

**Rating Action: AEGON N.V.**

**Moody's downgrades AEGON's ratings; negative outlook**

London, 17 February 2009 -- Moody's Investors Service downgraded AEGON N.V.'s (AEX:AGN) senior debt to A3 from A2 and the insurance financial strength (IFS) ratings of AEGON's U.S. life insurance operating companies (collectively "AEGON USA") to A1 from Aa3. The outlook on all the AEGON companies is negative. In the same rating action, Moody's also downgraded to Prime-2 from Prime-1 the short term ratings for commercial paper of AEGON N.V and AEGON Funding Company LLC., and affirmed at Prime-1 the short-term IFS ratings of several AEGON USA subsidiaries. A complete list of ratings follows below.

Moody's downgrade of AEGON's ratings follows the release of the Group's preliminary Q4 2008 results and reflects the deterioration in AEGON's profitability and financial flexibility. Moody's senior analyst Antonello Aquino commented: "We expect continued pressure on AEGON's financial profile over the medium-term from additional investment losses, the impact of depressed equity markets, and the recessionary environment". The downgrade also reflects tighter liquidity in AEGON USA's institutional markets division and expectation of continuing pressure on capital adequacy from investment losses.

For the fourth quarter, AEGON N.V. expects to report a net loss of approximately EUR1.2 billion, reversing the positive -- though small -- result for the first nine months of the year. Underlying earnings before tax for the full year 2008 will be down 41% to approximately €1.6 billion, when taking into consideration the underlying loss of EUR200 million in the fourth quarter.

The rating agency said the Group's income decline was the result of investment impairments as well as increasing reserves for guarantees (in particular, related to variable annuity products in the US), accelerated amortisation of deferred acquisition costs, and lower fees. According to Mr. Aquino: "The Group's profitability remains sensitive to equity market values and interest rate movements. We expect the weak global economic circumstances to continue, and the resulting high level of equity market volatility and declining government interest rates to exert pressure on AEGON's insurance sales volumes and profitability."

Moody's said it expects higher levels of asset impairments in 2009 and beyond given the Group's exposure to higher-risk asset classes, together with the deepening recession. In particular, meaningful investment losses are likely to develop on AEGON USA's real-estate and structured securities (e.g. RMBS, CMBS, ABS, commercial mortgage loans) given the rating agency's revised expectations for these asset classes, as well as rising corporate default rates as a result of the economy. "Similarly to other US players, AEGON USA maintains a sizeable holding of mortgage- and asset-backed securities -- USD30.7 billion of RMBS, CMBS, and ABS as at September 2008 -- and an extensive corporate bond portfolio -- USD54 billion, over 50% of which is rated Baa or below," explained Mr. Aquino.

Moody's notes that AEGON USA held a NAIC RBC ratio of approximately 350% at year-end 2008. However Moody's believes capital adequacy at the U.S. operations will be pressured not only from higher investment losses, but also from the Group's variable life and annuity and asset management businesses which remain exposed and sensitive to declines in equity markets. Although Moody's believes that AEGON has sufficient liquidity available to satisfy the maturity profile of the liabilities of its institutional market division, Moody's expects AEGON USA's liquidity to be challenged by the deleveraging of this business in light of the very substantial unrealized losses in the investment portfolio.

At the Group level, financial flexibility weakened, as demonstrated by deteriorating fixed charge coverage, caused both by declining profitability and increasing financial leverage. The rating agency also notes the increasing proportion of hybrid capital within the Group's capitalisation as a result of the decline in ordinary capital and increasing revaluation reserves. Although Moody's recognizes that the negative revaluation reserves may only partially materialize as losses, lower reported shareholder's equity is reducing the Group's quality of capital from Moody's perspective. Mr. Aquino continued: "The holding company's flexibility will be somewhat more constrained than in the past, as earnings at operating companies are pressurised, and as dividends from these operating subsidiaries are likely to be reduced in order to preserve capital."

Offsetting these concerns, to some extent, the rating agency views positively the EUR 3.0 billion of capital previously raised from the Dutch state, the successful execution of EUR 1.7 billion of capital preservation in 2008 as well as the initiatives announced today by the Group in de-risking its business profile and preserving capital by lowering investment risk and scaling down the institutional markets division in 2009. "We noted the EUR 2.9 billion of excess capital as published by the company today," Mr. Aquino commented, "and we believe that any remaining excess capital at the holding company will be available to support the various operations, if necessary, in the future."

