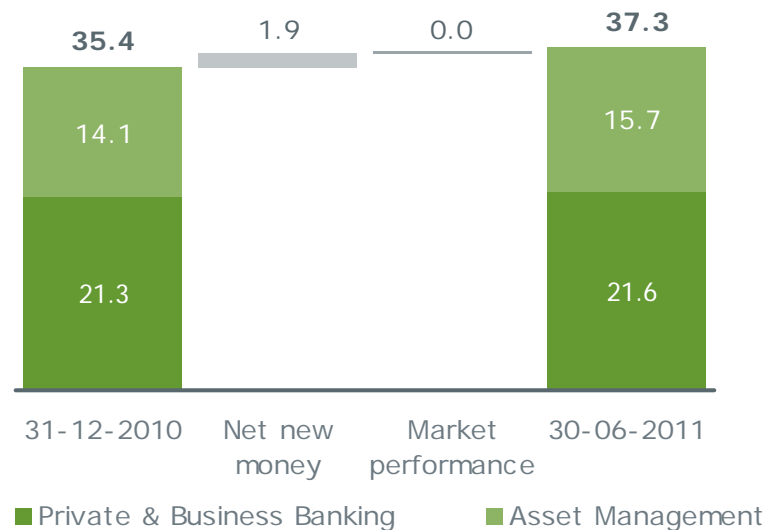


Van Lanschot aims to be the best private bank in the Netherlands and Belgium

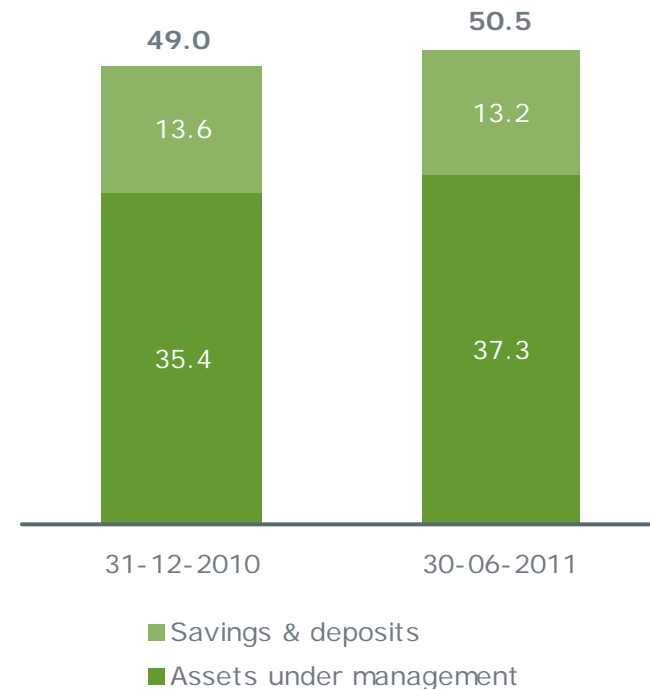
# Strong inflow of assets under management

- Total assets under management +5% to € 37.3 billion
- Inflow of net new money € 1.9 billion (+5%, or annualised 11%) mainly due to increase in discretionary mandates
- Assets under discretionary management of private clients increased from 32% to 35%
- Total client assets +3% to € 50.5 billion

Assets under management (€ billion)



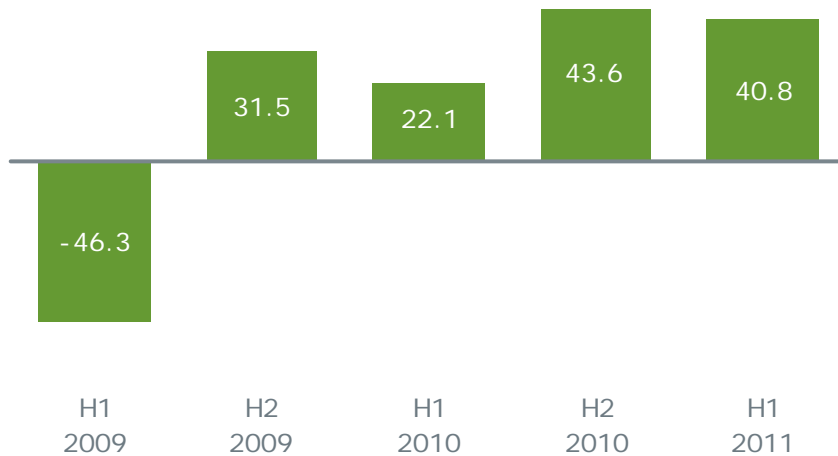
Total client assets (€ billion)



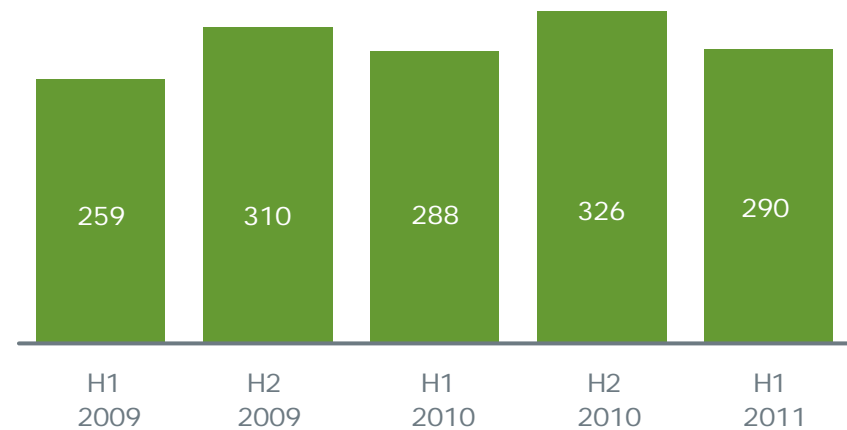
# More focus on solidity due to deteriorating market conditions

- Pressure on interest margin due to conscious decision to reinforce the funding profile and deleverage the balance sheet
- Interest margin H1 2011 1.54%; adjusted for exceptional items 1.60%
- Commission +7% to € 123.2 million (H1 2010: € 115.2 million)
- Addition to loan loss provision down 38% to € 27.4 million (H1 2010: € 43.9 million)
- Consolidated net profit +111% to € 42.8 million (H1 2010: € 20.3 million)
- Net profit (core activities) +85% to € 40.8 million (H1 2010: € 22.1 million)

**Net profit (€ million)**



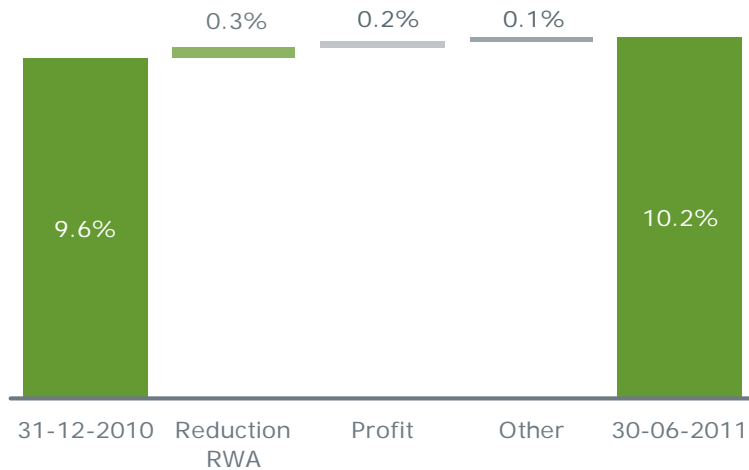
**Total income (€ million)**



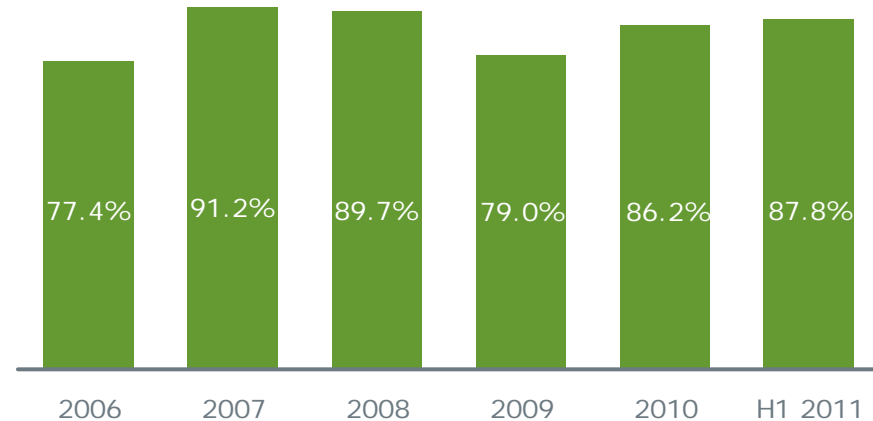
# Solid capital and funding position

- Core Tier I ratio 10.2%; Tier I ratio 12.7%; BIS ratio 14.0%
- Van Lanschot meets the published Basel III requirements
- Diversification and lengthening of funding profile through issue of senior unsecured bonds to institutional investors for an amount of € 500 million

