S&P Global Ratings

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Van Lanschot Kempen N.V.

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Van Lanschot Kempen N.V.

Ratings Score Snapshot

Issuer Credit Rating
BBB+/Stable/A-2

SACP: bbb+ → **Support: 0** → **Additional factors: 0**

Anchor	bbb+	
Business position	Moderate	-1
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
BBB+/Stable/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Key strengths	Key risks
Strong brand name in The Netherlands and a focused wealth management strategy.	Modestly sized player in a competitive segment, in which scalability is critical.
Strong capitalization.	Higher fixed cost base than domestic peers'.
Sound funding and liquidity position.	Somewhat vulnerable to market performance given the current high inflation and geo-political issues.

We expect Van Lanschot Kempen (VLK) to continue building its wealth management franchise over the next few years. During the past decade, the bank has transitioned toward a more focused business model, and now looks to expand its market presence and consequent assets under management (AUM) from the current €96.2 billion at September 2022.

Efficiency remains a clear focus to improve the business model sustainability. The AUM is pressured by ongoing market headwinds, which in turn could lower commission and fee income. Maintaining costs under control despite the current inflationary environment is therefore key for VLK to achieve its 70% cost-to-income target.

Further capital to be used for merger and acquisition (M&A) or shareholder returns, although capitalization will remain stable. We project VLK's S&P Global Ratings risk-adjusted capital ratio will remain strong, above 10%, despite the announced use of the excess capital above the bank's target. This is because we anticipate this negative effect will be offset by internal capital generation and a lower equity book for which we have high risk-weight charges.

Outlook

Our stable outlook on Netherlands-based VLK reflects its focus on wealth management and our anticipation that its AUM base will remain resilient over the next two years, through organic and potential M&A, and excluding market effects. With costs remaining broadly under control, we expect the bank to improve efficiency to be in line with the industry and consistent with the current ratings. We also expect VLK's capital will remain a key rating strength based on a risk-adjusted capital (RAC) ratio, before diversification, of 10%-15% over the next 24 months. This reflects the controlled expansion of core activities and sufficient internal capital generation.

Downside scenario

We could take a negative rating action if the bank's strategy proves unsuccessful, for instance if its domestic franchise erodes such that it fails to attract net new money or enlarge its AUM base, and therefore fails to shore up its profitability further. We could also lower the ratings if VLK departs from its current prudent capitalization, with its RAC ratio falling, and staying, below 10%.

Upside scenario

We see limited upside to the ratings in the next 12-24 months despite the bank's successful completion of its strategic move toward pure wealth management. In time, we could consider an upgrade if we observed a track record of higher profitability from AUMs and loans to private banking clients, indicating higher sustained profitability more in line with 'A-' rated peers.

Key Metrics

Van Lanschot Kempen N.V.--Key Ratios And Forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in operating revenue	(20.0)	33.8	(5.2)-(6.4)	6.2-7.6	4.0-4.9
Growth in customer loans	(1.7)	4.8	1.8-2.2	1.8-2.2	1.8-2.2
Net interest income/average earning assets (NIM)	1.2	1.2	1.0-1.1	1.1-1.3	1.2-1.4
Cost to income ratio	87.3	73.9	80.7-84.8	77.8-81.7	76.7-80.6
Return on average common equity	4.0	11.2	5.7-6.4	8.2-9.0	9.0-9.9
New loan loss provisions/average customer loans	0.0	(0.2)	(0.1)-(0.1)	0.0-0.0	0.0-0.0
Risk-adjusted capital ratio	14.2	11.6	11.5-12.1	10.7-11.2	10.7-11.3

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+' For A Bank Operating In The Netherlands

The 'bbb+' anchor draws on our Banking Industry Country Risk Assessment methodology and reflects VLK's strong focus on wealth management in the Netherlands, despite its increasing operations in Belgium. The economic risk score for the Netherlands is '3' on a scale of '1' to '10' ('1' being the lowest risk). The industry risk score is also '3'.

