S&P Global
Ratings

RatingsDirect®

Van Lanschot N.V.

Primary Credit Analyst:
Philippe Raposo, Paris (33) 1-4420-7377; philippe.raposo@spglobal.com

Secondary Contact:
Nicolas Hardy, Paris (33) 1-4420-7318; nicolas.hardy@spglobal.com

Table Of Contents

Van Lanschot N.V.

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

\+

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

\+

Additional Factors	0

Issuer Credit Rating
BBB+/Stable/A-2

Major Rating Factors

Strengths:	Weaknesses:
• Strong capitalization. • Sound funding and liquidity position. • Solid brand name recognition and focused wealth management strategy.	• Modestly sized player in a competitive segment, in which scalability is critical. • High fixed-cost base and still low, albeit rising, share of high-margin fees from private banking assets under management (AuMs). • Asset-quality indicators that are less favorable than peers', largely due to legacy exposures.

Outlook: Stable

S&P Global Ratings' outlook on Netherlands based Van Lanschot N.V. (Van Lanschot), the operating bank of the Van Lanschot Kempen group (VLK), is stable. It primarily reflects our expectation of a successful strategic shift toward wealth management and gradual improvements in the profitability of the bank's core operations in the next two years, as benefits from the bank's larger scale materialize. We also expect Van Lanschot's capital to remain a key rating strength, based on a risk-adjusted capital (RAC) ratio before diversification standing in the upper end of the 10%-15% range over the next 24 months thanks to controlled expansion of core activities and sufficient internal capital generation.

We could raise the ratings on Van Lanschot in the next 12-24 months if we observed a track record of sustainably higher profitability from AuM activities and from loans to private banking clients, and a further reduction of legacy problem exposures in the corporate book. At this time, in our view, the bank's profitability indicators and asset-quality metrics are weaker than those for rated peers active in wealth management in Europe. However, we consider that Van Lanschot's transition toward a pure wealth manager is almost complete, and we view its focused strategy positively. We will monitor how rapidly the group achieves higher AuM levels to increase its business sustainability and profitability.

We could take a negative rating action on Van Lanschot if the bank's transformation process proves unsuccessful. It may happen for instance if its domestic franchise erodes to an extent it fails to attract net new money or enlarge the AuMs, and therefore to shore up profitability.

