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CREDIT OPINION
26 January 2024

Update

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RATINGS

Aegon Ltd.

Domicile	Bermuda
Long Term Rating	Baa1
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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AEGON Ltd.

Update following rating action

Summary Rating Rationale

Aegon Ltd.'s Baa1 rating for senior debt reflects the aggregate credit strength of its various operating companies, dominated by the credit strength of its US operations, and the structural subordination of the holding company vis-à-vis its operating companies.

Aegon Ltd. is the Bermuda-based holding company of the Aegon group ("Aegon "or "the group"). The group's main operations are based in the US, whose main primary life insurance entities carry an A1 insurance financial strength rating (IFSR), which accounted for 69% of the group's operating results in the first half of 2023 and 63% of the group's capital resources as at 30 June 2023. The group also operates in the United Kingdom, Spain, Portugal, China and Brazil and also owns a global asset management business.

On 4 July 2023, Aegon closed the sale of its Dutch operations to ASR. Aegon received €2.2 billion in cash proceeds and a 29.99% stake in ASR. The proceeds will be partly returned to shareholders (€1.5 billion) and partly used to pay down debts (up to €0.7 billion).

As of 1 October 2023, the group completed the redomiciliation of its holding company from The Netherlands to Bermuda, resulting in the Bermuda Monetary Authority (BMA) becoming the lead supervisor for the group. While the regulatory regime prevailing in Bermuda is a group-wide supervision regime that includes supervision of the holding company and consolidated capital requirements, similar to the Solvency II regime in Europe, we consider that this group-wide supervision will be less effective for Aegon given the predominance of US operations. Therefore, notching differential between Aegon's senior unsecured debt rating and Aegon USA life companies' IFSR (three notches) is now aligned with Moody's standard practice in the US.

Aegon's ratings are also supported by the group's very good financial flexibility, its very good capitalization, and gradual improvements in its overall risk profile, notably through a focus on fee business. These strengths offset the persistent weak profitability of the group, notwithstanding recent improvements, as well as challenges to grow sales in core businesses. Aegon's decision to stop some activities, such as selling variable annuities with significant interest sensitive riders in the US, and the challenges to grow other businesses have affected the group's overall market position in recent years.

Credit Strengths

» Established positions in the US and top tier position in the UK platform segment

» Strategy focused on low-risk fee business, with a broad product offering including life insurance complemented by pension services and asset management

» Very good financial flexibility resulting from the group's deleveraging strategy, very good capitalisation and good liquidity levels at the holding

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 programme as the group reallocates its capital to Strategic Assets and growth markets, notably in the US

» Improving profitability levels, pressured by competition

» Managing the volatility in the capital position and earnings due to the exposure to equity markets, interest rates and unhedged credit risks

Rating Outlook

The stable outlook of Aegon Ltd. reflects the stable outlook on Aegon's main operating companies in the United States. This outlook is based on the continued execution of the business, and the expectation for improved capital generation, and consistent profitability in-line with its rating level. It also reflects Moody's expectation of a reduction in Aegon's Financial Assets which will contribute to lower earnings volatility, and improvement in commercial activity leading to improved sales in both the Individual and Workplace Solutions businesses.

What Could Change the Rating - UP

Positive rating pressure could arise if:

» we upgrade the IFSR of Aegon's US operations

» the diversification of cash flows available at the holding company increase significantly

What Could Change the Rating - DOWN

Negative rating pressure could arise if:

» we downgrade the IFSR of Aegon's US operations

The rating of the restricted tier 1 issued by Aegon could also be downgraded if Aegon group's solvency fell significantly.

Key Indicators

Exhibit 1
AEGON Ltd.

AEGON Ltd. [1][2]	2022	2021	2020	2019	2018
As Reported (Euro Millions)					
Total Assets	400,936	468,884	444,868	440,543	393,031
Total Shareholders' Equity	13,559	26,841	25,459	25,040	22,860
Net Income (Loss) Attributable to Common Shareholders	(2,569)	1,613	7	1,437	631
Total Revenue	(12,440)	46,895	48,561	65,352	18,444
Moody's Adjusted Ratios					
Goodwill & Intangibles % Shareholders' Equity	108.4%	45.4%	41.3%	50.8%	58.9%
Adjusted Financial Leverage	35.4%	23.0%	24.5%	25.4%	31.2%
Total Leverage	42.9%	28.1%	30.0%	31.0%	39.9%
Earnings Coverage	-8.9x	7.5x	0.6x	5.5x	2.6x
Cash Flow Coverage	NA	NA	NA	NA	NA

[1] Information based on IFRS financial statements as of the fiscal year ended 31 December. [2] Certain items may have been relabeled and/or reclassified for global consistency.
Sources: Moody's Investors Service and Company filings

Credit Profile of Significant Subsidiaries

On 4 July 2023, Aegon announced that it sold its Dutch business to ASR and acquired a 29.99% stake in the new combined entity. Following this transaction, Aegon does not have any insurance operations in the Netherlands anymore. Its main operations are located in the US and in the UK.