We view the economic risk trend for the Dutch banking sector as stable. Under our base-case scenario, we expect the Netherlands, like other European countries, to be affected by the repercussions of the Russia-Ukraine war, with GDP growth subdued at only 0.2% in 2023 after a projected 4.3% in 2022--thanks to last year's better-than-expected performance. Soaring commodity prices are pushing inflation up (11% on average in 2022) reducing households' purchasing power, but the labor market remains strong. Economic imbalances have not receded because of a very dynamic real estate market, where existing supply shortages and pent-up demand, combined with favorable demographics, support long-term house price appreciation. However, we expect this to slow over the next few years on the back of rising interest rates. We have seen modest asset quality improvements over the past year but expect some deterioration depending on the severity of the economic consequences of the Russia-Ukraine conflict. However, given Dutch banks' focus on domestic mortgages and well collateralized lending, we expect total credit impairment charges to remain at about through-the-cycle levels of 25 basis points (bps)-30 bps by 2023.

Our assessment of industry risk for Dutch banks incorporates high domestic concentration and our view of a stable competitive environment. We consider that the prospective profitability of domestic banking remains adequate. However, we continue to see some pressure on profitability from the limited growth potential of the mature domestic market, inflationary pressure on costs, and continued investment in digital, information technology (IT), and compliance requirements. Dutch banks display a cost-efficiency ratio (about 60% in 2021) that compares satisfactorily with that of European peers, largely attributed to their proactive digitalization, more direct low-cost distribution channels, and the country's high uptake of mobile banking. However, for most banks we see limited upside for additional cost efficiency improvements because any benefits achieved will largely be offset by further investment needed to continue the digitalization of banking operations, as well as regulatory and compliance-related investments. The system's relatively large reliance on wholesale funding is partly attributable to households' propensity to save in nonbank saving products, from life insurance products to pension schemes. We consider that Dutch systemwide funding benefits from, among other things, the depth of the domestic financial market and potential funding support from the European Central Bank. We view the trend on industry risk as stable.

Business Position: A Sound Domestic Franchise In Wealth Management, Focusing On Improving Scalability And Efficiency

Our business position assessment reflects VLK's relatively niche, albeit domestically well established, franchise in wealth management. We believe the bank successfully shifted strategy after the 2008 financial crisis by increasing private banking and asset management activities, while actively managing and de-risking its legacy corporate loan book. VLK also operates an investment banking business unit, advising midsize companies on equity and debt financing on capital markets. With total assets of €16.7 billion and AUM of €99.6 billion at mid-2022, VLK remains a midsize player within the Dutch banking system, but the second largest private bank in this market after ABN AMRO. Despite the high wealth levels in the Netherlands and Belgium, VLK's focus on onshore clients also limits scale prospects compared with geographically diversified peers based in Switzerland.

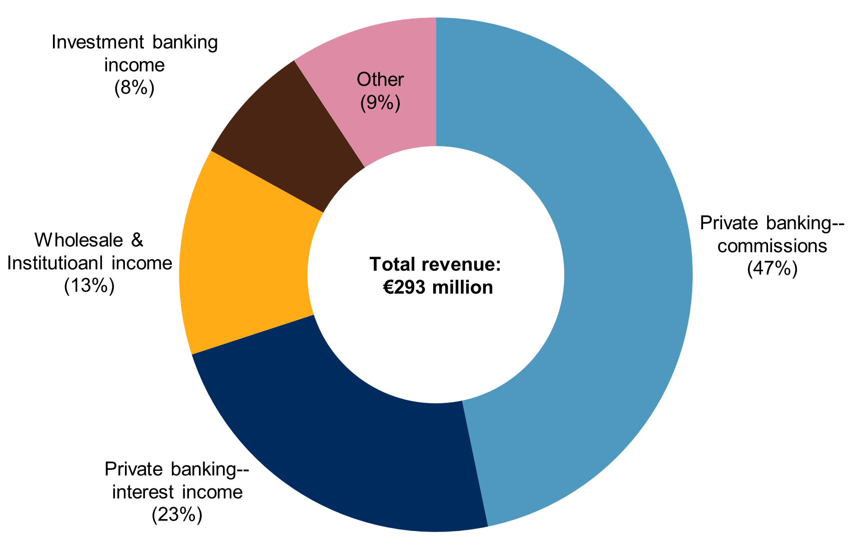
While we saw large movements in VLK's AUM base over the past quarters due to market effects, we view positively the ongoing positive net new money attracted by the bank. VLK also demonstrated it could expand inorganically via some bolt-on acquisitions as it did with the small Dutch boutique Hof Hoorneman in 2020 (adding €2.1 billion to client assets) and Belgian wealth manager Mercier Vanderlinden in 2021 (adding €3.8 billion to AUM). That said, VLK's performance remains dependent on asset valuations, which remain pressured by global geo-political uncertainties, gloomy economic prospects for the eurozone in 2023, and still-high inflation. Overall, we consider that commission income from wealth management activities will be resilient this year and continue rising in the medium term in line with AUM prospects. However, net interest income has continually declined year-on-year due to the low interest rates adding pressure on margins and flat loan growth. We expect the trend to stabilize in 2022 and gradually reverse thereafter thanks to higher interest rates. Given these trends on the top line, VLK may struggle to keep costs under control despite the current inflationary environment to achieve its 70% efficiency ratio target.

