

AEGON Global Institutional Markets Plc.

Structured Investment Vehicle / Structured Covered Bonds / Ireland

Closing Date

7 November 2005

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DEFINITIVE RATING

Programme	Rating	Maximum Size	Minimum Maturity
Secured EMTN	Aa1/P-1	Euro 3,000,000,000	12 Months

The rating of the Secured Euro Medium Term Note programme addresses the expected loss posed to investors by the legal final maturity date of the notes issued under the programme. In Moody's opinion the programme allows for timely payment of interest and timely payment of principal at par on or before the maturity date of notes issued under the programme. Moody's ratings address only the credit risk associated with the above programme. Other risks have not been addressed, but may have a significant effect on yield to investors.

OPINION

Strengths of the Programme

- Strong support from the AEGON group of companies
- Diversified investment grade asset portfolio
- Limit compliance and minimum capital adequacy requirements
- Solid systems and experienced personnel
- Rigorous reporting, operating policies and procedures

Weaknesses and Mitigants

- Asset-liability maturity mismatch of up to 2 years. This refinancing/liquidation risk is mitigated through liquidity/capital support and re-insurance agreements provided by various members of the AEGON group of companies, and liquidation of the asset portfolio if necessary.
- Market risk resulting from the ability to purchase some fixed rate or non-dollar assets and the issuance of some non-dollar liabilities. Risks mitigated by the hedging of all non-dollar and most fixed rate cashflows, and the sizing of capital adequacy to account for any hedging mismatches. Also, interest rate duration limits and swap collateralisation and replacement triggers are in place.
- Up to 20% of the portfolio may be invested in non-Moody's rated Whole Loan Commercial Mortgages. Risk mitigated by AEGON USA's rating system for Whole Loan Mortgages, Moody's estimated ratings of samples of AEGON USA's mortgage portfolio eligible for inclusion in the asset portfolio, and a mapping correspondence between the sponsor's system and Moody's rating scale. Furthermore, the Whole Loan Mortgages are subject to valuation by external parties prior to sale by AGIM or following credit quality deterioration.
- Up to 3% of the asset portfolio may be invested in a fund of hedge funds. Risk mitigated through a restriction of the investment to a triple zero beta (in equities, interest rates and credit) strategy, diversification requirements within this strategy, and higher capital requirements for the hedge fund subportfolio.



STRUCTURE SUMMARY *(see page 3 for more details)*

Issuer:	AEGON Global Institutional Markets Plc. (AGIM)
Structure Type:	Structured Investment Vehicle/Structured Covered Bonds
Investment Managers:	AEGON USA Investment Management LLC (AUIM) and AEGON USA Realty Advisors Inc.
Administrative Servicer:	AEGON Institutional Markets, Inc. (IMD)
Credit Enhancement:	Over-collateralisation of at least 4% in the form of equity capital maintained by AGIM (1%) and AEGON Financial Assurance Ireland Ltd. (3%)
Liquidity Facility:	A P-1 rated provider following a downgrade of AEGON N.V. below P-1 or a downgrade of AGIM below Aa3 . Alternatively, AGIM will credit a liquidity ledger with the worst 5-day net cumulative outflow over the following 12 months.
Hedging:	AEGON Derivatives N.V.
Security Trustee:	Bank of New York (Aa2/P-1)
Custodian:	Citibank N.A. (Aa1/P-1)
Financial Guarantor:	AEGON Financial Assurance Ireland Ltd. (AFA)
Tangible Net-Worth Maintenance Issuer:	AEGON N.V. (A2/P-1)
Stop-Loss Re-insurer:	AEGON Schadeverzekering N.V. (AEGON Schade)
Arranger/Lead Manager:	UBS Investment Bank (Arranger)

COLLATERAL SUMMARY *(see page 8 for more details)*

Eligible Investments Criteria:	97% or more in fixed income securities (ABS, MBS, Commercial Mortgage Loans, Corporates); 3% or less in hedge fund of funds. Rating of fixed income securities (except CMLs): Expected average of A3 at purchase Single obligor concentration: Aaa – A (3%); Baa (2%); below Baa3 (1%). Geographic concentration limits: USA (100%); Europe (50%); Rest of the World (20%) Investments must have a legal maturity of no greater than 35 years (excluding RMBS and CDOs of ABS) Asset portfolio's maximum weighted average life: 7 years Alpha-only hedge fund strategy (triple zero beta in equities, interest rates and credit)
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PROGRAMME SUMMARY