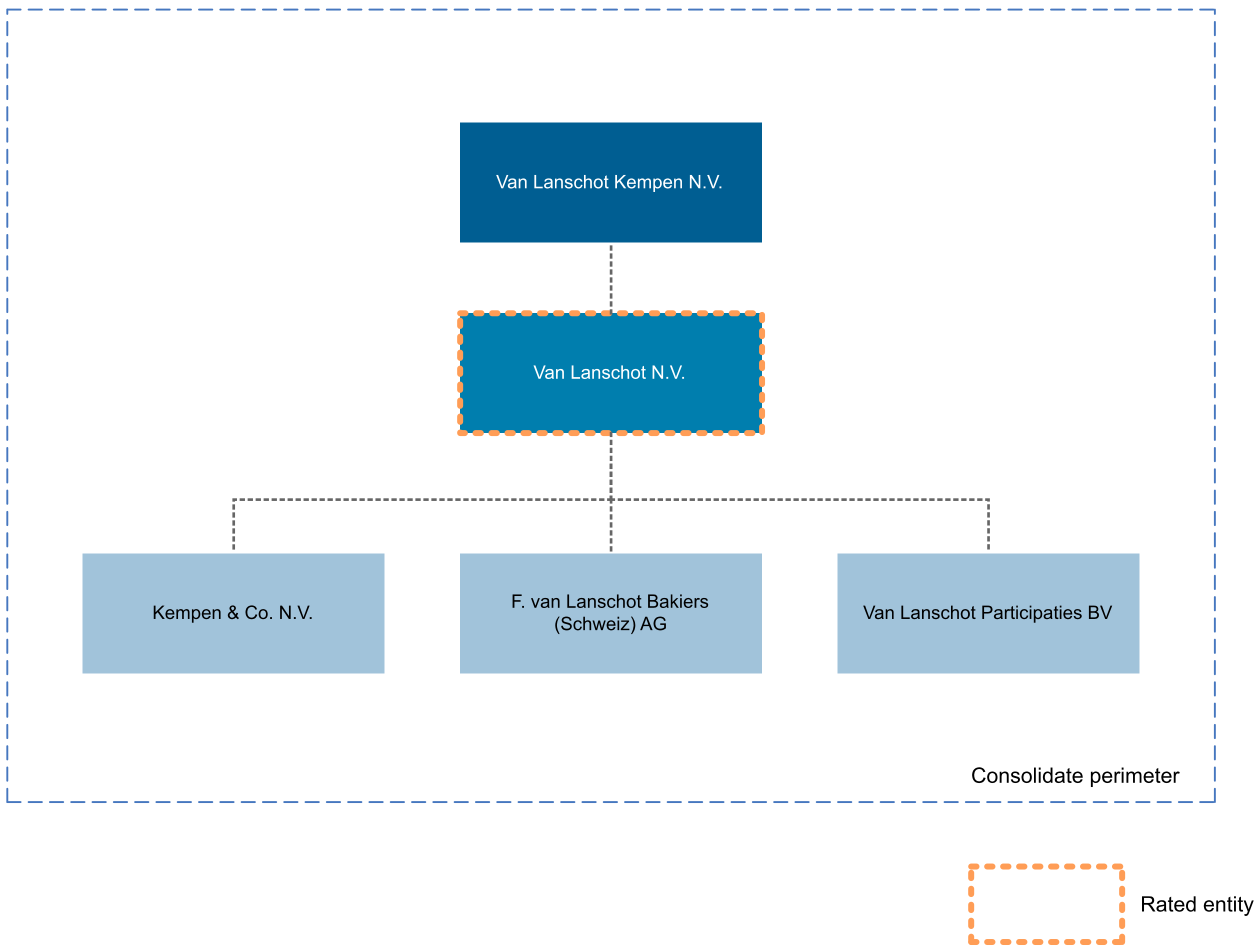
Rationale

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. Van Lanschot's strategic objective is to be a specialized independent wealth manager operating mainly in the Netherlands. Van Lanschot's business offering and geographic reach is therefore less diversified than large Dutch banks', but focuses on a specific segment of Dutch residents. The bank's market share, while rising and material at country level, remains modest compared with other rated European peers active in private banking. Van Lanschot displays strong capital adequacy metrics, supportive of the rating, 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 the focus is now on increasing off-balance sheet wealth management activities. New lending is selective and should generate low credit losses over the cycle. We view its funding and liquidity metrics in line with wealth management peers. Its better-than-peer loan-to-deposit ratio balances the small size of its private banking deposit base compared with domestic peers with large retail deposit base.

Our long-term rating on the bank is in line with our assessment of its stand-alone credit profile (SACP), since we make no adjustments for external support or other factors. The data and ratios in this report are part of the group though, for which the bank forms the backbone. In particular, given the bank's modest size and focus on private-banking activities, we believe that, if the bank faced 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.

Simplified Overview Of Van Lanschot Kempen Group



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, its net external asset position, recurrent and elevated current account surpluses, and a long track record of prudent and flexible macroeconomic policies in a 'AAA' rated country. The Dutch economy continues to perform well, with forecast above-eurozone-average real GDP growth of 1.7% in 2019 and 1.5% on average over 2020-2022, while unemployment is low, at about 3.3%. We believe this environment continues to firmly support banking activities in the country. In the meantime, we also consider that the very open nature of the Dutch economy is a source of volatility. The current global trade tensions and the uncertainty around Brexit will contribute to the expected slowdown of economic growth in Europe. Private sector leverage remains on a gross basis among the highest in the world and constrains the structural ability of the very open Dutch economy to easily withstand potential external shocks. Economic imbalances have not receded in recent years because of a very dynamic real estate market. Nominal property prices went up 8.5% in 2017, 9.2% in 2018, and 6.3% expected this year. Households' indebtedness will reduce over time, with the gradual move away from interest-only (non-amortizing) mortgages but improvements have been so far hardly visible in absolute terms.

