

Research Update:

Dutch Private Bank F. van Lanschot Bankiers 'A-/A-2' Ratings Affirmed; Outlook Stable

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Overview

- Following a review under Standard & Poor's revised bank criteria (published on Nov. 9, 2011), we have affirmed our 'A-/A-2' ratings on F. van Lanschot Bankiers N.V. The outlook is stable.
- Our ratings on Van Lanschot reflect its moderate business position, strong capital and earnings, adequate risk position, average funding, and adequate liquidity.
- The long-term counterparty credit rating is in line with the stand-alone credit profile (SACP).
- We also raised the ratings on Van Lanschot's junior subordinated debt to 'BBB' from 'BBB-'.
- The stable outlook reflects our expectation that Van Lanschot should be in position to defend its niche franchise and maintain a strong capital position.

Rating Action

As we previously announced on Dec. 8, 2011, Standard & Poor's Ratings Services affirmed its 'A-/A-2' long- and short-term counterparty credit ratings on Dutch private bank F. van Lanschot Bankiers N.V. (Van Lanschot). The stand-alone credit profile (SACP) is 'a-'. The outlook is stable. At the same time, we raised the ratings on the bank's junior subordinated debt ratings to 'BBB' from 'BBB-'.

Rationale

Standard & Poor's bases its ratings on Van Lanschot on the company's "moderate" business position, "strong" capital and earnings, "adequate" risk position, "average" funding, and "adequate" liquidity, as our criteria define these terms.

Our bank criteria uses our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. The anchor for a commercial bank operating only in The Netherlands is 'a-'. The BICRA score is informed by our evaluation of economic risk, where we see The Netherlands as a diversified and competitive economy, which has minimal political risk. Although we expect sluggish near-term growth, unemployment should remain low relative to peers. Risks such as continued pressure on property markets are in our view mitigated by generally sound underwriting criteria and a strong credit culture. Gross household indebtedness is high, due to specific conditions of the Dutch mortgage system. With regard to industry risk, the

Dutch banking industry is dominated by three large players; two of them are subject to restructurings as a result of state aid that they had received. The large reliance on wholesale funding is partly attributable to households' propensity to save into life insurance and pension products.

We consider Van Lanschot's business position to be "moderate", reflecting the bank's relatively niche, albeit in our view stable, franchise. With total assets of about €19 billion at end-June 2011, and assets under management in excess of €37 billion, Van Lanschot is a midsize bank within the Dutch banking system, but one of the top-three private banks in this market. In our view, the bank's activities are much less diversified than its larger domestic peers. The majority of the bank's income derives from its Private and Business Banking division and the remainder from its Asset Management and Corporate Finance and Securities operations. In addition, we note that the vast majority of earnings originate in The Netherlands. However, we believe that the bank benefits from a stable core franchise and a good level of recognition within its niche. We regard the focus on the onshore segment of private banking as a positive. In addition, compared with certain "purer" private banking peers, we consider that the net interest income generated by Van Lanschot's customer loan book helps buffer the potential volatility in other income streams. We expect the bank's management to continue to follow a generally cautious and focused strategy.

We view Van Lanschot's capitalization as "strong", based primarily on our expectation of a broadly stable risk-adjusted capital (RAC) ratio of around 11.5% at end-2012, comparable with its level at end-2010. Despite material streamlining efforts and some recent cost benefits, we expect Van Lanschot's cost base to continue to structurally weigh on its pre-provision earnings capacity, partly a reflection of modest potential for economies of scale. However, we expect that its very limited appetite for loan growth in the next two years should support its capital position.

We view Van Lanschot's risk position as "adequate". This view balances a tightening in the bank's underwriting and risk appetite since 2008--which has led to a reduction in the loan book during the period--against some volatility in the asset quality track record in recent years, such as the peak in credit risk cost at 76 basis points of average customer loans in 2009. Asset quality has been steadily improving since 2009, and we expect the outlook for 2012 to remain sound, even if the domestic economy slows down markedly. We view the loan book as adequately diversified; about one-half of it consists of residential mortgages. Some reputational and operational risks are inherent in the bank's private banking activities, although we consider that its good track record to date somewhat mitigates these risks.

We currently view Van Lanschot's funding as "average" and its liquidity as "adequate". Although the bank's loan-to-deposit ratio of about 115% compares favorably with Dutch peers, a greater proportion of customer deposits exceed the deposit guarantee limit as a result of the bank's private banking activities. We consider its reliance on short-term wholesale funding to be limited. A satisfactory buffer of liquid assets, including a large share of

government bonds, continues to support the bank's liquidity position.

The counterparty credit rating is in line with the SACP, reflecting our assessment of Van Lanschot's low systemic importance in The Netherlands. This is based on the bank's modest share of the overall Dutch banking system and its focus, to a large extent, on its private banking niche.

The rating on Van Lanschot's junior subordinated debt is two notches below the bank's SACP, in line with our criteria of Nov. 1, 2011 for this type of hybrid instrument.

Outlook

The stable outlook reflects our expectation that Van Lanschot should be in a position to defend its niche franchise and maintain a strong capital position, even in the event of a marked economic slowdown domestically.

We could lower the ratings if we see signs of a reversal of the downward trend in credit cost, leading to a moderate assessment of its risk position. Furthermore, any evidence that capitalization could weaken, leading us to revise our projected RAC ratio to around 10% or less, could have a negative impact on the ratings. This could arise, for example, from less conservative capital management, or a material deterioration in earnings generation.

The potential for an upgrade is limited at present. However, we could raise the ratings if Van Lanschot's business position were to improve substantially, evidenced among other things by large net inflows of client assets and a sustained increase in revenues and earnings. This would be subject to a continued positive trend in asset quality.

Ratings Score Snapshot

Issuer Credit Rating	A-/Stable/A-2
SACP	a-
Anchor	a-
Business Position	Moderate (-1)
Capital and Earnings	Strong (+1)
Risk Position	Adequate (0)
Funding and Liquidity	Average and Adequate (0)
Support	0
GRE Support	0
Group Support	0
Sovereign Support	0
Additional Factors	0

Related Criteria And Research

- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Group Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011

Ratings List

Ratings Affirmed

F. van Lanschot Bankiers N.V.	
Counterparty Credit Rating	A-/Stable/A-2
Certificate Of Deposit	A-/A-2

F. van Lanschot Bankiers N.V.	
Senior Unsecured	A-
Subordinated	BBB+

Upgraded

	To	From
F. van Lanschot Bankiers N.V.		
Junior Subordinated	BBB	BBB-

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Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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