

# Achmea Bank Converted Soft-Bullet Covered Bonds Rated Following Amendments; Existing Soft-Bullet Bond Ratings Affirmed

June 29, 2023

## Overview

- On June 16, 2023, a bondholders' meeting approved the conversion of Achmea Bank's conditional pass-through covered bonds into soft-bullet covered bonds, and their transfer from the conditional pass-through program to the soft-bullet covered bond program, effective today.
- We assigned our 'AAA' ratings to the three covered bonds transferred to the soft-bullet covered bond program from the conditional pass-through program and converted from conditional pass-through to soft-bullet maturity profile.
- Furthermore, we affirmed our 'AAA' ratings on Achmea Bank's soft-bullet covered bond program and the three covered bonds originally issued under it. The outlook is stable.

MILAN (S&P Global Ratings) June 29, 2023--S&P Global Ratings today assigned its 'AAA' credit ratings to three covered bonds transferred to Achmea Bank N.V.'s soft-bullet program from its conditional pass-through program. Furthermore, we affirmed our 'AAA' credit ratings on the bank's soft-bullet mortgage covered bond program and three covered bonds originally issued under it (see list below). The outlook on the ratings is stable.

Today, Achmea Bank amended the terms of the three covered bond series originally issued under its €5 billion conditional pass-through covered bond program. The amendments changed their conditional pass-through payment obligation structure to soft-bullet maturities (where the repayment of principal can be extended for up to one year under specified conditions, instead of up to 32 years previously).

The three covered bonds are now part of Achmea Bank's €5 billion soft-bullet covered bond program, making them subject to the transaction documents governing it. Part of the cover pool assets previously comprised in the conditional pass-through program were also transferred to the soft-bullet program.

In line with our covered bonds criteria, we determined the issuer's reference rating level (RRL), and attributed notches of uplift from this level through our determination of jurisdictional and collateral-based support. Based on the long-term issuer credit rating (ICR) on Achmea Bank and our assessment of jurisdictional support, we assess the RRL at 'a+' and the jurisdiction-supported rating level (JRL) at 'aa+'.

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We reviewed the combined asset information provided by the issuer as of March 2023 and performed our cash flow analysis as of June 2023. The underlying assets comprise €4.78 billion of Dutch residential mortgage loans (net of saving and construction deposits). In our cash flow analysis, we modeled the three converted covered bonds with their new terms and conditions (namely the respective new extended maturity date) together with the three previously outstanding covered bonds.

Based on our cash flow analysis, we believe the available credit enhancement exceeds the target credit enhancement, making the covered bonds eligible for four notches of collateral-based uplift. We consider that the soft-bullet structure of the issuances covers liquidity risk. Furthermore, the overcollateralization is committed at a level consistent with the assigned ratings. With a JRL of 'aa+', the program only requires one notch of collateral uplift to attain a 'AAA' rating.

There are currently no rating constraints on the 'AAA' ratings relating to counterparty, sovereign default, legal, or administrative and operational risks.

The stable outlook on the ratings on all the covered bonds now part of the soft-bullet covered bond program reflects the three unused notches in our rating analysis. This means a downgrade of the bank of up to three notches would not, on its own, automatically result in a downgrade of the covered bond program.

## **Ratings list**

| <b>Covered bonds' ISINs</b> | <b>Rating to</b> | <b>Rating from</b> |
|-----------------------------|------------------|--------------------|
| XS1722558258                | AAA/Stable       | NR                 |
| XS1953778807                | AAA/Stable       | NR                 |
| XS2189964773                | AAA/Stable       | NR                 |
| XS2392593161                | AAA/Stable       | AAA/Stable         |
| XS2484321950                | AAA/Stable       | AAA/Stable         |
| XS2582112947                | AAA/Stable       | AAA/Stable         |

## **Related Criteria**

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016

- Criteria | Structured Finance | Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria | Structured Finance | Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- Criteria | Structured Finance | RMBS: Methodology For Assessing Mortgage Insurance And Similar Guarantees And Supports In Structured And Public Sector Finance And Covered Bonds, Dec. 7, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## **Related Research**

- S&P Global Ratings Definitions, June 9, 2023
- Ratings Unchanged On Achmea Bank's Soft Bullet Covered Bonds Based On Proposed Amendments, May 22, 2023
- Global Covered Bond Insights Q2 2023: The Implications Of Rising Interest Rates, April 12, 2023
- Achmea Bank N.V., March 31, 2023
- Dutch Covered Bond Market Insights 2023, Jan. 26, 2023
- ESG Credit Indicator Report Card: Covered Bonds, April 7, 2022
- Glossary of Covered Bond Terms, April 27, 2018

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