

AEGON NV
Form 6-K
August 13, 2009
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Securities and Exchange Commission

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

**Pursuant to Rule 13a-16 or 15d/16 of
the Securities Exchange Act of 1934**

August 2009

AEGON N.V.

AEGONplein 50

2591 TV THE HAGUE

The Netherlands

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AEGON's Embedded Value 2008 Report, dated May 14, 2009, is attached as an appendix and incorporated herein by reference. The Embedded Value 2008 Report, as included in the appendix, reflects some minor adjustments to the Embedded Value 2008 Report as referred to in our Report on Form 6-K furnished to the SEC on May 14, 2009.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AEGON N.V.

(Registrant)

Date: August 13, 2009

By /s/ E. Lagendijk
E. Lagendijk
Executive Vice President and General Counsel

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1. Highlights

1.1 Introduction

AEGON has long used embedded value as a management tool for its life insurance operations. AEGON's management believes that embedded value, in conjunction with other publicly disclosed financial information, can provide valuable additional information for investors and shareholders to assess a reasonable range of values inherent in the business. The disclosure includes sensitivity analyses reflecting certain risks and drivers of the realization of embedded value.

Embedded value life insurance is an estimate of the economic value of a company's existing life insurance business and is to a large extent actuarially determined. Embedded value life insurance should not be viewed as a substitute for AEGON's primary financial statements.

Embedded value life insurance represents the contributed capital invested in AEGON's life operations, *available surplus* or *adjusted net worth* (ANW), and the *value of in-force life business* (ViF). The latter equals the present value of expected future profits arising from the existing book of life insurance business, including new business sold in the reporting period, less the cost of capital. Future new business that is sold after the valuation date is not reflected in this value, although certain assumptions such as unit costs reflect a going concern basis.

Total embedded value (TEV) is an additional measure used by management in considering shareholders' interest in the value of the existing business. TEV represents the sum of the embedded value life insurance, the IFRS book value of all other business that is not included in EVLI (*other activities*) and the adjustments in respect of holding companies (*holding activities*). The holding activities largely represent the market value of AEGON's debt, capital securities and other net liabilities. IFRS measures have been used to value the holding activities, as this is the accounting basis on which AEGON's primary financial statements are based.

Embedded value life insurance calculations use local regulatory accounting principles rather than company specific accounting principles (e.g. IFRS) as these regulatory requirements determine when profits can be distributed to shareholders. As the base case, EVLI has been prepared using required capital on the *internal surplus basis*. This presentation has been adopted, as this is how the business is managed and is consistent with European Embedded Value (EEV) Principles.

The methodology AEGON uses to calculate EVLI is described in addendum 5. This methodology is consistent with EEV Principles. This disclosure document is in compliance with the additional guidance on minimum required disclosures of sensitivities and other items under EEV, as published by the CFO Forum in October 2005.

Table of Contents**1.2 Overview of embedded value life insurance and total embedded value**

A high level overview of embedded value life insurance and total embedded value is contained in table 1. More details on these values, the principles and assumptions used plus the sensitivity of these values to changes in underlying assumptions are included in this document and should be read carefully in connection with the information presented below. All figures in this document are presented on an after tax basis unless otherwise stated.

Table 1

| Embedded value | Year-end 2008 | Year-end 2007 | |
|---|------------------|------------------|-------------|
| <i>(amounts in millions unless stated otherwise, after tax)</i> | EUR | EUR | % |
| Life business | | | |
| Adjusted net worth (ANW) | 11,123 | 11,751 | (5) |
| Free surplus (FS) | 2,335 | 1,025 | 128 |
| Required surplus (RS) | 8,788 | 10,725 | (18) |
| Value of in-force life business (ViF) | 11,813 | 14,138 | (16) |
| Present value future profits (PVFP) | 14,184 | 17,127 | (17) |
| Cost of capital (CoC) | (2,371) | (2,989) | (21) |
| Embedded value life insurance (EVLI) | 22,936 | 25,889 | (11) |
| Other activities | | | |
| IFRS book value | 948 | 191 | 396 |
| Total embedded value before holding activities | 23,883 | 26,079 | (8) |
| Holding activities | | | |
| Market value of debt, capital securities & other net liabilities | (5,346) | (4,385) | 22 |
| Present value holding expenses | (4,840) | (4,063) | 19 |
| | (506) | (322) | 57 |
| Total embedded value (TEV) | 18,538 | 21,694 | (15) |
| Value of preferred share capital | (1,343) | (1,527) | (12) |
| Total embedded value (TEV) attributable to common shareholders | 17,194 | 20,167 | (15) |
| TEV attributable to common shareholders per share (EUR) | 11.35 | 13.44 | (16) |

The most important items impacting the change in embedded value life insurance during 2008 are¹:

- ⚡ The weakening of the British pound against the euro was partially offset by the strengthening of the US dollar. This had a negative impact of EUR 0.3 billion on the EVLI. If the figures in this table had been prepared on a constant currency basis, the decreases in EVLI and TEV would have been 10% and 13% respectively.
- ⚡ Embedded value operating return² of EUR 1.7 billion, consisting of EUR 0.9 billion for in-force performance and EUR 0.8 billion for new business value.
- ⚡ A negative investment variance of EUR (3.2) billion and an adverse impact of EUR (2.0) billion from economic assumption changes.
- ⚡ Net capital movements into the life operations increased the EVLI by EUR 0.5 billion.

The value of other activities increased by EUR 0.8 billion mainly due to an injection of capital from group.

¹ For a more detailed analysis, please refer to section 4.2 Movement analysis of embedded value life insurance .

² For embedded value operating margins on a constant currency basis, please refer to addendum 1: Movement analysis per region and product segment .

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The value of debt, capital securities and other net liabilities, which includes EUR 3 billion convertible core capital securities from Vereniging AEGON funded by the Dutch State, decreased (i.e. became more negative) by EUR 0.8 billion as a result of net capital distributions from holdings (EUR (0.6) billion), dividends to shareholders (EUR (0.7) billion) and interest payments on holding debt (EUR (0.3) billion), the change in other net liabilities (EUR (0.8) billion) somewhat offset by changes in market value of debt (EUR 1.7 billion). The change in other net liabilities was largely a result of a capital contribution of EUR 0.5 billion to the US previously this amount had been treated as a loan.

1.3 New business

The profitability of the policies sold in 2008 can be measured by the *gross value of new business*, which is equal to the *value of new business* (VNB) generated by new business sold during the reporting period, grossed up at the relevant corporate tax rate and adjusted for the cost of carrying required capital on the internal surplus basis.

Table 2

| Value of new business | 2008 EUR | 2007 EUR | % |
|------------------------------------|--------------|--------------|-------------|
| <i>(amounts in millions)</i> | | | |
| Gross value of new business | 1,369 | 1,546 | (11) |
| Tax | (317) | (381) | (17) |
| Cost of capital | (215) | (237) | (9) |
| Value of new business | 837 | 927 | (10) |

The regional groupings used in table 3 below and throughout the report are as follows:

- ⌋ Americas consists of AEGON Canada, AEGON USA and AEGON's 49% interest in Seguros Argos (Mexico);
- ⌋ Asia consists of AEGON Taiwan and AEGON's 50% interest in its partnership in China;
- ⌋ Central and Eastern Europe consists of AEGON's operations in the Czech Republic, Hungary, Poland, Slovakia, and AEGON's 90% interest in its partnership in the Czech Republic and 50% partnership in Romania; and
- ⌋ Other European Countries consists of AEGON Spain, AEGON's interests in four partnerships in Spain and AEGON's 35% interest in La Mondiale Participations (France).

Table 3

| Value of new business | 2008 EUR | 2007 EUR | % |
|---|-------------|-------------|-------------|
| <i>(amounts in millions, after tax)</i> | | | |
| Americas | 412 | 425 | (3) |
| The Netherlands | 43 | 51 | (16) |
| United Kingdom | 234 | 230 | 2 |
| Asia | 20 | 78 | (74) |
| Central and Eastern Europe | 74 | 72 | 3 |
| Other European Countries | 54 | 71 | (24) |
| Total | 837 | 927 | (10) |

Value of new business decreased 10% from 2007 (2% if calculated on a constant currency basis).³

³ For a more detailed analysis, please refer to section 4.2 *Movement analysis of embedded value life insurance*.

Table of Contents**2. Economic Assumptions**

The economic assumptions for AEGON's main markets in 2008 and 2007 are presented in table 4. The assumptions are set using a market based approach with rates that can vary by country unit and change from year to year taking into account available empirical data.

Further detail on the setting of discount rates and the economic assumptions in other countries is described in addendum 5 and 6 respectively.

Table 4

| Economic assumptions 2008 | United States | The Netherlands | United Kingdom |
|--|----------------------|------------------------|-----------------------|
| Discount rate | 7.2% | 7.0% | 7.9% |
| Equity returns | 7.2% | 7.0% | 7.9% |
| Property returns | 6.5% | 6.7% | 7.9% |
| Risk free fixed interest returns ^(A) | 2.3% | 3.4% | 3.4% |
| Net credit spread on fixed interest (bps) ^(B) | 606 | 527 | 388 |
| Inflation rate | 2.0% | 2.0% | 2.0% |
| Tax rate | 35.5% | 25.5% | 28.0% |

| Economic assumptions 2007 | United States | The Netherlands | United Kingdom |
|--|----------------------|------------------------|-----------------------|
| Discount rate | 7.70% | 7.60% | 7.60% |
| Equity returns | 7.70% | 7.60% | 7.60% |
| Property returns | 6.50% | 6.70% | 7.60% |
| Risk free fixed interest returns ^(A) | 4.04% | 4.40% | 4.60% |
| Net credit spread on fixed interest (bps) ^(B) | 211 | 126 | 131 |
| Inflation rate | 2.0% | 2.0% | 2.0% |
| Tax rate | 35.5% | 25.5% | 28.0% |

^(A) Risk free fixed interest returns correspond to the 10-year government bond yield. The table above shows start rates only. Refer to table 23 for more detail.

^(B) Average net credit spread in basis points (bps) of all corporate bonds, mortgages, loans, etc. over the 'fixed interest returns'. The table above shows start rates only. Refer to table 23 for more detail.

All economic assumptions are reviewed each year and adjusted if appropriate. All assumptions reflect a going concern. The currency exchange rates are summarized in addendum 4: Exchange rates.

The main changes for 2008 have been a decrease in the short-term risk free fixed interest return across all countries. Additionally the risk margin to determine equity returns and the discount rate was increased from 3% in 2007 to 4% in 2008 – the exception to this was the Netherlands where the risk margin remained at 3% to reflect the substantial de-risking of their business profile. The other feature across all countries has been a substantial increase in initial corporate spreads.

Table of Contents**3. Reconciliation of total capital base to adjusted net worth**

The embedded value life insurance is not based on international financial reporting standards (IFRS). Rather, it is based on local regulatory accounting. As the base case, EVLI has been prepared using required capital on the internal surplus basis. The following reconciliation presents the adjustments to the total capital base under IFRS to arrive at the ANW that is based on local regulatory accounting rules.

Table 5

| Reconciliation of total capital base to ANW | 2008 | 2007 | % |
|--|-------------|-------------|----------|
| <i>(amounts in EUR millions)</i> | | | |
| Total capital | | | |
| AEGON shareholders' equity ^(A) | 6,055 | 15,151 | (60) |
| Capital securities & subordinated debt & ^(B) | 7,901 | 4,972 | 59 |
| Minority interest | 6 | 16 | (63) |
| Senior debt related to insurance activities ^(C) | 69 | 1,255 | (95) |
| | | | |
| Total capital base | 14,031 | 21,394 | (34) |
| Other net liabilities ^(D) | (180) | (1,003) | (82) |
| | | | |
| Total capital base and other net liabilities | 13,851 | 20,391 | (32) |
| | | | |
| Capital in units | | | |
| Americas | 7,629 | 12,945 | (41) |
| The Netherlands | 2,954 | 3,079 | (4) |
| United Kingdom | 1,320 | 2,954 | (55) |
| Asia | 397 | 326 | 22 |
| Central and Eastern Europe | 645 | 497 | 30 |
| Other European Countries | 906 | 590 | 54 |
| | | | |
| Total | 13,851 | 20,391 | (32) |
| | | | |
| Allocated to | | | |
| Life subsidiaries | 12,903 | 20,200 | (36) |
| Other activities | 948 | 191 | 396 |
| | | | |
| Total | 13,851 | 20,391 | (32) |
| | | | |
| Reconciliation capital in life subsidiaries to adjusted net worth | | | |
| Capital in life subsidiaries | 12,903 | 20,200 | (36) |
| Adjustments to local equity | (1,780) | (8,450) | (79) |
| | | | |
| Adjusted net worth (ANW) | 11,123 | 11,751 | (5) |

^(A) Including the preferred share capital (2008: EUR 2,114 million, 2007: EUR 2,114 million).

^(B) Including EUR 3 billion convertible core capital securities

^(C) Borrowings (of which related to insurance activities): EUR 5,339 million (EUR 69 million) in 2008 and EUR 6,021 million (EUR 1,255 million) in 2007.

^(D) Carried at the holding companies.

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The change in other net liabilities was largely a result of a capital contribution of EUR 0.5 billion to the US previously this amount had been treated as a loan.

