

AEGON NV
Form 6-K
February 24, 2011
Table of Contents

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**

February 2011

AEGON N.V.

AEGONplein 50

2591 TV THE HAGUE

The Netherlands

Table of Contents

AEGON's Embedded Value 2009 Report, dated May 12, 2010, is attached as an appendix and incorporated herein by reference. The Embedded Value 2009 Report, as included in the appendix, reflects some minor adjustments to the Embedded Value 2009 Report as referred to in our Report on Form 6-K furnished to the SEC on May 12, 2010.

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: February 24, 2011

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

Table of Contents

THE HAGUE, MAY 12, 2010

EMBEDDED VALUE

2009

LIFE INSURANCE

PENSIONS

INVESTMENTS

Table of Contents**Table of contents**

1.	<u>Highlights</u>	2
1.1	<u>Introduction</u>	2
1.2	<u>Overview of embedded value life insurance and total embedded value</u>	4
1.3	<u>New business</u>	5
2.	<u>Economic Assumptions</u>	6
3.	<u>Reconciliation of total capital base to adjusted net worth</u>	7
4.	<u>Outcome</u>	9
4.1	<u>Value components</u>	9
4.2	<u>Movement analysis of embedded value life insurance</u>	12
5.	<u>Sensitivities</u>	17
5.1	<u>Embedded value life insurance sensitivity</u>	17
5.2	<u>Value of new business sensitivity</u>	18
	<u>Addendum 1: Movement analysis per region and product segment</u>	19
	<u>AEGON Group</u>	20
	<u>Americas</u>	21
	<u>The Netherlands</u>	22
	<u>United Kingdom</u>	23
	<u>Other Countries</u>	24
	<u>Addendum 2: Embedded Value 2009 by new reporting segments</u>	25
	<u>Addendum 3: Breakdown of Other Countries by regions</u>	28
	<u>Addendum 4: Outcome based on the regulatory surplus requirement</u>	33
	<u>Addendum 5: Recoverability of DPAC</u>	34
	<u>Addendum 6: Exchange rates</u>	35
	<u>Addendum 7: Methodology</u>	36
	<u>Scope</u>	36
	<u>Methodology and definitions</u>	37
	<u>Operating assumptions</u>	38
	<u>Economic assumptions</u>	39
	<u>Embedded options and guarantees</u>	40
	<u>Required capital</u>	40
	<u>Addendum 8: Detailed economic assumptions</u>	41
	<u>Glossary and abbreviations</u>	45
	<u>Glossary</u>	45
	<u>Abbreviations</u>	48
	<u>Disclaimers</u>	49

Table of Contents**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 analysts and investors 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 (EVLI) is an estimate of the economic value of a company's existing life insurance business and is to a large extent actuarially determined. EVLI should not be viewed as a substitute for AEGON's primary financial statements.

EVLI 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.

EVLI 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.

This report uses the IFRS reporting structure of 2009. Additional information showing the embedded value at year-end 2009 under the new reporting structure for 2010 is shown in Addendum 2.

The regional groupings used throughout the report are as follows:

- ⌘ Americas consists of AEGON Canada, AEGON USA, AEGON's 50% interest in Mongeral (Brazil) and AEGON's 49% interest in Seguros Argos (Mexico);
- ⌘ Other Countries consists of AEGON's operations in the Czech Republic (including the 90% interest in its partnership in the AEGON Pension Fund), Hungary, Poland, Slovakia, Romania, Turkey, Variable Annuities in Europe, AEGON Spain, AEGON's interests in four partnerships in Spain, AEGON's 35% interest in La Mondiale Participations (France) and AEGON's 50% interest in its partnership in China.

A breakdown of the Other Country results by region is shown in Addendum 3.

Other activities includes the IFRS book value of AEGON's 26% interest in AEGON Religare (India) AEGON's 75% interest in Religare AEGON Asset Management (India), AEGON's 49% interest in AEGON Industrial Fund Management (China) and AEGON's 50% interest in Caixa Terrassa Vida y Pensiones in Spain.

Table of Contents

The methodology AEGON uses to calculate EVLI is described in addendum 7. 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.

[Embedded Value](#)

[Page 3](#)

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 2009	Year-end 2008	
<i>(amounts in millions unless stated otherwise, after tax)</i>	EUR	EUR	%
Life business			
Adjusted net worth (ANW)	13,216	11,123	19
Free surplus (FS)	2,404	2,335	3
Required surplus (RS)	10,811	8,788	23
Value of in-force life business (ViF)	10,081	11,813	(15)
Present value future profits (PVFP)	13,035	14,184	(8)
Cost of capital (CoC)	(2,955)	(2,371)	25
Embedded value life insurance (EVLI)	23,296	22,936	2
Other activities			
IFRS book value	1,137	948	20
Total embedded value before holding activities	24,434	23,883	2
Holding activities			
Market value of debt, capital securities & other net liabilities	(6,663)	(5,346)	25
Present value holding expenses	(6,187)	(4,840)	28
	(477)	(506)	(6)
Total embedded value (TEV)	17,770	18,538	(4)
Value of preferred share capital	(1,301)	(1,343)	(3)
Total embedded value (TEV) attributable to common shareholders	16,469	17,194	(4)
TEV attributable to common shareholders per share (EUR)	9.65	11.35	(15)

