

Athora Holding Ltd.

Update

Key Rating Drivers

Very Strong Company Profile: Fitch Ratings regards Athora Holding Ltd.'s business profile as 'Favourable' compared with European consolidators' as well as Dutch life insurers'. The group had total assets of EUR81 billion at end-June 2022, giving it has a leading market position and franchise in the European life consolidator market. Its operating scale is also favourable compared with peers in the life consolidation space.

Acquisition from AXA: In July 2022, Athora said it will acquire a closed book of life insurance contracts from AXA Germany, increasing its consolidated total assets by more than 25%. This will improve its geographical diversification, which we assess as 'Favourable'.

Strong Financial Performance: Fitch expects Athora's profitability to benefit from the implementation of the strategic asset allocation at SRLEV N.V., its Dutch subsidiary, favouring higher-yielding investments. We expect Athora to achieve a Fitch-calculated net income return on equity (ROE) of at least 8% in 2023.

Athora's net income ROE increased to an annualised 52% in 1H22 from 3% in 2021. However, we regard this rise as not sustainable as it was driven by an asset-liability accounting mismatch, with interest-rate movements affecting differently assets and liabilities in the group's accounts. Total comprehensive income, which includes realised and unrealised income, showed a loss of EURO.6 billion in 1H22, as other comprehensive income suffered from the accounting mismatch.

Very Strong Capitalisation and Leverage: Fitch expects Athora's group capitalisation to decline modestly as the group grows its business, but its Prism Factor-Based Capital Model (Prism FBM) score to be at least 'Very Strong' in the medium term. Athora's Prism FBM score was 'Extremely Strong' at end-June 2022. We expect Athora's financial leverage ratio (FLR) to remain below 30% at end-2022. The ratio was 29% at end-June 2022 and 24% at end-2021 with the weakening in 1H22 due to the decline in total equity.

High Investment Risk: Fitch regards Athora's investment risk as high, but manageable. Most of the company's investments are holdings of investment-grade corporate and sovereign bonds. Athora also invests in private credit assets, alternative investments and commercial mortgage loans. This results in an above-average portion of non-investment-grade bonds, most of which are unrated.

Ratings

Athora Holding Ltd.

Long-Term IDR A-

Subsidiaries

Insurer Financial Strength A

Outlooks

Long-Term IDR Stable

Insurance Financial Strength Stable

Financial Data

Athora Holding Ltd.

(EURm)	31 Dec 21	30 Jun 22 ^a
Total assets	81,457	81,073
Total equity and reserves	4,570	3,947
Net income	128	1,101
Total comprehensive income	117	-595
Solvency II (%)	187	192

^a Half-year numbers have not been audited. Note: Reported on a consolidated basis, net of reinsurance.

Source: Fitch Ratings, Athora Holding Ltd.

Applicable Criteria

[Insurance Rating Criteria \(July 2022\)](#)

Related Research

[Athora's Proposed German Acquisition Rating Neutral \(July 2022\)](#)

[Fitch Rates Athora's Proposed Dated Subordinated Notes 'BBB-' \(May 2022\)](#)

[Sound Capitalisation Continues to Underpin Belgian and Dutch Insurer Ratings \(April 2022\)](#)

[Fitch Ratings 2022 Outlook: Dutch Insurance \(December 2021\)](#)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- A sustained ROE of more than 10% while maintaining at least a 'Very Strong' Prism FBM score and FLR below 30%, which we regard as unlikely in the medium term.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A fall in the Prism FBM score to 'Strong'.
- A sustained increase in the FLR above 30%.
- A sustained ROE below 5%.

Latest Developments

In October 2022, Athora announced that it will call the USD69.4 million remainder of its USD575 million issue Tier 2 debt and redeem it in November. Also in October, Athora completed the acquisition of a closed-book individual life portfolio from NN Insurance Belgium NV/SA with EUR3.7 billion of assets under administration.

In September, Mike Wells was approved as the new Athora's chief executive following his appointment in July, replacing Michele Bareggi, who remains with the company. The previous month, Athora announced the completion of the acquisition of the Italian life insurer, Amissima Vita S.p.A.

In July, Athora said it would acquire a closed life book from AXA Germany with EUR19 billion assets under administration, pending regulatory approval.

In June, Athora NL issued EUR500 million Tier 2 subordinated debt with a call date in 2027 and maturity in 2032. At the same time, Athora NL tendered USD505.6 million of the perpetual USD575 million Tier 2 subordinated debt with a call date in November 2022, originally issued under the VIVAT brand.

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