

Life Insurers
U.S. and Canada
Full Rating Report

AEGON Americas
and North American Subsidiaries of AEGON N.V.

Ratings

Security Class	Rating
Transamerica Life Insurance Co. Transamerica Financial Life Ins. Co Monumental Life Insurance Co. Insurer Financial Strength (IFS) Short-Term IFS	AA- F1+
Transamerica Advisors Life Ins. Co. Transamerica Advisors Life Ins. Co of New York Stonebridge Life Insurance Co. Transamerica Life Canada Western Reserve Life Assurance Co. of Ohio Transamerica Life International (Bermuda) Ltd. Insurer Financial Strength	AA-
Monumental Global Funding Ltd. Monumental Global Funding II Monumental Global Funding III Senior Secured Debt	AA-
Transamerica Corporation Issuer Default Rating (IDR)	A
Transamerica Capital II Transamerica Capital III Perpetual Capital Securities	BBB
Transamerica Corp Commonwealth General Corp Senior Debt	A-
AEGON Funding Company LLC Senior Unsecured Debt Commercial Paper	A- F1

Rating Rationale

- The ratings for AEGON Americas reflect a solid U.S. consolidated statutory capital position that is supportive of its production levels and risk profile, significant earnings diversification that is weighted toward general account life and annuity products, successful management of a broad network of well-established retail distribution channels, and sound asset quality.
- The ratings also reflect AEGON Americas' position as a core operation of AEGON N.V. (AEGON), which serves as the ultimate source of support for AEGON Americas' capitalization levels. AEGON has provided significant capital to the U.S. operations in recent years. AEGON Americas is the largest operating division in terms of revenue-producing assets and earnings and is likely to remain so for the foreseeable future. As such, AEGON Americas has a material effect on the AEGON group performance and ratings. Absent a continued commitment from the parent, AEGON Americas could be rated as much as one notch lower than its current level.
- Fitch Ratings favorably views the company's recent operating performance, its ongoing execution of strategy that focuses on core operations and improved operating efficiency. This is a reasonable strategy after emerging from the financial crisis, which also includes the plan to repay the Dutch Government for a part of the support provided to AEGON. However, Fitch notes that the downsizing of the U.S. operations and the plan to reallocate capital to Central and Eastern Europe, Asia, and Latin America could drive AEGON Americas' subsidiary status from "core" over time.
- The recently announced sale of Transamerica Re to SCOR is not expected to affect AEGON or AEGON Americas ratings.
- AEGON Americas' credit-related investment losses have declined significantly for 2010, but are expected to remain at elevated levels in 2011, mainly due to exposure in certain RMBS and commercial mortgage-related investments.
- The Stable Outlook reflects Fitch's expectations that operating earnings and capital will continue to slowly recover from the lows experienced during the global financial crisis and will be sufficient to maintain the current ratings and contribute toward the repayment of the Dutch state support in 2011. Fitch expects U.S. consolidated risk-based capital (RBC) to remain above 400% in 2011.

Rating Outlook

Stable

Financial Data

AEGON Americas — IFRS (USD)

	Date	\$ Mil.
S/H Net Income	12/31/10	1,494
Total Revenues	12/31/10	18,299
Consolidated Total Assets	12/31/10	231,715

S/H – Shareholders'.

Key Rating Drivers

The following rating drivers for AEGON Americas would likely also affect the ratings of AEGON N.V. due to AEGON Americas' importance to the group.

- Key rating drivers that could result in a downgrade include : NAIC risk-adjusted capital ratio declining below 325%; credit-related investment loss developing above expectations for 2011; operating profitability declining; AEGON's hedging program on its U.S. variable annuity book performing below expectations; or AEGON N.V.'s financial leverage increasing.
- Key rating drivers that could result in an upgrade include: significant improvement in operating profitability; increase in capital to very strong levels on a sustained basis; or substantially less-than-expected development of investment losses in 2011.

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Related Research

Applicable Criteria

- [Insurance Rating Methodology, March 31, 2011](#)
- [Life Insurance Rating Methodology, March 31, 2011](#)
- [Equity Credit for Hybrids & Other Capital Securities, Dec. 29, 2009](#)
- [Fitch's Approach to Rating Insurance Groups, Dec. 14, 2010](#)

Other Research

- [AEGON Americas \(and North Americas Subsidiaries of AEGON N.V.\) Jan. 26, 2011](#)
- [Fitch Affirms AEGON's Ratings; Outlook Stable, Jan. 17, 2011](#)
- [2011 Outlook: U.S. Life Insurance, Jan. 11, 2011](#)

Key Ratings Issues

Uncertain Effect of Solvency II Implementation

Fitch considers AEGON's rated U.S. entities as core, as defined under *Fitch's Approach to Rating Insurance Groups* (see link on this page). Fitch believes that AEGON Americas' scale, operating performance, and market position in AEGON's chosen markets are a key factor in the determination of AEGON Americas as a core operation. In addition the track record of mutual support in terms of capital contributions, upstream dividends, intercompany reinsurance support, and capital market transactions support the core designation despite the sale or run off of several of AEGON Americas' business lines in 2010 and 2011.

AEGON's stated ambition is to take a leadership position in all of its chosen markets by 2015 and to achieve a greater geographical balance by reallocating its capital to the growth markets of Central and Eastern Europe (CEE), Asia, and Latin America. As a result, Fitch expects AEGON Americas to be a smaller part of AEGON in the future. Fitch will monitor how AEGON's business profile changes over time to determine any potential impact on ratings at the group level or at the operating subsidiary level.

The expected implementation of the still evolving European Solvency II regulatory regime could substantially increase capital requirements of European insurers that have U.S. insurance operations. This concern could be mitigated if the U.S. is granted "third-country equivalence" by the directive. Fitch's concern is that AEGON, as well as other European parents, may reconsider their commitment to the U.S. insurance market in the face of increased capital requirements. However, Fitch believes that if the U.S. is not granted third-party equivalence, it will be granted "transitional arrangements" that would provide time for a less disruptive implementation of Solvency II principles.

