

# Van Lanschot Kempen N.V. Dutch Soft-Bullet Covered Bond Program Assigned 'AAA' Rating; Outlook Stable

June 27, 2022

## Overview

- We assigned our 'AAA' ratings to the mortgage soft-bullet covered bond program and first issuance of Dutch-based Van Lanschot Kempen N.V.
- Our ratings reflect our review of the program under our covered bonds criteria and the fact that available credit enhancement exceeds the required credit enhancement for a 'AAA' rating.
- The stable outlook reflects that we expect the program to benefit from two unused notches of rating uplift.

MADRID (S&P Global Ratings) June 27, 2022--S&P Global Ratings today assigned its 'AAA' credit ratings to the soft-bullet covered bond program and inaugural issuance from Van Lanschot Kempen N.V.

Our covered bond ratings process follows the methodology and assumptions outlined in "Covered Bonds Criteria," published on Dec. 9, 2014, and "Covered Bond Ratings Framework: Methodology And Assumptions," published on June 30, 2015.

From our analysis of Van Lanschot Kempen's transaction documents, together with the Dutch legal and regulatory framework, we have concluded that the assets in the cover pool are isolated from the risk of the issuer's insolvency. This asset isolation allows us to potentially assign a higher rating to the covered bond program than our long-term issuer credit rating (ICR) on Van Lanschot Kempen.

We conducted a review of Van Lanschot Kempen's mortgage operations, which we view as prudent. We believe there are sufficiently effective underwriting and servicing procedures in place to support our ratings on the covered bonds.

In accordance with our covered bonds criteria, we have determined the issuer's reference rating level (RRL), and attributed notches of uplift from this level through our determination of jurisdictional support and collateral-based support. Based on the long-term ICR on Van Lanschot Kempen and our assessment of jurisdictional support, we assess the RRL at 'a' and the jurisdiction-supported rating level (JRL) at 'aa'.

We reviewed the asset information provided as of March 2022. The program's underlying assets

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comprise €737.68 million of Dutch residential mortgage loans. In our cash flow analysis, we modeled the €500 million inaugural bond issuance in accordance with the final terms and conditions, that is, a maturity in February 2028 subject to a one-year maturity extension, and a 2.5% coupon (one-month EURIBOR plus 0.20% during the extension).

Based on our cash flow analysis, we believe that the available credit enhancement exceeds the target credit enhancement, which means that the covered bonds are eligible for four notches of collateral-based uplift. We consider that the soft-bullet structure of the issuance covers liquidity risk. Furthermore, the overcollateralization is committed at a level consistent with the assigned rating (see "New Issue: Van Lanschot Kempen Soft-Bullet Covered Bond Program," published on June 27, 2022).

There are currently no rating constraints to the 'AAA' ratings relating to counterparty, country, legal, or administrative and operational risks.

The stable outlook on the covered bond reflects the fact that up to a two-notch downgrade of the bank would not, on its own, automatically result in a downgrade of the covered bond program.

### Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Structured Finance | Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria | Structured Finance | Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

### Related Research

- New Issue: Van Lanschot Kempen Soft-Bullet Covered Bond Program, June 27, 2022
- ESG Credit Indicator Report Card: Covered Bonds, April 7, 2022
- Global Covered Bond Insights Q1 2022, March 17, 2022
- S&P Global Ratings Definitions, Nov. 10, 2021

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- Dutch Covered Bond Market Insights 2021, Nov. 8, 2021
- Glossary Of Covered Bond Terms, April 27, 2018

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