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Van Lanschot N.V.

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Van Lanschot N.V.

*(**Editor's Note:** We republished this article on Aug. 9, 2018, to correct the amount of conditional pass-through covered bonds in the Funding and liquidity section.)*

SACP	bbb+	+	Support	0	+	Additional Factors	0

Anchor	bbb+	
Business Position	Moderate	-1
Capital and Earnings	Strong	+1
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
BBB+/Stable/A-2

Major Rating Factors

Strengths:	Weaknesses:
• Strong capitalization. • Sound funding and liquidity position. • Good brand name recognition and focused strategy to become a pure wealth manager.	• Modestly sized player in a competitive, relatively niche arena. • High fixed-cost base and moderate pre-impairment profitability. • Asset-quality indicators that are less favorable than peers', largely due to legacy exposures.

Outlook: Stable

The stable outlook on Van Lanschot N.V. (Van Lanschot), the operation bank of Van Lanschot Kempen group (VLK), primarily reflects S&P Global Ratings' expectation of successful implementation of its strategy and contemplated transition toward wealth management, and of a gradual improvement in its profitability from core operations in the next two years. We also expect the bank's risk-adjusted capital (RAC) ratio before diversification will stand in the 12%-13% range in the next 24 months as a result of the winding down of the riskier property financing and midsize corporate portfolios, controlled growth of core activities, and sufficient internal capital generation.

We could raise the ratings on Van Lanschot if observed a track record of sustainably higher profitability from loans to private banking clients and asset-under-management (AuM) activities, and a further reduction of legacy problem exposures in the corporate book. We consider that profitability indicators and asset-quality metrics are for the moment less supportive of a higher rating than for rated peers active in wealth management in Europe. However, we consider that Van Lanschot is transitioning toward the end-state of its focused medium-term strategic plan, which we view positively, and we will monitor how rapidly the tangible long-term benefits of this change materialize.

We could take a negative rating action on Van Lanschot if the bank's transformation process proves unsuccessful, for instance if earnings do not improve as expected, or if the bank cannot withstand competitive pressure to maintain and grow its portfolio of AuM.

Rationale

Our ratings on Van Lanschot reflect our views that the bank mainly operates in the Netherlands, a wealthy 'AAA' rated country, with many macroeconomic indicators that currently outperform the eurozone averages and reducing imbalances in the property markets. Van Lanschot's strategic objective is to become a specialist independent wealth manager. It operates main in the Netherlands. Compared with large Dutch banks, its business offering and geographic reach is therefore less diversified. The bank's market share, while growing and material at the country level, remains modest compared with other rated European peers active in private banking. Van Lanschot displays strong capital adequacy metrics, and we expect our RAC ratio before diversification adjustments will remain amply above 10% over the next 18-24 months. We consider Van Lanschot has a generally limited risk appetite, as problem loans are largely a reflection of past activities, and an increasing focus on off-balance sheet private-banking activities. New lending is selective and should generate low credit losses over the cycle, despite volatility in loan losses and non-recurring costs endured to wind down noncore assets in the next quarters. We consider its funding and liquidity metrics in line with peers. Van Lanschot displays a better-than-peer loan-to-deposit ratio, which in our view balances the small size of its private-banking deposit base compared with domestic peers with large and more granular retail deposit base.

Our rating on the bank is at the level of its stand-alone credit profile (SACP), since we make no adjustments for external support or other factors. In particular, given the bank's modest size and focus on private-banking activities, we believe that, if the bank were to run into severe difficulties, the regulators' preferred approach would be an orderly liquidation, rather than a bail-in resolution scenario. Therefore, we don't currently see a credible resolution plan for banks like Van Lanschot to build a substantial buffer of additional loss-absorption capacity (ALAC) in the coming years.

Anchor:'bbb+' for a bank operating in the Netherlands

The 'bbb+' anchor draws on our Banking Industry Country Risk Assessment (BICRA) methodology and reflects Van Lanschot's strong focus on the Netherlands, despite some small foreign operations, mainly in Belgium, the U.K., and Switzerland. The economic risk score for the Netherlands is '3' on a scale of 1-10 ('1' is the lowest risk and '10' is the highest). The industry risk score is also '3'.

