



Van Lanschot

# Van Lanschot NV

## Annual General Meeting of Shareholders

's-Hertogenbosch, 11 May 2011

## Item 2

Report of the Board of Managing Directors for 2010

Mr Floris Deckers

# Looking back



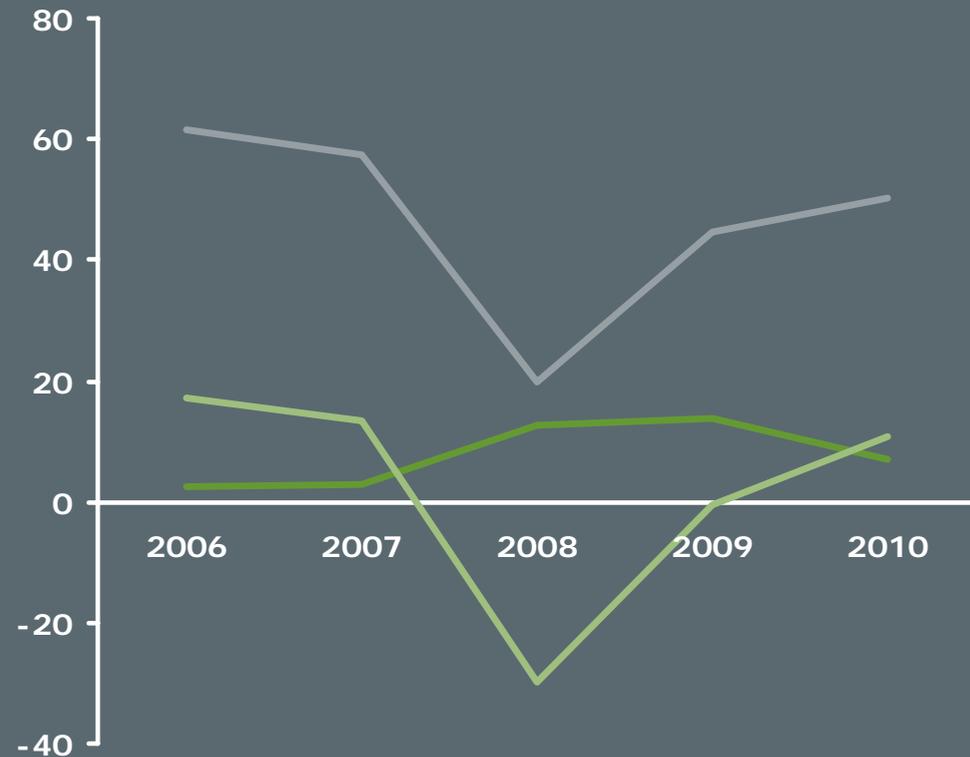
# Looking back at the crisis years

During the crisis years 2007 – 2009, banks faced a fall in income, increased loans losses and reported negative results

Key figures for Dutch banks  
2006 – 2010  
(€ billion)

Source: Dutch Central Bank  
2010 Annual report

— Income  
— Loan losses  
— Operating results



# The role of the Dutch State

## STATE AID

- Fortis Bank Nederland, including ABN Amro and Fortis Verzekering Nederland, nationalised
- Almost € 14 billion of additional capital for banks
- Guarantees for Alt-A mortgages and other instruments

## € 200 BILLION GUARANTEE SCHEME PROVIDED BY THE DUTCH STATE

- Bonds totalling around € 25 billion issued under guarantee

Van Lanschot survived the banking crisis without the need for state aid or guarantees

# Powerful recovery in 2010; dividend resumed (proposed)

## RETURN TO PROFITABILITY

- Net profit for 2010 € 65.7 million
- Earnings per share € 1.45

## STRONG BALANCE SHEET

- Core Tier I ratio 9.6%
- Tier I ratio 12.1%
- BIS ratio 14.2%

→ Van Lanschot resumes dividend distribution: proposal € 0.70 per share

→ Pay-out ratio of 50.5%

### Dividend policy

40% - 50% of net profit attributable to ordinary shareholders

# 2010: a year of two halves (1)

H1 2010

## BALANCE SHEET REMAINED INTACT

- Deleveraging the balance sheet
- Strengthening core capital

## STABILISATION

- Recovery of profitability
- Cost control

Liquidity

Solvency

Confidence



# 2010: a year of two halves (2)

H2 2010

- Solid income growth
- Further reduction of loan losses
- Strong inflow of new assets under discretionary management