The most important items impacting the change in embedded value life insurance during 2009 are¹:

- ⚡ Embedded value operating return² of EUR 1.3 billion, consisting of EUR 0.6 billion for in-force performance and EUR 0.8 billion for new business value.
- ⚡ A negative investment variance of EUR (0.4) billion and an adverse impact of EUR (0.6) billion from economic assumption changes.
- ⚡ Net capital movements into the life operations increased the EVLI by EUR 0.4 billion.
- ⚡ The weakening of the US dollar against the euro was partially offset by the strengthening of the British pound, reducing the EVLI by EUR (0.2) billion. If the figures in this table had been prepared on a constant currency basis, EVLI would have increased by 2% and TEV would have decreased by 4%.

The value of other activities increased to EUR 1.1 billion.

Debt, capital securities and other net liabilities, which includes the convertible core capital securities from Vereniging AEGON funded by the Dutch State, increased by EUR 1.3 billion, due to a EUR 1.1 billion increase in debt and capital securities and a EUR 0.2 billion increase in Other Net Liabilities.

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 .

Table of Contents

Debt securities increased by EUR 1.1 billion as a result of an increase in the market value of debt (EUR 1.4 billion) and the issuance of senior debt (EUR 1.8 billion). The increase in debt was netted against assets that remain in the holding after allocations to net capital contributions to life operations and other activities (EUR 0.3 billion), interest and coupons on debt and capital securities, including the coupon and premium on the convertible core capital securities (EUR 0.6 billion) and dividends to preferred share holders (EUR 0.1 billion). The above increases were partially offset by the repayment of EUR 1.0 billion convertible core capital securities supported by the issuance of common shares during 2009, and currency exchange rate movements (EUR 0.2 billion).

1.3 New business

The profitability of the policies sold in 2009 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	2009	2008	%
	EUR	EUR	
<i>(amounts in millions)</i>			
Gross value of new business	1,199	1,369	(12)
Tax	(253)	(317)	(20)
Cost of capital	(178)	(215)	(17)
Value of new business	767	837	(8)

Table 3

Value of new business	2009	2008	%
	EUR	EUR	
<i>(amounts in millions, after tax)</i>			
Americas	293	412	(29)
The Netherlands	184	43	-
United Kingdom	170	234	(27)
Other Countries	120	148	(19)
Asia	4	20	(80)
Central and Eastern Europe	46	74	(38)
Other European Countries	82	54	52
Variable Annuity Europe	(11)	-	-
Total	767	837	(8)

The value of new business decreased 8% from 2008 (decreased 7% 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 2009 and 2008 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 7 and 8 respectively.

Table 4

Economic assumptions 2009	United States	The Netherlands	United Kingdom
Discount rate	8.9%	7.4%	8.8%
Equity returns	8.9%	7.4%	8.8%
Property returns	8.0%	6.7%	8.8%
Risk free fixed interest returns ^(A)	3.9%	3.8%	4.2%
Net credit spread on fixed interest (bps) ^(B)	290	124	167
Inflation rate	2.0%	2.0%	2.0%
Tax rate	35.5%	25.5%	28.0%

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%

^(A) Risk free fixed interest returns correspond to the 10-year government bond yield. The table above shows start rates only. Refer to table 29 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 29 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 6: Exchange rates.

The main changes for 2009 are increases in the short-term risk free fixed interest return across all countries. The risk discount rate is determined from the average of the current and ultimate risk free fixed interest returns (shown in Table 29) plus the risk margin. The risk margin to determine equity returns and the discount rate remained at 4%, except for 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 decrease 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	2009	2008	%
<i>(amounts in EUR millions)</i>			
Total capital			
AEGON shareholders' equity ^(A)	12,164	6,055	101
Capital securities & subordinated debt & ^(B)	6,839	7,901	(13)
Minority interest	10	6	67
Senior debt related to insurance activities ^(C)	958	69	-
Total capital base	19,971	14,031	42
Other net liabilities ^(D)	(1)	(180)	(99)
Total capital base and other net liabilities	19,970	13,851	44
Capital in units			
Americas	12,207	7,629	60
The Netherlands	3,544	2,954	20
United Kingdom	2,485	1,320	88
Other countries	1,733	1,948	(11)
Asia	60	397	(85)
Central and Eastern Europe	703	645	9
Other European Countries	930	906	3
VA Europe	41	-	-
Total	19,970	13,851	44
Allocated to			
Life subsidiaries	18,833	12,903	46
Other activities	1,137	948	20
Total	19,970	13,851	44
Reconciliation capital in life subsidiaries to adjusted net worth			
Capital in life subsidiaries	18,833	12,903	46
Adjustments to local equity	(5,617)	(1,780)	216
Adjusted net worth (ANW)	13,216	11,123	19

^(A) Including the preferred share capital (2009: EUR 2,122 million, 2008: EUR 2,114 million).