## Core Tier I ratio



## Funding ratio



## Strong results in European stress test

- Core Tier I ratio under adverse stress scenario increases to 9.7% in 2012 (year-end 2010: 9.6%)
- No exposure to government bonds of Greece, Portugal, Ireland, Italy and Spain
- Sovereign risk in the bank's investment portfolio is limited to the Netherlands, Germany and small amounts in France, Switzerland and Canada
- High quality loan book: nearly half of the portfolio consists of residential mortgages in the Netherlands and Belgium
- EBA stress test complements the risk management procedures and regular stress testing programmes performed by Van Lanschot

	Baseline scenario		Adverse scenario	
	2011	2012	2011	2012
Risk-weighted assets (€ million)	11,764	12,027	11,766	12,031
Core Tier I capital (€ million)	1,170	1,227	1,152	1,167
Core Tier I ratio	9.9%	10.2%	9.8%	9.7%



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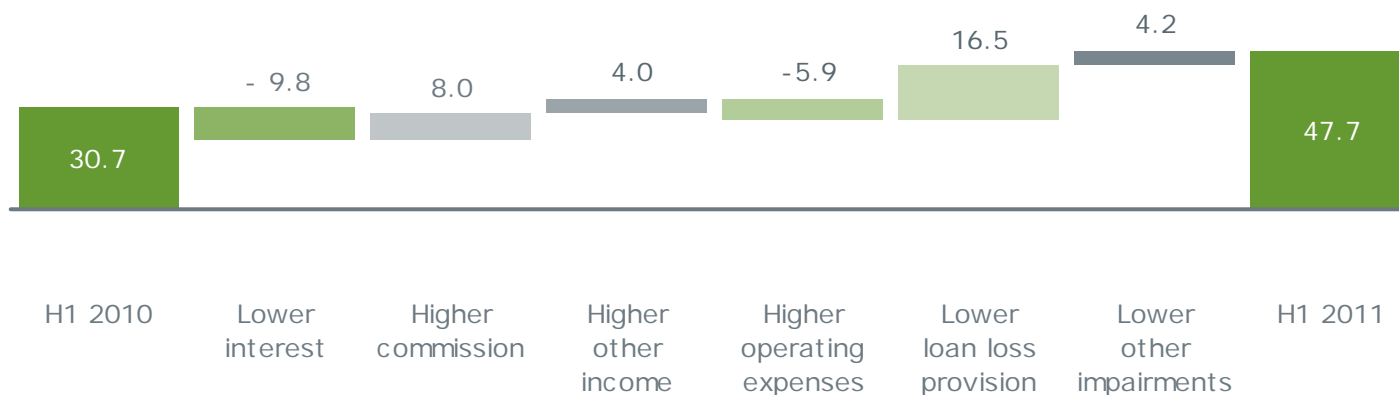
# Results H1 2011

€ million	H1 2011	H1 2010	H2 2010
Interest	150.5	160.3	176.6
Securities commission	93.9	86.5	86.9
Other commission	29.3	28.7	30.1
Other income	16.0	12.0	32.2
<b>Income from operating activities</b>	<b>289.7</b>	<b>287.5</b>	<b>325.8</b>
Operating expenses	211.6	205.7	216.6
<b>Gross result</b>	<b>78.1</b>	<b>81.8</b>	<b>109.2</b>
Addition to loan loss provision	27.4	43.9	42.6
Other impairments	3.0	7.2	8.8
<b>Operating profit before tax</b>	<b>47.7</b>	<b>30.7</b>	<b>57.8</b>
Tax	6.9	8.6	14.2
<b>Net profit</b>	<b>40.8</b>	<b>22.1</b>	<b>43.6</b>

# Increase in net profit due to higher commission and lower provisions

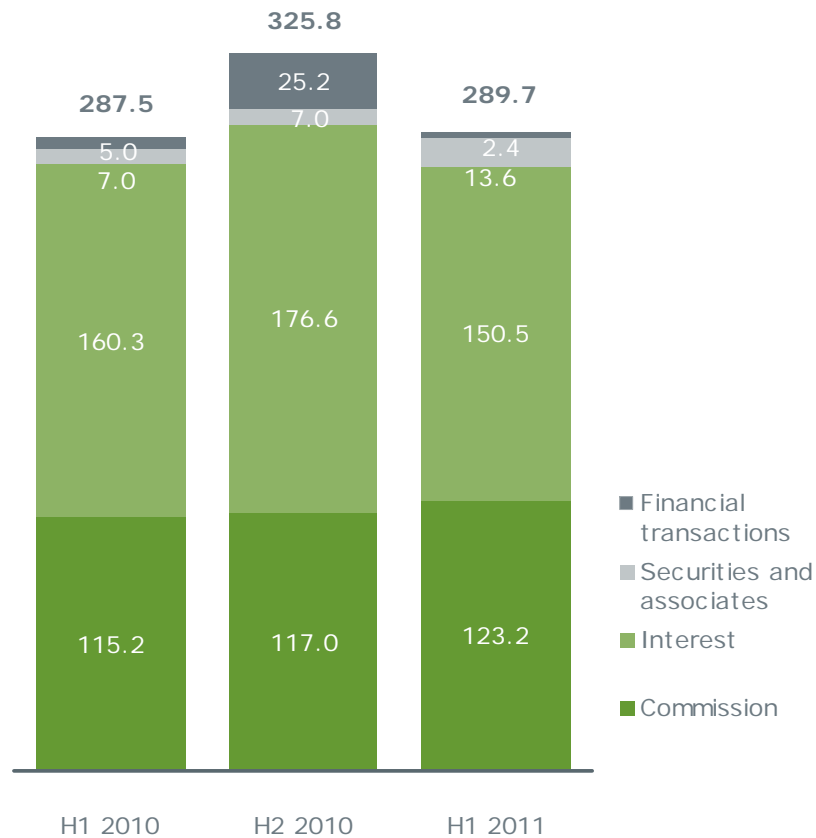
- Net profit in H1 2011 € 40.8 million (H1 2010: € 22.1 million)
- Operating profit before tax € 47.7 million (H1 2010: € 30.7 million)
- Lower interest margin due to stricter focus on private banking strategy and diversification of the bank's funding
- Higher commission in line with increase in assets under management
- Trend of decrease in addition to loan loss provision continues

## Operating profit before tax (€ million)



# Higher commission, lower interest margin

## Income from operating activities (€ million)



- Commission up 7% on H1 2010 to € 123.2 million
  - Securities commission +9% to € 93.9 million, due to an increase in management fees
- Interest down 6% on H1 2010 to € 150.5 million
  - Interest margin 1.54% (H1 2010: 1.59%)
- Other income € 16.0 million

