

CREDIT OPINION

31 October 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.

Annual update

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 accounts for around two thirds of the group's operating results (before holding activities). The group also operates in the United Kingdom, Spain, Portugal, China and Brazil and also owns a global asset management business.

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 the Protection Solutions, Distribution and the Savings & Investments 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.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key Indicators

Exhibit 1

KeyIndicators_FY2023

Aegon Ltd. [1][2]

Aegon Ltd. [1][2]	2023	2022
As Reported (Euro Millions)		
Total Assets	301,581	380,487
Total Shareholders' Equity	9,554	10,935
Net Income (Loss) Attributable to Common Shareholders	(227)	(1,055)
Total Revenue	19,720	(22,478)
Moody's Adjusted Ratios		
Goodwill & Intangibles % Shareholders' Equity	39.7%	39.0%
Financial Leverage	28.3%	34.0%
Total Leverage	39.9%	41.1%
Earnings Coverage	-0.1x	-2.1x
Cash Flow Coverage	NA	NA

[1] Information based on IFRS17 financial statements as of the fiscal year ended 31 December; previous years' financial statements were prepared under legacy IFRS 4, which are not comparable to IFRS17 and are not included in the exhibit. [2] Certain items may have been relabeled and/or reclassified for global consistency.

Source: Company filings and Moody's Ratings

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

For more details on Aegon's main life insurance companies in the US - i.e., [Transamerica Life Insurance Company](#) (TLIC, insurance financial strength rating (IFS) A1, stable), and [Transamerica Financial Life Insurance Company](#) (TFLIC, IFS A1, stable), please refer to the credit opinion on [Aegon USA Life Group](#).

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 £203 billion of assets under administration as of year-end 2023. The company primarily focuses on Retail (through the Adviser platform) 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. Recent growth in assets under administration has been driven by good sales levels in the Workplace platform, while the Adviser platform continues to report outflows. Aegon also 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 2023, Aegon reported around €6.6 billion of financial debt outstanding, of which €2.4 billion were senior debt and Federal Home Loan Bank (FHLB) borrowings, and €4.2 billion were subordinated debt.

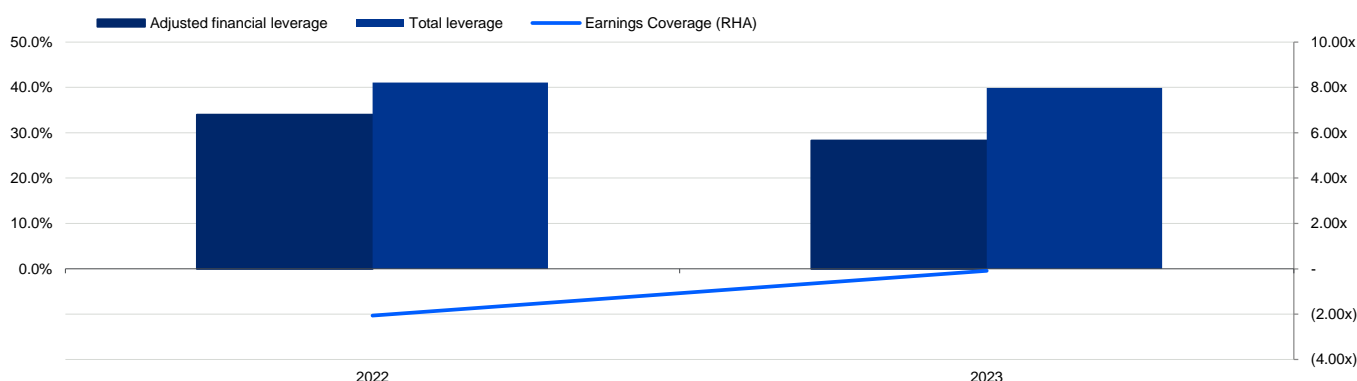
The group's capital funding borrowings are directly attributable to or guaranteed by Aegon Ltd. However since 2016, Aegon's leverage includes borrowings from the FHLB, drawn by some of Aegon's subsidiaries in the US, which Aegon uses primarily to purchase long-term assets and increase the duration of its assets in its US life subsidiaries. As of year-end 2023, FHLB borrowings accounted for €1.6 billion a decrease of €1.2 billion from the level reported at year-end 2022.

