

## **FITCH AFFIRMS VIVAT'S INSURANCE ENTITIES AT 'BBB'; OUTLOOK POSITIVE**

Fitch Ratings-London-25 April 2016: Fitch Ratings has affirmed VIVAT NV's (VIVAT) insurance entities, SRLEV N.V. and REAAL Schadeverzekeringen N.V. (together, VIVAT Insurance), at Insurer Financial Strength (IFS) 'BBB' ratings. The Outlooks are Positive.

### **KEY RATING DRIVERS**

The affirmation reflects VIVAT's strong solvency position, lower financial leverage and low but improved profitability in 2015. The ratings also benefit from a renewed strategic focus under the ownership of China-based Anbang Group Holdings Co. Ltd (Anbang), and a strong franchise in the Dutch insurance market.

The Positive Outlook reflects Fitch's expectations that VIVAT will improve its earnings and debt servicing capabilities through operational efficiencies, portfolio adjustments, a re-branding and streamlining its distribution channels.

Fitch understands from VIVAT that the regulatory framework in which VIVAT operates ring-fences its capitalisation and protects policyholders due to restrictions on the minimum capital position and dividend payments.

At end-December 2015, VIVAT's regulatory Solvency I ratio was 240%. The Solvency II ratio (calculated based on the standard formula) was estimated at around 160%. VIVAT Insurance's financial leverage ratio (FLR) improved to 21% in 2015 from 38% pre-capital injection in 2014 (26% post-capital injection).

VIVAT's profitability and coverage of interest expenses improved in 2015 following an IFRS profit of EUR109m (2014: loss of EUR612m). Interest expenses are also likely to reduce in 2016 following the repayment by VIVAT of a EUR250m loan from SNS Bank in December 2015. However, Fitch believes that VIVAT's underlying profitability is likely to remain under pressure in the coming years from low interest rates and fierce competition in the Dutch insurance market.

VIVAT Insurance's ratings are underpinned by the companies' strong presence in the Dutch insurance market, notably in life and pensions. SRLEV N.V. ranks third among Dutch life insurers, with a market share of around 15%. REAAL Schadeverzekeringen is a significant, albeit smaller, non-life player, with a 5% market share.

VIVAT (formerly REAAL NV) was sold in 2015 by SNS REAAL NV to Anbang. Fitch views VIVAT as strategically 'Important' to its parent and Anbang's ownership of VIVAT as neutral to its ratings.

### **RATING SENSITIVITIES**

VIVAT Insurance's ratings could be upgraded if the companies return to profitability in line with the 'BBB' rating category (for example, if Fitch expects a return on equity - 5.4% in 2015 - to remain above 3% on a sustained basis), while maintaining overall capital strength.

VIVAT Insurance's ratings may be downgraded on material losses in 2016, or if the group regulatory solvency ratio on a Solvency II basis falls below 150%.

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#### Applicable Criteria

Insurance Rating Methodology (pub. 16 Sep 2015)

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