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ASR Nederland N.V.

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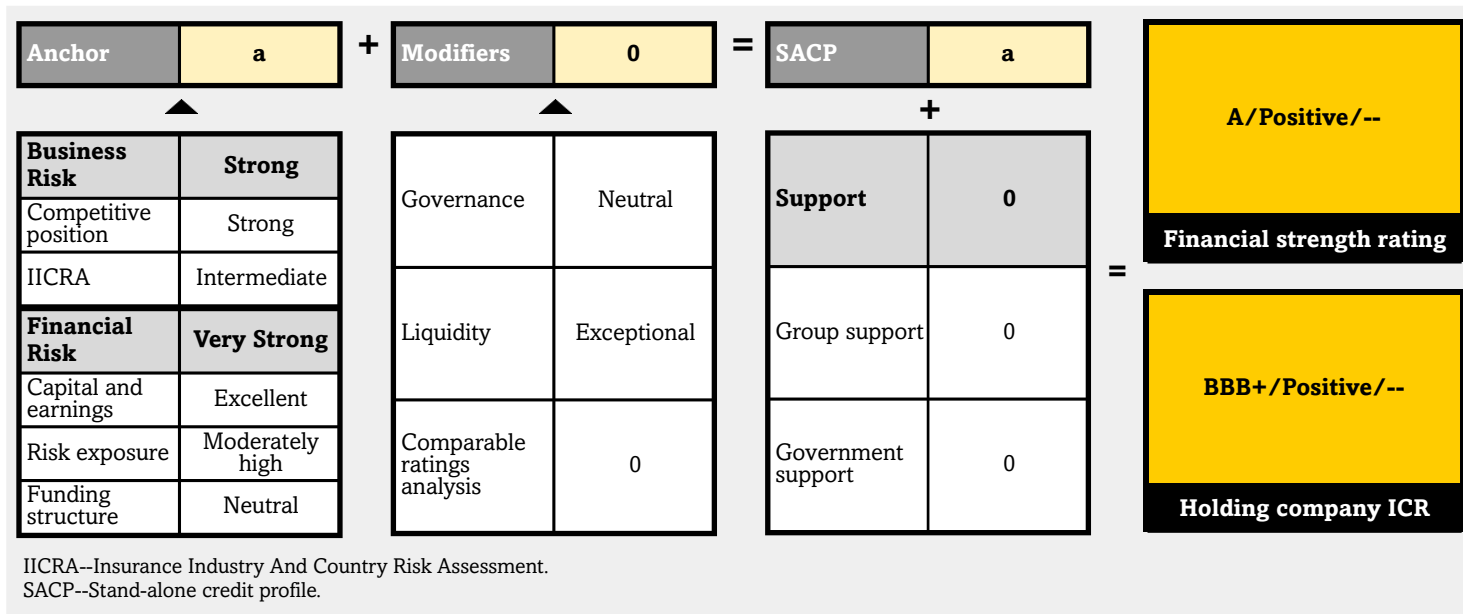
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ASR Nederland N.V.