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. In particular, we observe supportive price discipline in the competitive mortgage segment. Some of the large banks have completed large restructuring efforts and cost-optimization programs continue in the context of the persistently low interest rates. Cost of risk also remained at low level, 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 N.V. Key Figures

	--Year-ended Dec. 31--				
(Mil. €)	**2018**	**2017**	**2016**	**2015**	**2014**
Adjusted assets	13,796.9	14,440.5	14,683.0	15,320.6	17,106.0
Customer loans (gross)	8,674.3	9,223.7	9,786.1	10,348.6	11,345.1
Adjusted common equity	1,034.9	1,030.9	1,065.1	1,071.8	1,071.7
Operating revenues	506.3	567.3	524.4	569.1	505.9
Noninterest expenses	440.2	455.8	425.5	422.5	337.1
Core earnings	68.2	95.6	76.3	60.4	61.8

Business position: A domestic pure wealth manager

Van Lanschot enjoys a well-established, although niche, franchise in wealth management, primarily in the Netherlands. The bank is nearing the end of its transition into a pure player in wealth management, notably in private banking and asset management, and contemplates sizable growth of its AuM and fee income supported by bolt-on external acquisitions.

Van Lanschot N.V. is fully owned by the listed holding company Van Lanschot Kempen N.V. (VLK; unrated). In turn, Van Lanschot owns 100% of Kempen & Co N.V. Recent changes in the shareholding structure have increased the bank's free float and VLK's investor base is diversified. The ten-largest investors (large fund managers) represented 52.4% of the shareholding structure as of May 2019. In our view, these changes are neutral for the bank's creditworthiness because the bank operates as an independent institution, and we do not factor any group support in our ratings.

With total assets of €14.5 billion at mid-2019, and AuM of €82.6 billion, VLK is a midsize player within the Dutch banking system, and the second-largest domestic private bank behind ABN AMRO. VLK focuses on onshore assets and has a strong franchise in its now core wealth management business. Van Lanschot is transitioning to become a pure specialist wealth manager from a universal bank, as part of the 2023 medium-term strategic plan. Under the brand name Van Lanschot Kempen, 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 stem from private banking and asset management in the Netherlands. The bank also intends to develop AuM activities in the U.K. and private-banking activities in Belgium, but we expect that it will take time before these business lines represent a material source of 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.

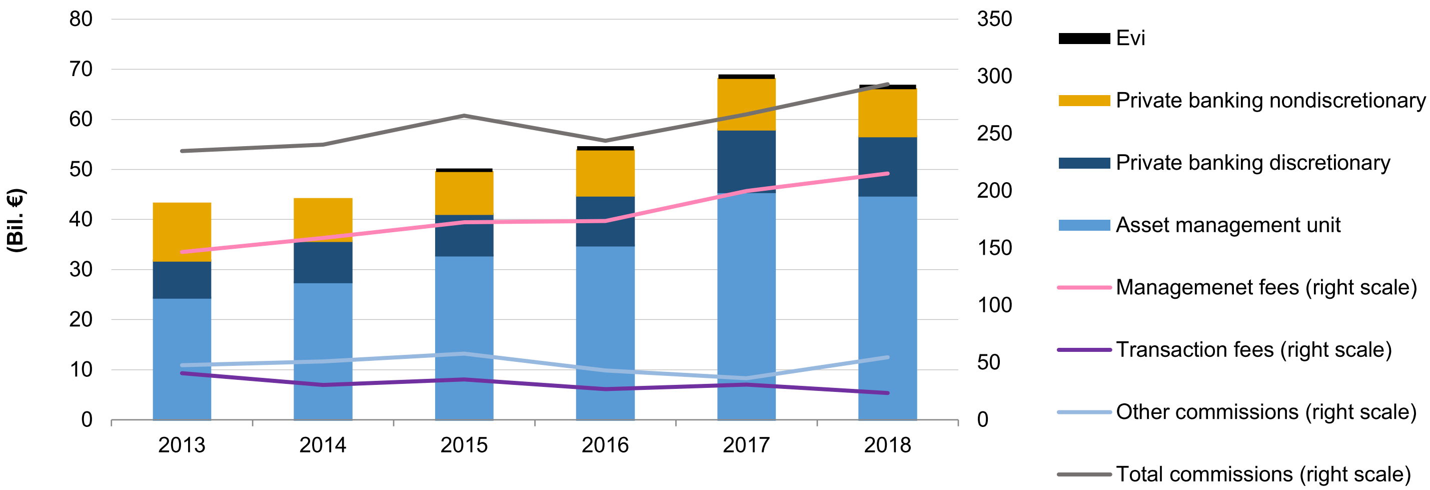
We view favorably the group's net new money dynamics in private banking and in asset management, summing around €1 billion in 2018, and €9 billion in the first half of 2019, indicating franchise strength. Commission revenues jumped up 10% in 2018 (to €293.2 million from €267 million in 2017) but were under pressure in the first part of 2019. This reflects the volatility of the AuM base that depends on market performance, and the increasing share of lower margin fiduciary AuMs compared to traditional private banking AuMs.