AGIM benefits from two layers of support: (1) Capital maintenance and re-insurance agreements with entities within the AEGON Group, and (2) the asset portfolio

The investment management and administrative functions have been contracted to various members of the AEGON USA group of companies

Investors in the Secured Euro Medium Term Note (EMTN) programme of AGIM benefit from a Tangible Net Worth Maintenance Agreement provided by AEGON N.V. (**A2/P-1**) and a stop-loss re-insurance agreement provided by AEGON Schadeverzekering N.V. (AEGON Schade), a Dutch non-life insurance company that is a wholly-owned subsidiary of AEGON N.V.

AEGON Global Institutional Markets Plc. is incorporated as a public limited liability company in Ireland for the purpose of investing in a diversified portfolio of eligible assets with the proceeds of the issued notes. Capital maintained by AGIM and AFA provides additional funds for investment and credit enhancement to investors in the EMTN programme.

The Financial Guarantor of notes issued under the EMTN programme, AEGON Financial Assurance Ireland Ltd. (AFA), is incorporated as a limited liability company in Ireland. AFA is a wholly owned subsidiary of a Dutch-incorporated company, AEGON Ireland Holding B.V. which in turn is a wholly owned subsidiary of AEGON International NV, itself wholly owned by AEGON N.V., both also Dutch-incorporated companies. AFA's non-life insurance license restricts its activities to financial guarantee and related contracts.

AFA's obligations are re-insured under a stop-loss re-insurance agreement with AEGON Schadeverzekering N.V. Furthermore, the Tangible Net Worth Maintenance Agreement between AFA and AEGON N.V. provides that capital at AFA will be maintained at levels equal to or exceeding 3% while AEGON N.V. is a going-concern.

In addition to the insurance and re-insurance agreements, noteholders benefit from a security interest in the portfolio of assets funded by note and capital issuance proceeds. The management and administrative functions have been contracted to various parties within the AEGON USA group of companies. Consulting and administrative services have been contracted to AEGON Institutional Markets, Inc. (AEGON USA's institutional markets division or "IMD"). The investment management functions have been contracted to (1) AEGON USA Realty Advisors Inc. (AURA) pursuant to a Realty Agreement, with respect to the management of mortgage loan assets, and (2) AEGON USA Investment Management Inc. (AUIM) pursuant to an Investment Agreement with respect to the remainder of AGIM's asset portfolio. The terms of these agreements, together with other documents, include:

- Limits on the assets which may be purchased by AGIM (see [Collateral Summary](#) and [Collateral Description](#));
- Dynamic capital tests that address the adequacy of capital supporting the rated notes (see [Moody's Analysis](#));
- Tests designed to limit and capitalise for interest rate and currency exposures (see [Hedging](#)); and
- Requirements relating to the minimum degree of liquidity support available (see [Liquidity](#)).

Breaches of limits under the various tests may trigger restrictive practices that serve to limit the addition of risk to the programme (see [Defeasance Guidelines](#)). Limit breaches may also cause the programme to enter the non-reversible Enforcement state (see [Security](#)).

Moody's ratings are based primarily upon criteria relating to over-collateralisation, hedging, liquidity, security arrangements and the expertise of various AEGON companies

Basis of Moody's Ratings

Moody's **Aa1/P-1** ratings on the Secured Euro Medium Term Note programme of AEGON Global Institutional Markets Plc. are based primarily upon:

- 1) The capital, liquidity, operational, and insurance support provided by various entities within the AEGON group of companies;
- 2) The eligibility criteria, portfolio parameters and mark-to-market procedures for assets purchased or originated by AEGON;
- 3) The minimum ongoing over-collateralisation requirement provided by the equity capital, which is calculated based on (i) the strength of the support mechanisms provided by various entities within the AEGON group of companies, and (ii) the mark-to-market value of the asset portfolio and in accordance with various factors relating to the composition of the portfolio;
- 4) Interest rate and currency hedging requirements that limit exposure to a narrow tolerance range and require the programme to hold additional capital to account for any hedging imperfections;
- 5) A pre-maturity liquidity ledger or a committed liquidity facility from a **P-1** rated bank upon loss of **P-1** by AEGON N.V., the ultimate sponsor of AGIM, or upon loss of **Aa3** by AGIM.
- 6) The expertise of AUIM, AURA and IMD in executing the various functions contracted to them;
- 7) The Defeasance Guidelines designed to protect the programme from further deterioration, and;
- 8) The Enforcement state whereby the programme is prevented from issuing further EMTNs and acts to repay its senior debt as they become due.