Strong Capital Position

AEGON Americas' consolidated statutory capital position remains strong despite a 4% decline in 2010 to \$9.2 billion in total adjusted capital. The consolidated RBC ratio improved modestly to 412% from 394%, and it is expected to remain near 400% for 2011. Risk-adjusted capital has benefited from AEGON Americas' risk reduction measures that included the sale of lower-rated structured securities, the run off of the institutional business with additional hedging in the variable annuity book, and an increase in reinsurance. Operating earnings have improved as well and are expected to support the ratings.

Continued Execution of Business Transformation

Fitch views AEGON America's business transformation as a reasonable response to the financial crisis and part of the plan to repay the Dutch Government EUR3.0 for support provided to AEGON in 2008. Business strategies have been implemented to reduce volatility such as increased hedging of interest rate and equity market risks, consolidated business divisions, and reduced headcount to achieve \$200 million expense reductions. In addition, liability-related actions include the adherence to product pricing discipline in retail fixed annuity, universal life, and term life sales.

The company continues to reduce risk in its balance sheet and to increase fee-based businesses such as pension asset management, retail mutual funds, and variable annuities, as segments of AEGON Americas' spread-based businesses such as institutional business and fixed annuities decline.

AEGON Americas announced the sale of Transamerica Re, its large life reinsurance operations, to SCOR S.E. This transaction is expected to close in the summer of 2011 and result in approximately \$1.1 billion of cash upstreamed from the U.S. operations as well as a reduction in required capital.

In addition, AEGON Americas announced the winding down of its company-owned life insurance (COLI)/bank-owned life insurance (BOLI) business and discontinued new sales of executive nonqualified benefit plans. This action resulted in a one-time charge of \$80 million and a write off of approximately \$210 million in intangibles and goodwill.

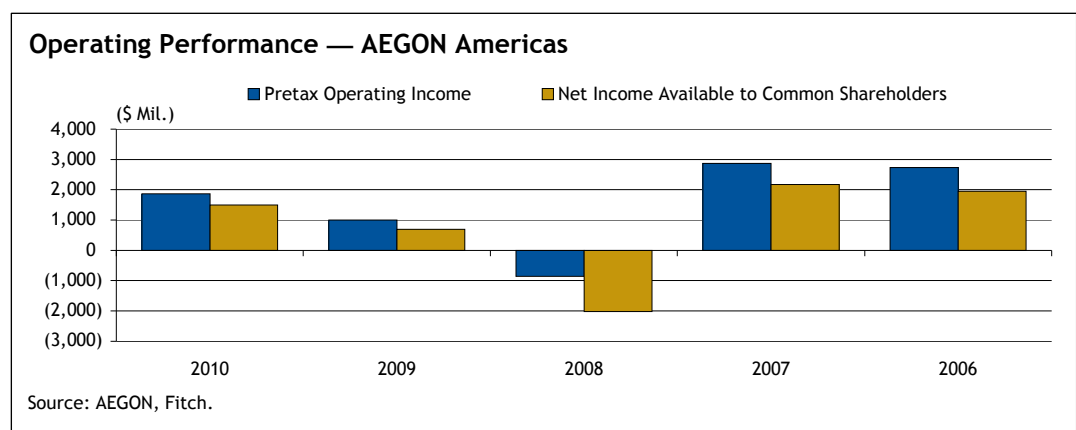
Run-Rate Earnings Are Recovering but Remain Below Historical Levels

The Stable Outlook reflects Fitch’s expectations that operating earnings and capitalization will continue to slowly recover from the lows experienced during the global financial crisis. While AEGON’s earnings have improved in recent quarters, Fitch believes that the company’s run-rate earnings will be below historical levels and prior expectations due to the intensifying competitive pressure in AEGON’s key markets in the U.S., the Netherlands, and the U.K., where the group recently announced plans to scale back its operations. Fitch expects that AEGON Americas’ 2011 results will likely be challenged due to lower portfolio yields and lower assets under management due to runoff businesses.

While AEGON Americas’ run-rate earnings will be lower than historical levels, the quality of earnings is expected to be favorably affected by the run off of spread-based businesses and reduced volatility. Protection-related life and health insurance businesses account for about 45%–55% of underlying earnings. This is expected to increase as spread-based, individual fixed annuity and institutional business runs off.

Credit Losses Expected to Remain Elevated but Manageable in 2011

AEGON Americas’ investment portfolio is shifting to a higher quality asset mix and credit-related impairments continue to decline. Forecasts for 2011 impairments are within Fitch’s expectations but will remain at somewhat elevated levels, historically, due mainly to RMBS and housing-related ABS securities. While below investment-grade fixed-income securities have declined to near industry averages, unrealized losses continue to be outsized due to the structured security holdings in challenged markets such as floating-rate, subprime ABS, and CDOs backed by commercial real estate investments. A second downturn in residential housing would pressure these sectors. Fitch believes that the company’s capital position and operating earnings profile will be adequate to maintain the current ratings.



Peer Analysis

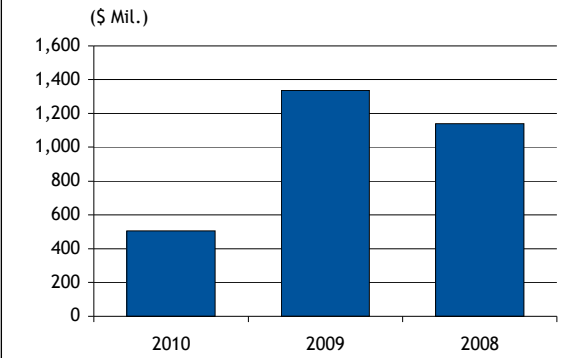
AEGON Americas is one of the largest foreign-owned North American life insurance operations and compares favorably with other foreign-owned life insurance peers in terms of distribution and market positions in leading product lines. AEGON Americas’ geographical make up is dominated by its U.S. operation (AEGON US), which accounts for approximately 97% of 2010’s underlying earnings. Remaining operations are in Canada and

Latin America. Capital and profitability for AEGON US compared favorably with peer companies during the financial crisis. Like many of its peers, going forward, AEGON US plans to grow fee-related businesses, manage risk, and profitability.

