



Van Lanschot

2012  
**275**  
1737

# 2012 half-year results

AMSTERDAM, 14 AUGUST 2012

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- **Conscious choice for solidity**

Floris Deckers, CEO

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- **2012 half-year results**

Constant Korthout, CFRO

- **Investment and cost reduction programme**

Constant Korthout, CFRO

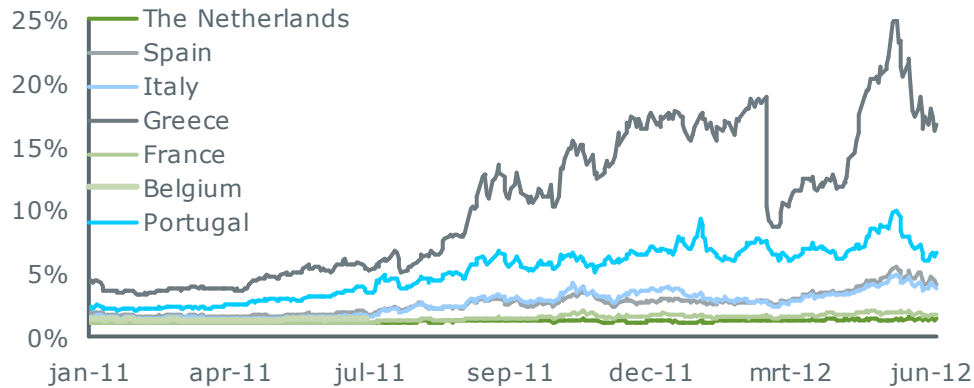
- **The best private bank in the Netherlands and Belgium**

Floris Deckers, CEO

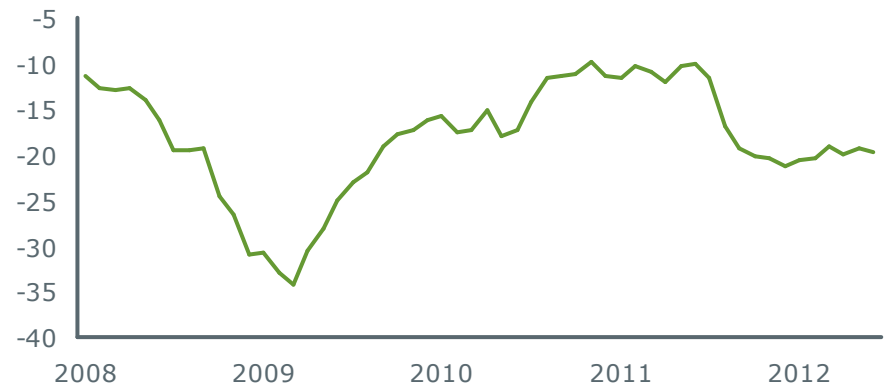
- **Q&A**

# Challenging market conditions continue in 2012

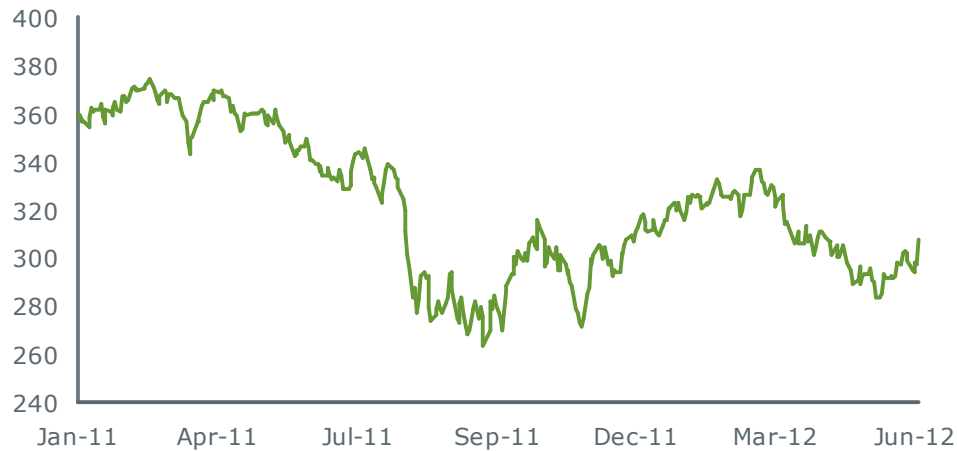
**Interest rate spread 10-year government bonds vs Germany**



**Consumer confidence indicator EU January 2008 – June 2012**



**AEX January 2011 - June 2012**



**AEX Volatility Index January 2011 – June 2012**



# Conscious choice for solidity; clear focus on private banking

Undiminished solid profile  
Core Tier I ratio 11.0% at the upper end of the market  
Comfortable funding and liquidity

Investment and cost reduction programme on track  
Reduction of over 100 FTEs in H1 2012  
The bank is well on track to reduce its cost base to € 380 million

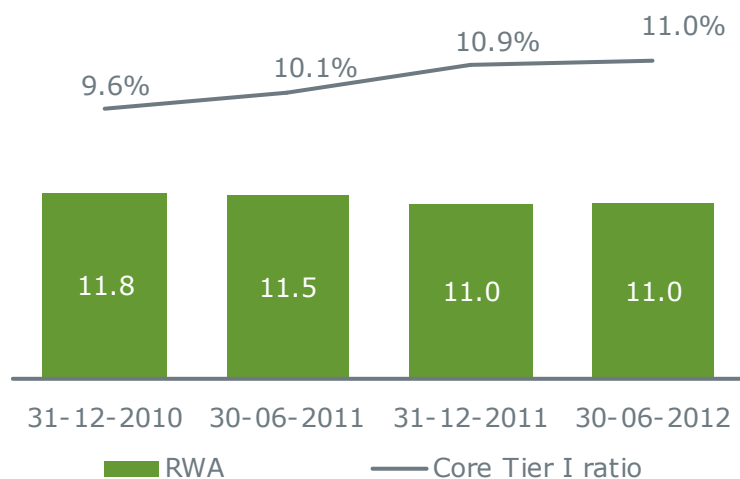
Assets under management up to € 37.5 billion  
Assets under discretionary management for private clients increased from 33% to 35%

Profit recovery held back by higher loan loss provisions  
Underlying net profit € 16.0 million

# Undiminished solid profile

- Core Tier I ratio 11.0%; at the upper end of the market
- Funding ratio 85.3%; the bank is not dependent on the capital markets
- High leverage ratio 8.1%\* (leverage 12.3)
- Stable credit rating since 2009: Single A- (stable outlook) from both Standard & Poor's and Fitch Ratings

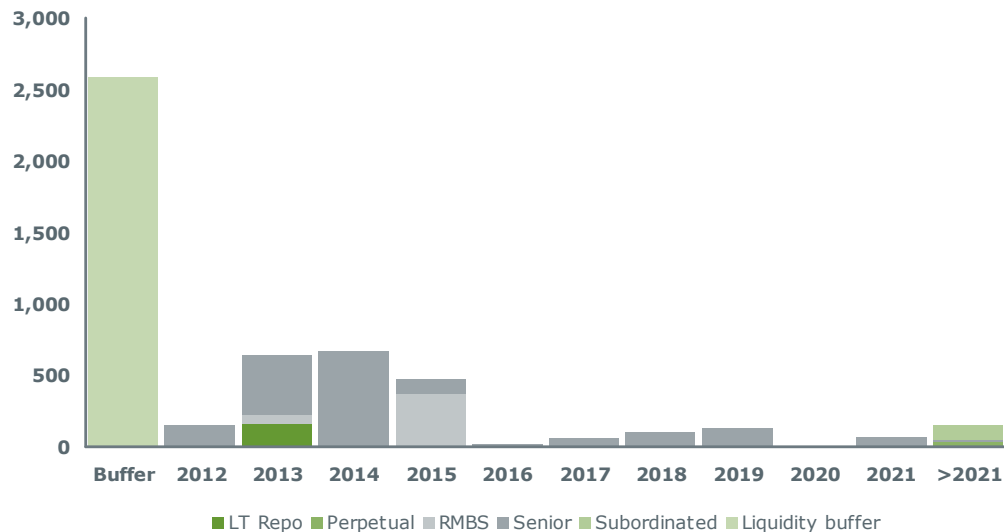
## Risk weighted assets (€ billion) and Core Tier I ratio (%)



\* Current definition of leverage ratio = equity attributable to shareholders / total assets

# Strong funding diversification in terms of maturity and funding sources

## Funding profile by maturity at 30 June 2012 (€ million)

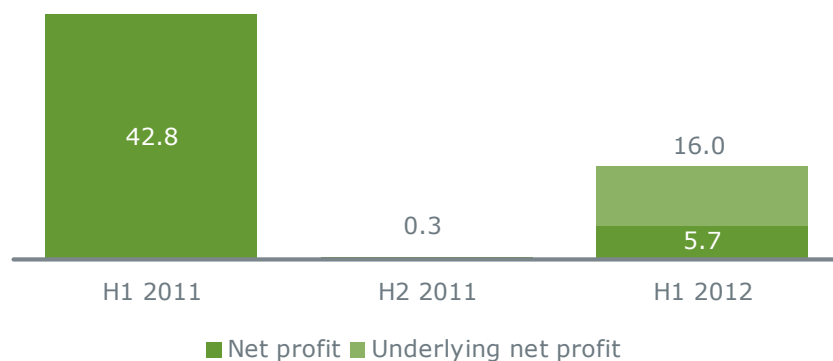


- As a private bank Van Lanschot's activities are traditionally funded by customer savings and deposits; this results in a high funding ratio (85.3%)
- The bank already complies with the Basel III liquidity and funding requirements: LCR 162%, NSFR 104%
- Successful in raising funds on the wholesale markets in 2011 and 2012
- Almost € 300 million of long-term funding raised in first 7 months, including a 7-year retail note (€ 125 million) and placement of RMBS notes (€ 140 million)