^(B) Including convertible core capital securities (2009: EUR 2 billion, 2008: EUR 3 billion).

^(C) Borrowings (of which related to insurance activities): EUR 7,485 million (EUR 958 million) in 2009 and EUR 5,339 million (EUR 69 million) in 2008.

^(D) Carried at the holding companies.

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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.

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

The life insurance DPACs in certain countries, most significantly the Netherlands (EUR 0.6 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 (13.9) billion, asset related differences amount to EUR 2.0 billion, reserve related differences amount to EUR 5.4 billion and the balance of the adjustments, EUR 0.9 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 down substantially from 2008, primarily due to the reduction in unrealized losses from the end-2008 levels that are included in IFRS but which are not required under regulatory reporting in the Americas. The reserve valuation differences are up on 2009 due to an increase in the Americas resulting from certain liabilities being adjusted to reflect market changes under regulatory accounting but remaining fixed under IFRS partially offset by a fall in the UK as only statutory reserves for annuities reflect the impact of lower bond yields.

The differences between embedded value and the accounting treatment of DPAC are discussed in addendum 5.

[Embedded Value](#)

[Page 8](#)

Table of Contents**4. Outcome**

This section presents the EVLI and TEV as of December 31, 2009. 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	Other countries	Total 2009
<i>(amounts in EUR millions, after tax)</i>					
Life business					
Adjusted net worth (ANW)	8,527	3,199	673	817	13,216
Free surplus (FS)	822	1,114	177	292	2,404
Required surplus (RS)	7,705	2,085	496	525	10,811
Value of in-force life business (ViF)	4,888	2,315	1,918	960	10,081
Present value future profits (PVFP)	6,873	2,934	2,082	1,146	13,035
Cost of capital (CoC)	(1,985)	(619)	(164)	(186)	(2,955)
Embedded value life insurance (EVLI)	13,415	5,514	2,591	1,777	23,296
Other activities					
IFRS book value	616	355	(153)	320	1,137
Total embedded value per region	14,031	5,869	2,437	2,096	24,434
Holding activities					
Market value of debt, capital securities & other net liabilities					(6,663)
Present value holding expenses					(6,187)
Total embedded value (TEV)					(477)
Value of preferred share capital					17,770
					(1,301)
Total embedded value (TEV) attributable to common shareholders					16,469

The solvency requirement on which the business is managed is based on the more stringent of the regulatory requirements and Standard and Poor's 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 0.5 billion), distribution (EUR 0.1 billion), general insurance (EUR 0.3 billion) and the company's pension and employee benefit schemes (EUR 0.1 billion).

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The value of other activities increased to EUR 1.1 billion. Other activities increased mainly due to a change in treatment of certain intercompany loans between the life companies and other activities in the UK, offset by a reduction in the value of the staff pension scheme in the US and expense and interest charges at the holding company in the UK.

Table of Contents

The embedded value life insurance increased due to positive performance on the in-force business and the contribution from value of new business being largely 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 2008 to end of year 2009 refer to section 4.2.

Non-recurring expenses

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 40 million, after tax, was considered as exceptional expenses (Americas EUR 12 million, UK EUR 13 million and Other countries EUR 15 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	Other countries	Total 2009	Total 2008
(amounts in EUR millions, after tax)						
Free surplus (BOY)	600	971	364	399	2,335	1,025
Change in MV adjustment on FS	4	-	-	13	17	(32)
Return on free surplus	20	112	9	19	160	82
Earnings on in-force	2,219	336	456	138	3,149	(755)
Release of required surplus on inforce	(1,246)	(159)	(13)	70	(1,348)	3,267
Investment in new business	(965)	(141)	(227)	(119)	(1,452)	(1,958)
<i>New business first year strain</i>	<i>(345)</i>	<i>(38)</i>	<i>(155)</i>	<i>(93)</i>	<i>(631)</i>	<i>(712)</i>
<i>Required surplus on new business</i>	<i>(620)</i>	<i>(103)</i>	<i>(72)</i>	<i>(27)</i>	<i>(822)</i>	<i>(1,246)</i>
Capital movements	206	(9)	252	(38)	412	518
Currency exchange differences	(16)	0	33	(3)	14	(80)
Other	(1)	4	(699)	(188)	(883)	267
Free surplus (EOY)	822	1,114	177	292	2,404	2,335

The economic value of free surplus in the life business increased during 2009 mainly due to:

- ⌚ Return on free surplus of EUR 0.2 billion.
 - ⌚ Overall earnings on in-force operations based on local statutory accounting of EUR 3.1 billion.
 - ⌚ In the Americas the earnings on in-force of EUR 2.2 billion reflected substantial earnings from life, fixed annuities, accident and health, institutional products and life reinsurance.
 - ⌚ In the Netherlands the earnings on in-force of EUR 0.3 billion is lower than 2008, largely due to a loss on the hedge result, as a result of an increase in the risk free rate, more than offsetting an improvement in operational earnings.
 - ⌚ In the UK, earnings on in-force have improved significantly on 2008 due to improved market conditions in 2009.
 - ⌚ Net capital injections of EUR 0.4 billion.
- partially offset by

- ⌚ A strengthening of required surplus on in-force, which had a negative impact on free surplus of EUR (1.3) billion.
- ⌚ In the Americas, the strengthening of required surplus on in-force was largely due to substantial increases in required surplus for fixed annuities and life and to a lesser extent pensions and life reinsurance.
- ⌚ In the Netherlands, the increase in required surplus is largely due to an increase in S&P capital requirements, related to longevity.
- ⌚ Investment in new business, including new business strain and required capital on new business, of EUR (1.5) billion. This is lower than the investment in new business in 2008, largely due to the run off of institutional spread-based business and lower fixed annuity volumes in the Americas and generally lower production in the UK in 2009.
- ⌚ Other of EUR (0.9) billion. In the UK, other is primarily related to the strengthening of the statutory valuation basis and a change in treatment of certain intercompany loans between the life companies and other activities. In Other countries, Other is largely related to the sale of the Taiwan life insurance business.

Further detail on the Reconciliation of free surplus for Other countries is shown in Addendum 3.

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 2009	Americas	The Netherlands	United Kingdom	Other countries	Total 2009
<i>(amounts in EUR millions, after tax)</i>					
Embedded value life insurance BoY	12,879	5,734	2,617	1,706	22,936
Value of new business (VNB)	293	184	171	120	767
Gross value of new business	454	291	253	202	1,199
Tax	(54)	(74)	(71)	(54)	(253)
Cost of capital (after tax)	(107)	(32)	(11)	(27)	(178)
In-force performance	(134)	622	(15)	87	560
Unwind of discount	916	455	197	131	1,700
Operating variances	(1,028)	(39)	(13)	(65)	(1,145)
Mortality/morbidity	13	1	3	(2)	16
Persistency	(240)	(34)	9	(39)	(303)
Maintenance expenses	69	19	(12)	0	76
Exceptional expenses	(12)	0	(13)	(15)	(40)
Other	(858)	(26)	0	(10)	(893)
Changes in operating assumptions	(22)	206	(199)	21	5
Mortality/morbidity	199	(92)	(44)	9	72
Persistency	66	13	(93)	(53)	(67)
Maintenance expenses	135	76	(17)	13	207
Other	(422)	209	(44)	51	(206)
Embedded value operating return	159	806	155	207	1,327
Variance from long-term inv. return	454	(819)	(96)	65	(396)
Change in economic assumptions	(66)	(260)	(264)	(16)	(607)
Currency exchange differences	(342)	0	189	(0)	(153)
Miscellaneous impacts	124	62	(262)	(146)	(222)
Embedded value total return	330	(211)	(279)	109	(51)
Capital movements	206	(9)	252	(38)	412
Embedded value life insurance EoY	13,415	5,514	2,591	1,777	23,296
Other activities					1,137
Holding activities					(6,663)
Total embedded value					17,770
Embedded value operating margin ^(A)	1.2%	14.1%	5.5%	12.4%	5.8%

^(A) Embedded value operating margin is calculated on a constant currency basis. See addendum 1, tables 14 to 17 for details.

⁵ Refer to addendum 1 Movement analysis per region and product segment, tables 14 to 17, for a split per region and per product segment

Table of Contents

Return on embedded value

The overall embedded value operating margin was 5.8% in 2009 (6.8% in 2008). The embedded value total margin was (0.2)% in 2009 ((13.4)% in 2008).

Currency exchange differences

A currency variance of EUR (153) million was primarily caused by a weakening of the US dollar against the euro, partially offset by a strengthening of the British pound.

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 1.2%.
- ⌘ In-force variance was negative overall due to adverse persistency experience for variable annuities and life reinsurance business and adverse spread experience on institutional products (EUR (0.9) billion), partially offset by small positive spread variances on other lines of business, shown under Other. There is also a negative impact for statutory reserve strengthening for variable annuities shown in Other partially offset by a number of items including a small impact from the Monumental Life securitization. These adverse impacts were partially offset by favorable mortality/morbidity for variable annuities, pensions and BOLI/COLI and favorable maintenance expenses across most lines of business.
- ⌘ The change in operating assumptions was driven by lower mortality assumptions for Life and Life reinsurance business, improved persistency assumptions for institutional products and reduced maintenance expenses across most lines of business, more than offset by higher assumed reserve financing costs, coming through Other, as well as a number of other small negative impacts.
- ⌘ The positive long-term investment variance reflected gains linked to the improvement in equity markets and the impact of increases in fixed interest rates, partially offset by a negative credit variance due to higher defaults than expected and narrower credit spreads than expected.
- ⌘ The net change in economic assumptions was largely driven by the impact of higher risk free fixed interest returns and higher returns on equity, more than offset by the impact of a higher risk discount rate and the impact of higher assumed defaults on commercial mortgages and collateralized mortgage obligations.
- ⌘ The miscellaneous impacts reflected modeling improvements largely related to Life and institutional products.

