

AEGON NV  
Form 6-K  
May 17, 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**

May 2011

**AEGON N.V.**

**AEGONplein 50**

**2591 TV THE HAGUE**

**The Netherlands**

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AEGON's Embedded Value Report 2010, is included as appendix and incorporated herein by reference.

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: May 17, 2011

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

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THE HAGUE, MAY 12, 2011

# EMBEDDED VALUE

## 2010

LIFE INSURANCE

PENSIONS

ASSET MANAGEMENT

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**Table of Contents****1. Highlights****1.1 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

| <b>Embedded value</b>   | Year-end<br>2010<br>EUR | Year-end<br>2009<br>EUR | %         |
|---|-------------------------|-------------------------|-----------|
| <i>(amounts in millions unless stated otherwise, after tax)</i>       |                         |                         |           |
| <b>Life business</b>  |                         |                         |           |
| Adjusted net worth (ANW)  | 15,959                  | 13,216                  | 21        |
| Free surplus (FS)   | 3,261                   | 2,404                   | 36        |
| Required surplus (RS)   | 12,697                  | 10,811                  | 17        |
| Value of in-force life business (ViF)                                 | 9,798                   | 10,081                  | (3)       |
| Present value future profits (PVFP)                                   | 13,570                  | 13,035                  | 4         |
| Cost of capital (CoC)   | (3,772)                 | (2,955)                 | (28)      |
| <b>Embedded value life insurance (EVLI)</b>                           | <b>25,756</b>           | <b>23,296</b>           | <b>11</b> |
| <b>Other activities</b>   |                         |                         |           |
| IFRS book value   | 733                     | 1,137                   | (36)      |
| <b>Total embedded value before holding activities</b>                 | <b>26,489</b>           | <b>24,434</b>           | <b>8</b>  |
| <b>Holding activities</b>   |                         |                         |           |
| Market value of debt, capital securities & other net liabilities      | (7,598)                 | (6,663)                 | (14)      |
| Present value holding expenses  | (7,098)                 | (6,187)                 | (15)      |
|   | (500)                   | (477)                   | (5)       |
| <b>Total embedded value (TEV)</b>                                     | <b>18,891</b>           | <b>17,770</b>           | <b>6</b>  |
| Value of preferred share capital                                      | (1,170)                 | (1,301)                 | 10        |
| <b>Total embedded value (TEV) attributable to common shareholders</b> | <b>17,721</b>           | <b>16,469</b>           | <b>8</b>  |
| TEV attributable to common shareholders per share (EUR)               | 10.38                   | 9.65                    | 8         |

The most important items impacting the change in embedded value life insurance during 2010 were<sup>1</sup>:

- ⊖ Embedded value operating return<sup>2</sup> of EUR 1.3 billion, consisting of EUR 767 million for in-force performance and EUR 555 million for new business value.
- ⊖ An investment variance of EUR 1.9 billion and an impact of EUR (1.3) billion from economic assumption changes due to lower interest rates particularly in the Netherlands.
- ⊖ Net capital movements from the life operations, impacting the EVLI by EUR (0.7) billion.
- ⊖ The strengthening of other currencies against the euro, particularly the US dollar, increasing the EVLI by EUR 1.2 billion.

<sup>1</sup> For a more detailed analysis, please refer to section 2.1.2 Movement analysis of embedded value life insurance .

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<sup>2</sup> For embedded value operating margins on a constant currency basis, please refer to addendum 2 *Movement analysis per region and product segment* .

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The value of other activities decreased to EUR 0.7 billion (see section 2.1 for details).

Debt, capital securities and other net liabilities, which includes the convertible core capital securities funded by the Dutch State, increased by EUR 0.9 billion, as a result of an increase in the market value of debt, more than offsetting the reduction in debt due to the repurchase of convertible core capital securities in 2010 (EUR 0.5 billion).