Aegon USA

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 good capital position as evidenced by a consolidated NAIC company-action level risk-based capital (CAL RBC) ratio of 427% at H1 2023. The stable outlook reflects the continued execution of the business plan focused on providing protection and retirement products and services to the middle market, 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 execution and implementation of these strategies which includes improving financial results and lowering its risk profile is progressing with the divestiture via reinsurance of 2 ULSG blocks, an improved hedging program on the VA business and premium rate actions on the LTC business.

Aegon UK

Aegon is present in the UK pensions and savings market and has become the leader in the UK platform segment, following the acquisition of BlackRock's UK defined contribution business and more importantly the acquisition of Cofunds, which has significantly increased the scale of Aegon's platform business. Aegon UK managed around £187 billion of assets under administration as of year-end 2022. The company sold its annuities business in 2016 and is now focusing on selected business lines (Retail and Workplace savings).

Aegon UK's profitability largely depends on the level of assets under administration that it retains on its platform and the fees it charges its customers. After increasing in 2021, assets under administration decreased during 2022 driven by both outflows and market depreciation. Aegon continues to focus on increasing the functionalities of its platform.

Structural Considerations

Aegon has historically been subject to the European Union (EU) Solvency II group regulation and a college of supervisors, headed by the Dutch regulator, has overseen Aegon's group activities. Given this enhanced supervision at a group-wide level, which includes also the holding company, we used to rate the holding company of Aegon two notches below the A1 IFSR of its US operations. However, the group has redomiciled to Bermuda and the lead supervisor is now the BMA. The Bermudian solvency regime is also a group-wide regulation which includes group-wide regulatory capital requirements. Nonetheless, Moody's believes that the predominant weight of the US operations relative to the entirety of Aegon group, as well as the low weight of the Bermudian and the EU activities, will diminish the effectiveness of the holding supervision. For this reason, Moody's now applies to Aegon the notching that it typically applies to groups operating in the US, i.e. jurisdictions where little or no group regulation applies (three notches difference between the senior unsecured debt rating and the principal operating companies' IFSR).

Capital Structure and Liquidity

At year-end 2022, Aegon reported around €8.3 billion of financial debt outstanding, of which €4.0 billion were senior debt, Federal Home Loan Bank (FHLB) borrowings and commercial paper and €4.3 billion were subordinated debt. As of year-end 2022, Aegon's 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, decreased by €5.6 billion mainly due to the result of the classification of Aegon the Netherlands as held for sale and discontinued operations.

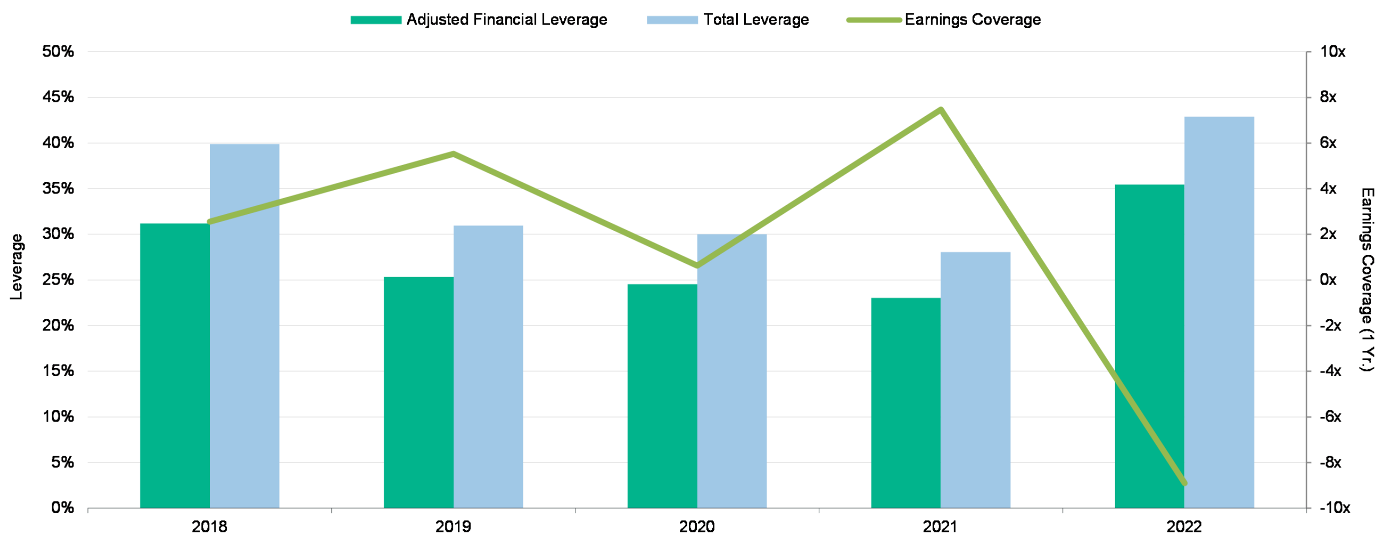
The group's capital funding borrowings are directly attributable to or guaranteed by Aegon Ltd. However since 2016, Aegon's leverage includes borrowings to the FHLB, issued by some of Aegon's subsidiaries in the US, which Aegon uses primarily to purchase long-term assets and increase the duration of its assets in its US life subsidiaries. As of year-end 2022, FHLB borrowings accounted for €2.8 billion an increase of €0.2 billion from the level reported at year-end 2021.

