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RESEARCH

Presale:

AEGON Bank N.V. Covered Bond Programme

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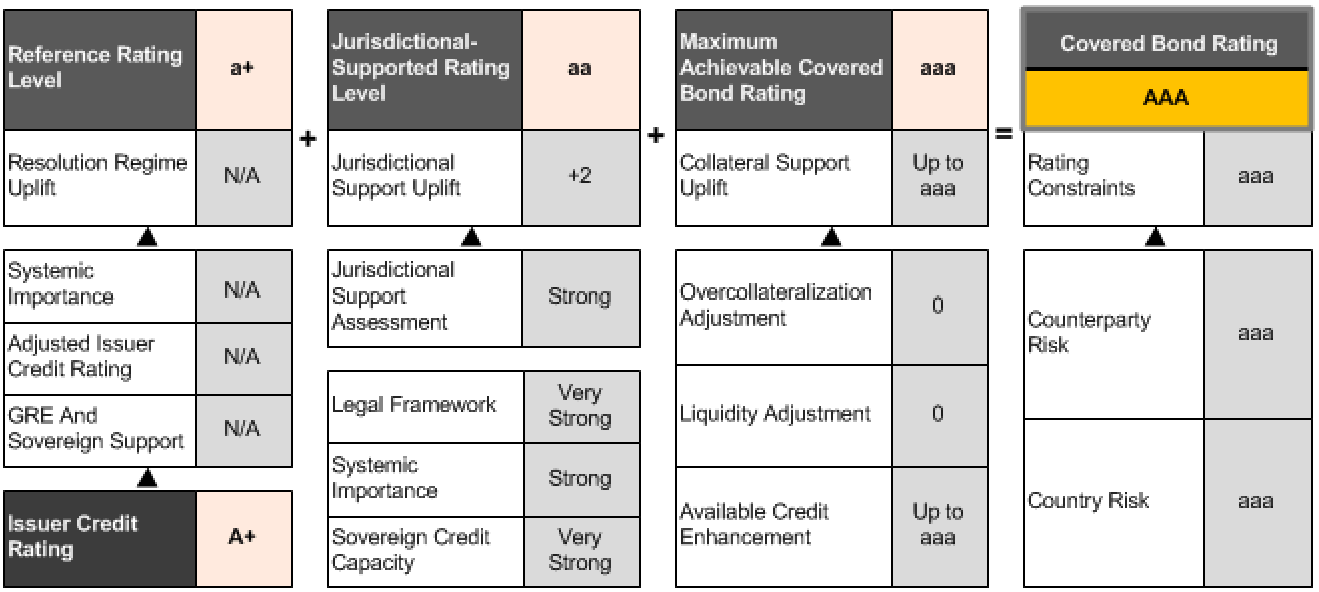
Presale:

AEGON Bank N.V. Covered Bond Programme

€5 Billion Conditional Pass-Through Covered Bond Program

This presale report is based on information as of Nov. 17, 2015. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.



N/A--Not applicable.

Major Rating Factors

Strengths

- Potential mismatches between the assets and liabilities are structurally mitigated, allowing us to delink the covered bond rating from the long-term issuer credit rating (ICR).
- The contractual credit enhancement exceeds the credit enhancement required at a 'AAA' rating level.
- 64.3% of the loans benefit from payments made by the Dutch "Homeownership Guarantee Fund", under the Nationale Hypotheek Garantie (NHG) guarantee scheme to reduce the foreclosure losses.

Weaknesses

- The structure does not benefit from an interest rate swap.
- Cash belonging to the special-purpose entity (SPE) is mixed with cash belonging to the issuer and could be lost if AEGON Bank becomes insolvent.
- The pool has a percentage of construction loans, which introduce credit and set-off risks in the program. The asset

cover test (ACT) partially mitigates these risks.
- The provisional cover pool comprises mortgage loans with no maturity dates or with remaining maturities beyond 30 years. The ACT partially mitigates this risk.

Rationale

Standard & Poor's Ratings Services has assigned its preliminary 'AAA' credit rating to AEGON Bank N.V.'s (AEGON Bank) conditional pass-through covered bond program and its inaugural public issuance (see "Dutch AEGON's Conditional Pass-Through Covered Bond Programme And First Issuance Assigned Preliminary 'AAA' Rating").