# Pressure on interest margin due to deliberate reinforcement of funding profile and balance sheet deleveraging

## Interest margin (%)

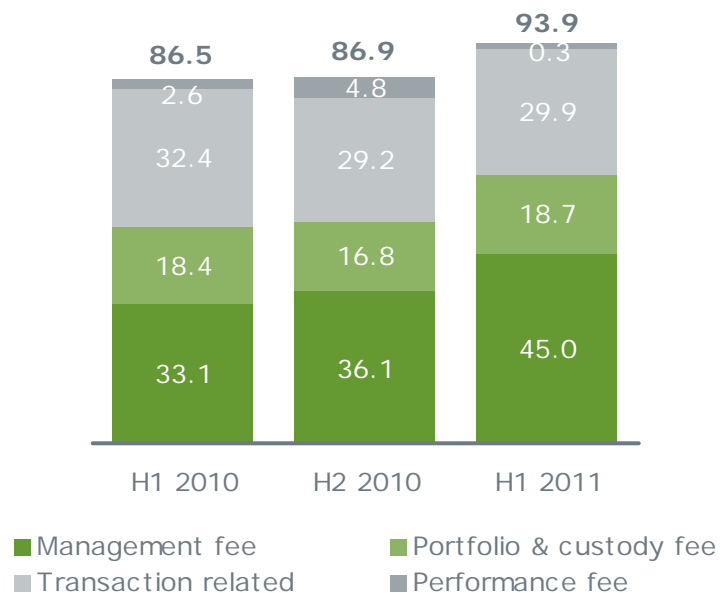


- Interest down 6% on H1 2010 to € 150.5 million
  - Diversification and lengthening of funding profile through issue of RMBS (November 2010) and senior unsecured bonds (April 2011)
  - Stricter focus on lending to target group clients
  - ECB funding fully repaid in 2010
- Interest margin 1.54% (H1 2010: 1.59%)
  - Adjusted for exceptional items 1.60%

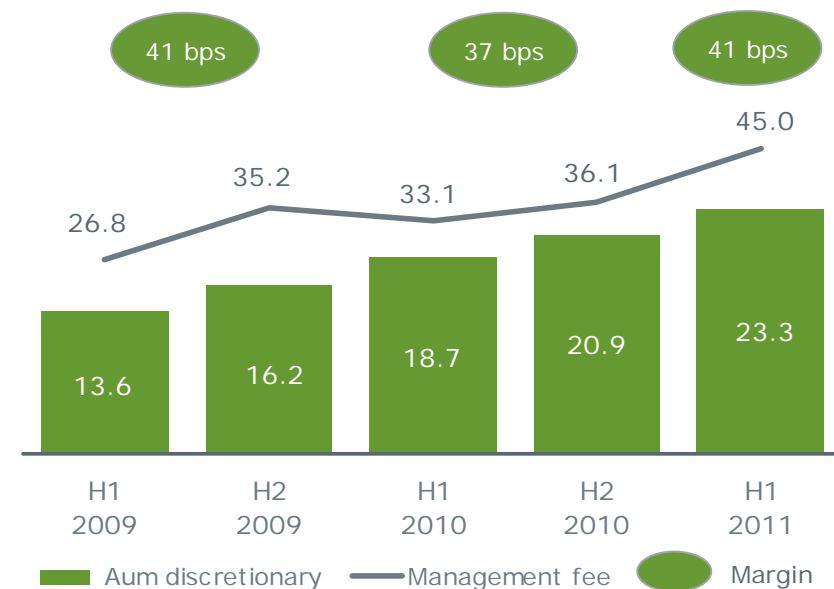
# More stable commission driven by shift to discretionary mandates

- Just one third of securities commission is transaction related
- Management fee\* comprises 68% of total securities commission (H1 2010: 63%), in part due to increase in discretionary asset management
- Assets under discretionary management at the end of June 2011 comprise 35% of total assets under management Private & Business Banking clients (year-end 2010: 32%)

Securities commission (€ million)



Assets under discretionary management (€ billion) and management fee (€ million)

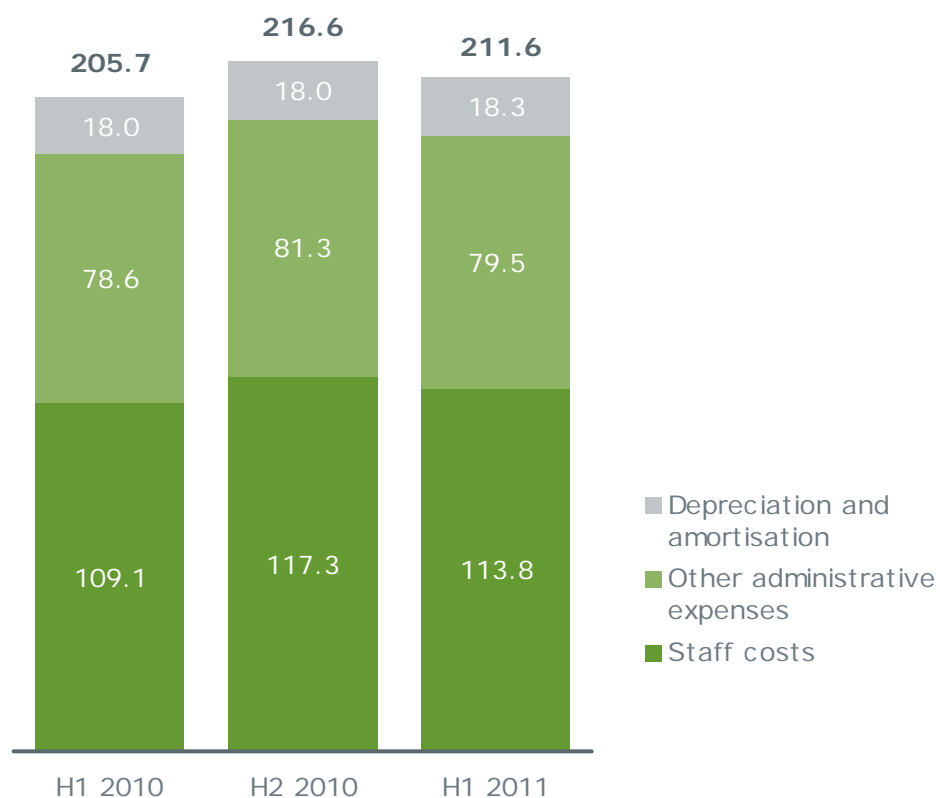


\* Including portfolio commission and custody fee

Numbers based on core activities (excluding non-strategic investments)

# Operating expenses relatively flat

## Operating expenses (€ million)

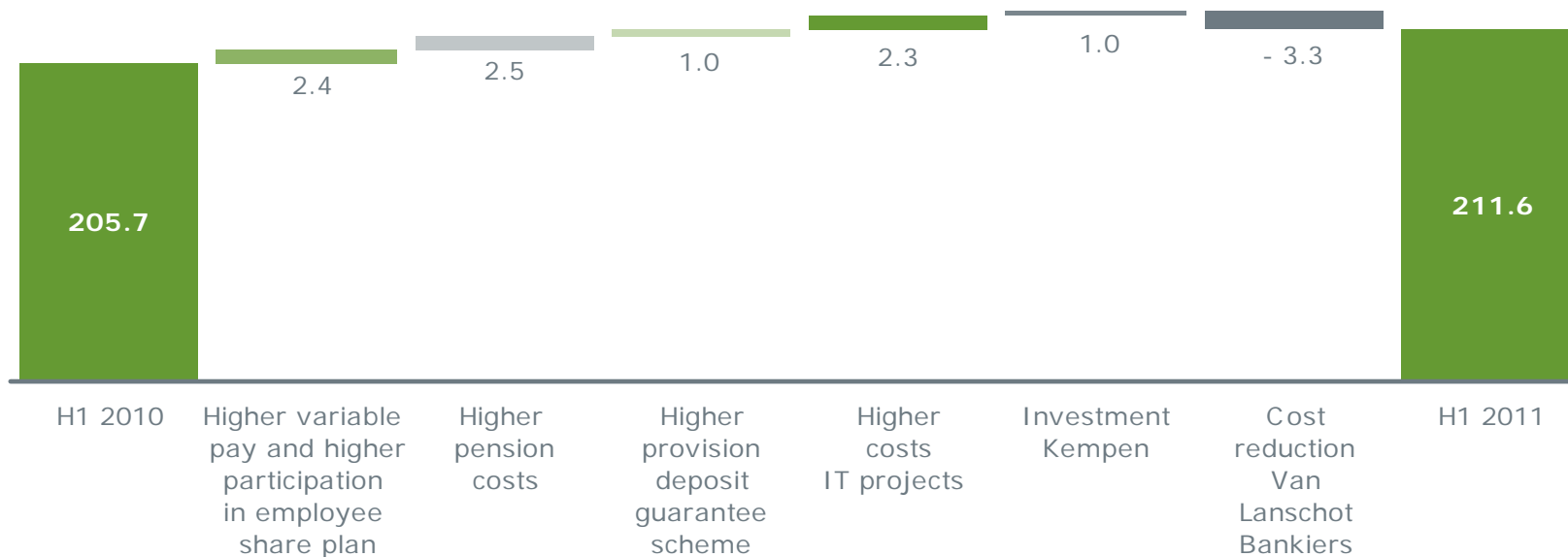


- Staff costs up 4% on H1 2010 to € 113.8 million
  - Higher variable pay and higher participation in employee share plan
  - Higher pension obligations
  - Number of FTEs decreased to 2,010 at 30 June 2011 (Van Lanschot 1,612; Kempen 398) (30 June 2010: 2,042 FTEs; Van Lanschot 1,654; Kempen 388)
  
