Aegon USA Life Group (Cons)

Update following affirmation, outlook back to stable as financial profile improves

Summary

Our credit view of the life insurance companies in the Aegon USA Life Group - i.e., Transamerica Life Insurance Company (TLIC, insurance financial strength rating (IFS) A1, stable), and Transamerica Financial Life Insurance Company (TFLIC, IFS A1, stable) is based on its established positions in the US life insurance and asset accumulation businesses including the workplace markets. The rating also reflects the company’s utilization of multiple distribution channels, its diversified earnings that benefit from economies of scale, and a strong capital position as evidenced by a consolidated NAIC company-action level risk-based capital (CAL RBC) ratio of 426% at year-end 2021. On April 5, 2022, Moody’s changed the outlook to stable from negative reflecting the continued execution of the business plan, and the expectation for improved capital generation, and consistent profitability in-line with its rating level.

The company’s strengths are mitigated by the challenges Aegon USA faces in profitably growing its core business in a competitive market, which place downward pressure on profitability, at least in the short-term, tempered by cost reductions, and investments in growth initiatives that will take time to develop. In addition, financial results could be adversely impacted by the challenges of managing and reducing the risks in the company's run-off in-force LTC, ULSG, and VA's with significant interest sensitive riders. Aegon USA's business priorities and focus on growth in its Strategic Assets will make the company more reliant on highly competitive businesses to generate future sales and profits, albeit with less interest rate risk and related earnings volatility. The initial execution and implementation of these strategies which includes improving financial results and lowering its risk profile has experienced good progress, but full execution will take several years to develop.

Exhibit 1

Net income declined in recent years due to the prolonged low interest rate; profitability remains volatile, but should rebound in 2022

![Graph showing net income and return on average capital (ROC) from 2017 to 2021.](source: Moody's Investors Service and company filings)
Credit strengths

» Broad product offering and established positions in the domestic life insurance and accumulation businesses

» Diversified business lines, product offerings, and distribution channels

» Generally good statutory net capital generation

Credit challenges

» Execution risks associated to the business transformation, in particular maintaining a good pace in terms of capital generation, earnings mix and cost efficiency programs as the US business reallocates its capital to Strategic Assets from Financial Assets

» Pressured profitability as a result of prolonged low interest rates, adverse mortality development in universal and traditional life, and volatility in VA’s and legacy LTC business

» Managing the volatility in the capital position due the exposure to equity markets, interest rate risk and unhedged credit risks as a result of changing credit spreads

» Use of captives and structured transactions which weaken the quality of reserves and regulatory capital

Outlook

The stable outlook reflects the continued execution of the business plan, and the expectation for improved capital generation, and consistent profitability in-line with its rating level. Items to watch include a reduction in the company’s Financial Assets contributing to lower earnings volatility, and improvement in commercial activity leading to improved sales in both the Individual and Workplace Solutions businesses.

Factors that could lead to an upgrade

» Return on statutory capital (ROC) of the US operations consistently above 8% with a sustained reduction in volatility

» Improved organic capital generation; and

» Successful execution of the US business plan during Aegon’s strategic review, reflected by improving commercial activity leading to improved sales and net inflow, and financial performance

Factors that could lead to a downgrade

» ROC of the US operations consistently below 4%

» Combined NAIC CAL RBC ratio of less than 350%, after adjustment for intercompany loans and reinsurance captives or a reduction in capital of more than 10% over a 12 month period;

» Earnings coverage consistently below 6x or an adjusted financial leverage consistently above 30% at Aegon group; or

» Modest success in the implementation of the US business plan during Aegon’s strategic review affecting financial performance, and commercial activity leading to declining or uneven sales growth, lack of consistent net inflows operations, and inability to materially reduce financial asset exposure.