AEGON Americas fits well with large U.S. stock companies in terms of business profile, size, diversity of earnings and risk management capabilities, stand-alone capitalization, operating trends, and credit risk in the recent period of capital market stress. The realignment of U.S. businesses with reduced scale in spread-related products and the sale of its life reinsurance business is expected to improve AEGON Americas' risk profile and profitability, and keep stand-alone rating near its current insurer financial strength (IFS) rating category.

AEGON Americas has a significant position in both U.S. life insurance and wealth management markets and continues to be a significant player in the U.S. variable

Investment Impairments — AEGON Americas



Source: AEGON, Fitch.

Peer Table — Foreign-Owned U.S. Life Insurers IFRS

(EUR Mil.)

Company (Parent)	Total Assets ^a		Separate Account Assets		IFRS Operating Earnings Before Tax		Revenue		U.S. Statutory TAC (EUR) ^b		IFS/Outlook
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
AEGON Americas (AEGON N.V.)	173,414	155,577	59,353	49,920	1,103	714	13,799	12,461	6,896	6,760	AA-/Stable
AXA – U.S. Life and Savings Operations (AXA SA)	131,699	122,444	70,122	60,118	553	729	8,649	8,718	3,676	3,726	AA-/Stable
Jackson National Life – (Prudential plc)	81,226	60,992	36,251	23,240	541	517	—	9,097	3,390	2,805	AA-/Stable
ING US life operations – (ING Verzekeringen)	153,481	138,565	71,213	62,017	(1,485)	(298)	14,816	15,018	5,214	5,111	A-/Stable

^aOperating Earnings Before Tax = Income Before Tax Less Investment Related Gains/Losses and Impairments. ^bFitch estimate. TAC – Total adjusted capital. IFS – Insurer financial strength. Note: AEGON = UEET+ runoff business and ING US = Insurance US + USD closed block of variable annuities. Source: Company reports, Fitch.

2010 Group U.S. Statutory Data

(\$ Mil.)

U.S. Company/Group	Fitch IFS/ Outlook	Total Admitted Assets		Sep. Account Assets	Sep. Accounts/ Total Assets (%)	Total Adjusted Capital		NAIC RBC Ratio		Adj. Liabilities to Stat Surplus (x)	
		12/31/10	12/31/10			2010	2009	2010	2009	2010	2009
AEGON US	AA-/Stable	187,723	80,531	43	9,279	9,668	398	394	12.2	11.5	
Median of Peer Group		223,352	118,581	55	7,255	7,011	440	435	11.3	11.7	
AIG Domestic	A/Stable	218,062	54,455	25	18,830	16,307	477	436	9.6	10.0	
AXA Ins Group – U.S. Life Operations	AA-/Stable	150,770	95,367	63	5,375	4,934	368	388	10.7	12.5	
Hartford Life Group – Life Operations	A-/Stable	228,642	173,173	76	6,691	6,037	438	451	7.4	8.2	
ING America Insurance Holding Group – U.S. Life Operations	A-/RWN	185,563	99,858	54	7,383	7,322	434	411	11.3	10.9	
John Hancock USA Group – U.S. Life Operations ^a	AA-/Stable	237,490	137,304	58	6,515	6,176	386	347	18.2	17.1	
Lincoln National Financial Life Operations	A+/Stable	169,447	86,840	51	7,126	6,699	491	450	11.3	10.2	
Metropolitan Group – Life Operations	AA-/Stable	480,281	179,651	37	23,721	20,365	442	434	14.0	14.6	
Prudential of America Group – Life Operations	A+/Stable	403,762	225,465	56	12,913	13,944	548	562	17.9	15.3	

^aPart of Manulife Financial Corp. (Canada). RWN – Rating Watch Negative. Source: Highline Data, Fitch Ratings.

Key AEGON Americas Historical Events

- 1979 — Acquires minority interest in Life Investors Insurance Company of America.
- 1986 — Acquires Monumental Corporation.
- 1988 — Consolidates U.S. businesses to form AEGON USA.
- 1991 — Acquires Western Reserve Life Assurance Co. of Ohio.
- 1993 — Acquires Mutual of New York's group pension operations.
- 1995 — Forms joint venture in life insurance with Banamex of Mexico.
- 1997 — Acquisition of life insurance operations of Providian Corp.
- 1999 — Acquires Transamerica Corporation.
- 2000 — Acquires NN Life Insurance Company of Canada.
- 2001 — Acquires direct marketing operations of J.C. Penney.
- 2002 — Sells Banamex partnership interests.
- 2006 — Establishes new joint venture with the Mexican life insurer Seguros Argos.
- 2007 — Acquires Merrill Lynch life insurance.
- 2008 — AEGON receives EUR3.0 billion from Dutch government.
- 2009 — Announces strategic options of life reinsurance business.
- 2009 — AEGON repays EUR1.0 billion to the Dutch State in November.
- 2010 — In August, AEGON repays the Dutch State EUR0.5 billion.
- 2010 — Announces consolidation of U.S. operations.
- 2011 — AEGON issues EUR903.0 million in a 10% stock offering.
- 2011- AEGON repays EUR 0.750 billion to Dutch State in March.
- 2011 -Divests Transamerica Re to SCOR.

annuity market place, after taking steps to reduce risk in its variable annuity product offerings, along with its peers AXA Financial (AXF) and ING Verzekeringen N.V.'s (ING) U.S. operations. Fitch views AEGON Americas as having stronger bank and broker-dealer channel distribution for its wealth management products than many of its peers and solid life distribution. Unlike ING and AXF AEGON US does not use the parent company name for branding, but uses the well-recognized Transamerica brand.

AEGON experienced higher-than-expected capital and earnings volatility over the economic cycle relative to some peers. This volatility has been largely due to credit-related investment losses and exposure-linked to guaranteed benefits on AEGON's U.S. variable annuity business.

Company Profile

AEGON N.V.

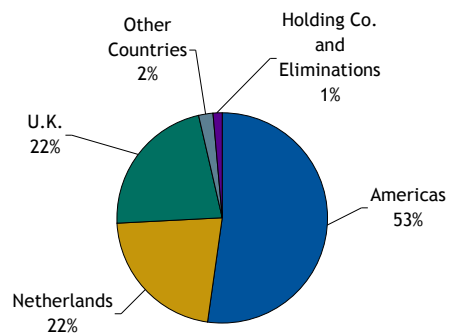
AEGON N.V., a Netherlands-based holding company with revenue-generating investments and shareholders' equity of EUR413 billion and EUR23 billion, respectively, at Dec. 31, 2010, was founded in 1983 with the merger of two Dutch companies. The company's core business is insurance, with a primary focus on three core markets: life insurance, pensions, and asset management. Fitch believes AEGON has strong financial flexibility, benefiting in particular from its relationship with its major shareholder, Vereniging AEGON.