# Underlying net profit € 16.0 million

- Profit influenced by:
  - Continuing competition on the savings market, which has an adverse effect on the interest margin
  - Difficult financial markets, making clients reluctant to invest
  - Increase in loan loss provision due to deteriorating economic climate
- The implementation of the investment and cost reduction programme is on schedule

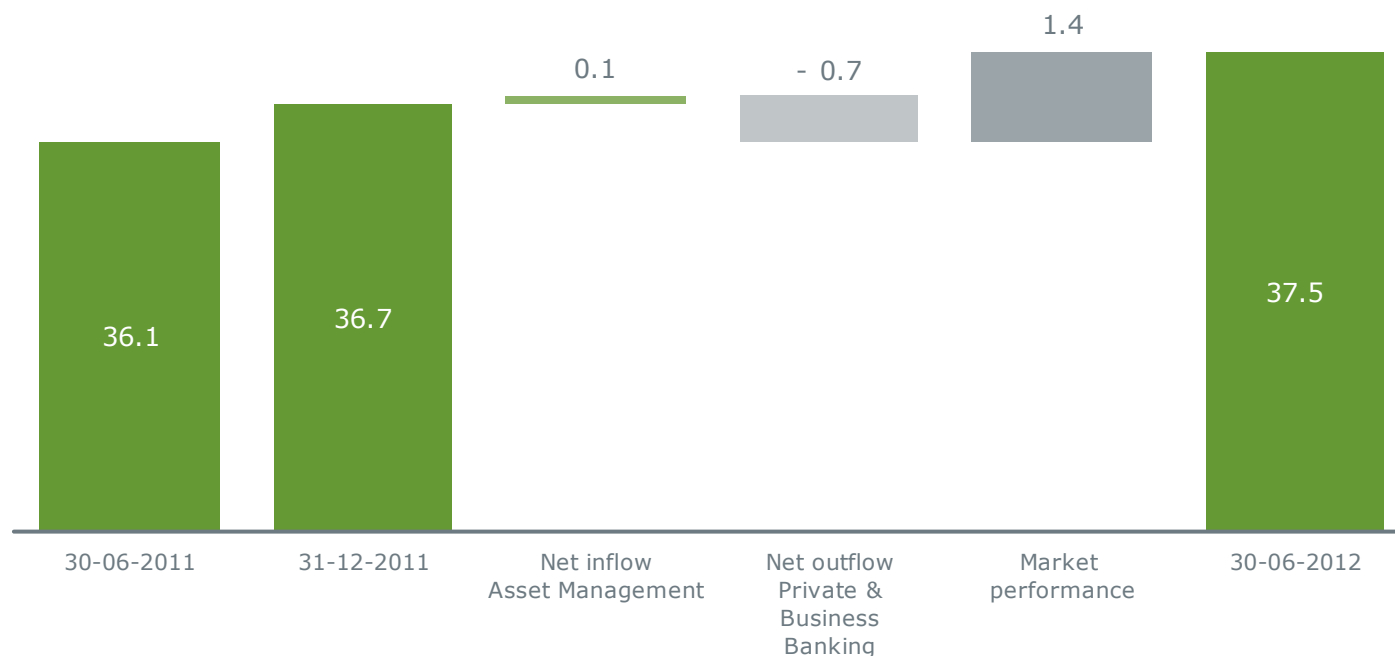
## Net profit (€ million)



# Growth in assets under management thanks to higher equity markets

- Total assets under management +2% to € 37.5 billion
- Outflow at Private & Business Banking due to conscious choice of some clients to liquidate investment portfolios for the purpose of repaying debts
- New mandates in H2 2012 amounting to € 1.8 billion, including the Pension Fund for the Dutch Butchers Industry

## Assets under management (€ billion)





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- **Conscious choice for solidity**

Floris Deckers, CEO

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- **2012 half-year results**

Constant Korthout, CFRO

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- **Investment and cost reduction programme**

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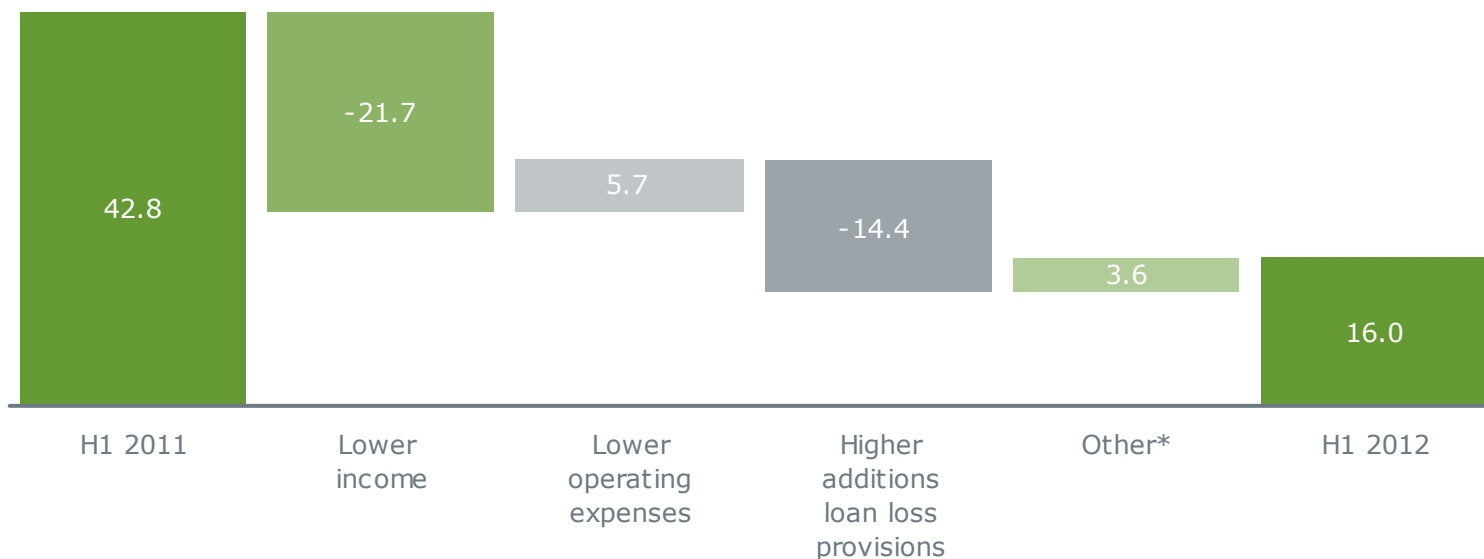
# 2012 half-year results

€ million	H1 2012	H2 2011	H1 2011
Interest	126.2	138.7	142.3
Securities commission	81.4	78.0	93.9
Other commission	24.5	29.3	29.3
Other income	40.6	12.0	28.9
<b>Income from operating activities</b>	<b>272.7</b>	<b>258.0</b>	<b>294.4</b>
Operating expenses	211.3	209.5	217.0
Non-recurring charges	11.9	-	-
<b>Gross result</b>	<b>49.5</b>	<b>48.5</b>	<b>77.4</b>
Addition to loan loss provision	41.8	36.9	27.4
Other impairments	3.5	11.6	3.5
<b>Operating profit before tax</b>	<b>4.2</b>	<b>0.0</b>	<b>46.5</b>
Tax	- 1.3	- 0.3	6.5
<b>Net profit from continuing operations</b>	<b>5.5</b>	<b>0.3</b>	<b>40.0</b>
Discontinued operations	0.2	-	2.8
Net profit	<b>5.7</b>	<b>0.3</b>	<b>42.8</b>
<b>Underlying net profit</b>	<b>16.0</b>	<b>0.3</b>	<b>42.8</b>

# Profit recovery held back by higher loan loss provisions

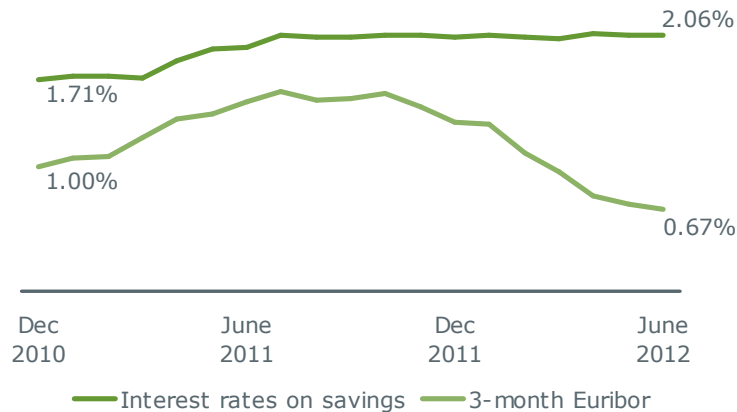
- Income -7% to € 272.7 million; excluding non-strategic investments € 264.4 million
- Operating expenses -3% to € 211.3 million; excluding non-strategic investments € 204.3 million
- Addition to loan loss provision rises to € 41.8 million
- Underlying net profit € 16.0 million
- Net profit (including non-recurring charges) € 5.7 million