At year-end 2023 adjusted financial leverage stood at around 28%, lower than at year-end 2022 as Aegon used part of the proceeds of the €2.2 billion received for the completion of the ASR transaction to redeem €500 million of maturing senior debt, while the level of FHLB borrowings decreased significantly.

Earnings coverage is negative, reflecting weak profitability of the group (including for example changes in assumptions in the US and restructuring charges), exacerbated by the realisation of capital losses in 2023 to preserve tax benefits. Weak profitability remains a key credit weakness for the group.

Exhibit 2

Financial flexibility



Sources: Company reports and Moody's Ratings

With regard to capitalization, the group's consolidated solvency ratio (still calculated under the Solvency II principles until a transition period ending at YE 2027) remained strong at 193% as at YE 2023 (vs 208% as at YE 2022). The group maintains a disciplined capital strategy in its main operating companies, while maintaining €2.4 billion of cash capital as at YE 2023 (€1,6 billion at YE 2022) 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.

Liquidity Profile

The level of cash (and cash equivalents) at the holding Aegon Ltd. was €2.4 billion at year-end 2023 (excluding collateral received from counterparties and liquidity managed on behalf of affiliated investment funds). The liquidity position benefitted from €715 million in free cash flow during 2023, as Aegon has improved its operational performance and risk profile. Divestments brought proceeds of €2,139 million largely driven by the transaction with ASR.

Going forward, Aegon expects to operate closer to the mid-point of the €0.5–€1.5 billion targeted range of cash capital, instead of the top-end that Aegon targets today.

Following the divestment of the Dutch operations, the holding company relies more heavily on its US operations' dividends (€514 million remittance in 2023, out of €894 million remittances from all the operations) as well as, to a lesser extent, those from the UK (€121 million remittance in 2023), asset management (€155 million) and other businesses. Nevertheless the loss of cash flows from the

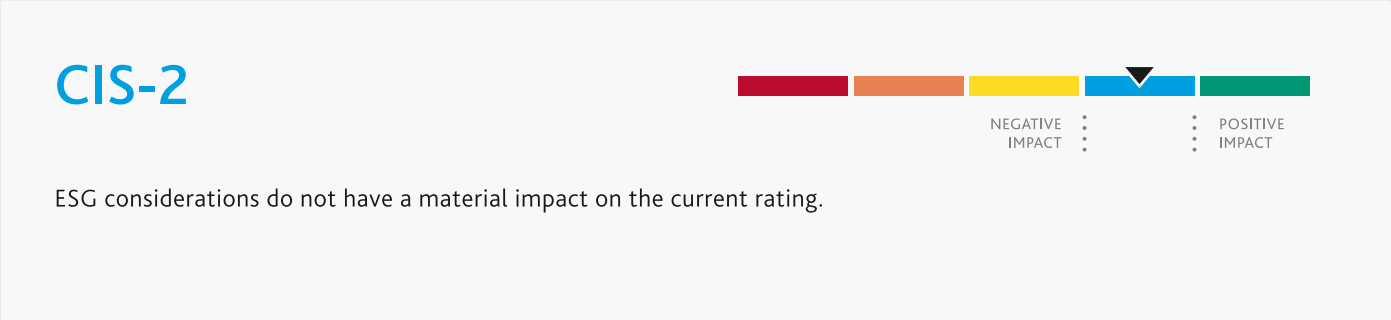
Dutch business has been partly offset by the dividends that Aegon receives from ASR (€68 million in the second half of 2023 and €114 million in the first half of 2024). Aegon is a strategic shareholder in ASR. But there is no obligation for Aegon to maintain its stake in the enlarged Dutch insurance company.

Aegon also maintains a number of backup facilities in the form of bilateral and syndicated committed credit facilities. The main arrangements include a \$1.375 billion syndicated revolving credit facility maturing in 2029 and a \$750 million LOC facility maturing in 2026. No drawdowns had been made on these syndicated revolving credit facility as of 31 December 2023.

ESG considerations

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

Exhibit 3
ESG credit impact score



Source: Moody's Ratings

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 Ratings

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
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 Senior Unsecured	Baa1
BACKED Subordinate	Baa2 (hyb)
COMMONWEALTH GENERAL CORPORATION	
Rating Outlook	STA
BACKED Senior Unsecured	Baa1

Source: Moody's Ratings

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