Our covered bond ratings process follows the methodology and assumptions outlined in our "Covered Bonds Criteria," published on Dec. 9, 2014, and "Covered Bond Ratings Framework: Methodology And Assumptions," published on June 30, 2015.

We consider that the transaction documents, together with the Dutch legal and regulatory framework, will effectively isolate the cover pool assets for the benefit of the covered bondholders. This asset isolation allows us to assign a higher rating to the covered bonds than our long-term ICR.

We conducted a review of AEGON Bank's mortgage operations, which we view as prudent. We believe satisfactory procedures are in place to support our ratings on the covered bonds.

AEGON Bank is domiciled in The Netherlands, which is subject to the EU's Bank Recovery and Resolution Directive (BRRD). We consider that mortgage covered bonds have a strong systemic importance to The Netherlands. These factors increase the likelihood that AEGON Bank would continue servicing its covered bonds without accessing the cover pool or receiving jurisdictional support, even following a bail-in of its senior unsecured obligations. Under our covered bonds criteria, we assess the reference rating level (RRL) as 'a+'.

We considered the likelihood for the provision of jurisdictional support. Based on a "strong" jurisdictional support assessment for mortgage programs in The Netherlands, we assigned two notches of uplift from the RRL. Therefore we assess the jurisdiction-supported rating level (JRL) as 'aa'.

The program can switch the bullet payment obligation into a pass-through payment in the event of an issuer bankruptcy and materialization of certain additional trigger events, allowing us to delink the ratings on the covered bonds from the JRL. The JRL constitutes a floor to our ratings, but the potential uplift granted by our analysis of the collateral support could exceed the four notches that we would grant to programs that are exposed to asset-liability mismatch risk.

We have reviewed the asset information provided as of Oct. 31, 2015. The provisional portfolio comprises solely Dutch residential mortgage loans. Based on our cash flow analysis, we believe that the available credit enhancement exceeds the required credit enhancement for a 'AAA' rating.

There are currently no rating constraints to the 'AAA' preliminary ratings relating to counterparty or country risks. We do not assign outlooks for ratings on programs whose creditworthiness we believe does not depend on that of the issuing bank.

We have based our analysis on criteria articles referenced in the "Related Criteria" section.

Potential Effects Of Proposed Criteria Changes

Our ratings are based on our applicable criteria, including those set out in the criteria article "Dutch RMBS Market Overview And Criteria," published on Dec. 16, 2005. However, please note that these criteria are under review, although we generally do not expect the proposed criteria to impact our ratings on Dutch residential mortgage covered bonds (see "Request For Comment: Dutch RMBS Methodology And Assumptions," published on June 12, 2015).

However, our future criteria applicable to rating covered bonds may differ from our current criteria. Until such time that we adopt new criteria, we will continue to rate and surveil these covered bonds using our existing criteria (see "Related Criteria").

Program Description

Table 1

Program Overview*	
Jurisdiction	The Netherlands
Year of first issuance	2015
Covered bond type	Structured§
Outstanding covered bonds (mil. €)	Up to 750
Redemption profile	Conditional pass-through
Underlying assets	Residential mortgages
Jurisdictional support uplift	2
Unused notches for jurisdictional support	0
Target credit enhancement (%)	2.5
Available credit enhancement (%)†	20.49
Collateral support uplift	2
Unused notches for collateral support	N/A
Total unused notches	N/A

*Based on data as of Oct. 31, 2015. §A covered bond law in The Netherlands governs the program, together with the program's documentation. †Assuming a €750 million first issuance. N/A--Not applicable. N/A--Not applicable.

The mortgage covered bonds issued by AEGON Bank's conditional pass-through covered bond program will constitute senior unsecured unsubordinated obligations of AEGON Bank.

