

FITCH DOWNGRADES AEGON'S RATINGS; OUTLOOK REMAINS NEGATIVE

Fitch Ratings-London-06 March 2009: Fitch Ratings has today downgraded AEGON N.V.'s (AEGON) Long-term Issuer Default Rating (IDR) to 'A+' from 'AA', senior unsecured debt rating to 'A' from 'AA-' (AA minus), subordinated debt rating to 'A-' (A minus) from 'A+', and Short-term IDR and commercial paper ratings to 'F1' from 'F1+' respectively. The agency has also downgraded the Insurer Financial Strength (IFS) Ratings of AEGON's primary North American life insurance subsidiaries (AEGON Americas) to 'AA' from 'AA+' and the Long-term IDR of Transamerica Corp. to 'A+' from 'AA'. The Outlooks for the Long-term IDR and IFS ratings are Negative. In addition, Fitch has downgraded AEGON's perpetual capital securities to 'BBB+' from 'A+' and placed them on Rating Watch Negative (RWN). A full rating breakdown is provided at the end of this comment.

The downgrades follow AEGON's announcement that it expects to report a Q408 net loss of approximately EUR1.2bn and reflect Fitch's updated view of AEGON's exposure to the current volatility of the credit and investment markets. The rating actions consider the partially offsetting benefits of previously announced Dutch government-provided capital support.

The two-notch downgrade of the holding company's Long-term IDR reflects the general weakening of AEGON's financial profile and financial flexibility and declining fixed-charge coverage at the holding company level. This has occurred as a result of lower profitability and increased financial leverage caused mainly by the impact on capital of unrealised investment losses.

For the full year 2008, AEGON expects to report a net loss of approximately EUR1.1bn. Underlying earnings before tax are expected to be EUR1.6bn, down by around 40% from 2007, including an underlying loss before tax in Q408 of EUR200m, due mainly to reserve strengthening and acceleration of deferred acquisition costs on US variable annuities. Fair value items (certain investments accounted for on a fair value basis, as well as Canadian segregated funds) performed poorly in 2008. Pre-tax impairments are expected to be EUR1.0bn for 2008, driven by corporate bonds in the financial services sector as well as mortgage-related structured assets.

AEGON is expected to report a 60% decline in shareholders' equity (including a EUR(7.2)bn revaluation reserve) in 2008 to approximately EUR6.1bn from EUR15.2bn owing to realised and unrealised investment losses. Fitch analysed AEGON's revaluation reserve, which is higher than that of several peer companies. The agency took into account the partially mitigating fact that AEGON's unrealised loss position has benefited less than that of several of its peers from recent falls in Treasury rates, owing to its substantial floating-rate assets and liabilities. While Fitch recognises that only a portion of the negative revaluation reserve may turn into future impairments or defaults, the size of the revaluation reserve was a key factor in the assessment of deteriorating financial flexibility.

Core capital, shareholders' equity plus the EUR3.0bn in convertible core capital from the Dutch State, which ranks equally with ordinary shares, was approximately EUR9.1bn at year-end. Core capital, excluding the revaluation reserve was approximately EUR16.3bn, or 78% of the total capital base, compared to AEGON's target of not less than 70%. The Insurance Group Directive (IGD) solvency ratio was around 180% at end-2008, down from 190% at end-2007.

Including the core capital issuance, the holding company cash position is expected to exceed EUR3.5bn at end-2008 and the company faces no material debt maturities until 2013. Cash flow generation from core operating businesses remains solid, as demonstrated by new life sales and growth in net retail deposits, especially fixed annuities. Fitch also notes AEGON's relationship with its major shareholder, Vereniging AEGON, as a source of financial flexibility.

AEGON has stated that it is committed to maintaining a capital level at the operating company level above its 'AA' IFS rating requirements, although Fitch recognises this may prove challenging in the

current environment. US operations received a capital injection from the parent company in Q408 and Fitch expects total adjusted statutory capital (TAC) of the combined US life subsidiaries to increase modestly over the USD9.1bn reported at end-2007. AEGON's US life companies held an NAIC RBC (National Association of Insurance Commissioners Risk-Based Capital) ratio of approximately 350% at end-2008 compared to 336% at end-2007. The ability and commitment of AEGON to support statutory capital at the operating level limited the downgrade of the primary North American life insurance subsidiaries' IFS ratings to one notch.