The refocus on an integrated wealth management proposition saw a reduction in corporate lending activities to a negligible amount. We view this strategic move as sensible, but success depends on the bank's capacity to continue scaling up AUM and improve the buffer to cover fixed costs, which we believe are still high. Historically, the net interest income from VLK's customer loan book has somewhat offset volatility in other income streams, but this will gradually reduce. Nevertheless, we think that fees coming from AUM are better quality than the past interest earnings on corporate banking activities, a segment in which the bank had a modest market share and pricing power, and in which credit losses could be high.

Chart 1

VLK Revenue By Segment In First Half Of 2022

Diversified income streams within its niche wealth management focus

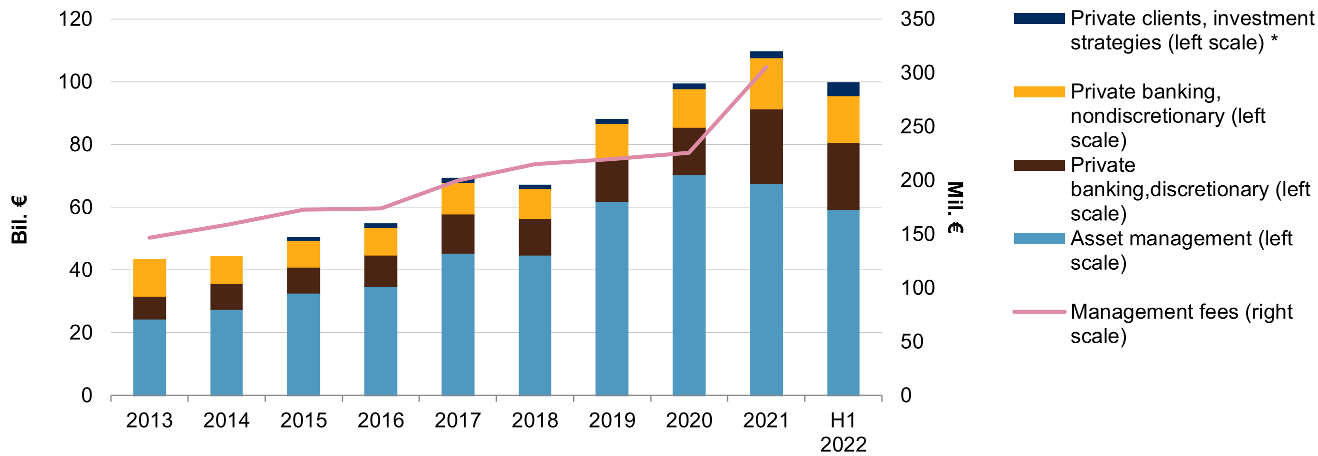


Source: S&P Global Ratings. VLK financial reporting

Chart 2

VLK's Strategic Focus Is Gradually Bearing Fruit

AuM and commission income on the rise but market effect affects 2022



Source: S&P Global Ratings. VLK financial statements. Investment strategies include only Evi (Online services for the mass affluent and millennials) until 2021.

Rated peers with similar business models or those operating in countries with a similar banking industry risk profile include Liechtenstein-based VP Bank AG and LGT Bank AG; J. Safra Sarasin Group in Switzerland; Banque Internationale a Luxembourg; and Swiss cantonal banks that have a more pronounced retail focus and stronger franchise in wealth management. The bank's activities are less diversified than those of larger commercial banks in Western European countries (France, Germany, and the U.K.), including domestic peers such as ABN AMRO, which is VLK's main competitor in the Netherlands.