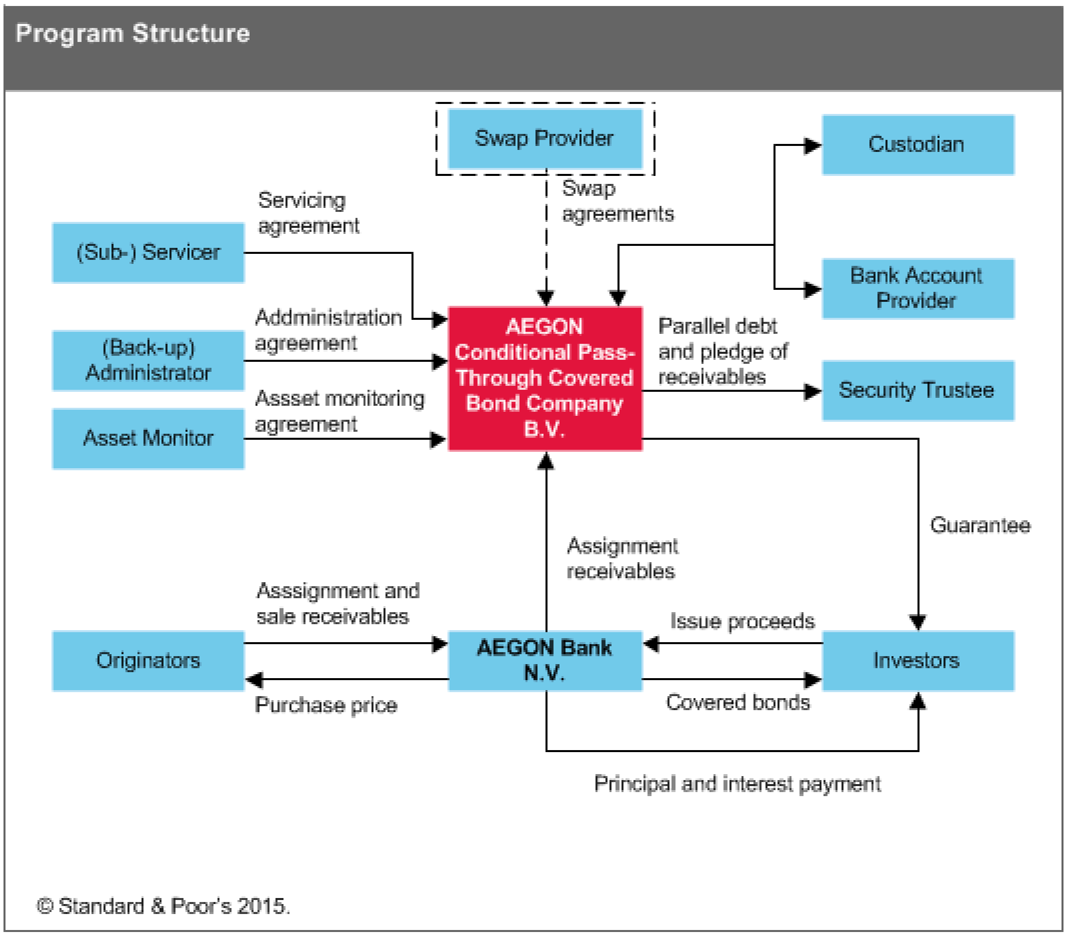
If AEGON Bank is unable to pay the outstanding covered bonds, the AEGON Conditional Pass-Through Covered Bond Company B.V. (CBC) will guarantee payments on the bonds.

The CBC is a bankruptcy-remote SPE with the mandate to manage the mortgage receivables in the cover pool and to guarantee payment of the covered bonds to the noteholders. In order to enable the CBC to guarantee payments on the covered bonds, AEGON Bank will assign the cover pool assets to the SPE and further assignments may take place regularly.

Borrowers will make their payments to their respective bank accounts in the originators' name. Following the insolvency of AEGON Levensverzekering N.V. and/or AEGON Hypotheken B.V., the borrowers will only repay their mortgage loans to a bank account in the issuer's name. Furthermore, following the insolvency of the issuer, borrowers will have to repay their mortgage loans into the CBC account. Therefore, the program is exposed to commingling risk because cash belonging to the CBC could be mixed with cash belonging to the issuer and could be lost if AEGON Bank becomes insolvent. We took this risk into account in our analysis by assuming that two months of collections are lost.

At closing, the CBC will not enter into an interest rate swap agreement to mitigate interest rate risk. Such risk is partially mitigated by the fact that the bond pays a fixed interest rate and by the fact that the servicer is contractually obliged to offer a reset rate that is at least equal to 1%. Moreover, the program documentation allows the CBC to enter into a portfolio or interest rate swap after closing.

Chart 1



AEGON Bank will pay interest and principal on each series of covered bonds on the respective scheduled payment dates. The program is structured in such a way that, following an issuer bankruptcy and upon certain trigger events materializing, the redemption of the notes will switch to pass-through and the scheduled maturity date of the covered bond will become extended to the legal final maturity date. In "pass-through mode" the covered bond will continue to pay timely interest and the legal final maturity date is 32 years after the scheduled maturity date.