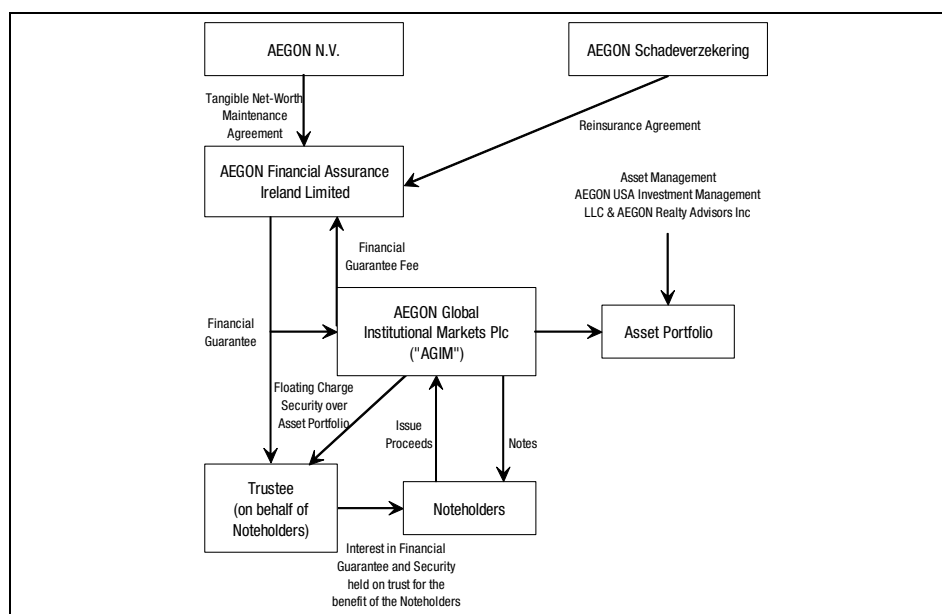
Moody's ratings address the likelihood that investors will receive payments as promised in the event of defeasance, triggered by the default of either of the insurance support providers.

AGIM possesses many characteristics in common with those of structured finance transactions and operating companies (similarly to Structured Investments Vehicles and Structured Covered Bonds)

AGIM possesses characteristics similar to those found in Structured Investment Vehicles and in Structured Covered Bond programmes owing to its operating-company characteristics and the presence of a mismatch in maturity between assets and liabilities. Many of the asset types eligible for investment by AGIM are similar to those held by SIVs. Also, in keeping with Covered Bonds, mortgage loans will be originated and serviced by AGIM's sponsor.

Moody's does not believe that pre-set criteria or risk assessment models can accurately measure or limit all of the possible risks inherent in structures of this type. In addition, breaches of certain operating limits within the structure do not directly trigger the enforcement of the security interests granted to investors in the rated programme. The maintenance of any given credit rating is therefore dependent upon the strength of support provided by insurance agreements, the management of the company, and the actual portfolio of assets and liabilities and the observance of the various limits and tests established within the structure. In this regard Moody's intends to review the management strategy and will monitor the credit quality of support providers and the likelihood of a breach of portfolio limits and tests. The commitment of AEGON N.V. and members of the AEGON group to providing capital, liquidity, and operational support to AGIM is a crucial anchor for the maintenance of the **Aa1/P-1** ratings assigned to the EMTN programme.

Structure Diagram



The Support Agreements

The Tangible Net Worth Maintenance Agreement

The Tangible Net Worth Maintenance Agreement ensures that capital at AFA (the Financial Guarantor of AGIM) is maintained at 3% or greater

Under the Tangible Net Worth Agreement between AEGON N.V. and AEGON Financial Assurance Ireland Limited, AEGON N.V. agrees to cause AFA to maintain a tangible net worth of at least 3% of its total liabilities under financial guaranty policies which it issues (up to a maximum outstanding of EUR 3 billion).