The Netherlands

- ⌘ The embedded value operating margin was 14.1%.
- ⌘ The main components of the in-force variance were unfavorable persistency experience partially offset by favorable maintenance expense experience for Pensions business. Other relates to the impact of policy improvements for some Life investment contracts.
- ⌘ The change in operating assumptions reflected a large negative impact from longer assumed longevity in Pensions, partially offset by lower future maintenance expenses. The changes under other are mainly related to the impact of the change in asset mix of policyholder funds from bonds to equities and the impact of increased fees on Pensions business.
- ⌘ The main component of the negative variance on long-term investments was the combined impacts of a hedge program and a significant decrease in the guarantee reserve⁶ related to

⁶ For the details of the valuation of the guarantee reserve, please refer to addendum 7 Methodology.

Table of Contents

traditional policies with profit sharing and unit linked policies with guarantees and an adverse impact from lower property returns. These were partially offset by realized gains on fixed interest bonds during the year.

- ⌵ For economic assumption changes, the increase in the risk discount rate had a negative impact, though this was partially offset by the increase in the equity return assumption. The risk free interest rates increased for longer durations which had a positive impact however at the shortest durations the 2009 risk free rate was lower than 2008 and this had a particularly adverse impact on profit-sharing for Pensions. Whilst net credit spreads generally reduced, there is a small positive impact in here from increased expected spreads on asset backed securities and structured credits.
- ⌵ The miscellaneous impacts reflected modeling improvements partially offset by a change in S&P requirements.

United Kingdom

- ⌵ The embedded value operating margin on a constant currency basis was 5.5% .
- ⌵ The in-force variance included small positive impacts from persistency and mortality on Pensions, offset by a small adverse on maintenance expenses, related to the run-off of the Employee Benefits business, and exceptional expenses.
- ⌵ Changes to operating assumptions included a negative impact from the strengthening of persistency assumptions on Pensions business and negative impacts from mortality and maintenance expenses on Life business. Other primarily relates to an increase in investment related expenses.
- ⌵ The variance from long-term investment return was negative largely due to the fall in credit spreads on Life business, partly offset by increases in fee income on Pensions, due to equity market improvements and narrowing spreads on corporate bonds.
- ⌵ On economic assumptions, there is a negative impact mainly from Pensions business as a result of the increased risk discount rate partly offset by the increase in equity returns and a negative impact on Life as a result of the fall in net credit spreads.
- ⌵ In Miscellaneous the largest impact is a change in the treatment of certain intercompany loans between the life insurance companies and Other Activities, which has the impact of reducing the EVLI and increasing Other Activities by EUR 0.2 billion. There are also a number of smaller impacts including positive impacts from modeling adjustments and a one-off valuation reserve release, offset by an exceptional charge related to a program to improve the consistency of customer records and a one-off contribution to the staff pension scheme.

Other countries

- ⌵ The embedded value operating margin on a constant currency basis was 12.4%.
- ⌵ The in-force variance arose largely due to a negative persistency variance in CEE (Hungary pensions and mortgages) and Spain and exceptional expenses. Other represents a one-off impact of lower than expected contributions to pension schemes in Hungary as a result of the recession.
- ⌵ The change in operating assumptions was positive due to lower asset management expenses and increased fees on unitized business in Hungary, as well as increased profits from profit sharing in Spain, shown in Other, and lower maintenance expense assumptions in Poland, offset by the strengthening of persistency assumptions in Hungary and Spain.
- ⌵ The variance from long-term investment return was largely due to improved returns on fixed interest in Hungary, as well as positive impacts from equity market improvements in Hungary, Poland and VA Europe.
- ⌵ Miscellaneous relates to the sale of the Taiwan business and the impact of the changes in pension legislation across CEE.

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 premium⁷.