The covered bonds will switch to pass-through if either of two events materialize: First, if AEGON Bank has defaulted on its obligations and the CBC does not have sufficient funds available and is not able to sell or refinance sufficient assets to redeem a maturing covered bond; or if AEGON Bank has defaulted, the CBC guarantee is in place, but the requirements under the amortization test are not met.

The possibility to extend the scheduled maturity date, as well as to switch the bullet payment obligation into a pass-through payment, allows us to delink the rating on the covered bond from the rating on the issuer.

The JRL constitutes a floor to our rating, but the potential uplift granted by analysis of the collateral support could exceed the four notches that we would grant to programs that are exposed to asset-liability mismatch risk.

Two tests control that the overcollateralization does not decrease below a minimum predetermined level. Prior to issuer insolvency, the monthly ACT monitors the level of credit enhancement. If this falls below the minimum commitment, the issuer will undertake its best efforts to assign additional collateral to the CBC to ensure that the ACT is met by the next monthly evaluation. Such a breach will prevent the issuer from issuing new covered bonds. Moreover, if the failure to assign sufficient collateral by the following month continues, the funds will be redirected into the CBC account and will not be paid back to the issuer until the breach is cured.

The asset percentage included in the ACT will determine the maximum amount of covered bonds that AEGON Bank will be able to issue. It has been set at 93% and is applied on the net current balance of the mortgage loans in the cover pool after deducting various risks such us set-off or deteriorating pool performance. Furthermore, the ACT will also be satisfied if there is at least 10% overcollateralization available to the program calculated over the gross current pool balance of the mortgage loans.

After issuer bankruptcy the monthly amortization test determines if there is at least 10% overcollateralization available to the program. If the amortization test is breached, all covered bonds will become pass-through covered bonds and the CBC will be required to use all funds available to redeem all covered bonds pro rata.

In order to redeem the covered bonds after issuer bankruptcy, the CBC will use its best efforts to sell randomly selected parts of the cover pool. However, this sale or refinance and subsequent redemption of the respective bonds cannot deteriorate the amortization test. If the CBC is not able to sell the partial portfolio for the amount required, the relevant series will be redeemed if funds are available.

The CBC maintains a reserve account, of which the minimum amount is the higher of the liquidity reserve required amount and the reserve account required amount. The liquidity reserve required amount is the sum of interest payments falling due in the following six months. The reserve account required amount is the higher of (i) the sum of interest payments falling due in the following three months, and (ii) the aggregate of the accrued interest for all series since the last interest payment date of each respective series, plus the sum of 0.045% of the outstanding covered bonds and €30,000. The CBC may use the reserve account on every day from, and including, the date on which the guarantee is valid.

Table 2

Program Participants

Role	Name	Rating	Rating dependency
Issuer	AEGON Bank N.V.	A+/Stable/A-1	No
Guarantor	AEGON Conditional Pass-Through Covered Bond Company B.V.	NR	N/A
Arranger	The Royal Bank of Scotland PLC	BBB+/Stable/A-2	No
Collection account provider	AEGON Nederland N.V.	NR	N/A
Collection account provider	ABN AMRO Bank N.V.	A/Negative/A-1	No
CBC bank account provider	Bank Nederlandse Gemeenten N.V.	AA+/Positive/A-1+	Yes
Trustee	Stichting Security Trustee AEGON Conditional Pass-Through Covered Bond Company	NR	N/A
Servicer	AEGON Bank N.V.*	A+/Stable/A-1	No
Servicer	AEGON Levensverzekering N.V.	AA-/Stable	No
Servicer	AEGON Hypotheken B.V.*	NR	N/A
Asset monitor	PricewaterhouseCoopers Accountants N.V.	NR	N/A
Principal paying agent	Citibank, N.A., London Branch	A/Watch Pos/A-1§	No

*Subcontracted to AEGON Levensverzekering N.V. §Rating derived from the parent. NR--Not rated. N/A--Not applicable.

Rating Analysis

Legal and regulatory risks

We base our legal analysis on our "Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," criteria, published on Sept. 13, 2013, and our covered bond ratings framework.

