

# ASR Nederland N.V.'s Proposed Hybrid Debt Rated 'BBB-'

November 14, 2022

FRANKFURT (S&P Global Ratings) Nov. 14, 2022--S&P Global Ratings today said it assigned its 'BBB-' issue rating to the tier 2 hybrid notes that ASR Nederland N.V. (BBB+/Stable/--) launched Nov. 14, 2022. The rating is subject to our receipt and review of the issue's final terms and conditions. Proceeds will partially finance the acquisition of Aegon Nederland.

We understand that the notes can be redeemed early in the case of a "business combination event", which would occur if ASR Nederland failed to close the Aegon Nederland acquisition. Therefore, we would classify the notes as having intermediate equity content under our hybrid capital criteria only once ASR closes the acquisition or waives its rights to call the notes for redemption before finalizing the acquisition based on a "business combination event". Until then, we assess the notes as having "no equity content" because we do not view the hybrid notes as a permanent part of ASR's capital structure. Our classification depends on the notes being eligible for regulatory solvency treatment and the group's hybrid capital not exceeding the total amount eligible for this treatment.

We rate subordinated debt issues two notches below the long-term issuer credit rating (ICR) on the issuing entity. In this case, we deduct:

- One notch to reflect the notes' subordination to ASR Group's senior creditors; and
- One notch to reflect the payment risk arising from the mandatory and optional coupon deferral. Interest deferral is mandatory in the event of a breach of either the solvency capital requirement (SCR) or the minimum capital requirement under Solvency II.

ASR Group's SCR coverage remained solid, at 214% at half-year 2022. We will monitor the group's SCR coverage and capital plans to assess if the ICR adequately captures the payment risk associated with the hybrid instruments. An unexpected deterioration in ASR Group's regulatory solvency position not accompanied by a change in the ICR, or increased sensitivity to stress, could lead us to lower the issue rating by widening the notching between the issue rating and the ICR to reflect the heightened payment risk. Furthermore, we understand the notes are callable from the three months before December 2033 and on each coupon date thereafter, subject to the conditions for redemption, including approval from the insurance regulator.

Following some external events, such as tax, rating, or regulatory events linked to Solvency II, we understand ASR Group can redeem the notes at any time, subject to conditions for redemption, substitution, variation, or purchase. The coupon is fixed until the first reset date, after a period of 11.05 years, and then reset to the five-year midswap rate plus the initial margin, including a step-up of 100 basis points, from December 2033.

We believe that the issuance's effects on ASR Group's financial flexibility metrics--financial

## PRIMARY CREDIT ANALYST

**Silke Sacha**  
Frankfurt  
+ 49 693 399 9195  
silke.sacha  
@spglobal.com

## SECONDARY CONTACT

**Mark D Nicholson**  
London  
+ 44 20 7176 7991  
mark.nicholson  
@spglobal.com

## RESEARCH CONTRIBUTOR

**Ami Shah**  
CRISIL Global Analytical Center, an  
S&P Global Ratings affiliate, Mumbai

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leverage of less than 30% and fixed-charge coverage above 5x--will be limited.

### Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

### Related Research

- Ratings On ASR Nederland And Core Subsidiaries Affirmed On Acquisition News; Outlooks Remain Stable, Oct. 27, 2022

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at [https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/sourceId/504352](https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352) Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings 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; or Stockholm (46) 8-440-5914

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