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In this document, we discuss the investment opportunity in Insured Credit. This strategy provides investors access to de-risked debt assets whilst preserving an attractive yield and return on capital and delivers an attractive investment opportunity to institutional investors.

Key facts

Investment purpose	Debt assets de-risked through the use of AA/A rated credit insurance	
Yield¹	5.1% in EUR	6month EURIBOR + 225bps
	6.6% in GBP	6month SONIA + 260bps
	6.9% in USD	6month SOFR + 267bps
Rating	AA/A	
Maturity	Up to 15 years (WAL: 5 years / Modified Duration: 2.5-5 years)	
Asset size	EUR 25 to >150 million	
Structure	Fixed or floating	
Repayment	Amortising or bullet	
UN SDGs		
Market size	EUR 100 – 150bn	
Diversification	60+ insurance companies Diverse underlying collateral	

Source Aegon AM as at April 2024.

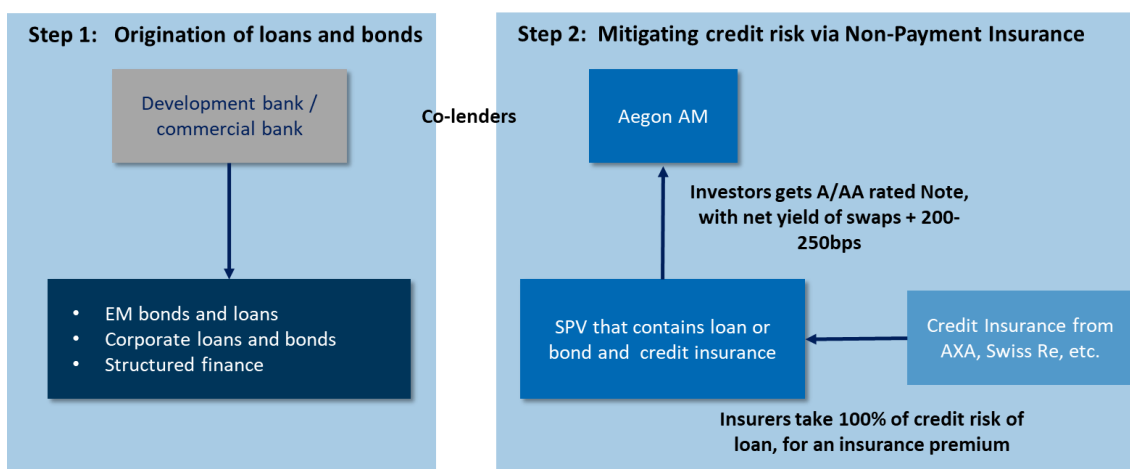
Executive summary

Insured Credit offers institutional investors a compelling investment opportunity for their portfolios for several reasons:

- **Low credit risk:** Access to de-risked alternative debt assets with double recourse. The credit risk on the underlying asset is mitigated via the use of non-payment insurance transforming assets into A/AA rated notes with double recourse: 1) debt collateral for principal & interest and 2) non-payment of collateral insured by A/AA rated insurance companies.
- **High yield pick-up¹:** Offers EUR swaps + 200-250bps, Insured Credit provides yield enhancement over core fixed income products. Thus far, the strategy has achieved pick-up of 131bps versus liquid credit.
- **Strong diversification profile:** The credit insurance market consists of 60+ insurers providing investors with a broad spectrum of exposure including counterparties not accessible through capital markets.
- **Attractive Capital Treatment²:** Provides opportunities for capital constrained investors and those looking to optimize their use of capital. The use of credit protection enables these assets to be very capital efficient.
- **Preferred allocation & yield optimisation:** Investors can select their preferred collateral allocation and optimise yield requirements depending on risk appetite and portfolio objectives.
- **ESG integration and sustainability analysis³:** The strategy is able to source assets with strong social and sustainable characteristics which are aligned to UN SDG Goals. Aegon AM performs extensive ESG and sustainability screening of collateral and insurance companies. Only ESG “neutral” or better assets can be invested in.
- **Investment Team:** Aegon AM has a strong track record with an experienced investment team with credit, structuring and (London-based) credit insurance experts.

