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.

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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 *(amounts in millions unless stated otherwise, after tax)*	Year-end 2008 EUR	Year-end 2007 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	(5,346)	(4,385)	22
Market value of debt, capital securities & other net liabilities	*(4,840)*	*(4,063)*	*19*
Present value holding expenses	*(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 are[1]:

- 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 return[2] 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 (amounts in millions)	2008 EUR	2007 EUR	%
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 (amounts in millions, after tax)	2008 EUR	2007 EUR	%
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 .*

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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.

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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 *(amounts in EUR millions)*	**2008**	**2007**	**%**
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.

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 business[4]. 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.

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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 *(amounts in EUR millions, after tax)*	**Americas**	**The Netherlands**	**United Kingdom**	**Asia**	**Central and Eastern Europe**	**Other European Countries**	**Total 2008**
Life business							
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**
Other activities							
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**
Holding activities							(5,346)
Market value of debt, capital securities & other net liabilities							*(4,840)*
Present value holding expenses							*(506)*
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).

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.

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Free surplus

Table 7

Reconciliation of free surplus *(amounts in EUR millions, after tax)*	Americas	The Netherlands	United Kingdom	Asia	Central and Eastern Europe	Other European Countries	Total 2008
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)
New business first year strain	*(407)*	*(24)*	*(207)*	*(27)*	*(45)*	*(2)*	*(712)*
Required surplus on new business	*(974)*	*(89)*	*(151)*	*(5)*	*(20)*	*(5)*	*(1,246)*
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.

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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 components[5]. The main items per region are explained in further detail after table 8 and table 10.

Table 8

Movement analysis 2008 *(amounts in EUR millions, after tax)*	Americas	The Netherlands	United Kingdom	Asia	Central and Eastern Europe	Other European Countries	Total 2008
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.

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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 premium[6].

Table 9

Modeled new business APE(A) and deposits *(amounts in EUR millions)*	**Premium business** APE (A)		**Deposit business** Deposits (B)		**VNB**		
	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**					
	VNB	**PVNBP**	**VNB/ PVNBP**	**VNB/ APE**	**VNB**	**PVNBP**	**VNB/ PVNBP**	**VNB/ Deposits**	**Total VNB**	**Total IRR**
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.

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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 - **Embedded value life insurance** *(amounts in EUR millions, after tax)*	**Americas**	**The Netherlands**	**United Kingdom**	**Asia**	**Central and Eastern Europe**	**Other European Countries**	**Total 2008**
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% &nb				