The refocus on a private-banking proposition includes the planned reduction in corporate-lending activities to a negligible amount by 2020. We believe this strategic move makes sense, but success depends on the bank's capacity to scale up AuM and improve recurring revenues to cover fixed costs. We think that the recurrence, and stability, of fees coming from AuM are of a better quality than the interest earnings on former 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, especially in commercial real estate. Importantly, we believe that a strongly performing retail loan book at around €8.5 billion, mainly made of very low-risk mortgages and loans for private banking clients, will help cushion possible volatility of other income streams.

The bank achieved a reported 9.8% return on common equity tier 1 (CET1) in 2018, slightly below its 2020 target range of 10%-12%. We monitor how--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-half 2019 net results were higher than those for the same period in 2018 on the back of the sale of its stake in AIO II (Medsen) and that in VLC & Partners, and thanks to lower operating expenses.

Chart 2

Van Lanschot AUM And Commissions Growth



AUM--Assets under management.

The bank's adaptation to digitalization includes the implementation of its omni-channel private-banking model and IT transformation as part of its medium-term plan, with total planned investment of €60 million through 2020 (€60 million already invested over 2016-June 2019).

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; J. Safra Sarasin Group in Switzerland; Banque Internationale à Luxembourg; and Swiss cantonal banks that have a more pronounced retail focus and stronger franchise in wealth management. At the same time, 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 which is VLK's main competitor in the Netherlands.

Table 2

Van Lanschot N.V. Business Position

	--Year-ended Dec. 31--				
(%)	**2018**	**2017**	**2016**	**2015**	**2014**
Total revenues from business line (mil. €)	519.2	567.3	524.4	561.1	566.2
Commercial banking/total revenues from business line	4.5	N/A	N/A	N/A	N/A
Retail banking/total revenues from business line	51.2	N/A	N/A	N/A	N/A
Commercial & retail banking/total revenues from business line	55.7	55.1	57.7	72.2	74.4
Trading and sales income/total revenues from business line	11.3	8.1	9.2	13.0	10.8
Asset management/total revenues from business line	19.2	16.1	16.4	14.8	14.8
Other revenues/total revenues from business line	13.7	20.7	16.6	0.0	0.0
Investment banking/total revenues from business line	11.3	8.1	9.2	13.0	10.8

Table 2

Van Lanschot N.V. Business Position (cont.)					
	--Year-ended Dec. 31--				
(%)	**2018**	**2017**	**2016**	**2015**	**2014**
Return on average common equity	5.7	6.6	4.5	2.8	8.2

N/A--Not applicable.