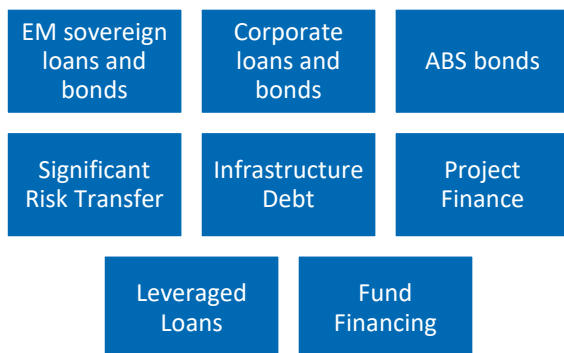
What is Insured Credit?

The aim of the strategy is to provide investors access to de-risked alternative debt assets while preserving an attractive yield and return on capital. The strategy invests in assets where the credit exposure is insured by AA or A rated insurance companies using a two-step process. First, debt assets (loans, bonds or structured finance transactions) are sourced via development and commercial banks and the underlying collateral is assessed by Aegon AM's team of credit, ESG and insurance experts. If the asset meets strict criteria, the credit risk of the underlying asset is transferred to AA or A rated insurance companies via the use of Non-Payment Insurance. Insurance companies take up to 100% of the credit risk of the underlying assets in the exchange for insurance premium. The investor therefore benefits from double recourse: first, to the collateral for principal and interest payments and second to the insurance companies for non-payment of the collateral. The investor purchases a note which is rated AA or A, reflecting the rating of the insurance company.



Underlying collateral

The universe of Insured Credit assets is diverse and assets can be sourced to satisfy varying investor appetites and requirements. Transactions are screened by Aegon AM's investment team and can include assets across different countries, sectors and debtors including:



Portfolio characteristics:

- Tenors up to 15 years
- Weighted average life of 5 years
- Modified duration of 2.5-5years
- USD, EUR and GBP. FX risk will be hedged
- Either fixed or floating formats
- Transaction Size of 25-150million

Non-Payment Insurance (NPI)

NPI is used as a risk mitigation tool to transfer the credit risk of an underlying asset to an insurance company. NPI protects against the failure, refusal, or inability of an obligor to pay any amount due on a particular asset *for any reason*. In Aegon AM's structure, NPI policies cover up to 100% of the principal and interest on an asset and provide full recourse to the insurer(s) delivering the credit protection. At Aegon AM, we use a bespoke NPI policy akin to a financial guarantee with limited exclusions. Key elements of an NPI insurance policy in an Aegon AM structure include:

- Policy covers non-payment for any reason
- Up to 100% of principal and interest insured
- Policy period matches the maturity of underlying collateral
- Policy is non-cancellable even in the event of non-payment of premium
- Premium rates are set at inception and cannot be amended unilaterally
- Claims are subject to a "waiting period" which is capped at a maximum of 180 days
- Exclusions are limited
- All clauses are within the direct control of the Insured party

Why invest in Insured Credit?

Low Credit Risk

Investor’s exposure is ultimately against the insurance company with the benefit of double recourse: firstly to the underlying collateral and secondly to the A and AA rated insurance companies insuring the non-payment risk of that collateral. As a result, expected loss rates are very low at less than 1 basis point. Insurance policies also benefit from super-senior status under Solvency II meaning that policyholders have a privileged position as creditor further strengthening the low credit risk nature of these assets.