Capital And Earnings: Strong Capitalization Supported By Significant Deleveraging, But Active Capital Optimization Strategy

Our assessment of VLK's capital and earnings reflects our expectation that the projected RAC ratio before adjustments will be 11%-12% in the next 12-24 months, in line with the 11.6% at end-2021. The decline from 14%-15% achieved between 2019 and 2020 was expected given VLK's capital policy, which always stated it would return excess capital not used for organic and inorganic growth.

While our forecasts are in line with management's Common Equity Tier 1 (CET 1) ratio target, at 15%, plus a replenishable M&A add-on of 2.5%, we acknowledge our RAC ratio metric could be more volatile than the regulatory one. This is because of VLK's equity exposures in its banking book and the fact we have high risk-weight charges compared with the Basel framework. We consider these exposures to be consistent with the bank's strategy however, because new investments are made at the launch of new funds when VLK co-invests in its own strategies. We observe the exposure has decreased at mid-2022, which we view positively for capitalization levels, but we will continue to monitor as it could add downside rating pressure if the RAC ratio were to fall sustainably below our 10% threshold for a strong assessment.

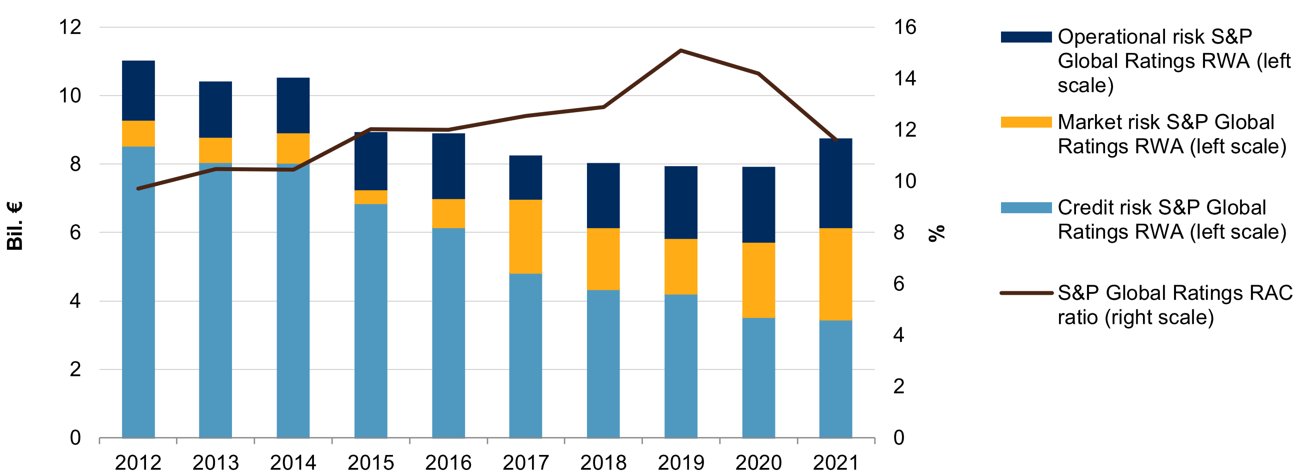
Our main assumptions supporting our forecasts are the following:

- Operating revenues to decline (3%-5%) in 2022 given the macro conditions mentioned above, high base in 2021, lower net interest income not entirely offset by higher fee, and commission income. We project a better 2023 thanks to a reverting trend on interest income and continual growth in commissions.
- An increase of about 3%-5% per year in operating expenses over the next two years because we assume some cost savings in 2020 and 2021 were one-offs and not structural, and due to rising inflation.
- Consequently cost-to-income should hover above 80% in 2022 and gradually reduce in 2023 and 2024.
- Loan impairment charges to remain close to zero given clients' high net-worth profile.
- A yearly common dividend of about €1.5 per share. We assume a payout ratio close to 60%, the mid-range of VLK's medium term target. We also assume VLK will return additional capital to shareholders in line with 2022 levels.
- S&P Global Ratings-adjusted risk-weighted assets decreasing this year--on the back of a lower proportion of equities in the banking book--and increasing in 2023 due to higher AUM and consequently higher operational risk.

Chart 3

VLK Capitalization Above The 10% Mark For A Strong Assessment

Operational risk increases with AuM while credit risk benefitted from the corporate portfolio exit



Source: S&P Global Ratings.