We base our assessment of economic risk on our view that the Dutch economy is wealthy, diversified, open, and competitive, as seen in its high income per capita, net external asset position, recurrent and elevated current account surpluses, and long track record of prudent and flexible macroeconomic policies. Following average real GDP growth of 2.6% in 2016-2017, we believe that the Netherlands will post real GDP growth of 1.9% in 2018 and 1.8% in 2019. Strong domestic demand continues to fuel the ongoing economic recovery. We believe that supportive macroeconomic developments, the dynamics of the real estate markets--both residential and commercial--and, last but not least, the legal reforms introduced since 2013 and the banks' own restructuring efforts in this context, are gradually leading to receding economic imbalances in the country. In our view, the trend on economic risk is positive.

Our assessment of industry risks for Dutch banks incorporates high domestic concentration and our view of a stable competitive environment. We consider that the prospective profitability of domestic-banking activities is adequate. Some of the large banks have completed large restructuring efforts in exchange for state aid. Cost-optimization programs continue in the context of the persistently low-interest-rate environment, and cost of risk has also improved, mitigating asset repricing. The system's relatively large reliance on wholesale funding is partly attributable to households' propensity to save in life insurance and pension products, rather than in bank deposits. We consider that Dutch system-wide funding benefits from, among other things, the depth of the domestic capital market and the Dutch authorities' good track record in providing liquidity support.

Table 1

Van Lanschot Key Figures					
	--Year ended Dec. 31--				
(Mil. €)	2017	2016	2015	2014	2013
Adjusted assets	14,440	14,683	15,321	17,106	17,498
Customer loans (gross)	9,224	9,786	10,349	11,345	12,823
Adjusted common equity	1,031	1,065	1,072	1,072	1,052
Operating revenues	567	524	569	506	551
Noninterest expenses	456	426	423	337	401
Core earnings	96	76	60	62	42

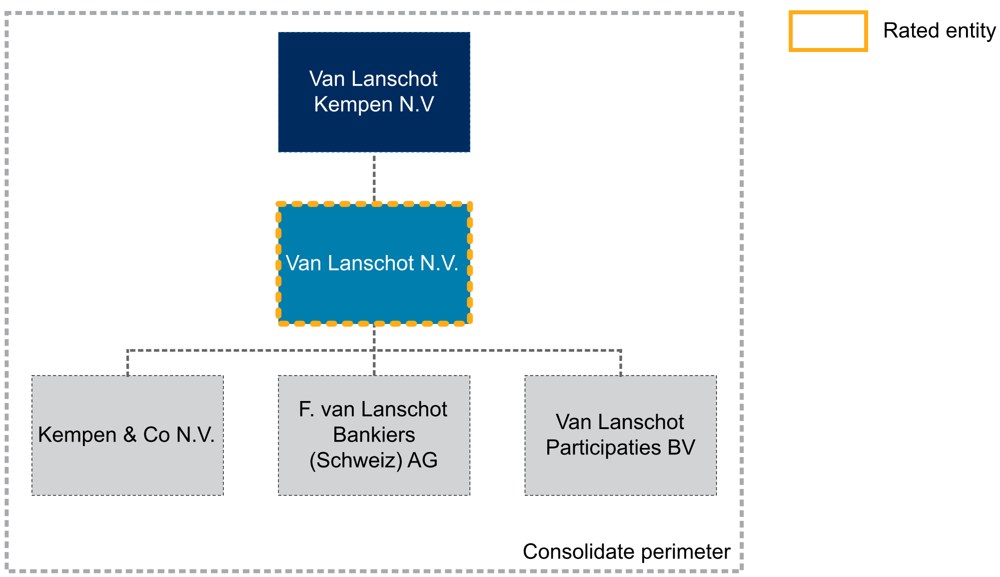
Business position: An established domestic player, transitioning to become a pure wealth manager

We consider Van Lanschot's business position to be moderate, reflecting the bank's relatively niche, albeit well-established, franchise in wealth management, primarily in the Netherlands. The bank aims to become a pure player in wealth management, and contemplates sizable growth of its AuM and fee income supported by bolt-on external acquisitions.