Related to TLIC, the P-1 Short-term IFS rating, is likely to remain unchanged, if the A1 IFS rating of the company were downgraded one notch.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.
Key indicators

Exhibit 2

<table>
<thead>
<tr>
<th>Aegon USA Life Group (Cons) [1][2]</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As Reported (US Dollar Millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>238,338</td>
<td>233,783</td>
<td>214,535</td>
<td>201,204</td>
<td>217,573</td>
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<tr>
<td>Total Shareholders' Equity</td>
<td>8,365</td>
<td>9,187</td>
<td>9,807</td>
<td>9,200</td>
<td>8,656</td>
</tr>
<tr>
<td>Net Income (Loss) Attributable to Common Shareholders</td>
<td>343</td>
<td>1,370</td>
<td>4,259</td>
<td>(684)</td>
<td>407</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>24,677</td>
<td>31,443</td>
<td>28,622</td>
<td>26,674</td>
<td>10,521</td>
</tr>
<tr>
<td><strong>Moody's Adjusted Ratios</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Risk Assets % Shareholders' Equity</td>
<td>86.9%</td>
<td>87.6%</td>
<td>79.6%</td>
<td>81.3%</td>
<td>83.5%</td>
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<tr>
<td>Goodwill &amp; Intangibles % Shareholders' Equity[3]</td>
<td>45.4%</td>
<td>41.3%</td>
<td>50.8%</td>
<td>58.9%</td>
<td>52.3%</td>
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<td>Shareholders' Equity % Total Assets</td>
<td>4.3%</td>
<td>4.7%</td>
<td>5.4%</td>
<td>5.3%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Return on Average Capital (ROC)</td>
<td>2.2%</td>
<td>8.9%</td>
<td>26.0%</td>
<td>-6.4%</td>
<td>6.2%</td>
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<tr>
<td>Sharpe Ratio of ROC (5 yr.)</td>
<td>62.1%</td>
<td>73.0%</td>
<td>55.1%</td>
<td>52.5%</td>
<td>168.9%</td>
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<tr>
<td>Adjusted Financial Leverage[3]</td>
<td>23.0%</td>
<td>24.5%</td>
<td>25.4%</td>
<td>31.2%</td>
<td>32.5%</td>
</tr>
<tr>
<td>Total Leverage[3]</td>
<td>28.1%</td>
<td>30.0%</td>
<td>31.0%</td>
<td>39.9%</td>
<td>40.4%</td>
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<tr>
<td>Earnings Coverage[3]</td>
<td>8.2x</td>
<td>0.6x</td>
<td>5.5x</td>
<td>2.6x</td>
<td>6.9x</td>
</tr>
</tbody>
</table>

[1] Information based on SAP financial statements as of the fiscal year ended 31 December. [2] Certain items may have been relabeled and/or reclassified for global consistency. [3] Information based on IFRS financial statements of AEGON N.V. as of the fiscal year ended 31 December.

Source: Moody’s Investors Service and company filings

Profile

**Aegon N.V.** (Aegon; senior debt A3, stable) is a Netherlands based insurer headquartered in The Hague that has operated for more than 175 years, where it is a leading provider of life insurance and pension products and services. Transamerica Corporation is the holding company for the US operations and through its operating subsidiaries conducts business in all 50 states in the U.S., Puerto Rico, Guam and US Virgin Islands. It operates through two operating companies, TLIC and TFLIC. The US represents approximately 60% of the group's sales and net results operating through 2 core business units - Workplace Solutions and Individual Solutions.

Aegon's strategy is aimed at improving the group's operating performance and strengthening its balance sheet. The group has separated its activities in the three core markets in two groups, higher-margin assets (Strategic Assets) and capital-intensive assets (Financial Assets), with the aim of reallocating its capital more efficiently towards Strategic Assets and growth markets (Spain and Portugal, China and Brazil) and its global asset manager. Among the Strategic Assets in the US, Aegon will grow its Workplace Solutions with a focus on small and mid-sized retirement plans and will develop its Individual Solutions business (Term Life, Indexed Universal Life (IUL) and Whole Life products). Aegon will consider as Financial Assets several of its US products, among them the VA business with interest rate sensitive living and death benefit riders, the standalone LTC and the fixed annuities which have been or will be closed for new business and actively managed in run-off.
Exhibit 3
Simplified Organizational Chart

Aegon N.V.
(A3 Issuer Rating, stable)

Aegon International B.V

Transamerica Corporation

Aegon Funding Company LLC
(Baa1 (hyb) Backed subordinate, stable)

Commonwealth General Corporation
(A3 Senior unsecured, stable)

Transamerica Financial Life Insurance Company
(A1 IFS, stable)

Transamerica Life Insurance Company
(A1 IFS, stable)

Source: Moody’s Investors Service and company filings

Exhibit 4
Majority of premiums from fixed and variable annuities, year-end 2021

FA/FIA 20%
VA 61%
A&H 11%
Group Life 0%
Life 7%
RP 1%

RP represents business attributable to Retirement Plans
Source: Moody’s Investors Service and company filings

Exhibit 5
Majority of reserves derived from variable annuities, year-end 2021

FA/FIA 12%
VA 40%
A&H 3%
Group Life 0%
Life 19%
RP 26%

RP represents business attributable to Retirement Plans
Source: Moody’s Investors Service and company filings
Detailed credit considerations
Moody’s rates the life insurance subsidiaries of Aegon USA A1 for insurance financial strength, which is in line with the adjusted scorecard-indicated outcome from Moody’s insurance financial strength rating scorecard.