Under the supervisory review and evaluation process, regulatory authorities set a capital requirement of a 9.2% CET 1 ratio, which compares with the 20.2% reported in June 2022. The bank estimates the impact of Basel IV will be controllable, but we understand management will keep part of the current extra cushion for these future new requirements. VLK reported a relatively high regulatory leverage ratio of 6.1% at mid-2022, above the target level contemplated by the Dutch National Bank for domestic systematically important banks of around 4%, but lower than last year's 7.2% due to a larger balance sheet. We consider the quality of capital to be high since the capital base mainly comprises CET 1 capital.

The bank's targeted efficiency ratio of 70% in the medium term will still likely be among the highest for commercial banks we rate in the Netherlands, but comparable with that of other rated private banks and wealth managers. VLK would need to continue increasing its revenue base with stable costs to achieve this target, which will be challenging in an environment of high inflation and a potential cooling off in asset prices. Furthermore, acquiring AUMs inorganically often comes with incorporating costly commercial relationship managers.

Risk Position: Receding Credit Risk Exposure, But Structural Exposure To Operational Risk

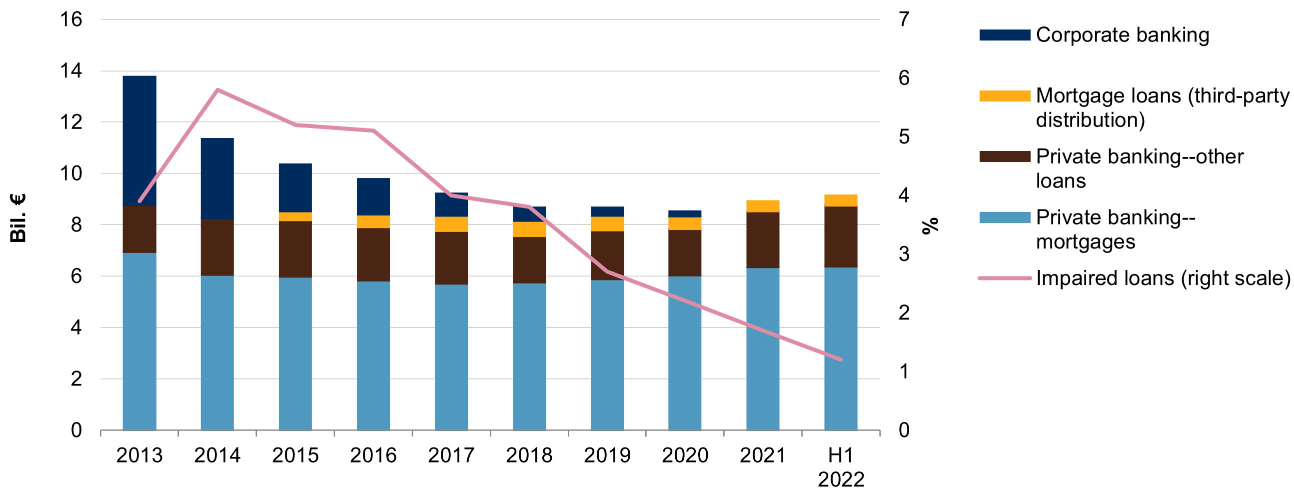
We view VLK's risk position as a neutral rating factor, meaning that, on balance, we believe that our RAC ratio adequately captures the bank's specific risks and that there is no other major risk weighing on its profile. The asset quality was not impaired by the COVID-19 pandemic as VLK's clients are mainly wealthy individuals. The bank continued to run-off its corporate loan book in 2021 and also managed to further reduce non-performing assets. Also, the bank does not plan to expand other loans. Legal and reputational risk is inherent to the wealth management business.

As part of its strategy to focus on wealth management, the bank has separated its mainly Netherlands-based loan portfolio into two main segments. The first one includes private banking loans (€8.7 billion at mid-2022), which are at the core of the strategy and mostly include mortgages (€6.4 billion or 73% of the total private banking loan portfolio); and other loans, including financing to entrepreneurs, business professionals, and the health care sector (€2.4 billion). The second segment comprises mortgages distributed by third-party brokers under the Hypotrust brand (€0.4 billion). This portfolio is recorded as part of the investment portfolio and is designed to enhance its average interest rate performance, which we view as a sensible alternative to high rated bonds given the good risk and return of Dutch mortgages, as long as it does not add refinancing risk.

