Aegon N.V. and Subsidiaries

Full Rating Report

Ratings

Aegon N.V.

Long-Term Foreign-Currency IDR	A−
Short-Term Foreign-Currency IDR	F2
Senior Unsecured Notes	BBB+
Subordinated Notes	BBB−
Commercial Paper	F2

Rated Operating Entities[a]

Insurer Financial Strength Rating	A+

[a] See additional ratings on page 13

Sovereign Risk

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Insurer Financial Strength Ratings	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

Aegon N.V. and Subsidiaries

	31 Dec 16	31 Dec 15[a]
Total assets (EURbn)	426	416
Group equity (EURbn)	25	26
Premium income (EURbn)	23	23
Net income/(loss) (EURm)	586	-523

[a] Values re-stated
Source: Aegon

Related Research

2017 Outlook: U.S. Life Insurance (December 2016)

Dutch Insurance Dashboard – 2017 Update (July 2017)

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Key Rating Drivers

Very Strong Business Profile: Aegon is a large, multinational insurer with a wide range of products and distribution channels. It has a leading position in its main markets – the US, the Netherlands and the UK – with top-10 positions in most of its chosen market segments.

Corporate Action Supporting Strategy: Fitch Ratings views favourably Aegon's capital-light, digitally focused strategy, with the group having already made significant progress in this regard. This is supported by Aegon US's recent divestment of its largest US runoff businesses, a pay-out annuity book and bank-owned / corporate-owned life insurance book, through a reinsurance agreement with Wilton Re Ltd (IFS of main operating entities 'A+'/Stable).

Strong Capitalisation, High Leverage: A score of "Very Strong" in Fitch's Prism factor-based model (Prism FBM) at end-2016 supports the group's capital strength. Its Solvency II (S2) margin rose to 195% at end-3Q17 (end-2016:157%), although it is sensitive to interest rates declines and US credit defaults. This rise is partly attributable to a change in the methodology used to convert Aegon Americas' risk-based capital (RBC) ratio into the group's S2 ratio. Aegon Americas' RBC ratio remains near the high end of its 350%-450% target (3Q17: 445%).

Aegon's Fitch-calculated financial leverage ratio (FLR) was 29% at end-2016 (2015: 27%), a level that Fitch views as commensurate with the 'A' rating category, and in line with similarly rated peers. The FLR increase follows the group's issuance of EUR500 million senior notes in December 2016, which was subsequently used to redeem EUR500 million senior notes maturing in July 2017, which will reverse the FLR increase. We expect FLR to remain within 26%-30% in 2017.

Profitability a Key Rating Weakness: Pressure from pricing competition and low interest rates in its main markets affect Aegon's profitability. Fitch viewed Aegon's 2016 net income return on equity (ROE) of 2% as weak. However, following a decline in non-operating losses, net income ROE improved to 7.5% in 9M17.

Margin Compression Limits Earnings: Fitch expects net underlying earnings to remain stable in 2017 (9M17: EUR1,152 million; 9M16: EUR1,013 million). Aegon is shifting from high-margin (but capital-intensive) spread-based business to lower-margin, capital-light fee-based business. Fitch views this strategy positively from a rating standpoint, but it results in a compression of margins for the group.

Stable Fixed-Charge Coverage: Aegon's fixed-charge cover (FCC) based on underlying earnings before tax remained stable at 7x in 2016 (2015: 7x), which Fitch views as strong. Fitch expects the ratio to remain stable in 2017.

Rating Sensitivities

Higher Earnings: The ratings could be upgraded if Aegon's net income ROE improves to above 7% for a sustained period with the Prism Factor-Based Model capital score remaining at least "Very Strong".

Deterioration in Capital/Leverage: The ratings could be downgraded if, over a sustained period, the FLR rises above 30% or if the Prism FBM score falls to below the category of "Very Strong".

Weaker Earnings: The ratings could also be downgraded if net income ROE remains below 3%.