Tangible Net Worth is defined as the sum of (i) the paid up share capital of AFA, (ii) capital contributions made to AFA, and (iii) any retained profit or loss. Tangible Net Worth will be determined within 45 calendar days following the end of each calendar quarter, and AEGON N.V. will inject capital in cash in an amount sufficient to restore Tangible Net Worth to at least 3%, after taking into account any contingent payments that may be made by AFA to AEGON Schade under the stop-loss re-insurance agreement. Capital will also be monitored on a net asset value basis and replenished as and when required for the maintenance of the then current rating of the EMTN programme.

The Re-insurance Agreement

Interest and principal on the notes are guaranteed by AFA, which in turn re-insures its obligations with AEGON Schade. Furthermore, AEGON Schade agrees to cause capital at AFA to be no less than 1% of outstanding EMTNs

Under the Re-insurance Agreement between AEGON Schade (in its capacity as the reinsurer) and AFA, AEGON Schade agrees to reimburse AFA for claims (made against AFA by AGIM on insurance policies) up to an amount and in the manner as follows:

1. Immediately upon the notification of a claim by AGIM to AFA, AFA will notify AEGON Schade and advise AEGON Schade that a payment is due under the re-insurance agreement.
2. Within one business day of the notification, AEGON Schade will pay AFA a cash amount sufficient to restore the capital of AFA to the re-insurance threshold of 1% of the principal balance of AFA's obligations under all its re-insurance policies with AGIM.
3. All insurance policies issued by AFA with a final term of 5 years and 1 month or less will be covered by the agreement, subject to a maximum outstanding principal balance of Euro 3 billion.
4. AFA will not issue or agree to issue any insurance policy with a term greater than 5 years and 1 month without the prior written approval of AEGON Schade, and AFA will not issue or agree to issue any insurance policy that is not covered by the re-insurance agreement.
5. Prior to the issuance of an insurance policy, AFA must maintain capital equal to at least 3% of the principal balance of its obligations, including the proposed issuance of the new insurance policy; no dividends payments may be made unless the remaining capital amount would equal at least 3% of the principal balance of the EMTNs; and the Tangible Net Worth Agreement must be in full force and effect prior to issuance of any new policies by AFA.

The Re-insurance Premium

AFA agrees to pay to AEGON Schade a quarterly re-insurance premium of 10% of the gross insurance premium received by AFA from AGIM under its insurance policies, subject to a minimum of 1.25 basis points of the principal balance outstanding at the relevant quarter-end.

Claims Under the Re-insurance Agreement

All claims settled by AFA under its insurance policies during each reporting period are binding upon AEGON Schade, and AEGON Schade shall make the claim payment within one day of the claim being made.

AFA will repay AEGON Schade if, at any time following the payment by AEGON Schade of claims under the agreement, the capital of AFA exceeds 1%. The repayment is calculated as the lower of:

1. the full amount of the payment(s) made by AEGON Schade to AFA under the agreement, or
2. an amount equal to the excess of the capital of AFA over the re-insurance threshold of 1%.

The amount reimbursed by AFA will accrue interest at Euribor plus 200 basis points from the date the claim was paid to the date that the amount is settled by AFA.

The re-insurance and Tangible Net Worth Maintenance Agreements are bilateral agreements between AGIM and AFA, and third party beneficiary rights are not provided under the agreements. AGIM and AFA have agreed to continue to maintain and enforce these contracts unless substitute arrangements render them unnecessary to maintain the then current ratings of the EMTN programme, subject to rating agency consultation.

Hedging

AGIM must maintain neutrality to FX and interest rate risks, and provide additional capital for any hedging mismatches

AGIM is obliged to enter into eligible hedge contracts so as to limit its sensitivity to variations in interest rates and foreign exchange (FX) rates.

1. Delta Risk, measured by applying upward and downward shifts of 1 basis point at a range of specified points on the yield curve, enables AGIM to estimate its “DVO1” or dollar value of a basis point. Additional capital is held against the programme’s interest rate value at risk, and the modified duration mismatch is limited to 0.5 years in normal operations and as close to zero as possible in defeasance.
2. Gamma Risk, measured by parallel yield curve shifts ranging from -250 basis points (with a floor of zero) to 250 basis points, at intervals of 50 basis points, enables AGIM to measure and limit sensitivity to interest rate convexity risk.
3. Currency Test: a shift of any eligible currency to the Euro by 1% and 10% must not result in a change in net asset value of greater than 2 basis points and 20 basis points, respectively.