## Net profit (€ million)

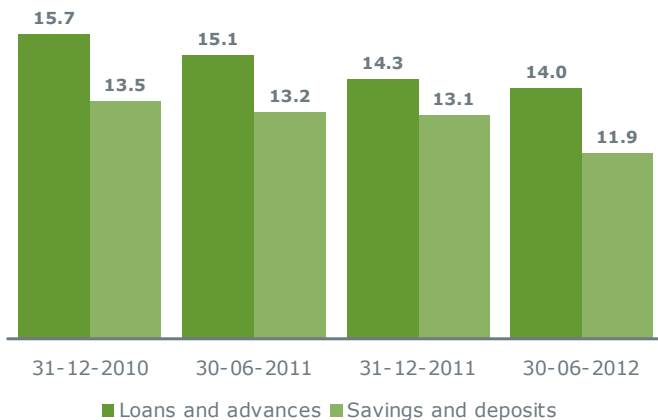


# Interest margin under pressure due to situation on the savings market

## Interest rates\* on Van Lanschot savings



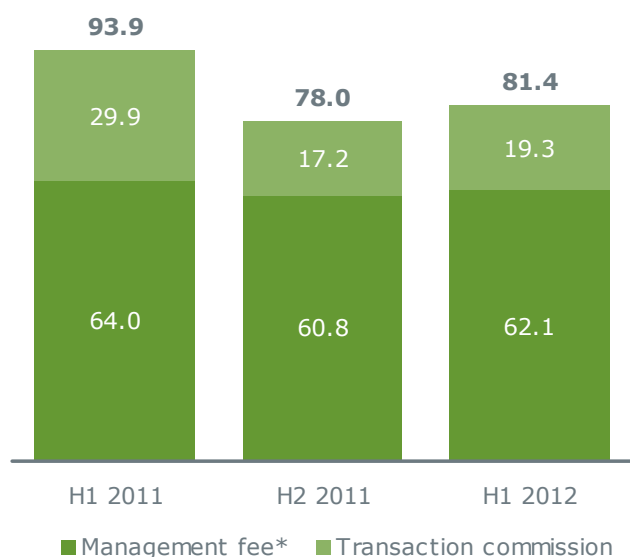
## Volumes (€ billion)



- Interest down to € 126.2 million
  - Interest margin declined to 1.36%
  - Significant decline in Euribor rates in H1 2012 did not lead to a corresponding decrease in savings rates
  - Limited reduction of loan book
  - Decline of savings and deposits
    - Van Lanschot is a price follower
    - Outflow at foreign branches
- Return on the LTRO portfolio of approximately 86 basis points (annualised)

# Positive market sentiment in the first months of 2012 overshadowed by the escalation of the euro crisis

## Securities commission (€ million)

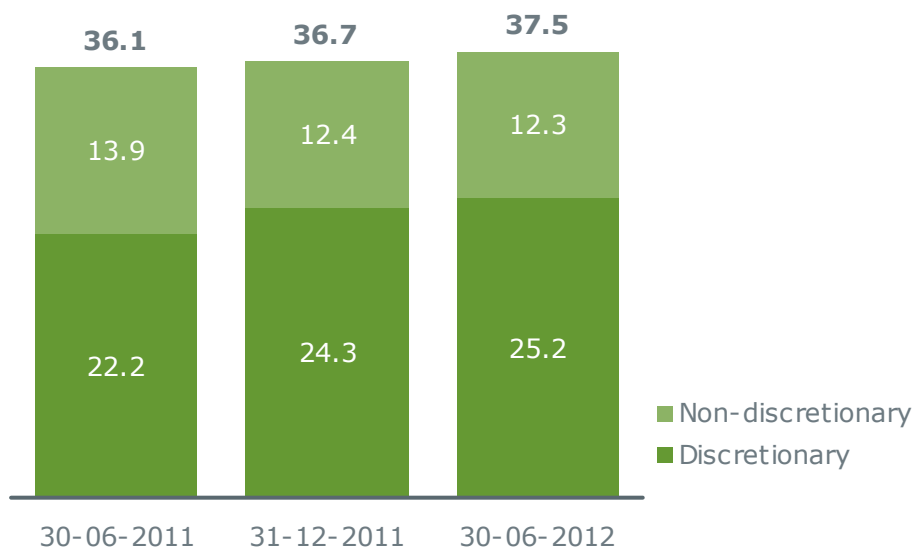


- Higher transaction fee due to increased trading volumes in the first months of 2012 compared with H2 2011
- Increase of assets under discretionary management in H1 2012 leads to slight rise in management fees compared with H2 2011
- Decrease in other commission compared with H2 2011 due in particular to Corporate Finance commission; these are non-recurring fees which are dependent on the timing of individual deals; healthy pipeline

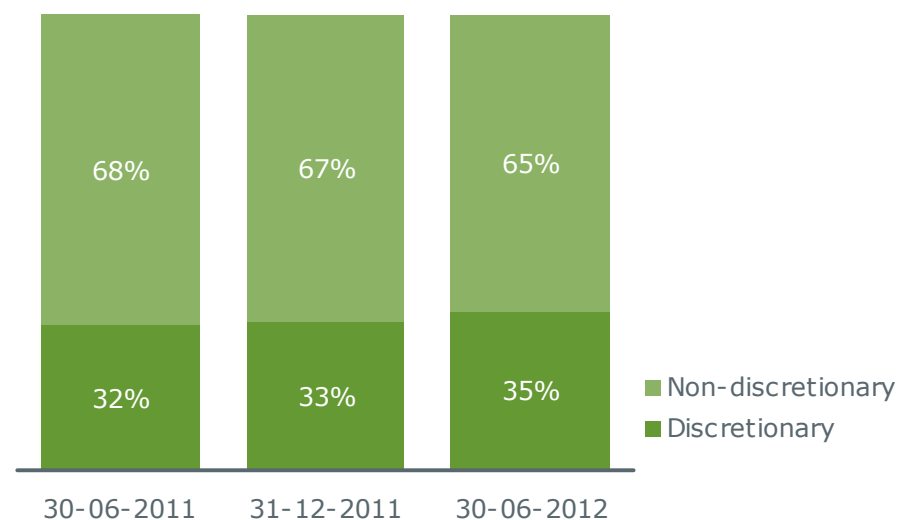
# Growth in assets under management and shift to discretionary mandates

- Shift to discretionary mandates continued in H1 2012
- Assets under discretionary management now comprise 35% of the total assets under management for Private & Business Banking clients (end 2011: 33%)
- Clients with discretionary mandates show higher loyalty; outflow is mainly from non-discretionary funds

**Assets under management (€ billion)**



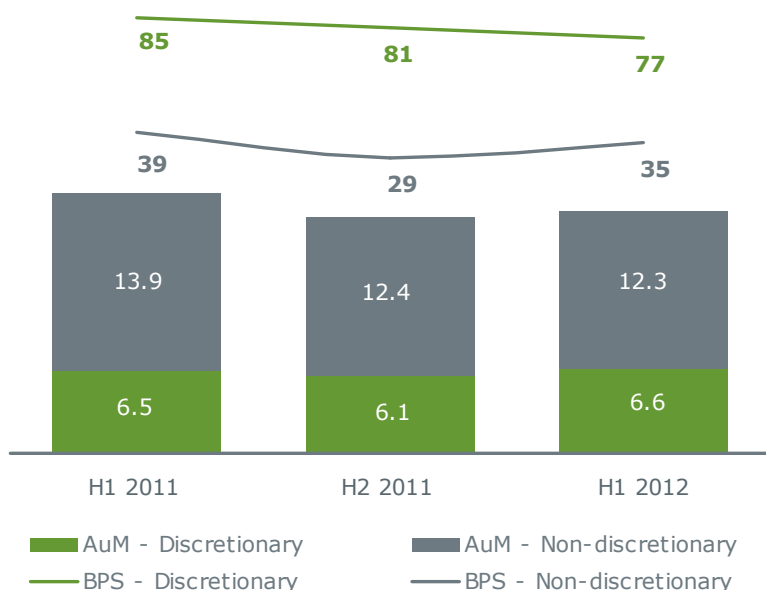
**Assets under discretionary management Private & Business Banking (%)**



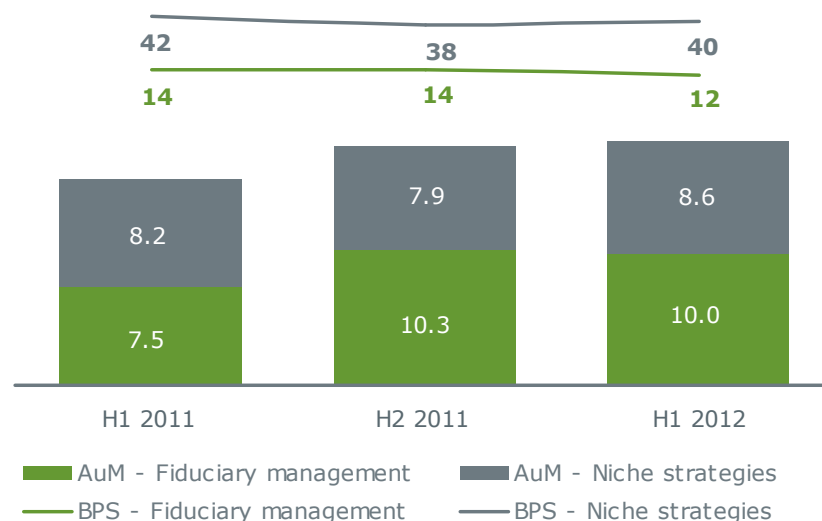
# Assets under Management (AuM) and commission in basis points (bps) by segment