Business Profile

Business and Geographical Diversification Support Ratings

- Established, diversified multinational company
- Broad product range and distribution footprint
- Largest savings platform provider in the UK
- Efficiency essential in competitive market segments

Established, Diversified Multinational Company

Aegon is an international life insurance, pension and asset management company that operates in the Americas, Europe and Asia, employing more than 29,000 people. Aegon has top-10 positions in most of its chosen market segments, which helps it to compete effectively by providing scale and brand recognition.

Broad product range and distribution footprint

Aegon offers a range of life insurance products, including term, universal life, annuities, whole life and accident and health. It also offers pension and related savings. Aegon uses multiple distribution channels, including independent brokerage distributors and agencies.

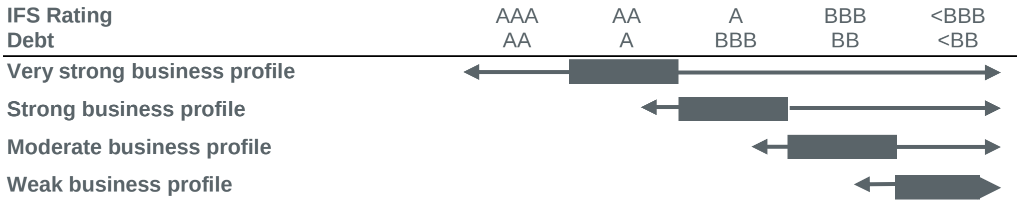
Largest Savings Platform Provider in the UK

Aegon has transformed its UK retail and workplace savings business into a market-leading investment platform with a combined market share of around 20% by assets under administration. This was largely a result of its bolt-on acquisitions of BlackRock's UK defined contribution platform and administration business and Cofunds, a retail investment platform. A strong market position in the UK platform business is an important element in Fitch's assessment of the group's business profile.

Efficiency Essential in Competitive Market Segments

Aegon has continued its strategy of transforming into an efficient, capital-light organisation. Key initiatives include the sale of its annuity portfolios in the UK, cost reductions in the group, and the announcement in May of the sale of its bank- and corporate-owned life insurance businesses in the US. The group expects total expense reductions ultimately to yield around EUR350 million annual profit.

Ratings Range Based on Business Profile



Source: Fitch

We believe that these initiatives will support Aegon's ability to remain competitive and offer products relevant to its customers in a low interest rate environment. However, most of its main markets, such as US variable annuities, Dutch pensions and UK savings platforms, are characterised by fierce competition and price-sensitive customers.

Related Criteria

Insurance Rating Methodology (November 2017)

Corporate Governance and Management

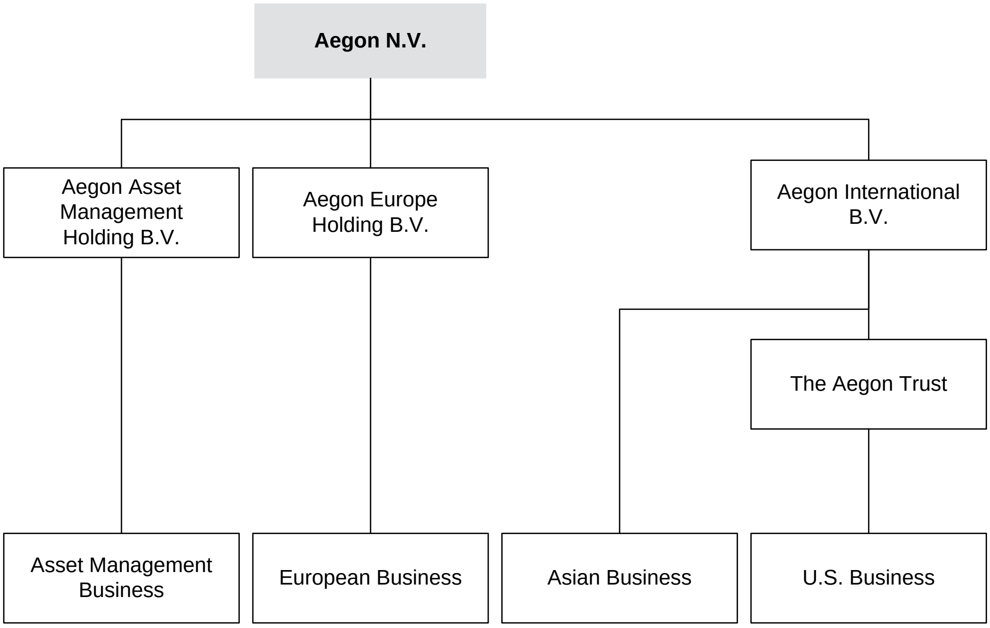
Fitch views the corporate governance and management to be adequate and neutral to the rating. The majority of the supervisory board are independent under the terms of the Dutch Corporate Governance Code.