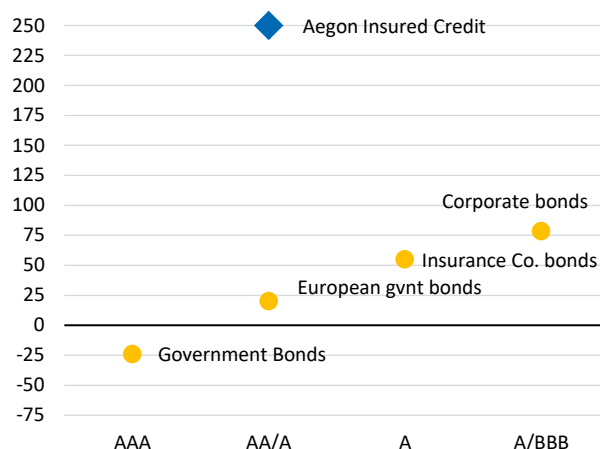
Yield

These assets provide an attractive source of extra yield. Aegon AM’s Insured Credit strategy offers yields of 6month EURIBOR + 225bps // SONIA + 260bps // SOFR + 267bps. The portfolio has achieved pick up of 131 bps vs liquid credits to date. This graph shows various example comparison points, with Insured Credit providing pick ups of >140bps against insurance company bonds and >100bps against Investment grade corporate bonds.

Yield Optimisation

Whilst Aegon AM is able to offer its investors 100% credit insured exposure, it also provides investors with the optionality to select their preferred allocation of collateral exposure. By varying exposure to the underlying collateral versus the exposure to insurance companies investors are able to optimise the yield achieved by their investments.

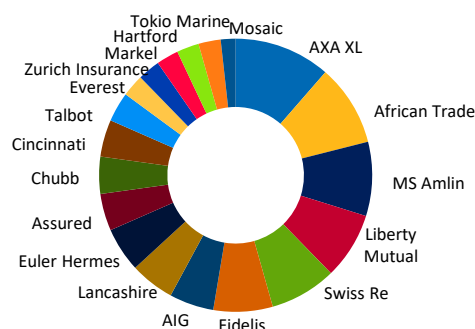
Spreads over swaps of selected asset classes (in €)⁴



Diversified Exposure

There are over 60 different insurance companies providing this type of credit protection meaning that this strategy can provide investors with exposure to a broad range of A and AA rated insurance counterparties, often with no senior unsecured bonds outstanding which means the strategy is uniquely positioned to give exposure to these insurers through the strategy. The graph to the left provides a snapshot of the granular nature of what a model portfolio could look like.

Insurance Company

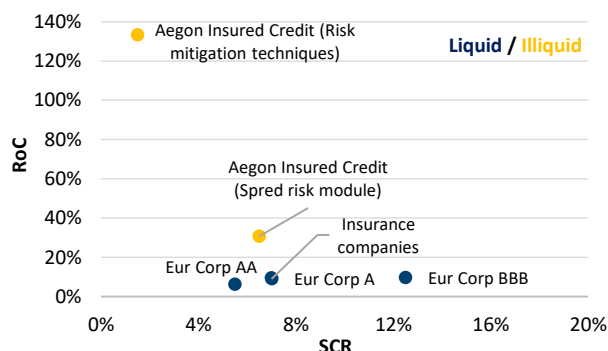


Solvency II treatment⁵

Insured Credit assets are fully credit protected via insurance policies provided by AA/A rated insurance companies. Under Solvency II there are two techniques that can be used to reduce the capital charge for these assets:

- First option is to use the spread risk module. Aegon AM’s Insured Credit transactions have obtained “A” and “AA” ratings by ECAI’s which can be used to achieve SCR of ~7%.
- Alternatively, Non-Payment policies can be used as “risk mitigation” which reduces SCR even further to below 2%.