- Stable margins over longer period
- Higher transaction fees in Q1 2012 boosted the margins on assets under non-discretionary management
- Margin on fiduciary management and niche strategies remain relatively stable

**Breakdown of AuM (€ billion) and commission (bps) Private & Business Banking**

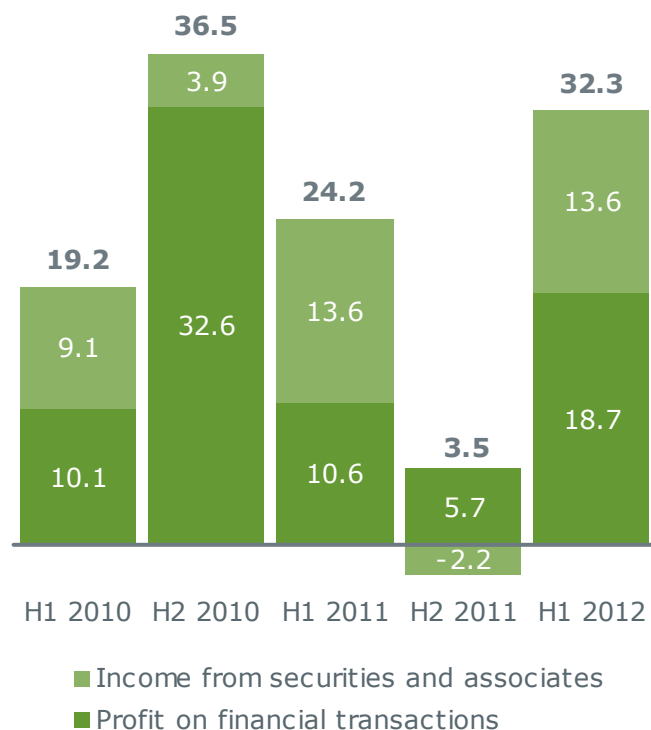


**Breakdown of AuM (€ billion) and commission (bps) Asset Management**



# Total income influenced by profit on financial transactions and income from securities and associates

## Profit on financial transactions and income from securities and associates (€ million)



- In H2 2011, the results were strongly (negatively) impacted by deterioration of the financial markets
- In H1 2012, the results improved compared with H2 2011 due to higher investment income (including Kempen's co-investment book and shareholdings) and higher unrealised gains on interest hedges (in connection with balance sheet duration)



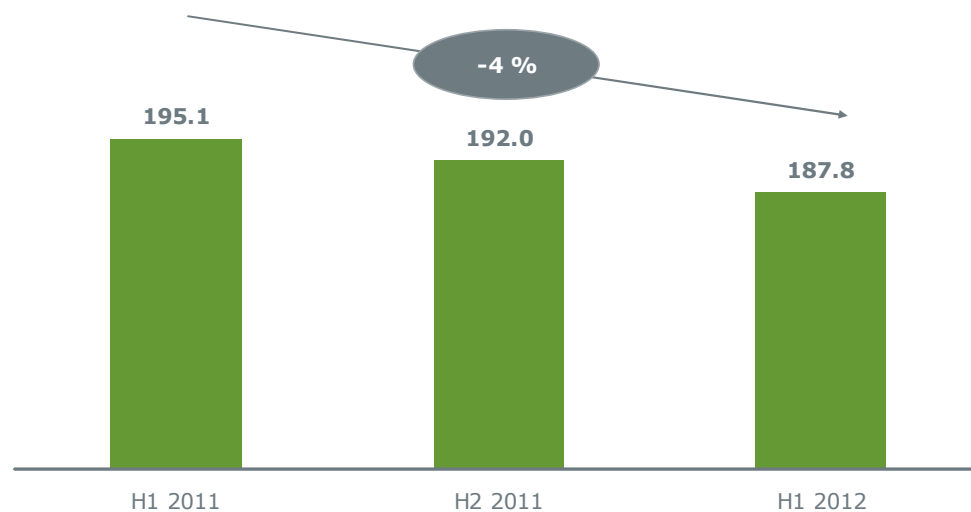
# Decrease in operating expenses

- Total operating expenses excluding non-strategic investments € 204.3 million
- Operating expenses\* show a decline despite:
  - Increased pension obligations due to the release of a provision in H2 2011
  - Non-recurring tax benefit in H2 2011

## Definitions of operating expenses (€ million)

Operating expenses (€ million)	
Consolidated	211.3
Excluding non-strategic investments	204.3
Excluding variable pay and IT project costs	187.8

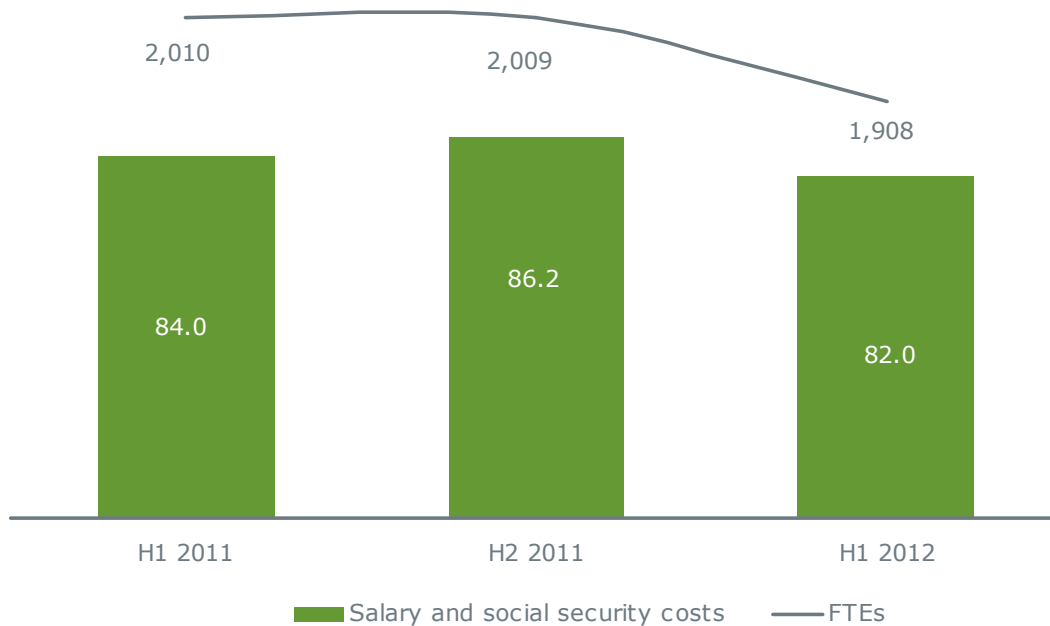
## Operating expenses\* (€ million)



# Investment and cost reduction programme results in lower salary costs

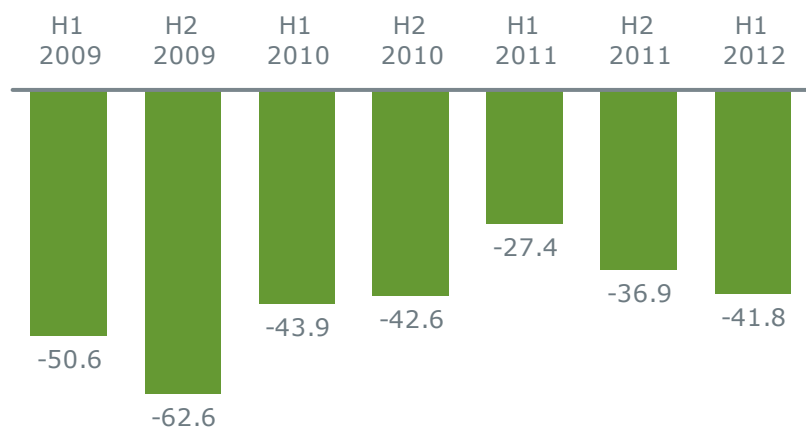
- Lower salary costs as result of FTE reduction: from 2,009 FTEs at 31 December 2011 to 1,908 FTEs at 30 June 2012 (-101 FTEs in H1 2012)
- Salary and social security costs decreased 5% compared with H2 2011 to € 82.0 million