Hedging agreements may include swaps, options and FX contracts. Counterparties to these contracts must be either approved exchanges or **P-1** rated financial institutions, with AEGON Derivatives N.V. as the intermediary. Hedging is conducted by matching the cashflows of individual assets and liabilities, in addition to the analysis of the portfolio as a whole.

Liquidity

Liquidity risk is addressed through support by AEGON

The agreements discussed above constitute a first layer of liquidity support for investors in the EMTN programme of AGIM. Liquidity support will also be provided by various entities or short-term debt issuance programmes within AEGON USA.

Pre-Maturity Test

and, under certain circumstances, through committed liquidity or a pre-maturity ledger. Compliance with NCO limits using both committed and asset-based liquidity may also be required

The Pre-Maturity Test further mitigates the risk that AGIM may not have the funds available to redeem the notes when they become due. Under the test, upon loss of **P-1** by AEGON N.V. or loss of **Aa3** by the EMTN programme, AGIM will obtain a committed liquidity facility from a **P-1** rated entity sufficient to cover the worst 5-day Net Cumulative Outflow (NCO) over the following 12 months. AGIM has the option to credit a Pre-Maturity Liquidity Ledger with an amount sufficient to repay the worst 1-day or 5-day NCO (whichever is higher) over the following 12 months.

The 10-, 15-, and 30-day NCO tests will also apply if AGIM fails the Pre-Maturity Test. Any additional liquidity thus required to cover the larger cumulative net outflows will be met from the disposal of highly liquid assets held within the portfolio. The liquidity facilities will be appropriately increased if asset-based liquidity is insufficient to cover any additional liquidity requirements under 10-, 15-, or 30-day NCO tests.

The Net Cumulative Outflow for the relevant period corresponds to the difference between cash inflows from the asset portfolio and cash outflows from (i) interest and principal of the rated notes, (ii) payments to counterparties under repurchase and hedge agreements, (iii) liquidity providers and (iv) any other senior payments, including fees and expenses.

The 1-Day NCO is equal to the maximum over a 365-day forward period of each daily NCO. The 5-Day NCO is equal to the maximum five-day cumulative rolling sum of daily NCOs. Other n-Day NCOs are constructed similarly. The committed liquidity facility must be provided by a **P-1** rated bank with same-day availability, with no cancellation and limited default clauses. AGIM has 30 London business days to replace a facility provider that no longer possesses a **P-1** rating before the committed liquidity facility becomes ineligible for the purposes of the NCO tests.

Defeasance Guidelines

Failure by AGIM and AFA to maintain combined capital on a book value basis at 4% of outstanding EMTNs (other than as a result of a default of AEGON N.V. or AEGON Schade) will trigger restrictions on the issuance of new businesses by AFA and AGIM, and outstanding EMTNs will be repaid at their scheduled maturity dates until the structure returns to compliance with this test.

Owing to the support mechanisms provided by AEGON Schade and AEGON N.V., following a default of either of these companies, AGIM and AFA may go into irreversible defeasance. The following guidelines will be in force to enable AGIM to unwind the programme in an orderly manner:

Non-investment grade securities with maturities longer than the maturity of the longest-dated EMTN will be liquidated as soon as possible within 12 months, given the constraints of an orderly liquidation. Hedge fund investments will be liquidated with immediate effect within the fund liquidation guidelines, and AEGON USA will use every endeavour to hedge any residual interest rate exposures.

Notwithstanding the capital position on a book value basis, AGIM and AFA will be required to test Moody's capital adequacy requirements on a market value basis relative to the ratings assigned to the EMTN programme. A breach of the capital adequacy requirement would cause the programme to go into a restricted operating state whereby AGIM would not be able to grow the asset portfolio, but may be able to replace maturing liabilities. Similarly, AGIM may continue trading assets provided that trading activities reduce the programme's non-compliance with capital adequacy requirements.