These long-term business segments operate in three primary regions: North America, where operations are conducted primarily through AEGON Americas' Transamerica-branded companies and Canada; Europe, primarily The Netherlands and the U.K.; and new markets that include CEE, Asia, Spain, and France. The AEGON Americas and the Netherlands segments account for virtually all of operating earnings and insurance new business premium. AEGON also has significant investment management operations, which are responsible for managing the group's insurance assets as well as external client assets.

After receiving EUR3.0 billion in support from the Dutch government in 2008, AEGON has since repaid EUR 2.25 billion. AEGON targets the full repurchase of convertible core capital securities (CCCS) from the Dutch State before the end of June 2011. Key parts of the plan include the divestment of Transamerica Re, issuance of approximately EUR900 million of new equity, and continuing solid underlying earnings from its U.S. and Netherlands operations. AEGON Americas will play an important part in the funding through the divestment of its reinsurance operations and an upstream of dividends in the first half of 2011.

AEGON's EUR1.125 billion repurchase of the remaining EUR0.750 billion CCCS from the Dutch State is expected to be executed the second quarter of 2011 using funds from the close of the Transamerica Re transaction.

Assets by Geography — AEGON NV (2010)

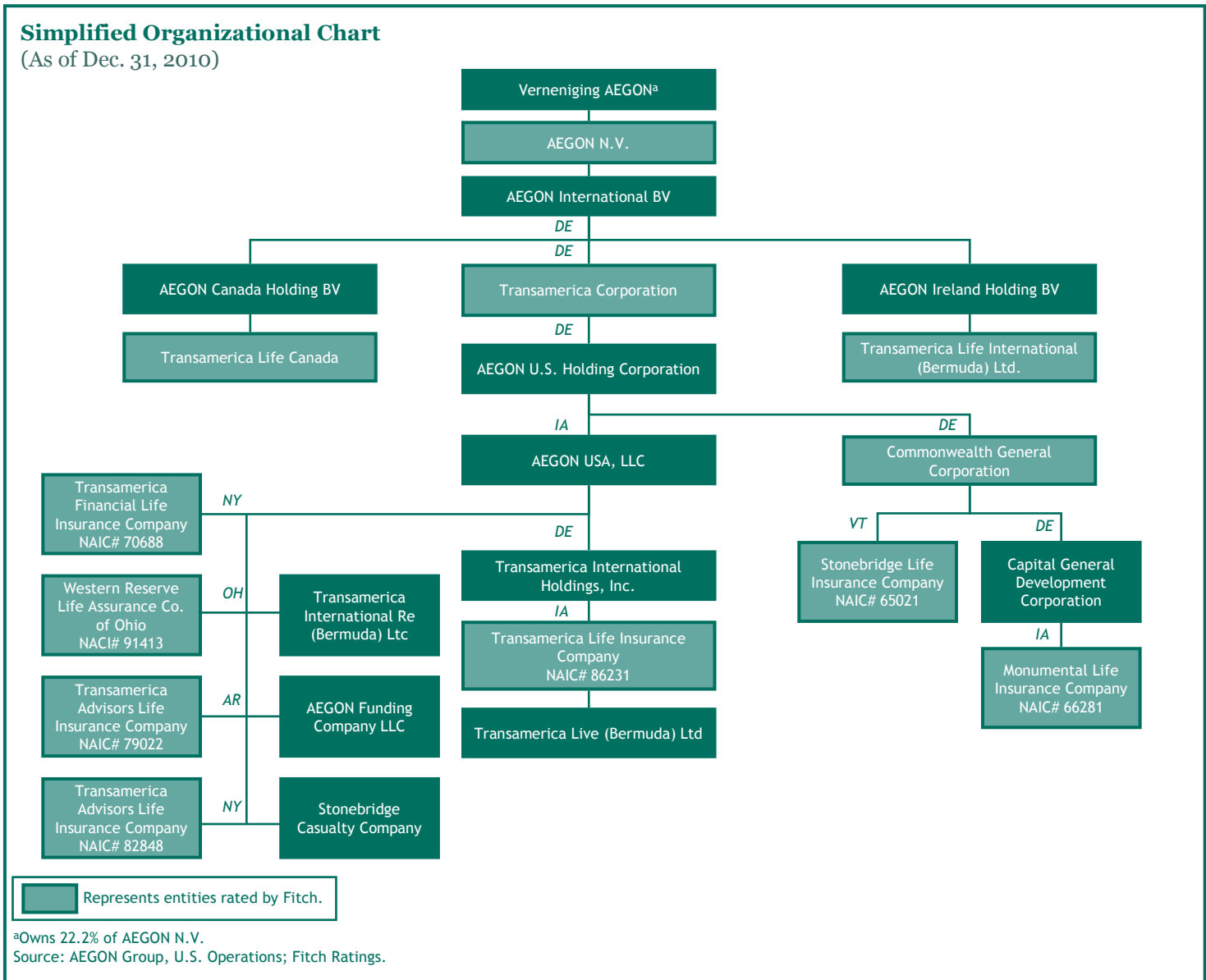


Source: AEGON, Fitch.

Ownership Structure

AEGON US is comprised of seven separate U.S. life insurance companies, led by Transamerica Life Insurance Company. Ultimate ownership is by parent, AEGON NV, while direct ownership of the U.S. operating companies is by holding company, Transamerica Corporation.