Since the strategy turnaround, the bank's asset quality metrics continually improved despite the lingering effects of the pandemic. However, they are still weaker than those of peers in the wealth management industry, which are usually close to nil. Reported impaired loans stood at 1.2% of total loans at mid-2022, compared with 2.2% 18 months previously (see chart 4). The mortgage book's risk profile is gradually improving in our opinion, along with market trends, with a rise portion of amortizing loans, and a seasoned book. Still, given the nature of the clientele, some aspects compare less favorably than for retail-oriented banks, for instance considering the portion of loans exceeding €1 million or the loan-to-value (LTV) ratio. The percentage of residential mortgages with an LTV higher than 100% continued to reduce, and the weighted-average LTV stands at a decent 61%. The stage 3 loans coverage ratio stood at 27% at mid-2022, which appears low compared with that of international peers, but is partly explained by collateral pledges and the full recourse banks have on borrowers under the Dutch legal framework.

Chart 4

Reported Loan Portfolio And Impaired Loans Ratios
The corporate book run-off has been completed



Source: S&P Global Ratings, VLK Financial Reporting.

We consider the risks in VLK's securities portfolio to be limited, with about 55% in cash at central banks, 18% of government exposures, 16% in covered bonds, and the remaining in highly rated corporates and residential mortgage-backed securities with a focus on Western European countries. The major risks are reputational and market ones, because they are inherent in the bank's private-banking activities.

VLK had never suffered any material setback on the legal and compliance front, but we acknowledge the Dutch regulator is increasingly intrusive and demanding on how banks take on new clients. However, it incurred a loss on its hedges of structured products in 2020. We understand the market dislocation made the macro hedges ineffective on a portfolio of structured products offered to private banking clients, creating a €35.1 million loss in 2020, which normalized to €4.6 million in 2021. VLK wants to continue offering these products to clients, so it started micro-hedging these positions with global banks, meaning passing the full market risk to them while lowering the product profitability, which we view positively. In 2021, VLK continued to issue new structured products using an almost exclusively back-to-back hedging strategy.

Funding And Liquidity: Smaller Wholesale Reliance Than Some Domestic Peers

We view VLK's funding and liquidity positions as supportive for the rating. This mainly reflects our view of the bank's better-than-domestic peer reliance on customer deposits balanced by the potentially higher confidence sensitivity of private banks' deposits compared with that of retail banks, and a relatively small base. VLK's customer deposit base broadly covers the loan portfolio, with net loans to customer deposits of 76% at mid-2022, which is better than that of large Dutch peers. The improvement in 2021 was due to a larger share of deposits amid the pandemic and continued in 2022. The volatility of the loan-to-deposit ratio in recent years reflected the delay between the shrinking loan book and the corresponding adjustment of the deposit base. Retail customer deposits are less granular than peers', reflecting the bank's focus on private banking.

We believe private banks are more sensitive to reputational issues and, if the market environment brightens, customers may switch to other asset classes. We regard the composition and maturity profile of VLK's funding as adequate, illustrated by a stable and improving S&P Global Ratings funding ratio in recent years (148% at mid-2022 compared with 112% at end-2017). We understand that management intends to adjust its funding profile to reduce asset exposure by relying more on customer savings and deposits, and less on unsecured wholesale sources. So far, VLK has issued €1.0 billion in conditional pass-through covered bonds, €500 million in soft-bullet covered bond format in June 2022, but no other senior unsecured issuance since 2017 because of the bank's high liquidity buffer.

We expect that the bank will maintain a satisfactory buffer of liquid assets, including a large share of government bonds. Its vulnerability to short-term wholesale funding is limited, as indicated by a high ratio of broad liquid assets to short-term wholesale funding of 5.8x at mid-2022. Similarly, VLK has a high regulatory liquidity coverage ratio of 173% and a net stable funding ratio of 160% at mid-2022, and we expect both to remain well above the minimum required.

Support: Low Systemic Importance In The Netherlands

We do not include notches of uplift for VLK under our additional loss-absorption capacity (ALAC) methodology, contrary to our approach for some large Dutch banks. This is because we see it as being of lower systemic importance in the Netherlands, due to its modest share of the overall Dutch banking system and focus on private banking. In our view, this implies that the bank might be sold or put into bankruptcy if regulators determined it to be nonviable, as opposed to a bail-in resolution process for the most systemically important Dutch banks.

