

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

September 16, 2019

- ASR Nederland N.V., the holding company of ASR Group, is issuing notes that will be eligible as restricted Tier 1 (RT1) capital under Solvency II.
- We are assigning our 'BB+' issue rating to the RT1 notes.
- We expect to classify the notes as having intermediate equity content.

FRANKFURT (S&P Global Ratings) Sept. 16, 2019--S&P Global Ratings today assigned its 'BB+' long-term issue rating to the RT1 notes to be issued by ASR Nederland N.V., holding company of ASR Group. The issue rating is subject to our receipt and review of the notes' final terms and conditions.

The rating on the RT1 notes is three notches below the long-term issuer credit rating (ICR) on ASR Nederland N.V. (BBB+/Stable/--). We notch down from the ICR:

- One notch to reflect the notes' subordination to the company's senior obligations;
- One notch to reflect the risk of a potential temporary write-down of principal; and
- One notch to reflect the payment risk created by the mandatory and optional coupon-cancellation features.

The notching to derive the rating on the RT1 notes is wider than that which we apply for ASR Group's other subordinated instruments because noteholders face a potential loss of principal if the mandatory conversion to equity trigger is breached.

Regarding payment risk, this is in line with other hybrid instruments, because the group's solvency capital requirement (SCR) coverage has been strong and we expect it to remain so, with limited sensitivity or volatility. SCR coverage stood at 197% on Dec. 31, 2018. Consequently, we consider the possibility of mandatory interest deferral to be remote.

Our rating and equity content assessment takes into account our understanding that:

- The notes are subordinated to senior creditors.
- The issuer has discretion to cancel interest payments.
- Interest cancellation is mandatory under certain circumstances: i) if the SCR is not met; ii) if, under the EU's Solvency II Directive, ASR Nederland's own funds (capital resources) are insufficient to meet either the SCR or minimum capital requirement (MCR); or iii) upon insufficient distributable items.
- The notes will be eligible as RT1 capital under Solvency II.

**PRIMARY CREDIT ANALYST**

**Manuel Adam**  
Frankfurt  
(49) 69-33-999-199  
manuel.adam  
@spglobal.com

**SECONDARY CONTACT**

**Mark D Nicholson**  
London  
(44) 20-7176-7991  
mark.nicholson  
@spglobal.com

**ADDITIONAL CONTACT**

**Insurance Ratings Europe**  
insurance\_interactive\_europe  
@spglobal.com

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- The notes will convert into ordinary shares in the event that: i) the amount of own-fund items eligible to cover the SCR is equal to or less than 75% of the SCR; ii) the amount of own-fund items eligible to cover the MCR is equal to or less than the MCR; or iii) a breach of the SCR has occurred and such breach has not been remedied within three months of the date on which the breach was first observed.

We understand that the notes are perpetual, but are callable at par after at least eight years and on any interest payment date thereafter. The notes carry a fixed interest rate which will be reset on the first call date and on each reset date thereafter as the sum of the applicable five-year mid-swap rate plus 3.789%. There is no step-up in the coupon rate if the notes are not called at the first call date.

ASR Nederland has the option to redeem the notes at par before the first call date under specific circumstances, such as for changes in tax, regulatory, or rating agency treatment. Any redemption, prior to the third (or in some cases the fifth) anniversary of the issue date, must be replaced by an instrument of at least the same quality.

We expect to classify the notes as having intermediate equity content, subject to our receipt and review of the final terms and conditions. Hybrid capital instruments with intermediate equity content can comprise up to 25% of total adjusted capital (TAC), which is the basis of our consolidated risk-based capital analysis of insurance companies. The inclusion of TAC is also subject to the issuance being considered eligible for regulatory solvency regarding both the amount, and terms and conditions.

We expect that ASR Nederland will use the proceeds of the RT1 notes for the group's general corporate purposes, which may include refinancing debt. We project that this additional debt will have a neutral impact on ASR Group's financial leverage and will slightly improve the fixed-charge coverage, given that the RT1 issuance has a lower coupon than the grandfathered tier 1 issues from 2009.

## Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

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. 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; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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