Simplified Organizational Chart
(As of Dec. 31, 2010)



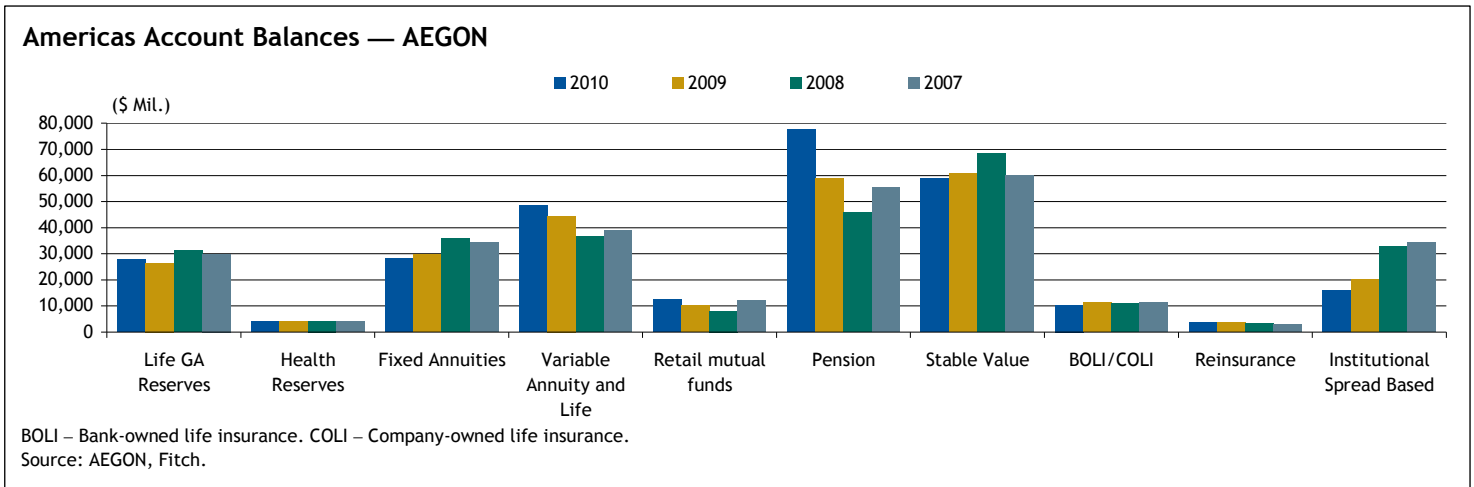
AEGON Americas

Fitch views AEGON Americas’ diversity of earnings, market positions, basis for competitive advantage, retail franchise, and brand as comparable to those of the other foreign-owned, U.S. life insurers and large U.S. life insurance peers.

Strengths specific to AEGON Americas include Transamerica’s strong brand name, strong market positions in major product lines, and broad distribution with strong positions in chosen channels. AEGON Americas adheres closely to the policy of diversification of risks. Primary risks in its life and protection segment are mortality and morbidity based with interest rate risk from long-term guarantees on its life insurance products.

AGEON’S U.S. businesses boast a top five market position in individual term, universal life, and equity index universal life and top 15 positions in individual whole life and variable life.

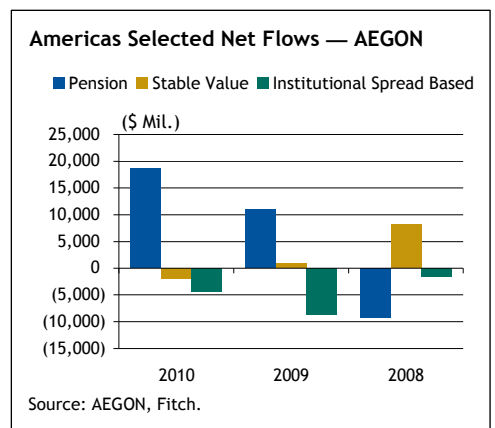
Fitch believes that the diversified revenues and earnings streams driven by AEGON Americas' diverse product lines and distribution channels reduce risk and provide stability to earnings and capital.



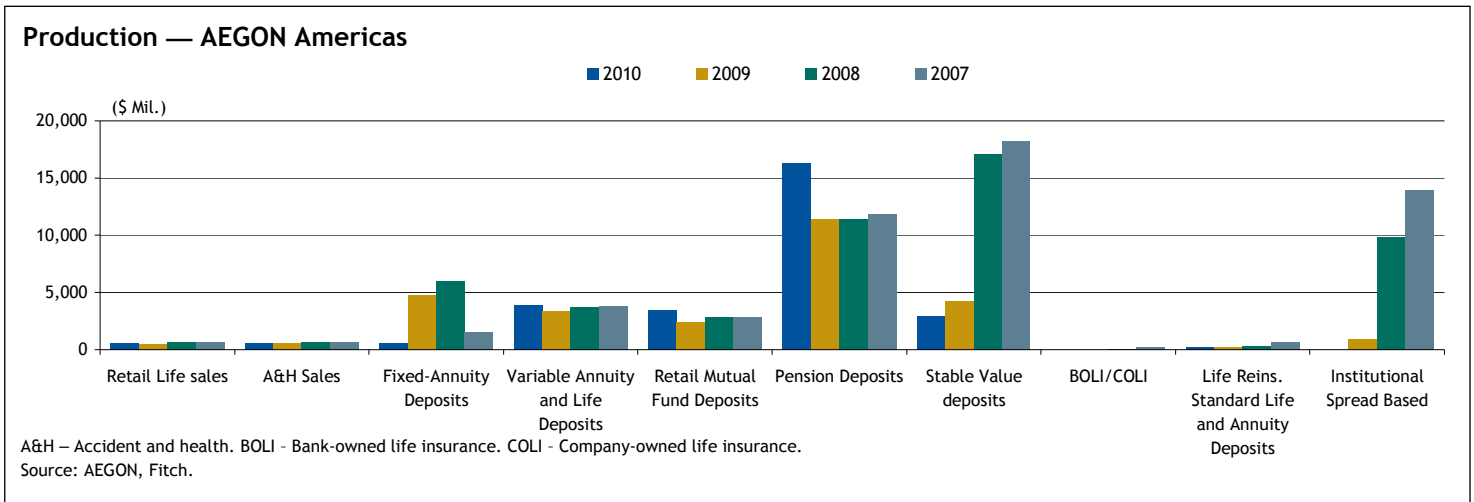
U.S. Products, Target Markets, and Distribution

AEGON US offers a wide range of life insurance products including term, universal life (fixed, variable, and indexed), whole life, and mortgage/creditor life. AEGON US utilizes multiple distribution channels for life product offerings, including independent brokerage distributors (traditional agencies, independent marketing organizations [IMOs], Internet insurance brokers) to affluent high net worth individuals, and the agency channel with career agents for Transamerica and Monumental brand products. Other key protection products include accidental death and dismemberment, supplemental health and long-term care, and small face value life insurance. Health-related products offerings from AEGON US are sold predominately through its affinity markets channel. Key partners include financial institutions, retailers, associations, and schools. Its other channel, international markets distribution, sells both life- and health-related products.