Table 9

Modeled new business APE ^(A) and deposits (amounts in EUR millions)	Premium business		Deposit business		VNB		
	APE ^(A)		Deposits ^(B)		2009	2008	%
	2009	2008	2009	2008	2009	2008	%
Americas	997	1,097	17,753	30,151	293	412	(29)
The Netherlands	328	300	-	-	184	43	-
United Kingdom	1,070	1,514	-	-	170	234	(27)
Other countries	357	409	525	98	120	148	(19)
Asia	31	63	3	24	4	20	(80)
China	24	16	-	-	1	3	(67)
Taiwan	7	47	3	24	2	16	(88)
Central and Eastern Europe	79	109	119	65	46	74	(38)
Czech Republic	12	10	49	21	6	3	100
Hungary	17	32	32	25	24	37	(35)
Poland	38	58	24	11	8	20	(60)
Romania	1	-	1	7	1	8	(88)
Slovakia	10	9	2	0	7	7	-
Turkey	1	-	12	-	1	-	-
Other European Countries	247	237	-	10	82	54	52
France	99	96	-	-	4	4	-
Spain	148	141	-	10	77	50	54
Variable Annuity Europe	-	-	402	-	(11)	-	-
Total	2,753	3,321	18,278	30,249	767	837	(8)
VNB	611	592	156	246			

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

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

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

⁷ Refer to addendum 1 Movement analysis per region and product segment for the split of VNB per region and per reporting segment

Table of Contents

Table 10

2009 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	142	4,690	3.0%	14.2%	151	23,589	0.6%	0.9%	293	11.7%
The Netherlands	184	2,763	6.7%	56.0%	-	-	-	-	184	17.4%
United Kingdom	170	6,938	2.5%	15.9%	-	-	-	-	170	14.0%
Other countries	115	2,690	4.3%	32.2%	5	1,230	0.4%	0.9%	120	38.0%
Asia	3	161	1.8%	9.5%	1	13	5.2%	21.7%	4	10.4%
China	1	127	1.1%	5.9%	-	-	-	-	1	11.5%
Taiwan	2	34	4.4%	22.5%	1	13	5.2%	21.7%	2	9.6%
Central and Eastern Europe	31	463	6.6%	38.7%	15	815	1.8%	12.6%	46	30.9%
Czech Republic	4	78	5.2%	32.7%	2	187	0.9%	3.5%	6	16.3%
Hungary	14	111	12.3%	79.0%	10	330	3.0%	31.7%	24	37.5%
Poland	6	208	2.9%	15.9%	2	198	0.9%	7.2%	8	21.1%
Romania	0	3	7.6%	29.2%	1	24	3.1%	95.9%	1	23.9%
Slovakia	6	62	10.3%	63.1%	1	24	2.2%	28.7%	7	33.6%
Turkey	0	1	31.5%	52.5%	0	52	0.4%	1.8%	1	17.1%
Other European Countries	82	2,066	3.9%	33.0%	-	-	-	-	82	47.8%
France	4	1,141	0.4%	4.3%	-	-	-	-	4	8.9%
Spain	77	925	8.4%	52.3%	-	-	-	-	77	>50.0%
Variable Annuity Europe	-	-	-	-	(11)	402	(2.7)%	(2.7)%	(11)	3.0%
Total	611	17,080	3.6%	22.2%	156	24,819	0.6%	0.9%	767	18.3%

In the Americas, VNB decreased 32% in US dollars (down 29% in euros), largely due to a fall in production, except for pensions, driven by more retirement plan sales. The main contributor to the decrease in VNB was institutional products as the spread-based business was placed in run-off early in 2009. Overall IRR in the Americas decreased slightly from 12.4% in 2008 to 11.7% in 2009.

The significant increase in VNB in the Netherlands largely reflects higher margins and volumes of Life business. The IRR in the Netherlands increased from 10.8% in 2008 to 17.4% in 2009 due to business mix.

The reduction in VNB in the UK was driven by lower production across most product lines. The IRR improved from 13.5% in 2008 to 14.0% in 2009 due to business mix.

The decrease in VNB in Other Countries reflects lower sales in Hungary and Poland and adverse pension legislation changes across CEE, partially offset by improved production and business mix in Spain.

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	Other countries	Total 2009
Embedded value life insurance					
(amounts in EUR millions, after tax)					
Base case embedded value life insurance 2009	13,415	5,514	2,591	1,777	23,296
Required surplus at regulatory solvency	9%	4%	0%	2%	6%
100 bps decrease in risk discount rate	6%	8%	8%	6%	7%
100 bps increase in risk discount rate	-5%	-7%	-7%	-5%	-6%
100 bps decrease in risk-free rate, all asset returns and RDR	-1%	3%	4%	2%	0%
100 bps increase in risk-free rate, all asset returns and RDR	0%	-6%	-3%	-2%	-2%
100 bps decrease in equity and property returns	-1%	-6%	-4%	-1%	-3%
100 bps increase in equity and property returns	1%	6%	4%	1%	3%
10% fall in equity markets	-2%	-2%	-4%	-1%	-2%
100 bps decrease in fixed interest	-6%	2%	0%	-3%	-3%
100 bps increase in fixed interest	4%	-4%	0%	3%	2%
10% decrease in lapse rates	3%	0%	4%	3%	2%
5% decrease in mortality/ morbidity rates for mortality/ morbidity exposure business	6%	1%	0%	0%	4%
5% decrease in mortality/ morbidity rates for longevity exposure business	0%	-3%	-1%	-3%	-1%
1% mortality/ morbidity improvement per year for the entire projection period	8%	-6%	-3%	0%	3%
10% decrease in maintenance expenses	2%	2%	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.