Van Lanschot N.V. (formerly F. Van Lanschot Bankiers N.V.) is fully owned by the listed holding company Van Lanschot Kempen N.V. (unrated). In turn, Van Lanschot owns 100% of Kempen & Co N.V. (acquired in 2007). Van Lanschot's shareholder base is diversified. Recent changes in the shareholding structure have increased the bank's free float. The ten-largest investors (mostly large fund managers) represented 55% of the shareholding structure as of April 2018. We view these changes as neutral for the ratings because the bank operates as an independent institution, and we do not factor any group support in our ratings.

Chart 1

Simplified Overview of Van Lanschot Kempen Group



With total assets of €14.7 billion at end-2017, and AUM of €69.2 billion (€68.3 billion as of March 2018 due to financial markets performance), VLK is a midsize player within the Dutch banking system, but the second-largest private bank in this market. It is focusing on onshore assets. Van Lanschot is transitioning to become a pure specialist wealth manager from a universal bank, as part of the 2020 medium-term strategic plan. It operates in four segments: private banking, asset management, merchant banking, and more recently digital saving and investment through a dedicated platform "Evi".

The majority of the bank's revenues is derived from private banking and asset management in the Netherlands. The bank also intends to develop further AUM activities in the U.K. and private-banking activities in Belgium, but we expect that it will take time before representing a material source or revenues. Management expects that fees and commissions generated from AuM will increase significantly in absolute and relative terms thanks to the development of client relationships, expanding distribution into new markets, and bolt-on acquisitions. Recent portfolios acquisitions (see table 2) have contributed to developing the bank's AUM portfolio, and we understand that most of the clients inherited from these transactions were successfully retained. In total, AUM increased by 27% in 2017, to €69.2 billion from €54.6 billion a year before and commission revenues jumped up 10% (to €267 million from €243.7 million).

Table 2

Van Lanschot's Recent Acquisitions Of AUM Portfolios	
2015	Acquisition of the U.K. fiduciary management activities of the Dutch pension and investment manager MN. This acquisition added about €4 billion of AUM, and enables the group to serve U.K. pension funds more closely.
2016	Acquisition of a portfolio of around €1.7 billion in AUM from the Dutch private bank Staalbankiers for a final acquisition price of €20 million.
2017	Acquisition of UBS wealth-management activities in the Netherlands (AUM of around €2.5 billion) for €32 million.

AUM--assets under management.