- Other administrative expenses up 1% on H1 2010 to € 79.5 million
  - Extra addition to deposit guarantee scheme for DSB

# Strict focus on cost control

- Increase in operating expenses due to higher staff costs, additional costs related to legal and regulatory requirements and investments in IT and asset management
- Partly compensated by cost reduction at Van Lanschot Bankiers

## Operating expenses (€ million)

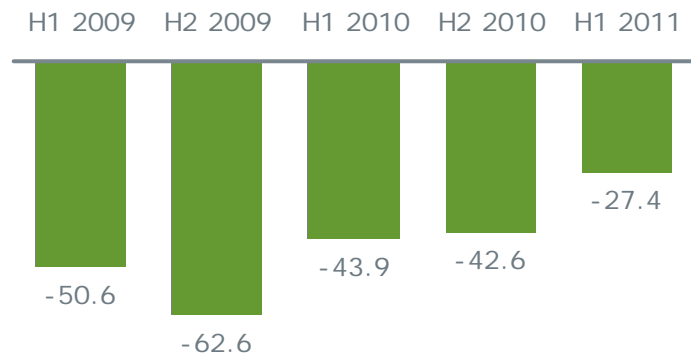




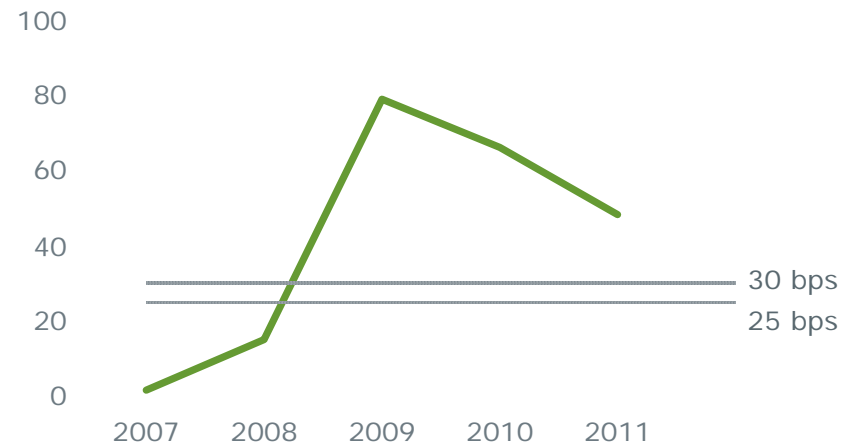
# Trend of decrease in loan losses continues

- Addition to loan loss provision down 38% to € 27.4 million (H1 2010: € 43.9 million)
- Addition to loan loss provision represents 48 bps (annualised) of average risk-weighted assets (H1 2010: 64 bps annualised)

Addition to loan loss provision (€ million)



Addition to loan loss provision (bps)\*



# Balance sheet is for the client

Total assets € 19.3 billion

No exposure to Greece, Spain, Portugal, Italy and Ireland  
 76% of available-for-sale investments have a triple-A rating  
 86% of financial assets designated at fair value through profit or loss have a triple-A rating

Nearly half of the loan book consists of residential mortgages  
 The core activities of Van Lanschot take place in its home markets the Netherlands and Belgium

Cash and balances withdrawable with banks	1.6
Financial instruments	1.5
Loans and advances	15.1
Other	1.1

Due to banks	0.8
Savings and deposits	13.2
Issued debt securities	2.5
Other	1.0
Equity	1.8

High funding ratio 87.8%  
 Stable base of savings and deposits

Diversified funding profile (both maturity and source)  
 Issue of 3-year senior unsecured bonds for € 500 million

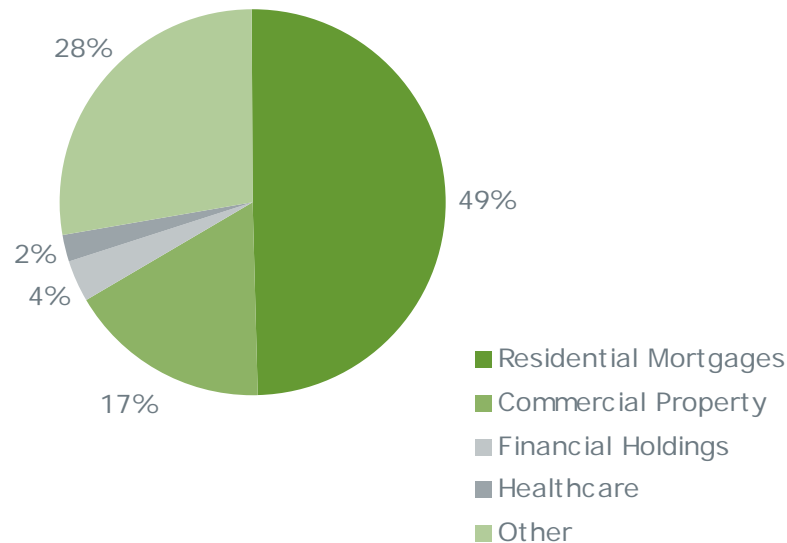
Very low leverage 13.1

Assets

Equity and liabilities

# High quality of loan book

## Loan book by sector at 30 June 2011

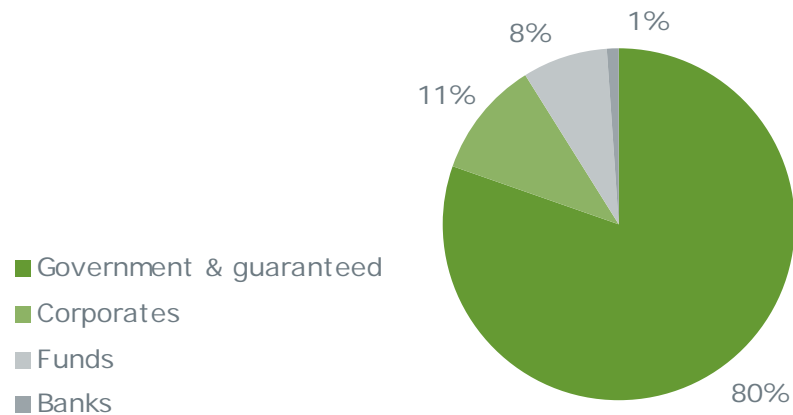


- Nearly half of the loan book consists of residential mortgages
- 97% of the loan book comprises loans and advances in the Netherlands and Belgium
- Average Loan-To-Value of the property portfolio approximately 72%
- New loans provided to target group clients with private banking potential
- Inflow of new loans to the Recovery Section is declining further both in terms of number and size