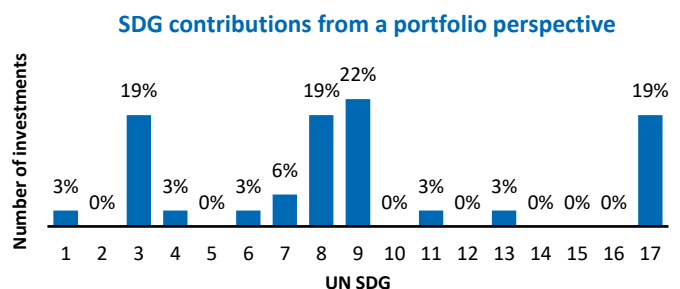
Insured Credit Under Solvency II⁶



Insured Credit and sustainable investing⁷

The Insured Credit strategy offers investors the ability to select assets with strong social and sustainable characteristics to satisfy their ESG needs. These are scalable opportunities where the underlying collateral has (strong) alignment with United Nations' Social Development Goals (SDG's) particularly within emerging markets. Aegon AM's Insured Credit team works closely with Aegon AM's Responsible Investment team to assess each transaction and thus far the strategy has contributed to 10 different SDG's via its investments. As the graph below shows, Good Health and Well-being (SDG 3), Decent Work and Economics Growth (SDG 8), Industry, Innovation and Infrastructure (SDG 9) and Partnerships for the Goals (SDG 17) are the most frequent SDG contributions from a portfolio perspective. Example projects funded via Insured Credit investments include:

- Intelligent road traffic management systems
- Construction of healthcare facilities
- Water sanitation
- Communication infrastructure
- Electrification network upgrades
- Airport development
- Road infrastructure



Aegon AM – co-investment with ASR/Aegon and key partners

Strong track record

Aegon AM has been active in Insured Strategies since the 1980s across Government Guaranteed and Insured solutions. The Insured Credit strategy was developed with insurance investors in mind, solving for Solvency II and risk/reward optimisation. Aegon AM has a dedicated and experienced team based in the NL and UK and uniquely it includes “Senior Insurance Specialists” based in London who have direct experience working with credit insurance in broking and underwriting roles. These individuals have extensive knowledge around insurance, a key differentiator to our competitors. The growing Insured Credit strategy has a successful track record of delivery returns to its investors and there have been no credit mitigation or credit losses to date.

Sourcing and alignment

It is estimated that the market size for Insured Credit assets is EUR 100-150bn. Annual deal volumes rely heavily on Aegon AM's relationship with origination counterparties. Aegon AM benefits from a first mover advantage in Insured Credit and has established an extensive industry network. Our proven track record in delivering ensures we are the lender of choice for many first class origination parties and the team uniquely positioned within the insurance community to source scalable best in class insurance protection and pricing.

Conclusion – Insured Credit offers a strong investment opportunity

- ✓ Insured Credit provides investors **access to de-risked alternative debt assets** while preserving an **attractive yield** and **return on capital**.
- ✓ It delivers **low credit risk** exposure to highly rated (AA and A) assets which benefit from **double recourse** protection.
- ✓ This relatively new asset class brings a **strong diversification profile** compared to other fixed income asset classes driven by a broad spectrum of insurance companies and diverse underlying collateral.
- ✓ It provides investors with a versatile option to cover **different liability profiles**.
- ✓ The strategy allows investors to select their allocation of exposure to the underlying allowing for **customized yield optimization**.
- ✓ This strategy offers investors the ability to select assets with strong social and sustainable characteristics to satisfy their **ESG and sustainability** needs.

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¹ All yields are in EUR and gross of fees unless stated otherwise.

² Subject to regulatory approval

³ The strategy has the ability to finance a wide range of projects that can contribute to the UN Sustainable Development Goals, including but not limited to the SDGs mentioned.

⁴ Source: Barclays, Bloomberg (as of May 2024). All yields are in **EUR** and gross of fees.

⁵ Subject to regulatory approval

⁶ Source: ELOPA, Bloomberg as of 28 February 2023. For illustrative purposes only. For Insured Credit we assume rated notes (33% AA and 67% A). If the note is unrated it is possible to apply the look-through approach. By doing this, the insurance policy could be used as a risk mitigation technique (RMT) under Solvency II, hence reducing the SCR. The applicability of this depends on the investor's and regulator's policies. SCR under Solvency II Pillar Spread risk only. Corporate insurance represented by Barclays Euro Corporate Insurance Senior Index. Insurance companies are investment grade (~A). Eur Corps are Bloomberg Pan-European Corporate Index AA/A/BBB. Spread over swaps figures used to calculate RoC are in Euro. For more details on the chart please get in touch with us.

⁷ The strategy has the ability to finance a wide range of projects that can contribute to the UN Sustainable Development Goals, including but not limited to the SDGs mentioned on this slide.