The Negative Outlook reflects Fitch's view that the near-term difficult conditions in global financial markets will likely continue for an extended period, which could cause the company to experience higher-than-expected volatility in its financial results and additional challenges in 2009. The Outlook also reflects the potential for higher-than-expected credit-related investment losses and the potential need to further increase the capital supporting the US variable annuity business, driven by further declines in equity markets. Fitch believes that successful execution of AEGON's EUR1.5bn capital preservation and de-risking programme for 2009, and the possibility in Fitch's opinion of additional Dutch government support in the event of future unexpected losses, would help temper any future rating downgrades. However, Fitch notes that AEGON has not indicated that it needs or plans to seek further government funding.

AEGON Americas is, in Fitch's view, continuing efforts to de-risk investments and preserve capital in the current challenging environment. Fitch believes the company's highly integrated investment management, product pricing, risk and liquidity management functions will serve it well in the execution of these initiatives. In particular, Fitch cites the effectiveness of its asset-liability management methodologies and build-up of excess liquidity positions as it de-levers the institutional guaranteed products segment in the face of significant market disruption and capital preservation efforts. Nonetheless, Fitch believes it is highly possible that investment performance could remain materially negative in 2009, creating additional balance sheet and earnings pressures.

AEGON Americas' strong IFS ratings continue to reflect significant diversification of both products and distribution in US retail markets that have provided steady cash flow through varied market cycles. Fitch also notes the company's strong focus on cost control, as well as its measured risk appetite and approach to its markets as key distinguishing factors that should continue supporting strong product margins and underlying earnings performance.

The three-notch downgrade and RWN placed on AEGON's perpetual capital securities, which are deferrable hybrid instruments, reflects some concern, should conditions continue to deteriorate, that especially in light of government support, incentives may develop to defer coupons on these hybrids. Although Fitch recognises that voluntary deferral by AEGON can be considered only if the company has made no dividend payments on its common or preferred shares for a period of more than twelve months, the agency will monitor these pressures in the coming months. The rating action on AEGON's hybrids is consistent with actions taken on the hybrids of several financial institutions that are subject to government support.

The rating actions are as follows:

AEGON N.V.

Long-term IDR downgraded to 'A+' from 'AA'; Outlook Negative

Senior unsecured debt downgraded to 'A' from 'AA-' (AA minus)

Subordinated debt downgraded to 'A-' (A minus) from 'A+'

Perpetual capital securities downgraded to 'BBB+' from 'A+'; placed on Rating Watch Negative (RWN)

Short-term IDR and commercial paper programme downgraded to 'F1' from 'F1+'

The following AEGON subsidiary companies' Long-term IFS ratings have been downgraded to 'AA' from 'AA+'; all the companies have a Negative Outlook:

Merrill Lynch Life Insurance Company;

ML Life Insurance Company of New York;

Monumental Life Insurance Company;

Stonebridge Life Insurance Company;

Transamerica Financial Life Insurance Company;
Transamerica Life Canada;
Transamerica Life Insurance Company;
Transamerica Life International (Bermuda) Ltd.;
Western Reserve Life Assurance Co. of Ohio.

The following AEGON subsidiary companies' Short-term IDR and Short-term IFS ratings have been affirmed at 'F1+':

Monumental Life Insurance Company;
Transamerica Financial Life Insurance Company;
Transamerica Life Insurance Company.

The following AEGON subsidiary companies' secured notes programme and outstanding issues have been downgraded to 'AA' from 'AA+':

Monumental Global Funding III (Monumental Global Funding III's outstanding issues short-term ratings have been affirmed at 'F1+');
Monumental Global Funding II;
Monumental Global Funding Ltd.

Transamerica Corp.:

Long-term IDR downgraded to 'A+' from 'AA'; Negative Outlook
Transamerica Capital II, Transamerica Capital III:
Trust preferred stock downgraded to 'BBB+' from 'A+'; placed on RWN

AEGON Funding Company LLC:

Commercial paper downgraded to 'F1' from 'F1+'
Senior debt downgraded to 'A' from 'AA-' (AA minus)

The following AEGON subsidiary companies' senior debt and medium term notes have been downgraded to 'A' from 'AA-' (AA minus):

Transamerica Finance Corp.
Commonwealth General Corporation.

Contacts: David Prowse, London, Tel: +44 (0) 20 7682 7256; Harish Gohil: +44 (0) 20 7862 7264;
Martha Butler, CFA, Chicago, Tel: +1 312 368 3191; Andy Davidson: +1 312 368 3144.

Media Relations: Julian Dennison, London, Tel: +44 020 7682 7480, Email: julian.dennison@fitchratings.com; Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com; Hannah Warrington, London, Tel: +44 (0) 207 417 6298, Email: hannah.warrington@fitchratings.com.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.