Insurance financial strength rating
The key factors currently influencing the rating and outlook are:

Market position and brand: A - Established positions in pension and life insurance; sales pressure has softened market position
Aegon utilizes its Transamerica brand in the US, and maintains strong market positions in its major pension and life insurance business lines. The company ranked among the top 11 in life insurance, as measured by term and UL sales and among the top 10 for VA assets with approximately $82.8 billion of account value on an IFRS basis as of December 31, 2021. Its retirement plans business, including its record-keeping business, adds to its defined benefit platform. Aegon is ranked #3 in the 403(b) business with approximately $61 billion in plan assets or around 5% of the total industry assets according to PlanSponsor’s Recordkeeping survey.

Overall gross deposits in 2021 fell 6% for Aegon’s Americas segment compared to 2020, with mutual funds, VAs, fixed annuities and retirement plans all experiencing declines of at least 3%. VAs saw the largest decline in annual deposits, bringing in $1.3 billion less in 2021 than in 2020. This amounts to a 48% reduction in deposits year over year. Retirement Plans, VAs, and new life insurances sales all incurred declines in 2020. The company’s VA with significant interest rate sensitive living and death benefits riders, stand-alone LTC, and fixed annuity businesses are now de-emphasized and closed for new business since the first half of 2021.

We expect measured growth in 2022 for the Individual and Workplace Solutions businesses. However, given the company’s narrower and more focused business profile, we expect downward pressure on its market position over the intermediate term. We believe Aegon USA’s factor score remains adequately positioned at the A level on an unadjusted and adjusted basis.

Distribution: A - Multiplicity of largely independent channels helps extend distribution reach
Aegon USA has good distribution diversity, with key channels that include independent and captive agents, direct marketing, and worksite marketing, consistent with A-rated peers, both on an unadjusted and adjusted scorecard basis. Aegon USA’s distribution network is largely independent, which affords it less control generally and less robust policyholder persistency than a captive-driven distribution model; however, the group’s multiplicity of channels has helped it extend its distribution reach. Individual life sales improved in 2021 led by strong IUL sales activity. We expect sales of IUL to drive measured improvements in 2022 through initiatives to increase production in its Independent brokerage channels, and gain a greater share of business by World Financial Group. All things considered, we see the group’s profile for this factor being consistent with A-rated peers on an unadjusted and adjusted scorecard basis.

Product focus and diversification: A - Liability risk stems from UL, VA, and LTC concentrations; further de-risking initiatives expected to change the risk profile
Aegon USA maintains strong product line diversification within the U.S. life insurance sector. Its key principal product lines are individual life, individual VA’s, 403(b) & 401(k) products, and accident & health products (supplemental health insurance and disability insurance). The company has de-emphasized capital intensive and interest sensitive businesses including fixed annuities (deferred, fixed indexed, payout, etc.), and sizable blocks of inforce legacy business remain that include VA with significant interest sensitive riders, fixed annuities (approximately $8.7 billion, on an IFRS basis at December 31, 2021), and other interest-sensitive concentrations including UL in Individual Solutions (Total UL IFRS reserves are $18.4 billion) and LTC. The LTC block ($7.1 billion of IFRS reserves) is vulnerable to potential reserve increases if claims experience worsens or in case of sustained low interest rates, particularly if the performance deviates from actuarial projections and modeling. Although the company has set up additional reserves to help manage its claims experience. The LTC business has performed well in 2021 due to favorable morbidity experience.

We believe the record-keeping business, gives the company scale in the pension administration business contributing to increased pension sales, a lower risk product, in its defined contribution platform. The business has experienced net outflows in recent years from contract discontinuances and surrenders. As the net outflows have slowed, we believe the business will transition to net inflows prospectively.