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The capital base is largely invested in the life subsidiaries. The remaining capital allocated to other activities is included in total embedded value at IFRS book value. In the reconciliation, the capital allocated to life subsidiaries is adjusted to local regulatory accounting. The largest part of the adjustment relates to the non-admissibility on a regulatory basis of DPAC/VOBA of the modeled life business⁴. The life insurance DPACs in certain countries, most significantly the Netherlands (EUR 0.5 billion), are not eliminated, as they are admissible assets under their regulatory accounting. The impact of the elimination of inadmissible DPAC/VOBA relating to the modeled life business equals EUR (14.7) billion, asset related differences amount to EUR 8.8 billion, reserve related differences amount to EUR 5.1 billion and the balance of the adjustments, EUR (1.0) billion, is explained by a number of smaller adjustments, including deferred tax and goodwill on moving from IFRS to regulatory accounting. The asset valuation differences are up substantially from 2007 and arise primarily in the Americas - they reflect the inclusion of unrealized losses in IFRS which is not required under regulatory reporting. The reserve valuation differences are down on 2007 with the main fall in the Americas resulting from certain liabilities being adjusted to reflect market changes under regulatory accounting but remaining fixed under IFRS. This is partially offset by a rise in the UK as only statutory reserves for annuities reflect the impact of higher bond yields.

The differences between embedded value and the accounting treatment of DPAC are discussed in addendum 3.

⁴ *The non-admissibility of certain assets on a local basis simultaneously decreases equity while increasing future profits as the margins that are available to amortize these intangible assets on an IFRS basis go straight to the bottom-line under regulatory accounting. In other words, the decrease in equity when going from IFRS to the local basis is largely offset by an increase in the value of the in-force business.*

Table of Contents**4. Outcome**

This section presents the EVLI and TEV as of December 31, 2008. All profits are in millions of euro and based on local regulatory accounting net of reinsurance and after tax. The level of required surplus is based on internal surplus requirements.

4.1 Value components

The values under the internal surplus requirements are:

Table 6

| Embedded value components | Americas | The Netherlands | United Kingdom | Asia | Central and Eastern Europe | Other European Countries | Total 2008 |
|---|-----------------|------------------------|-----------------------|-------------|-----------------------------------|---------------------------------|-------------------|
| <i>(amounts in EUR millions, after tax)</i> | | | | | | | |
| <u>Life business</u> | | | | | | | |
| Adjusted net worth (ANW) | 6,615 | 2,794 | 748 | 194 | 337 | 435 | 11,123 |
| Free surplus (FS) | 600 | 971 | 364 | 82 | 250 | 67 | 2,335 |
| Required surplus (RS) | 6,015 | 1,823 | 383 | 112 | 87 | 368 | 8,788 |
| Value of in-force life business (ViF) | 6,265 | 2,940 | 1,869 | (96) | 566 | 270 | 11,813 |
| Present value future profits (PVFP) | 7,691 | 3,567 | 1,920 | (3) | 612 | 396 | 14,184 |
| Cost of capital (CoC) | (1,426) | (628) | (51) | (94) | (46) | (126) | (2,371) |
| Embedded value life insurance (EVLI) | 12,879 | 5,734 | 2,617 | 97 | 903 | 705 | 22,936 |
| <u>Other activities</u> | | | | | | | |
| IFRS book value | 681 | 160 | (275) | 36 | 135 | 210 | 948 |
| Total embedded value per region | 13,561 | 5,894 | 2,342 | 134 | 1,038 | 915 | 23,883 |
| <u>Holding activities</u> | | | | | | | |
| Market value of debt, capital securities & other net liabilities | | | | | | | (5,346) |
| Present value holding expenses | | | | | | | (4,840) |
| Total embedded value (TEV) | | | | | | | 18,538 |
| Value of preferred share capital | | | | | | | (1,343) |
| Total embedded value (TEV) attributable to common shareholders | | | | | | | 17,194 |

The solvency requirement on which the business is managed is based on the more stringent of the regulatory requirements and Standard and Poors' local capital adequacy models at a AA level, plus any additional internally imposed requirements, if applicable. The exception is AEGON's partnership in France, La Mondiale Participations, which is managed on local regulatory requirements. This then forms the basis for the solvency requirements for that business throughout this report.

The main areas covered by other activities are banking (EUR 0.2 billion), distribution (EUR 0.1 billion), general insurance (EUR 0.4 billion) and pensions and employee benefits (EUR 0.2 billion).

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Other activities increased by EUR 0.8 billion. The increase is mainly driven by capital contributions from group to the Americas (EUR 0.5 billion) and the inclusion of a new joint venture in Spain (EUR 0.2 billion). Other activities for the UK is negative as a result of the staff pension scheme deficit and inter company lending activities.

The embedded value life insurance decreased due to positive performance on the in-force business and the contribution from value of new business being more than offset by the negative impact of investment experience and changes in economic assumptions. For a detailed discussion of the change in embedded value life insurance from end of year 2007 to end of year 2008 refer to section 4.2

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Non-recurring expenses

For all countries, any expected efficiency gains from restructuring programs have not been reflected in the expense assumptions.

In established operations, certain incurred expenses are considered non-recurring. For newer operations, such as China or Czech Republic, the value of new business and the projection of expenses in the embedded value life insurance reflect longer term expected run rate acquisition and maintenance expenses. In total an amount of EUR 33 million, after tax, was considered as exceptional expenses (Americas EUR 11 million, UK EUR 5 million, Asia EUR 10 million and CEE EUR 7 million), and not included in the derivation of acquisition and maintenance expense assumptions.

Employee pension plan costs

Expense assumptions in the embedded value include the cost of providing employee pension benefits where appropriate. The allowance for these costs fully reflects the long-term cost of providing pensions and is consistent with the allowance for pensions elsewhere in the calculation of the total embedded value. Any pension asset or liability has been included at the IFRS book value. For the Americas, where a pension asset is already reflected in IFRS book value (in other activities), no contribution holidays with respect to this pension asset are taken into account in the pension contribution expenses in the embedded value.

Table of Contents**Free surplus**

Table 7

| Reconciliation of free surplus | Americas | The Netherlands | United Kingdom | Asia | Central and Eastern Europe | Other European Countries | Total 2008 |
|---|--------------|-----------------|----------------|-------------|----------------------------|--------------------------|----------------|
| <i>(amounts in EUR millions, after tax)</i> | | | | | | | |
| Free surplus (BOY) | 397 | 155 | 183 | 12 | 250 | 27 | 1,025 |
| Change in MV adjustment on FS | (16) | - | - | 0 | (11) | (5) | (32) |
| Return on free surplus | 12 | 69 | 4 | (1) | (2) | 1 | 82 |
| Earnings on in-force | (1,159) | 456 | (85) | (65) | 73 | 25 | (755) |
| Release of required surplus on inforce | 2,232 | 662 | 414 | (38) | 8 | (12) | 3,267 |
| Investment in new business | (1,381) | (113) | (358) | (32) | (65) | (8) | (1,958) |
| <i>New business first year strain</i> | <i>(407)</i> | <i>(24)</i> | <i>(207)</i> | <i>(27)</i> | <i>(45)</i> | <i>(2)</i> | <i>(712)</i> |
| <i>Required surplus on new business</i> | <i>(974)</i> | <i>(89)</i> | <i>(151)</i> | <i>(5)</i> | <i>(20)</i> | <i>(5)</i> | <i>(1,246)</i> |
| Capital movements | 489 | 5 | (293) | 149 | 141 | 27 | 518 |
| Currency exchange differences | 25 | (0) | (77) | 2 | (29) | (0) | (80) |
| Other | 0 | (261) | 576 | 55 | (115) | 12 | 267 |
| Free surplus (EOY) | 600 | 971 | 364 | 82 | 250 | 67 | 2,335 |

The economic value of free surplus in the life business increased during 2008 mainly due to:

- ⌵ Return on free surplus of EUR 0.1 billion.
 - ⌵ Overall release of required surplus on in-force business of EUR 3.3 billion.
 - ⌵ In the Americas the high release of EUR 2.2 billion reflected substantial releases from fixed annuities and IGP partially offset by an increase in required capital for variable annuities.
 - ⌵ In the Netherlands the above average earnings of EUR 0.5 billion reflected gains on investments including hedge results linked to falls in interest rates. The above average release of required surplus of EUR 0.7 billion reflected the lower S&P requirements at the end of 2008 and de-risking the business.
 - ⌵ Net capital injections of EUR 0.5 billion.
- partially offset by
- ⌵ Overall earnings on in-force of EUR (0.7) billion.
 - ⌵ In the Americas the adverse earnings of EUR (1.2) billion were driven by market impacts on variable annuities, guarantee costs, and IGP.
 - ⌵ In the UK the adverse earnings of EUR (0.1) billion mainly reflected a combination of the impact of market falls and a strengthening of default assumptions in statutory reserving.
 - ⌵ Investment in new business including new business strain and required capital on new business of EUR (2.0) billion.
 - ⌵ Currency exchange differences of EUR (0.1) billion.

The main components of other are related to the impact of unrealized losses in the Netherlands and the combination of financial reinsurance and securitization arrangements in the UK.

Table of Contents**4.2 Movement analysis of embedded value life insurance**

The change in embedded value life insurance from year to year is split into the following components⁵. The main items per region are explained in further detail after table 8 and table 10.

Table 8

| Movement analysis 2008 | Americas | The Netherlands | United Kingdom | Asia | Central and Eastern Europe | Other European Countries | Total 2008 |
|---|-----------------|------------------------|-----------------------|--------------|-----------------------------------|---------------------------------|-------------------|
| <i>(amounts in EUR millions, after tax)</i> | | | | | | | |
| Embedded value life insurance BoY | 15,175 | 5,040 | 3,692 | 436 | 835 | 710 | 25,889 |
| Value of new business (VNB) | 412 | 43 | 234 | 20 | 74 | 54 | 837 |
| Gross value of new business | 703 | 86 | 347 | 30 | 105 | 98 | 1,369 |
| Tax | (140) | (22) | (97) | (7) | (20) | (30) | (317) |
| Cost of capital (after tax) | (151) | (20) | (15) | (3) | (12) | (14) | (215) |
| | | | | | | | |
| In-force performance | 458 | 192 | 231 | (36) | 67 | (31) | 880 |
| Unwind of discount | 1,048 | 449 | 250 | 30 | 75 | 39 | 1,891 |
| Operating variances | (239) | 58 | 4 | (19) | (2) | (46) | (244) |
| Mortality/morbidity | 74 | 43 | 5 | (1) | 3 | (2) | 122 |
| Persistency | 34 | (9) | 15 | (11) | (14) | (32) | (17) |
| Maintenance expenses | 2 | (61) | 0 | (1) | (9) | (2) | (70) |
| Exceptional expenses | (11) | 0 | (5) | (10) | (7) | 0 | (33) |
| Other | (338) | 84 | (11) | 4 | 24 | (10) | (246) |
| Changes in operating assumptions | (352) | (314) | (23) | (47) | (6) | (25) | (766) |
| Mortality/morbidity | 90 | (133) | 22 | 5 | 15 | 1 | 0 |
| Persistency | (288) | (27) | (38) | (15) | (13) | (4) | (386) |
| Maintenance expenses | 4 | (8) | (2) | (13) | (32) | 1 | (49) |
| Other | (159) | (146) | (5) | (24) | 25 | (22) | (331) |
| Embedded value operating return | 870 | 236 | 465 | (16) | 141 | 23 | 1,718 |
| Variance from long-term inv. return | (3,696) | 1,043 | (479) | (5) | (79) | (27) | (3,244) |
| Change in economic assumptions | (647) | (779) | (50) | (460) | (30) | (35) | (2,002) |
| Currency exchange differences | 526 | 0 | (799) | 18 | (59) | 0 | (315) |
| Miscellaneous impacts | 163 | 189 | 81 | (23) | (46) | 8 | 372 |
| Embedded value total return | (2,785) | 689 | (782) | (487) | (73) | (32) | (3,471) |
| Capital movements | 489 | 5 | (293) | 149 | 141 | 27 | 518 |
| Embedded value life insurance EoY | 12,879 | 5,734 | 2,617 | 97 | 903 | 705 | 22,936 |
| | | | | | | | |
| Other activities | | | | | | | 948 |
| | | | | | | | |
| Holding activities | | | | | | | (5,346) |
| Total embedded value | | | | | | | 18,538 |
| Embedded value operating margin | | | | | | | |
| (A) | 5.7% | 4.7% | 13.7% | (3.6)% | 16.6% | 3.2% | 6.8% |

(A) Embedded value operating margin is calculated on a constant currency basis. See addendum 1, tables 14 to 19 for details.

⁵ Refer to addendum 1 Movement analysis per region and product segment, tables 14 to 19, for a split per region and per product segment.

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Return on embedded value

The overall embedded value operating margin was 6.8% in 2008 (8.8% in 2007). The embedded value total margin was (13.4)% in 2008 (2.2% in 2007).

Currency exchange differences

A negative currency variance of EUR 315 million was primarily caused by a weakening of the British pound and a number of the CEE currencies against the euro. This was partially offset by a strengthening of the US dollar.

Capital movements

Capital movements include transfers between life operations, holding activities and non-life operations.

Americas

- ⌵ The embedded value operating margin on a constant currency basis was 5.7%.
- ⌵ In-force variance on mortality and morbidity was favorable across most lines of business. However this was more than offset by adverse spread experience, shown under other, with some offset from various small items including tax and reserving changes.
- ⌵ The change in operating assumptions was driven by lower lapses in Variable Annuities resulting in higher guarantee costs, reduced prepayment rates on certain general account assets, offset partially by the adoption of updated mortality tables
- ⌵ The large negative long-term investment variance reflected losses linked to the decline in equity markets and the impact of widening credit spreads. There was also a smaller adverse impact from the reduction in fixed interest rates.
- ⌵ The net change in economic assumptions was largely driven by lower fixed interest returns. Adverse impacts from default losses and equity returns were offset by the lower discount rate.
- ⌵ The miscellaneous impacts reflected a combination of modeling improvements and a change in S&P requirements.