At year-end 2022 adjusted financial leverage (excluding operational debts) increased by 12.4% points to 35.4% (23.0% at year-end 2021) driven by a decline in the shareholder's equity due to the sale of the Dutch operations which had a negative impact resulting in an incurred loss, from the capital returned to shareholders as well as from negative revaluation reserves as a result of higher interest rates. In addition, the earnings coverage deteriorated to -8.9x at year-end 2022 (vs FY 2021 7.5x) driven by the accounting loss reported in 2022 following the impairment of the Dutch operations in advance of the closing of the transaction with ASR.

Nonetheless, the deterioration in leverage and earnings coverage metrics mostly reflect accounting mismatches or non-cash items and we do not consider that they reflect a deterioration in the group's financial flexibility. In particular, we do not expect Aegon to crystallise investment losses on fixed income securities.

We expect that Aegon's adjusted financial leverage (excluding operating debts) will slightly improve as the company announced that it will allocate a portion of the €2.2 billion in cash proceeds received from the completion of the combination of its Dutch business activities with ASR, for debt repayment.

Exhibit 2
Financial flexibility



Sources: Company reports and Moody's Investors Service

Profitability has been a key credit weakness for the group, as evidenced by the low return on capital in the last five years. However, operating profitability started to improve in 2021.

With regard to capitalization, the group's consolidated Solvency II ratio remained strong at 208% as of FY 2022 (211% vs FY 2021). The group maintains a disciplined capital strategy in its main operating companies, while maintaining €1,614 million of cash capital as of FY 2022 (€1,315 million FY 2021) at the holding company, and has reduced the sensitivity of its capital ratio to main financial risks. Recent management actions aiming at reducing the group's risk profile, including for example the additional hedging of its variable annuity business in the US, has also strengthened the group's economic capitalization.

In terms of capital structure under Solvency II, the group's capital position benefits from a relatively high portion of Tier 1 capital (82% of the eligible own funds at year-end 2022), although a sizeable portion is restricted Tier 1 capital (11%) of which the largest part is represented by grandfathered Tier 1 securities. Tier 2 and Tier 3 capital represents 35% of the solvency capital requirements well within the 50% threshold.

Going forward, following the change in the holding's domicile, the group will report a solvency ratio calculated according to Bermudian rules. Aegon expects its group solvency ratio and surplus under the Bermuda solvency framework to be broadly in line with that under the Solvency II framework during a transition period until the end of 2027.

Liquidity Profile

The level of cash (and cash equivalents) at the holding Aegon Ltd. was €1,614 million at year-end 2022 (excluding collateral received from counterparties and liquidity managed on behalf of affiliated investment funds). The liquidity position benefitted from €780 million in free cash flow during 2022, as Aegon has improved their operational performance and risk profile. Divestments brought proceeds of €798 million.

The divestment of the Dutch operations will reduce the diversification and potentially increase the volatility of cash flows at Aegon's holding company level. The Dutch business was a stable contributor to Aegon's consolidated operating results and Aegon expected to receive strong and recurring dividends from its Dutch operations. Going forward, the holding company will rely more heavily on its US operations' dividends as well as, to a lesser extent, those from the UK and other businesses. Nevertheless the loss of cash flows from the Dutch business will be partly offset by the dividends that Aegon will receive from ASR. Aegon will be a strategic shareholder in ASR even if there will be no obligation for Aegon to maintain its stake in the enlarged Dutch insurance company after a holding period of

180 days. In addition, the weakening macroeconomic conditions in the company's core markets, could also make these businesses susceptible to lower earnings leading ultimately to lower distributable earnings to the group.

