S&P Global
Ratings

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Aegon Ltd.

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Aegon Ltd.

Anchor	a+	+	Modifiers	0	=	SACP	a+

Business Risk	**Strong**
Competitive position	Strong
IICRA	Low
Financial Risk	**Very Strong**
Capital and earnings	Very strong
Risk exposure	Moderately low
Funding structure	Neutral

Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0

\+

Support	**0**
Group support	0
Government support	0

=

A+/Stable/--	**Financial strength rating**
BBB+/Stable/A-2	**Holding company ICR**

IICRA--Insurance Industry And Country Risk Assessment.
SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Strong presence in the U.S. aided by a well-recognized brand that is further fortified by an expanding presence in international markets.	Historically material difference between the operating result after tax and the net result, due to restructuring costs and one-off items.
Very strong capital position under our capital model, accompanied by solid solvency ratios.	Weaker operating performance than peers', hindered by the current geopolitical scenario.
Extensive hedging program, reinsurance transactions, and declining general account investments, with increasing resilience to market shocks.	Additional volatility from the equity stake in ASR Nederland N.V. (ASR) and high reliance on equity-like life reserves and hybrid capital.

S&P Global Ratings expects that pressure on the Aegon group's operating performance will be somewhat offset by strategic actions to overcome weak and volatile earnings. We believe Aegon's earnings will remain sensitive to the unsupportive macroeconomic environment amid the unstable geopolitical backdrop, increased interest rates, and persistently high inflation, which affects its non-operating items (€675 million for year-end 2023 as per International Financial Reporting Standards [IFRS] 9/17 accounting) and other charges. The group has made strategic changes, most recently in the Netherlands, and continues to implement restructuring plans and risk management initiatives to improve its operational performance and strengthen its balance sheet. Bottom-line performance is still a relative weakness compared with the company's 'AA-' rated peers, in our view.

Aegon will continue to benefit from its strong brand in its core markets and its wide product diversification, though its geographic diversity has weakened. Aegon holds a top-10 position in the U.S., via the Transamerica brand. In our view, Aegon's sale of much of its Netherlands operations to ASR weakens its market position and geographic diversity. The disposal has also increased overall business risk, because most of the group's business is now concentrated in the U.S., while earnings from Europe are now limited to the U.K., Spain, an asset management business, and an equity stake in ASR. The group's new business strategy aims to streamline operations and narrow its focus. As such, we expect product diversification will reduce, while market share in products defined as nonstrategic will decline for its U.S. operations.

Aegon's capital adequacy should remain extremely strong in 2024, though the equity stake in ASR and high reliance on equity-like life reserve would add additional volatility. Based on IFRS17 accounting, we expect redundancy at the highest confidence level of 99.99% as per our revised capital model, with an offset due to additional volatility coming from the equity stake in ASR and high reliance on equity-like life reserves (that is, the contractual service margin [CSM]). Its solvency ratio for 2023 has remained robust at 193%, though declining from the 208% reported in 2022, which is mainly driven by the €1,500 million share buyback related to the transaction with ASR. Aegon's gradual shift to capital-light products and fee-based business, as well as the support of the group's hedging program, are likely to reduce capital adequacy volatility in the current environment.

We expect the group to maintain its sound funding structure through our forecast period. At year-end 2023, Aegon's financial leverage stood at about 42%, compared with 41% at year-end 2022 (based on IFRS 17 reporting standards and S&P Global Ratings' methodology for calculating the financial leverage ratio). The financial leverage at year-end 2021 was about 22% (under IFRS 4). The increase in financial leverage for 2023 and 2022 reflects the drop in shareholders' equity due to reduced revaluation reserves caused by rising interest rates, but is mainly the effect of the lower level of shareholders' equity under IFRS 17 when excluding the after-tax CSM. However, we expect it to normalize to below 40% in 2024-2025 having reached the deleveraging target under the new strategy.

Outlook: Stable

The stable outlook reflects our expectation in the next 12-24 months that Aegon is well positioned to continue building a track record of very strong capital and earnings despite further market volatility and potential volatility of its equity holding in ASR, while maintaining its strong competitive position in the life business and asset management.

Downside scenario

We could lower the ratings over the next 12-24 months if:

- Aegon is unable to maintain its capital adequacy at the 99.99% confidence interval under our model; or
- Profitability does not meet our expectations for a prolonged period, possibly highlighting reduced competitiveness.