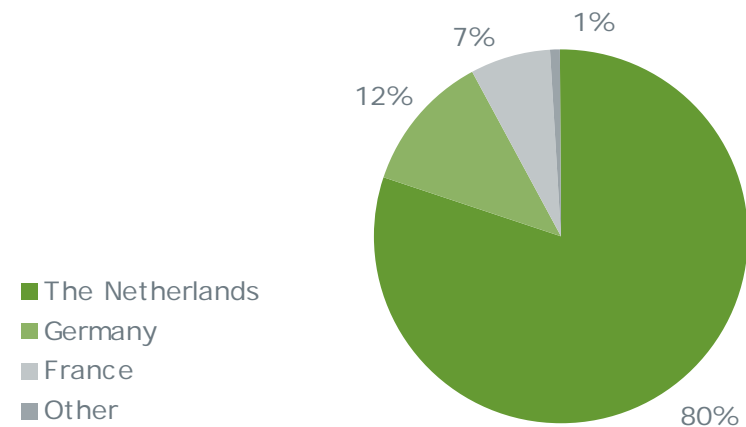
# Low risk investment and trading portfolio

- Total investment and trading portfolio of € 1.5 billion
- Government bonds and government guaranteed bonds held for liquidity purposes
- Only government bonds of the Netherlands, Germany and in small amounts France, Switzerland and Canada

**Investment and trading portfolio by counterparty at 30 June 2011**



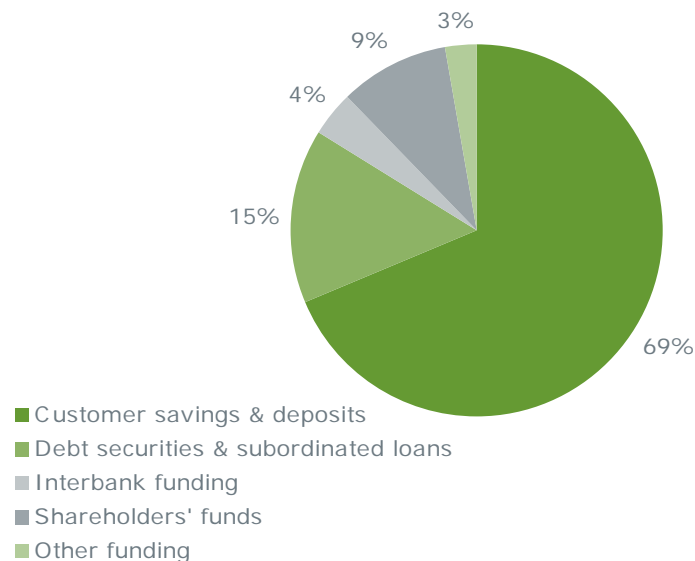
**Investment and trading portfolio by country at 30 June 2011**



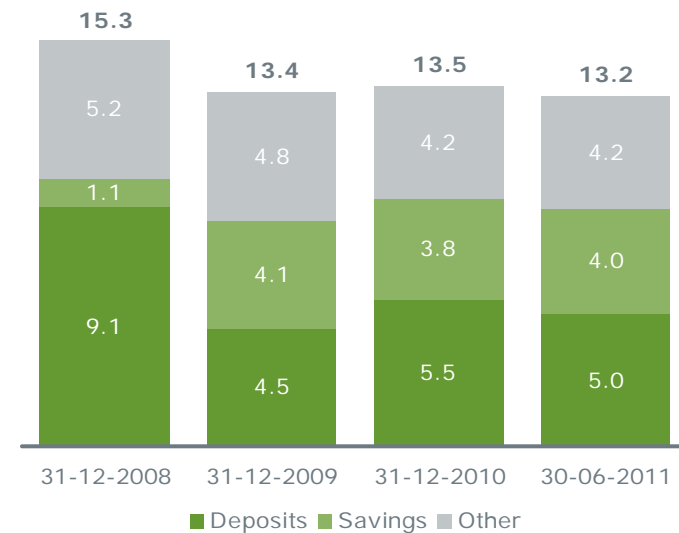
# Funding consists mainly of funds entrusted by clients

- Funding ratio 87.8%
- Solid funding position based on stable customer savings and deposits
- Van Lanschot issued 3-year senior unsecured bonds for € 500 million in April 2011
- With the aim of diversifying the funding profile, Van Lanschot placed € 750 million of RMBS notes (Citadel) and raised a total of € 410 million in the market through long-term repo transactions at the end of 2010

Funding mix at 30 June 2011

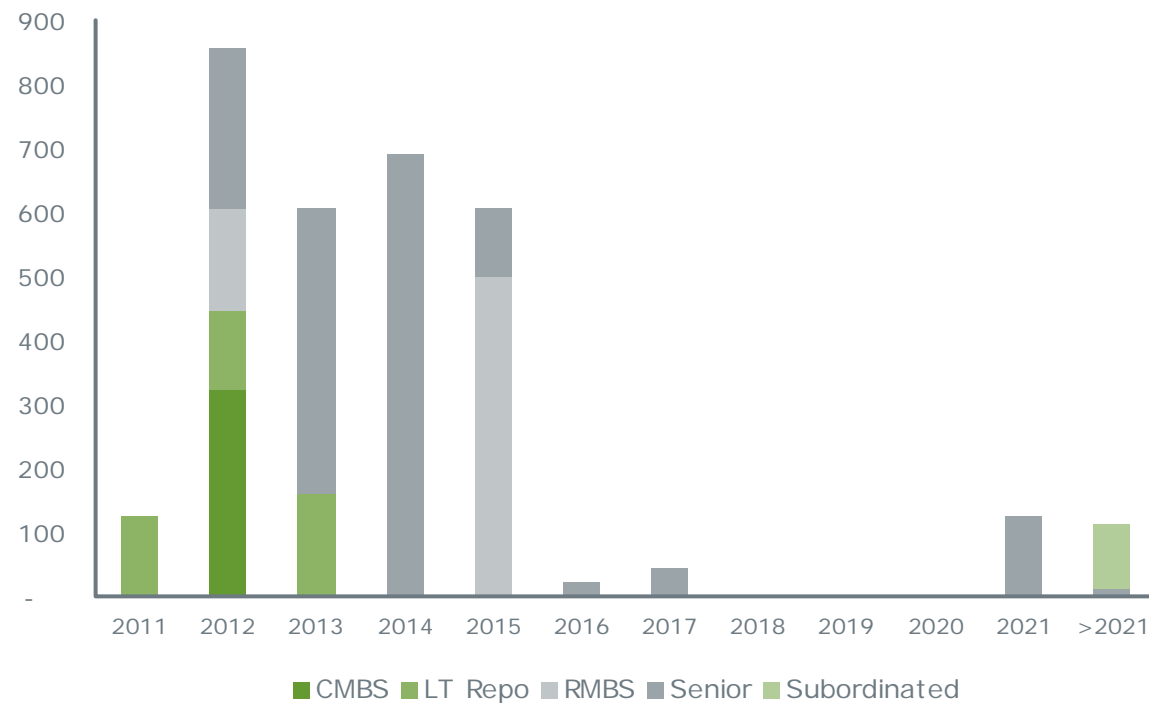


Stable level of funds entrusted (€ billion)



# Good balance of wholesale funding in terms of maturity and funding source

Wholesale funding by maturity (€ million)



- Van Lanschot has been successful in raising funds in wholesale markets in 2010 and 2011
- Diversified wholesale funding: senior unsecured notes, subordinated loans, asset backed funding and long-term repo transactions
- Strong diversification on maturity and funding sources

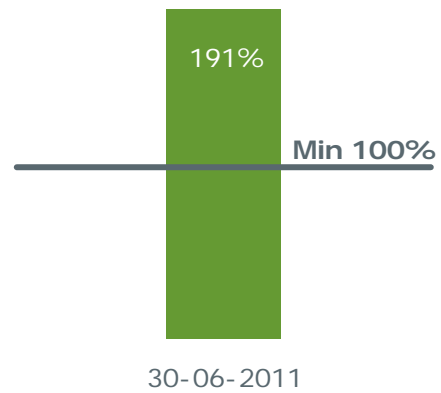
# Van Lanschot meets published Basel III requirements

