

AEGON NV
Form 6-K
February 24, 2011
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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**

February 2011

AEGON N.V.

AEGONplein 50

2591 TV THE HAGUE

The Netherlands

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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

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THE HAGUE, MAY 12, 2010

EMBEDDED VALUE

2009

LIFE INSURANCE

PENSIONS

INVESTMENTS

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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 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.

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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](#)

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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 .

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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 EUR	2008 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 EUR	2008 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* .

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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		