The Netherlands

- ⌵ The embedded value operating margin was 4.7%.
- ⌵ The main components of the in-force variance were unfavorable expense experience in the Life business due to a combination of a reallocation of costs and a number of short term project costs, in particular system development linked to policyholder compensation.
- ⌵ The change in operating assumptions reflected a large negative impact from longer assumed longevity in Pensions which more than offset a positive mortality adjustment in Life. The changes under other mainly related to the impact of the change in asset mix away from equities to bonds and the impact on future costs related to policyholder compensation mentioned above.
- ⌵ The main component of the positive variance on long-term investments was the impact of a hedge program related to traditional policies with profit sharing and unit linked policies with guarantees. This was partially offset by the adverse impacts from lower equity markets and lower fees on separate account business.
- ⌵ For economic assumption changes, the reduction in fixed interest rates had a substantial adverse impact, particularly for Pensions. There was a partial offset here from higher credit spreads. The impact of changes to discount rate and equity returns were small and largely offsetting.
- ⌵ The miscellaneous impacts reflected a combination of modeling improvements and a change in S&P requirements.

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United Kingdom

- ⋮ The embedded value operating margin on a constant currency basis was 13.7%.
- ⋮ The in-force variance included a small positive from persistency.
- ⋮ While the lapse experience observed in 2008 was better than expected some adverse experience is anticipated in the shorter term. As a result a lapse provision was established to allow for continuing adverse persistency rates in 2010 and this was the principal component of the change in operating assumptions.
- ⋮ The other significant component of the operating return of 13.7% was the strong contribution from new business which generated more than 6%.
- ⋮ Falling market values were the main component of the variance from long-term investment returns, in particular resulting in lower fees.
- ⋮ On economic assumptions, the adverse impact of a higher discount rate and a lower risk free fixed interest return was partially offset by higher credit spreads.
- ⋮ Miscellaneous covers a refinement in the S&P capital calculation and a smaller impact from modeling improvements.

Asia

- ⋮ The embedded value operating margin on a constant currency basis was (3.6)%.
- ⋮ The in-force variance arose from a negative impact from adverse persistency in Taiwan and exceptional expenses in China.
- ⋮ The change in operating assumptions was mainly due to a change in assumed persistency and maintenance expenses in Taiwan. The changes under other were mainly tax related in Taiwan.
- ⋮ The significant negative change in economic assumptions was almost entirely due to the reduction in fixed interest rates in Taiwan.

Central and Eastern Europe

- ⋮ The embedded value operating margin was 16.6%.
- ⋮ The most significant item under in-force variance related to adverse persistency in Hungary and Poland, expense overruns including those linked to development costs for the newer countries, offset partially by a combination of spread experience and higher than expected premiums in Hungary and Poland.
- ⋮ Changes to operating assumptions saw positive mortality changes in Hungary and Slovakia, improved funding margins from mortgages in Hungary and increased asset charges in Poland more than offset by persistency in Hungary and higher expenses across most countries.
- ⋮ The variance in long-term investment return related to a combination of equity returns and fixed interest rates - the change in assumptions was almost entirely driven by the higher discount rate.
- ⋮ The largest component of miscellaneous relates to moving the Polish pension funds from IFRS to covered business with the loss of a goodwill component under embedded value.

Other European Countries

- ⋮ The embedded value operating margin was 3.2%
- ⋮ The in-force variance was adversely affected by higher levels of withdrawals and lower top up rates for existing policies in Spain. To the extent that they are expected to re-occur, these items were reflected in operating assumption changes.
- ⋮ On changes in economic assumptions the main components of the adverse variance were higher discount rate and lower risk free rates. The main driver of long term investment variance was market falls resulting in a reduction in fees.

Table of Contents**Value of new business**

Value of new business represents the value created by new business sold during the reporting period. Table 9 links this value to modeled written premium⁶.

Table 9

| Modeled new business APE ^(A) and deposits (amounts in EUR millions) | Premium business | | Deposit business | | VNB | | |
|--|------------------|--------------|------------------|---------------|------------|------------|-------------|
| | APE (A) | | Deposits (B) | | 2008 | 2007 | % |
| | 2008 | 2007 | 2008 | 2007 | | | |
| Americas | 1,097 | 1,362 | 30,151 | 36,337 | 412 | 425 | (3) |
| The Netherlands | 300 | 278 | - | - | 43 | 51 | (16) |
| United Kingdom | 1,514 | 1,705 | - | - | 234 | 230 | 2 |
| Asia | 63 | 168 | 24 | 7 | 20 | 78 | (74) |
| China | 16 | 11 | - | - | 3 | 3 | 0 |
| Taiwan | 47 | 157 | 24 | 7 | 16 | 75 | (79) |
| Central and Eastern Europe | 109 | 122 | 65 | 27 | 74 | 72 | 3 |
| Czech Republic | 10 | 2 | 21 | 2 | 3 | 1 | 200 |
| Hungary | 32 | 26 | 25 | 22 | 37 | 36 | 3 |
| Poland | 58 | 90 | 11 | 3 | 20 | 32 | (38) |
| Romania | - | - | 7 | - | 8 | - | - |
| Slovakia | 9 | 4 | 0 | 0 | 7 | 3 | 133 |
| Other European Countries | 237 | 234 | 10 | 10 | 54 | 71 | (24) |
| France | 96 | 89 | - | - | 4 | 7 | (43) |
| Spain | 141 | 146 | 10 | 10 | 50 | 65 | (23) |
| Total | 3,321 | 3,869 | 30,249 | 36,381 | 837 | 927 | (10) |
| VNB | 592 | 705 | 246 | 222 | | | |

^(A) APE = recurring premium + 1/10 single premium.

^(B) Including on and off balance sheet deposits.

⁶ Refer to addendum 1 Movement analysis per region and product segment for the split of VNB per region and per reporting segment.

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Table 10 shows VNB as a ratio of the present value of new business premiums, as well as calculated internal rates of return.

Table 10

| 2008 VNB summary (amounts in EUR millions) | Premium business | | | | Deposit business | | | | Total VNB | Total IRR |
|---|------------------|---------------|---------------|--------------|------------------|---------------|---------------|------------------|------------|--------------|
| | VNB | PVNBP | VNB/ PVNBP | VNB/ APE | VNB | PVNBP | VNB/ PVNBP | VNB/ Deposits | | |
| Americas | 193 | 5,496 | 3.5% | 17.6% | 219 | 34,251 | 0.6% | 0.7% | 412 | 12.4% |
| The Netherlands | 43 | 2,324 | 1.9% | 14.4% | - | - | - | - | 43 | 10.8% |
| United Kingdom | 234 | 10,322 | 2.3% | 15.5% | - | - | - | - | 234 | 13.5% |
| Asia | 19 | 344 | 5.6% | 30.5% | 1 | 179 | 0.4% | 2.7% | 20 | 18.5% |
| China | 3 | 102 | 3.4% | 21.1% | - | - | - | - | 3 | 26.2% |
| Taiwan | 16 | 241 | 6.6% | 33.8% | 1 | 179 | 0.4% | 2.7% | 16 | 16.9% |
| Central and Eastern Europe | 48 | 674 | 7.2% | 44.3% | 25 | 835 | 3.0% | 39.4% | 74 | 44.8% |
| Czech Republic | 1 | 64 | 2.3% | 14.8% | 1 | 116 | 1.2% | 6.3% | 3 | 13.2% |
| Hungary | 24 | 210 | 11.2% | 74.3% | 13 | 286 | 4.6% | 51.7% | 37 | >50.0% |
| Poland | 18 | 339 | 5.4% | 31.6% | 1 | 94 | 1.3% | 11.1% | 20 | >50.0% |
| Romania | - | - | - | - | 8 | 314 | 2.4% | 106.8% | 8 | 21.6% |
| Slovakia | 5 | 61 | 8.2% | 53.5% | 2 | 25 | 8.5% | N.M. | 7 | 41.4% |
| Other European Countries | 54 | 1,884 | 2.8% | 22.6% | 0 | 10 | 3.3% | 3.3% | 54 | 46.7% |
| France | 4 | 1,097 | 0.4% | 4.5% | - | - | - | - | 4 | 8.9% |
| Spain | 49 | 787 | 6.3% | 35.0% | 0 | 10 | 3.3% | 3.3% | 50 | >50.0% |
| Total | 592 | 21,043 | 2.8% | 17.8% | 246 | 35,275 | 0.7% | 0.8% | 837 | 17.8% |

In the Americas, VNB increased 4% in US dollars (down 3% in euros). The main contributors to this were Life, Fixed Annuities and Pensions. For Fixed Annuities the increase, driven by higher sales, included a reduction to reflect higher than normal liquidity in the asset portfolio. Overall IRR in the Americas decreased slightly from 13.0% in 2007 to 12.4% in 2008.

The decrease in VNB in the Netherlands reflected a small increase in sales, offset by a reduction in margins in Pensions due to the very competitive market. The IRR in the Netherlands increased very slightly from 10.7% in 2007 to 10.8% in 2008 mainly due to a change in the mix of business.

The increase in VNB in the UK was driven by the movement in product mix towards higher margin products, such as annuities and protection business, with partial offset from slightly lower sales growth in the Pensions area. VNB was also adversely impacted by currency with growth in sterling up 19%. The VNB growth was also reflected in an improved IRR from 13.0% in 2007 to 13.5% in 2008.

The decrease in VNB in Asia reflected substantially lower production in Taiwan.

The growth in VNB within Central and Eastern Europe reflected the strong performance from Slovakia and the first year inclusion of Romania. This was partially offset by lower VNB, driven by lower sales, in Poland.

The key driver of the lower VNB in respect of Other European Countries was reduced margins in both Spain and France.

Table of Contents**5. Sensitivities**

Table 11 and table 12 reflect the impact of changing the underlying assumptions on the EVLI and the VNB respectively. In each sensitivity scenario, only the stated assumption(s) has been changed, while keeping other assumptions equal to the base case. However, any discretionary elements or policyholder behavior assumptions directly impacted by the changed assumption (e.g. bonus rates or dynamic lapses) are assumed to vary with the scenario, if appropriate. The base case relates to the embedded value life insurance, i.e. to the value of the modeled life business. The sensitivity results include the impact on the allowances for financial options and guarantees.

5.1 Embedded value life insurance sensitivity

Table 11

| Sensitivity analysis - | Americas | The Netherlands | United Kingdom | Asia | Central and Eastern Europe | Other European Countries | Total 2008 |
|---|----------|-----------------|----------------|--------|----------------------------|--------------------------|------------|
| Embedded value life insurance | | | | | | | |
| <i>(amounts in EUR millions, after tax)</i> | | | | | | | |
| Base case embedded value life insurance 2008 | 12,879 | 5,734 | 2,617 | 97 | 903 | 705 | 22,936 |
| Required surplus at regulatory solvency | 7% | 1% | 0% | 25% | 3% | 2% | 5% |
| 100 bps decrease in risk discount rate | 7% | 11% | 8% | 15% | 7% | 8% | 8% |
| 100 bps increase in risk discount rate | -6% | -10% | -7% | -12% | -6% | -7% | -7% |
| 100 bps decrease in risk-free rate, all asset returns and RDR | -4% | 15% | 5% | -1136% | 3% | -1% | -2% |
| 100 bps increase in risk-free rate, all asset returns and RDR | 2% | -10% | -4% | 461% | -2% | 0% | 0% |
| 100 bps decrease in equity and property returns | -1% | -6% | -3% | -57% | -1% | -1% | -3% |
| 100 bps increase in equity and property returns | 1% | 5% | 4% | 54% | 1% | 1% | 3% |
| 10% fall in equity markets | -3% | -3% | -4% | -39% | -1% | 0% | -3% |
| 100 bps decrease in fixed interest | -8% | 12% | 2% | -1078% | -3% | -6% | -6% |
| 100 bps increase in fixed interest | 8% | -8% | -1% | 512% | 3% | 6% | 5% |

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| | | | | | | | |
|--|----|-----|-----|------|----|----|-----|
| 10% decrease in lapse rates | 6% | 0% | 2% | -40% | 3% | 3% | 4% |
| 5% decrease in mortality/ morbidity rates for mortality/ morbidity exposure business | 7% | 0% | 0% | 5% | 0% | 0% | 4% |
| 5% decrease in mortality/ morbidity rates for longevity exposure business | 0% | -3% | -1% | 0% | 0% | 0% | -1% |
| 1% mortality/ morbidity improvement per year for the entire projection period | 9% | -5% | -3% | 5% | 0% | 0% | 3% |
| 10% decrease in maintenance expenses | 3% | 2% | 2% | 15% | 2% | 2% | 2% |

The impact of the change in discount rate on the value of the business depends on the timing of the future profits: the higher the average remaining duration, the higher the sensitivity and the asymmetry to changes in discount rates.

The difference in sensitivity to changes in investment returns between the regions mainly reflects the composition of the different in-force life portfolios and asset allocations. The asymmetry in sensitivity to investment returns can be attributed to the minimum guarantees in many products. As a result of these guarantees, future lower investment returns will not be fully offset by equally lower crediting rates.

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Asia shows an asymmetric value change for the decrease and increase in investment returns. This reflects the level of guarantees underlying much of the business in Taiwan. However, the impact is much higher than last year, reflecting the substantial reduction in assumed investment returns in the base case..

