

ASR Nederland N.V.'s Proposed Restricted Tier 1 Notes Rated 'BB+'

March 19, 2024

FRANKFURT (S&P Global Ratings) March 19, 2024--S&P Global Ratings said today that it assigned its 'BB+' issue rating to the restricted Tier 1 (RT1) perpetual subordinated notes that Netherlands-based ASR Nederland N.V. (BBB+/Stable/--) plans to issue. The issue rating is subject to our review of the notes' final terms and conditions.

We expect to classify the proposed notes, which will include a write-down feature, as having intermediate equity content under our hybrid capital criteria. This classification is subject to the notes being eligible for regulatory solvency treatment and the group's hybrid capital not exceeding the total amount that is eligible for regulatory solvency treatment.

The rating on the RT1 notes is three notches below our long-term rating on ASR Nederland. In rating these notes, we deduct:

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

We understand that the notes will be eligible as RT1 notes under Solvency II. The notes will be written-down if:

- The amount of own funds eligible to cover the SCR is equal to or less than 75% of the SCR;
- The amount of own funds eligible to cover the minimum capital requirement (MCR) is equal to or less than the MCR; or
- The amount of own funds eligible for the SCR is less than 100% of the SCR for three months.

ASR Nederland's SCR coverage remained solid at 176% at year-end 2023. We will monitor the group's SCR coverage and capital plans to assess if the rating on ASR Nederland adequately captures the payment risk associated with its hybrid instruments. An unexpected deterioration in the group's regulatory solvency position that is not accompanied by a change in the rating, or increased sensitivity to stress, could lead us to lower the issue rating on the notes by widening the notching between the issue rating and the issuer credit rating to reflect the heightened payment risk.

Furthermore, we understand that the RT1 notes are callable after December 2031 and on each interest payment date thereafter, subject to the conditions for redemption, including approval

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from the insurance regulator. Following certain external events, such as tax, rating, or regulatory events linked to Solvency II, we understand that ASR Nederland has the option to redeem or substitute the notes at any time, subject to certain conditions (including regulatory approval).

The coupon is fixed for until June 2032 (perpetual 8.25-year), which marks the first reset date. It resets at the first reset date and every reset date thereafter (five-year intervals) to the five-year mid-swap rate, plus a margin, with no step up, paying annually in arrears.

We understand that the group may use the proceeds from the RT1 notes for general corporate purposes such as the refinancing of existing debt, including callable capital securities. With the issuance of the new debt, we will remove the intermediate equity content from the amount of any debt that might be refinanced. We consider that the issuance will have limited effect on ASR's financial flexibility metrics. Its financial leverage is less than 30% and fixed-charge coverage is above 5x.

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
- 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

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.spglobal.com/ratings for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

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