The covered bonds are governed by the Dutch covered bond framework. The Dutch general framework is principle-based and was introduced as secondary legislation in the Dutch Financial Supervision Act ("Wet op het financieel toezicht"). It comprises the Decree on Prudential Rules Regulation ("Besluit prudentieel toezicht Wft") and the Implementing Regulation ("Uitvoeringsregeling Wft"). In January 2015, a revised legislative framework came into force. The new legislation is incorporated into the Dutch Financial Supervision Act and introduces, among other provisions, mandatory ACTs, including a 5% minimum overcollateralization, mandatory liquidity buffer, and mandatory audits.

As is typical for structured covered bonds, the detailed provisions applicable to AEGON Bank's conditional pass-through covered bonds are established via contractual obligations.

From our analysis we have concluded that the cover pool assets are effectively isolated for the benefit of covered bondholders. This asset isolation allows us to assign a higher rating to the covered bond program than the long-term ICR on AEGON Bank.

In order to grant a security interest over its assets, the CBC and the security trustee entered into a parallel debt agreement for the benefit of the secured parties. Under this agreement, the guarantor undertakes, through parallel debt, to pay the security trustee the amounts due by it to the secured parties. It thereby creates a claim of the security trustee, which can be validly secured by the rights of pledge created by the pledge agreements.

We have examined whether we can rely on the cover pool cash flows to serve the covered bonds if the issuer becomes insolvent. In our view, this implies that two key preconditions are satisfied: First, that we can reasonably expect that the CBC would not go bankrupt; and, second, that we can be comfortable that the CBC would serve the guarantee if the issuer becomes insolvent.

We have analyzed the CBC within the framework of our SPE criteria. Standard & Poor's generally regards an entity that satisfies these criteria as sufficiently protected against both voluntary and involuntary insolvency risks. We have concluded the CBC establishment follows our SPE criteria and that we can therefore treat the CBC as a bankruptcy-remote entity in our analysis.

We have also analyzed the CBC guarantee based on our guarantee criteria (see "Guarantee Criteria--Structured Finance," published on May 7, 2013). The guarantee criteria are intended to minimize the risk that a guarantor may be excused from making a payment necessary for paying the holders of rated debt. Therefore, we would normally expect these criteria to be satisfied before giving credit to the guarantee. We have concluded that the CBC guarantee is in line with our guarantee criteria, and therefore we give benefit to the guarantee agreement in the program.

In our view, the program is exposed to commingling and set-off risks. The former because cash belonging to CBC is mixed with cash belonging to the issuer and could be lost if AEGON Bank becomes insolvent. We have stressed this risk in our cash flow model by assuming that two months of collections are lost. The latter because AEGON Bank is a deposit-taking institution and borrowers may lose their deposits if the issuer becomes insolvent. Moreover, AEGON Bank is offering saving mortgages to its clients, which exposes the cash flow payments to further set-off risks. The ACT mitigates these risks, by reducing the amount of eligible assets against which it can issue covered bonds by the potential set-off risk exposure.

Operational and administrative risks

In our opinion, there is no operational risk from the cover pool's management and loan origination that would constrain the covered bond rating to the same level as the long-term ICR.

We believe that it is highly likely that a replacement cover pool manager could be appointed if the issuer were to become insolvent. We consider The Netherlands to be an established covered bond market and we believe that the mortgage assets in AEGON Bank's provisional cover pool do not comprise product features that would materially limit the range of available replacement cover pool managers or servicers.

AEGON Nederland N.V. is one of the top five lenders in the Dutch residential mortgage market. The bank offers a wide range of financial products and services to its clients, including pensions, insurance (life and non-life), mortgage loans, savings and investment products. Its mortgage pool currently represents around 65% of the bank's asset mix. Furthermore, AEGON N.V.is one of the largest insurance companies in the United States, and ranks first in the Dutch group pensions market.

AEGON Nederland's core clients are young customers buying their first home, customers moving to another house, and customers willing to refinance or increase their current mortgage. Mortgage loan origination occurs via intermediaries, which adhere to AEGON Nederland's origination standards and requirements. AEGON Nederland offers six different types of mortgage loans: annuity, linear, interest-only, savings, life, and investment.

We view AEGON Nederland's underwriting criteria as prudent. Our view is also supported by the low level of delinquencies on AEGON Bank's mortgages.

Our analysis of operational risk follows the principles laid out in our covered bond ratings framework and "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published on Oct. 9, 2014.