5.2 Value of new business sensitivity

Table 12

| Sensitivity analysis - Value of new business <i>(amounts in EUR millions, after tax)</i> | Americas | The Netherlands | United Kingdom | Asia | Central and Eastern Europe | Other European Countries | Total 2008 |
|--|----------|-----------------|----------------|------|----------------------------|--------------------------|------------|
| Base case value of new business 2008 | 412 | 43 | 234 | 20 | 74 | 54 | 837 |
| 100 bps decrease in risk discount rate | 19% | 19% | 20% | 13% | 17% | 17% | 19% |
| 100 bps increase in risk discount rate | -16% | -15% | -17% | -10% | -14% | -14% | -16% |
| 100 bps decrease in risk-free rate, all asset returns and RDR | -6% | -5% | 3% | -7% | 6% | 3% | -2% |
| 100 bps increase in risk-free rate, all asset returns and RDR | 0% | -3% | -3% | 4% | -5% | -2% | -1% |
| 100 bps decrease in equity and property returns | -3% | -5% | -8% | -1% | -2% | -1% | -4% |
| 100 bps increase in equity and property returns | 3% | 7% | 9% | 1% | 2% | 1% | 4% |
| 100 bps decrease in fixed interest | -27% | -17% | -5% | -16% | -7% | -11% | -17% |
| 100 bps increase in fixed interest | 22% | 12% | 5% | 15% | 8% | 11% | 15% |
| 10% decrease in lapse rates | 15% | 5% | 7% | 6% | 9% | 10% | 11% |
| 5% decrease in mortality/ morbidity rates for mortality/ morbidity exposure business | 17% | 4% | 2% | 2% | 1% | 1% | 9% |
| 5% decrease in mortality/ morbidity rates for longevity exposure business | 0% | 1% | -3% | 0% | 0% | 0% | -1% |
| | 37% | 3% | -11% | 3% | 1% | 0% | 15% |

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1% mortality/ morbidity improvement per year for the entire projection period

| | | | | | | | |
|--------------------------------------|-----|-----|----|----|----|----|----|
| 10% decrease in acquisition expenses | 11% | 9% | 8% | 1% | 4% | 2% | 8% |
| | 6% | 15% | 4% | 2% | 6% | 2% | 6% |
| 10% decrease in maintenance expenses | | | | | | | |

In general, the value of new business is more sensitive to changes in parameters than the in-force.

A relatively small change in future profits can have a relatively large impact on a small VNB compared to the EVLI. The exception is Taiwan where the new business mix does not include the products with guarantees which gave rise to the high sensitivities seen for the in-force portfolio. The size and sign of the sensitivities depend on the profitability of the individual products as well as the composition of the new business portfolio within a region. However it should be noted that these sensitivities do not provide indication of future new business profitability under alternative conditions, as no allowance is made for the potential to re-price products.

Embedded value 2008

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Addendum 1: Movement analysis per region and product segment

This addendum splits the movement analysis into product segments for AEGON as a whole and for the different regions. First, the AEGON total split by reporting segment is presented in euro and then the movement of the six regions per reporting segment is stated in euro except for the Americas and the United Kingdom which are stated in local currency with only the opening and closing value and the value of the other activities translated into euro. The product segments are in line with the updated product segments used for primary financial reporting under IFRS.

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Table 13

| Movement analysis 2008 <i>(amounts in EUR millions, after tax)</i> | Pensions and asset management | | Life and protection | | Individual savings and retirement | | | | Institutional products | | Re-insurance | Total |
|---|-------------------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|--------------|-----------------------------------|-------------|---------------|--------------------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| Embedded value life insurance BoY | 7,614 | - | 8,229 | 2,135 | 1,715 | 1,390 | 294 | 86 | 1,746 | 601 | 2,079 | 25,889 |
| Value of new business (VNB) | 148 | - | 397 | 28 | 113 | (13) | 2 | 10 | 75 | (1) | 78 | 837 |
| Gross value of new business Tax | 233 (57) | - | 644 (160) | 46 (10) | 181 (36) | 1 (0) | 14 (5) | 13 (2) | 113 (22) | (1) 0 | 124 (24) | 1,369 (317) |
| Cost of capital (after tax) | (28) | - | (86) | (8) | (33) | (14) | (7) | - | (15) | (1) | (22) | (215) |
| In-force performance | 234 | - | 736 | 207 | 35 | (382) | 8 | - | (35) | (23) | 100 | 880 |
| Unwind of discount | 585 | - | 627 | 159 | 115 | 95 | 11 | - | 109 | 46 | 144 | 1,891 |
| Operating variances | 47 | - | 132 | 120 | (148) | (295) | (2) | - | (23) | (29) | (47) | (244) |
| Changes in operating assumptions | (398) | - | (23) | (71) | 68 | (183) | (1) | - | (121) | (39) | 3 | (766) |
| Embedded value operating return | 382 | - | 1,133 | 235 | 148 | (395) | 11 | 10 | 40 | (24) | 178 | 1,718 |
| Variance from long-term inv. return | 570 (885) | - | (870) (877) | (25) (73) | (70) (3) | (1,323) (125) | (24) (12) | (46) 1 | (1,122) 13 | (61) (3) | (273) (38) | (3,244) (2,002) |

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| | | | | | | | | | | | | |
|---|--------------|----------|--------------|--------------|--------------|----------------|-------------|--------------|--------------|---------------|--------------|----------------|
| Change in economic assumptions | | | | | | | | | | | | |
| Currency exchange differences | (591) | - | (63) | 53 | 111 | (8) | 0 | 3 | 67 | 29 | 85 | (315) |
| Miscellaneous impacts | 33 | - | 326 | 44 | 12 | (93) | (1) | (0) | 47 | (5) | 8 | 372 |
| Embedded value total return | (490) | - | (351) | 234 | 198 | (1,944) | (25) | (33) | (955) | (64) | (40) | (3,471) |
| Capital movements | (272) | - | (399) | (306) | 145 | 1,277 | 4 | 1 | 380 | (22) | (290) | 518 |
| Embedded value life insurance EoY | 6,852 | - | 7,479 | 2,062 | 2,058 | 723 | 273 | 54 | 1,172 | 515 | 1,749 | 22,936 |
| Other activities | | | | | | | | | | | | 948 |
| Holding activities | | | | | | | | | | | | (5,346) |
| Total embedded value | | | | | | | | | | | | 18,538 |
| Embedded value operating margin ^(A) | 5.1% | - | 14.1% | 11.0% | 8.6% | (28.3)% | 3.7% | 11.7% | 2.3% | (4.0)% | 8.5% | 6.8% |

| VNB, PVNBP and APE | Pensions and asset management | | Life and protection | | Individual savings and retirement | | | | Institutional products | | Re-insurance | Total |
|---|-------------------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|--------------|-----------------------------------|------------|--------------|--------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| <i>(amounts in EUR millions, after tax)</i> | | | | | | | | | | | | |
| Value of new business 2008 | 148 | - | 397 | 28 | 113 | (13) | 2 | 10 | 75 | (1) | 78 | 837 |
| Present value of new business premiums | 18,889 | - | 8,128 | 978 | 4,291 | 2,744 | 990 | 1,909 | 16,558 | 210 | 1,621 | 56,318 |
| APE ^(B) | 1,398 | - | 1,179 | 482 | - | - | 77 | - | - | 23 | 162 | 3,321 |
| Deposits | 4,912 | - | - | - | 4,270 | 2,589 | 11 | 1,909 | 16,558 | - | - | 30,249 |

^(A) Embedded value operating margin is calculated on a constant currency basis. See tables 14 to 19 for details.

^(B) APE = recurring premium + 1/10 single premium.

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Table 14

| Movement analysis 2008 <i>(amounts in USD millions unless stated otherwise, after tax)</i> | Pensions and asset | | Life and protection | | Individual savings and retirement | | | | Institutional products | | Re-insurance | Total |
|--|--------------------|------------------|---------------------|---------------------|-----------------------------------|-------------------------|-----------------|-------------------|-----------------------------------|---------------------|---------------------|-------------------------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| Embedded value life insurance BoY (<i>EUR millions</i>) | 1,223 | - | 4,455 | 1,885 | 1,715 | 1,385 | - | 86 | 1,746 | 601 | 2,079 | 15,175 |
| Embedded value life insurance BoY | 1,800 | - | 6,559 | 2,776 | 2,525 | 2,039 | - | 126 | 2,570 | 884 | 3,061 | 22,339 |
| Value of new business (VNB) | 51 | - | 146 | 25 | 165 | (20) | - | 15 | 110 | (2) | 114 | 604 |
| <i>Gross value of new business</i> | 70 | - | 288 | 44 | 266 | (2) | - | 18 | 165 | (1) | 182 | 1,031 |
| <i>Tax</i> | (14) | - | (60) | (9) | (52) | 0 | - | (4) | (32) | 0 | (36) | (205) |
| <i>Cost of capital (after tax)</i> | (5) | - | (82) | (10) | (48) | (18) | - | 0 | (23) | (1) | (33) | (221) |
| In-force performance | 12 | - | 796 | 307 | 52 | (557) | - | 0 | (51) | (33) | 147 | 671 |
| <i>Unwind of discount</i> | 119 | - | 469 | 203 | 169 | 139 | - | 0 | 160 | 67 | 211 | 1,537 |
| <i>Operating variances</i> | 24 | - | 215 | 203 | (217) | (431) | - | 0 | (33) | (43) | (69) | (350) |
| <i>Changes in operating assumptions</i> | (131) | - | 112 | (99) | 100 | (266) | - | 0 | (178) | (58) | 4 | (516) |
| Embedded value operating return | 63 (394) | - - | 942 (760) | 332 (21) | 217 (102) | (577) (1,940) | - - | 15 (67) | 59 (1,645) | (35) (89) | 260 (400) | 1,275 (5,418) |

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| | | | | | | | | | | | | |
|--|--------------|----------|--------------|--------------|--------------|----------------|----------|--------------|----------------|---------------|--------------|----------------|
| Variance from long-term inv. return | | | | | | | | | | | | |
| Change in economic assumptions | (145) | - | (513) | (63) | (4) | (183) | - | 1 | 19 | (5) | (55) | (948) |
| Currency exchange differences | 0 | - | (118) | (68) | (1) | (74) | - | 0 | 0 | 0 | (18) | (279) |
| Miscellaneous impacts | 48 | - | 215 | 21 | 18 | (136) | - | (1) | 70 | (7) | 11 | 239 |
| Embedded value total return | (428) | - | (234) | 201 | 127 | (2,910) | - | (52) | (1,498) | (136) | (202) | (5,132) |
| Capital movements | (128) | - | (870) | (466) | 213 | 1,866 | - | 1 | 558 | (32) | (425) | 717 |
| Embedded value life insurance EoY | 1,245 | - | 5,455 | 2,511 | 2,864 | 994 | - | 75 | 1,631 | 716 | 2,434 | 17,924 |
| Embedded value life insurance EoY (EUR millions) | 894 | - | 3,920 | 1,804 | 2,058 | 715 | - | 54 | 1,172 | 515 | 1,749 | 12,879 |
| Other activities (EUR millions) | | | | | | | | | | | | 681 |
| Total embedded value for Americas (EUR millions) | | | | | | | | | | | | 13,561 |
| Embedded value operating margin | 3.5% | - | 14.4% | 12.0% | 8.6% | (28.3)% | - | 11.7% | 2.3% | (4.0)% | 8.5% | 5.7% |

| VNB, PVNBP and APE (amounts in USD millions, after tax) | Pensions and asset management | | Life and protection | | Individual savings and retirement | | | | Institutional products | | Re-insurance | Total |
|---|-------------------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|--------------|-----------------------------------|------------|--------------|--------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| Value of new business 2008 | 51 | - | 146 | 25 | 165 | (20) | - | 15 | 110 | (2) | 114 | 604 |
| | 13,088 | - | 4,048 | 1,323 | 6,291 | 3,760 | - | 2,799 | 24,273 | 309 | 2,377 | 58,268 |

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| | | | | | | | | | | | | |
|--|-------|---|-----|-----|-------|-------|---|-------|--------|----|-----|--------|
| Present value of new business premiums | | | | | | | | | | | | |
| APE (A) | - | - | 648 | 689 | - | - | - | - | - | 33 | 237 | 1,608 |
| Deposits | 7,108 | - | - | - | 6,260 | 3,760 | - | 2,799 | 24,273 | - | - | 44,201 |

(A) APE = recurring premium + 1/10 single premium.