Upside scenario

We view a positive rating action as remote over the next 12-24 months, but we could raise the ratings if we observe increased bottom-line profitability in line with that of 'AA-' rated peers.

Key Assumptions

- Global GDP growth of 3.2% in 2024, marginally up from 3.1% in 2023, as consistently high geopolitical uncertainties erode the conditions that had underpinned a broadly favorable credit environment.
- U.S. 10-year treasury yields forecast to be 3.98% in 2024, continuing a gradual increase from 3.96% in 2023, and 2.95% in 2022.
- U.S. GDP growth of 2.5% in 2024, remaining relatively flat from 2.5% in 2023, but we see growth declining to 1.5% for 2025.
- Eurozone GDP growth of 0.7% in 2024, marginally up from 0.5% in 2023, reflecting marginally recovery from the continuing Russia-Ukraine conflict.

Aegon Ltd.--Key metrics

	2025f*	2024f*	2023*	2022*	2021	2020
Gross Premiums Written (Mil. EUR)	N/A	N/A	N/A	N/A	15,444	16,099
Insurance revenue	>10,000	>10,000	10,386	11,251	N/A	N/A
Net Income (mil. EUR)	~600	~600	(199)	(990)	1,701	55
Return on Shareholders' Equity (%)	3-4	3-4	-2.4	-9.6	7.2	0.2
S&P Capital Adequacy	Excellent	Excellent	Excellent^^	Excellent^	Very Strong	Excellent
Fixed Charge Coverage	>5	>5	(0.2)	(2.6)	10.0	0.8
Financial Leverage (%)**	<40	<40	42.3	40.6	22.2	25.3

*Numbers based on IFRS 17 accounting standards. Numbers for 2020-2021 are based on IFRS 4 accounting standards. ** the calculation of the IFRS17 leverage ratio does not include any benefit from the after tax CSM. ^^S&P Global Ratings' estimate. ^Based on our new capital model criteria. f--S&P Global Ratings forecast. N/A--Not applicable.

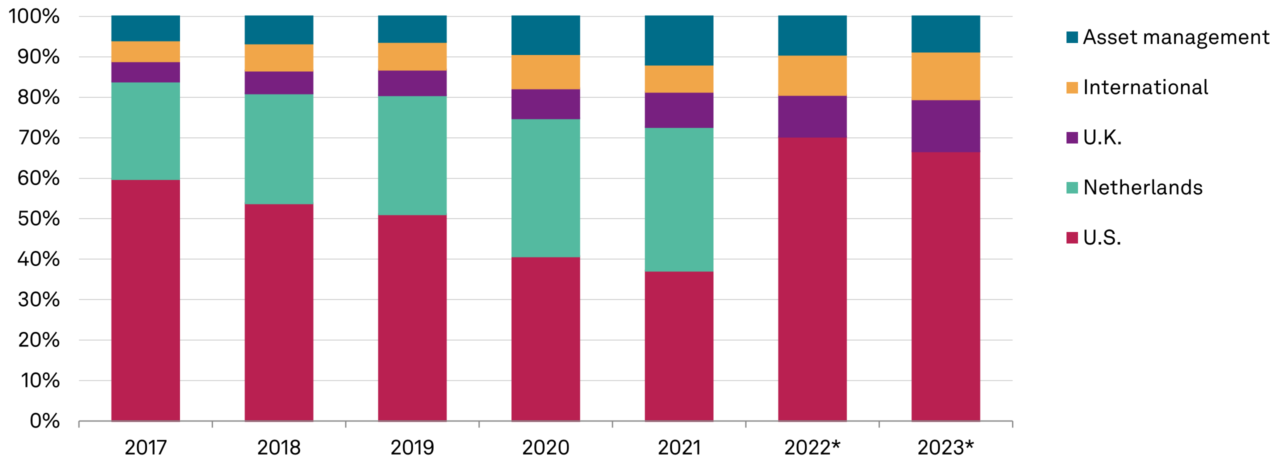
Business Risk Profile: Strong

Bermuda-based Aegon is one of the world's largest insurance companies, with insurance revenue of about €10.4 billion for the year ended 2023, compared with €11.3 billion in the same period last year. The group's operations are dominated by life business with an expanding asset management business. Its sound reputation for life and pension products underpins its distribution power.