Credit Highlights

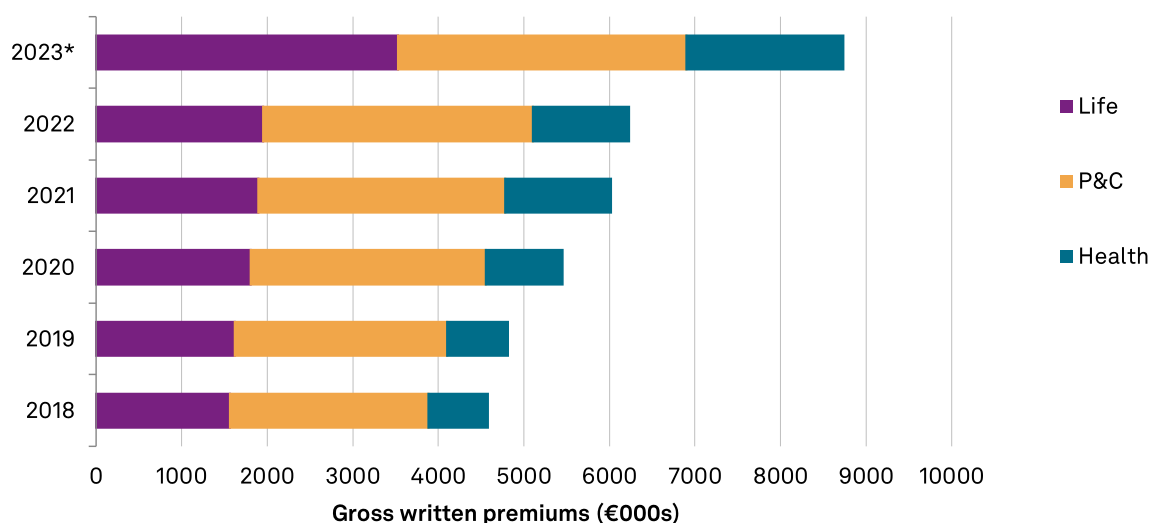
Overview	
Key strengths	Key risks
The acquisition of Aegon's Dutch operations strengthens ASR's market position in its home market.	The acquisition improves volume and product diversification in the Netherlands, but business remains concentrated in its home market.
Capital expected to remain at excellent levels throughout the forecast period to 2026.	ASR's enlarged balance sheet after the acquisition continues to carry additional risks such as its large and illiquid Dutch mortgage loan book, the market risks linked to managing the interest-rate exposure of combined business' enlarged life operations, and its significant defined-benefit employee pension scheme.

ASR's strong business risk profile is underpinned by its meaningful market share in its home market of the Netherlands.

Following the acquisition of Aegon Group's Dutch insurance operations, ASR became the second largest Dutch insurer in the Netherlands after NN Group N.V., with a leading position in the pension and disability business. Likewise, its market share in the property/casualty business has also improved. With reported return on equity (ROE) at 15% for 2023, ASR has outperformed its Dutch peers in a challenging market environment. We expect ASR's ROE to remain at 13%-15% for 2024-2026 or even to improve slightly when the synergies of the merged entities materialize. Despite premium diversification within the Netherlands, the group's earnings are less diversified than those of higher-rated peers, in terms of geographic presence. The group also generates about 20% of premiums from the health insurance business, which faces indirect political pressure and intense competition, leading to volatile earnings.

Chart 1

ASR Nederland--Share of life and health business is rising following Aegon's acquisition



*Reflects premiums and defined contributions. Source: S&P Global Ratings.

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We believe ASR has sufficient cash, earnings, and capital generation to maintain its excellent capital adequacy over the rating horizon through 2026. Capital is now based on consolidated International Financial Reporting Standard (IFRS) 17 accounts and fully includes the balance sheet of acquired Aegon Nederland. We expect to see capital adequacy to remain higher than the 99.99% confidence interval in our capital model through 2026 with sufficient cash, earnings, and capital generation, and a strong track record of accessing capital markets to issue restricted tier 1 and tier 2 hybrids. However, until the merger of the Aegon business is completed, some integration risk remains. We expect that strong retained earnings will continue to support the group's capital adequacy, while the cost of driving organic and inorganic growth, as well as financing expected dividend payouts, is expected to rise by 4%-9% annually until 2026. ASR's Solvency II ratio is resilient to interest rates and credit spreads, as reflected in the solid 176% solvency ratio as of December 2023 and 181% as of June 2024. Following the completion of the sale of Knab on Nov. 1, 2024 to BAWAG group for €590 million, the solvency ratio will further improve by 17 percentage points. ASR will use €100 million from the proceeds for a share buyback and will add the remainder to its capital position. ASR's enlarged balance sheet continues to carry additional risks, mainly related to a large and illiquid Dutch mortgage loan book, and its significant defined-benefit employee pension scheme.

At half-year 2024, ASR reported a net loss of €70 million, mainly driven by revaluation effects on the investment portfolio and a negative result related to the announced sale of banking operation Knab to BAWAG Group. The increased operating result and the sound combined ratio (P/C and disability) of 94% over the same period support our expectation that ASR will generate an operating result of over €1 billion and ROE of 13%-15% for 2024-2026. We

furthermore expect the net combined ratio (P/C and disability) to remain below 95%.