Overall, Aegon USA remains consistent on this factor with A-rated peers, in terms of both the unadjusted and adjusted metrics.
Asset quality: A - Good asset quality; losses remain low despite certain higher-risk holdings

Aegon USA’s high risk assets are composed largely of below-investment-grade bonds, equities, and alternative investments, placing the high risk assets sub-factor score in the A-range, on an unadjusted scorecard basis. The company also has a significant exposure to higher risk assets that are not included in the simple scorecard metric. These include non-agency structured housing-related securities, amounting to roughly 18% of invested assets on an IFRS basis as of December 31, 2021 (i.e., Alt-A, subprime, RMBS, as well as CMBS, CML, and bank hybrid securities).

About 39% of the fixed income securities are rated NAIC class 2, with 8% of the total long-term bond portfolio designated as NAIC 2C (equivalent to Baa3), which could weaken asset quality under a rating migration event. Although under Moody’s baseline scenario, we project US speculative grade defaults to fall to around 2.5% by end of 2022 and rise to around 3.1% by the end of February 2023 and to 10.4% using a pessimistic forecast by February 2023. We believe Aegon USA’s stress investment losses to be manageable compared to its peers as a percentage of general account investments, and the impact to be more of an earnings than a capital event.

Consolidated goodwill and other intangibles represent approximately 45% of Aegon N.V.’s shareholders’ equity, which remains relatively high for its rating level. However, most of the intangibles are in the form of deferred acquisition costs (DAC), which are generally substantial for life companies, and are more readily realized into real equity than goodwill.

As a result, the company’s adjusted factor score of A for Asset Quality is in line with its unadjusted score.

Capital adequacy: A - Nominal RBC ratio strong, but pressure to release capital backing financial assets, improve free cash flow to deploy into strategic assets, and reduce capital needed in adverse scenarios.

Aegon USA’s unadjusted scorecard metric of capital-to-total assets aligns with a Baa rating, depressed primarily because of the asset-intensive liabilities the company writes. However, we believe that the NAIC risk-based capital (RBC) ratio is a better indicator of the group’s capitalization. As of December 31, 2021, the company’s NAIC CAL RBC ratio was 426%. We expect the US to maintain a 350% or higher RBC ratio; a level below that would place downward pressure on Aegon’s US ratings. In 2021, Aegon USA operating companies upstreamed $961 million in dividends (this included a stock contribution of an affiliate totaling $338.5 million) to the US intermediate holding company which ultimately remitted $564 million in dividends to the Group. We expect similar levels of remittances to the Group from the US in 2022.

Capital adequacy in the US benefits from Reg. XXX term life and Guideline AXXX universal life captive and structured insurance transactions. These transactions diminish the quality of the group’s consolidated regulatory capital. The non-recognition of reserve credit for these transactions, which are only partially included in the consolidated RBC ratio would cause the RBC ratio to drop significantly, if regulatory changes or a stress situation precipitated the denial of credit for the guarantee or the recapture of the underlying business. In 2021, $7.5 billion and $5.2 billion of reserve credit was taken for XXX and AXXX, respectively mainly through the use of an excess of loss reinsurance and to a lesser extent note-for-note transactions with third parties. Overall, we believe Aegon USA’s score for this factor remains more consistent with low A-rated than Baa-rated peers.

Profitability: A - Profitability has come under pressure, diverse earnings by product

Aegon USA’s statutory profitability continues to support the dividends that have been paid; however, accounting volatility between net income and direct to surplus adjustments due to lower interest rates, VA hedging, reserve strengthening and other one-time items skews its profitability.

Aegon’s 2021 operating results which reported an 11% increase to €1.9 billion were driven by higher fees from elevated equity markets and lower operating expenses. The US is the group’s biggest earnings contributor and main business it relies upon to achieve internal capital generation. The US IFRS operating earnings in 2021 remained constant year over year, with results flat at €0.8 billion. On a US-dollar basis this translated to a $28 million improvement in operating result from the prior year. The US business saw favorable morbidity experience in LTC and favorable market performance in Mutual Funds, VA and Retirement Plans. However these were offset by the adverse mortality experience in the Life business.