Confidence

Clients

Growth



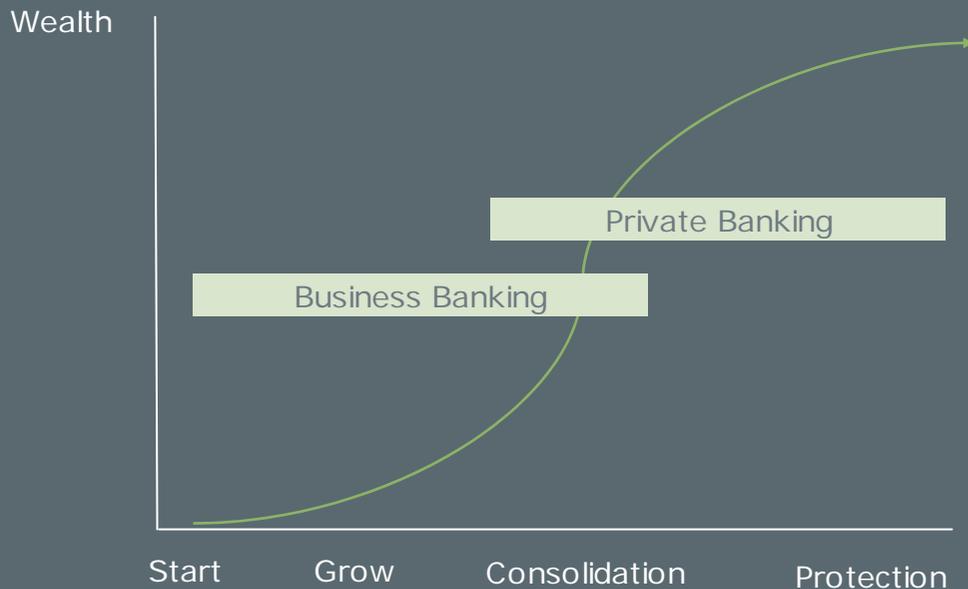
# Implementation of Van Lanschot's strategy continued in 2010

<b>Mission</b>	To offer high-quality financial services to high net-worth individuals, entrepreneurs and other select client groups
<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 achievements
<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>	Committed – Professional – Ambitious – Independent
<b>CSR</b>	Targets to be realised in harmony with all stakeholders

# Focus on private banking

- Strategic focus starts to deliver
- Private Banking and Business Banking working together under one management team and with one set of targets
- Private Office: one wealth management team focusing on the top segment

## Business model



## Client assets of Private Banking clients

€ 5 million+

+19%

€ 1 million - € 5 million

+9%

€ 0.25 million - € 1 million

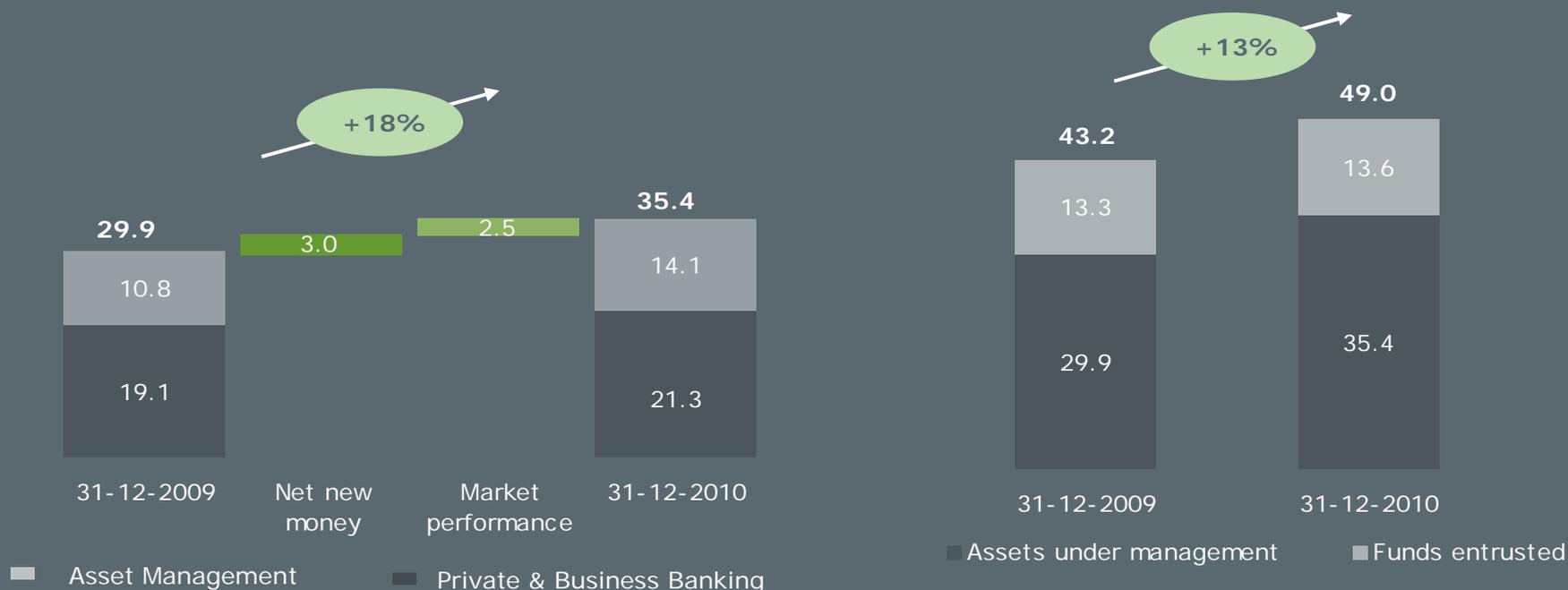
0%

# Enhance commercial effectiveness

- Total assets under management +18% to € 35.4 billion (2009: +20%)
- Net inflow of new assets € 3.0 billion
- Total client assets +13% to € 49.0 billion
- Income +8% to € 613.3 million