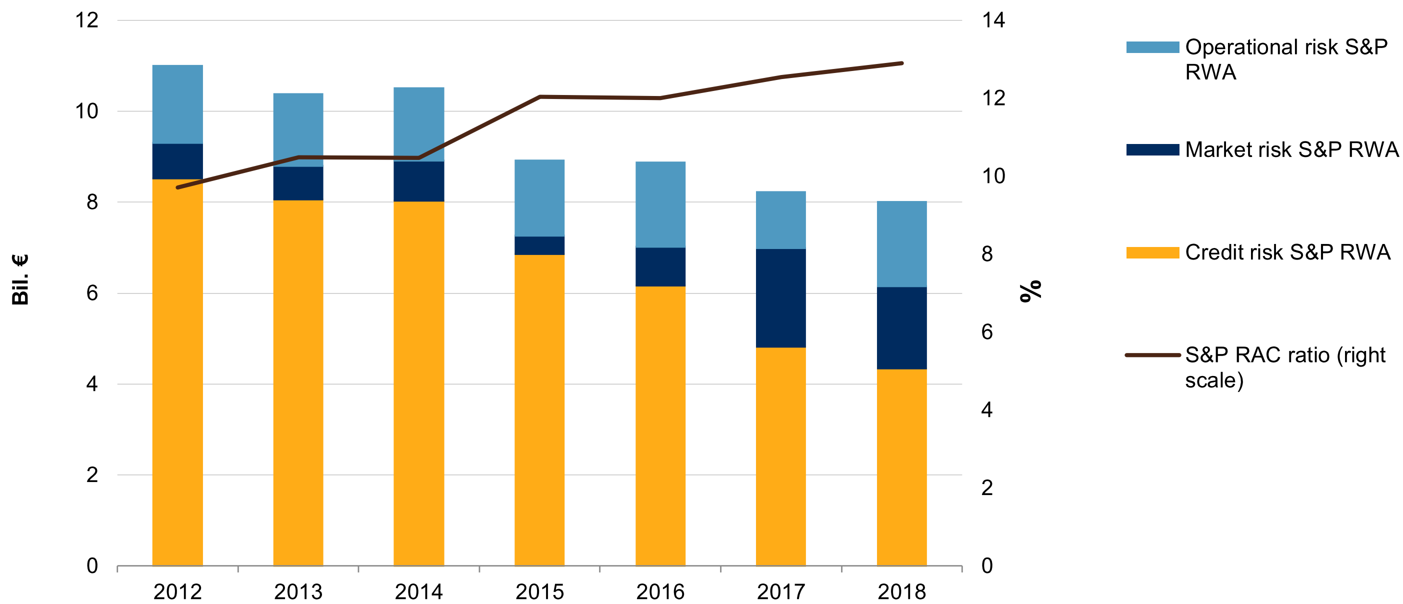
Capital and earnings: Strong capitalization supported by significant deleveraging, but active capital optimization strategy

Capital is a rating strength and the focus to capital-light activities, with little sensitivity to evolving Basel regulatory rules, is credit positive. We expect the projected RAC ratio before adjustments will stand in the 13.0%-14.0% range in the next 18-24 months, slightly above the 12.9% RAC ratio calculated at end-2018. Earnings are below potential so far, but the trend is improving under the revised strategy.

The group's medium-term financial strategy aims at achieving an "asset-light" balance sheet--which includes the run-off of the corporate loan book still accounting for 10.9% of regulatory risk-weighted assets (RWAs) at end-2018. This financial strategy balances management's intention to pursue potential acquisitions, maintain its dividend payout, and consider additional return to shareholders of what it considers excess capital. These decisions underpin our view that capitalization, as measured by our RAC ratio, should not materially improve from its already strong position in the coming 12-18 months.

Chart 3

VLK's RAC Ratio Is Improving Thanks To Lower Risk-Weighted Assets



RWA--Risk-weighted assets. RAC--Risk-adjusted captial. Source: S&P Global Ratings.

More specifically, our RAC ratio projection is based on the following assumptions:

- Fees and commissions increasing by about 4%-6% yearly until 2021, on the back of the focused strategy to increase the AuM base and a disciplined pricing for private banking and asset management.
- Net interest income decreasing gradually, which is in line with the ongoing repricing of loans in a low interest rate environment and the reducing corporate loan book. The fall should be only partly compensated by the improving average quality of the loan book.
- Loan impairment charge remaining low but returning to normal levels, we include an annual charge of €10 million over 2020-2021. The bank released €13.4 million of provisions in 2018 and another €7.5 million as of mid-2019.
- A decrease in operating expenses in the next two years, as cost-saving measures (like integration of Belgian IT operation into the Dutch IT infrastructure and closure of Edinburgh office) come to fruition.
- A dividend payout ratio in the upper range of the communicated 50%-70% of the underlying net result attributable to shareholders.
- The issuance of the €100 million additional tier 1 note to be offset by either inorganic growth or capital returns (or both) as the bank runs a CET1 ratio well above its strategic target of 15%-17%.
- Stable 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.