AEGON America's runoff businesses include its institutional spread-based products and payout annuities. Small bank COLI/BOLI was closed to new business and individual fixed-annuity business continues to be offered on an opportunistic basis in 2011.



AEGON US offers a broad selection of wealth accumulation and retirement income products and solutions to individual clients and advisors through its individual savings and retirement segment. Strong sales were generated in 2010 through retail mutual funds and variable annuity products, while production of fixed annuities and stable value solutions declined per its 2010 business plan. While AEGON US has multiple distribution channels, more than 65% of 2010 individual savings and retirement deposits were generated through wirehouses/broker-dealers, fee planners, and banks. The company experienced strong growth in 2010 as retail mutual fund deposits increased strongly at 44% and variable annuity deposits increased 13.5%. Fixed-annuity products are sold predominately through the bank channel and declined to \$0.5 billion in 2010 from \$4.7 billion in 2009.



Employer solutions and pensions offers retirement plans a wide range of retirement product offerings and solutions, including defined contribution (DC) — such as 401(k), voluntary benefits, stable value solutions, and executive benefits (COLI/BOLI).

AEGON US targets both large plan and small plan markets within the DC space and also provides book value “wraps” to fixed-income money managers operating in the stable value component of DC plans via its synthetic guaranteed investment contracts (GIC) product where the company is a leader.

Production in 2010 was very strong with a 20.9% increase in pension plan sales and a pension account balances increased 32% increase to 77.4 billion. Stable value deposits declined modestly to \$58.9 billion. Voluntary benefit sales increased by a modest 3.7%.

Overall, Fitch views the majority of AEGON America’s target markets as very competitive and expects this characterization to continue in the near term.

Affiliates

Transamerica Life International (Bermuda) Ltd. (TLIB)

TLIB, a direct subsidiary of AEGON Ireland Holding B.V., is part of AEGON Americas for public reporting purposes. TLIB has operated as an offshore carrier since 1999 and expanded its offerings in the private placement life insurance market in late 2003. TLIB’s insurance product solutions are aimed at the unique needs of the high net worth market and it has developed distribution relationships with global private banks, insurance brokers, and investment management firms. In Fitch’s view, TLIB shares the status of “core” with other U.S.-rated entities per Fitch’s master criteria report, Insurance Rating Methodology, dated March 31, 2011. TLIB’s risk management, governance, systems, controls, and processes are aligned with those of AEGON Americas.

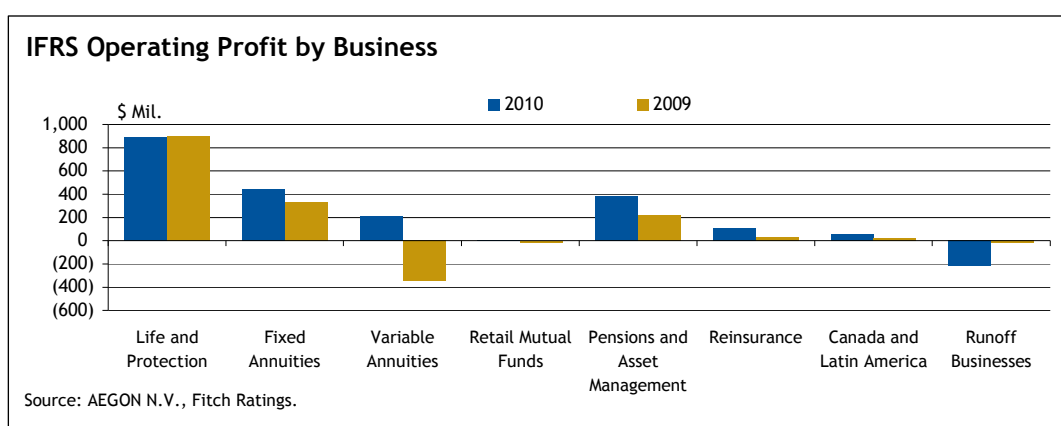
Transamerica Life Canada

Transamerica Life Canada (TLC) is also part of AEGON Americas for public reporting purposes and reports to the U.S. management team. Fitch’s considers TLC is as a core entity. Transamerica Canada is a low-cost operation, holding solid market positions in term insurance, (variable) universal life, and segregated funds. However, Fitch notes that the company has a narrow scope and smaller base in Canada, where the three largest companies represent two-thirds or more of the market.

Financial Analysis

Profitability

AEGON Americas IFRS operating results exhibited significant improvements in 2010. Underlying earnings before tax for 2010 were \$2,111 million versus \$1,150 million for 2009, and 2010 net income was \$1,494 million versus \$697 million in 2009. More favorable equity markets were among the largest drivers for an increase in AEGON US's 2010's earnings as the improved technical result included no deferred acquisition cost write-offs for variable annuities as occurred in 2009. Impairments declined significantly to more than \$500 million versus \$1.3 billion in 2009. Other favorable factors were increases in fee income, surplus related earnings, and \$500 million of realized capital gains. Offsetting factors included a moderate decline in spread-related income and charges for write-offs in business closings and the wind down of COLI/BOLI businesses.



In 2010, sources of underlying earnings less new business strain exhibited good diversification among investment spread, earnings on investments backing capital, mortality, morbidity and persistency, and fees driven by asset values.

The life and protection segment is the largest and most consistent earnings generation segment, providing consistently over 50% of AEGON Americas earnings. The growth in variable annuity assets under management and favorable equity markets effects versus 2009 drove the improvement in underlying earnings before tax. Pension segment earnings were primarily driven by positive net cash flows and favorable equity markets during the year.

Runoff businesses include the institutional products segment, where declines in assets and spread compression were factors in losses for this segment. AEGON US's BOLI/COLI block is now a closed to new business.