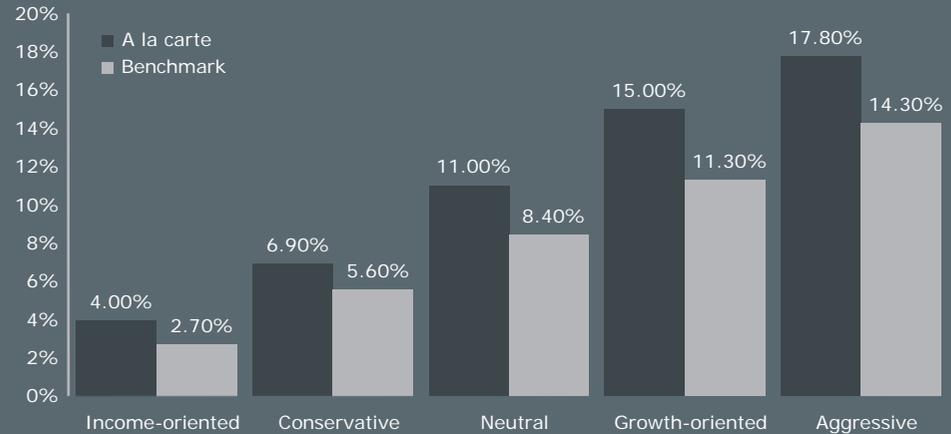
Assets under management (€ billion)

Total client assets (€ billion)

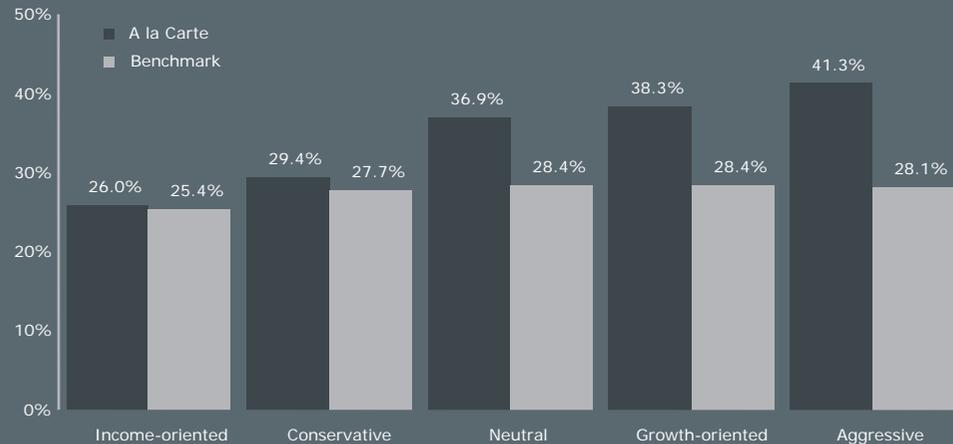


# Our clients are also enjoying good performance

Clients enjoyed good investment results in 2010, both relative and absolute



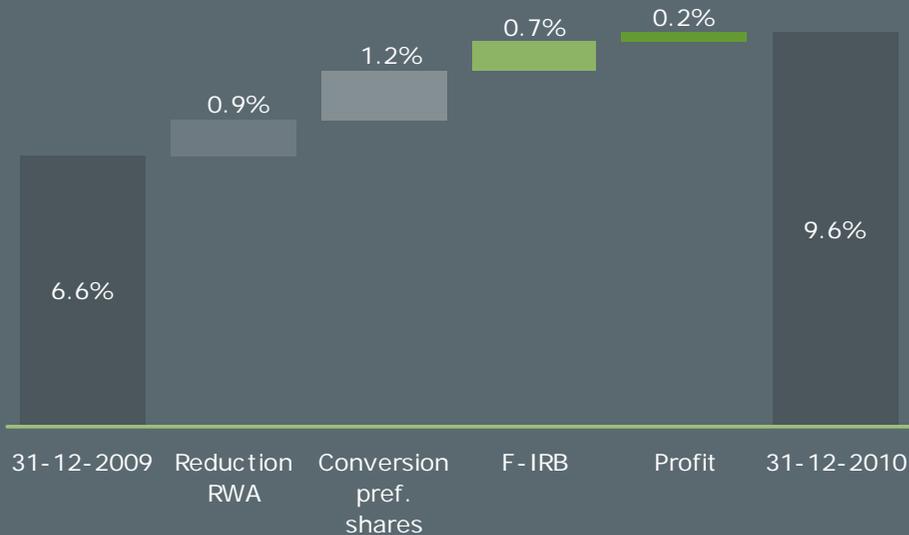
We have created value for our clients since 2005



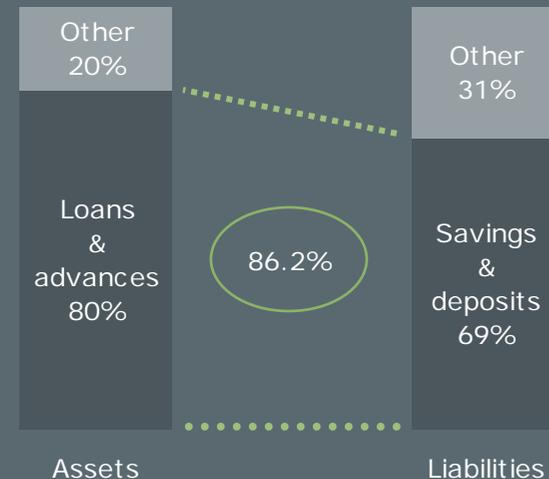
# Maintain a solid profile

- Core Tier I ratio 9.6%; Tier I ratio 12.1%; BIS ratio 14.2%
- Balance sheet is for our clients: leverage 13.4
- Funding ratio 86.2%; new long-term funding raised
- Confirmation of all credit ratings: Single A minus (A-), outlook stable