Table of Contents**5.2 Value of new business sensitivity**

Table 12

Sensitivity analysis -	Americas	The Netherlands	United Kingdom	Other Countries	Total 2009
Value of new business					
(amounts in EUR millions, after tax)					
Base case value of new business 2009	293	184	170	120	767
100 bps decrease in risk discount rate	37%	9%	19%	18%	23%
100 bps increase in risk discount rate	-31%	-7%	-16%	-14%	-19%
100 bps decrease in risk-free rate, all asset returns and RDR	-44%	4%	3%	1%	-15%
100 bps increase in risk-free rate, all asset returns and RDR	33%	-4%	-2%	0%	11%
100 bps decrease in equity and property returns	-5%	0%	-7%	-1%	-4%
100 bps increase in equity and property returns	5%	0%	8%	2%	4%
100 bps decrease in fixed interest	-67%	-4%	-4%	-12%	-30%
100 bps increase in fixed interest	59%	4%	5%	14%	27%
10% decrease in lapse rates	25%	2%	7%	10%	13%
5% decrease in mortality/ morbidity rates for mortality/ morbidity exposure business	29%	1%	2%	2%	12%
5% decrease in mortality/ morbidity rates for longevity exposure business	-1%	0%	-3%	1%	-1%
1% mortality/ morbidity improvement per year for the entire projection period	55%	-1%	-10%	2%	19%
10% decrease in acquisition expenses	13%	2%	9%	4%	8%
10% decrease in maintenance expenses	10%	1%	5%	5%	6%

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 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.

Table of Contents

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 four 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 product segments used for primary financial reporting under IFRS during 2009.

[Embedded Value](#)

[Page 19](#)

Table of Contents**AEGON Group**

Table 13

Movement analysis 2009 <i>(amounts in EUR millions, after tax)</i>	Pensions and asset management		Life and protection		Individual savings and retirement				Institutional products		Life Re-insurance	Total
	Pensions management	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving Products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Embedded value life insurance BoY	6,852	-	7,479	2,062	2,058	723	273	54	1,172	515	1,749	22,936
Value of new business (VNB)	150	-	428	26	107	(32)	1	5	16	(3)	68	767
<i>Gross value of new business</i>	237	-	664	39	155	(27)	15	6	19	(3)	95	1,199
<i>Tax</i>	(53)	-	(161)	(7)	(18)	5	(5)	(1)	(2)	0	(11)	(253)
<i>Cost of capital (after tax)</i>	(34)	-	(74)	(6)	(30)	(10)	(8)	-	(1)	(0)	(15)	(178)
In-force performance	691	-	362	144	198	(177)	26	(19)	(711)	(3)	48	560
<i>Unwind of discount</i>	546	-	541	139	125	52	20	0	109	38	129	1,700
<i>Operating variances</i>	(8)	-	(34)	(13)	46	(192)	4	(20)	(914)	14	(29)	(1,145)
<i>Changes in operating assumptions</i>	153	-	(145)	18	27	(38)	1	-	93	(55)	(51)	5
Embedded value operating return	841	-	790	170	305	(209)	27	(14)	(696)	(5)	117	1,327
Variance from long-term inv. return	(794)	-	19	(44)	(215)	679	0	16	(48)	4	(13)	(396)
Change in economic assumptions	(171)	-	(300)	(27)	(106)	158	(1)	1	(37)	(73)	(50)	(607)
Currency exchange differences	93	-	(20)	(38)	(73)	(16)	0	(2)	(23)	(17)	(57)	(153)
Miscellaneous impacts	80	-	(631)	6	(50)	(15)	1	3	318	51	15	(222)
Embedded value total return	49	-	(141)	67	(139)	597	27	3	(486)	(40)	12	(51)
Capital movements	413	-	(206)	(1)	227	179	(19)	7	(271)	2	82	412
Embedded value life insurance EoY	7,313	-	7,131	2,128	2,146	1,499	281	63	415	476	1,843	23,296
Other activities												1,137
Holding activities												(6,663)

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Total embedded value												17,770
Embedded value operating margin ^(A)	12.3%	-	10.6%	8.4%	15.0%	(29.2)%	10.1%	(26.3)%	(60.0)%	(1.0)%	6.8%	5.8%
VNB, PVNBP and APE	Pensions and asset management		Life and protection		Individual savings and retirement			Institutional products			Life Re-insurance	Total
<i>(amounts in EUR millions, after tax)</i>	Pensions management	Asset management	Life and health	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI	Life Re-insurance	Total
Value of new business 2009	150	-	428	26	107	(32)	1	5	16	(3)	68	767
Present value of new business premiums	19,705	-	6,429	907	3,402	3,131	1,037	1,712	4,050	12	1,515	41,899
APE ^(B)	1,110	-	940	481	-	-	78	-	-	3	141	2,753
Deposits	6,005	-	-	-	3,402	3,121	0	1,712	4,038	-	-	18,278

^(A) Embedded value operating margin is calculated on a constant currency basis. See tables 14 to 17 for details.