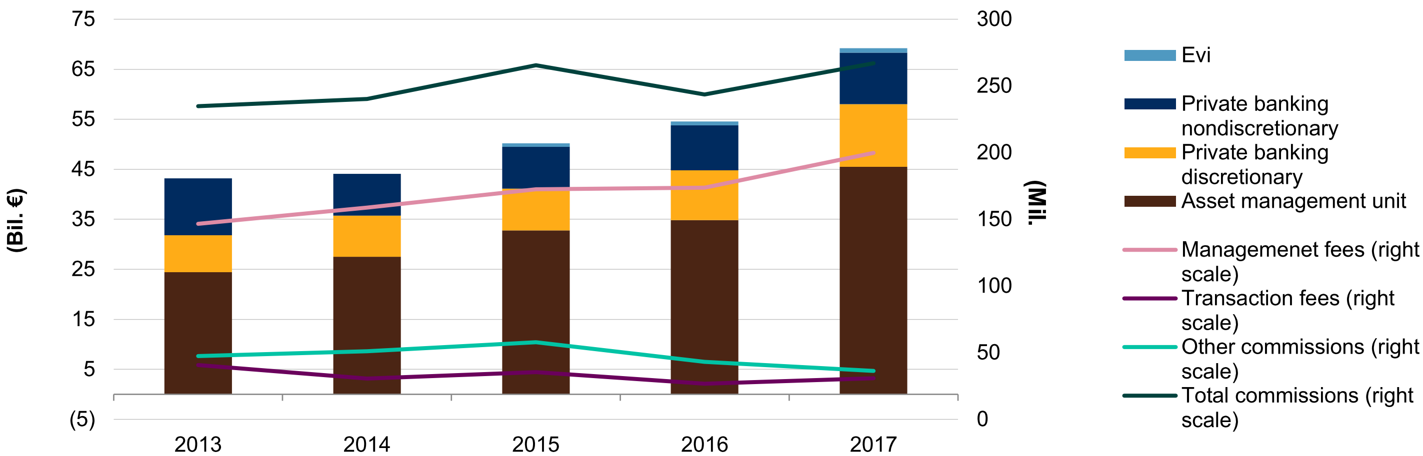
The medium-term refocus on a wealth management proposition includes the planned reduction in corporate-lending activities to a negligible amount by 2020 (€0.868 billion remaining at end 2017). In our opinion, this strategic move makes senses, but success depends on the bank's capacity to scale up AuM and improve the buffer to cover fixed costs, which we believe are high today. Historically, the net interest income generated by Van Lanschot's customer loan book has provided a buffer against volatility in other income streams (although there have been some relatively high loan-impairment charges as well). That said, we think that the recurrence, and stability, of fees coming from AuM are of a better quality than the interest earnings on corporate-banking activities, a segment in which the bank has a modest market share and pricing power, and in which credit losses could be high, especially in commercial real estate.

Importantly, we believe that a strongly performing retail loan book at around €9 billion, mainly made of mortgages for private banking clients, will help cushion possible volatility of AuM fees.

Gains on financial transactions lifted 2017 revenues by €14.1 million (versus negative €3.9 million in 2016) and helped the bank achieve a 10.4% return on common equity tier 1 (CET1), already within the bank's 2020 target range of 10%-12%. We monitor to what extent, beyond balance-sheet management and cost-cutting efforts, bottom line results reflect a genuine and sustainable improvement of the revenue base in line with the bank's strategic targets. To this regard, first-quarter 2018 results were lower than those for the same period in 2017, but in line with recent quarters and more reflective of the bank's core revenue generation.

Chart 2

Van Lanschot AUM And Commissions Growth



AuM--Assets under management.

The bank's adaptation to digitalization include the implementation of its omnichannel private-banking model and IT transformation as part of its medium-term plan, with total investment of €60 million through 2020 (€28.7 million already invested over 2016-2017).

Van Lanschot considers that the implementation of the Directive on Markets in Financial Instruments (MiFID II) has a significant impact on its securities business at Kempen Merchant Banking because of the requirement to unbundle research fees and execution commission. We understand that the bank has taken proactive steps to smoothen the transition and leverage its niche strategy. We will monitor over time how it affects its overall revenue base, but we expect that it will be limited given the current revenue breakdown between business lines.

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

Table 3

Van Lanschot Business Position					
	--Year ended Dec. 31--				
(Mil. €)	2017	2016	2015	2014	2013
Total revenues from business line (currency in millions)	567	524	561	566	551
Commercial & retail banking/total revenues from business line	55.12	57.74	72.19	74.36	77.16
Trading and sales income/total revenues from business line	8.14	9.25	13.03	10.81	9.09
Asset management/total revenues from business line	16.08	16.40	14.77	14.84	13.75

Table 3

Van Lanschot Business Position (cont.)					
	--Year ended Dec. 31--				
Other revenues/total revenues from business line	20.66	16.61	0.01	(0.00)	(0.00)
Investment banking/total revenues from business line	8.14	9.25	13.03	10.81	9.09
Return on average equity	6.65	4.54	2.81	8.16	2.41

Capital and earnings: Strong capitalization supported by significant deleveraging, but active capital optimization strategy

Our assessment of Van Lanschot's capital and earnings as strong reflects our expectation that the projected RAC ratio before adjustments will stand in the 12%-13% range in the next 18-24 months, a level similar to the 12.5% RAC ratio calculated at end-2017.

