

## RATING ACTION COMMENTARY

# Fitch Affirms Van Lanschot at 'A-'; Outlook Stable

Wed 07 May, 2025 - 10:17 AM ET

Fitch Ratings - Frankfurt am Main - 07 May 2025: Fitch Ratings has affirmed Van Lanschot Kempen N.V.'s Long-Term Issuer Default Rating (IDR) at 'A-' with a Stable Outlook and Viability Rating (VR) at 'a-'.

## KEY RATING DRIVERS

**Entrenched Wealth-Management Franchise:** Van Lanschot's ratings are underpinned by its well-established, albeit niche, franchise in wealth management, asset management, and investment banking, as well as its sound asset quality and capitalisation, and stable funding and liquidity profile. The ratings also factor in the bank's improved profit generation from steadily increasing assets under management (AUM).

**Solid Growth in Private Banking:** Van Lanschot's strategy aims to increase its AUM through organic growth and targeted acquisitions. The bank has a good record of organically generating net new money (averaging EUR2.8 billion net inflows annually over the past five years) and integrating acquired businesses. In addition to its strong presence in the Netherlands, which accounts for about 80% of its income, the bank is enhancing its footprint in Belgium, where it has a moderate but growing franchise.

**Moderate Risk Profile:** We expect Van Lanschot to maintain a conservative risk appetite, given its focus on low-risk mortgage lending in the Netherlands. Underwriting standards for these loans are sound, consistent and based on affordability, resulting in good credit quality, which we expect to continue. Fitch expects other higher-risk relationship-driven loans to continue to account for a low proportion of the loan book. Market and operational risks are moderate.

**Sound Asset Quality:** Van Lanschot's loan book is larger than its traditional private banking peers (end-2024: 55% of total assets) and mostly comprises low-risk and well-performing

Dutch residential mortgage loans. The bank's impaired loans ratio was a low 1.4% at end-2024 and we expect credit quality to remain resilient, with the ratio remaining below 2%. The bank's securities portfolio is predominantly invested in highly-rated counterparties.

**Satisfactory, Structurally Improved Profitability:** Van Lanschot's ability to attract AUM inflows in recent years resulted in improvement in its through-the-cycle profitability. Operating profit increased to 4.5% of risk-weighted assets (RWAs) in 2024, driven by strong fees and commissions income (up 20% year-on-year). We expect the ratio to decrease slightly below 4% in 2025 as a result of tightening net interest income (NII) and increased personnel expenses.

**Strong Capitalisation:** We expect Van Lanschot's solid common equity Tier 1 (CET1) ratio (end-2024: 19.4%) to trend down to management's target of 17.5% by end-2026 due to growth and return of excess capital to shareholders. However, we believe there is a risk that it could fall below this level, as it includes 2.5% of RWAs maintained for potential bolt-on acquisitions. The 5.7% leverage ratio is sound compared with other universal Dutch banks and with most private banking peers.

**Stable Funding, Ample Liquidity:** Van Lanschot is primarily funded through its private banking customer deposits, which accounted for 84% of total funding at end-2024. Private banking customer deposits can be more volatile during periods of stress, but the bank's deposit base is highly granular and it maintains a large liquidity buffer. The latter was EUR6.3 billion at end-2024 (37% of total assets), made of cash and highly-rated fixed-income securities.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

Van Lanschot's ratings would be downgraded if its franchise durably weakens or if a structural decline in its AUM margins weakens the bank's operating profit below 3% of RWAs on a sustained basis.

The ratings would also be pressured following a greater-than-expected decrease in its capitalisation, with the CET1 ratio falling to below 15% for a prolonged period without a credible plan to restore it above this level. This could result from a greater risk appetite, leading to a considerable weakening of asset quality, material acquisitions, or substantial operational losses, which would also lead to a reassessment of the bank's risk profile. A

considerable weakening of the bank's liquidity buffer or evidence of diminished deposit franchise strength would also be negative for the ratings.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

An upgrade would require significantly greater business diversification and a considerable narrowing of the scale gap to higher-rated private banking peers with more diverse franchises.

### **OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS**

Van Lanschot's Short-Term IDR of 'F2' is the lower of the two options mapping to a 'A-' LongTerm IDR. This is because our 'a-' assessment of the bank's funding and liquidity is below the minimum 'a' required for a Short-Term IDR of 'F1'.

Van Lanschot's long- and short-term senior unsecured debt ratings are at the same level as its IDRs. Fitch believes the default risk of the bank's senior unsecured debt is equivalent to the default risk implied by the IDR because it views senior unsecured obligations as having average recovery prospects.

The Tier 2 subordinated debt securities issued by Van Lanschot are rated two notches lower than its VR, reflecting Fitch's baseline notching for loss severity.

**No Government Support:** Van Lanschot's Government Support Rating (GSR) of 'no support' is driven by Fitch's view that sovereign support for the bank, while possible, cannot be relied on, primarily given the Bank Resolution and Recovery Directive in place in the Netherlands.

### **OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES**

An upgrade of the bank's IDRs would lead to an upgrade of the bank's long- and short-term senior unsecured debt ratings. The long-term senior unsecured debt rating could be rated one notch above the Long-Term IDR if the bank builds up and maintains a combined buffer of junior debt and senior non-preferred notes equivalent to at least 10% of its RWAs. However, this is not expected by Fitch as the bank is not subject to resolution debt requirements.

A downgrade of the bank's IDRs would result in a downgrade of the senior unsecured debt ratings. The subordinated debt rating is sensitive to a change in Van Lanschot's VR, from which it is notched.

An upgrade of the GSR would be contingent on a positive change in the sovereign's propensity to support Dutch banks. While not impossible, this is highly unlikely, in Fitch's view.

**VR ADJUSTMENTS**

The business profile score of 'a-' is above the 'bbb' implied category score due to the following adjustment reason: business model (positive).

The earnings & profitability score of 'a-' is below the 'aa' implied category score due to the following adjustment reason: revenue diversification (negative).

The capitalisation & leverage score of 'a' is below the 'aa' implied category score due to the following adjustment reason: size of capital base (negative).

The funding & liquidity score of 'a-' is below the 'aa' implied category score due to the following adjustment reason: deposit structure (negative).

**REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

**ESG CONSIDERATIONS**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

**RATING ACTIONS**

ENTITY / DEBT ⚡	RATING ⚡	PRIOR ⚡
<div></div>	<div></div>	<div></div>

Van Lanschot Kempen N.V.	LT IDR	A-	Affirmed	A-
	ST IDR	F2	Affirmed	F2
	Viability	a-	Affirmed	a-
	Government Support	ns	Affirmed	ns
subordinated	LT	BBB	Affirmed	BBB
senior unsecured	LT	A-	Affirmed	A-
senior unsecured	ST	F2	Affirmed	F2
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VIEW ADDITIONAL RATING DETAILS

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 21 Mar 2025\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

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Van Lanschot Kempen N.V.

EU Issued, UK Endorsed

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