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

Table of Contents**Americas**

Table 14

Component analysis 2009 <i>Values in USD millions unless stated</i>	Pensions and asset management		Life and protection		Individual savings and retirement				Institutional products		Life Re-insurance
	Pensions	Asset management	Life and health	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI	
Adjusted value life insurance BoY (EUR millions)	894	-	3,920	1,804	2,058	715	-	54	1,172	515	1,749
Adjusted value life insurance BoY	1,245	-	5,455	2,511	2,864	994	-	75	1,631	716	2,434
Change in new business (VNB)	64	-	85	22	150	(31)	-	8	22	(4)	96
Change in value of new business	78	-	166	31	218	(20)	-	8	27	(4)	134
Change in capital (after tax)	(9)	-	(21)	(4)	(25)	2	-	(1)	(3)	0	(15)
Change in operating assumptions	(6)	-	(61)	(6)	(42)	(13)	-	0	(2)	(0)	(22)
Change in performance	148	-	378	223	279	(253)	-	(27)	(1,001)	(4)	68
Change in value of discount	114	-	368	172	176	69	-	1	154	53	181
Change in operating variances	7	-	57	30	65	(269)	-	(28)	(1,286)	20	(41)
Change in operating assumptions	27	-	(47)	21	39	(53)	-	0	131	(77)	(72)
Adjusted value operating return	212	-	463	244	430	(284)	-	(20)	(979)	(7)	164
Change from long-term inv. return	57	-	94	(68)	(302)	918	-	22	(68)	5	(19)
Change in economic assumptions	(11)	-	119	(50)	(150)	222	-	1	(52)	(103)	(70)
Change in currency exchange differences	(0)	-	85	36	1	37	-	0	(0)	(0)	9
Change in miscellaneous impacts	(32)	-	(266)	21	(70)	(23)	-	4	447	72	22
Adjusted value total return	225	-	495	184	(92)	871	-	7	(652)	(33)	106
Change in movements	412	-	(386)	(15)	319	213	-	9	(381)	3	115
Adjusted value total return	1,882	-	5,563	2,680	3,092	2,078	-	91	598	686	2,654

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Embedded value life insurance EoY

Embedded value life insurance EoY (EUR millions)	1,307	-	3,862	1,860	2,146	1,442	-	63	415	476	1,843
Activities (EUR millions)											
Embedded value for Americas (EUR millions)											
Embedded value operating margin	17.0%	-	8.5%	9.7%	15.0%	(28.5)%	-	(26.3)%	(60.0)%	(1.0)%	6.8%

VNB and APE	Pensions and asset management		Life and protection		Individual savings and retirement				Institutional products		Life Re-insurance
	Pensions	Asset management	Life and health	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI	
New business 2009	64	-	85	22	150	(31)	-	8	22	(4)	96
Value of new business premiums	16,491	-	3,285	1,150	4,787	3,821	-	2,408	5,698	17	2,132
	-	-	543	657	-	-	-	-	-	4	199
	8,283	-	-	-	4,787	3,820	-	2,408	5,682	-	-

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

Embedded Value

Page 21

Table of Contents**The Netherlands**

Table 15

Movement analysis 2009 <i>(amounts in EUR millions, after tax)</i>	Pensions and asset management		Life and protection	Individual savings and retirement products					Institutional products		Life Re-insurance	Total
	Pensions management	Asset management	Life	Accident health	Fixed annuities	Variable annuities	Savings products	Mutual funds	Unit-linked products	BOLI/ COLI		
Embedded value life insurance BoY (EUR millions)	3,596	-	1,884	254	-	-	-	-	-	-	-	5,734
Embedded value life insurance BoY	3,596	-	1,884	254	-	-	-	-	-	-	-	5,734
Value of new business (VNB)	30	-	146	8	-	-	-	-	-	-	-	184
<i>Gross value of new business</i>	71	-	207	13	-	-	-	-	-	-	-	291
<i>Tax</i>	(18)	-	(53)	(3)	-	-	-	-	-	-	-	(74)
<i>Cost of capital (after tax)</i>	(23)	-	(9)	(1)	-	-	-	-	-	-	-	(32)
In-force performance	581	-	52	(11)	-	-	-	-	-	-	-	622
<i>Unwind of discount</i>	295	-	144	17	-	-	-	-	-	-	-	455
<i>Operating variances</i>	27	-	(36)	(31)	-	-	-	-	-	-	-	(39)
<i>Changes in operating assumptions</i>	259	-	(56)	3	-	-	-	-	-	-	-	206
Embedded value operating return	611	-	197	(3)	-	-	-	-	-	-	-	806
Variance from long-term inv. return	(1,023)	-	200	4	-	-	-	-	-	-	-	(819)
Change in economic assumptions												