The rating agency said the following factors could prompt a further downgrade of AEGON USA's ratings with a related rating downgrade likely for AEGON N.V.: 1) investment losses above USD3.0 billion in the U.S. operations in 2009; 2) decline in equity markets of 25% from 2008 year-end level (e.g. S&P 500 of 650-750 range) given the resulting impact on U.S. earnings and capital adequacy; 3) NAIC RBC ratio of less than 300%; or 4) consolidated financial leverage exceeding 40% and earnings coverage below 4x for a sustained period.

The rating outlook could move to stable in the event of: 1) total further asset impairments in 2009 of less than USD1.0 billion in the US operations; 2) rising equity markets over sustained period of time; 3) a NAIC RBC ratio of 325% or greater on a sustainable basis; and 4) consolidated financial leverage in the mid 30s and earnings coverage in the 6-8x range.

#### RATINGS AFFECTED

The following ratings were downgraded with a negative outlook:

- AEGON N.V.: Senior unsecured debt to A3 from A2; subordinated debt to Baa1 from A3; junior subordinated debt to Baa1 from A3;
- AEGON Funding Company, LLC: guaranteed (by AEGON N.V.) senior unsecured debt to A3 from A2;
- Transamerica Corporation: preferred stock to Baa3 from Baa2;
- Transamerica Capital II: trust preferred stock rating to Baa2 from Baa1;
- Transamerica Capital III: trust preferred stock rating to Baa2 from Baa1;
- Transamerica Finance Corporation: guaranteed (by Aegon N.V.) senior unsecured debt to A3 from A2.
- Commonwealth General Corporation: guaranteed (by AEGON N.V.) senior unsecured debt (MTN program) to A3 from A2;
- Transamerica Life Insurance Company: long-term insurance financial strength rating to A1 from Aa3;
- Transamerica Financial Life Insurance Company: long-term insurance financial strength rating to A1 from Aa3;
- Stonebridge Life Insurance Company: insurance financial strength rating to A1 from Aa3;
- Merrill Lynch Life Insurance Company: insurance financial strength rating to A1 from Aa3;
- ML Life Insurance Company of New York: insurance financial strength rating to A1 from Aa3;
- Western Reserve Life Assurance Co of Ohio: insurance financial strength rating to A1 from Aa3;
- Monumental Life Insurance Company: long-term insurance financial strength rating to A1 from Aa3;
- Monumental Global Funding Limited: long-term secured program rating to A1 from Aa3;
- Monumental Global Funding II: long-term secured program rating to A1 from Aa3;
- Monumental Global Funding III: long-term secured program rating to A1 from Aa3;

The following ratings were downgraded:

- AEGON N.V.: short-term rating for commercial paper to Prime-2 from Prime-1;
- AEGON Funding Company, LLC: short-term rating for commercial paper to Prime-2 from Prime-1.

The following ratings were affirmed:

- Transamerica Life Insurance Company: short-term insurance financial strength rating at Prime-1;
- Transamerica Financial Life Insurance Company: short-term insurance financial strength rating at Prime-1;

- Monumental Life Insurance Company: short-term insurance financial strength rating at Prime-1;

- Monumental Global Funding III: short-term secured program rating at Prime-1.

The last rating action on AEGON N.V. took place on 29 October 2008, when Moody's affirmed the A2 senior debt rating of AEGON N.V. and the Aa3 insurance financial strength ratings of AEGON USA and revised the outlook on all ratings to negative from stable. .

The principal methodologies used in rating the issuers covered by this press release are "Moody's Global Rating Methodology for Life Insurers", "Moody's Global Rating Methodology for Property and Casualty Insurers", which can be found at [www.moody's.com](http://www.moody's.com) in the Credit Policy & Methodologies directory, in the Rating Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Credit Policy & Methodologies directory.

Based in The Hague, Aegon N.V. had total assets amounting to €296 billion at end-June 2008 (YE 2007: €314 billion) and reported a net profit of €429 million for the 6 months ending June 2008 (end-June 2007: €1,362 million).

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