Ownership is Neutral to the Rating

Aegon common shares are listed on two stock exchanges: Amsterdam and New York. It has an international shareholder base, with the majority in the US and Europe (including the UK).

Aegon's largest single shareholder is Vereniging Aegon, an association whose role is to ensure the continuity of the company and to protect the interests of its stakeholders. At end-2016, Vereniging Aegon had 14.4% of the normal voting rights.

Overview Aegon Structure - Sub Holdings vs. Business Lines



Source: Aegon

Industry Profile and Operating Environment

Sovereign and Country-Related Constraints

Fitch rates the sovereign obligations of the Netherlands and the US at 'AAA' with Stable Outlooks and the UK at 'AA' with a Negative Outlook. The Country Ceilings are all 'AAA'. Therefore, the ratings of Dutch and US insurance organisations are not directly constrained by sovereign or macroeconomic risks. Aegon's ratings are not constrained by UK sovereign or macroeconomic risks.

Low Interest Rates Drive Subdued Profitability Outlook

A majority of Dutch, UK and US life insurers in Fitch's rated universe have Insurer Financial Strength (IFS) ratings in the 'AA' or 'A' categories. Key risks that the insurance industry faces include: prolonged low interest rates, price competition, macroeconomic uncertainty, investment risks linked to fixed-income and equity holdings and regulatory changes.

Our near-term expectations are for subdued profitability as yields on invested assets remain low and hedging costs high. Most insurers are undertaking cost-cutting to bolster profitability.

Ratings Range Based on Industry Profile/Operating Environment

IFS Rating	AAA	AA	A	BBB	<BBB
Debt	AA	A	BBB	BB	<BB
Life insurance					

Source: Fitch

US: Legacy Variable Annuity Business Remains a Concern

Legacy variable annuity (VA) risk has diminished due to improved equity market conditions in recent years, but is still a source of reserve and capital volatility. Longer term, tail risk associated with the product's living benefit guarantees could cause a significant hit to industry earnings and statutory capital in a severe stress scenario. Uncertainty around policyholder behaviour exacerbates this risk.

Cost Management Critical in Dutch Market

Dutch life insurers' profitability stabilised in 2016 as cost cuts offset low interest rates and declining premium volumes on legacy portfolios. A significant improvement in earnings is unlikely, however, as the business mix shifts to lower margin capital-light savings products, with strong competition between the providers.

Shift to Unit-Linked Business

Dutch life insurers are selling more capital-light, fee-based business (unit-linked and asset management products) in preference to spread-based business (products with investment guarantees). This shift is driven by sustained low interest rates, a change in customer preferences and onerous capital requirements for spread-based business, particularly since S2 took effect on 1 January 2016. With interest rates staying low, these capital requirements may increase further.

Dutch Unit-Linked 'Mis-Selling' Liability Uncertain

Rulings by the courts and the insurance ombudsman in individual unit-linked mis-selling cases resulted in both adverse and favourable outcomes for insurers in 2017. Future adverse court rulings cannot be ruled out. Large claims against insurers, if upheld, could significantly affect the sector's earnings. However, we expect insurers' capital positions to withstand even significant compensation costs. Litigation processes and eventual compensation amounts could take a considerable time to resolve.

Peer Analysis

Capital Is Strong, but Aegon Trails Peers in Some Key Areas

Fitch views Aegon's capital position as comparable with those of large 'AA' rated life insurance groups, although its S2 ratio is at the lower end of the peer range. Aegon's financial leverage is in line with similarly rated peers.

