

Aegon Bank N.V.

Key Rating Drivers

Ratings Equalised with Parent's: Aegon Bank N.V.'s (Aegon Bank) Issuer Default Ratings (IDRs) are equalised with those of its ultimate parent, Aegon N.V. (Aegon; A-/Negative). This reflects our view that there is a high probability Aegon will provide support to the bank, if needed. Fitch Ratings' view on support is primarily driven by Aegon Bank's role within the insurance group, complementing its activities in one of its core markets in the Netherlands.

Strategically Important for Dutch Operations: Aegon Bank has an important role in Aegon's strategy in the Netherlands of offering a full range of financial products to its clients and growing its pension and retirement planning business. It primarily offers tax-efficient saving products complementing Aegon's pension offering. The bank also holds Dutch residential mortgage loans originated by affiliated companies on its own balance sheet. The bank also develops and promotes the Knab brand, which has an independent product offering.

Strong Integration in the Group: Aegon Bank is fully owned by Aegon Nederland, which is ultimately owned by Aegon. Aegon Bank's management, strategy and risk controls are highly integrated with the group's. The bank shares a number of services and back-office functions with its parent and its strategy is designed to support the group's targets.

No Viability Rating Assigned: Fitch does not assign a Viability Rating to Aegon Bank given its close integration in the Aegon group and Fitch's opinion the bank's franchise cannot be assessed meaningfully on a standalone basis.

Asset Quality to Weaken: We expect impaired loans to increase from a very strong starting point. Pressure will come principally from the higher-risk consumer and SME loans (about 15% of gross loans at end-2019), which we expect to be most vulnerable during the downturn. The rest of the loan book includes strong performing Dutch residential mortgage loans.

Low Profitability: The bank's profitability remains weak. We expect earnings to come under pressure due to low interest rates as well as lower lending volumes and higher impairment charges related to the coronavirus crisis. The bank's profitability improved slightly in 2019 due to higher lending volumes.

Strong Capitalisation: Risk-weighted capital ratios are solid, with a common equity Tier 1 ratio of 19.8% at end-2019. To support its growth strategy, the bank received several capital injections from its parent over the past years. Aegon Bank has not distributed dividend to its parent in 2018 and 2019.

Healthy Funding, Liquidity: Retail savings dominate Aegon Bank's funding structure (about 80% of total funding). The bank diversified its funding by issuing its first EUR500 million senior non-preferred debt in 2019.

Rating Sensitivities

Outlook Negative: The Negative Outlook on Aegon Bank's Long-Term IDR mirrors that on Aegon's Long-Term IDR. The latter reflects Fitch's current assessment of the impact on Aegon of the coronavirus pandemic, including its economic impact, under a set of rating assumptions.

Aegon Bank's Long-Term IDR and Support Rating are primarily sensitive to changes in Aegon's Long-Term IDR. The ratings could be downgraded if Aegon's Long-Term IDR is downgraded or if Fitch perceives there is a decrease in the bank's strategic importance to Aegon's Dutch operations and therefore to the group as a whole.

Ratings

Long-Term IDR	A-
Short-Term IDR	F2
Support Rating	1

Sovereign Risk

Long-Term Foreign- and Local-Currency IDRs	AAA
Country Ceiling	AAA

Outlooks

Long-Term IDR	Negative
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

[Bank Rating Criteria \(February 2020\)](#)

Related Research

[Global Economic Outlook Datasheet: Crisis Update May 2020 - Coronavirus Shock Broadens \(May 2020\)](#)

[Fitch Revises Aegon Bank's Outlook to Negative; Affirms at 'A-' \(May 2020\)](#)

[Fitch Revises Aegon's Outlook to Negative on Coronavirus Risk; Affirms Ratings \(May 2020\)](#)

Analysts

Andreea Playoust, CFA
+33 1 44 29 91 71
andreea.playoust@fitchratings.com

Romain Levasseur
+33 1 44 29 91 76
romain.levasseur@fitchratings.com

Debt Rating Classes

Rating level	Rating
Senior non-preferred debt	A-

Source: Fitch Ratings

Aegon Bank's senior non-preferred debt is rated in line with the bank's Long-Term IDR, since Fitch expects resolution buffers to be met with senior non-preferred debt and more junior instruments.

Institutional Support Assessment

Support Factors (negative)	Equalised	1 Notch	2+ Notches
Parent ability to support and subsidiary ability to use support			
Parent/group regulation	✓		
Relative size	✓		
Country risks	✓		
Parent Propensity to Support			
Role in group	✓		
Potential for disposal		✓	
Implication of subsidiary default		✓	
Integration	✓		
Size of ownership stake	✓		
Support track record		✓	
Subsidiary performance and prospects		✓	
Branding		✓	
Legal commitments			✓
Cross-default clauses			✓

High Probability of Support

Fitch's assessment of a high likelihood of the parent's support is driven by the bank's role in the group, its strong integration with the parent and reputational risks for Aegon in case of a default of the subsidiary. Aegon's ability to support Aegon Bank is strong, primarily because of the latter's small size relative to the broader group. We also consider Aegon's propensity to support the bank as high as we view Aegon Bank as a key and integral part of Aegon's Dutch business.