Value of New Business (VNB) Summary

(EUR Mil.)

	2010	2009	2008
Premium business			
APE	1,084.0	997.0	1,097.0
VNB	139.0	142.0	193.0
PVNB	4,648.0	4,690.0	5,496.0
VNB/PVNB (%)	3.0	3.0	3.5
VNB/Deposits (%)	12.8	14.2	17.6
Deposit business			
Deposits	13,792.0	17,753.0	30,151.0
VNB	91.0	151.0	219.0
PVNB	21,040.0	23,589.0	34,251.0
VNB/PVNB (%)	0.4	0.6	0.6
VNB/Deposits (%)	0.7	0.9	0.7
Totals			
APE and Deposits	14,876.0	18,750.0	31,248.0
VNB	230.0	293.0	412.0
PVNB	25,688.0	28,279.0	39,747.0

APE – Annualized premium equivalent. PVNB – Present value of new business premiums.

Source: AEGON N.V., Fitch.

Value of new business (VNB) declined 44% over the last two years to \$230 million from \$412 million in 2008, as fixed annuity and spread related deposits declined. The internal rate of return (IRR) on new business was up 13.9% for the fourth quarter of 2010 and continues to exceed the company's hurdle rate of 11%. The company expects VNB to migrate toward the individual savings and retirement segment and the pensions segment.

For additional information on AEGON Americas' profitability, see page 3.

Investments and Liquidity

AEGON Americas' U.S. statutory invested assets declined by a modest 1% in 2010 to \$102 billion and were dominated by fixed- and floating-rate bonds and mortgages. Portfolio trends in 2010 included AEGON Americas' maintenance of a significant allocation to cash and U.S. Treasury and agency bonds and a decline in the allocation to structured assets, such as ABS and RMBS. While credit losses are likely to remain at elevated levels in 2011, Fitch believes bond credit quality remains sound.

Liquidity

(\$ Mil.)

	2010	2009	2008	2007	2006	Five-Year Average
Public Bonds/Total Bonds (%)	75.9	76.8	76.2	74.9	76.7	76.1
Liquidity Ratio 1 (%)	60.0	66.9	63.6	61.8	64.0	63.3
Operating Cash Flow Coverage (x)	1.0	1.0	0.8	0.7	0.7	0.9
Adjusted Liabilities and Separate Accounts	178,978	170,693	170,413	188,331	169,457	175,574
% Life Reserves	14.9	16.0	13.9	14.8	15.1	14.9
% Accident and Health	2.9	3.0	2.8	2.5	2.6	2.8
% Annuities and Pension Deposits	20.8	24.1	31.2	30.0	37.1	28.6
% Other	16.4	15.3	16.9	10.2	9.1	13.6
% Separate Accounts	45.0	41.7	35.1	42.5	36.1	40.1

Note: Statutory accounting principles.
Source: AEGON, Fitch.

On a U.S. statutory accounting basis, AEGON America's risky assets ratio (includes below investment-grade securities (BIGs), troubled mortgages and real estate, unaffiliated common stock, and Schedule BA assets) has declined moderately over the last three years to 118% of total adjusted capital (TAC), and is estimated to compare favorably with the industry average at year-end 2010. The company's exposure to common stock and Schedule BA assets was 42%, compared with the industry of 64%. Exposure to BIGs was 76% compared with the industry at 70%.

Investment Portfolio

(\$ Mil.)

	2010	2009	2008	2007	2006	Five-Year Average
Total Invested Assets	103,159	104,464	114,766	113,063	112,175	109,525
% Bonds	73.0	72.0	70.1	71.5	73.9	72.1
% Common and Preferred Stock	0.5	0.6	3.0	3.3	4.3	2.3
% Mortgage Loans	11.1	12.6	13.4	14.4	13.4	13.0
% Real Estate	0.2	0.2	0.2	0.2	0.2	0.2
% Policy Loans	2.6	2.6	2.4	2.4	1.5	2.3
% Cash and Equivalents	2.9	6.6	3.8	1.5	1.9	3.3
% Affiliated Investments	2.5	3.3	4.6	2.7	1.4	2.9
% Other Invested Assets	2.9	2.1	2.2	3.6	4.0	3.0
Below Investment Grade/Total Adjusted Capital (TAC) (%)	78.0	90.2	79.3	57.3	67.5	74.4
Troubled Real Estate/Total Adjusted Capital (%)	0.3	0.2	0.8	0.0	0.0	0.3
Unaffiliated Common Stock/Total Adjusted Capital (%)	4.5	5.0	4.0	4.3	8.5	5.3
Schedule BA other Investment Assets/TAC	38.6	35.4	43.9	57.8	49.6	45.2
Risky Assets Ratio	121.4	131.3	128.1	119.4	125.5	125.1

Note: Statutory accounting principles.
Source: AEGON companies, Fitch.

Like many companies, the credit quality of the AEGON Americas' commercial mortgage loan portfolio remains under pressure. At Dec. 31, 2010, 96.8% of the portfolio was performing versus 97.5% at year-end 2009. In 2010, foreclosures increased to \$226 million versus \$98 million in 2009 and total debt restructurings increased to \$104 million from \$25 million the previous year. Favorably, at year-end 2010, levels of delinquent loans declined to 0.6% versus 1.6% at year-end 2009. The portfolio is diversified by loan type and geographic region.

See page 3 for additional information on AEGON Americas' investments.

Capitalization

Fitch views the U.S. targeted and actual capital position as solid and commensurate with the assigned ratings. Consolidated NAIC risk-based capital (RBC) was 412% at year-end 2010. As mentioned previously, the company used a variety of programs to fund redundant XXX and AXXX reserves and improve risk-adjusted capital.

Sound statutory earnings are of prime importance in capital growth. The U.S. operation has been self-funding in capital needed to invest back into the business and support growth, with the exception of 2002 and 2008, when AEGON N.V. demonstrated its financial strength and support with capital and surplus note contributions of \$1.8 billion. AEGON N.V. has been flexible in its dividend requirements in support of the process to get capital to the proper legal organizations in AEGON Americas to support growth. Organizational changes to simplify legal structure continue.