## Core Tier I ratio



## Balance sheet and funding ratio

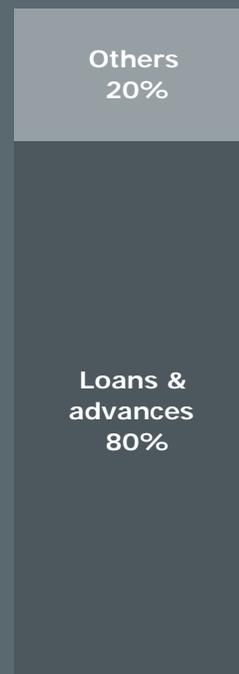


# The balance sheet is for the client

Balance sheet at 31 December 2010  
100% = € 19.6 billion

## Good track record

- No CDOs, SIVs or other complex financial instruments
- No exposures to peripheral European countries
- Virtually no trading for own account
- No state aid



Assets



Liabilities

## Stable credit ratings

- S&P A-, outlook stable
- Fitch A-, outlook stable

## Strong funding position

- High funding ratio
- Access to wholesale markets
- Comfortable liquidity position

# Putting client interests first is part of our DNA

- Van Lanschot offers a full range of financial services with care and attention
- Van Lanschot is a pure play Private Bank: a real relationship banker
- Serving the interests of our clients, aligned with the long term

## Strategy 2005

- The balance sheet is for the client
- Van Lanschot has virtually no trading for own account and risk

## Strategy 2006

- The client is key, also in terms of customer care
- 'Best in class' products / full open architecture

## Strategy 2009

- Customer care: 'Adopt and continuously improve a customer care policy that sets the tone for the sector and goes beyond the statutory framework'
- Client satisfaction: 'Continue to outperform the benchmark in the loyalty index'

# 2010: increasing pressure to provide evidence

- Fulfilling responsibility to society
  - Demand for transparency
  - Increasing legislation and regulations
  - Continuing investments in skills and professional competence
- 
- Transparent costs: passing on net distribution fees to asset management clients
  - New Product Approval procedure tests if products are:
    - Appropriate: economic value for target group / client needs
    - Transparent and understandable
    - Good price / quality
  - Excessive lending
  - Professional judgement
    - Advising a more appropriate product to clients
    - Advising clients not to buy a product
  - Reproducibility

# Corporate Social Responsibility

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## **Increasing demand from outside the bank for a “formal” CSR policy**

- Clients, investors, interest groups are asking for this

## **CSR achievements in 2010**

- CSR included in strategy statement (stakeholder dialogue)
- Focus: on core processes, environment, HR, community
- CSR lending policy developed (engagement); to be implemented as from 1 April 2011

## **Selected CSR targets for 2011**

- Further development of CSR investment policy (bonds, property, ...) and in line with CSR lending policy
- Further professionalize CSR internally (e.g. KPIs)
- Establishment of Charity Desk, “The Next Generation”, etc.

# Recap 2010

## Solid capital and funding

- Core Tier I ratio 9.6%, Tier I ratio 12.1%, BIS ratio 14.2%
- The balance sheet is for our clients: very low leverage 13.4
- Funding ratio 86.2%, long-term funding position strengthened by attracting wholesale funding

## Acceleration in recovery of operating profit

- Income +8%
- Costs -2%
- Addition to loan loss provision -24%
- Net profit € 65.7 million

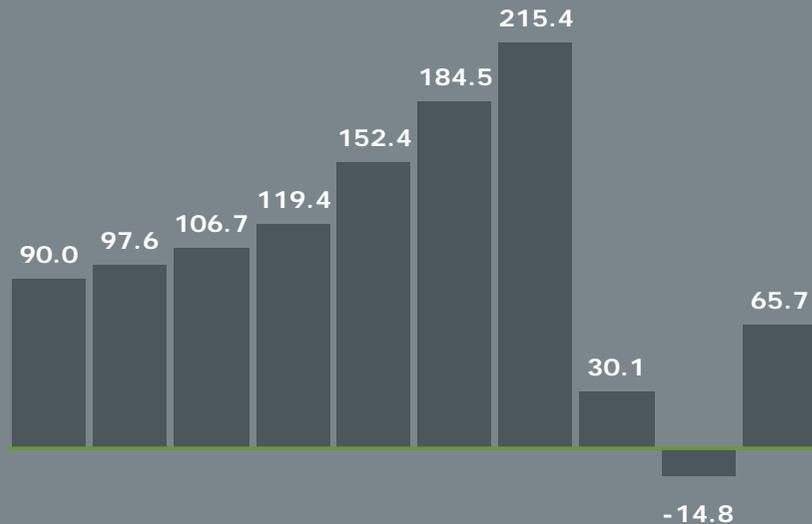
## Clear signs of a return in client activity

- Assets under management +18% to € 35.4 billion
- Net new money € 3.0 billion, especially in discretionary mandates
- Total client assets +13% to € 49.0 billion



# Net profit and RoE: a 10-year history

Net profit 2001 - 2010 (€ million)