## Salary and social security costs (€ million) and number of FTEs



# Increase in loan loss provision due to deteriorating economic climate

## Addition to loan loss provision (€ million)



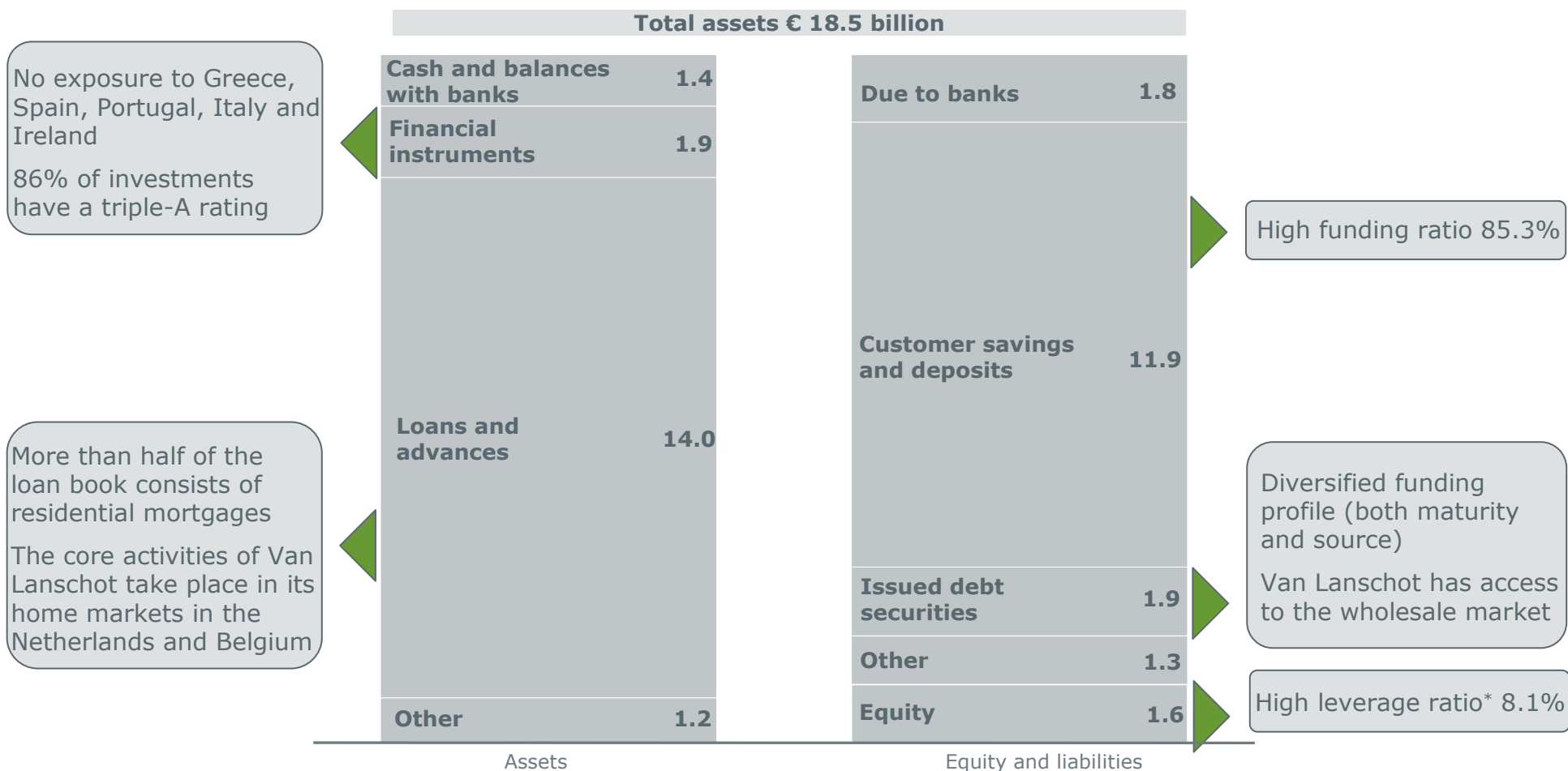
### Loan loss provision

- Addition to provision of 76 bps of average risk weighted assets
- Provision strongly influenced by two larger items
- Addition comprises mainly increases of existing loan loss provisions

### Other impairments

- Impairments on property, investments and shareholdings down to € 3.5 million

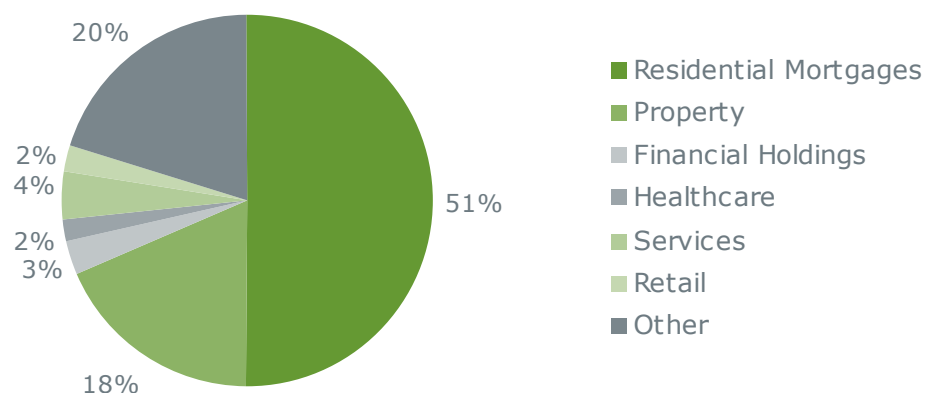
# Balance sheet is for the client



\* Current definition of leverage ratio = equity attributable to shareholders / total assets

# Loan book in line with focus on private banking

## Loan book by sector at 30 June 2012

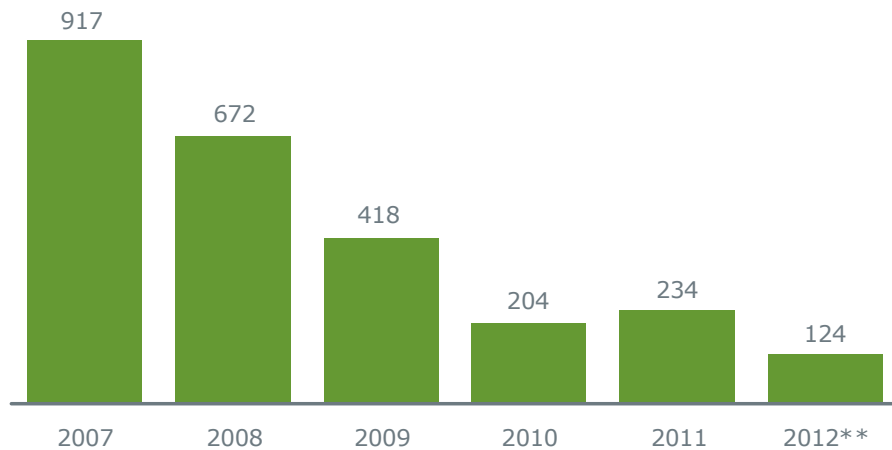


- 94% of the loan book comprises loans and advances in the Netherlands and Belgium; no loans and advances outside Europe
- More than half of the loan book consists of residential mortgages
- Strong diversification in terms of sectors and clients; limited concentrations
- The bank continually reviews the loan book with regard to private banking potential

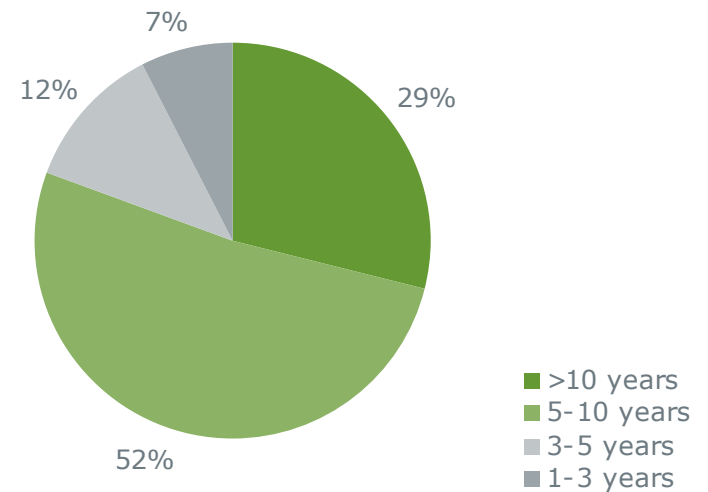
# Mortgage portfolio

- Average mortgage per client is € 456,000 (national average in 2011 € 213,750\*)
- Number of foreclosures in H1 2012 was 15 (total 2011: 12)
- Traditionally low level of additions to loan loss provision for mortgage loans
- Average Loan-To-Value 90% (year-end 2011: 89%)

## Gross new business of mortgages Van Lanschot the Netherlands (€ million)



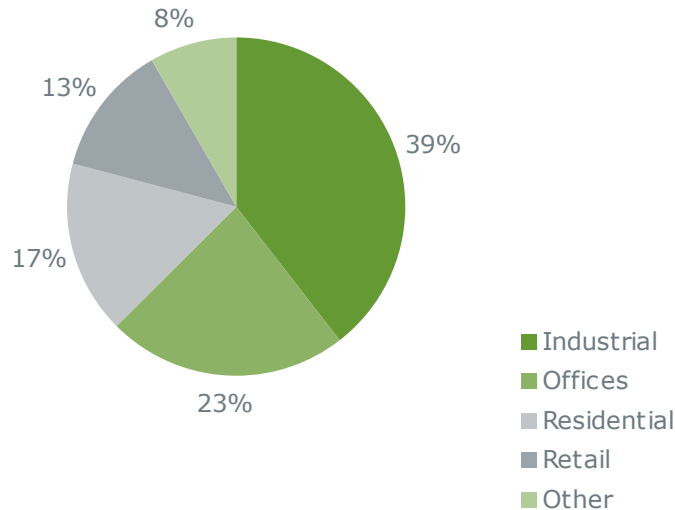
## Mortgage portfolio by maturity at 30 June 2012