Embedded value 2008

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Table of Contents**The Netherlands**

Table 15

| Movement analysis 2008 <i>(amounts in EUR millions, after tax)</i> | Pensions and asset | | Life and protection | | Individual savings and retirement | | | | Institutional products | | Re-insurance | Total |
|--|--------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|--------------|-----------------------------------|------------|--------------|--------------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| Embedded value life insurance BoY <i>(EUR millions)</i> | 2,810 | - | 1,983 | 247 | - | - | - | - | - | - | - | 5,040 |
| Embedded value life insurance BoY | 2,810 | - | 1,983 | 247 | - | - | - | - | - | - | - | 5,040 |
| Value of new business (VNB) | 12 | - | 22 | 9 | - | - | - | - | - | - | - | 43 |
| <i>Gross value of new business</i> | <i>32</i> | <i>-</i> | <i>39</i> | <i>14</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>86</i> |
| <i>Tax</i> | <i>(8)</i> | <i>-</i> | <i>(10)</i> | <i>(4)</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>(22)</i> |
| <i>Cost of capital (after tax)</i> | <i>(12)</i> | <i>-</i> | <i>(7)</i> | <i>(1)</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>(20)</i> |
| In-force performance | 160 | - | 34 | (1) | - | - | - | - | - | - | - | 192 |
| <i>Unwind of discount</i> | <i>251</i> | <i>-</i> | <i>177</i> | <i>20</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>449</i> |
| <i>Operating variances</i> | <i>187</i> | <i>-</i> | <i>(111)</i> | <i>(17)</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>58</i> |
| <i>Changes in operating assumptions</i> | <i>(278)</i> | <i>-</i> | <i>(32)</i> | <i>(4)</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>(314)</i> |
| Embedded value operating return | 172 | - | 56 | 8 | - | - | - | - | - | - | - | 236 |
| Variance from long-term inv. return | 1,421 | - | (366) | (11) | - | - | - | - | - | - | - | 1,043 |
| Change in economic assumptions | (716) | - | (33) | (31) | - | - | - | - | - | - | - | (779) |

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| | | | | | | | | | | | | |
|---|--------------|----------|--------------|-------------|----------|----------|----------|----------|----------|----------|----------|--------------|
| Currency exchange differences | 0 | - | 0 | 0 | - | - | - | - | - | - | - | 0 |
| Miscellaneous impacts | (85) | - | 244 | 30 | - | - | - | - | - | - | - | 189 |
| Embedded value total return | 792 | - | (99) | (4) | - | - | - | - | - | - | - | 689 |
| Capital movements | (6) | - | 0 | 11 | - | - | - | - | - | - | - | 5 |
| Embedded value life insurance EoY | 3,596 | - | 1,884 | 254 | - | - | - | - | - | - | - | 5,734 |
| Embedded value life insurance EoY (EUR millions) | 3,596 | - | 1,884 | 254 | - | - | - | - | - | - | - | 5,734 |
| Other activities (EUR millions) | | | | | | | | | | | | 160 |
| Total embedded value for the Netherlands (EUR millions) | | | | | | | | | | | | 5,894 |
| Embedded value operating margin | 6.1% | - | 2.8% | 3.1% | - | - | - | - | - | - | - | 4.7% |

| VNB, PVNBP and APE (amounts in EUR millions, after tax) | Pensions and asset management | | Life and protection Life Accident and health | | Individual savings and retirement Fixed Variable Saving Mutual annuities annuities products funds | | | | Institutional products Institutional BOLI/ guaranteed COLI products | | Re-insurance | Total | |
|---|-------------------------------|------------------|--|---------------------|---|--------------------|-----------------|--------------|---|------------|--------------|-------|-------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | | |
| Value of new business 2008 | 12 | - | 22 | 9 | - | - | - | - | - | - | - | - | 43 |
| Present value of new business premiums | 1,424 | - | 831 | 68 | - | - | - | - | - | - | - | - | 2,324 |
| APE (A) | 191 | - | 99 | 10 | - | - | - | - | - | - | - | - | 300 |
| Deposits | - | - | - | - | - | - | - | - | - | - | - | - | - |

(A) APE = recurring premium + 1/10 single premium.

Embedded value 2008

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Table of Contents**United Kingdom**

Table 16

| Movement analysis 2008 <i>(amounts in GBP millions unless stated otherwise, after tax)</i> | Pensions and asset | | Life and protection | | Individual savings and retirement | | | | Institutional products | | Re-insurance | Total |
|--|--------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|--------------|-----------------------------------|------------|--------------|--------------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| Embedded value life insurance BoY <i>(EUR millions)</i> | 3,189 | - | 503 | - | - | - | - | - | - | - | - | 3,692 |
| Embedded value life insurance BoY | 2,339 | - | 369 | - | - | - | - | - | - | - | - | 2,708 |
| Value of new business (VNB) | 60 | - | 126 | - | - | - | - | - | - | - | - | 186 |
| <i>Gross value of new business</i> | <i>88</i> | - | <i>188</i> | - | - | - | - | - | - | - | - | <i>276</i> |
| <i>Tax</i> | <i>(25)</i> | - | <i>(53)</i> | - | - | - | - | - | - | - | - | <i>(77)</i> |
| <i>Cost of capital (after tax)</i> | <i>(3)</i> | - | <i>(9)</i> | - | - | - | - | - | - | - | - | <i>(12)</i> |
| In-force performance | 18 | - | 166 | - | - | - | - | - | - | - | - | 184 |
| <i>Unwind of discount</i> | <i>170</i> | - | <i>29</i> | - | - | - | - | - | - | - | - | <i>199</i> |
| <i>Operating variances</i> | <i>(124)</i> | - | <i>128</i> | - | - | - | - | - | - | - | - | <i>3</i> |
| <i>Changes in operating assumptions</i> | <i>(27)</i> | - | <i>9</i> | - | - | - | - | - | - | - | - | <i>(18)</i> |
| Embedded value operating return | 78 | - | 292 | - | - | - | - | - | - | - | - | 370 |
| Variance from long-term inv. return | (438) | - | 56 | - | - | - | - | - | - | - | - | (382) |
| Change in economic assumptions | (37) 5 | - | (3) 0 | - | - | - | - | - | - | - | - | (40) 5 |

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Currency
exchange
differences

| | | | | | | | | | | | | |
|--|--------------|----------|--------------|----------|----------|----------|----------|----------|----------|----------|----------|--------------|
| Miscellaneous impacts | 87 | - | (22) | - | - | - | - | - | - | - | - | 65 |
| Embedded value total return | (305) | - | 323 | - | - | - | - | - | - | - | - | 18 |
| Capital movements | (253) | - | 20 | - | - | - | - | - | - | - | - | (233) |
| Embedded value life insurance EoY | 1,781 | - | 712 | - | - | - | - | - | - | - | - | 2,493 |
| Embedded value life insurance EoY (EUR millions) | 1,870 | - | 747 | - | - | - | - | - | - | - | - | 2,617 |
| Other activities (EUR millions) | | | | | | | | | | | | (275) |
| Total embedded value for United Kingdom (EUR millions) | | | | | | | | | | | | 2,342 |
| Embedded value operating margin | 3.3% | - | 79.1% | - | - | - | - | - | - | - | - | 13.7% |

| VNB, PVNBP and APE (amounts in GBP millions, after tax) | Pensions and asset | | Life and protection | | Individual savings and retirement | | | | Institutional products | | Re- insurance | Total |
|--|--------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|--------------|-----------------------------------|------------|------------------|-------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| Value of new business 2008 | 60 | - | 126 | - | - | - | - | - | - | - | - | 186 |
| Present value of new business premiums | 6,074 | - | 2,144 | - | - | - | - | - | - | - | - | 8,218 |
| APE (A) | 953 | - | 253 | - | - | - | - | - | - | - | - | 1,205 |
| Deposits | - | - | - | - | - | - | - | - | - | - | - | - |

(A) APE = recurring premium + 1/10 single premium.

Embedded value 2008

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Table of Contents**Asia**

Table 17

| Movement analysis 2008 <i>(amounts in EUR millions, after tax)</i> | Pensions and asset | | Life and protection | | Individual savings and retirement | | | | Institutional products | | | Total |
|--|--------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|--------------|-----------------------------------|------------|--------------|-------------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | Re-insurance | |
| Embedded value life insurance BoY (EUR millions) | - | - | 428 | 3 | - | 5 | - | - | - | - | - | 436 |
| Embedded value life insurance BoY | - | - | 428 | 3 | - | 5 | - | - | - | - | - | 436 |
| BoY adjustment ^(A) | - | - | - | - | - | - | - | - | - | - | - | - |
| Embedded value life insurance BoY | - | - | 428 | 3 | - | 5 | - | - | - | - | - | 436 |
| Value of new business (VNB) | - | - | 19 | 0 | - | 1 | - | - | - | - | - | 20 |
| Gross value of new business | - | - | 27 | 1 | - | 2 | - | - | - | - | - | 30 |
| Tax | - | - | (7) | (0) | - | (1) | - | - | - | - | - | (7) |
| Cost of capital (after tax) | - | - | (1) | (0) | - | (1) | - | - | - | - | - | (3) |
| In-force performance | - | - | (33) | (1) | - | (2) | - | - | - | - | - | (36) |
| Unwind of discount | - | - | 29 | 0 | - | 0 | - | - | - | - | - | 30 |
| Operating variances | - | - | (17) | (1) | - | (1) | - | - | - | - | - | (19) |
| Changes in operating assumptions | - | - | (45) | (0) | - | (2) | - | - | - | - | - | (47) |
| Embedded value operating return | - | - | (14) | (0) | - | (2) | - | - | - | - | - | (16) |
| | - | - | (5) | (0) | - | 0 | - | - | - | - | - | (5) |

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| | | | | | | | | | | | | |
|--|---|---|---------------|---------------|---|----------------|---|---|---|---|---|---------------|
| Variance from long-term inv. return | | | | | | | | | | | | |
| Change in economic assumptions | - | - | (461) | (0) | - | 0 | - | - | - | - | - | (460) |
| Currency exchange differences | - | - | 17 | 0 | - | 0 | - | - | - | - | - | 18 |
| Miscellaneous impacts | - | - | (23) | 0 | - | 0 | - | - | - | - | - | (23) |
| Embedded value total return | - | - | (486) | 0 | - | (1) | - | - | - | - | - | (487) |
| Capital movements | - | - | 144 | 0 | - | 4 | - | - | - | - | - | 149 |
| Embedded value life insurance EoY | - | - | 86 | 3 | - | 9 | - | - | - | - | - | 97 |
| Embedded value life insurance EoY (EUR millions) | - | - | 86 | 3 | - | 9 | - | - | - | - | - | 97 |
| Other activities (EUR millions) | | | | | | | | | | | | 36 |
| Total embedded value for Asia (EUR millions) | | | | | | | | | | | | 134 |
| Embedded value operating margin | - | - | (3.2)% | (9.1)% | - | (29.7)% | - | - | - | - | - | (3.6)% |

| VNB, PVNBP and APE (amounts in EUR millions, after tax) | Pensions and asset | | Life and protection | | Individual savings and retirement | | | | Institutional products | | Re- insurance | Total |
|--|--------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|--------------|-----------------------------------|------------|------------------|-------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| Value of new business 2008 | - | - | 19 | 0 | - | 1 | - | - | - | - | - | 20 |
| Present value of new business premiums | - | - | 339 | 4 | - | 179 | - | - | - | - | - | 522 |

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| | | | | | | | | | | | | |
|----------|---|---|----|---|---|----|---|---|---|---|---|----|
| APE (A) | - | - | 61 | 2 | - | - | - | - | - | - | - | 63 |
| Deposits | - | - | - | - | - | 24 | - | - | - | - | - | 24 |

(A) APE = recurring premium + 1/10 single premium.

Embedded value 2008

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Table of Contents**Central and Eastern Europe**

Table 18

| Movement analysis 2008 <i>(amounts in EUR millions, after tax)</i> | Pensions and asset | | Life and protection | | Individual savings and retirement | | | Institutional products | | Re-insurance | Total |
|--|--------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|------------------------|-----------------------------------|--------------|------------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | | |
| Embedded value life insurance BoY (EUR millions) | 347 | - | 485 | - | - | - | 3 | - | - | - | 835 |
| Embedded value life insurance BoY | 347 | - | 485 | - | - | - | 3 | - | - | - | 835 |
| Value of new business (VNB) | 25 | - | 48 | - | - | - | 0 | - | - | - | 74 |
| <i>Gross value of new business</i> | 42 | - | 63 | - | - | - | 0 | - | - | - | 105 |
| <i>Tax</i> | (8) | - | (12) | - | - | - | (0) | - | - | - | (20) |
| <i>Cost of capital (after tax)</i> | (9) | - | (3) | - | - | - | (0) | - | - | - | (12) |
| In-force performance | 45 | - | 23 | - | - | - | (0) | - | - | - | 67 |
| <i>Unwind of discount</i> | 36 | - | 39 | - | - | - | 0 | - | - | - | 75 |
| <i>Operating variances</i> | 4 | - | (6) | - | - | - | (1) | - | - | - | (2) |
| <i>Changes in operating assumptions</i> | 4 | - | (10) | - | - | - | 0 | - | - | - | (6) |
| Embedded value operating return | 70 | - | 71 | - | - | - | (0) | - | - | - | 141 |
| Variance from long-term inv. return | (30) | - | (49) | - | - | - | (0) | - | - | - | (79) |
| | (21) | - | (9) | - | - | - | 0 | - | - | - | (30) |

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| | | | | | | | | | | | | |
|--|--------------|----------|--------------|----------|----------|----------|---------------|----------|----------|----------|----------|--------------|
| Change in economic assumptions | | | | | | | | | | | | |
| Currency exchange differences | (29) | - | (30) | - | - | - | 0 | - | - | - | - | (59) |
| Miscellaneous impacts | (24) | - | (22) | - | - | - | 0 | - | - | - | - | (46) |
| Embedded value total return | (34) | - | (39) | - | - | - | (0) | - | - | - | - | (73) |
| Capital movements | 139 | - | 3 | - | - | - | (0) | - | - | - | - | 141 |
| Embedded value life insurance EoY | 451 | - | 449 | - | - | - | 3 | - | - | - | - | 903 |
| Embedded value life insurance EoY (EUR millions) | 451 | - | 449 | - | - | - | 3 | - | - | - | - | 903 |
| Other activities (EUR millions) | | | | | | | | | | | | 135 |
| Total embedded value for Central and Eastern Europe (EUR millions) | | | | | | | | | | | | 1,038 |
| Embedded value operating margin | 19.9% | - | 14.4% | - | - | - | (4.2)% | - | - | - | - | 16.6% |

| VNB, PVNBP and APE (amounts in EUR millions, after tax) | Pensions and asset | | Life and protection | | Individual savings and retirement | | | Institutional products | | | Re-insurance | Total |
|--|--------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|------------------------|-----------------------------------|------------|--------------|-------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| Value of new business 2008 | 25 | - | 48 | - | - | - | 0 | - | - | - | - | 74 |
| Present value of new business premiums APE (A) | 828 | - | 674 | - | - | - | 7 | - | - | - | - | 1,509 |
| Deposits | 64 | - | 109 | - | - | - | - | - | - | - | - | 109 |
| | | | | | | | 1 | | | | | 65 |