We expect Van Lanschot's earnings capacity will improve only gradually, as net interest income should continue to fall while the expected increase in commissions will depend on the group's capacity to achieve higher AuM levels. Therefore, even if the strategic shift is sound and progressively steadies the revenue base, the very low interest rate environment slows the emergence of tangible improvements in earnings. The bank's revised targeted efficiency ratio of 70%-72% by 2023 is among the highest for the banks we rate in the Netherlands, but is more comparable withother rated private banks. We expect under our assumptions net profit--excluding non-recurring items--to be €70 million-€90 million in 2019-2020, equivalent to a 5.5%-7.0% return on equity.

The bank's fully loaded CET1 ratio was at a high 22.7% (excluding retained earnings)at end-June 2019, above the bank's target CET1 range of 15%-17% by 2023. Under the supervisory review and evaluation process, regulatory authorities set a 2020 requirement of a 9.5% CET1 ratio (excluding combined buffer requirements). We expect the bank will maintain for some time an extra cushion of capital above the preferred target (15%-17%). As opposed to Dutch commercial banks, the impact of Basel IV will be very modest. 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.

Van Lanschot reported a relatively high leverage ratio of 7.4% as of June 2019 . The quality of capital is high, since the capital base is 90% made of CET1 capital and a €100 million additional tier 1 note in April 2019.

Table 3

Van Lanschot N.V. Capital And Earnings

	--Year-ended Dec. 31--				
(%)	**2018**	**2017**	**2016**	**2015**	**2014**
Tier 1 capital ratio	21.4	20.5	19.0	16.3	14.6
S&P Global Ratings’ RAC ratio before diversification	12.9	12.5	12.0	12.0	10.5
S&P Global Ratings’ RAC ratio after diversification	10.9	10.5	10.5	11.8	10.1
Net interest income/operating revenues	34.6	34.4	40.0	35.2	42.0
Fee income/operating revenues	57.9	47.1	46.5	46.7	47.5
Market-sensitive income/operating revenues	0.4	(0.6)	(0.4)	7.1	12.0
Noninterest expenses/operating revenues	86.9	80.3	81.1	74.2	66.6
Preprovision operating income/average assets	0.5	0.8	0.7	0.9	1.0
Core earnings/average managed assets	0.5	0.6	0.5	0.4	0.4

RAC--Risk-adjusted capital.

Table 4

Van Lanschot N.V. 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 & central banks	2,081,340	32,574	2	24,834	1
Of which regional governments and local authorities	2,518	504	20	91	4
Institutions and CCPs	1,749,163	355,535	20	246,394	14
Corporate	1,542,135	1,161,522	75	877,198	57

Table 4

Van Lanschot N.V. Risk-Adjusted Capital Framework Data (cont.)					
Retail	7,531,626	1,091,801	14	2,675,673	36
Securitization§	499,196	37,021	7	99,839	20
Other assets†	347,691	398,820	115	424,450	122
Total credit risk	13,751,151	3,077,273	22	4,348,388	32
Credit valuation adjustment					
Total credit valuation adjustment	--	0	--	0	--
Market Risk					
Equity in the banking book	170,962	251,662	147	1,317,851	771
Trading book market risk	--	328,275	--	492,413	--
Total market risk	--	579,937	--	1,810,264	--
Operational risk		0			
Total operational risk	--	816,563	--	1,850,728	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification	--	4,580,083	--	8,009,380	100
Total Diversification/ Concentration Adjustments	--	--	--	1,461,577	18
RWA after diversification	--	4,580,083	--	9,470,956	118
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments	--	982,058	21.4	1,034,941	12.9
Capital ratio after adjustments‡	--	982,058	21.4	1,034,941	10.9

*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 2018, S&P Global Ratings.

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

Our assessment of Van Lanschot's risk position as adequate indicates that, on balance, our belief 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 possible relaxation of underwriting criteria in a low interest rate environment. On the contrary, operational risk is inherent to wealth management and should be rising along with a higher client and AuM base.