In July 2023, Aegon announced the completion of the sale of its Dutch insurance and banking operations to ASR, and the beginning of its asset management partnership with ASR. As part of the transaction, Aegon received €2.2 billion in cash proceeds and a 29.99% stake in ASR. The sale of the Dutch business is part of a strategic goal to streamline operations and focus on three core markets, three growth markets, and one global asset manager. Within the U.S., higher-margin strategic assets have been separated from capital-intensive financial assets. Another goal of the new strategy is cost savings. Although the strategic moves affect the U.S. business model, the group still benefits in that country, and internationally, from its widely recognized brand. For Transamerica, the U.S. arm, we expect falling market shares in products defined as "financial assets," in line with the new strategy's narrower focus. This includes the company's exit from variable annuities with significant interest-rate-sensitive living and death benefit riders, individual long-term care, and fixed annuities, all of which are classified as financial assets.

Chart 1

Aegon Ltd.--The operating result contribution from U.S. operations has been declining prior to the sale of Aegon NL



*Restated IFRS 17 numbers post sale of Dutch business. Source: S&P Global Ratings.

After the transaction with ASR completed, the U.S. business' earnings contribution increased further to 67% of Aegon's pretax operating result (excluding holding and other activities), followed by the U.K. with a 13% contribution, and international business with a 11% contribution, followed by 9% contribution from the asset management business. Thus, the completion of Aegon's sale of its Dutch business to ASR has increased the group's overall business risk by increasing its operational concentration in the U.S., while earnings from Europe is limited to the U.K., Spain, part of the asset management business, and an equity stake in ASR. Aegon, pre disposal of the Dutch business, was among the top-five distributors of life and pension and savings products in the Netherlands and a top-five mortgage originator.

In recent years, Aegon has invested heavily to transform its market position in the U.K. to that of a digital solutions provider. We believe the earnings contribution from the U.K. will keep increasing. The sale of its Central and Eastern European business, part of the "international" segment, to Vienna Insurance Group AG was completed in 2023.

In the past, Aegon has been unable to convert its widely diversified market position into consistently strong earnings commensurate with its apparent market strength. Previously, record-low interest rates and market turbulence induced by the COVID-19 pandemic dampened profitability by lowering investment yields, impairing equity investments, and increasing the cost of guarantees. However, recent interest rate increases are expected to mitigate the strain on the company's profitability over the long term, while management has also taken action to stabilize the balance sheet. Moreover, we believe Aegon's strategic initiatives, including a cost-saving program, introducing new products, widening distribution, and improving customer satisfaction, will bear fruit.

Financial Risk Profile: Very Strong

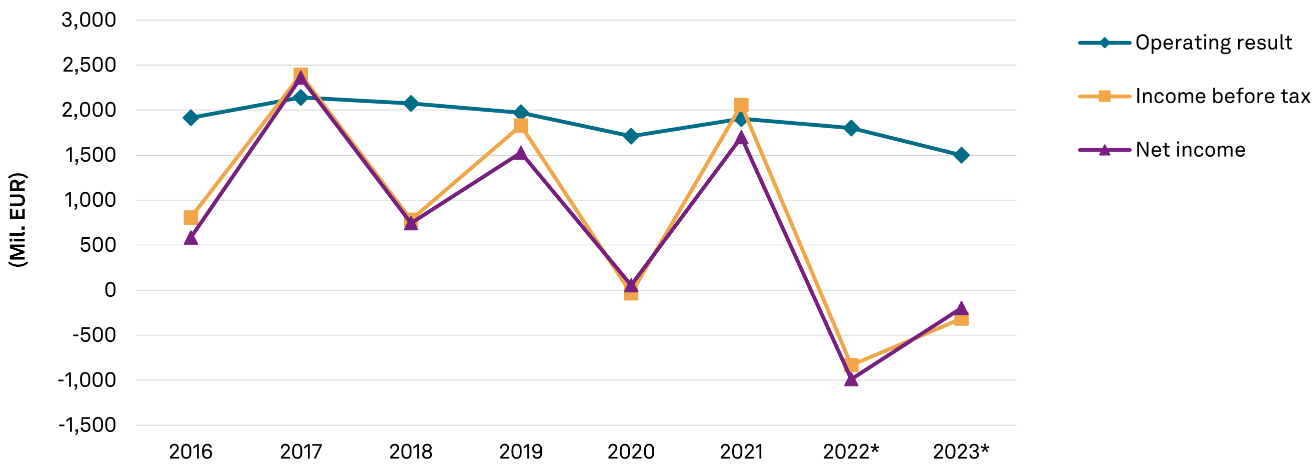
Aegon's capital adequacy under our revised risk-based capital model and the introduction of IFRS 17 accounting, has increased Aegon's capital redundancy on the highest confidence level of 99.99%. This is due to the absence of capital charges on the CSM, which we consider as equity-like reserves. Additionally, the sale of Dutch operations and the group's revised focus on capital-light and fee-based business has reduced capital requirements. Hence, we expect capital adequacy to remain at the 99.99% confidence level over the forecast period through 2025. Moreover, Aegon's solvency ratio has remained solid at around 193% for the year ended 2023. The decline was mainly driven by the €1,500 million share buyback related to the transaction with ASR. Aegon announced that a significant part of the cash proceeds from the sale of most of the Dutch business will fund payouts to shareholders and a reduction in financial leverage, which will lower excess available capital. We continue to limit our capital assessment due to the added volatility from the equity stake in ASR and the historically subdued performance compared to peers'. We believe the group's very strong capitalization would absorb unexpected shocks similar to the ones seen during the pandemic.