## PRO FORMA AT 30 JUNE 2011 UNDER BASEL III

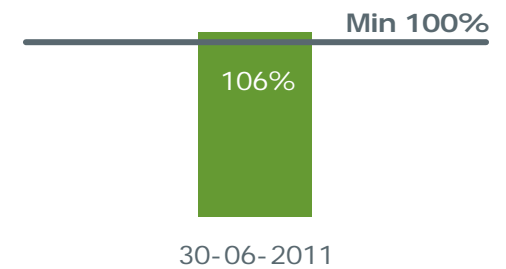
### Leverage



### Liquidity Coverage Ratio



### Net Stable Funding Ratio



# Summary of H1 2011

## Solid capital and funding position

- Core Tier I ratio 10.2%, Tier I ratio 12.7%, BIS ratio 14.0%
- The balance sheet is for our clients: very low leverage 13.1
- Funding ratio 87.8%; long-term funding position strengthened by raising wholesale funding
- Reconfirmation Single A- (stable outlook) credit rating by Standard & Poor's in July 2011

## Growth in assets under management results in higher commission

- Assets under management +5% to € 37.3 billion
- Inflow of net new money € 1.9 billion, mainly in discretionary mandates
- Total client assets +3% to € 50.5 billion
- Commission +7% to € 123.2 million
- Securities commission +9% to € 93.9 million

## Good operating profit in H1 2011

- Income up 1% on H1 2010
- Addition to loan loss provision down 38%
- Operating profit before tax € 47.7 million
- Net profit € 40.8 million
- Earnings per ordinary share € 0.87



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- **Focus on both growth and solidity**

Floris Deckers, CEO

- **2011 half-year results**

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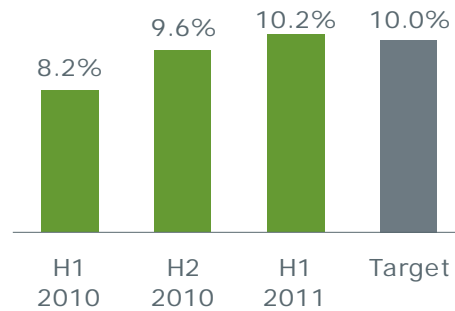
- **Q&A**

# Van Lanschot's strategy on track in 2011

<b>Mission</b>	To offer high-quality financial services to high net-worth individuals, entrepreneurs and other select client groups, whereby the interest of our clients is leading		
<b>Vision</b>	Van Lanschot aims to be the best private bank in the Netherlands and Belgium		
<b>Targets</b>	To be able to measure the achievement of its vision, Van Lanschot has formulated targets relating to clients, employees, and financial ratios; Van Lanschot aims to realise the targets in harmony with all its stakeholders		
<b>Strategy</b>	<ol style="list-style-type: none"><li>1. Focus on private banking</li><li>2. Enhance commercial effectiveness</li><li>3. Invest continually in service quality</li><li>4. Maintain a solid profile</li></ol>		
<b>Core Values</b>	<table><tr><td>Ambitious Independent</td><td>Committed Professional</td></tr></table>	Ambitious Independent	Committed Professional
Ambitious Independent	Committed Professional		

# Financial targets

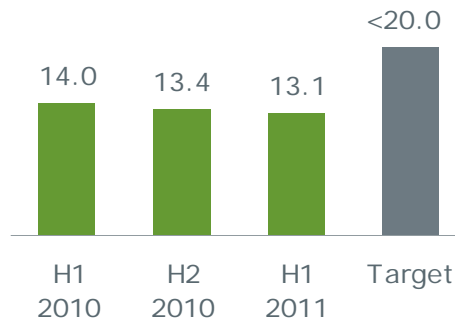
## Capital



**Core Tier I ratio: at least 10.0%; increasing in the future to 12.0%**

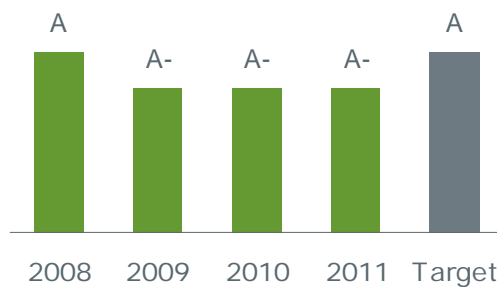
- *Improved capital position to be realised through profit retention, dividend policy and balance sheet management*

## Leverage



**Leverage less than 20**

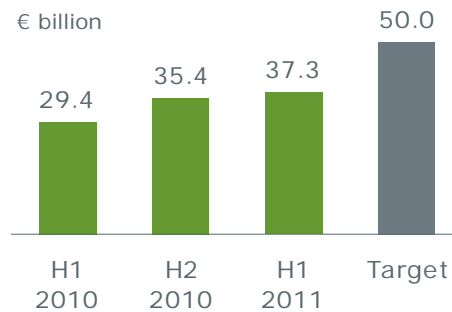
## Credit rating



**Credit rating: Single A from at least 2 credit rating agencies**

# Financial targets

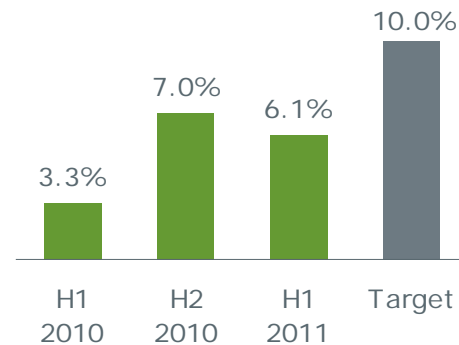
## Market share



### Achieve higher growth in our target group markets

- Assets under management growing towards € 50 billion by year-end 2013 (including expected market performance)

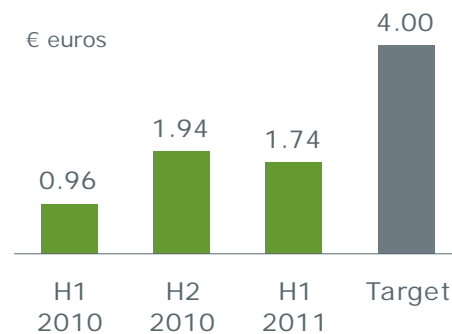
## Return on Equity\*



### Within 12 - 18 months approximately 10%, in the medium term higher than 12%

- Equity is defined as Core Tier I capital

## Growth earnings per share\*



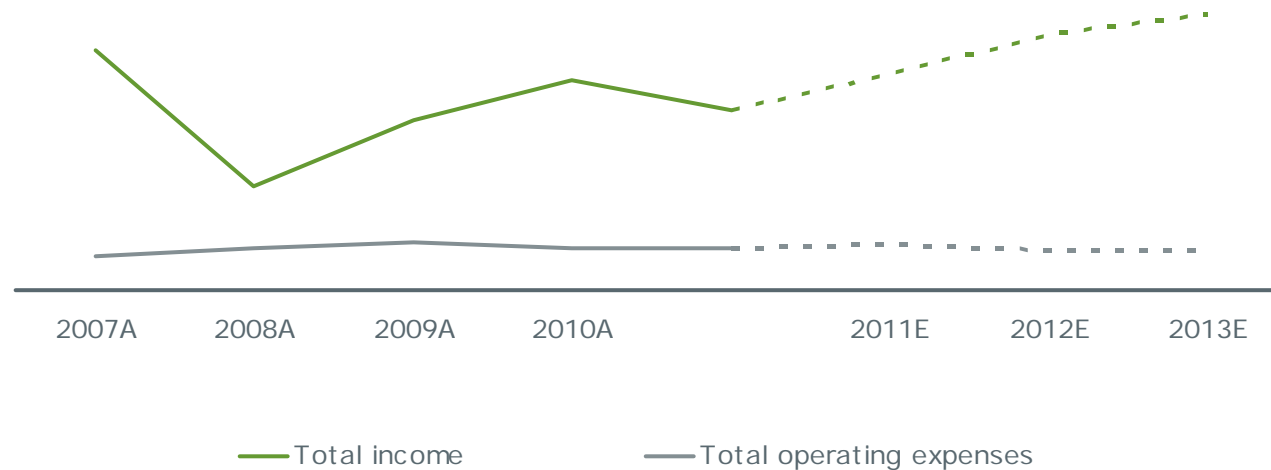
### At least 5% per annum

- Long-term target after a return to normal profit levels of at least € 4 per share in 2013

# On track to normal profit levels

- Higher income driven by inflow of assets under management and increased management fee
- Investments in service quality combined with strict cost control will eventually lead to cost reductions
- Should the economic recovery continue, loan losses are expected to decline further