Profitability, as measured by net income return on equity, is lower than that of its peers. Aegon's earnings, as for other life insurers, are under pressure from pricing competition and a slower than expected economic growth in its main markets. However, its earnings are more sensitive to investment market conditions – in particular low interest rates and credit risk – and net income is volatile.

This weakness is partly offset by Aegon's diversified footprint, and strong market position in its chosen markets. Aegon's market position is strong in the Netherlands, where Aegon is the largest insurer in group life, the UK and the US.

Peer Comparison - 2016

(%)	IFS Rating/ Outlook[a]	Total equity (EURbn)[b]	Assets (EURbn)	Solvency II/SST ratio[c]	Financial leverage	Net income return on equity
Allianz	AA/Stable	70	884	218	21	11
Prudential	AA/Stable	16	564	201	16	10
Aviva	AA-/Stable	23	515	189	27	4
AXA	AA-/Stable	76	893	197	25	8
Legal & General	AA-/Stable	9	582	188	30	19
Zurich	AA-/Stable	30	335	227	23	10
Aegon	**A+/Stable**	**25**	**426**	**157**	**29**	**2**
NN Group[d]	A+/Stable	24	169	241	21	5
Achmea	N.R.	8	93	181	23	-4

Foreign exchange rates used: Period end: GBP1= EUR1.169461; USD1 = EUR0.90359
[a] IFS ratings of primary operating companies of each group
[b] Includes minorities
[c] For Zurich, Swiss Solvency Test as of 1 January 2017
[d] Excludes NN Group's subsequent acquisition of Delta Lloyd
SCR – Solvency Capital Requirement
Source: Companies, Fitch

Capitalisation and Leverage

	2012	2013	2014	2015	2016	Fitch's expectation
Shareholders' equity (EURbn)	25	18	24	23	21	Fitch expects Aegon's capitalisation to be stable in the near term and financial leverage should remain within a range of 26% to 30%.
Total financing and commitments (TFC) ratio (x)[a]	1.4	1.6	1.4	1.6	1.7	
Financial leverage (%)	34	34	29	27	29	
Regulatory capital ratio (%)[b]	228	212	208	220	157	

[a] 2015: TFC ratio re-stated
[b] 2012-2015: Insurance Group Directive ratio; 2016: Solvency II ratio
Source: Aegon, Fitch

Very Strong Capitalisation, Financial Leverage Supports Rating

- 'Very strong' Prism score
- High total financing and commitments ratio
- Financial leverage managed within a range
- Solvency II Margin Stabilising

'Very Strong' Prism Score

From a Prism FBM perspective, Aegon scored 'Very Strong' based on year-end 2016 results (2015: 'Very Strong'). The Prism FBM score is a ratio of total available capital (TAC) divided by target capital (TC) at various stress levels, with the Prism score itself being equal to the highest category where TAC exceeds TC. From a TC perspective, the risk associated with the assets backing Aegon's life business is the biggest driver.

High Total Financing and Commitments Ratio

Aegon's TFC ratio remains high compared with those of its similarly rated peers, indicating greater reliance on financing activities. The main drivers of Aegon's high TFC ratio are US Regulation XXX and AXXX funding, securitisations to finance its mortgage portfolios in the Netherlands, securities lending, Federal Home Loan Bank borrowings, repurchase agreements and hybrids.

Financial Leverage Managed Within a Range

Aegon's Fitch-calculated FLR increased to 29% as at end-2016 (2015: 27%), but remains at a level that Fitch considers commensurate with the 'A' rating category. The increase follows the group's issue of EUR500 million senior notes in December 2016, which was subsequently used to redeem EUR500 million senior notes maturing in July 2017, which will reverse the FLR increase. Aegon has deleveraged its balance sheet significantly since 2011 and plans to maintain gross financial leverage below 30%.

Solvency II Margin Stabilising

The group's S2 margin was resilient at 195% at end-3Q17 (end-2016:157%), although it is sensitive to declines in interest rates and US credit defaults. The higher S2 margin is partly attributable to a change in the methodology used to convert Aegon Americas' RBC ratio into the group's S2 ratio. This resulted in a one-off 15 percentage point rise in the S2 ratio. Aegon Americas' RBC ratio remains near the high end of its 350%-450% target range (3Q17: 445%).