We consider that the continuation of the group's medium-term strategy to achieve an "asset-light" balance sheet--which includes the run-off of the corporate loan book still accounting for 14% of regulatory risk-weighted assets (RWAs) at end-2017--balances management's intention to return to shareholders what it considers excess capital. Combined, these strategic decisions should be neutral on our RAC ratio projections.

Our RAC ratio projection is also based on the following assumptions:

- Fees and commissions increasing by about 5%-7% in 2018-2019, in line with 2017 commission income growth.
- The net interest margin decreasing slightly, with the ongoing repricing of loans and a reducing corporate loan book, partly compensated by the improving average quality of the loan book.
- Loan impairment charge remaining low over 2018-2019. The bank released €11.9 million of provision in 2017, as the Netherlands' economic situation continues to improve (€6.9 million in 2016).
- The impact of International Financial Reporting Standard (IFRS) 9 on CET1 is 20 bps.
- Stable operating expenses in the next two years, as investment in new technologies broadly balance cost-saving measures. The bank plans to invest €60 million over 2016-2019, which should help to improve the cost-efficiency ratio by 2020 to the 60%-65% range, from 74.4% at end-2015. The reported (adjusted) ratio stood at 76.2% at end-2017. The cost base remained broadly stable in 2017 compared to 2016.
- A dividend payout ratio of 50%-70% of the net underlying result.
- A slightly declining S&P Global Ratings-adjusted RWAs, mainly reflecting the balance between the planned growth of AUM and the gradual run-off of the corporate-lending portfolio. No major change in the bank's perimeter beyond AUM (no sizable acquisition).

We expect Van Lanschot's earnings capacity will improve, but remain slightly below that of domestic or private-banking peers over the next two years.

The bank's targeted efficiency ratio of 60%-65% in 2020 will still likely be among the highest for the banks we rate in the Netherlands, but comparable to other rated private banks.

The bank's fully loaded CET1 ratio was at a high 20.2% at end-March 2018, above the bank's target CET1 range of 15%-17% by 2020. Under the supervisory review and evaluation process, regulatory authorities set a 2019 requirement of a 11.70% CET1 ratio. We expect the bank will maintain for some time an extra cushion of capital above the preferred capital target of 15%-17%. We consider the lower limit to be well below the level we observe on average for the abovementioned private banking peers. The bank estimates the impact of Basel IV would not represent an increase of regulatory RWA of more than 10% (pro forma end-2017), notwithstanding that the Basel reform will be implemented gradually and over a multiyear period.

In total, the bank intends to return at least €250 million to shareholders over 2016-2020. Over €150 million were already paid as of end-June 2018, including in the form of an extraordinary dividends (1€ per share at end-2017).

Van Lanschot reported a relatively high leverage ratio of 6.7% at end-2017, above the target level of 4% contemplated by the Dutch National Bank for domestic systematically important banks (D-SIB). The quality of capital is high, since the capital base is mainly made of CET1 capital. The bank issued a €50 million tier 2 instrument privately placed in November 2016.

Table 4

Van Lanschot Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2017**	**2016**	**2015**	**2014**	**2013**
Tier 1 capital ratio	20.50	19.00	16.30	14.60	13.10
S&P Global Ratings' RAC ratio before diversification	12.50	12.00	12.03	10.46	10.48
S&P Global Ratings' RAC ratio after diversification	10.50	10.50	11.81	10.10	10.16
Net interest income/operating revenues	34.44	40.01	35.25	42.00	38.50
Fee income/operating revenues	47.06	46.47	46.66	47.50	42.32
Noninterest expenses/operating revenues	80.34	81.15	74.24	66.64	72.68
Preprovision operating income/average assets	0.76	0.65	0.90	0.97	0.84
Core earnings/average managed assets	0.65	0.50	0.37	0.35	0.24

RAC--Risk-adjusted capital.