When we see a feasible plan for a bank to build a substantial ALAC buffer, we include some uplift in the issuer credit rating. Given VLK's modest size and focus on private banking, we believe if the bank were to run into severe difficulties, the regulators' preferred approach would be an orderly liquidation or potential sale to a larger player, rather than a bail-in resolution scenario. Therefore, we don't see a credible resolution plan to build a substantial buffer of ALAC, or the possible eligibility for ALAC uplift.

Environmental, Social, And Governance (ESG)

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

We consider ESG credit factors for VLK broadly in line with those of the industry and country peers. Our view is supported by the bank's sustainability ambitions that include encouraging clients to shift to sustainable investments, enhancing the offering of ESG funds, and limiting its own carbon emissions. We view positively the disclosure of some nonfinancial environmental and social targets, although these are in line with the industry and not overly difficult to achieve, in our view. These disclosures are a step ahead of upcoming ESG regulation at the European level that are setting higher standards for sustainable and responsible investments along with improved disclosing for ESG risks. As a listed entity, governance standards are robust, and the experienced management team has been fairly stable. The CEO's stepdown in 2021 was well planned in our view. Compared with other Dutch banks, VLK has not suffered material misconduct cases in the past decade, which is a favorable advantage, particularly in the wealth management industry.

Key Statistics

Table 1

Van Lanschot Kempen N.V.--Key Figures

	--Year-ended Dec. 31--				
(Mil. €)	**2022***	**2021**	**2020**	**2019**	**2018**
Adjusted assets	16,387.8	15,984.7	14,994.0	14,177.5	13,796.9
Customer loans (gross)	9,135.6	8,925.1	8,512.4	8,661.7	8,674.3
Adjusted common equity	960.0	912.1	1,019.4	1,091.7	1,034.9
Operating revenues	283.8	592.6	442.7	553.2	506.3
Noninterest expenses	229.1	437.8	386.7	410.8	440.2
Core earnings	48.2	139.1	49.5	133.0	68.2

*Data as of June 30.

Table 2

Van Lanschot Kempen N.V.--Business Position

	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Total revenues from business line (currency in millions)	283.8	598.4	442.7	553.2	519.2
Commercial & retail banking/total revenues from business line	68.7	63.0	61.6	51.6	55.7
Trading and sales income/total revenues from business line	7.9	10.1	11.7	9.9	11.3
Asset management/total revenues from business line	N/A	13.6	23.8	18.3	19.2
Other revenues/total revenues from business line	23.4	13.3	2.9	20.3	13.7
Investment banking/total revenues from business line	7.9	10.1	11.7	9.9	11.3
Return on average common equity	7.5	11.2	4.0	7.9	5.7

*Data as of June 30. N/A--Not applicable.

Table 3

Van Lanschot Kempen N.V.--Capital And Earnings

	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	22.5	26.3	26.7	26.2	21.4
S&P Global Ratings' RAC ratio before diversification	N/A	11.6	14.2	15.1	12.9
S&P Global Ratings' RAC ratio after diversification	N/A	9.6	11.7	12.7	10.9
Adjusted common equity/total adjusted capital	90.4	90.0	90.9	91.5	100.0
Double leverage	N/A	N/A	100.0	100.0	100.0
Net interest income/operating revenues	20.0	25.1	34.3	31.6	34.6
Fee income/operating revenues	70.9	65.1	66.9	52.5	57.9
Market-sensitive income/operating revenues	2.9	3.2	(6.2)	8.3	0.4
Cost to income ratio	80.7	73.9	87.3	74.3	86.9
Preprovision operating income/average assets	0.7	1.0	0.4	1.0	0.5
Core earnings/average managed assets	0.6	0.9	0.3	0.9	0.5

*Data as of June 30. N/A--Not applicable.