## Expected development of income and operating expenses

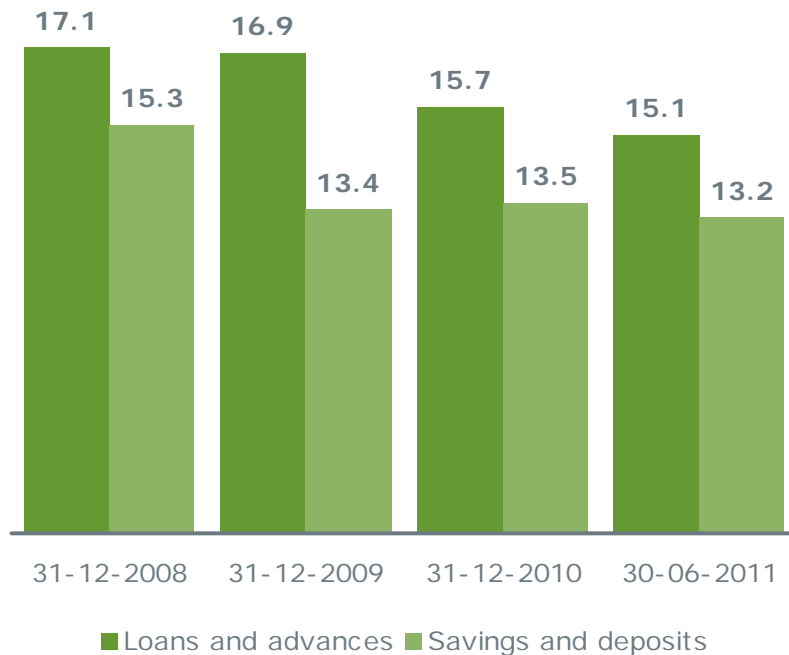


# Interest margin influenced by market trends

Key factors which influence the interest margin:

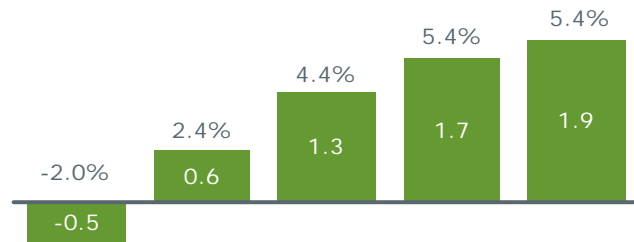
- Development of interest rates on savings and deposits (+/-)
- Development of volumes (+/-)
- Repricing of the loan book (+)
- Raising wholesale funding within the scope of Basel III requirements (-)

## Loan book and entrusted funds (€ billion)



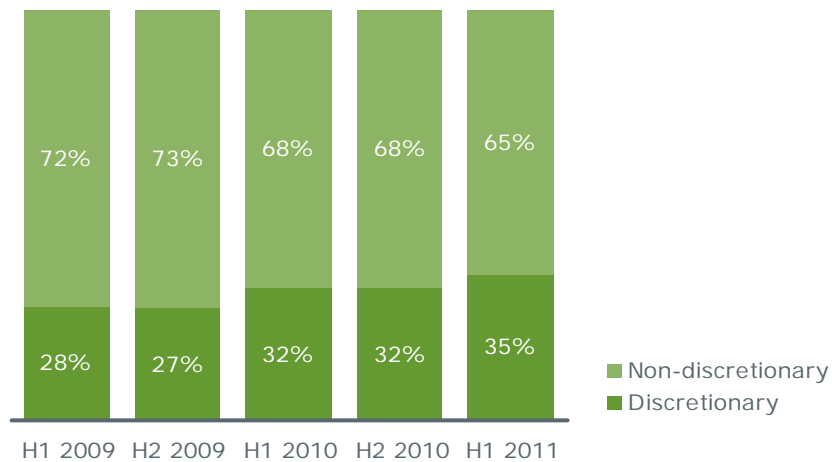
# Higher commission driven by strong increase in assets under management and shift to discretionary mandates

Net inflow AuM (€ billion)

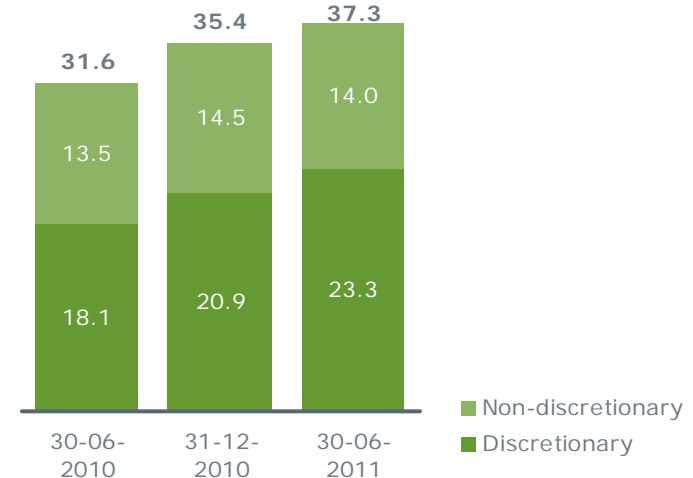


H1 2009 H2 2009 H1 2010 H2 2010 H1 2011  
% related to total amount of AuM at the start of the period

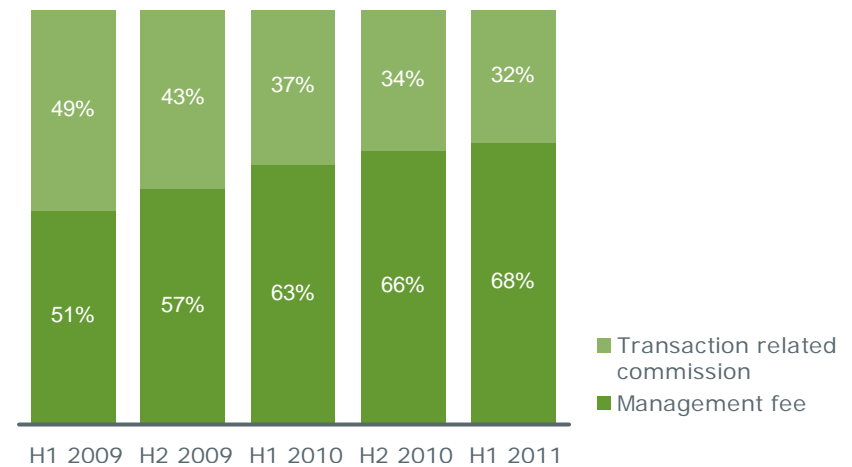
Assets under discretionary management  
Private & Business Banking



Total assets under management (€ billion)



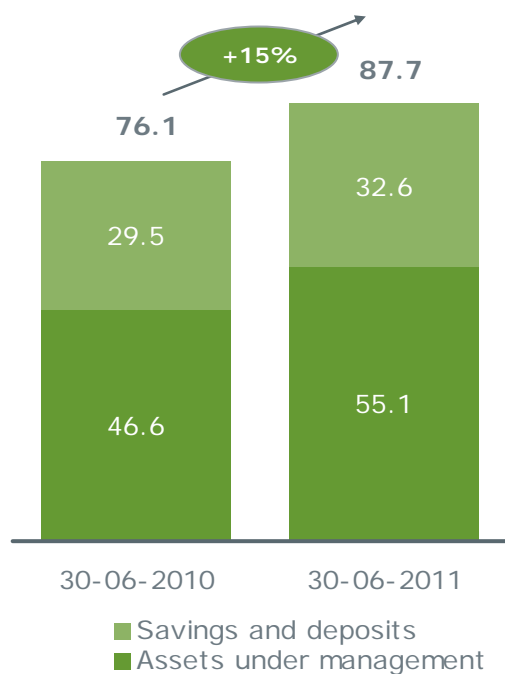
Management fee and transaction commission