**1.2 New business**

A high level overview of the value of new business (VNB) generated by new business sold during the reporting period is contained below in tables 2 and 3. Throughout this report, the VNB is presented net of tax and after an allowance for the cost of carrying required capital on the internal surplus basis unless stated otherwise.

*Table 2*

| <b>Value of new business</b>       | <b>2010</b>  | <b>2009</b>  | <b>%</b>    |
|------------------------------------|--------------|--------------|-------------|
|                                    | <b>EUR</b>   | <b>EUR</b>   |             |
| <i>(amounts in millions)</i>       |              |              |             |
| <b>Gross value of new business</b> | <b>1,054</b> | <b>1,199</b> | <b>(12)</b> |
| Tax                                | (308)        | (253)        | (22)        |
| Cost of capital                    | (190)        | (178)        | (7)         |
| <b>Value of new business</b>       | <b>555</b>   | <b>767</b>   | <b>(28)</b> |

*Table 3*

| <b>Value of new business</b>            | <b>2010</b> | <b>2009</b> | <b>%</b>    |
|---|-------------|-------------|-------------|
|   | <b>EUR</b>  | <b>EUR</b>  |             |
| <i>(amounts in millions, after tax)</i> |             |             |             |
| Americas                                | 230         | 293         | (22)        |
| The Netherlands                         | 144         | 184         | (22)        |
| United Kingdom                          | 65          | 170         | (62)        |
| New Markets                             | 116         | 120         | (3)         |
| Asia                                    | 4           | 4           | 0           |
| Central and Eastern Europe              | 49          | 46          | 7           |
| Spain & France                          | 51          | 82          | (38)        |
| Variable Annuities Europe               | 11          | (11)        | -           |
| <b>Total</b>                            | <b>555</b>  | <b>767</b>  | <b>(28)</b> |



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The VNB decreased 28% from 2009 (30% on a constant currency basis). The main reason for the decrease was the strategic shift away from spread business, in both the Americas and the UK. The Netherlands also experienced lower VNB as the margins on mortgage business decreased. New Markets share of AEGON's total VNB increased to 21% (from 16% in 2009).

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**Table of Contents****1.3 Summary of movement analysis**

Table 4

| <b>Summary of movement analysis</b>                   | Total         | Total         |
|---|---------------|---------------|
|   | 2010          | 2009          |
| <i>(amounts in EUR millions, after tax)</i>           |               |               |
| <b>Embedded value life insurance BoY</b>              | <b>23,296</b> | <b>22,936</b> |
| Value of new business (VNB)                           | 555           | 767           |
| In-force performance                                  | 767           | 560           |
| <b>Embedded value operating return</b>                | <b>1,322</b>  | <b>1,327</b>  |
| Variance from long-term investment return             | 1,860         | (396)         |
| Change in economic assumptions                        | (1,332)       | (607)         |
| Currency exchange differences                         | 1,192         | (153)         |
| Miscellaneous impacts                                 | 89            | (222)         |
| <b>Embedded value total return</b>                    | <b>3,131</b>  | <b>(51)</b>   |
| Capital movements                                     | (672)         | 412           |
| <b>Embedded value life insurance EoY</b>              | <b>25,756</b> | <b>23,296</b> |
| Other activities                                      | 733           | 1,137         |
| Holding activities                                    | (7,598)       | (6,663)       |
| <b>Total embedded value</b>                           | <b>18,891</b> | <b>17,770</b> |
| <b>Embedded value operating margin <sup>(A)</sup></b> | <b>5.3%</b>   | <b>5.8%</b>   |

<sup>(A)</sup> Embedded value operating margin is calculated on a constant currency basis. See addendum 2, tables 15 to 18 for details.

- ⚡ Embedded value operating return was at a similar level to 2009, with stronger in-force performance offsetting a lower level of new business value.
- ⚡ Favorable variances from the long-term investment return of EUR 1.9 billion were partially offset by a negative impact of EUR (1.3) billion from economic assumption changes, both largely caused by the impact in the Netherlands of lower interest rates, which had a positive impact on the derivatives hedging the guarantee reserves, and an offsetting negative impact due to increases in the value of liabilities.
- ⚡ There were net capital movements from the life operations, which impacted the EVLI by EUR (0.7) billion in 2010.
- ⚡ The strengthening of currencies against the euro, particularly the US dollar, increased the EVLI by EUR 1.2 billion.