(A) *APE = recurring premium + 1/10 single premium.*

Embedded value 2008

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Table of Contents**Other European Countries**

Table 19

| Movement analysis 2008 <i>(amounts in EUR millions, after tax)</i> | Pensions and asset | | Life and protection | | Individual savings and retirement | | | Institutional products | | | Re-insurance | Total |
|--|--------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|------------------------|-----------------------------------|------------|--------------|------------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| Embedded value life insurance BoY (EUR millions) | 45 | - | 374 | 0 | - | - | 291 | - | - | - | - | 710 |
| Embedded value life insurance BoY | 45 | - | 374 | 0 | - | - | 291 | - | - | - | - | 710 |
| Value of new business (VNB) | 1 | - | 50 | 1 | - | - | 2 | - | - | - | - | 54 |
| Gross value of new business | 1 | - | 81 | 2 | - | - | 14 | - | - | - | - | 98 |
| Tax | (0) | - | (25) | (1) | - | - | (5) | - | - | - | - | (30) |
| Cost of capital (after tax) | (0) | - | (7) | (0) | - | - | (7) | - | - | - | - | (14) |
| In-force performance | (2) | - | (38) | 0 | - | - | 9 | - | - | - | - | (31) |
| Unwind of discount | 3 | - | 25 | 0 | - | - | 11 | - | - | - | - | 39 |
| Operating variances | (5) | - | (40) | 0 | - | - | (1) | - | - | - | - | (46) |
| Changes in operating assumptions | (0) | - | (23) | 0 | - | - | (1) | - | - | - | - | (25) |
| Embedded value operating return | (1) | - | 11 | 1 | - | - | 11 | - | - | - | - | 23 |
| Variance from long-term inv. return | (1) | - | (2) | 0 | - | - | (24) | - | - | - | - | (27) |
| | (2) | - | (21) | (0) | - | - | (12) | - | - | - | - | (35) |

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Change in economic assumptions

| | | | | | | | | | | | | |
|--|---------------|----------|-------------|----------|----------|----------|-------------|----------|----------|----------|----------|-------------|
| Currency exchange differences | 0 | - | 0 | 0 | - | - | 0 | - | - | - | - | 0 |
| Miscellaneous impacts | 0 | - | 8 | (0) | - | - | (1) | - | - | - | - | 8 |
| Embedded value total return | (5) | - | (3) | 1 | - | - | (25) | - | - | - | - | (32) |
| Capital movements | 0 | - | 22 | 0 | - | - | 5 | - | - | - | - | 27 |
| Embedded value life insurance EoY | 41 | - | 393 | 1 | - | - | 270 | - | - | - | - | 705 |
| Embedded value life insurance EoY (EUR millions) | 41 | - | 393 | 1 | - | - | 270 | - | - | - | - | 705 |
| Other activities (EUR millions) | | | | | | | | | | | | 210 |
| Total embedded value for Other European Countries (EUR millions) | | | | | | | | | | | | 915 |
| Embedded value operating margin | (2.8)% | - | 3.1% | - | - | - | 3.8% | - | - | - | - | 3.2% |

| VNB, PVNBP and APE (amounts in EUR millions, after tax) | Pensions and asset | | Life and protection | | Individual savings and retirement | | | | Institutional products | | Re-insurance | Total |
|--|--------------------|------------------|---------------------|---------------------|-----------------------------------|--------------------|-----------------|--------------|-----------------------------------|------------|--------------|-------|
| | Pensions | Asset management | Life | Accident and health | Fixed annuities | Variable annuities | Saving products | Mutual funds | Institutional guaranteed products | BOLI/ COLI | | |
| Value of new business 2008 | 1 | - | 50 | 1 | - | - | 2 | - | - | - | - | 54 |
| Present value of new business premiums | 80 | - | 829 | 3 | - | - | 983 | - | - | - | - | 1,894 |
| APE (A) | 10 | - | 150 | 1 | - | - | 77 | - | - | - | - | 237 |
| Deposits | - | - | - | - | - | - | 10 | - | - | - | - | 10 |

(A) *APE = recurring premium + 1/10 single premium.*

Embedded value 2008

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Table of Contents**Addendum 2: Outcome based on the regulatory surplus requirement**

Table 20

| Embedded value components - | Americas | The Netherlands | United Kingdom | Asia | Central and Eastern Europe | Other European Countries | Total 2008 | Total 2007 |
|--|-----------------|------------------------|-----------------------|-------------|-----------------------------------|---------------------------------|-------------------|-------------------|
| Regulatory surplus | | | | | | | | |
| <i>(amounts in EUR millions, after tax)</i> | | | | | | | | |
| <u>Life business</u> | | | | | | | | |
| Adjusted net worth (ANW) | 6,615 | 2,794 | 748 | 194 | 337 | 435 | 11,123 | 11,751 |
| Free surplus (FS) | 5,149 | 1,487 | 364 | 111 | 287 | 101 | 7,500 | 5,000 |
| Required surplus (RS) | 1,466 | 1,307 | 383 | 83 | 50 | 334 | 3,623 | 6,750 |
| Value of in-force life business (ViF) | 7,189 | 3,016 | 1,869 | (72) | 592 | 282 | 12,876 | 15,383 |
| Present value future profits (PVFP) | 7,691 | 3,567 | 1,920 | (3) | 612 | 396 | 14,184 | 17,127 |
| Cost of capital (CoC) | (501) | (552) | (51) | (69) | (20) | (114) | (1,307) | (1,744) |
| Embedded value life insurance (EVLI) | 13,804 | 5,809 | 2,617 | 122 | 929 | 717 | 24,000 | 27,134 |
| <u>Other activities</u> | | | | | | | | |
| IFRS book value | 681 | 160 | (275) | 36 | 135 | 210 | 948 | 191 |
| Total embedded value per region | 14,486 | 5,970 | 2,342 | 158 | 1,064 | 926 | 24,947 | 27,325 |
| <u>Holding activities</u> | | | | | | | (5,346) | (4,385) |
| Market value of debt, capital securities & other net liabilities | | | | | | | (4,840) | (4,063) |
| Present value holding expenses | | | | | | | (506) | (322) |
| Total embedded value (TEV) | | | | | | | 19,601 | 22,940 |

Embedded value 2008

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Table of Contents**Addendum 3: Recoverability of DPAC**

This section discusses a number of differences between embedded value and the accounting treatment of deferred policy acquisition costs (DPAC), including value of business acquired (VOBA), with the aim of linking embedded value to DPAC. The DPAC analyzed here is on an IFRS basis.

Policy acquisition costs are deferred to the extent that they are recoverable from future expense charges in the premiums or from expected gross profits, depending on the nature of the contract. Every year the DPAC are tested by country unit and product line to assess the recoverability. Included in DPAC is the VOBA resulting from acquisitions, which is equal to a proportion of the present value of estimated future profits on insurance policies in-force related to business acquired at the time of the acquisition and is in its nature the same as deferred policy acquisition costs and also subject to the same recoverability testing.

Differences between the assessment of embedded value and DPAC/VOBA, include, but are not limited to, the following:

- ⚡ DPAC/VOBA in most countries is based on different accounting assumptions from those used in EVLI
- ⚡ DPAC/VOBA should be compared to IFRS profits instead of local statutory profits, on which EVLI is based
- ⚡ DPAC/VOBA under IFRS is reported pre-tax; EVLI is on an after tax basis

In the Netherlands and Poland, DPAC/VOBA is reflected in EVLI, where it is an admissible asset.

Under the EV framework, *the present value of future profits* (PVFP) represents the present value of future after tax regulatory profits projected to emerge from business in the current life insurance portfolio, discounted at the embedded value discount rate. For the reasons explained above, this PVFP cannot be compared directly to the DPAC/VOBA.

To arrive at a comparable basis, the profits included in the PVFP are adjusted to represent the present value of future pre-tax IFRS profits, before DPAC/VOBA amortization and discounted at the earned rate, net of investment charges/ expenses. The outcome of this calculation is compared to outstanding DPAC/VOBA balances to give an indication of the extent to which the aggregate DPAC/VOBA is recoverable. However, it should be noted that actual DPAC/VOBA recoverability testing does not occur in aggregate but rather at a lower level of segmentation and hence accelerated amortization may be required from time to time on specific blocks or segments of business even though ample coverage exists in aggregate.

Table 21 shows that total life insurance DPAC/VOBA has a coverage ratio of 186%. All of the regions showed coverage ratios above 100%.

Table 21

| DPAC recoverability | Americas | The Netherlands | United Kingdom | Asia | Central and Eastern Europe | Other European Countries | Total 2008 |
|---|-------------|-----------------|----------------|-------------|----------------------------|--------------------------|-------------|
| <i>(amounts in EUR millions, pre tax)</i> | | | | | | | |
| Adjusted PVFP | 19,414 | 5,463 | 4,123 | 326 | 1,064 | 453 | 30,843 |
| Gross DPAC | 11,931 | 521 | 3,494 | 309 | 264 | 20 | 16,539 |
| Coverage | 163% | 1049% | 118% | 105% | 403% | 2311% | 186% |

Table of Contents**Addendum 4: Exchange rates**

The currency exchange rates used in this report are reflected below. The weighted average exchange rates are used for the amounts in the movement analysis whereas the closing exchange rates are used for the year end 2008 and 2007 amounts.

Table 22

| Exchange rates | | 2008 | | 2007 | |
|----------------------|--------------|--------------|--------------|--------------|--------------|
| Currency | Abbreviation | Closing rate | Average rate | Closing rate | Average rate |
| Euro | EUR | 1.000 | 1.000 | 1.000 | 1.000 |
| US Dollar | USD | 1.392 | 1.466 | 1.472 | 1.368 |
| British Pound | GBP | 0.953 | 0.796 | 0.733 | 0.684 |
| Canadian Dollar | CAD | 1.700 | 1.559 | 1.445 | 1.468 |
| Polish Zloty | PLN | 4.154 | 3.521 | 3.594 | 3.790 |
| Ren Min Bi Yuan | CNY | 9.496 | 10.247 | 10.752 | 10.461 |
| Hungarian Forint | HUF | 266.700 | 251.291 | 253.730 | 251.231 |
| New Taiwan Dollar | NTD | 45.669 | 46.169 | 47.734 | 45.420 |
| Czech Republic Krona | CZK | 26.875 | 24.893 | 26.628 | 27.571 |
| Slovak Koruna | SKK | 30.126 | 31.199 | 33.583 | 33.689 |
| Romanian Leu | RON | 4.023 | 3.683 | 3.608 | 3.334 |

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Addendum 5: Methodology

Scope

Each division in each country unit calculates the *embedded value life insurance* (EVLI) for the relevant product segments within the life insurance entities (*life business*) based on detailed actuarial calculations.

All business not included in the life entities, such as general insurance, A&H in non-life entities and banking products is referred to as *other activities*. All business in non-life entities is valued at IFRS book value.

The sum of the embedded value life insurance per region and the value of the other activities is referred to as *total embedded value per region*.

The adjustments in respect of the holding activities comprise two parts:

- ⌚ Debt, capital securities and other net liabilities included at their market values;
- ⌚ The present value of future after tax holding expenses, representing the expenses incurred by the group staff departments which are not allocated to the country units.

The sum of the total embedded value per region and the adjustment in respect of the holding activities represents the *total embedded value* (TEV).

The total embedded value less the value of the preferred share capital represents the *total embedded value attributable to common shareholders*. The preferred share capital is valued by discounting the expected dividends at the *weighted average cost of capital* (WACC). This amount is then reduced by 5% to represent a liquidity discount adjustment.

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Movement analysis including new business

A movement analysis illustrates the change in embedded value life insurance from one reporting period to the next. One of the components of the movement analysis is the value of new business (VNB). The VNB is a measure of the value added by production sold within the last reporting period. It is calculated at the end of the reporting period and based on the beginning of year economic assumptions and assumptions outside of management control, and end of year operating assumptions. The change to end of year economic assumptions is reflected under *change in economic assumptions*, while the difference between the assumed and actual investment experience is reflected in the *variance from long-term investment return*.

Where pre-tax numbers are presented, the calculations are carried out on an after tax basis and the profits are then grossed up for the relevant corporate tax rate.

Operating assumptions

Operating assumptions are best estimate assumptions and based on historical data where available. The assumptions fall into two categories: operating assumptions involving policyholder behavior and operating assumptions involving company policies, strategies and operations. All assumptions reflect a going concern basis.

Operating assumptions involving policyholder behavior

Operating assumptions involving policyholder behavior, such as premium contributions, mortality, morbidity and persistency, reflect the company's best estimate of future experience and are based on the historical and current experience of the company. These assumptions are adjusted to reflect known changes in the environment and identifiable trends. If historical data is insufficient to provide a reliable basis to develop assumptions, the company's best judgment is used taking into consideration the company's pricing and/or reserving assumptions and the experience of other companies with comparable products, markets and operating procedures.