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 very low-risk mortgages (€5.9 billion at June 2019); and other loans, including financing to entrepreneurs, business professionals, and the health care sector (€1.9 billion). The second segment is riskier and comprises corporate lending in run-off. It is made up of loans to small and midsize enterprises (€160 million) and property financing (€238 million). Given the limited amount, Van Lanschot communicated that as of 2019 the remaining Corporate Banking activities will be integrated in Private Banking business line in the future.

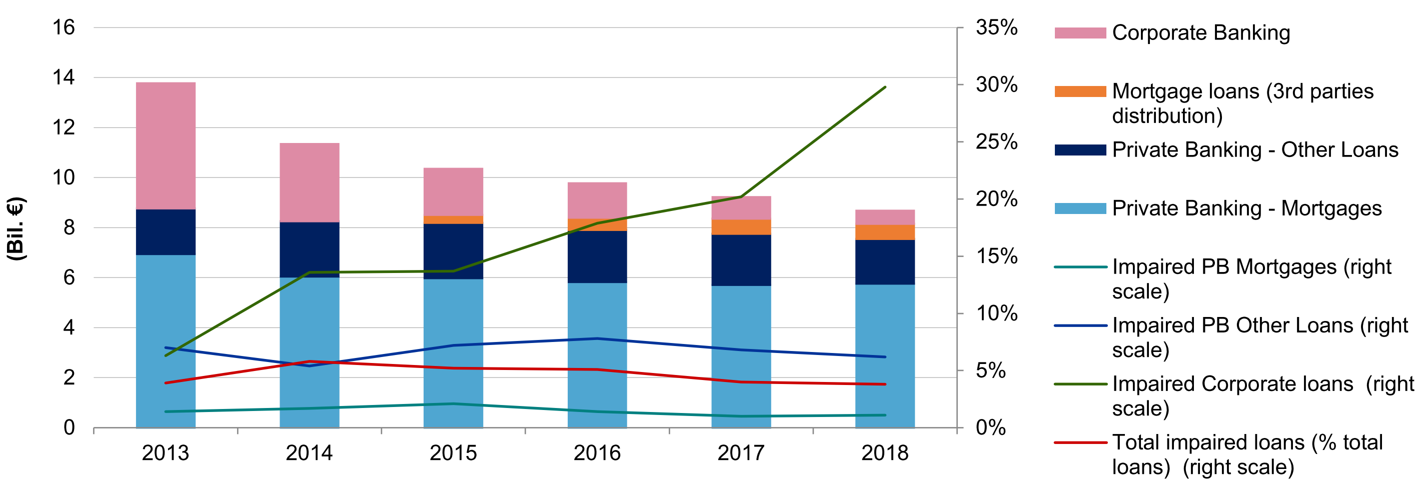
Since April 2015, Van Lanschot provides mortgages distributed by third-party brokers under the Hypotrust brand. This portfolio is recorded as part of the investment portfolio and is designed to enhance its average performance in the low-interest-rate environment. It amounted to around €578 million at mid-2019 and does not display a more aggressive risk profile. The reported impaired ratio was near 0%.

Asset-quality metrics for the group as a whole are improving but still higher than peers. Van Lanschot reported a ratio of impaired loans at 3.4% at mid-2019 and a coverage ratio of 30%. We note, in particular, that nearly 40% of the stock of nonperforming loans relates to corporate loans, a sector from which the bank is exiting. We estimate that Van Lanschot already recognized most of its legacy problem exposures, but also acknowledge that remaining nonperforming files are the most complicated to remove from the balance sheet. These portfolios are actively managed, and we expect Van Lanschot's asset-quality metrics will continue to converge toward 3% in 2020.

The risk profile of the mortgage book is gradually improving in our opinion, along with market trends, with an increasing portion of amortizing loans, and a seasoned book. 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 13% at mid-2019 from 17% at end-2017. The average weighted LTV is reducing year on year and stood at 73% at mid-2019 (versus 81% at end-2017). Conversely, we have observed a reduction to a much lower level for some Dutch commercial banks.

Chart 4

Reported Loan Portfolio And Impaired Loans Ratios



PB--Private banking.