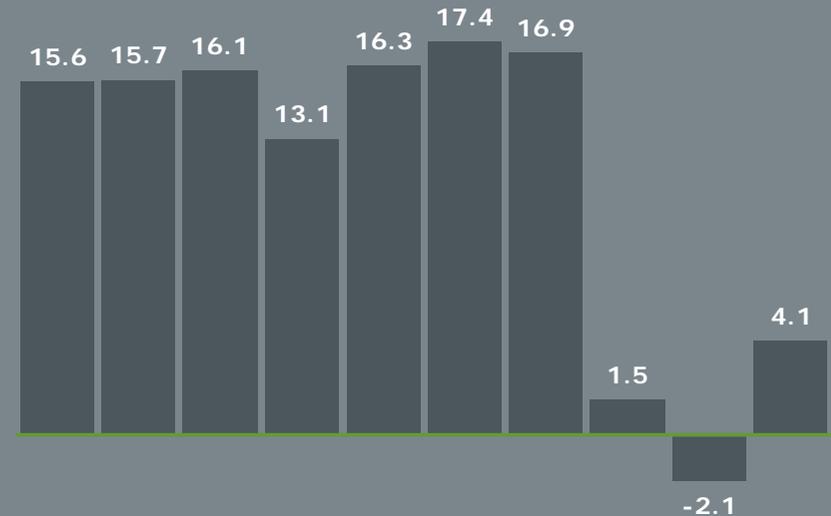


2001\* 2002 2003 2004‡ 2005 2006 2007 2008 2009 2010

\* Excluding extraordinary income

‡ Excluding impact of acquisition of CenE Bankiers

Return on equity 2001 - 2010 (%)



2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

# EPS and dividend: a 10-year history

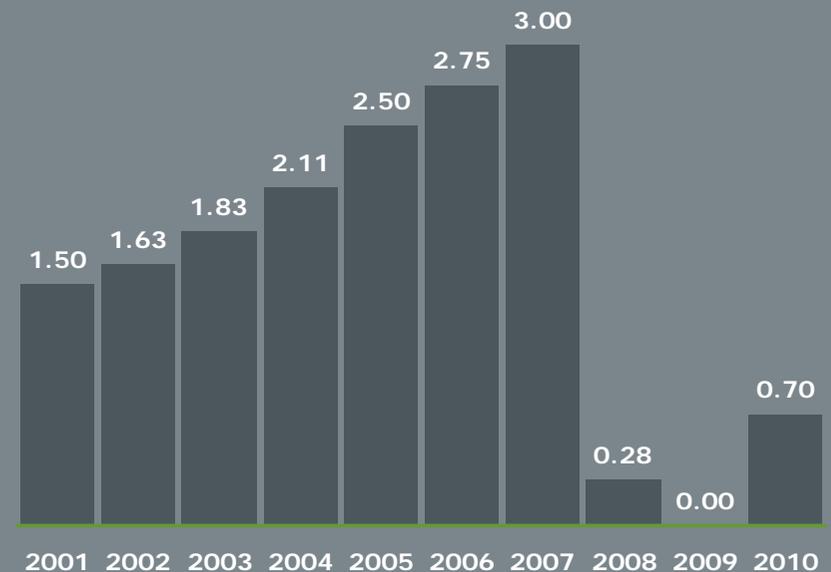
Earnings per share 2001 - 2010 (€)



2001 2002 2003 2004\* 2005 2006 2007 2008 2009 2010

\* Excluding impact of acquisition of CenE Bankiers

Dividend per share 2001 - 2010 (€)



- Proposed dividend for 2010 € 0.70 per share
- Pay-out ratio: 50.5%

# Van Lanschot share price since 2007



Source: Thomson Datastream

Total shareholder return in 2010: -17%

# Looking forward

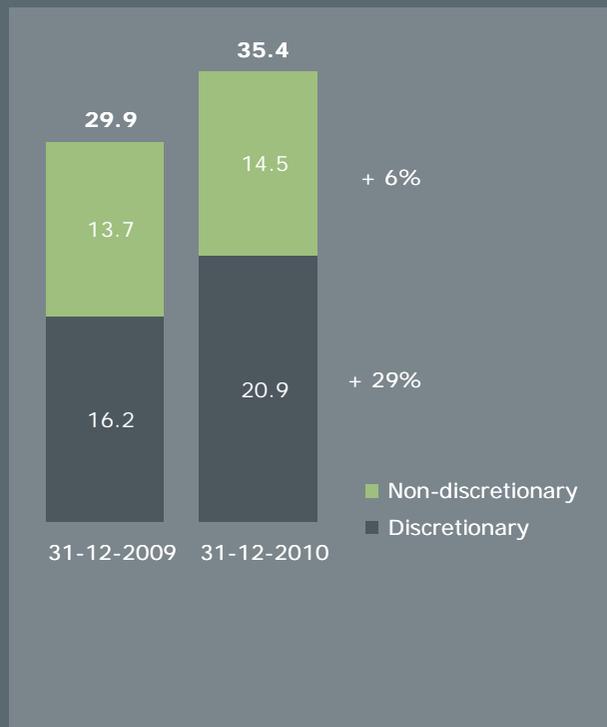
# Positive outlook for a further improvement in income ...