Operating assumptions involving company policies, strategies and operations

Operating assumptions involving company policies, strategies and operations, such as profit sharing/bonus rates and reinsurance and investment/reinvestment strategies reflect contractual requirements as well as the most current policies, strategies and operations.

Consistent with the close matching approach implemented in 2004, the estate of Guardian Assurance in AEGON UK has been valued assuming its distribution as terminal bonus.

Allowances for tax reflect best estimates of future taxes according to local taxation rules, taking into account current substantially enacted legislation and tax rates. This best estimate of future taxes initially assumes no future new business (i.e. is on a closed book basis) and includes both cash and accrual adjustments (e.g., deferred taxes). The tax attributed to new business written in the year is generally determined by considering the marginal impact of that new business on the existing business tax position (allowing for any losses carried forward). For the UK, the tax attributable to new business assumes that existing business profits are first made available to relieve new business strains, with any balance of such profits then being used to relieve carried forward losses. The UK new business strains and current tax position of the fund thus generate a negative tax variance, which has been included under *in-force variance* in the movement analysis in section 4.2.

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Expenses are based on current experience in the Netherlands this is current budgeted expenses as they are considered a more appropriate indicator of future levels. Expenses that can clearly be demonstrated as non-recurring are identified and omitted from maintenance or acquisition costs and excluded from the determination of the appropriate unit expense assumptions. Expenses are subject to inflation adjustments into the future⁸. Holding expenses reflect the present value of expected future expenses incurred by the holding companies (*present value holding expenses*). These expenses are assumed to run off in line with the in-force life business.

The target investment mix assumed does not vary with different scenarios. Where the current investment mix is different from the target, the target mix is modeled to be reached over a period of time.

Operating assumptions are reviewed each year and a determination is made as to whether they should be changed.

Economic assumptions

Economic assumptions used in the embedded value are based on observable market data and projections of future trends. These assumptions are approved by the Executive Board.

Risk discount rate

The discount rates used in embedded value reflect AEGON's *weighted average cost of capital* (WACC). From the WACC, we derive an AEGON risk margin as the difference between the WACC and weighted current risk free rates across the major country units. The WACC is calculated using a combination of a group level risk free interest rate, an equity risk premium, an assessment of company risk (beta) and an allowance for the gearing impact of debt financing. Rigid adherence to such an approach can result in inappropriate volatility in the WACC and the derived AEGON risk margin, for example as a result of short-term movements in beta. In 2004 and 2005 the AEGON risk margin was 3.2%. In 2006 and 2007 it was concluded that, taking into account changes in the beta and the level of debt financing, 3.0% would be a more appropriate allowance for an AEGON group wide risk margin. The analysis in 2008 has reflected a similar approach but has recognized that an increase in the equity risk premium is appropriate. In previous years the cost of equity has been in the range 8% to 9%. This year a figure of 10.5% has been assumed, which results in an increase in the risk margin from 3% to 4%.

Discount rates are then calculated at a country unit level to reflect the AEGON risk margin and the country risk free rate assumption. Where risk free rates are projected to move from current market rates to an ultimate long-term rate, the risk margin is applied to a blended rate to arrive at a single risk discount rate. In previous years no adjustment was made to discount rates among the three major country units to reflect differences in business risk either at country level or business unit/product level. This year the substantial de-risking of the Netherlands business was recognized and this led to the inclusion of a risk margin of 3% for the Netherlands in line with 2007 and 1% below the US and the UK. It should also be noted that, specific risk factors within each of these three countries will be reflected in the reserves set at a local level. An allowance for specific risk factors in the new/smaller country units is included in the discount rates where appropriate.

Equity return

The method used to derive projected equity returns is similar to that used to derive risk discount rates. As in previous years this method has resulted in the assumption of equity returns at the same level as discount rates. This includes the Netherlands, even though the lower risk premium applicable to this business could have supported an approach where they exceeded the discount rate to achieve consistency of equity returns across euro economies.

⁸ Refer to addendum 6 for the inflation assumptions.

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Risk free fixed interest returns

Risk free fixed interest returns correspond to the government bond yield for ten-year fixed interest instruments. These returns are used to derive risk discount rates and also underlie projections of returns on reinvestments, which will vary by the duration and credit characteristics of the assumed investment policy. In the Americas, the Eurozone and Taiwan, the assumed returns grade from the current market levels to the long-term assumptions derived from the forward curve - over a period of approximately five years.

Embedded options and guarantees

Insurance policies can have options and guarantees that are embedded in the product design (*embedded options and guarantees*). These embedded options and guarantees include minimum guaranteed death/income benefits, minimum interest guarantees (*floors*), minimum (cash) surrender values, annuity options, etc.

An explicit allowance for the time value of all material embedded options and guarantees has been included by assessing their impact on embedded value life insurance using mostly stochastic modeling. The methodology and assumptions used to assess this for the two regions where the impact on the EVLI is material are described in addendum 6. In total, the time value of options and guarantees included in the EVLI for the Group was EUR 592 million, after tax.

As well as the explicit cost included for the time value of embedded options and guarantees, the PVFP for the Netherlands includes a positive value of EUR 1.3 billion in relation to the release of EUR 3.8 billion IFRS reserve held for financial options and guarantees, and which is backed by an economic hedging program. This value has been established by projecting the future releases to shareholders from the reserve, assuming the underlying assets earn a risk free return, and discounting the releases, net of 25.5% tax, at the risk discount rate.

Required capital

The solvency requirement underlying the cost of capital allowance in the embedded value is the internal surplus requirement on which the business is managed. This requirement is based on the more stringent of the local regulatory requirement and the Standard and Poors local capital adequacy models at a AA level plus any additional internally imposed requirements, if applicable. The exception is AEGON's partnership in France, La Mondiale Participations, which is managed on local regulatory requirements. This then forms the basis for the solvency requirements for that business throughout this report.

In addition, embedded value figures calculated using the regulatory surplus requirement are shown in table 20, in addendum 2.

Table of Contents**Addendum 6: Detailed economic assumptions**

Table 23

| Economic assumptions 2008 | Discount rate | Equity returns | Property returns | Risk free fixed interest returns (A) | | | Net credit spread on fixed interest (B) | | | Inflation rate | Tax rate |
|----------------------------|---------------|----------------|------------------|--------------------------------------|----------|------------------------|---|----------|------------------------|----------------|----------|
| | | | | Start | Ultimate | Grading period (years) | Start | Ultimate | Grading period (years) | | |
| | | | | Americas | 7.2% | 7.2% | 6.5% | 2.3% | 4.1% | | |
| United States | | | | | | | | | | | |
| Canada | 7.4% | 7.4% | - | 2.6% | 4.1% | 5 | 259 | 65 | 2 | 2.0% | 28.0% |
| Mexico | 13.0% | - | - | 8.5% | 8.5% | - | - | - | - | 4.0% | 40.0% |
| | 7.0% | 7.0% | 6.7% | 3.4% | 4.6% | 5 | 527 | 148 | 2 | 2.0% | 25.5% |
| The Netherlands | 7.9% | 7.9% | 7.9% | 3.4% | 4.4% | 5 | 388 | 110 | 2 | 2.0% | 28.0% |
| United Kingdom | | | | | | | | | | | |
| Asia | | | | | | | | | | | |
| China | 10.0% | 10.0% | - | 2.9% | 3.9% | 5 | 144 | 144 | - | 3.0% | 25.0% |
| Taiwan | 6.8% | 6.8% | - | 1.7% | 2.6% | 5 | 365 | 82 | 2 | 2.0% | 25.0% |
| Central and Eastern Europe | 8.5% | 8.5% | 8.5% | 4.5% | 4.5% | - | - | - | - | 3.0% | 19.0% |
| Czech Republic | | | | | | | | | | | |
| Hungary | 11.0% | 11.0% | 11.0% | 7.0% | 7.0% | - | 45 | 45 | - | 3.0% | 20.0% |
| Poland | 9.5% | 9.5% | - | 5.5% | 5.5% | - | - | - | - | 3.0% | 19.0% |
| Romania | 13.0% | 13.0% | - | 8.5% | 8.5% | - | - | - | - | 5.0% | 16.0% |
| Slovakia | 8.0% | 8.0% | - | 3.4% | 4.6% | 5 | - | - | - | 3.0% | 19.0% |
| Other European Countries | | | | | | | | | | | |
| France | 8.0% | 8.0% | 8.0% | 3.4% | 4.6% | 5 | 100 | 50 | 2 | 2.0% | 34.4% |
| Spain | 8.0% | 8.0% | 8.0% | 3.4% | 4.6% | 5 | 128 | 55 | 2 | 2.0% | 30.0% |
| Economic assumptions 2007 | Discount rate | Equity returns | Property returns | Risk free fixed interest returns (A) | | | Net credit spread on fixed interest (B) | | | Inflation rate | Tax rate |
| | | | | Start | Ultimate | Grading period (years) | Start | Ultimate | Grading period (years) | | |
| Americas | | | | | | | | | | | |
| United States | 7.70% | 7.70% | 6.50% | 4.04% | 5.28% | 5 | 211 | 124 | 2 | 2.0% | 35.5% |
| Canada | 7.10% | 7.10% | - | 4.04% | 4.26% | 5 | 65 | 65 | - | 2.0% | 34.0% |

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| | | | | | | | | | | | |
|----------------------------|--------|--------|--------|-------|-------|---|-----|-----|---|------|-------|
| Mexico | 12.00% | - | - | 8.50% | 8.50% | - | - | - | - | 4.0% | 40.0% |
| The Netherlands | 7.60% | 7.60% | 6.70% | 4.40% | 4.90% | 5 | 126 | 47 | 2 | 2.0% | 25.5% |
| United Kingdom | 7.60% | 7.60% | 7.60% | 4.60% | 4.60% | - | 131 | 82 | 2 | 2.0% | 28.0% |
| Asia | | | | | | | | | | | |
| China | 10.00% | 10.00% | - | 3.60% | 4.30% | 5 | 110 | 110 | - | 3.0% | 25.0% |
| Taiwan | 6.90% | 6.90% | - | 3.10% | 3.40% | 5 | 158 | 82 | 2 | 2.0% | 25.0% |
| Central and Eastern Europe | | | | | | | | | | | |
| Czech Republic | 9.00% | 9.00% | 6.00% | 4.80% | 4.80% | - | - | - | - | 3.0% | 24.0% |
| Hungary | 10.00% | 10.00% | 10.00% | 6.90% | 6.90% | - | 45 | 45 | - | 3.0% | 20.0% |
| Poland | 9.00% | 9.00% | - | 5.90% | 5.90% | - | - | - | - | 2.0% | 19.0% |
| Slovakia | 9.00% | 9.00% | - | 4.70% | 4.70% | - | - | - | - | 3.0% | 19.0% |
| Other European Countries | | | | | | | | | | | |
| France | 7.60% | 7.60% | 6.20% | 4.40% | 4.90% | 5 | 43 | 51 | 2 | 2.0% | 34.4% |
| Spain | 7.60% | 7.60% | 6.70% | 4.40% | 4.90% | 5 | 55 | 55 | - | 2.0% | 30.0% |

^(A) Risk free fixed interest returns correspond to the 10-year government bond yield.

^(B) Average net credit spread in basis points (bps) of all corporate bonds, mortgages, loans, etc. over the risk free fixed interest returns.

Table of Contents**Americas***Stochastic modeling methodology*

The embedded value is taken as the average of the values calculated over a range of stochastic scenarios. The risk discount rate used in each scenario is described in table 4.

Scenarios for general account products

↳ Treasury yield curve scenarios

These scenarios model the US treasury yield curve. The underlying dynamics of the scenario generator are lognormal, with mean reversion to the assumed interest rate levels as described in table 4 as well as further adjustments in the event that the rates become too extreme. A short maturity (90-day) and long maturity (10-year) rate are projected. For both rates a quarterly volatility, a mean reversion target, and a mean reversion factor are specified, as well as a correlation between the movements of the two projected rates. Volatilities (standard deviations) are based on historical data. The net credit spreads are not assumed to vary by scenario.

Table 24

| Stochastic modeling mean reversion targets | | |
|--|------------------|----------------------------|
| Maturity | Reversion target | Quarterly yield volatility |
| 90-day | 1.74% | 16% |
| 10-year | 4.07% | 8% |

↳ Equity scenarios

Common stock and preferred stock account for less than 2% of the total AEGON USA general account assets. Therefore, these are not modeled separately.

Scenarios for separate account products

These scenarios cover various classes of equities and fixed income investments (bonds, money markets) as benchmarks for separate account funds. The underlying dynamics of the generator are lognormal, with inputs of expected returns and volatilities for each fund class as well as correlations between fund classes. Volatilities and correlations between funds are based on historical data. The current economic environment and forward-looking assumptions as per the dividend discount model were used to determine expected annual returns.

Within the stochastic scenarios, non-economic assumptions such as lapses are modeled dynamically. No management behavior is modeled.

Table 25

| Stochastic modeling assumptions | Effective annualized long-term gross return | Annual price volatility ^(A) |
|---------------------------------|---|--|
| Equity | 7.20% | 20.00% |
| Convertible bonds | 6.21% | 10.50% |
| Lehman aggregate bonds | 4.48% | 3.75% |
| Money market | 1.74% | 0.50% |

^(A) Volatilities in this table are with respect to volatilities of returns.