**Table of Contents****1.4 Summary of reconciliation of free surplus in life insurance businesses**

Table 5

| Summary of reconciliation of free surplus         | Total<br>2010 | Total<br>2009 |
|---|---------------|---------------|
| <i>(amounts in EUR millions, after tax)</i>       |               |               |
| <b>Free surplus (BOY)</b>                         | <b>2,404</b>  | <b>2,335</b>  |
| Change in Market Value adjustment on Free Surplus | 42            | 17            |
| Return on free surplus                            | 103           | 160           |
| Earnings on in-force                              | 3,948         | 3,149         |
| Release of required surplus on inforce            | (1,289)       | (1,348)       |
| Investment in new business                        | (1,274)       | (1,452)       |
| <i>New business first year strain</i>             | <i>(811)</i>  | <i>(631)</i>  |
| <i>Required surplus on new business</i>           | <i>(463)</i>  | <i>(822)</i>  |
| Capital movements <sup>(A)</sup>                  | (672)         | 412           |
| Currency exchange differences                     | 75            | 14            |
| Other   | (75)          | (883)         |
| <b>Free surplus (EOY)</b>                         | <b>3,261</b>  | <b>2,404</b>  |

<sup>(A)</sup> Net capital movements from covered business only; other activities paid EUR 478m to AEGON NV and EUR 168m to Life businesses, leading to a total net dividend to AEGON NV of EUR 1.3 billion.

The economic value of free surplus in the life business increased during 2010 mainly due to strong earnings on the in-force portfolio (up 25% from 2009) and a reduced level of total capital required to write new business (down 12% from 2009). Capital movements show a net outflow of capital from the covered business in 2010, compared to a net contribution to these businesses in 2009. The impact of Other items is much smaller than last year, due to reduced non-recurring items, particularly the strengthening of the regulatory default assumption in the UK.

**1.5 Scope of the report**

This report uses the IFRS reporting structure of 2010.

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).
- ⊆ The Netherlands, consisting of AEGON's operating companies in The Netherlands.
- ⊆ UK, consisting of AEGON UK.
- ⊆ New Markets 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 Europe, Spain (including AEGON's interests in four partnerships in Spain), AEGON's 35% interest in La Mondiale Participations (France) and AEGON's 50% interest in its

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partnership in China.

A breakdown of the New Market results by region is shown in Addendum 4.

Other activities include 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), AEGON's 50% interest in Caixa Terrassa Vida y Pensiones (Spain) and AEGON's 50% interest in AEGON Sony Life Insurance Company (Japan).

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**Table of Contents****2. Results**

This section presents the EVLI and TEV as of December 31, 2010. All profits are in millions of euros and based on local regulatory accounting net of reinsurance and after tax. The level of required surplus is based on internal surplus requirements.

**2.1 Value components**

The values under the internal surplus requirements are:

Table 6

| <b>Embedded value components</b>                                      | <b>Americas</b> | <b>The Netherlands</b> | <b>United Kingdom <sup>(A)</sup></b> | <b>New Markets</b> | <b>Total 2010</b> |
|---|-----------------|------------------------|--------------------------------------|--------------------|-------------------|
| <i>(amounts in EUR millions, after tax)</i>                           |                 |                        |                                      |                    |                   |
| <b>Life business</b>  |                 |                        |                                      |                    |                   |
| Adjusted net worth (ANW)  | 10,744          | 3,779                  | 667                                  | 768                | 15,959            |
| Free surplus (FS)   | 872             | 2,053                  | 133                                  | 202                | 3,261             |
| Required surplus (RS)   | 9,872           | 1,726                  | 534                                  | 566                | 12,697            |
| Value of in-force life business (ViF)                                 | 3,982           | 2,621                  | 2,234                                | 961                | 9,798             |
| Present value future profits (PVFP)                                   | 6,785           | 3,213                  | 2,413                                | 1,158              | 13,570            |
| Cost of capital (CoC)   | (2,803)         | (592)                  | (179)                                | (198)              | (3,772)           |
| <b>Embedded value life insurance (EVLI)</b>                           | <b>14,726</b>   | <b>6,401</b>           | <b>2,901</b>                         | <b>1,729</b>       | <b>25,756</b>     |
| <b>Other activities</b>   |                 |                        |                                      |                    |                   |
| IFRS book value   | 572             | (195)                  | (106)                                | 461                | 733               |
| <b>Total embedded value per region</b>                                | <b>15,298</b>   | <b>6,206</b>           | <b>2,795</b>                         | <b>2,190</b>       | <b>26,489</b>     |
| <b>Holding activities</b>   |                 |                        |                                      |                    |                   |
| Market value of debt, capital securities & other net liabilities      |                 |                        |                                      |                    | (7,598)           |
| Present value holding expenses  |                 |                        |                                      |                    | (7,098)           |
| <b>Total embedded value (TEV)</b>                                     |                 |                        |                                      |                    | <b>18,891</b>     |
| Value of preferred share capital                                      |                 |                        |                                      |                    | (1,170)           |
| <b>Total embedded value (TEV) attributable to common shareholders</b> |                 |                        |                                      |                    | <b>17,721</b>     |

<sup>(A)</sup> Free Surplus in the UK in this report differs from UK regulatory Pillar I free capital due to exclusion of an internal company loan of admissible value GBP 148 million.

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The solvency requirement on which the business is managed is based on the more stringent of the local regulatory requirements and Standard & Poor's local capital adequacy models at an AA level, plus any additional internally imposed requirements, if applicable<sup>3</sup>. This forms the basis for the solvency requirements for the business throughout this report.

The embedded value life insurance increased due to strong positive performance on the in-force business, the contribution from VNB, positive economic variances and favorable currency movements, partially offset by economic assumptions changes. For a detailed discussion of the change in embedded value life insurance from end of year 2009 to end of year 2010 refer to section 2.1.2.

<sup>3</sup> The exception is AEGON's partnership in France, La Mondiale Participations, which is managed on local regulatory requirements.

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The main areas covered by Other activities are banking (EUR 0.5 billion), distribution (EUR 0.1 billion), general insurance (EUR 0.2 billion), health insurance (EUR 0.1 billion), asset management (EUR 0.2 billion) and the company's pension and employee benefit schemes (EUR 0.1 billion). These are partially offset by the impact of eliminations of intercompany reconciliations in the country units.

### ***Non-recurring expenses***

In established operations, certain incurred expenses are considered non-recurring, and are classified as exceptional. For newer operations, such as China or Czech Republic, the VNB and the projection of expenses in the embedded value life insurance reflect longer term expected run rate acquisition and maintenance expenses, with expenses in excess of this also being classified as exceptional.

In total an amount of EUR 112 million, after tax, was considered as exceptional expenses (Americas EUR 10 million, the Netherlands EUR 9 million, UK EUR 57 million and New Markets EUR 36 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, in accordance with International Accounting Standard (IAS) 19.

### ***Embedded options and guarantees***

In total, the explicit cost of time value of options and guarantees included in the EVLI for the Group was EUR 1.0 billion, after tax; this value is included in the present value of future profits (please see Addendum 6 for details on how this value is calculated).

As the PVFP explicitly allows for the cost of the time value of embedded options and guarantees, the PVFP for the Netherlands also allows for a positive value of EUR 1.7 billion in relation to the release of EUR 2.6 billion statutory reserve held for financial options and guarantees, and which is backed by an economic hedging program. This value has been established by projecting the future releases to shareholders from the reserve.