Following a downgrade of AEGON N.V. or AEGON Schade, AGIM may

1. Substitute the support provider(s) after consultation with Moody's; or
2. Inject sufficient capital to maintain the then current ratings assigned to the EMTN programme; or
3. Operate at ratings commensurate with the ratings assigned to the downgraded support provider(s).

A default of AGIM or AFA will be considered a note event of default. Following such default, the Security Trustee will enforce the security interest as directed in the Trust and Security deeds. Outstanding EMTNs will be accelerated in enforcement and the Security Trustee will appoint an appropriate manager to liquidate the assets and repay EMTN investors.

Defeasance guidelines are designed to prevent addition of risk to the structure in a period of stress; they also permit orderly "wind-down" of the structure following irreversible defeasance or enforcement

The Security Trust Deed grants a security interest in AGIM's assets to the trustee for the benefit of EMTN investors. The insurance contracts form part of the trust

Security

Pursuant to the Trust Deed between AGIM, AFA and the Security Trustee, a trust is created for the benefit of the EMTN investors. The guarantee provided by AFA forms part of the trust. The Net Worth Maintenance Agreement and the Re-insurance Agreement may be terminated if AFA replaces the respective support providers with similarly rated entities, subject to rating agency consultation.

Pursuant to the Security Deed, AGIM grants a security interest in the company's assets to the Security Trustee for the benefit of investors under the EMTN programme, including derivative counterparties.

Enforcement Events include:

- Failure to pay any amounts when due to EMTN investors;
- Failure to pay amounts to certain senior counterparties when due (e.g., derivative counterparties);
- Bankruptcy or insolvency of AGIM or AFA;
- Failure of the insolvency test, which measures the ability of AGIM to meet the expected future payments under EMTNs. This may trigger acceleration of all of AGIM's liabilities.

The Security Deed is supplemental to the Trust Deed, and creates a floating charge over all the assets in the trust for the benefit of the Security Trustee on behalf of the noteholders and other secured creditors (trustee, dealers and paying agents).

The Security Trustee will enforce the collateral following the occurrence of an Enforcement Event and will liquidate assets to repay liabilities and expenses in accordance with the payment waterfall as follows:

1. *Pro rata* (i) unpaid remuneration of the trustee and all fees, costs, liabilities and other expenses of the trustee, and (ii) unpaid remuneration, costs, liabilities and other expenses of any Receiver appointed by the Security Trustee pursuant to the Trust Deed;
2. Unpaid remuneration of agents and all fees, costs, liabilities and other expenses of agents;
3. Principal Paying Agent or if so instructed by the Trustee:
 - a) Note interest due;
 - b) Amounts of accrued interest due and payable upon an early repayment, prepayment, or acceleration of the notes;
 - c) Principal due under the notes; and
 - d) An amount equal to all other amounts due to noteholders (including any principal due upon an early repayment or acceleration of the notes);
4. Financial Guarantor, until the Financial Guarantor has received all amounts then due and payable to it as reimbursement of amounts paid by it under the Re-insurance Agreement;
5. All fees and interest due or overdue under the programme documents; and
6. Any surplus to AGIM.

COLLATERAL DESCRIPTION

AGIM's portfolio will comprise asset classes ranging from ABS to CMLs and a Hedge Fund of Funds

AGIM may purchase only investments that satisfy the investment guidelines. Portfolio securities must be Cash Balances, Corporate Bonds (including notes, debentures and other evidences of indebtedness), Commercial Mortgage Backed Securities, Asset Backed Securities and Commercial Mortgage Obligations, Private Limited Partnerships (including investments in a hedge fund of funds), Mortgage Backed Securities, Commercial Mortgage Loans, and Hedging Transactions. The target quality of the fixed income part of the portfolio is **A3** at purchase. Corporate bonds rated below investment grade will not exceed 10% of the portfolio, and private placements (including 144A) securities will not exceed 40% of the portfolio.