Resolution regime analysis

AEGON Bank is domiciled in The Netherlands, which is subject to the EU's BRRD. We assess the systemic importance for Dutch mortgage programs as "strong" (see "Assessments For Jurisdictional Support According To Our Covered Bond Criteria," published on Dec. 22, 2014). Under our covered bonds criteria, this means the RRL can be two notches above the adjusted long-term ICR (adjusted by removing the uplift allocated to reflect extraordinary government support to the issuer). This uplift recognizes that resolution regimes like the BRRD increase the probability that an issuer could service its covered bonds even following a default on its senior unsecured obligations because the law exempts covered bonds from bail-in risk if there is a bank resolution. We consider this as an internal form of support, because the bail-in of certain creditors of the issuer does not require direct government support.

The RRL reflects our 'a+' long-term ICR on AEGON Bank.

Jurisdictional support analysis

In our jurisdictional support analysis, we assess the likelihood that a covered bond program facing stress would receive support from a government-sponsored initiative instead of from the liquidation of collateral assets in the open market.

Our assessment of the expected jurisdictional support for Dutch mortgage programs is "strong". Under our covered bonds criteria, this means that the program can receive up to two notches of jurisdictional uplift over the RRL. The JRL is therefore 'aa'.

Collateral support analysis

The provisional cover pool comprises Dutch residential mortgage loans originated by AEGON Bank, AEGON Levensverzekering and AEGON Hypotheken (see table 2). We base our analysis on loan-by-loan data as of a cut-off date of Oct. 31, 2015.

The €949 million provisional cover pool is fairly granular. It currently includes 9,863 loan parts granted to 4,861 borrowers. This balance decreases to €903.8 million after taking into account savings and construction deposits. These loans currently represent on average 92.5% of the property's reported foreclosure value, expressed as the loan-to-foreclosure value ratio (LTFV).

The provisional cover pool comprises 8.3% of mortgage loans with no maturity dates or with remaining maturities beyond 30 years. The ACT partially mitigates this risk. Furthermore, if the legal maturity of a covered bond is reached and there are no funds available to redeem such series, the CBC will try to sell the assets for an amount sufficient to fully repay such series.

Dutch property prices have fallen since 2009, but stabilized during 2014 (see "Dutch RMBS Index Report Q2 2015:

Collateral Performance Improves As The Economy Continues To Recover," published on Sept. 15, 2015). Given that almost 70% of the properties backing the loans have valuation dates between 2014 and 2015, the correction in house prices has a limited effect in the analysis of the portfolio.

After taking into account our indexation and adjustments for house price index developments, the provisional cover pool's adjusted weighted-average loan-to-value (LTV) ratio is 85.4%.

The weighted-average seasoning of the portfolio is about 2.4 years and the interest rate on 82.7% of these loans is a fixed rate, with an average reset period of about twelve years. Of the loans, 31.9% are interest only, with monthly payment intervals. All mortgages are lent on owner-occupied properties.

NHG guarantee

About 64% of the loans in the provisional cover pool are insured by an NHG guarantee. The Homeownership Guarantee Fund (Waarborgfonds Eigen Woningen; WEW) is a nonprofit private foundation. The foundation's main objectives are to promote homeownership and to improve the quality of owner–occupied dwellings. To realize these objectives, it issues NHG guarantees. The guarantees cover the loss remaining to the lender after the end of the foreclosure process for a mortgage loan of a defaulted borrower. NHG loans are granted only if certain strict conditions on both the loan and borrower are met and guarantee payment is not timely.

In our analysis, we link the WEW's creditworthiness to that of The Netherlands. We treat 85% of the obligation as paid by the Dutch sovereign. We adjusted this payout level to the observed historical payout ratios of the originators in AEGON Bank's provisional cover pool.

The below tables provide an overview on the provisional cover pool's composition.

Table 3

Cover Pool Composition

As of Oct. 31, 2015

Asset type	Value (mil. €)	Percentage of cover pool (%)
Residential*	903.8	100
Commercial	0	0
Substitute assets	0	0
Other asset type	0	0
Total	903.8	100

*Net of saving and construction deposits.

Key Credit Metrics

Table 4

As of Oct. 31, 2015

Average loan size (€)	185,919.80
Weighted-average LTV ratio (%)*	85.40
Weighted-average loan seasoning (months)§	28.61
Balance of loans in arrears (%)	0.04

Key Credit Metrics (cont.)	
Weighted-average loan to income (%)	3.45
Interest rate type (%)	82.70 fixed-rate
Construction loans (%)	16.70
Credit analysis results:	
Weighted-average foreclosure frequency (WAFF; %)	11.66
Weighted-average loss severity (WALS; %)	17.87
AAA credit risk (%)	2.50
Country averages:	
WAFF (%)	15.07
WALS (%)	31.59
AAA credit risk (%)	5.30

*Loan-to-foreclosure value adjusted for developments in the house-price index. §Seasoning refers to the elapsed loan term. LTV--Loan to value.