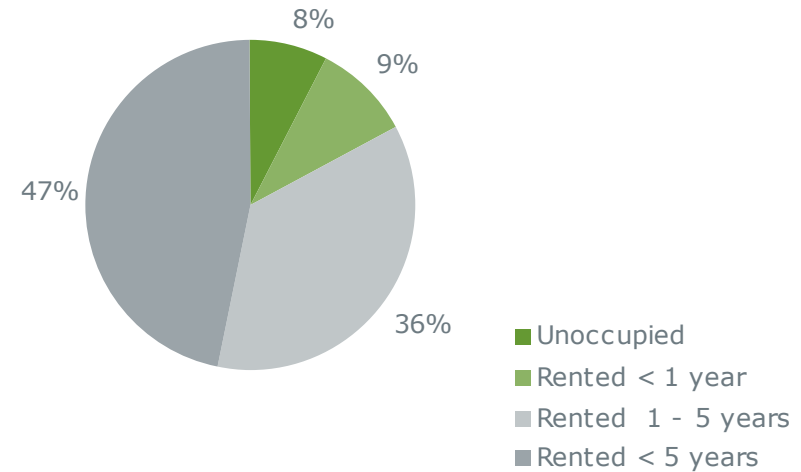
# Property portfolio

- Size of the property portfolio (excluding residential mortgages) at 30 June 2012 amounted to € 2.5 billion and is unchanged compared with year-end 2011
- Average property loan at 30 June 2012 was € 2.5 million
- Average Loan-To-Value 71% (year-end 2011: 70%)
- Vacancy of offices (8%) is far below the national average (15%\*)
- Over 80% of the property is leased for more than a year

**Property by sector at 30 June 2012**



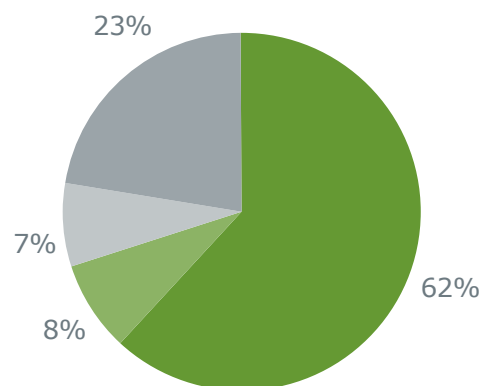
**Occupancy of property at 30 June 2012**



# Diversified investment and trading portfolio with low risk profile

- Total investment and trading portfolio of € 1.9 billion held mainly for liquidity purposes
- Investments resulting from participation in LTRO of € 750 million
- Portfolio comprises mainly Dutch government bonds and small amounts in Austria, Luxembourg and Belgium
- No investments in European peripheral countries

## Investment and trading portfolio by counterparty at 30 June 2012



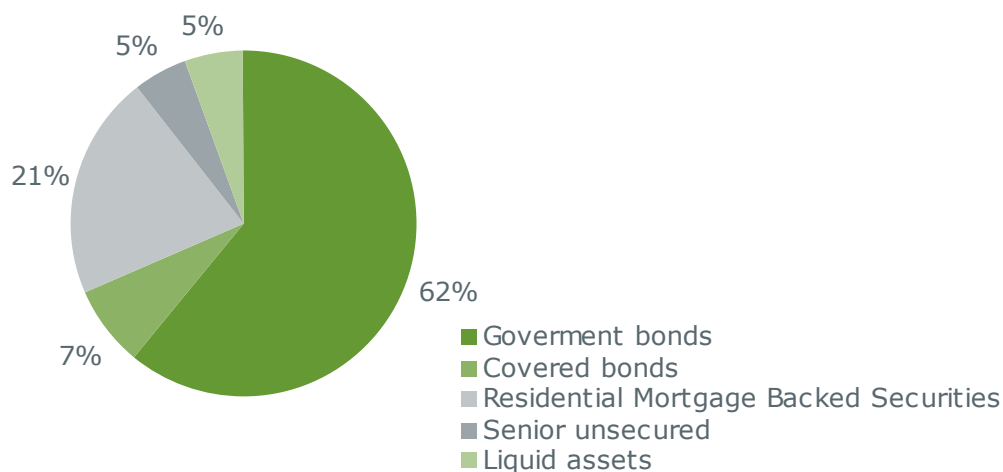
- Government & government guaranteed
- Corporates
- Funds
- Banks



# Healthy returns on LTRO II

- Participation in the LTRO for an amount of € 750 million for a three-year term
- The funds have been invested in a ring-fenced investment portfolio with low risk profile, high liquidity value and/or maturity of three years or less
- Objective is to generate additional returns
- Net return on the portfolio is 86 bps on an annual basis

## Breakdown of the LTRO investment portfolio at 30 June 2012

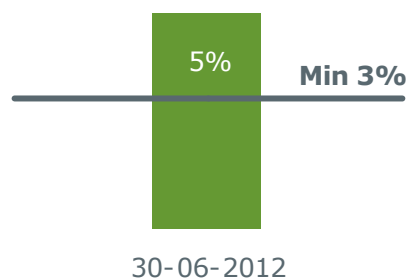


# Van Lanschot already meets the published Basel III requirements

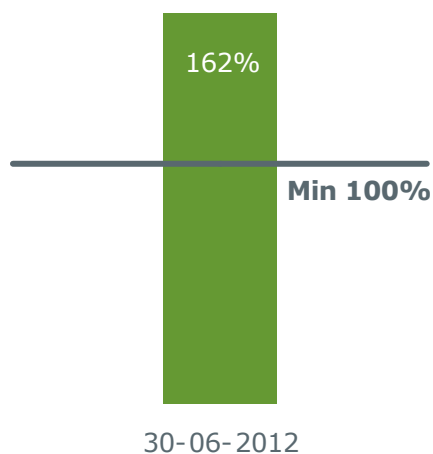
- For several years now Van Lanschot has consistently targeted the Basel III requirements
- Consequently Van Lanschot already meets the Basel III requirements

## PRO FORMA AT 30 JUNE 2012 UNDER BASEL III

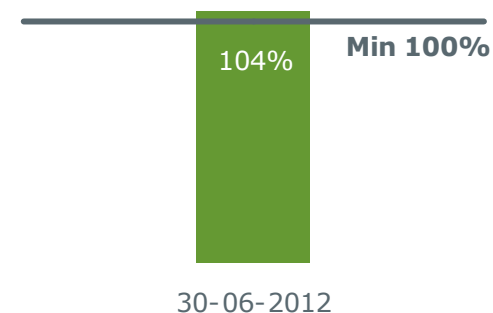
Leverage ratio (%)



Liquidity Coverage Ratio (%)



Net Stable Funding Ratio (%)



# Core Tier I ratio will be impacted by transition to F-IRB and new regulations

## Full IRB

- The IRB approach was already used for about 73% of the loan portfolio at year-end 2011
- The Dutch Central Bank recently agreed to the use of the other non-retail models
- Van Lanschot will use these models to determine the capital ratios with effect from 1 July 2012

## Basel III

- Phased implementation of Basel III from 2013; the expected initial impact at 1 January 2013 is virtually nil
- The bank remains well above the minimum requirement of Basel III of 7.0% and the EBA standard of 9.0%

## IAS 19

- The revised IAS 19 guideline will be effective as of 1 January 2013
- Development of the Core Tier I ratio could be significantly influenced by the implementation of F-IRB, Basel III and IAS 19 revised; the Core Tier I ratio will consequently be more volatile

Combined initial impact:  
decrease of the Core Tier I ratio of approximately 50 to 70 bps

# Conscious choice for solidity and clear focus on private banking

## Undiminished solid profile

- Core Tier I ratio 11.0%
- High leverage ratio 8.1%\*
- Funding ratio 85.3%; not dependent on the capital markets
- Stable credit rating: Single A- (stable outlook) credit rating from Standard & Poor's en Fitch Ratings
- The bank already meets the new Basel III requirements

## Growth in assets under management due to stronger equity markets

- Assets under management +2% to € 37.5 billion
- Assets under discretionary management for Private & Business Banking clients increased from 33% to 35%
- Securities commission +4% to € 81.4 million
- Total client assets more or less unchanged at € 49.4 billion

## Profit recovery held back by higher loan loss provisions

- Underlying net profit € 16.0 million
- Net profit including non-recurring charges € 5.7 million
- Higher addition to loan loss provision € 41.8 million
- Investment and cost reduction programme on track

\* Current definition of leverage ratio = equity attributable to shareholders / total assets

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# Summary of cost reduction initiatives

An investment and cost reduction programme was initiated in H1 2012; under this programme the followings steps have been taken:

## Private & Business Banking

- Regionalisation: five branches closed; another three to be closed in H2 2012
- Concentration of investment and corporate advisory teams