The US business continues to face profitability headwinds from the low interest rate environment, and the reallocation of capital towards its less capital intensive businesses. We believe that profitability in 2022 is less likely to be adversely impacted by mortality as the pandemic becomes less of an issue, and affected by low-interest rates since they have been rising which will benefit life insurers, including Aegon. Historically, the US performance on an IFRS and statutory basis has been volatile and lower than expected, due
partly to the volatility of the VA and cost and complexity of its hedging. We also remain concerned about older age mortality and the performance of the LTC block of business, which is sensitive to changes in assumptions regarding morbidity improvements, model updates and adverse claims experience.

Overall, we believe Aegon USA's profitability is still in the low A range on an adjusted basis from the Baa unadjusted basis despite the lower than expected profitability for its rating level, given the company's broad product base, expense efficiency initiatives, divestitures and exiting of non-core businesses and continuing shift toward lower risk products and fee income. However, the continued volatility in profitability will lead to downward pressure on the score for this factor.

Exhibit 6
IFRS operating result was flat in 2021; expect improvement in 2022

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accident &amp; Health</td>
<td>241</td>
<td>361</td>
<td>377</td>
</tr>
<tr>
<td>Fixed Annuities</td>
<td>110</td>
<td>39</td>
<td>20</td>
</tr>
<tr>
<td>Brazil</td>
<td>15</td>
<td>11</td>
<td>-3</td>
</tr>
<tr>
<td>Life</td>
<td>-98</td>
<td>26</td>
<td>186</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td></td>
<td>37</td>
<td>30</td>
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<tr>
<td>Retirement Plans</td>
<td></td>
<td>58</td>
<td>160</td>
</tr>
<tr>
<td>Stable Value Solutions</td>
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<td></td>
<td>156</td>
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<tr>
<td>Variable Annuities</td>
<td>423</td>
<td>85</td>
<td>77</td>
</tr>
</tbody>
</table>

Source: Moody’s Investors Service and company filings

Liquidity and asset/liability management (ALM): Aa - Good Liquidity, but challenges from VA/UL liabilities with complex structures to manage risk

Aegon USA's unadjusted score on this factor is consistent with Aa-rated peers. However, we note that the group's ALM is complicated by its closed VA product with significant interest sensitive riders, and term and no-lapse universal life insurance guarantees. Some of these structures include provisions that would require Aegon USA to provide liquidity to the counterparty under certain stress conditions. Lastly, the mergers of legal entities in recent years into 2 operating companies, TFLIC and TLIC and the collapsing of captives have provided additional margin for cash flow testing results and capital adequacy ratios. Despite these additional liquidity and ALM risks, we believe Aegon’s liquidity and ALM is still in the low Aa range on an adjusted basis, in line with its unadjusted score.

Financial flexibility: A - Driven by parent Aegon N.V.

Aegon's consolidated group equity increased by €1.4 billion to €26.8 billion at year-end 2021 (€25.5 billion at year-end 2020) driven mainly by the net result of €1.7 billion and favorable impact of currency movements, offset by the negative impact on the revaluation reserves. During 2021, movements in revaluation reserves inverted by a material €1 billion following an uptick in interest rates, which more than offset the favorable foreign currency impact, tempering the growth in the consolidated group equity.

At year-end 2021, Aegon reported around €8.5 billion of financial debt outstanding, of which €3.9 billion was senior debt and FHLB borrowings, and €4.6 billion was subordinated debt. As of year-end 2021, Aegon also had €5.7 billion of outstanding operating non-recourse debt (e.g. funding of mortgages through RMBS, pass-through covered bonds, revolving loan facilities and senior debt issued by Aegon Bank) that we include neither in financial debt, nor in operational debt in our calculations.

We view Aegon’s financial flexibility single A rating adjusted factor score in line with its unadjusted score, and we expect adjusted financial leverage to remain below 30% going forward. At year-end 2021, adjusted financial leverage (excluding operational debts and including the assets backing the group’s Dutch defined benefit plan) declined by a material 1.5% points to 23.0% (25.4% at year-end 2020), driven by higher shareholders’ equity and lower market value of financial debt partly offset by higher FHLB borrowings.
Aegon’s financial flexibility remains nonetheless constrained by a relatively low interest coverage (4.8x on a 5-year average basis for the period 2021-2017), mostly driven by weak and volatile profitability. Interest coverage increased significantly in 2021 to 8.2x after falling in 2020 to 0.6x. One of the group’s current priorities is to further deleverage, which we view positively. This is evidenced by the buy-back of €429 million of subordinated notes in April 2022. Reduction in debt and associated funding costs from lower interest rates have also supported improvements in earnings coverage to a level consistent with a high A-rating. Please refer to Aegon’s credit opinion for more details on the group’s credit profile.