Table 5

Covered Pool Assets By Loan Size	
As of Oct. 31, 2015	
('000s €)	**Percentage of cover pool (%)**
0-100	4.56
100-150	15.96
150-200	26.41
200-250	23.12
250-300	14.31
300-350	6.19
350-400	2.52
Greater than 400	6.93

Table 6

LTV Ratios	
As of Oct. 31, 2015	
	Current loan-to-indexed value (%)
Below 50	6.41
50-60	5.99
60-70	8.81
70-80	12.57
80-90	13.04
90-100	24.46
Above 100	28.71
Weighted-average LTV ratio	85.40

LTV--Loan to value.

Eligibility criteria

The mortgages included in the provisional cover pool have to fulfill (among others) the following conditions:

- The loans are any of the following, or a combination of linear mortgage loans, interest-only mortgage loans, annuity mortgage loans, investment mortgage loans, savings mortgage loans, bank savings mortgage loans, life mortgage loans, and universal life mortgage loans.
- Each borrower is a private individual and a resident of The Netherlands.
- The maximum LTV ratio on loans issued after August 2011 is 104%; loans originated before this date may have a LTFV ratio of up to 130%.
- None of the borrowers is an employee of the transferor or any originator.
- The interest rate for each mortgage receivable is at least 1%.
- The borrower has paid at least the first installment on the mortgage.
- Each borrower is not in material breach of the conditions of their mortgage loan (to the best knowledge of the transferor).

We assess the credit quality of a typical residential mortgage cover pool by estimating the credit risk associated with each loan in the pool. For this program, we based this loan-level analysis on our Dutch residential mortgage-backed securities (RMBS) methodology and assumptions (see "Dutch RMBS Market Overview And Criteria", published on Dec. 16, 2005).

We then calculate the aggregate risk to assess the provisional cover pool's overall credit quality. In order to quantify the potential losses associated with the entire pool, we weight each loan's foreclosure frequency and loss severity by its percentage of the total pool balance. The product of this weighted-average foreclosure frequency (WAFF) and weighted-average loss severity (WALS) estimates the required loss protection, assuming all other factors remain unchanged.

As of Oct. 31, 2015, we estimate a WAFF of 11.66% and a WALS of 17.87%.

We based these metrics on the 'AAA' credit stresses that we applied.

The stressed defaults (WAFF) and expected loss given defaults (WALS) are lower than the average of the other Dutch covered bond programs that we rate. This is mainly due to the weighted-average LTV ratios being lower than other programs that we rate and due to the lower average loan-to-income ratio.

Our analysis of the covered bonds' payment structure shows that cash flows from the cover pool assets would be sufficient, at the given rating, to make timely payment of interest and ultimate principal to the covered bond on its legal final maturity.

The program involves no swap at closing that would mitigate the interest rate risk. We have thus taken interest rate risk into account in modeling the collateral composition in our cash flow analysis. With a weighted-average interest rate of 3.95% on the assets, the program currently benefits from relatively high excess spread. However, it is uncertain to what interest rates the mortgages in the cover pool will be reset in future. Under the transaction documents, the servicer undertakes to maintain an interest rate floor of 1% on each loan. Yet, in our view, the interest rates set by other lenders in the market may limit the servicer's ability to set interest rates at the 1% minimum level. Therefore, we have also tested scenarios where most of the borrowers refinance with another mortgage lender on the switch date and the cover pool receives less than par on the refinancing date, as borrowers may ask the servicer to compensate for costs and damages.

The program documentation allows the CBC to enter into a portfolio or interest rate swap after closing.

We also sized commingling risk in our cash flow model because a replacement framework in the program's structure does not mitigate this risk (see "Counterparty risk").

As of Nov. 17, 2015, the available credit enhancement is 20.49% (based on an assumed €750 million first covered bond issuance). The conditional pass-through structure, together with the relatively large difference between the yields of assets and liabilities, enables the program to reach the highest possible rating with a relatively low credit enhancement. We believe the target credit enhancement level sufficient to achieve the preliminary 'AAA' rating is 2.5%. Further issuances out of the program may change the current cash flow profile.