## DRIVEN BY A STABLE INTEREST MARGIN AND HIGHER COMMISSION

Interest margin (%)



Shift to discretionary mandates (€ billion)



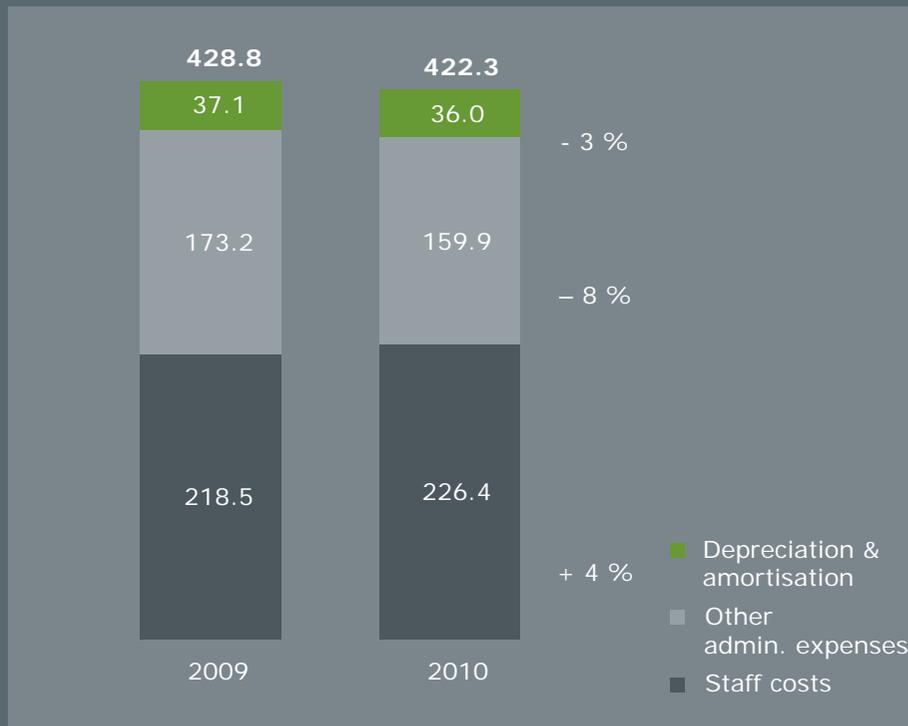
Higher management fees due to increase in discretionary AuM (€ billion)



# ... coupled with a focus on operational efficiency and risk management

## COST CONTROL PLUS INVESTMENTS IN SERVICE QUALITY

Efficiencies feasible in the bank



Loan loss provisions still to reach normalised levels (bps)



# New rules are being imposed from all fronts ...



# ... ensuring a continuing focus on customer care in 2011

Reproducibility of investment services

Reproducibility of mortgage advice

Customer Due Diligence

Risk profiles for securities

Client classification

Non-residents

Retention post

FATCA

Project VIA/Tax identification numbers

Qualified Intermediary

Impact analyse 'guideline on risk profile information'



# Trading update Q1 2011

## Capital and funding remains solid

- Core Tier I ratio 9.8%, Tier I ratio 12.3%, BIS ratio 13.6%
- Funding ratio 87.4%
- Further diversification of funding mix through issue of € 500 million of a 3-year senior bonds in April 2011

## Inflow of new assets continues

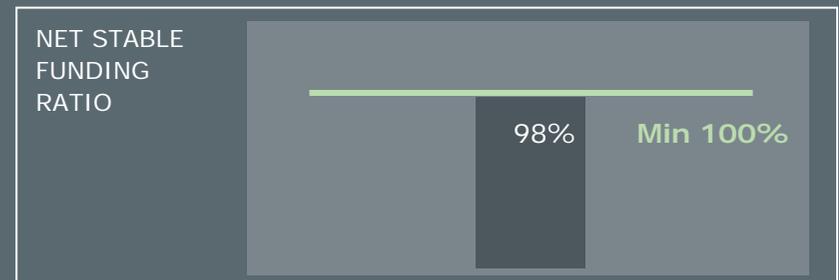
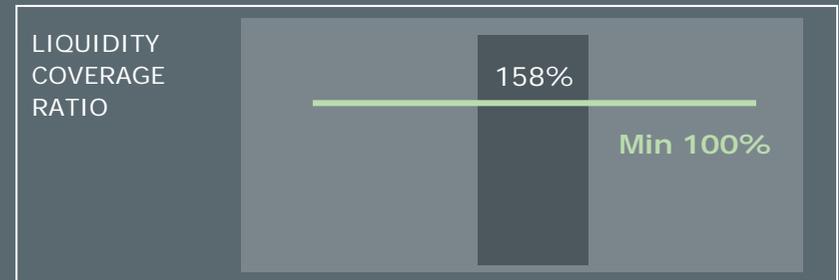
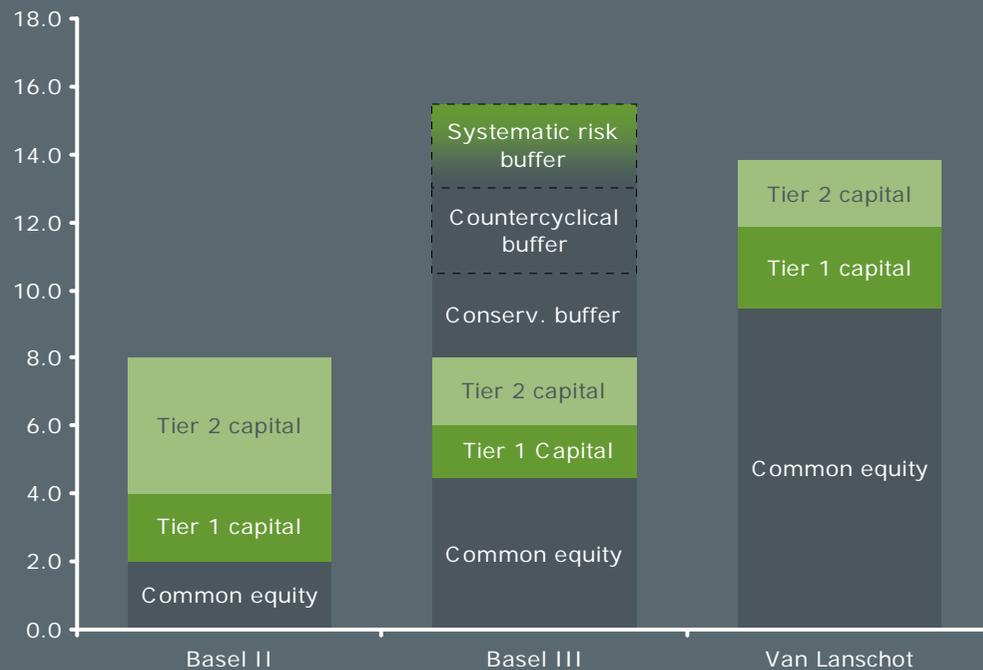
- Further shift to discretionary mandates (of total AuM for Private & Business Banking clients at end of Q1 2011, 34% comprised assets under discretionary management)
- Kempen successful in attracting several large institutional mandates