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Table 26

| Correlation matrix (A) | Equity | Convertible bonds | Lehman aggregate bonds | Money market |
|-------------------------------|---------------|--------------------------|-------------------------------|---------------------|
| Equity | 1.00 | 0.85 | 0.03 | 0.16 |
| Convertible bonds | 0.85 | 1.00 | 0.15 | 0.22 |
| Lehman aggregate bonds | 0.03 | 0.15 | 1.00 | 0.16 |
| Money market | 0.16 | 0.22 | 0.16 | 1.00 |

(A) Correlations in this table are with respect to correlations of returns.

The Netherlands*Stochastic modeling methodology*

The allowance in embedded value for the minimum interest guarantees in the life insurance portfolio (traditional business, unit-linked portfolios and separate account contracts) is calculated stochastically, where applicable. The impact of the financial options is calculated using the average values of the future after-tax shortfalls and profit-sharing over a range of stochastic scenarios, discounted using the risk discount rate described in table 4.

Within the stochastic scenarios non-economic assumptions are based on best estimates. No management behavior is modeled.

Scenarios for general account products

Profit sharing is mainly driven by an externally defined basket of government bonds. Therefore, no equity return or correlation assumptions are required to assess the exposure to the financial options and guarantees embedded in the traditional products.

At year-end 2008, the book yield on this basket equaled 3.93%. To assess the value of the minimum guarantees, a mean reversion target return of 4.34% is assumed for this benchmark. Projected interest rate scenarios are specified taking into account correlation between successive years, the mean reversion target and volatility. The model volatility is related to the implied volatility of the 7-year yield as an approximation of the actual volatility of the profit-sharing benchmark.

Table 27

| Stochastic modeling mean reversion targets | Reversion target | Annual yield volatility |
|---|-------------------------|--------------------------------|
| Profit-sharing rate | 4.34% | 16.4% |

Scenarios for unit-linked and separate account pension products

The unit-linked portfolio and separate account pension contracts are backed by a mix of equities and fixed income investments. The underlying dynamics of the scenario generators are lognormal, with inputs of expected returns and volatilities as well as the correlation matrix. The tables that follow include the mix of the underlying assets, the expected returns, volatilities per asset class and the assumed correlations for each of the unit-linked and separate account products. Volatilities and correlations between asset classes are based on historical data.

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Table 28

| Stochastic modeling unit-linked portfolio | | | | | | |
|---|-----------------|----------|----------------|-------------------------|----------|----------------|
| AEGON funds | Expected return | | | Annual price volatility | | |
| | Start | Ultimate | Grading period | Start | Ultimate | Grading period |
| Equity fund | 7.00% | 7.00% | - | 21.60% | 16.00% | 5 |
| Fixed income fund | 2.38% | 3.89% | 5 | 3.40% | 5.90% | 5 |
| Property fund | 7.00% | 7.00% | - | 21.60% | 16.00% | 5 |
| Mix fund ^(A) | 5.01% | 5.81% | 5 | 9.60% | 8.30% | 5 |

Government bonds fund

| | | | | | | |
|--|-------|-------|---|-------|-------|---|
| | 5.20% | 4.60% | 5 | 0.80% | 0.80% | - |
|--|-------|-------|---|-------|-------|---|

^(A) The AEGON Mix fund is a combination of 40% equity fund, 55% fixed income fund and 5% property fund.

Table 29

| Stochastic modeling unit-linked portfolio | | | | | | | | | |
|---|--------|----------|----------------|--------------|----------|----------------|----------|----------|----------------|
| Correlation matrix ^(A) | Equity | | | Fixed income | | | Property | | |
| | Start | Ultimate | Grading period | Start | Ultimate | Grading period | Start | Ultimate | Grading period |
| Equity | 1.00 | 1.00 | - | -0.26 | 0.15 | 5 | 0.73 | 0.55 | 5 |
| Fixed income | -0.26 | 0.15 | 5 | 1.00 | 1.00 | - | 0.13 | 0.23 | 5 |
| Property | 0.73 | 0.55 | 5 | 0.13 | 0.23 | 5 | 1.00 | 1.00 | - |

^(A) Correlations in this table are with respect to correlations of returns.

Table 30

| Stochastic modeling separate account pensions | | | |
|---|--------------|-------------------------|-------------------------|
| | Distribution | Annual Price Volatility | |
| | | Start | Ultimate Grading period |
| Equity ^(A) | 12.0% | 21.60% | 16.00% 5 |
| Fixed income ^(A) | 87.0% | 2.10% | 3.70% 5 |
| Property ^(A) | 1.0% | 21.60% | 16.00% 5 |

^(A) The expected returns used in stochastic modeling for these asset classes are the same as in table 23.

Table 31

| Stochastic modeling separate account pensions | | | |
|---|--------|-------|----------|
| Correlation matrix ^(A) | Equity | Bonds | Property |

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| | Start | Ultimate | Grading period | Start | Ultimate | Grading period | Start | Ultimate | Grading period |
|----------|--------|----------|-------------------|--------|----------|-------------------|--------|----------|-------------------|
| Equity | 1.00 | 1.00 | - | - 0.20 | 0.15 | 5 | 0.73 | 0.55 | 5 |
| Bonds | - 0.26 | 0.15 | 5 | 1.00 | 1.00 | - | - 0.13 | 0.23 | 5 |
| Property | 0.73 | 0.55 | 5 | 0.13 | 0.23 | 5 | 1.00 | 1.00 | - |

(A) Correlations in this table are with respect to correlations of returns.

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Table of Contents**Glossary and abbreviations****Glossary**

| | |
|--|--|
| Base case | The EVLI, TEV and VNB calculated under the set of assumptions and methodology outlined in addendum 5 Methodology. Sensitivity tests reflecting a deviation on the assumptions are presented in comparison to the base case. |
| Closed book | An assumption that the portfolio will run off after the valuation date and is not expected to grow with future new business. |
| Cost of capital | The cost related to having to hold solvency capital that will constrain distributions to shareholders. The cost originates from the fact that the net return earned on the assets backing this capital is lower than the discount rate. |
| Discount rate | The rate at which future cash flows are discounted back to the valuation date. |
| Embedded options and guarantees | Can apply to both assets and liabilities of AEGON. On assets, refers to features such as the ability to exercise an option to call, put, prepay or convert an asset. On liabilities, refers to features such as minimum guaranteed death/income benefits, minimum interest guarantees (floors), minimum (cash) surrender values, annuity options, etc. |
| Embedded value life insurance | The present value of the existing life insurance business at the valuation date and excluding any value attributable to future new business. |
| Embedded value life insurance movement | The change in embedded value life insurance from one reporting year to another. |
| Embedded value operating margin | Return on embedded value life insurance from operating activities. Defined as embedded value operating return divided by beginning of year embedded value life insurance (after any beginning of year adjustments) on a constant currency basis. |
| Embedded value operating return | Embedded value life insurance earnings from operating activities. Defined as the value of new business plus in-force performance. |
| Embedded value total margin | Return on embedded value life insurance from all sources. Defined as embedded value total return divided by beginning of year embedded value (after any beginning of year adjustments) in euros. |
| Embedded value total return | Embedded value life insurance earnings from all sources, not including capital movements. Defined as embedded value operating return plus the variance from long-term investment return, changes in economic assumptions, currency exchange differences and miscellaneous impacts. |
| European Embedded Value Principles | A consistent framework for the calculation and reporting of embedded value published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of major European insurers. |

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| | |
|---|--|
| Free surplus | Excess of assets available at the valuation date over capital needed to support the business (liabilities and required surplus). |
| Going concern basis | Business outlook assumption that expects the business to behave under normal conditions but excluding the value generated by future new business. |
| Gross value of new business | The value of new business, grossed-up at the effective new business corporate tax rate, before allowance for the cost of capital. |
| In-force business | Contracts and policies that are in effect as at the valuation date. |
| In-force performance | Defined as unwinding discount rate plus current-year experience variance from non-economic assumptions within management control plus change in operating assumptions. |
| Internal rate of return | The discount rate at which the present value of the distributable earnings from new business equals the investment in new business, i.e. the projected return on the initial investment in new business. |
| Internal surplus basis | The more stringent of local regulatory solvency requirements and Standard and Poors (S&P) solvency requirements at AA level, plus any additional internally imposed requirements, if applicable. |
| International Financial Reporting Standards | A set of accounting standards developed by the International Accounting Standards Board. All publicly listed companies in the European Union are required to prepare their financial statements in conformity with IFRS beginning January 1, 2005. |
| IFRS book value | Net asset value based on international financial reporting standards. |
| Mark-to-market | The adjustment of the asset value from regulatory value to market value. |
| Movement analysis | An explanation of the change in embedded value life insurance from one reporting period to the next. |
| Net asset spreads | Excess of net investment return over the risk free rate. |
| Persistency | The rate at which policies and contracts remain in-force. |
| Present value of distributable earnings | The discounted value of expected future distributable earnings as at the valuation date at the discount rate. |
| Present value of new business premiums | The discounted value of modeled premiums on the block of business sold in the latest reporting year. |
| Present value of future profits | The present value of future after tax regulatory profits projected to emerge from business in the current life insurance portfolio, discounted at the embedded value discount rate. |
| Reporting segment | The product type categories of business on which AEGON reports externally for IFRS and EVLI/TEV. |

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| Required surplus | The capital that AEGON is required to hold in order to satisfy local regulatory solvency requirements or to demonstrate financial strength (via ratings from agencies such as Standard & Poors and Moody's). |
| Reserve base | Methodology or principle basis to calculate the level of reserves. |
| Total embedded value | The sum of the embedded value life insurance and the value of the other activities and holding activities. |
| Time value of money | The expected value of money at a certain valuation date. |
| Unwind of discount | Expected return on the beginning of year EVLI. |
| Value of new business | The present value of the future distributable earnings on the block of business sold in the latest reporting year. Value of new business is calculated using beginning of year economic assumptions and assumptions outside of management control, and end of year operating assumptions. |
| Value of in-force | The present value of the expected future profits emerging from the business in-force as of the valuation date minus the cost of capital. |
| Variance analysis | Explanation of the difference between actual and expected experience related to assumptions. |

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Abbreviations

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| A&H | Accident & health |
| ANW | Adjusted net worth |
| APE | Annualized premium equivalent |
| BoY | Beginning of year |
| CoC | Cost of capital |
| DPAC | Deferred policy acquisition costs |
| EEV | European Embedded Value |
| EoY | End of year |
| EVLI | Embedded value life insurance |
| FA | Fixed annuities |
| Fee | Fee business |
| FS | Free surplus |
| IFRS | International financial reporting standards |
| IGP | Institutional guaranteed products |
| IRR | Internal rate of return |
| LAP | Life for account of policyholders |
| PVDE | Present value of distributable earnings |
| PVFP | Present value of future profits |
| PVNB | Present value of new business premiums |
| RS | Required surplus |
| TEV | Total embedded value |
| TL | Traditional life |
| VA | Variable annuities |
| ViF | Value of in-force business |
| VNB | Value of new business |
| VOBA | Value of business acquired |

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Table of Contents**Disclaimers****Cautionary note regarding Regulation G (non-GAAP measure)**

This press release includes a non-GAAP financial measure. Embedded value is not based on IFRS, which are used to prepare and report AEGON's 2008 financial statements and should not be viewed as a substitute for IFRS financial measures. In the 2008 Embedded Value report available on www.aegon.com, the embedded value life insurance and the total embedded value are reconciled to shareholders' equity of EUR 6.1 billion as reported in AEGON's annual accounts over the year 2008. AEGON believes the non-GAAP measure shown herein, together with the GAAP information, provides a meaningful measure for the investment community to evaluate AEGON's business relative to the businesses of our peers.

Local currencies and constant currency exchange rates

This press release contains certain information about our results and financial condition in USD for the Americas and GBP for the United Kingdom, because those businesses operate and are managed primarily in those currencies. Certain comparative information presented on a constant currency basis eliminates the effects of changes in currency exchange rates. None of this information is a substitute for or superior to financial information about us presented in EUR, which is the currency of our primary financial statements.

Forward-looking statements

The statements contained in this press release that are not historical facts are forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. The following are words that identify such forward-looking statements: believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, should, would, is confident, will, and similar expressions as they relate to our company. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. We undertake no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which merely reflect company expectations at the time of writing. Actual results may differ materially from expectations conveyed in forward-looking statements due to changes caused by various risks and uncertainties. Such risks and uncertainties include but are not limited to the following:

- ⌚ Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;
- ⌚ Changes in the performance of financial markets, including emerging markets, such as with regard to:
 - ⌚ The frequency and severity of defaults by issuers in our fixed income investment portfolios; and
 - ⌚ The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities we hold;
- ⌚ The frequency and severity of insured loss events;
- ⌚ Changes affecting mortality, morbidity and other factors that may impact the profitability of our insurance products;
- ⌚ Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels;
- ⌚ Changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;
- ⌚ Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- ⌚ Changes in laws and regulations, particularly those affecting our operations, the products we sell, and the attractiveness of certain products to our consumers;
- ⌚ Regulatory changes relating to the insurance industry in the jurisdictions in which we operate;
- ⌚ Acts of God, acts of terrorism, acts of war and pandemics;
- ⌚ Changes in the policies of central banks and/or governments;
- ⌚ Litigation or regulatory action that could require us to pay significant damages or change the way we do business;
- ⌚ Customer responsiveness to both new products and distribution channels;
- ⌚ Competitive, legal, regulatory, or tax changes that affect the distribution cost of or demand for our products;
- ⌚ Our failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives; and
- ⌚ The impact our adoption of the International Financial Reporting Standards may have on our reported financial results and financial condition.