A mapping correspondence has been established for CMLs and is subject to regular updates

Hedge funds follow the less risky zero beta strategy, with diversification requirements within and across styles

Further portfolio limits govern single obligor concentrations, exposures to particular sectors, portfolio weighted average life, and programme leverage

Commercial Mortgage Whole Loan Portfolio

Up to 20% of the portfolio may be invested in non-Moody's rated Whole Loan Commercial Mortgages ("CMLs"). AEGON USA maintains a rating system for CMLs. Moody's performed ratings estimates of a selection of mortgages eligible for inclusion in AGIM's portfolio, establishing in the process, a mapping correspondence between AEGON's internal rating system and Moody's rating scale. Moody's will update the mapping annually in order to validate the correspondence. The CMLs will be marked to market on a monthly basis by AEGON USA, and external pricing sources will be used for loans that are delinquent by 90 days or more. Furthermore, the sale prices of all loans sold by AGIM will be confirmed by an independent third party.

Hedge Fund Portfolio

AGIM will invest up to 3% of its asset portfolio in a fund of hedge funds, managed by Prisma Capital Partners LP (Prisma), an alternative asset management firm of which AEGON USA is a founding member. Prisma manages the investments in its capacity as an agent of the Investment Manager (AUIM).

Prisma will manage AGIM's hedge fund investments under an Alpha strategy whereby sensitivity to equities, interest rates, and credit as measured by the fund's beta will be zero. The Alpha strategy is similar to the investment strategy employed by AUIM for over 10 years (prior to the establishment of Prisma).

Each fund in which Prisma invests will be classified into one of the following strategies: Convertible Bond Arbitrage, Long-Short Equity, Equity Market Neutral, Global Macro, Fixed Income Arbitrage, Event-Driven Investing, Managed Futures, or Short Bias. These strategies are explained in Moody's rating approach to Collateralized Funds of Hedge Fund Obligations (see [Related Research](#)). Diversification requirements are in force to ensure that the investment styles are adequately represented in the portfolio, both within and across funds.

Additional Portfolio Limits

AGIM is subject to further restrictions governing the composition of its portfolio as detailed below. AUIM, acting on behalf of AGIM under the Management Agreement, may not:

- Purchase the securities of any non-governmental issuer if, as a result, more than 10% of the total assets of the portfolio would be invested in the securities of the issuer. This restriction does not apply to cash balances in Money Market Funds (which must be rated **Aaa/MR1+**).
- Invest more than 25% of the portfolio, measured at the time of investment, in a single industry. For the purpose of this restriction, each of MBS, ABS and CMO do not constitute an industry.
- Borrow money on behalf of AGIM, except on a short-term basis for daily cash management purposes.
- Invest more than 5% of assets originated in Non-OECD countries. Outside the United States, assets originated in a single country may not be more than 20% of the portfolio.
- Invest in real estate-backed securities outside OECD countries.

Obligations issued or guaranteed by any single issuer or issuer group may not exceed the following percentages:

Rating	Limit (%)
Aaa-A3	3
Baa	2
Below Baa3	1

Furthermore, the following limits will apply:

Rating	Limit (%)
Overall	3
Largest Aaa	3
Sum of two largest Aa or lower	6
Sum of three largest A or lower	9
Sum of five largest Baa or lower	8

Investments which cease to be eligible under the above criteria may be retained by AGIM, although the excess over the relevant limit shall be assigned a zero value for capital monitoring purposes.

In addition, operating limits govern:

1. AGIM's exposure to particular asset sectors and sub-sectors; and
2. The weighted average life and maximum leverage of the portfolio.

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

The sponsor, investment manager, and administrative servicer play key roles in a structure such as AGIM

Moody's believes that the roles of sponsor, investment manager, and administrative servicer are key elements of the strength of a structure such as AGIM. These roles are performed by various members of the AEGON group of companies. AEGON's responsibilities through its subsidiaries include evaluating investment opportunities, arranging funding and hedging on an ongoing basis, conducting asset and liability valuations, settling transactions, arranging liquidity facilities and controlling and reporting on the various risk parameters within the structure. Many of these are conducted on a daily basis. These obligations are considerably greater than those performed by the servicer in most structured transactions, in terms of the range and complexity of ongoing activities, and the degree of permitted discretion. Moody's believes that the existence of entities within AEGON with dedicated staff and IT systems is a source of strength to the structure.

