

Athora Holding Ltd.

Update

Key Rating Drivers

Very Strong Company Profile: Fitch Ratings regards Athora Holding Ltd.'s business profile as 'Favourable' compared with Dutch life insurers and European life consolidators. The group had total assets of EUR88 billion at end-2023, giving 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.

Very Strong Capitalisation: Our assessment of Athora's capitalisation is driven by our Prism Factor-Based Capital Model (Prism FBM) score of 'Very Strong' at end-2022. We expect the group's capitalisation to decline modestly as the company expands its business, but for the Prism FBM score to remain at least 'Very Strong' over the medium term.

Moderate Leverage: We expect Athora's financial leverage ratio (FLR) to remain below 30% at end-2024 (25% at end-2023). The company issued EUR600 million senior debt in June 2023, which qualifies for Tier 3 capital in Bermuda and marginally weakened the ratio. However, the group repaid EUR250 million of bank debt from the proceeds, improving the FLR.

High Investment Risk: Fitch regards Athora's investment risk as high, but manageable. The company's risky assets ratio was high at 168% at end-2022 (end-2021: 169%). Most of the group's investments are holdings of investment grade corporate and sovereign bonds. However, Athora invests in private credit assets, alternative investments and commercial mortgage loans. This results in an above-average portion of non-investment grade bonds in the ratio, most of which are unrated.

Secured Private Credit: An offsetting factor is that most of the private credit assets are secured and more than half of these assets have loan/values of 50% or less. We believe Athora has strong oversight over the credit quality of these assets. However, the valuation and availability of collaterals could come under pressure in times of financial distress.

Strong Financial Performance: Fitch expects Athora's profitability to benefit from the implementation of the strategic asset allocation at its Dutch subsidiary Athora Netherlands N.V. favouring higher-yielding investments. Athora reported a net profit of EUR762 million under IFRS 17 for 2023, up from a net loss of EUR939 million in 2022. The 2022 loss was driven by the sharp increase in interest rates in that year while the 2023 result benefitted from a stabilisation in yields.

The change is explained by the company accounting for investment capital gains and losses at fair value through profit and loss under IFRS 17, in line with other Dutch insurers. Athora's 2023 results were constrained by a EUR96 million negative one-off relating to a change in a group life reinsurance contract in the Netherlands and a EUR95 million reserve booking for Dutch unit-linked business. The latter was a general market issue for some Dutch unit-linked products.

Strong Liquidity: Liquid assets as a proportion of policyholder liabilities were 64% at end-2022 (end-2021: 70%), which we regard as strong. We regard Athora's liquidity risk as below average, given strong company oversight and its limited exposure to surrender risk. As a life consolidator, its in-force book of business is more mature than the life insurance sector's average, and lapse rates tend to decline with the age of life insurance contracts.

Ratings

Athora Holding Ltd.

Long-Term IDR A-

Subsidiaries

Insurer Financial Strength A

Outlooks

Long-Term IDR Stable

Insurer Financial Strength Stable

Debt Ratings

Senior Unsecured BBB+

Athora Netherlands N. V.

Subordinated BBB-

Junior Subordinated BBB-

SRLEV N.V.

Subordinated BBB

Financial Data

Athora Holding Ltd.

(EURm)	2023	2022
Total assets	87,965	89,896
Total equity	4,384	3,753
Net income	762	-939
Total debt ^a	3,274	2,997
Group solvency (BMA, %)	182	183

BMA: Bermuda Monetary Authority
Note: Consolidated IFRS 17 accounts.

^a Includes preference shares.

Source: Fitch Ratings, Athora

Applicable Criteria

[Insurance Rating Criteria \(March 2024\)](#)

Related Research

[Athora's Acquisition Strategy Unaffected by AXA Germany Deal Termination \(May 2024\)](#)

[Dutch Insurance Dashboard:2023 Results \(April 2024\)](#)

[Dutch Insurers' High-Yield Bond Exposures Are Likely to Have Peaked \(January 2024\)](#)

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Rating Sensitivities

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

- A lower risky-assets ratio below 100% while maintaining at least a 'Very Strong' Prism FBM score and FLR below 30%. We regard this as unlikely over the medium term.

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

- A fall in the Prism FBM score to 'Strong' or a sustained increase in the FLR above 30%.
- A risky-assets ratio of more than 200% on a sustained basis.
- A return on equity below 5% on a sustained basis.

Latest Developments

On 2 May 2024, Athora and AXA Germany announced that they had mutually agreed to terminate the transfer of a German closed life book, which had been expected to be concluded soon. The termination agreement was consistent with the contractual terms of the sale agreement between the parties and follows significant changes in financial market conditions since the signing.

We view the termination of this transfer as neutral to the ratings of Athora.

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