Table 5

Van Lanschot Risk-Adjusted Capital Framework Data

(€ 000s)	**Exposure***	**Basel III RWA**	**Average Basel III RW (%)**	**S&P Global RWA**	**Average S&P Global RW (%)**
Credit risk					
Government and central banks	2,304,136	23,975	1	15,205	1
Of which regional governments and local authorities	67,762	0	0	2,550	4
Institutions and CCPs	1,690,402	334,615	20	304,888	18
Corporate	2,305,568	1,499,550	65	1,017,592	44
Retail	7,674,072	1,181,225	15	2,972,645	39
Of which mortgage	6,079,465	679,563	11	1,746,141	29
Securitization§	671,367	49,813	7	134,273	20
Other assets†	322,042	360,925	112	369,938	115
Total credit risk	15,035,349	3,450,102	23	4,814,542	32

Table 5

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

Credit valuation adjustment					
Total credit valuation adjustment	--	72,288	--	0	--
Market risk					
Equity in the banking book	228,802	380,238	166	1,820,770	796
Trading book market risk	--	239,475	--	359,213	--
Total market risk	--	619,713	--	2,179,982	--
Operational risk					
Total operational risk	--	837,013	--	1,227,205	--
		Basel III RWA		**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification		4,979,115		8,221,729	100
Total Diversification/Concentration Adjustments		--		1,585,578	19
RWA after diversification		4,979,115		9,807,307	119
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		1,021,773	20.5	1,030,927	12.5
Capital ratio after adjustments‡		1,021,773	20.5	1,030,927	10.5

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡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, 2017, S&P Global.

Risk position: Receding credit risk exposure but structural exposure to operational risk

We view Van Lanschot's risk position as adequate, 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. Credit risk is receding given that the bank manages its riskier corporate loan book in run-off, and does not plan to expand other loan books materially. Like for other Dutch banks, we monitor the bank's possible relaxation of underwriting criteria given the more supportive economic environment and dynamic real estate market. We haven't identified such a trend for the moment. Finally, operational risk is inherent to wealth management.

As part of its strategy to focus on wealth management, Van Lanschot has separated its mainly Netherlands-based loan portfolio into two main segments. The first one includes private banking loans, which are at the core of the strategy and mostly comprise mortgages (€5.7 billion at end-2017); and other loans, including financing to entrepreneurs, business professionals, and the health care sector (€2 billion). The second segment comprises corporate lending in run-off and is made up of loans to small and midsize enterprises (€0.5 billion) and property financing (€0.4 billion). We understand that the orderly reduction of noncore lending will span multiple years, but is evolving ahead of schedule.

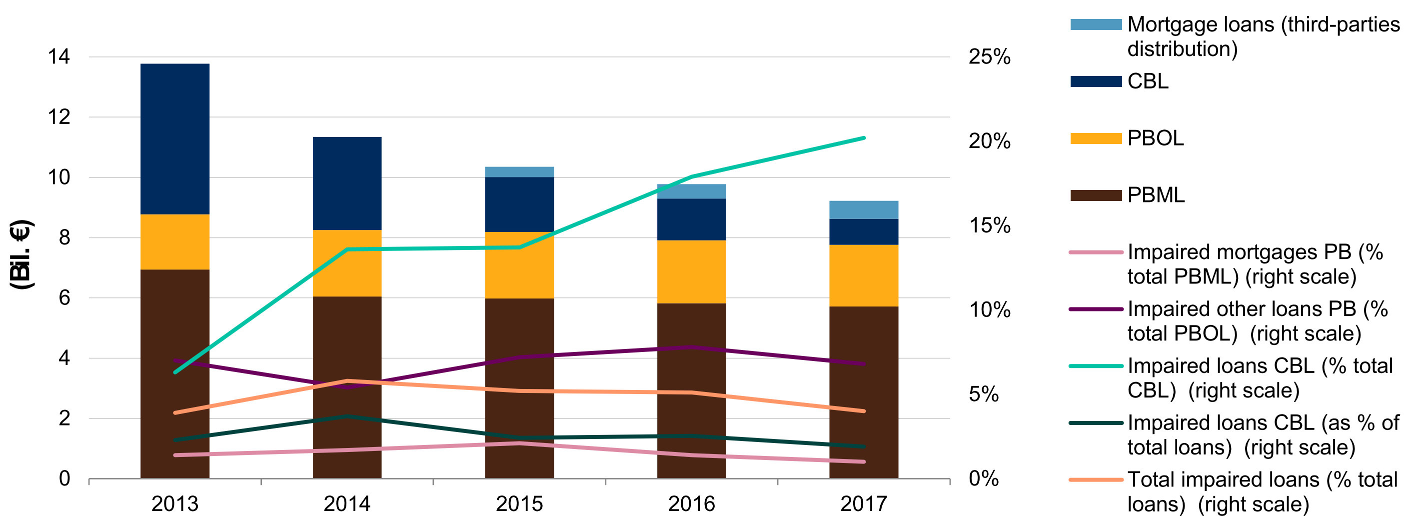
Since April 2015, Van Lanschot provides mortgages distributed by third-party brokers under the Hypotrust brand. This portfolio is recorded as part of the investment portfolio and is designed to enhance its average performance in the low-interest-rate environment. It amounted to around €600 million at end-2017 and does not display a more aggressive risk profile. The reported impaired ratio was 0% at end-2017.