Fitch's primarily assesses Aegon's capitalisation on a group basis, and believes that the group's capital is sufficiently fungible to provide capital support for solo entities when needed. In August 2017, the group announced a EUR1 billion capital injection to Aegon Levensverzekering N.V. (Aegon Leven), its main Dutch life subsidiary, to enhance its capital position and stabilise future capital generation for the group. Aegon estimates this action to result in a 27pp improvement in Aegon Leven's S2 ratio. Aegon Leven's solo S2 margin was 179% at end-3Q17 and 120% at end-2016.

Debt Service Capabilities and Financial Flexibility

	2012	2013	2014	2015	2016	Fitch's expectation
Fixed-charge coverage ratio (x) – Fitch calculated	5	4	6	-1	4	Fitch expects the underlying earnings coverage ratio to remain stable, as operating earnings will show limited growth in the near term, and borrowing is little changed.
Fixed-charge coverage ratio (x) – based on underlying earnings	5	5	7	7	7	

Source: Aegon, Fitch

Holding Company Liquidity

- Fitch views Aegon N.V.'s liquidity profile as strong.
- Aegon N.V. has access to international capital markets under a USD6 billion debt issuance programme and to US markets under a separate US shelf registration.
- It also has access to domestic and international money markets through its EUR2.5 billion commercial paper programme (EUR128 million outstanding at end-2016).
- Aegon N.V. has a EUR2 billion syndicated revolving credit facility maturing in 2019 and a back-up facility for USD2.6 billion maturing in 2021. In addition, it maintains various shorter-dated bilateral back-up facilities.
- Aegon N.V. had undrawn committed credit facilities of EUR3.9 billion at end-2016.

Financial Flexibility Strong

- Fixed-charge cover commensurate with rating
- Strong financial flexibility

Fixed-Charge Cover Commensurate with Rating

Aegon's FCC based on underlying earnings remained stable at 7x in 2016, which Fitch views as strong and commensurate with the rating. We expect the ratio to strengthen gradually as Aegon improves its operating efficiency and profitability, and total interest expenses to remain stable.

Strong Financial Flexibility

Fitch believes that Aegon has strong financial flexibility, benefiting in particular from its relationship with its major shareholder, Vereniging Aegon. Aegon has a record of access to capital markets. The group also benefits from positive cash generation from its main business units, although the Dutch operations did not pay dividends in 2014 and 2015 in advance of the adoption of S2.

Financial Performance and Earnings

(EURm)	2012	2013	2014	2015	2016	Fitch's expectation
Net income	1,571	857	1,195	-523	586	Fitch expects Aegon's underlying
Net underlying earnings[a]	1,382	1,531	1,416	1,481	1,483	earnings to grow slowly as the
Net income return on equity (ROE) (%)[b]	6	3	5	-2	2	company executes its strategy to
Pre-tax operating ROA (%)[b,c]	0.7	0.4	0.5	-0.1	0.2	focus on core operations and
Net underlying earnings ROE (%)[a]	6	7	7	6	7	improve operating efficiency.

[a] Net underlying earnings reported by Aegon
[b] Fitch calculated
[c] Includes realised and unrealised gains
Source: Aegon, Fitch

Pressurised and Volatile Earnings

- Better earnings quality, but subdued growth
- Weak net income

Better Earnings Quality, but Subdued Growth

Underlying pre-tax earnings improved by 16% to EUR1,579 million in 9M17, supported by an improvement in the UK and US businesses. However, Aegon's operating earnings remain under pressure because of pricing competition and low interest rates in its main markets. As a result, net underlying ROE has remained below 8% in recent years (2016: 7%; 9M17: 7.5%). Fitch expects this trend to continue.

Aegon is shifting from high-margin (but capital-intensive) spread-based business to lower-margin, capital-light fee-based business, such as variable-annuity and pension business. Aegon's proportion of underlying earnings from fees improved to 45% in 1H17 (2016: 42%). Fitch believes this will improve the quality and consistency of Aegon's earnings, particularly by reducing the sensitivity of earnings to investment markets. However, the shift in business mix results in a compression of margins for the group.