## Q1 2011 results confirm trend

- Lower addition to loan loss provision
- Continuing shift from transaction commission to management fee
- Stabilisation of underlying interest margin
- Slight decrease in operating expenses

# Well prepared for Basel III

Pro forma at 31 December 2010 under Basel III\*



# Financial targets

# Financial targets - background

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- In 2009 Van Lanschot presented new targets for 2009 – 2013 with respect to clients, employees and financial ambitions
- Basel III and the post-crisis environment requires an ongoing revision and improvement of the targets

# I. Excellent performance

Market share	<b>Achieve higher growth in our target group markets</b> <i>- Growing towards € 50 billion in Assets under Management by year-end 2013, incl. expected market performance</i>
Client satisfaction	<b>Continue to outperform the benchmark in the loyalty index</b> <i>- Annual survey</i>
Investment performance	<b>Achieve a higher risk-weighted investment performance than the benchmark</b> <i>- Transparent and customised comparison reports</i>
Customer care	<b>Apply and continually improve a client care policy that is leading in the sector and that goes further than the statutory obligations</b> <i>- Innovative asset management concepts</i>
Employer status	<b>Be an employer of choice for top talent in the financial sector</b> <i>- Independent private bank offering scope for ambition</i>

## II. Solid capital, funding & liquidity position

<b>Capital &amp; Leverage</b>	<p><b>Core Tier I ratio: at least 10.0%, increasing in the future to 12.0%</b> <b>Leverage: less than 20</b></p> <p><i>- Higher capital position to be realised through profit retention, dividend policy and balance sheet management</i></p>
<b>Funding &amp; Liquidity</b>	<p><b>Net Stable Funding Ratio: above Basel III requirement, at least 100%</b> <b>Liquidity Coverage Ratio: above Basel III requirement, at least 100%</b></p> <p><i>- Basel III definitions not yet definite</i></p>
<b>Credit rating</b>	<p><b>Credit rating: Single A from at least 2 credit rating agencies</b></p>

# III. Attractive value creation

<b>Return on Equity</b>	<p><b>Within 12 - 18 months approx. 10%, in the medium term higher than 12%</b></p> <ul style="list-style-type: none"><li>- <i>Equity is defined as Core Tier I capital</i></li></ul>
<b>Earnings per share growth</b>	<p><b>At least 5% per annum</b></p> <ul style="list-style-type: none"><li>- <i>Long-term target after a return to normal profit levels of at least € 4 per share in 2013</i></li></ul>
<b>Dividend policy</b>	<p><b>Unchanged: distribution of 40-50% of the net profit attributable to ordinary shareholders</b></p>



Van Lanschot

# Van Lanschot NV

## Annual General Meeting of Shareholders

# Item 5

Implementation of the Banking Code and explanation of the corporate governance structure

# Banking code embedded in the organisation

## Customer care

- Customer care is mentioned explicitly in Van Lanschot's strategy
- Target: apply and continually improve a customer care policy that is leading in the sector and that goes further than the statutory obligations
- For example: transparent fee structure, including passing on net distribution fees to asset management clients

## Remuneration

- New remuneration policy for Board of Managing Directors as approved by AGM on 6 May 2010 and in effect as from 1 January 2010
- A new variable pay policy for other employees implemented in 2010

## Governance

- Members of Supervisory Board, Board of Managing Directors and General Managers attend a permanent education programme

## Risk management

- Risk appetite formulated and approved
- Risk appetite periodically reviewed and refined
- Corporate Social Responsibility criteria included in credit policy