Asset-quality metrics are improving but higher than peers in the industry. Van Lanschot reported a ratio of impaired loans at 4.0% at end-2017 and a coverage ratio of 31%. This is in line with domestic peers, but lower than for private banking peers. Of note, nearly half of the stock of nonperforming loans relates to corporate loans, a sector from which the bank is exiting. We understand that access to other collateral assets (like shares or real estate assets) explains the relatively low coverage by provision. We estimate that the bank already recognized most of its legacy problem exposures. These portfolios are actively managed, and we expect Van Lanschot's asset-quality metrics will continue to converge toward 3% in 2019.

The risk profile of the mortgage book is gradually improving in our opinion, along with market trends, with a growing portion of amortizing loans, and a seasoned book. Measures taken at the country level to reduce the proportion of non-amortizing (i.e. interest-only) mortgages, previously boosted by tax incentives (interest deductibility), are gradually bearing fruits. Mortgage production has rebounded since 2015. 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 loans with an LTV higher than 100% reduced to 17% at end-2017 from 26% at end-2016. The average weighted LTV is reducing year on year and stood at 81% at end-2017 (versus 87% at end-2016), whereas for some Dutch commercial banks we have observed a reduction to a much lower level (below 80%).

Chart 3

Reported Loan Portfolio And Impaired Loans Ratios



PB--Private banking. PBML--Private banking mortgage loans. PBOL--Private banking other loans. CBL--Corporate banking loans.

We consider the risks in the bank's €4.4 billion liquidity portfolio to be limited, with about 65% in cash at central banks, government, financial institutions and highly rated corporate, with a focus on Western European countries, and 18% covered bonds.

Reputational and operational risks are inherent in the bank's wealth management activities, although we consider that its good track record, as operational losses indicate, and strategic priority, somewhat mitigates these risks.

Table 6

Van Lanschot Risk Position					
	--Year ended Dec. 31--				
(%)	**2017**	**2016**	**2015**	**2014**	**2013**
Growth in customer loans	(5.75)	(5.44)	(8.78)	(11.53)	(6.90)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	16.77	14.26	1.86	3.52	3.10
Total managed assets/adjusted common equity (x)	14.22	13.97	14.46	16.11	16.80
New loan loss provisions/average customer loans	(0.11)	(0.02)	0.57	0.74	0.75
Net charge-offs/average customer loans	0.35	0.11	0.62	0.74	0.63
Gross nonperforming assets/customer loans + other real estate owned	4.42	5.17	5.21	5.64	4.68
Loan loss reserves/gross nonperforming assets	29.55	32.00	33.42	50.64	55.42

RWA--Risk-weighted assets.

Funding and liquidity: Smaller wholesale reliance than some domestic peers

We view Van Lanschot's funding as average and its liquidity as adequate. 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 to retail banks, and a relatively small base.