We expect run rate operating earnings growth to remain subdued, as a result of the gradual change of business mix. However, Fitch believes that the fee-based model will be able to deliver economies of scale, as it allows the group to fix an increasing proportion of its costs base, with the help of technological (process) improvements.

Weak Net Income

Aegon reported net income of EUR586 million in 2016, driven by large one-off items and fair value losses, as in 2015. As a result, the net income ROE was 2%, significantly below Fitch's guideline median of 13% for the 'AA' rating category. However, following a significant decline in fair value losses and the absence of large one-off losses, net income improved to EUR1,375 million in 9M17 (annualised net income ROE 7%).

The largest one-off charge in 2016 (EUR682 million) was as a result of the disposal of a large portion of the group's UK annuity portfolio in two separate transactions. Losses on economic hedging and long-term economic assumption changes, which are classified fair value items under IFRS principles, improved significantly in 9M17 (fair value losses 9M17: EUR85 million; 2016: 645 million; 2015: EUR771 million) Although fair value losses do not represent realised economic losses, Fitch views recurring significant fair value loss items with caution, as it acts as a drag on financial flexibility.

Investment and Asset Risk

(%)	2012	2013	2014	2015	2016	Fitch's expectation
Risky assets to equity	55	63	49	55	55	Fitch expects Aegon's investment risk to remain commensurate with ratings.
Unaffiliated shares/equity	7	9	4	6	5	
Non-investment-grade bonds/equity[a]	40	46	40	43	42	
Investments in affiliates/equity	8	8	6	7	8	

[a] Fitch estimate
Source: Aegon, Fitch

Investment Risks and Impairments Declining

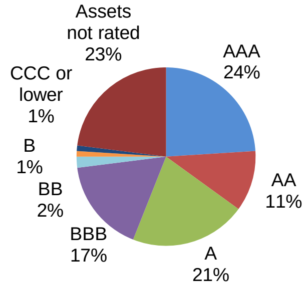
- Investment risk low for ratings
- Mortgage exposure stable

Investment Risk Low for Ratings

Aegon's risky asset ratio remained stable in 2016 at 55% of equity, a level that Fitch views as conservative. The group's exposure to bonds below investment grade was steady at 42% in 2016 (2015: 43%). Aegon's investment strategy favours high-grade bonds, such as US Treasurys and investment-grade corporate bonds.

Moderate credit risk remains through exposure to certain residential mortgage-backed securities (RMBS) and commercial mortgage-related investments.

Credit Rating of General Account Investments
Total: EUR161bn at FY16



Source: Aegon

Mortgage Exposure Stable

The group's exposure to Dutch mortgages was stable in 2016 at EUR25 billion and 16% of general account investments. The group reported a portfolio loan-to-value of 83% in 2016 (2015: 90%), with 57% of this portfolio guaranteed by the Dutch government.

Dutch insurers and their banking subsidiaries are playing an increasing role in Dutch mortgage lending with 13% of total outstanding debt (2010: 9%) at end-2016. We do not classify Dutch mortgages as 'risky assets' when assessing investment risk under our insurance methodology. This is based on lender-friendly legislation and the national mortgage guarantee that applies to a large portion of mortgages. However, a significant rise in this share could be credit negative because of concentration risk and the impact on liquidity.

Asset/Liability and Liquidity Management

	2012	2013	2014	2015	2016	Fitch's expectation
Liquid assets to policyholder liabilities (%)	109	107	99	97	98	Fitch expects Aegon's liquid assets/policyholder liabilities ratio to remain above 90% in the medium term.

Source: Aegon, Fitch

Solid Asset/Liability Liquidity Management

- Variable annuity guarantee risk closely managed
- Less spread-based business, more fee-based business
- Low liquidity risk

Variable Annuity Guarantee Risk Closely Managed

As a top-10 seller of VAs, Aegon Americas has significant exposure to VA benefit guarantees. Over 60% of its VA exposure contains living benefit guarantees, which leads to inherent reserve and capital volatility due to the difficulty in hedging uncertain policyholder behaviour.