Table 4

Van Lanschot Kempen N.V.--Risk-Adjusted Capital Framework Data

(€ 000s)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government & central banks	4,764,512.4	42,270.7	0.9	71,798.6	1.5
Of which regional governments and local authorities	263,357.7	0.0	0.0	9,480.9	3.6
Institutions and CCPs	1,012,409.5	155,065.7	15.3	169,386.8	16.7
Corporate	1,141,314.0	619,537.5	54.3	453,182.9	39.7
Retail	7,965,534.3	1,056,458.5	13.3	2,139,323.1	26.9
Of which mortgage	6,981,073.3	650,676.4	9.3	1,996,035.8	28.6
Securitization§	363,954.6	53,392.7	14.7	72,790.9	20.0
Other assets†	457,835.4	453,873.8	99.1	555,172.4	121.3
Total credit risk	15,705,560.1	2,380,599.0	15.2	3,461,654.6	22.0
Credit valuation adjustment					
Total credit valuation adjustment	--	26,894.1	--	0.0	--
Market Risk					
Equity in the banking book	334,438.4	427,862.2	127.9	2,275,060.4	680.3
Trading book market risk	--	277,425.0	--	416,137.5	--
Total market risk	--	705,287.2	--	2,691,197.9	--
Operational risk					
Total operational risk	--	813,125.0	--	2,564,003.6	--

Table 4

Van Lanschot Kempen N.V.--Risk-Adjusted Capital Framework Data (cont.)

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	3,925,905.3	--	8,716,856.1	100.0
Total Diversification/ Concentration Adjustments	--	--	--	1,869,154.2	21.4
RWA after diversification	--	3,925,905.3	--	10,586,010.3	121.4

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA
Capital ratio before adjustments	1,030,789.0	26.3	1,013,830.0	11.6
Capital ratio after adjustments‡	1,030,789.0	0.0	1,013,830.0	9.6

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'Dec. 31 2021', S&P Global Ratings.

Table 5

Van Lanschot Kempen N.V.--Risk Position

	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	4.7	4.8	(1.7)	(0.1)	(6.0)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	21.4	21.7	18.8	18.2
Total managed assets/adjusted common equity (x)	17.4	17.9	14.9	13.1	13.5
New loan loss provisions/average customer loans	(0.1)	(0.2)	0.0	(0.1)	(0.1)
Net charge-offs/average customer loans	N.M.	0.0	0.0	0.4	0.1
Gross nonperforming assets/customer loans + other real estate owned	1.2	1.7	2.2	2.7	3.8
Loan loss reserves/gross nonperforming assets	36.1	32.3	34.4	27.3	34.1

*Data as of June 30. N/A--Not applicable. N.M.--Not meaningful.

Table 6

Van Lanschot Kempen N.V.--Funding And Liquidity

	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	80.3	81.3	77.5	77.1	75.4
Customer loans (net)/customer deposits	76.2	75.7	83.3	90.1	94.2
Long-term funding ratio	93.6	93.1	94.4	92.8	90.6
Stable funding ratio	148.4	145.3	139.4	128.0	121.0
Short-term wholesale funding/funding base	6.8	7.4	6.1	7.9	10.2
Regulatory net stable funding ratio	160.4	N/A	N/A	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	5.9	5.5	6.3	4.1	3.0
Broad liquid assets/total assets	35.5	35.9	33.1	28.2	26.2
Broad liquid assets/customer deposits	49.7	49.9	49.4	42.3	40.3

Table 6

Van Lanschot Kempen N.V.--Funding And Liquidity (cont.)					
	--Year-ended Dec. 31--				
(%)	2022*	2021	2020	2019	2018
Net broad liquid assets/short-term customer deposits	42.2	41.7	42.7	33.1	27.8
Regulatory liquidity coverage ratio (LCR) (x)	173.0	N/A	N/A	N/A	N/A
Short-term wholesale funding/total wholesale funding	33.5	38.1	26.3	33.2	41.4
Narrow liquid assets/3-month wholesale funding (x)	11.1	10.0	6.4	4.2	3.5

*Data as of June 30. N/A--Not applicable.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (As Of November 7, 2022)*	
Van Lanschot Kempen N.V.	
Issuer Credit Rating	BBB+/Stable/A-2
Junior Subordinated	BB
Senior Secured	AAA
Senior Secured	AAA/Stable
Senior Unsecured	BBB+
Short-Term Debt	A-2
Subordinated	BBB-
Issuer Credit Ratings History	
24-Jun-2021	BBB+/Stable/A-2
23-Apr-2020	BBB+/Negative/A-2
04-Nov-2014	BBB+/Stable/A-2
Sovereign Rating	
Netherlands	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.