The bank's customer deposit base broadly covers the loan portfolio, with net loans to customer deposits of 99.6% at end-2017, which is better than for large Dutch peers. The volatility of the loan-to-deposit ratio in recent years reflected the time lag between the shrinking loan book and the corresponding adjustment of the deposit base. The retail customer deposits are less granular than peers', reflecting the bank's focus on private banking.

We consider that 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 Van Lanschot's funding as adequate, illustrated by a stable funding ratio on an improving trend over the past two years (122% at end-2017).

We understand that management intends to adjust its funding profile to reducing asset exposure by relying less on unsecured wholesale sources. So far, Van Lanschot has issued a total of €1.5 billion conditional pass-through covered bonds.

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 3.4x at end-2017. We consider liquidity to be generally neutral to ratings on private banks. This is because, unlike pure retail and commercial banks, the main business of private banks is not generated on balance sheet, which should increasingly be the case for Van Lanschot as the bank sharpens its wealth-management focus.

At end-2017, Van Lanschot reported a regulatory liquidity coverage ratio of 163.6%, and an estimated net stable funding ratio of 129.2%, both at a supportive level and expected to remain well above the minimum required. Total encumbered assets represented 20% of total assets at end-2017 (mainly covered bonds).

Table 7

Van Lanschot Funding And Liquidity

	--Year ended Dec. 31--				
(%)	**2017**	**2016**	**2015**	**2014**	**2013**
Core deposits/funding base	71.45	74.54	70.01	68.71	64.84
Customer loans (net)/customer deposits	99.54	99.42	106.23	104.97	122.92
Long-term funding ratio	92.28	92.62	84.92	84.57	88.63
Stable funding ratio	122.03	118.57	107.31	105.98	107.31
Short-term wholesale funding/funding base	8.40	8.04	16.34	16.64	12.22
Broad liquid assets/short-term wholesale funding (x)	3.38	3.20	1.47	1.46	1.78
Net broad liquid assets/short-term customer deposits	29.46	24.83	11.63	11.86	15.65
Short-term wholesale funding/total wholesale funding	29.42	31.59	54.47	52.88	34.52
Narrow liquid assets/3-month wholesale funding (x)	3.38	3.18	2.85	2.47	2.71

Support: Low systemic importance in the Netherlands

Although we include notches of uplift for some large Dutch banks under our ALAC methodology, we do not do so for Van Lanschot. This is because we see it as being of low systemic importance in the Netherlands, due to its modest share of the overall Dutch banking system, and focus on wealth management. This implies to us that the bank might be 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.

In cases where we see a feasible plan for a bank to build a substantial ALAC buffer in the coming years, we include some uplift in the issuer credit rating. Given the bank's modest size and focus on private-banking activities, we believe that, if the bank were to run into severe difficulties, the regulators' preferred approach would be an orderly liquidation, rather than a bail-in resolution scenario. Therefore, we don't currently see a credible resolution plan to build a substantial buffer of additional loss-absorption capacity (ALAC) in the coming years and therefore no eligibility for ALAC uplift.

Additional rating factors: None

There are no additional rating factors.

Related Criteria

- Methodology For Assigning Financial Institution Resolution Counterparty, April 19, 2018
- Risk-Adjusted Capital Framework Methodology, July 20, 2017
- Methodology For Linking Long-Term And Short-Term Ratings, April 07, 2017
- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015

- Group Rating Methodology, Nov. 19, 2013
- Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Banks: Rating Methodology And Assumptions, Nov. 09, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 09, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Banking Industry Country Risk Assessment: The Netherlands, June 11, 2018

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	**3**	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	**bbb+**	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of July 19, 2018)	
Van Lanschot N.V.	
Issuer Credit Rating	BBB+/Stable/A-2
Junior Subordinated	BB
Senior Secured	AAA
Senior Unsecured	BBB+
Short-Term Debt	A-2
Subordinated	BBB-
Issuer Credit Ratings History	
04-Nov-2014	BBB+/Stable/A-2
15-Mar-2013	BBB+/Negative/A-2
16-Nov-2012	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.

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