Aegon also maintains a number of backup facilities in the form of bilateral and syndicated committed credit facilities. The main arrangements include a €2 billion syndicated revolving credit facility maturing in 2025 and a $2 billion LOC facility maturing in 2026. No drawdowns had been made on these syndicated revolving credit facility as of 31 December 2022.

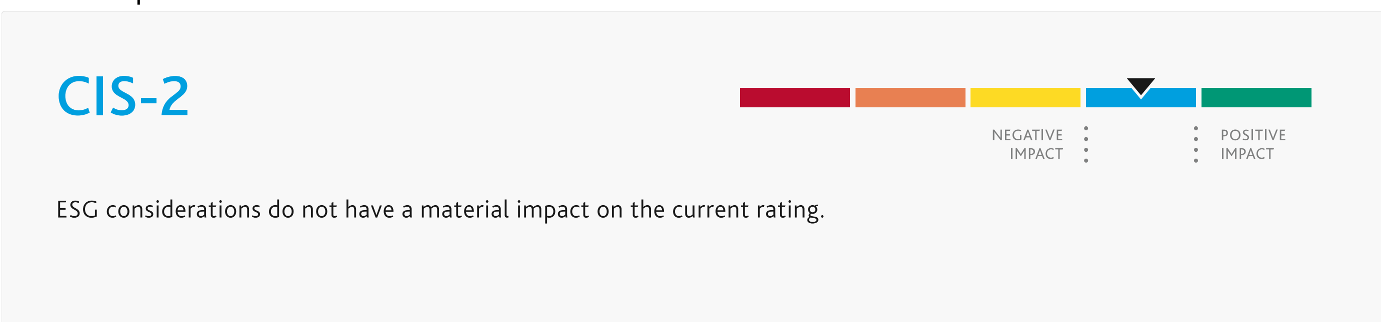
Aegon's liquidity also benefits from the existence of Aegon Ltd. and Aegon Funding Company LLC's €2.5 billion commercial paper programs, although there were no drawings under Aegon Ltd.'s programs as of year-end 2022.

While Aegon will maintain the same €0.5-€1.5 billion targeted range of cash capital at the holding, it expects to operate closer to the mid-point of the range going forward as the transformation of the company progresses, instead of the top-end that Aegon targets today.

ESG considerations

Aegon Ltd.'s ESG credit impact score is CIS-2

Exhibit 3
ESG credit impact score



Source: Moody's Investors Service

Aegon's **CIS-2** indicates that ESG Considerations do not have a material impact on the current rating. The group's strong risk management and effective governance mitigate its exposure to environmental and social risks, in particular carbon transition risk, customer relations risk and demographical and societal trends.

Exhibit 4
ESG issuer profile scores

Source: Moody's Investors Service

Environmental

Aegon faces moderate environmental risks. The group is exposed to carbon transition risk through the long-duration assets held in its investment portfolio and inherent asset leverage, while the stakeholder focus on environmental stewardship in its investment portfolio, and asset management and savings products gives rise to strategic and reputational risk. Aegon is actively engaged in further developing its comprehensive risk management and climate risk reporting frameworks, and increasing the alignment of its business with the transition to a low-carbon economy.

Social

Aegon is exposed to high customer relations risk, in relation to the sale of its products and the significant interaction with its retail customers, due to its focus on wealth and pension management. Rising digitization and interconnectedness of devices will increase customer privacy and data security risks. Demographic and societal trends can make the operating environment more challenging, including giving rise to societal risks related to government scrutiny on the pension business, although ageing population also provides growth opportunities for Aegon.

Governance

Aegon faces low governance risks. Its risk management, policies and procedures are in line with industry best practices and the group has a clear financial strategy. While the track record of achieving financial targets has not always been strong, Aegon has placed a greater emphasis on execution in recent years and is on track to achieve its plan. Organizational complexity is high, especially in the US, where the group uses captive reinsurance companies to reduce capital requirements.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Ratings

Exhibit 5

Category	Moody's Rating
AEGON LTD.	
Rating Outlook	STA
Senior Unsecured	Baa1
Senior Unsecured MTN	Baa1
LT Issuer Rating	Baa1
Subordinate	Baa2 (hyb)
Junior Subordinate	Baa2 (hyb)
Preferred stock non-cumulative	Baa3 (hyb)
AEGON FUNDING COMPANY LLC	
Rating Outlook	STA
BACKED Subordinate	Baa2 (hyb)
COMMONWEALTH GENERAL CORPORATION	
Rating Outlook	STA
BACKED Senior Unsecured	Baa1

Source: Moody's Investors Service

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