## Item 6

Proposal to amend the remuneration policy for members of the Board of Managing Directors

# Assumptions and level of remuneration unchanged

## Assumptions

- In line with the bank's strategy, risk appetite and long-term targets
- Managed and sustainable
- In line with market practice, socially acceptable
- Transparent and unambiguous
- Complies with laws and regulations

## Level of remuneration

- Fixed salary of the Chairman € 650,000 and members of the Board of Managing Directors € 425,000
- Variable remuneration 'at target' 75% and at most 100%

**No profit, no variable remuneration**

# Amendment of variable pay structure (1/2)

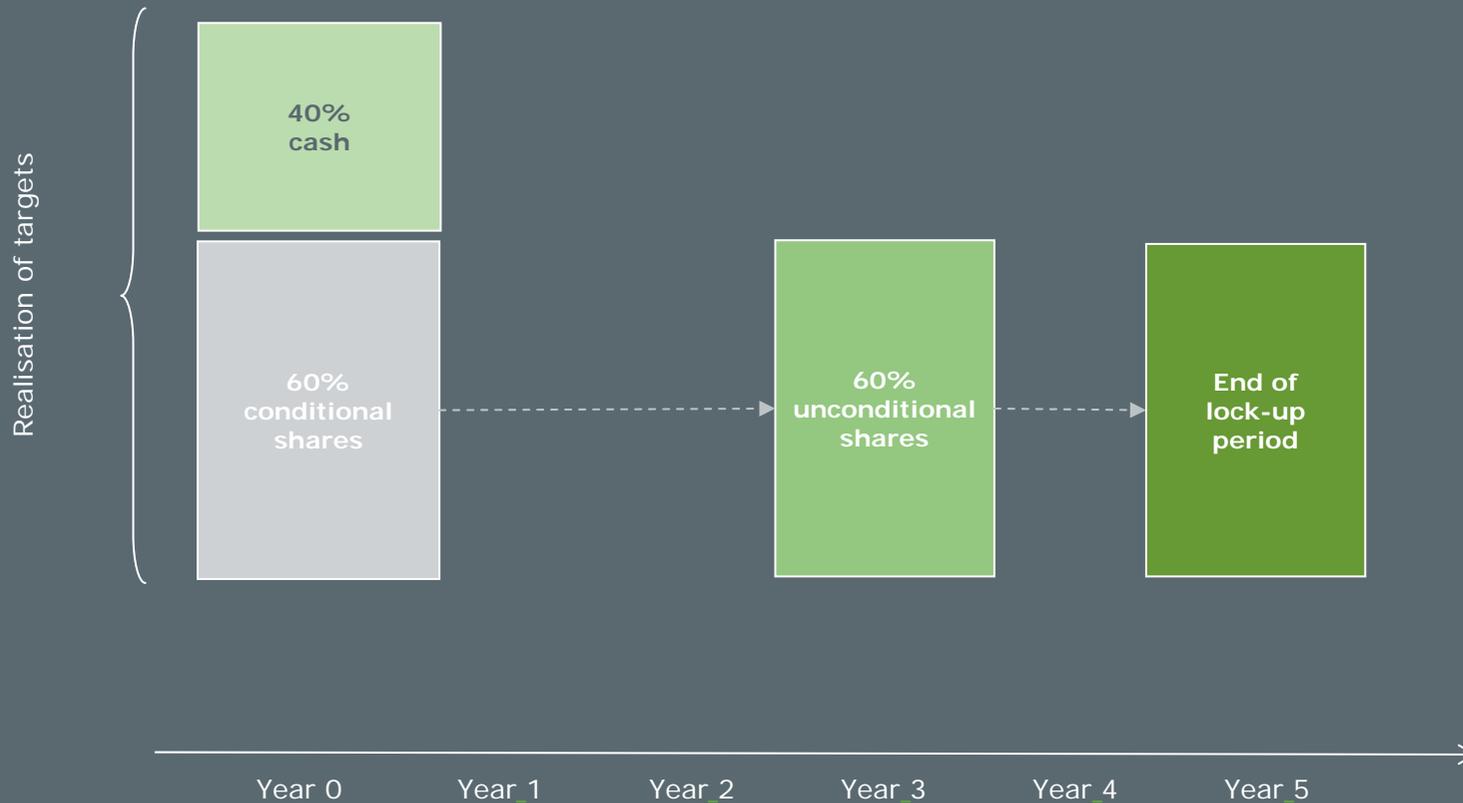
## I. RATIO OF CASH/SHARES

- 40% in cash
- 60% in shares

## II. SHARES ARE CONDITIONAL

- Conditional: 60% variable pay in shares
- Conditional period: 3 years
- Conditions for deferred payment:
  - Financial position of the organisation
  - Review of risks
  - Still employed by the bank
- Lock-up period of the shares: 5 years

# Example in practice



## Year 0

- Number of conditional shares determined

## Year 3

- Shares become unconditional
- Compensation for missed dividends in the form of shares

## Year 5

- End of lock-up period

# Amendment of variable pay structure (2/2)

## III. FAIRNESS TEST

- Annual fairness test
- Tests the realisation of the annual targets against the long-term criteria of the bank (3 years)
- A downward adjustment of the remuneration may be applied



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Annual General Meeting of Shareholders

# 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.

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