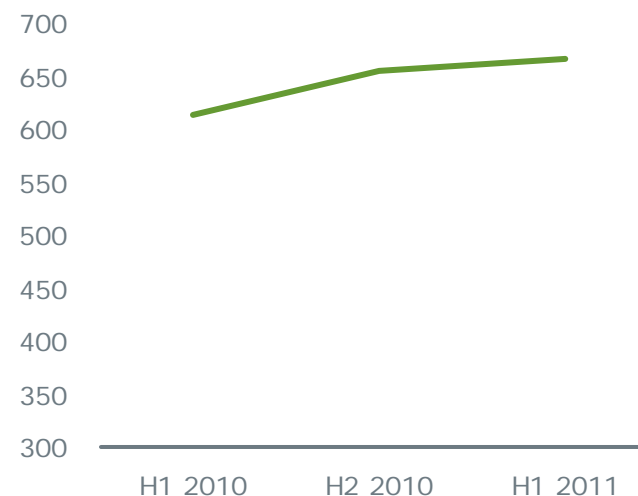
# Increase in assets under management and income per CRO

- Client assets per Client Relationship Officer (Private & Business Banking) up 15% on H1 2010 to € 87.7 million
- Income per CRO up 9% on H1 2010 to € 0.7 million

Client assets per CRO (€ million)



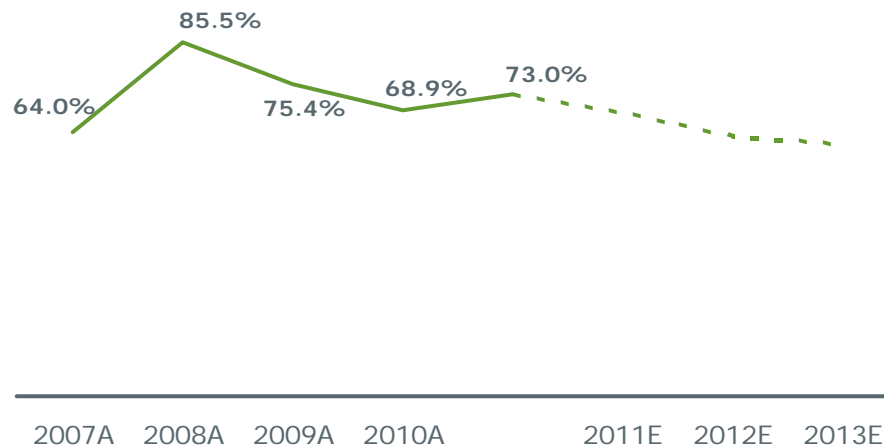
Income per CRO Private & Business Banking (€ thousand)





# Maintaining focus on operational efficiency

## Expected development of efficiency ratio (%)



- Investments in service quality to clients and investments in staff and IT continue
- Increased costs due to implementation of new legal and regulatory requirements and increasing supervision
- Strict focus on target group clients will lead to more efficient deployment of CROs
- Shift to discretionary mandates generates operational leverage
- New systems, organisation of branch network and bundling of expertise at the offices will lead to more efficiencies

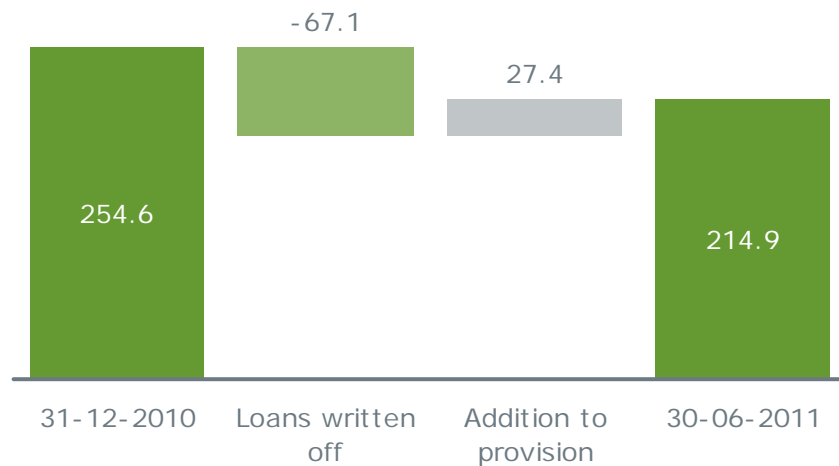
# Investments in Operational Excellence

<b>Securities</b>	<ul style="list-style-type: none"><li>- Introduction Execution Only (EO) in H1 2011 (Stage I)</li><li>- Combination of BankView/eXimius leading for securities workflow</li><li>- Gradual implementation per client group</li><li>- Next stages concern advisory, discretionary asset management and eBankView</li></ul>
<b>Process optimisation</b>	<ul style="list-style-type: none"><li>- Account opening process for current, savings and securities accounts completed for new clients</li><li>- Electronic communication for new and existing clients</li><li>- Reduction double data entry between front and mid-office</li><li>- Selection of platform completed</li></ul>
<b>Online services</b>	<ul style="list-style-type: none"><li>- VIPinvest under Van Lanschot label</li><li>- Upgrade 'Beleggers Giro' system in H2 2011</li><li>- Additional functionality aimed at investment proposition (e.g. development 'VIPinvest Regie-Advies', Execution Only platform)</li></ul>
<b>Other</b>	<ul style="list-style-type: none"><li>- Product range and product features rationalisation</li><li>- Further steps to outsourcing, e.g. payment platform</li><li>- Review started into optimisation of lending systems</li></ul>

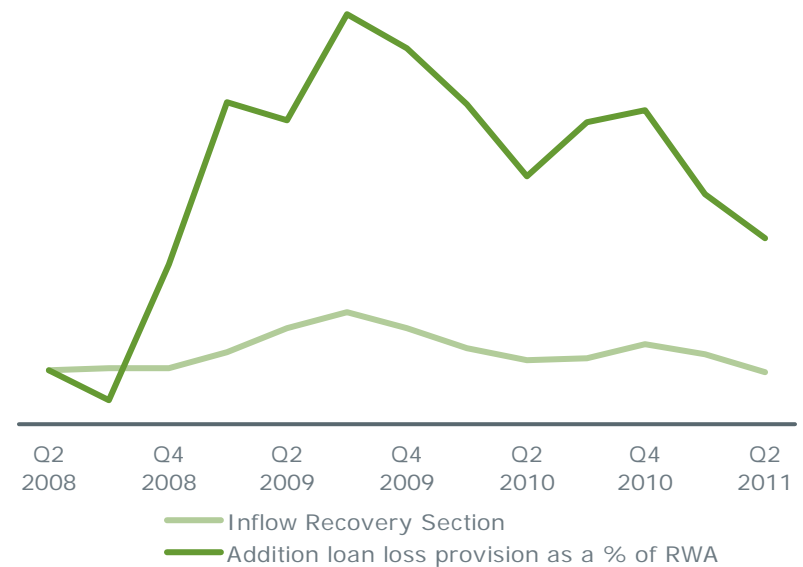
# Risk management remains a priority

- Addition to loan loss provision of 48 bps (annualised) of average risk-weighted assets (H1 2010: 64 bps annualised)
- Inflow of new loans to the Recovery Section is declining further both in terms of number and size
- Further decline of loan losses dependent on economic recovery continuing

Movement in loan loss provision (€ million)



Inflow Recovery Section and addition to loan loss provision as % of the average RWA



# Van Lanschot is a bank with a low risk profile

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## **CLEAR BUSINESS MODEL**

- Strategy aimed at onshore private banking
- Full-service offering for high net-worth individuals and entrepreneurs
- Relationship model, not a product-oriented bank
- Home markets in the Netherlands and Belgium

## **BALANCE SHEET IS FOR OUR CLIENTS**

- 78% of the balance sheet consists of loans and advances
- No exposures to complex financial instruments, such as sub-prime, CDOs, SIVs, or sovereign debt in Southern Europe and Ireland
- Virtually no trading for own account

## **SOUND BALANCE SHEET**

- Solid capital base
- Low leverage
- Ample liquidity and funding

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- **Focus on both growth and solidity**

Floris Deckers, CEO

- **2011 half-year results**

Constant Korthout, CFRO

- **The best private bank in the Netherlands and Belgium**

Floris Deckers, CEO

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- **Q&A**

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# Disclaimer

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## Forward looking statements

This presentation contains forward looking statements concerning future events. Those forward looking statements are based on the current information and assumptions of the Van Lanschot management concerning known and unknown risks and uncertainties.

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