AEGON USA's various functions, its systems, personnel, risk measurement and management techniques, reporting, back-up procedures and business continuity planning all provide crucial elements of support to AGIM

Moody's analysis of AGIM relies on the provision of additional credit enhancement by AEGON entities under the insurance agreements. Furthermore, the wider technical and human resources of the AEGON group provide crucial elements of strength to the programme. These include: (1) the possibility of additional support for the investment management and funding functions in the event of an exceptional increase in workload, or the loss of key staff; (2) the independent reporting line of the settlements function (which also produces external reports and verifies certain information) from the management of IMD; (3) the role of AEGON USA's internal audit process in independently evaluating control procedures, operating practices and risk reports on a periodic basis; (4) the use of various AEGON USA valuation and risk measurement methodologies; (5) high quality systems that track trades and interest rate and currency risks, together with procedures to ensure the adequate testing of new developments; (6) the availability of alternative premises and back-up computer and dealing systems; and, (7) the counterparty relationships of the AEGON group of companies.

MOODY'S ANALYSIS

Moody's analysis of the programme considers all the key risk factors affecting structures of this type. In addition, risks resulting from the hedge fund subportfolio are assessed and capitalised separately

AGIM will test the sufficiency of available capital on an ongoing basis. Factors which may increase capital requirements include:

1. The existence of lower rated assets or hedging counterparties within the portfolio (whether at the time the transaction is entered into or through subsequent downgrades);
2. Longer maturity assets or hedging exposures;
3. Reduced portfolio diversification; and
4. Greater liquidation or refinancing risk through an increased asset-liability maturity mismatch.

Capital adequacy requirements for the hedge fund subportfolio, comparatively higher than for the remainder of the portfolio, are sized following Moody's rating methodology for Collateralized Funds of Hedge Fund Obligations (see [Related Research](#)). The resulting capital requirement is added to the capital requirement sized from the remainder of the portfolio in order to obtain the overall capital requirement.

RATING SENSITIVITIES AND MONITORING

The ratings of all support providers as well as capital adequacy requirements will be subject to ongoing monitoring to ensure that the programme continues to perform as expected. Moody's will publicly announce any rating action affecting the EMTNs

Moody's believes that the three most likely sources of rating sensitivity for the EMTNs are the credit strength of AEGON N.V., AEGON Schade and the quality of the asset portfolio supporting the EMTNs. Provided that AEGON N.V. is rated **P-1** and **A2** or higher, AEGON Schade maintains its credit quality, the eligibility criteria are met with respect to the asset portfolio, and AGIM continues to meet its contractual obligations, the probability that the ratings assigned to the EMTN programme would be downgraded is remote. The linkage to the rating of AEGON N.V. will depend in part on the ability to monetise the assets in AGIM's portfolio in the economic climate following AEGON N.V.'s default. In wind-down or defeasance, assets will be liquidated as EMTNs fall due provided that the programme remains solvent. Insolvency forces acceleration of the EMTN and there can be no assurance that proceeds of any ensuing accelerated asset sales will be sufficient to repay the EMTNs in full. Deterioration of the assets in AGIM's portfolio may also place downward pressure on the rating of the EMTNs. Moody's analysis has been designed to suggest new levels of over-collateralisation through capital injection by AEGON N.V. should the portfolio quality fall below levels required to maintain the **Aa1/P-1** ratings assigned to the EMTN programme. The programme will enter into a restricted operating state in order to prevent deterioration of the asset portfolio and reduce risk inherent in the structure following asset quality deterioration. Moody's will monitor the programme on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing the assets on an ongoing basis. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

For a more detailed explanation of Moody's approach to this type of programme please refer to the following reports:

- Credit Opinion: AEGON N.V., Global Credit Research, March 2005
- Credit Opinion: AEGON Group, US Operations, August 2005
- AEGON Group, U.S. Operations, Moody's Analysis, December 2004
- An Introduction to Structured Investment Vehicles, Special Report, January 2002
- Structured Investment Vehicles – Recent Developments, Special Report, January 2003
- The Moody's Capital Model, Rating Methodology, January 2004
- Introduction to SIV Performance Overviews, Special Report, January 2004
- Moody's Review of SIV Capital Note Ratings, Special Report, May 2005
- European Structured Covered Bonds: Moody's Rating Approach, Rating Methodology, April 2003
- Moody's Rating Approach to European Covered Bonds, Rating Methodology, May 2005
- Moody's Approach to Rating Collateralized Funds of Hedge Fund Obligations, Special Report, July 2003

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