**Liquidity analysis**

Aegon USA’s US holding companies have no debt outstanding, since debt is issued by Aegon; however, bank letters of credit do support certain of its captive XXX and AXXX transactions. Aegon USA periodically pays statutory dividends to its ultimate holding company in the Netherlands. For full year 2021, the US companies up streamed approximately $564 million in dividends to the group. The US is expected to pay dividends to the Group as long as they stay above the minimum dividend payment level of 350% RBC ratio. Dividend payments in 2022 are expected to be in-line with 2021. TLIC and TFLIC can dividend up to $2,079 million and $304 million respectively to the holding company without regulatory approval.
Environmental, social, and governance considerations

Environmental

An increased focus on environmental risks by life insurers is net credit positive for the industry. A responsible investing approach encourages insurers to think long term, diversify their portfolios, manage regulatory trends, and consider more broadly the material risks and opportunities across all asset classes.

Social

Life insurers have a moderate overall exposure to social risks. Given this sector’s reliance on handling customer data and privacy, customer relations are important. Regulatory, demographic and societal trends related to regulatory rules and practices, taxation of products, people living longer and an aging population will affect products that are sold for retirement and estate planning, and the ability of insurers to effectively distribute and price these products. Societal trends could also limit the ability of Aegon USA Life Group to share adverse experience through higher premium rate actions on policyholders of life and long-term care insurance.

Governance

Corporate governance is highly relevant to life insurers and is important to creditors because governance weaknesses can lead to a deterioration in a company’s credit quality, while governance strengths can benefit a company’s credit profile. The governance considerations most relevant to our credit analysis are (1) management credibility & track record, (2) ownership structure (e.g. privately held, publicly traded, or mutual), (3) growth and financing strategy, (4) risk management, and (5) Board oversight.

Other considerations

Aegon USA benefited in the past from the ownership and support of its parent, Aegon and its strong financial flexibility, as seen during 2008-2009 when large losses at Aegon USA were offset by large capital contributions from Aegon. The Group’s strategy is to refocus its insurance operations on a larger global scale in 3 core markets – US, UK, and The Netherlands. However, even after achievement of greater global diversity and critical mass in its core markets, Aegon USA still accounts for at least half of Aegon’s global operations, by a variety of measures. Because Aegon’s A3 senior debt rating will continue to be primarily driven by its U.S. operations, we do not believe that Aegon USA Life Group’s stand-alone A1 rating should be uplifted due to the ownership by Aegon.

Support and structural considerations

The spread between the A1 IFS rating (stable) on the US operating subsidiaries and the A3 senior unsecured debt rating at Aegon USA’s ultimate parent company, Aegon is 2 notches, which is narrower than the typical three-notch spread between a holding company and the composite IFS rating of its operating subsidiaries. The two-notch differential is driven by the geographical diversity of the group. However, the group’s somewhat dependence on earnings from the US operations and predominant focus on life and retirement business compares less favorably to more diversified groups with a similar notching level.
Rating methodology and scorecard factors

Exhibit 8
Aegon USA Life Group (Cons)