The company's VA gross deposits declined 44% in 2016, reflecting lower demand due to uncertainty around the US Department of Labor fiduciary rule. Aegon Americas' VA sales volumes have also declined over recent years due to changes to its fund line-up and modification of its fees and benefits in the current low interest rate environment. Aegon Americas reduced its closed block VA liabilities, which includes its guaranteed minimum income benefit exposure, more than 20% since 2014, largely through lump-sum offerings.

The net amounts at risk on Aegon's VA business were broadly unchanged in 2016, supported by stable account values (see table).

US Variable Annuity Business

	Account value[a]		Net amount at risk[b,c]	
Benefit type (EURm)	2015	2016	2015	2016
Guaranteed minimum withdrawal benefit (GMWB)	33,182	35,374	222	222
Guaranteed minimum death benefit (GMDB)	52,346	54,821	2,934	2,615
Guaranteed minimum income benefit (GMIB)	5,760	5,628	641	684

[a] The account value reflects the actual fund value for the policyholders
[b] The net amount at risk for the GMWB represents the sum of the positive differences between the discounted maximum amount payable under the guarantees and the account value
[c] The net amount at risk for the GMDB and GMIB is defined as the discounted value of the minimum guaranteed annuity payments available to the contract holder in excess of the current account balance
Source: Aegon

The aggregate net amount at risk of EUR3.5 billion equates to 14% of Aegon's equity (14% in 2015). However, of this, the amount that is subject to policyholder options (GMWB and GMIB) is only EUR906 million, or 4% of Aegon's equity (2015: 3%).

Fitch views this exposure as manageable, particularly in light of Aegon's capital strength and its hedging programme to mitigate financial market risks on VA business. This includes full delta-hedging on the GMIB business – a commitment made by Aegon in connection with its receipt of support from the Dutch state in 2008.

Fitch views Aegon Americas' economic hedging programme of capital-market-related risks associated with its USD69 billion in VA reserves at year-end 2016 to be reasonably sound and effective in recent years. Aegon Americas manages the risk to statutory capital from large equity market declines through a macro-hedge strategy and de-risking of living benefit guarantees on new business. Hedging without the IFRS accounting match focuses on the protection of capital. We believe unhedged exposures to be manageable within the context of the company's broader capital resources. Fair value results of hedging with an accounting match may exhibit quarterly volatility, but we expect them to smooth out over time.

Less Spread-Based Business, More Fee-Based Business

Aegon has significant exposure to US investment markets, especially through its annuities and retirement division. Aegon is reducing this exposure by running down its spread-related business and increasing its focus on fee-related business.

Low Liquidity Risk

Aegon’s ratio of liquid assets to policyholder liabilities suggests that Aegon has a sound liquidity position. Aegon regularly stress-tests its liquidity position to ensure that available liquidity would meet requirements under extreme scenarios, covering prolonged frozen capital markets, an immediate and permanent rise in interest rates, and policyholders withdrawing liabilities at the earliest conceivable date.

Reinsurance and Risk Management

Sophisticated Risk Management

- Risk management consistent with S2
- Limited use of reinsurance

Risk Management Consistent with S2

In Fitch's view, Aegon's risk management processes and controls are aligned to S2, at least in line with those of peers, and commensurate with the rating level.

Aegon's capital management policy aims to manage its S2 capital position within defined risk limits at both a group level and individual business unit level. The group's risk strategy, comprising risk preferences and risk limits, references the underlying S2 risk components, thereby aligning it with the capital management policy.

Limited Use of Reinsurance

Aegon retains most of the insurance risk that it writes, taking the view that it is pricing profitably and should retain the profits. The group's scale and diversification means that it does not need significant reinsurance to avoid undue concentration of risk. Reinsurance counterparty credit ratings are typically 'A−' or higher.

Appendix: Other Ratings Considerations

Below is a summary of additional ratings considerations of a ‘technical’ nature that are part of Fitch’s ratings criteria.

Group IFS Rating Approach

The entities listed below are considered ‘Core’ entities under Fitch’s insurance group rating methodology. The operating entities share the same IFS rating based on Fitch’s evaluation of the strength of the group as a whole.