AEGON Americas experienced higher than expected volatility in statutory capital during the challenging period of 2007–2009, driven mainly by volatile equity and credit markets. Capital has remained at strong levels through the use of capital contributions, reinsurance transactions, and the increased levels of statutory operating earnings.

While the capital position has strengthened and become less volatile as a result of AEGON's increased hedging and derisking, AEGON continues to hold significant cash balances at the level of the holding company and net financial leverage remains within the company's targets.

Statutory Capitalization

(\$ Mil.)

	2010	2009	2008	2007	2006
Beginning-of-Period Total Adjusted Capital	9,580	9,369	9,067	8,933	8,806
Net Operating Gain	1,634	2,261	(69.)	916	823
Net Realized Gain/Loss	(187)	(1,222)	228	394	229
Change in Unrealized Gain/Loss	144	(798)	(225)	194	(61)
Change in Reserve Valuation	(29)	(23)	(28)	(17)	0
Paid-in Capital/Surplus	(19)	226	1,245	807	439
Dividends to Stockholders	(2,282)	(554)	(1,051)	(1,891)	(457)
Other Changes	316	321	201	(268)	(847)
Total Changes	(424)	210	302	135	127
End-of-Period Total Adjusted Capital	9,156	9,580	9,369	9,067	8,933
Statutory Surplus	7,946	8,507	7,748	6,939	7,045
Asset Valuation Reserve	1,203	1,067	1,615	2,121	1,880
1/2 Policyholders' Dividends	6	6	7	7	7
Regulatory Capital (Total Adjusted Capital)	9,156	9,580	9,369	9,067	8,933
Adjusted Total Adjusted Capital	8,294	7,592	8,193	7,641	8,193
Required Capital (Company Action Level)	1,966	2,095	2,285	2,277	2,243
Risk-Based Capital Ratio (%)	422	362	350	336	365
Assets/Statutory Surplus (x)	23.7	21.2	23.2	28.4	25.3
Adjusted Liabilities/Statutory Surplus (x)	12.4	11.7	14.3	15.8	15.5

Note: Statutory accounting principles. Adjusted TAC for RBC reflects intercompany transactions.
Source: AEGON Americas, Fitch Ratings.

Reinsurance Ceded — Unauthorized

(\$ Mil.)

	Reserve Credit Taken	Paid and Unpaid Losses Recovery	Other Debits	Total	LOC	Trust Agreement	Funds Deposited by and Withheld from Reins.	Misc. Balance	Net
Affiliate									
General Account –									
Life and Annuity	28,312	241	34	28,587	4,012	4,167	20,812	368	28,587
General I Account A&H	0	21	3	24	1	5	2	21	24
Separate Account	3,349	1	0	3,350	121	0	3,228	3	3,350
Total Affiliate	31,661	263	37	31,961	4,134	4,172	24,042	392	31,961
Non-Affiliate									
General Account –									
Life and annuity	384	8	0	392	395	91	21	6	393
General Account A&H	219	9	0	228	0	310	1	4	228
Separate Account	0	0	0	0	0	0	0	0	0
Total Non-Affiliate	603	17	0	620	395	401	22	10	620
Grand Total	32,264	280	37	32,581	4,529	4,573	24,064	402	32,581

A&H – Accident and health. Note: Statutory accounting principles.
Source: AEGON US companies, Fitch.

AEGON US uses a large majority of reinsurance from affiliated companies as a capital management tool. Approximately 75% of the \$31 billion in reserve credit, which was taken for ceded life and separate account reserves, is in the form of funds withheld coinsurance.

Regulation XXX and AXXX reserves have been financed and managed using a variety of programs on a global basis. These include onshore and offshore reinsurance through captives, direct debt issuance, long-term (20–30 years) LOCs, two 30-year private structured credit transactions, and a wrapped securitization. Other surplus enhancing transactions include a \$900-million embedded value LOC facility of traditional life business for Monumental Life in 2009.

AEGON Americas’ risk management approach is to execute hedges for the market risks and use careful product design and conservative assumptions for the actuarial and behavioral risks. New products, including retooled guaranteed withdrawal and accumulation benefits, are designed to limit the potential tail risk through equity fund allocation limits, lower guaranteed withdrawal limits, and pricing that supports the cost of hedging the market risk on guaranteed options.

See page 3 for additional information on AEGON Americas’ capital.

Financial Leverage and Balance Sheet Quality

AEGON N.V. issues all new debt for its country units and guarantees the debt assumed in U.S. acquisitions. Debt assumed in acquisitions in the U.S. has typically been paid off at the earliest date permissible under such issuance, and outstanding debt totaled \$203million at Dec. 31, 2010. In addition, AEGON N.V. provides a stand-by line of credit of \$1.5 billion to its U.S. operations.

AEGON’s TFC is elevated compared with its large U.S. stock company peers, but average for foreign-owned peers. The main drivers of the ratio

Fitch interprets AEGON N.V.’s focus on reducing capital intensity, to result in further reductions in equity and interest rate risk for AEGON Americas over time, as earnings are increasingly sourced from fee-based retirement and pension businesses.

Outstanding U.S. Debt

(\$ Mil. As of Dec. 31, 2010)

Description	Maturity	Amount (\$)
Commonwealth General Corporation		
Medium-Term Notes	2015	9
Medium-Term Notes	2021	5
Medium-Term Notes	2022	10
Medium-Term Notes	2025	32
Medium-Term Notes	2026	14
Total	—	70
Transamerica Corporation		
Trust Pass-Through Securities	2026	87
Trust Pass-Through Securities	2037	46
Total	2020	133
AEGON Funding Corp.		
Senior Notes ^a	—	500
Total Guaranteed by AEGON N.V.	—	703

^aConsidered operating leverage.
Source: AEGON Americas, Fitch Ratings.

are the use of XXX and AXXX funding, security lending, and hybrids. Fitch believes AEGON's exposures to institutional-type funding are well managed.

The combined operating companies of AEGON US paid upstream dividends totaling \$2.3 billion in 2010 and received capital support in the amount of \$468 million. Statutory dividend capacity without prior regulatory approval declined for 2011 to \$1.0 billion from \$1.5 billion as statutory gains from operations fell in 2010.

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