

Research Update:

Aegon Bank N.V. Downgraded To 'BBB+' On Announced Sale By ASR Nederland N.V.; Outlook Negative

February 6, 2024

Overview

- ASR Nederland N.V. (ASR) announced on Feb. 1, 2024, that it will sell Aegon Bank N.V. (known under the brand name Knab) to BAWAG Group AG, an Austria-based banking group.
- We continue to include group support in the ratings on Aegon Bank as we believe ASR will provide extraordinary support to the bank until the transaction closes. After the transaction, Aegon Bank's creditworthiness will likely benefit from support from BAWAG Group.
- However, we believe Aegon Bank's credit profile will deteriorate after the deal is completed since the bank will face uncertain business prospects, given that it relies primarily on ASR's entities to originate mortgages.
- Consequently, we lowered our long-term issuer credit rating on Aegon Bank to 'BBB+' from 'A-'.
- Our negative outlook reflects our view that BAWAG Group's support might not fully compensate for the loss of support from ASR.

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Rating Action

On Feb. 6, 2024, S&P Global Ratings lowered its long-term issuer credit rating on Aegon Bank to 'BBB+' from 'A-'. We also lowered our issue rating on the senior non-preferred bond to 'BBB' from 'BBB+'. At the same time, we affirmed our 'A-2' short-term issuer credit rating on the bank. The outlook is negative.

Rationale

We believe Aegon Bank's credit profile will deteriorate after the deal is completed since the bank will face uncertain business prospects, given that it relies primarily on ASR's entities to originate mortgages. Aegon Bank is an online bank and focuses on domestic mortgages, which

represented more than 97% of total net loans at year-end 2022. Aegon Bank has its own lending platform and offers loans to small and midsize enterprises (SME). Its mortgage proposition, which is due to start in 2024, will increase the bank's growth potential. Yet, Aegon Bank's current inflow of new mortgages relies heavily on ASR's entities, specifically Aegon Hypotheken. We think BAWAG Group is unlikely to provide the same level of support to business generation, given its smaller franchise in the Netherlands.

We expect ASR will continue providing extraordinary support to the bank until the deal is closed. The transaction is subject to regulatory approvals and is expected to close in the second half of 2024.

We believe BAWAG Group will be supportive of Aegon Bank's creditworthiness after the transaction. This is because the acquisition will strengthen BAWAG Group's retail and SME franchise in the Netherlands and therefore support its growth potential. In the coming months, we will evaluate Aegon Bank's strategic importance to its future parent and consider the extent to which BAWAG Group could support our issuer credit rating on Aegon Bank.

Outlook

The negative outlook on Aegon Bank reflects the downside risk linked to our assessment of Aegon Bank's strategic importance to its future parent. We expect the implications of the sale will become clearer over the next 12 months.

Downside scenario

We could lower the rating if:

- The diminished extraordinary support from ASR is not fully compensated by the support we envisage from BAWAG Group after the transaction; or
- The transaction does not close and we further revise downward Aegon Bank's strategic importance to ASR.

In both scenarios, we do not exclude that the rating could be lowered by more than one notch. If Aegon Bank's strategic importance to BAWAG Group is lower than we currently envisage, we would also lower our rating on the senior non-preferred bond by multiple notches.

Upside scenario

We could revise our outlook to stable if BAWAG Group's supportive ownership compensated for the loss of implicit and extraordinary support from ASR.

Ratings Score Snapshot

	To	From
Issuer credit rating	BBB+/Negative/A-2	A-/Stable/A-2
SACP	bb+	bbb-
Anchor	bbb+	bbb+

	To	From
Issuer credit rating	BBB+/Negative/A-2	A-/Stable/A-2
Business position	Constrained (-3)	Constrained (-3)
Capital and earnings	Very strong (+2)	Very strong (+2)
Risk position	Moderate (-1)	Moderate (-1)
Funding and liquidity	Moderate and adequate (-1)	Moderate and adequate (-1)
Comparable ratings analysis	0	+1
Support	+3	+3
ALAC support	0	0
GRE support	0	0
Group support	+3	+3
Sovereign support	0	0
Additional factors	0	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Downgraded

	To	From
Aegon Bank N.V.		
Senior Subordinated	BBB	BBB+

Downgraded

	To	From
Aegon Bank N.V.		
Issuer Credit Rating	BBB+/Negative/A-2	A-/Stable/A-2

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.spglobal.com/ratings for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

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