Outlook: Positive

The positive outlook reflects our expectation that ASR will continue to show capital adequacy comfortably at the 99.99% confidence interval as per our capital model over the next 12-24 months. The group will likely maintain its strong competitive position in the Dutch life and nonlife insurance market following the acquisition of Aegon Netherlands' insurance business and the sale of the Knab banking business.

Downside scenario

We could revise our outlook back to stable over the next 12-24 months if unexpected integration risks arise or capital adequacy reduces significantly and sustainably below the 99.99% confidence interval in our model.

Upside scenario

We could raise the ratings over the next 12-24 months by one notch if the acquired Aegon operations are successfully integrated and capital adequacy remains comfortably above the 99.99% confidence level, or if investment risks and employee pension scheme risks linked to the combined ASR and Aegon life operations materially diminish.

Key Assumptions

- After a subdued performance in 2023, the Netherlands' GDP is expected to expand by 0.6% in 2024, followed by an average GDP growth rate of 1.5% over 2025-2027.
- Long-term interest rates in the Netherlands are trending down but are expected to remain relatively high at 2.7% in 2024 and then decline to 2.5%-2.6% in 2025-2026.
- Dutch unemployment levels expected to remain at 3.8% on average in 2024-2026.

ASR Nederland N.V.--Key metrics

(Mil. €)	2025f	2024f	2023	2022	2022*	2021*
S&P Global Ratings capital adequacy	99.99%	99.99%	99.99%	99.98%	99.98%	Excellent
Insurance revenue	>9,300	>9,200	8,095	5,548	N/A	N/A
EBITDA	>1100	>1000	1,291	905	1019	1292
Operating net result	N/A	N/A	829	598	735	721
Net income (attributable to all shareholders)	>1020	>970	1086	(1,709)	725	939
Return on shareholders' equity (%)	13-15	13-15	15.4	-31.1	12.0	16.1
P/C: net combined ratio (%)	<95	<95	93.6	94.4	91.7	91.8
EBITDA fixed-charge coverage (x)	>6	>5	7.7	9.4	7.7	10.1
Financial leverage adjusted including pension deficit as debt (%)	<35	<35	31.2	37.3	34.8	24.8

*Based on international reporting standard 4. F--S&P Global Ratings forecast. Restated 2022 figures. N/A--Not applicable.

Other Key Credit Considerations

Governance

ASR's management and governance is supported by its progress in executing strategic plans, which are, in our opinion, generally very transparently communicated. The company also has a highly experienced management team that complements its operational needs. At this stage, we do not anticipate a material change in risk appetite or financial strategy. In our opinion, ASR has demonstrated a clear path, focusing on its key areas, and has successfully implemented strategic initiatives, particularly in terms of building up its strong position in the Dutch insurance market.

Liquidity

We regard ASR's liquidity as exceptional. Although the company has material real estate and equity exposures, it maintains significant liquidity in the form of large cash holdings and a highly rated bond portfolio, which provide a buffer against liquidity stresses.

Factors specific to the holding company

We rate ASR Nederland N.V. two notches below the core companies of the ASR group. This reflects our view of structural subordination, since the holding company does not generate any operating cash flows.

Environmental, social, and governance

ESG factors have no material influence on our credit rating analysis of ASR Nederland.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of November 12, 2024)*

ASR Nederland N.V.

Issuer Credit Rating

Local Currency

BBB+/Positive/--

Junior Subordinated

BB+

Junior Subordinated

BBB-

Senior Unsecured

BBB+

Subordinated

BB+

Related Entities

AEGON Levensverzekering N.V.

Financial Strength Rating

Local Currency

A/Positive/--

Issuer Credit Rating

Local Currency

A/Positive/--

ASR Levensverzekering N.V.

Financial Strength Rating

Local Currency

A/Positive/--

Issuer Credit Rating

Local Currency

A/Positive/--

ASR Schadeverzekering N.V.

Financial Strength Rating

Local Currency

A/Positive/--

Issuer Credit Rating

Local Currency

A/Positive/--

Domicile

Netherlands

*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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