## International Private Banking

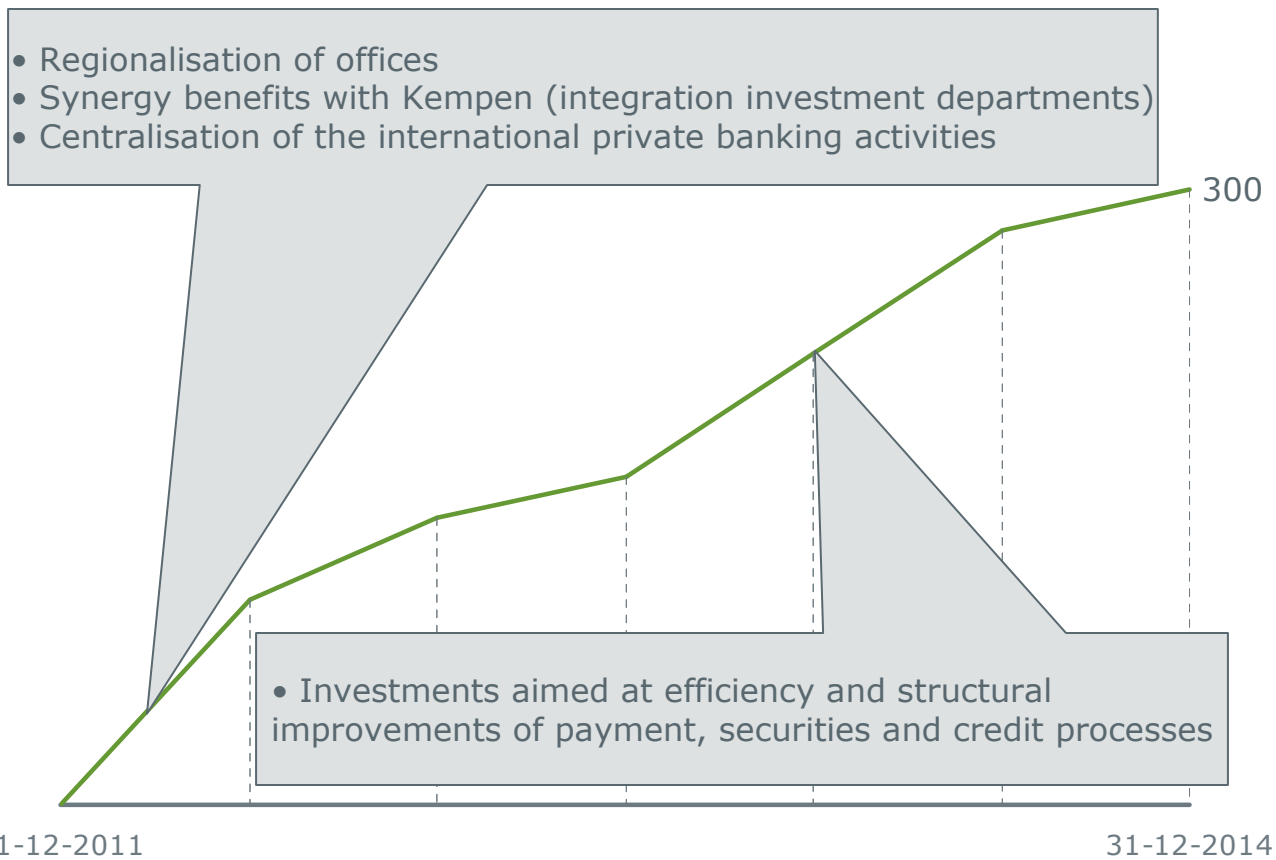
- Decision to sell the activities of Van Lanschot Curacao and Trust
- Closure of Van Lanschot Luxembourg
- International private banking activities to be concentrated in Switzerland

## Other

- Kempen Capital Management has total responsibility for investment policy
- Further initiatives aimed at process improvements

# Timeline for planned FTE reduction initiatives

## Projected FTE reduction based on investment and cost reduction programme

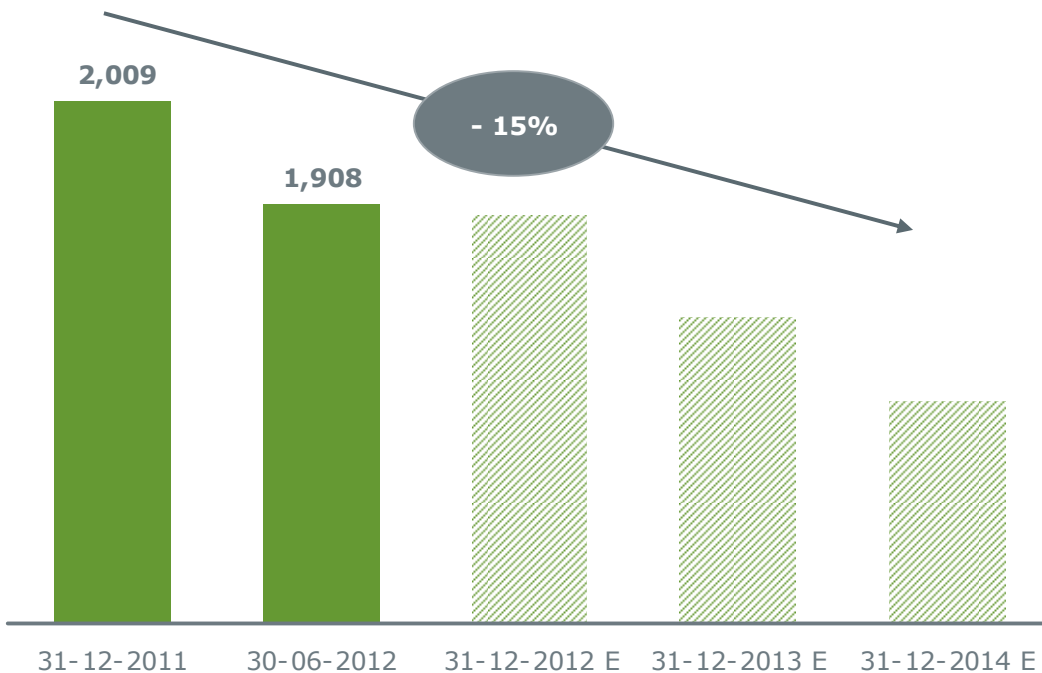


- Future investments mainly in back office processes
- Significant FTE reduction expected as result of investments
- The timing of future investments will determine the projected FTE reduction

# Reduction of over 100 FTEs achieved in H1 2012

- Significant decrease in the number of FTEs (over 100 FTEs) in H1 2012 thanks to effective start of the investment and cost reduction programme
- Investment and cost reduction programme is aimed at achieving a FTE reduction of 15% (approximately 300 FTEs) in the next 3 years
- FTE reduction in the coming years to be achieved through future investments

## Achieved FTE reduction at 30 June 2012

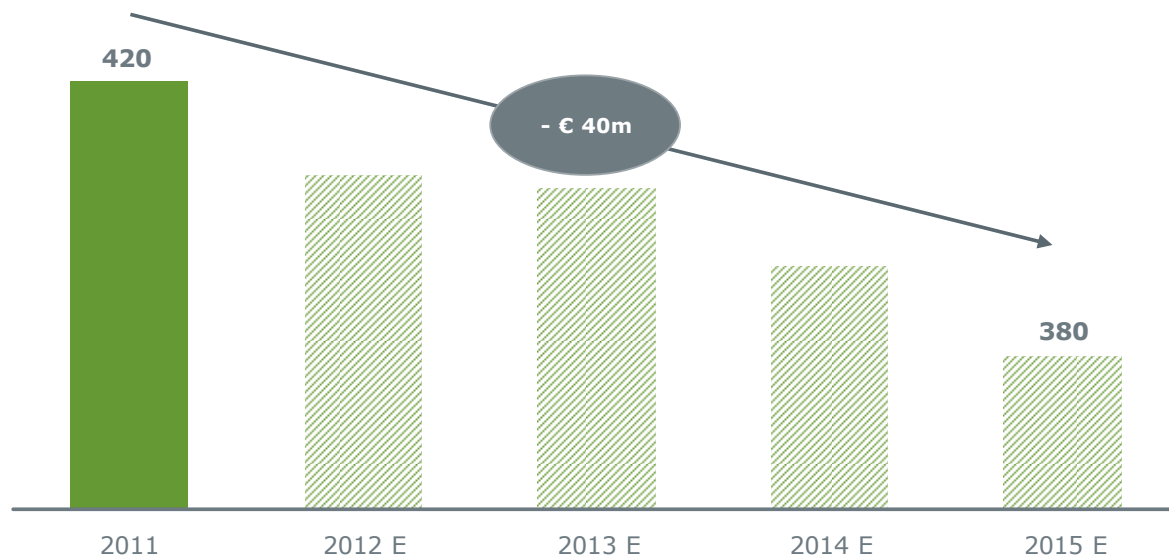




# Reduction of operating expenses on track

- Investment and cost reduction programme is aimed at achieving a runrate of operating expenses of € 380 million\* in 2015
- Target is a gross reduction in operating expenses of € 60 million in 2015 compared with 2011
- Taking into account inflation and further investments, the net reduction is expected to amount to € 40 million

## Projected operating expenses excluding non-recurring charges (€ million)



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- **Q&A**

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# Van Lanschot's strategy: unchanged but accelerated

<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		

# Changing client behaviour due to market conditions

## Lower risk appetite

- Preference for risk averse investments
- Fewer investment transactions
- Investments converted into liquidity
- Staying put: clients reluctant to switch banks

## Deleveraging

- Trend among private clients to repay mortgage and other debts
- Private banking clients have more resources in the form of savings or proceeds from selling investments