<table>
<thead>
<tr>
<th>Financial Strength Rating Scorecard [1][2]</th>
<th>Aaa</th>
<th>Aa</th>
<th>A</th>
<th>Baa</th>
<th>Ba</th>
<th>B</th>
<th>Caa</th>
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<td>Market Position and Brand (15%)</td>
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<td>A</td>
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<tr>
<td>-Relative Market Share Ratio</td>
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<td>Distribution (10%)</td>
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<td>-Diversity of Distribution</td>
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<tr>
<td>Product Focus and Diversification (10%)</td>
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<td>-Life Insurance Product Diversification</td>
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<td>Financial Profile</td>
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<td>Asset Quality (10%)</td>
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<tr>
<td>-High Risk Assets % Shareholders’ Equity</td>
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<tr>
<td>-Goodwill &amp; Intangibles % Shareholders’ Equity [3]</td>
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<tr>
<td>Capital Adequacy (15%)</td>
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<tr>
<td>-Shareholders’ Equity % Total Assets</td>
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<tr>
<td>Profitability (15%)</td>
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<tr>
<td>-Return on Capital (5 yr. avg.)</td>
<td>7.4%</td>
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<td>-Sharpe Ratio of ROC (5 yr.)</td>
<td>62.1%</td>
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<td>Liquidity and Asset/Liability Management (10%)</td>
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<td>-Liquid Assets % Liquid Liabilities</td>
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<td>Financial Flexibility (15%)</td>
<td>A</td>
<td>A</td>
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<tr>
<td>-Adjusted Financial Leverage[3]</td>
<td>23.0%</td>
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<tr>
<td>-Total Leverage[3]</td>
<td>28.1%</td>
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<tr>
<td>-Earnings Coverage (5 yr. avg.)[3]</td>
<td>4.8x</td>
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<td>-Cash Flow Coverage (5 yr. avg.)[3]</td>
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<td>Operating Environment</td>
<td>Aaa</td>
<td>A</td>
<td>Aa</td>
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<tr>
<td>Preliminary Standalone Outcome</td>
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</tbody>
</table>

[1] Information based on SAP financial statements as of fiscal year ended December 31, 2021. [2] The Scorecard rating is an important component of the company’s published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis. [3] Information based on IFRS financial statements of AEGON N.V. as of fiscal year ended December 31, 2021.

Source: Moody’s Investors Service

Ratings

Exhibit 9

<table>
<thead>
<tr>
<th>Category</th>
<th>Moody’s Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEGON N.V.</td>
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<tr>
<td>Rating Outlook</td>
<td>STA</td>
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<tr>
<td>Senior Unsecured</td>
<td>A3</td>
</tr>
<tr>
<td>LT Issuer Rating</td>
<td>A3</td>
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<tr>
<td>Subordinate</td>
<td>Baa1 (hyb)</td>
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<tr>
<td>TRANSAMERICA LIFE INSURANCE COMPANY</td>
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<tr>
<td>Rating Outlook</td>
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<tr>
<td>Insurance Financial Strength</td>
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<tr>
<td>5T Insurance Financial Strength</td>
<td>P-1</td>
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<tr>
<td>TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY</td>
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<tr>
<td>Rating Outlook</td>
<td>STA</td>
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<tr>
<td>Insurance Financial Strength</td>
<td>A1</td>
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</table>

Source: Moody’s Investors Service
Moody's related publications

Rating Action:
- Moody's changes to stable the outlooks on AEGON N.V. (A3 senior unsecured debt) and US subsidiaries, April 2022

Sector Research:
- Life Insurance - Global: Long COVID early assessment: despite likely rise in claims, credit effects limited, March 2022
- Life Insurance - US: Regulator’s proposed models for life insurers are more aligned with economics, a credit positive, March 2022
- Life Insurance – US: Profitability declines on increased pandemic claims; investment volatility ahead, March 2022
- Insurance – Global: Russian invasion of Ukraine will drive investment volatility, more claims inflation, March 2022
- Financial Institutions - Global: ESG issues have limited credit impact for most large financial institutions, December 2021
- Life Insurance – US: Solid Q3 earnings as investment performance outweighs increased claims, November 2021
- Life Insurance – US: Illiquid assets rise, increasing returns while raising portfolio risk, November 2021
- Life Insurance – US: Higher premiums and interest rates positive for Q3 long-term care reserve reviews, October 2021
- Life Insurance - US: Life insurers’ investment portfolios strengthen as pandemic effect wanes, July 2021
- Life Insurance - US: Life Insurers US: a little inflation is credit positive; a sizable spike would hurt, June 2021
- Life Insurance - US: Life Insurers’ investment portfolios strengthen as pandemic effects wane, June 2021
- Life Insurance - US: PE-driven M&A: good for life insurance sellers, less so for remaining policyholders, April 2021
- Life Insurance - US: The rebirth of institutional spread lending: cautious growth, but an area to watch, March 2021

Industry Outlook:
- Life Insurance – Global: 2022 Outlook stable as shift to fee-based models and good capitalization mitigate persistent spread compression (Slides), December 2021
- Life & Health Insurance – US: 2022 outlook stable, as US economic recovery solidifies, December 2021
- Life Insurance - Cross Region: Outlook revised to stable from negative, June 2021

Methodology:
- Life Insurers Methodology, September 2021

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.
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