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Fitch Upgrades Athora's IFS Rating to 'A'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 09 May 2022: Fitch Ratings has upgraded Athora Life Re Ltd.'s, Athora Ireland plc's and SRLEV N.V.'s Insurer Financial Strength Ratings (IFS) to 'A' (Strong) from 'A-' and Athora Holding Ltd.'s and Athora Netherlands N.V.'s (Athora NL) Issuer Default Ratings (IDR) to 'A-' from 'BBB+' (Good). The Outlooks are Stable.

The upgrades reflect the improvement in Athora's business profile and financial performance. The ratings reflect Athora's very strong business profile, very strong capitalisation and leverage, strong financial performance and the group's high investment risk.

Key Rating Drivers

Improved Company Profile: In 2021, Athora entered into the Italian life insurance market with the acquisition of Amissima Vita S.p.A., further improving its geographical diversification. The group also is becoming active in external reinsurance. We now regard the group's geographical diversification as 'favourable', up from 'moderate'.

We regard Athora's business profile as 'favourable' compared with other Dutch and Western European life insurers. Athora has a leading market position and franchise within the European life consolidator market. With total assets of EUR81 billion at end-2021, Athora's operating scale is favourable compared with other European life insurance groups.

Strong Financial Performance: We expect Athora NL's profitability to benefit from the implementation of Athora's strategic asset allocation favouring investments with higher expected returns. We expect Athora to achieve a Fitch-calculated net income return on equity (ROE) of 8% and more in 2023 although we expect that 2022 will be a transition year with an ROE of 5% to 8%.

Athora's ROE fell to 3% in 2021 from 28% in 2020. However, Fitch's pre-tax operating profit RoE was more stable at 12% in 2021 (2020: 25%). As such, underlying profitability was relatively stable in 2021 because 2020 return figures benefited from large one-offs and a low starting equity position for 2020, while 2021 net income suffered from a high tax burden.

Very Strong Capitalisation and Leverage: Fitch expects Athora's group capitalisation to decline somewhat as the group grows its business, but that the group's Prism Factor-Based Capital Model (Prism FBM) score will remain at least 'Very Strong'. Athora's Prism FBM score was 'Extremely Strong' at end-2021. We expect financial leverage ratio (FLR) to remain stable at around 25% at end-2022 (2021: 24%).

High Investment Risk: Fitch regards Athora's investment risk as high, but manageable. Most of Athora's investments are holdings of investment-grade corporate and sovereign bonds. Athora also invests in private credit assets, alternative investments and commercial mortgage loans.

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. However, we regard this 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%.

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
SRLEV N.V.	LT IDR	A- 	Upgrade	BBB+ 
	Ins Fin Str	A 	Upgrade	A- 
	• subordinated	BBB	Upgrade	BBB-
Athora Ireland plc	Ins Fin Str	A 	Upgrade	A- 
Athora Holding Ltd.	LT IDR	A- 	Upgrade	BBB+ 
Athora Life Re Ltd.	Ins Fin Str	A 	Upgrade	A- 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Athora Netherlands N.V.	LT IDR	A- 	Upgrade	BBB+ 
	• senior unsecured ^{LT}	BBB+	Upgrade	BBB
	• subordinated	BBB-	Upgrade	BB+
	• junior subordinated ^{LT}	BB+	Upgrade	BB

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[Insurance Rating Criteria \(pub.26 Nov 2021\) \(including rating assumption sensitivity\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.7.2 [\(1\)](#)

Additional Disclosures

Solicitation Status

Endorsement Status

Athora Holding Ltd.	EU Issued, UK Endorsed
Athora Ireland plc	EU Issued, UK Endorsed
Athora Life Re Ltd.	EU Issued, UK Endorsed
Athora Netherlands N.V.	EU Issued, UK Endorsed
SRLEV N.V.	EU Issued, UK Endorsed

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