Significant Changes

Negative Outlook on the Dutch Banking Sector Operating Environment

Fitch revised its outlook for the Dutch banks' operating environment to negative in April 2020 to reflect increased risks from economic disruption as a result of the coronavirus outbreak. We believe the pressure on asset quality and earnings will be partly cushioned by fiscal and other support measures from the Dutch government. Aegon Bank enters the crisis with relative strength given its low-risk business model, which should prove resilience in the current turmoil.

Knab Used as the Primary Label

To improve its efficiency, the bank integrated recently operations from its two business units, Knab and Aegon Bank. The bank also decided to make the Knab label its primary brand, which will not change the strategic importance of the bank for Aegon.

Inaugural Senior Non-Preferred Issue

In 2019, Aegon Bank issued its first EUR500 million senior non-preferred instrument to meet its future minimum requirement for own funds and eligible liabilities (MREL) and, to a lesser extent, to support the bank's growth. This does not affect the high likelihood of institutional support from its parent, which can inject capital into the bank before action by the resolution authorities involving bail-in is taken.

Summary Financials and Key Ratios

	31 Dec 19		31 Dec 18	31 Dec 17	31 Dec 16
	Year end (USDm)	Year end (EURm)	Year end (EURm)	Year end (EURm)	Year end (EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	268	238.8	191.7	145.6	120.9
Net fees and commissions	17	15.4	10.8	10.1	5.3
Other operating income	11	9.7	-12.5	44.7	26.1
Total operating income	296	263.9	190.0	200.4	152.3
Operating costs	175	155.6	144.1	117.7	107.4
Pre-impairment operating profit	122	108.3	45.9	82.7	44.9
Loan and other impairment charges	78	69.1	48.4	23.2	16.3
Operating profit	44	39.2	-2.5	59.5	28.6
Other non-operating items (net)	n.a.	n.a.	n.a.	n.a.	89.6
Tax	14	12.6	-8.2	14.8	29.4
Net income	30	26.6	5.7	44.7	88.8
Other comprehensive income	2	1.7	-6.7	-1.4	6.7
Fitch comprehensive income	32	28.3	-1.0	43.3	95.5
Summary balance sheet					
Assets					
Gross loans	14,301	12,729.7	11,240.5	10,195.3	8,642.0
- Of which impaired	149	132.9	55.5	44.2	58.1
Loan loss allowances	136	120.9	85.3	39.9	20.6
Net loans	14,165	12,608.8	11,155.2	10,155.4	8,621.4
Interbank	129	115.1	95.9	159.8	91.4
Derivatives	180	159.8	214.9	83.8	108.6
Other securities and earning assets	1,193	1,062.2	1,314.6	1,776.8	2,329.1
Total earning assets	15,667	13,945.9	12,780.6	12,175.8	11,150.5
Cash and due from banks	2,139	1,904.0	1,268.7	1,431.9	933.5
Other assets	77	68.6	90.7	68.3	66.1
Total assets	17,883	15,918.5	14,140.0	13,676.0	12,150.1
Liabilities					
Customer deposits	12,959	11,535.8	10,585.8	9,567.5	8,814.1
Interbank and other short-term funding	n.a.	n.a.	0.0	0.0	862.3
Other long-term funding	3,068	2,730.9	2,243.8	2,976.1	1,242.0
Trading liabilities and derivatives	631	561.6	347.8	182.9	273.0
Total funding	16,658	14,828.3	13,177.4	12,726.5	11,191.4
Other liabilities	395	351.8	327.0	354.3	408.0
Preference shares and hybrid capital	11	9.5	9.5	9.5	7.9
Total equity	819	728.9	626.1	585.7	542.8
Total liabilities and equity	17,883	15,918.5	14,140.0	13,676.0	12,150.1
Exchange rate		USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382	USD1 = EUR0.9487

Summary Financials and Key Ratios

	31 Dec 19	31 Dec 28	31 Dec 17	31 Dec 16
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.1	-0.1	2.3	1.3
Net interest income/average earning assets	1.8	1.5	1.3	1.2
Non-interest expense/gross revenue	59.0	75.8	58.7	70.5
Net income/average equity	3.9	0.9	7.9	18.4
Asset quality				
Impaired loans ratio	1.0	0.5	0.4	0.7
Growth in gross loans	13.3	10.3	18.0	23.1
Loan loss allowances/impaired loans	91.0	153.7	90.3	35.5
Loan impairment charges/average gross loans	0.6	0.5	0.3	0.2
Capitalisation				
Common equity tier 1 ratio	19.8	21.6	20.6	20.4
Fully loaded common equity tier 1 ratio	19.8	n.a.	n.a.	n.a.
Tangible common equity/tangible assets	4.6	4.4	4.3	4.5
Basel leverage ratio	4.6	4.4	3.9	3.9
Net impaired loans/common equity tier 1	1.7	-4.8	0.8	8.1
Funding and liquidity				
Loans/customer deposits	110.4	106.2	106.6	98.1
Liquidity coverage ratio	212.0	209.0	277.0	218.0
Customer deposits/funding	80.8	82.5	76.2	80.7
Net stable funding ratio	147.0	141.0	132.0	138.0

Source: Fitch Ratings, Fitch Solutions, Aegon Bank

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2020 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.