We consider the risks in the bank's €4.4 billion liquidity portfolio to be limited, with about 66% in cash at central banks, government, financial institutions and highly rated corporate, with a focus on Western European countries, and 34% covered bonds and RMBS.

Reputational and operational risks are inherent in the bank's private-banking activities, but we believe they are muffled by its good track record, as operational losses indicate, and strategic priority.

Table 5

Van Lanschot N.V. Risk Position					
	--Year-ended Dec. 31--				
(%)	**2018**	**2017**	**2016**	**2015**	**2014**
Growth in customer loans	(6.0)	(5.7)	(5.4)	(8.8)	(11.5)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	18.2	19.3	14.3	1.9	3.5
Total managed assets/adjusted common equity (x)	13.5	14.2	14.0	14.5	16.1
New loan loss provisions/average customer loans	(0.1)	(0.1)	(0.0)	0.6	0.7
Net charge-offs/average customer loans	0.1	0.3	0.1	0.6	0.7
Gross nonperforming assets/customer loans + other real estate owned	3.8	4.4	5.2	5.2	5.6
Loan loss reserves/gross nonperforming assets	34.1	29.5	32.0	33.4	50.6

Funding and liquidity: Smaller wholesale reliance than some domestic peers

We view Van Lanschot's funding and liquidity rating neutral. 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 94.2% at end-2018, 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 (121% at end-2018).

We understand that management intends to adjust its funding profile to reducing asset exposure by relying more on customer's savings and deposits, and 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 2.98x at end-2018. 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 mid-2019, Van Lanschot reported a regulatory liquidity coverage ratio of 155.5%, and an estimated net stable funding ratio of 131.3%, both at a supportive level and expected to remain well above the minimum required. Asset encumbrance was 17% at end-2018 (mainly covered bonds).

Table 6

Van Lanschot N.V. Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	**2018**	**2017**	**2016**	**2015**	**2014**
Core deposits/funding base	75.4	71.5	74.5	70.0	68.7
Customer loans (net)/customer deposits	94.2	99.5	99.4	106.2	105.0
Long-term funding ratio	90.6	92.3	92.6	84.9	84.6
Stable funding ratio	121.0	122.0	118.6	107.3	106.0
Short-term wholesale funding/funding base	10.2	8.4	8.0	16.3	16.6
Broad liquid assets/short-term wholesale funding (x)	3.0	3.4	3.2	1.5	1.5
Net broad liquid assets/short-term customer deposits	27.8	29.5	24.8	11.6	11.9
Short-term wholesale funding/total wholesale funding	41.4	29.4	31.6	54.5	52.9
Narrow liquid assets/3-month wholesale funding (x)	3.5	3.4	3.2	2.9	2.5

Support: Low systemic importance in the Netherlands

We do not include notches of uplift for Van Lanschot under our ALAC methodology, contrary to our approach for some large Dutch banks. 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 private banking. 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.

When 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 rather 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 ALAC in the coming years, and so the possible eligibility for ALAC uplift.

Additional rating factors: None

No additional factors affect the ratings.

Hybrids ratings

Our 'BB' rating on Van Lanschot's AT1 instrument stand four notches below the bank's 'bbb+' group SACP. We deduct notches as follows:

- One notch for subordination;
- Two additional notches to take into account the risk of nonpayment at the full discretion of the issuer and the hybrid's inclusion in Tier 1 regulatory capital; and
- Another notch reflecting the mandatory contingent capital clause leading to temporary write down of the securities. According to this clause, the write down would occur if Van Lanschot's common equity tier 1 ratio falls below 5.125%, which we do not consider as a going concern trigger.

Related Criteria

- Group Rating Methodology, July 1, 2019
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Risk-Adjusted Capital Framework Methodology, July 20, 2017
- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Methodology For Assigning Financial Institution Resolution Counterparty, April 19, 2018
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Banking Industry County Risk Updated: July 2019, July 30, 2019
- 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 September 26, 2019)*	
Van Lanschot N.V.	
Issuer Credit Rating	BBB+/Stable/A-2
Junior Subordinated	BB
Senior Secured	AAA

Ratings Detail (As Of September 26, 2019)*(cont.)	
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.