For the full-year 2023, based on IFRS 17 accounting, Aegon reported a net loss of €199 million, an improvement compared with the 2022 net loss of €990 million. The latter was driven by an impairment loss from classifying the Dutch insurance and banking business as held for sale following the announcement of the transaction with ASR. It was further aggravated by losses on fair value items and realized losses on investments, caused by the volatile market environment and increasing interest rates. Furthermore, we still expect that profitability in 2024 will depend on macroeconomic developments. However, we forecast that the company will recover and post a net income of €600 million this year. Aegon's operating result has remained stable at €1.5 billion during 2023 (reported under IFRS 17).

The announced group supervision transfer to the Bermuda Monetary Authority in itself does not change our view of the financial strength of the overall group, because it is independent from the domicile in the Netherlands or Bermuda. The EU considers Bermuda's regulatory regime as equivalent to its own, a status granted under the Solvency II regime, as does the U.K. under its own Solvency U.K. regime. Bermuda has also been designated as a qualified jurisdiction and reciprocal jurisdiction by the U.S. National Association of Insurance Commissioners.

Chart 2

Aegon Ltd.--A wide gap between operating result and net income makes operating earnings volatile compared with peers



*Restated IFRS 17 numbers post sale of Dutch business. Source: S&P Global Ratings.

We believe profitability in 2024 will be somewhat constrained by continuing market volatility induced by the Russia-Ukraine conflict and other geopolitical unrest, coupled with the persistent inflationary environment. Ongoing costs associated with the group's hedging program and restructuring expenses will also likely strain profitability.

Aegon has managed its investment portfolio conservatively. Sector concentration is balanced and exposures to individual counterparties are based on the rating on the counterparty. We assess the weighted-average quality of the fixed income portfolio in the 'A' range. The group's material obligations under its staff pension scheme, which create the potential for capital volatility, have been substantially de-risked. Interest rate risk is present in the remaining general account book. Aegon has extensive interest rate and equity hedge programs to mitigate risks relating to general account products and products outside the general account with guarantees (such as variable annuities in the U.S.). We consider foreign exchange risk to be low and limited primarily to translation risk in the income statement and balance sheet. The group's exposure in the equity portfolio is less than 3% of general account assets.

In 2023, as per IFRS 17 accounting, the group's financial leverage was 42% (41% in 2022) because of a reduction in shareholders' equity, from about 22% at year-end 2021 (IFRS 4). However, we expect it to normalize to below 40% in 2024-2025 having reached the deleveraging target under the new strategy. This change puts Aegon in line with the average for global multi-line insurers (GMIs). Fixed-charge coverage for 2023 has improved to -0.2x compared with around -2.4x (based on IFRS 17) due to lower net loss reported in 2023 (including the loss from discontinued operations). However, we expect the coverage ratio to remain above the 5.0x threshold in 2024-2025.

Other Key Credit Considerations

Liquidity

The group manages its liquidity position well by applying severe stress tests. Aegon also operates with a large cash balance and highly liquid treasuries/agencies securities in the U.S. to meet its liability requirements. In addition, Aegon maintains backup liquidity facilities in the form of committed credit lines.