## Preference for discretionary asset management

- Increasing number of clients prefer the convenience and performance of discretionary mandates instead of non-discretionary mandates
- Inflow of new money mainly in discretionary mandates

# Superior client proposition

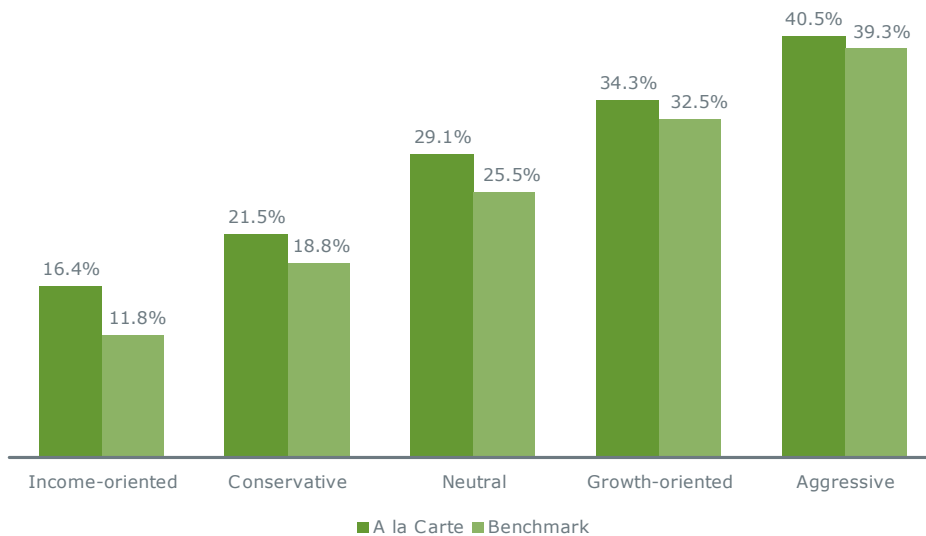
## Wealth planning

- Wealth planning geared to realising the client's wealth objectives
- This approach results in a noticeably higher client satisfaction

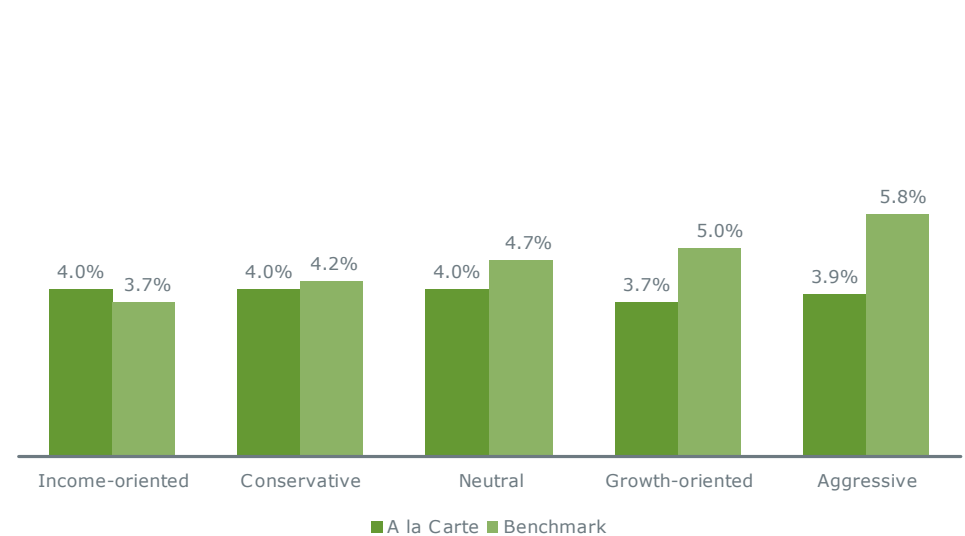
## Proposition

- Asset management: consistent outperformance compared with the benchmark in the long term
- Transparent fee structure – net distribution fees are reimbursed to asset management clients
- Possible introduction of advisory fees

**Performance of A la Carte preferred proposition  
2009 to 2011**



**Performance A la Carte preferred proposition  
H1 2012**



# Large investments have been made in IT

- Further investments and quality improvements in IT have been made
- The main successes have been:
  - Improving online services
  - Merging the securities platform at Kempen
  - Implementing a new securities system
  - Initiating the outsourcing of payment services to Equens

# Corporate Responsibility (CR): part of our DNA for 275 years

Van Lanschot's business model is based on long-term and personal relationships, 'close to home'

Basis of the CR policy: international standards (United Nations) and stakeholder dialogue

Focus on core banking processes

- Responsible lending and investment policy aimed at clean portfolios
- Implementation: engagement strategy; exclusion possible if engagement does not work

Results

- Loan book free of material issues (no violations of human rights, child labour, etc.); portfolio mainly comprises Dutch small and medium-sized entities active in non-sensitive sectors
- Investment portfolio: limited number of engagement cases related to multinational enterprises and investment funds

Rating agencies / NGOs

- Ratings and scores (Transparency Benchmark, Dutch Fair Bank Guide) continue to increase
- May 2012: Forum Ethibel Certificate awarded

In 'normal' market conditions, the recovery of profit comes from income growth

### What is needed for recovery to normalised profit levels?

1. Recovery of capital markets

→ decrease of interest rates on savings

2. Return of confidence in the financial markets

→ return of investors

→ growth in assets under management to € 50 billion

3. Economic recovery

→ Decrease of loan loss provision to normalised level (annual addition to loan loss provision of 25-30 bps)



In the absence of positive market outlook, banks have to lower their cost base

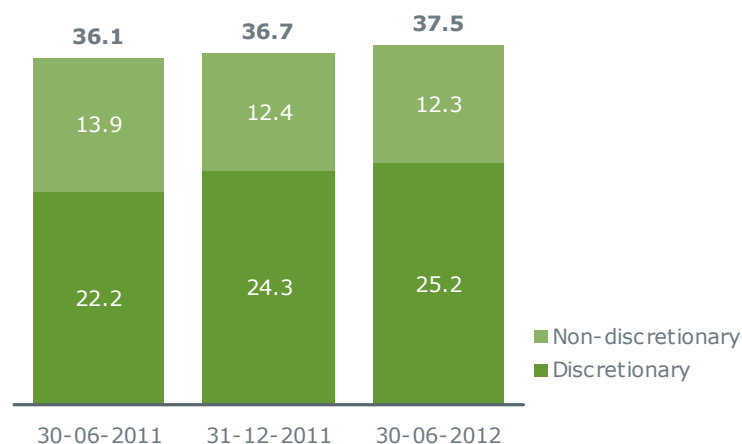
### **What can Van Lanschot do itself ?**

1. Successful implementation of the investment and cost reduction programme
  - Gross reduction of cost base by € 60 million from 2015

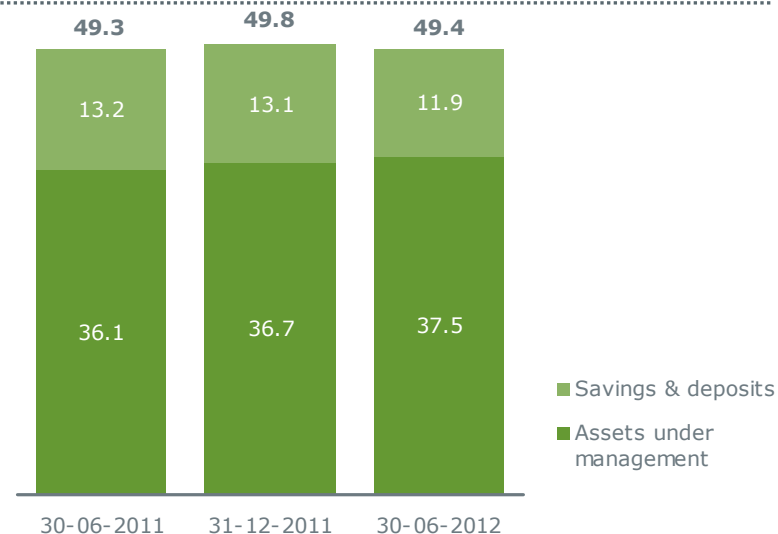
# Growth in assets under management to € 50 billion

- Growth of assets under management to € 50 billion through inflow of net new money and market performance
- Target is achievable, the pace depends on market conditions
- Shift to discretionary management provides higher and more stable commission income
- Kempen has good track record with institutional investors: new mandates for € 1.8 billion have already been signed and will start in H2 2012

**Total assets under management (€ billion)**



**Total Client Assets (€ billion)**



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- **Conscious choice for solidity**

Floris Deckers, CEO

- **2012 half-year results**

Constant Korthout, CFRO

- **Investment and cost reduction programme**

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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Van Lanschot

2012  
**275**  
1737

# 2012 half-year results

AMSTERDAM, 14 AUGUST 2012

# 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.

Forward looking statements do not relate to definite facts and are subject to risks and uncertainty. The actual results may differ considerably as a result of risks and uncertainties relating to Van Lanschot's expectations regarding such matters as the assessment of market risk and revenue growth or, more generally, the economic climate and changes in the law and taxation.

Van Lanschot cautions that expectations are only valid on the specific dates, and accepts no responsibility for the revision or updating of any information following changes in policy, developments, expectations or the like.

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