Complete Ratings List

Entity	Rating type	Rating
Aegon N.V.	LT IDR	A−/Stable
	ST IDR	F2
	Senior	BBB+
Aegon N.V. debt issues		
Commercial paper	Short term	F2
Subordinated debt		
USD250m floating rate, callable 12/2010 (NL0000062438)	Long term	BBB−
EUR200m 6%, callable 07/2011 (NL0000168466)	Long term	BBB−
EUR700m 4% callable 04/2024 (XS1061711575)	Long term	BBB−
EUR950m floating rate, callable 07/2014 (NL0000116150)	Long term	BBB−
USD500m floating rate, callable 07/2014 (NL0000116168)	Long term	BBB−
USD1,000m 6.375%, callable 06/2015 (NL0000021541)	Long term	BBB−
USD525m 8%, callable 08/2017 (US0079246080)	Long term	BBB−
NLG250m 4.156%, callable 06/2025 (NL0000120004)	Long term	BBB
NLG300m 5.185%, callable 10/2018 (NL0000121416)	Long term	BBB
NLG450m 4.26%, callable 03/2021 (NL0000120889)	Long term	BBB
Aegon Funding Company, LLC	Senior	BBB+
Subordinated debt programme	Long term	BBB−
Scottish Equitable Plc	IFS	A+/Stable
Transamerica Advisors Life Insurance Company	IFS	A+/Stable
Transamerica Premier Life Insurance Company	IFS	A+/Stable
	ST IFS	F1
Transamerica Financial Life Insurance Company	IFS	A+/Stable
Transamerica Life Insurance Company	IFS	A+/Stable
	ST IFS	F1

Source: Fitch

Notching

For notching purposes, the regulatory environment of the Netherlands is assessed by Fitch as being ‘Effective’, and classified as following a Group Solvency approach.

Notching Summary

Holding Company

Notching between the implied insurance operating company and holding company IDRs was expanded by one notch relative to standard notching for a group solvency regulatory environment due to foreign earnings and/or capital being greater than 30% of consolidated group totals.

IFS Ratings

For Aegon's operating companies, a baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS anchor rating to the implied operating company IDR.

Senior Debt

A baseline recovery assumption of 'Below Average' was applied to the senior unsecured debt. Standard notching relative to the IDR was used.

Hybrids

For three issues (NLG250 million 4.156%, callable 06/2015 (NL0000120004), NLG300 million 5.185%, callable 10/2018 (NL0000121416) and NLG450 million 4.26%, callable 03/2021 (NL0000120889)), a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Minimal' were used. Notching of two was applied relative to the IDR, which was based on two notches for recovery and zero for non-performance risk.

For all other issues, a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. Notching of three was applied relative to the IDR, which was based on two notches for recovery and one notch for non-performance risk.

Short-Term Ratings

The holding company's Short-Term Issuer Default Rating is 'F2', which is standard when the Long-Term IDR is 'A-'.

The Short-Term IFS ratings of Transamerica Premier Life Insurance Company and Transamerica Life Insurance Company are 'F1', which is standard when the IFS rating is 'A+'.

Hybrids – Equity/Debt Treatment

Hybrids Treatment

Hybrid	Amount	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
Aegon N.V.				
NL0000062438	USD250m	0	100	100
NL0000168466	EUR200m	0	100	100
XS1061711575	EUR700m	0	100	100
NL0000116150	EUR950m	0	100	100
NL0000116168	USD500m	0	100	100
NL0000021541	USD1,000m	0	100	100
US0079246080	USD525m	0	100	100
NL0000120004	NLG250m	0	100	100
NL0000121416	NLG300m	0	100	100
NL0000120889	NLG450m	0	100	100

CAR — capitalisation ratio; FLR — financial leverage ratio
For CAR, % tells portion of hybrid value included as available capital, both before (Fitch %) and after the regulatory override
For FLR, % tells portion of hybrid value included as debt in numerator of leverage ratio
Source: Fitch

Exceptions to Criteria/Ratings Limitations

None.

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.