Factors specific to the holding company

Irrespective of the group's domicile in the Bermudas, our issuer credit rating on Aegon Ltd. is three notches below the 'A+' financial strength rating on the Aegon group's core operating entities. This reflects the holding company's structural subordination to policyholders and the holding company's dependence on dividends from its U.S.-based operating subsidiaries to meet its financial obligations. We generally see a high likelihood of regulatory restrictions in the U.S. We do not see significant diversity of dividend sources from Aegon's subsidiaries nor a widespread contribution from different geographies globally, which would be a consideration for narrower holding-company notching.

We note Aegon's track record of gradually reducing financial leverage, where it has set a target, and its debt issuance capacity.

We do not expect a change in the treatment of Aegon's Solvency I hybrids that have been grandfathered until year-end 2025 or its Solvency II hybrids. This is because 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. The regular Bermudian solvency framework applies thereafter.

The senior debt does not qualify for inclusion as part of the group's capital under our revised capital model criteria despite our view that regulatory restrictions to payments from operating companies to Aegon Ltd. are high. This is because Aegon does not receive any capital credit in its solvency calculations for its senior bonds.

Environmental, social, and governance

We consider Aegon's exposure to environmental and social risks to be in line with the insurance sector globally, but more concentrated in social risks than its GMI peers, such as Allianz or Zurich. Its main exposure to environmental risk is through its investment portfolio, where shifts in policy or public opinion in response to climate change could cause greater asset valuation volatility. We view positively Aegon's strong track record of identifying, modeling, and managing this risk.

We note positively the group's capacity to manage asset-liability mismatch risks, which allows it to anticipate, model, and pre-emptively include how social trends will affect its guaranteed life business and variable annuities. Aegon's life and pension insurance activity in the U.K. is gradually running off. This limits its exposure to social factors given that provisions already incorporate assumptions on social trends. Governance factors are consistent with what we see across the countries Aegon operates in. We believe that the group's governance results in well-constructed financial policies and clear strategic priorities. Aegon has comprehensive financial standards and a broad-ranging, sophisticated set of risk-appetite statements.

Accounting considerations

We base our analysis primarily on audited financial data prepared in accordance with IFRS. Aegon has opted to report under IFRS 17 accounting standards from January 2023.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Appendix

Aegon Ltd.--Credit key metrics

Ratio/Metric	2023 (IFRS17)	2022 (IFRS17)
S&P Global Ratings capital adequacy	Excellent**	Excellent
Total invested assets	274,792	259,757
Total shareholder equity*	7,678	9,058
Insurance revenue	10,386	11,251
EBIT	(124)	(660)
Net income (attributable to all shareholders)	(199)	(990)
Return on revenue (%)	(1.24)	(5.47)
Return on assets (including investment gains/losses) (%)	(0.04)	(0.18)
Return on shareholders' equity (reported) (%)	(2.37)	(9.58)
EBITDA fixed-charge coverage (x)	(0.20)	(2.59)
EBIT fixed-charge coverage (x)	(0.48)	(2.91)
Financial obligations / EBITDA adjusted	(106.58)	(10.27)
Financial leverage including pension deficit as debt (%)	42.27	40.62
Net investment yield (%)	(0.17)	0.41

*Excluding hybrids included in equity. **S&P Global Ratings' estimate

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	**Very Strong**	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	**a+/a**	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of May 7, 2024)*

Aegon Ltd.	
Issuer Credit Rating	BBB+/Stable/A-2
Junior Subordinated	BB+
Junior Subordinated	BBB-
Senior Unsecured	BBB+
Subordinated	BBB-
Related Entities	
Scottish Equitable PLC	
Financial Strength Rating	
Local Currency	A+/Stable/--
Transamerica Financial Life Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Stable/NR
Issuer Credit Rating	
Local Currency	A+/Stable/NR
Transamerica Life (Bermuda) Ltd.	
Financial Strength Rating	
Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--
Transamerica Life Insurance Co.	
Financial Strength Rating	
Local Currency	A+/Stable/NR
Issuer Credit Rating	
Local Currency	A+/Stable/A-1+
Domicile	Bermuda

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and

Ratings Detail (As Of May 7, 2024)*(cont.)

debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.