Table 7

Loan Seasoning Distribution*

As of Oct. 31, 2015

	Percentage of portfolio (%)
Less than 18 months	69.35
18-24	1.64
24-36	3.02
36-48	5.76
48-60	1.44
60-72	7.54
72-84	4.29
84-96	4.12
96-108	1.86
108-120	0.32
More than 120	0.67
Weighted-average loan seasoning (months)	28.62

*Seasoning refers to the elapsed loan term.

Table 8

Geographic Distribution Of Loan Assets

As of Oct. 31, 2015

Top five concentrations	Percentage of cover pool (%)
Zuid-Holland	21.35
Noord-Brabant	14.30
Noord-Holland	13.46
Gelderland	12.08
Utrecht	9.36
Other	29.45
Total	100.00

Table 9

Collateral Uplift Metrics	
As of Nov. 15, 2015	
Asset WAM (years)	29.02
Expected liability WAM (years)	Up to 7 (extendible by up to 32)
Available credit enhancement (%)	20.49
Required credit enhancement for first notch of collateral uplift (%)	N/A
Required credit enhancement for second notch of collateral uplift (%)	N/A
Required credit enhancement for third notch Collateral Uplift (%)	N/A
Target credit enhancement for maximum uplift (%)	2.5
Potential collateral-based uplift (notches)	Unlimited
Adjustment for liquidity (Y/N)	N
Adjustment for committed overcollateralization (Y/N)	N
Collateral support uplift (notches)	Unlimited

WAM--Weighted-average maturity. N/A--Not applicable.

Counterparty risk

We have identified several counterparty risks to which the covered bonds are exposed. However, as these are either structurally addressed in line with our current counterparty criteria or taken into account in our cash flow modeling, we believe that they do not constrain the rating from a counterparty risk perspective (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

Borrowers will make their payments to their respective bank accounts in the originators' name. Following the insolvency of AEGON Levensverzekering and/or AEGON Hypotheken, the borrowers will only repay their mortgage loans to a bank account in the issuer's name. Furthermore, following the insolvency of the issuer, borrowers will have to repay their mortgage loans into the CBC account. Therefore the program is exposed to commingling risk because cash belonging to the CBC could be mixed with cash belonging to the issuer and could be lost if AEGON Bank becomes insolvent. We took this risk into account in our analysis by assuming that two months of collections are lost.

Following a breach of the ACT and/or the insolvency of the issuer, the collections will be held by the CBC account provider, Bank Nederlandse Gemeenten N.V. The CBC account bank has committed to replace itself within 60 days if it were to lose its 'A' long-term rating. Our current counterparty criteria categorize this counterparty as "bank account" (limited), with a replacement trigger that can support up to 'AAA' rated notes.

In addition, there are various forms of set-off risk relating to deposit accounts and construction and savings deposits. The ACT addresses these risks by limiting the maximum amount of covered bonds that can be issued under the program.

Country risk

We analyze country risk according to our "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015. The program is domiciled in the EU and benefits from an extension feature that allows for a covered bond rating that is up to four notches above the sovereign rating. Given our 'AA+' long-term unsolicited rating on The Netherlands, country risk does not constrain our rating on the covered bonds.

Related Criteria And Research

Related Criteria

- Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Advance Notice Of Proposed Criteria Change: Covered Bonds Counterparty And Supporting Obligations, March 5, 2015
- Covered Bonds Criteria, Dec. 9, 2014
- Methodology For Assessing Mortgage Insurance And Similar Guarantees And Supports In Structured And Public Sector Finance And Covered Bonds, Dec. 7, 2014
- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Guarantee Criteria--Structured Finance, May 7, 2013
- Covered Bonds Counterparty And Supporting Obligations Methodology And Assumptions, May 31, 2012
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Criteria Methodology And Assumptions: Assessing The NHG Guarantee In Dutch RMBS Transactions—A Prudent Approach, June 11, 2008
- Changes To The Treatment Of Potential Set-Off Risk In The Dutch RMBS Market, Sept. 8, 2006
- Dutch RMBS Market Overview And Criteria, Dec. 16, 2005
- Cash Flow Criteria For European RMBS Transactions, Nov. 20, 2003

Related Research

- Global Covered Bond Characteristics And Rating Summary Q3 2015, Nov. 5, 2015
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