**Table of Contents****2.1.1 Free surplus**

Table 7

| Reconciliation of free surplus              | Americas     | The<br>Netherlands | United<br>Kingdom | New<br>Markets | Total 2010   | Total 2009   |
|---|--------------|--------------------|-------------------|----------------|--------------|--------------|
| <i>(amounts in EUR millions, after tax)</i> |              |                    |                   |                |              |              |
| <b>Free surplus (BOY)</b>                   | <b>822</b>   | <b>1,114</b>       | <b>177</b>        | <b>292</b>     | <b>2,404</b> | <b>2,335</b> |
| Change in MV adjustment on FS               | 2            | 36                 | -                 | 5              | 42           | 17           |
| Return on free surplus                      | 14           | 67                 | 5                 | 17             | 103          | 160          |
| Earnings on in-force                        | 2,290        | 1,126              | 442               | 91             | 3,948        | 3,149        |
| Release of required surplus on inforce      | (1,290)      | (12)               | 14                | (3)            | (1,289)      | (1,348)      |
| Investment in new business                  | (669)        | (174)              | (325)             | (106)          | (1,274)      | (1,452)      |
| <i>New business first year strain</i>       | <i>(409)</i> | <i>(45)</i>        | <i>(289)</i>      | <i>(68)</i>    | <i>(811)</i> | <i>(631)</i> |
| <i>Required surplus on new business</i>     | <i>(261)</i> | <i>(129)</i>       | <i>(36)</i>       | <i>(37)</i>    | <i>(463)</i> | <i>(822)</i> |
| Capital movements <sup>(A)</sup>            | (362)        | (88)               | (91)              | (130)          | (672)        | 412          |
| Currency exchange differences               | 66           | 0                  | 6                 | 3              | 75           | 14           |
| Other                                       | 0            | (16)               | (94)              | 35             | (75)         | (883)        |
| <b>Free surplus (EOY)</b>                   | <b>872</b>   | <b>2,053</b>       | <b>133</b>        | <b>202</b>     | <b>3,261</b> | <b>2,404</b> |

<sup>(A)</sup> Net capital movements from covered business only; other activities paid EUR 478m to AEGON NV and EUR 168m to Life businesses, leading to a total net dividend to AEGON NV of EUR 1.3 billion.

The economic value of free surplus in the life business increased during 2010 mainly due to:

- ⊆ Return on free surplus of EUR 0.1 billion.
- ⊆ Overall earnings on in-force operations based on local statutory accounting of EUR 3.9 billion comprising:
  - ⊆ In the Americas, the earnings on in-force of EUR 2.3 billion (EUR 0.1 billion higher than 2009) reflecting substantial earnings from life business and fixed annuities.
  - ⊆ In the Netherlands, the earnings on in-force of EUR 1.1 billion (EUR 0.8 billion higher than 2009), due to underlying earnings, realized gains and gains on the interest rate hedging program.
  - ⊆ In the UK, the earnings on in-force of EUR 0.4 billion.

Partially offset by

- ⊆ An overall increase in required surplus on the in-force portfolio, with impact on free surplus of EUR (1.3) billion. This increase is mainly due to a strengthening of required surplus on in-force, caused by changes to Standard & Poor's asset factors, which had a negative impact on free surplus of EUR (1.4) billion. This affected primarily the Americas businesses.
- ⊆ Investment in new business, including new business strain and required capital on new business, of EUR (1.3) billion. This is lower than the investment in new business in 2009, largely due to lower fixed annuity volumes in the Americas and lower immediate

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annuity volumes in the UK, as a result of the strategic shift away from these lines of business.

⌵ Net capital movements from the life businesses, with an impact of EUR (0.7) billion.

⌵ Other of EUR (0.1) billion, primarily related to the setting up of a provision in the UK to cover policyholder redress under the customer redress program and exceptional staff pension scheme contributions.

Further detail on the reconciliation of free surplus for New Markets is shown in Addendum 4.

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**Table of Contents****2.1.2 Movement analysis of embedded value life insurance**

The change in embedded value life insurance (EVLI) from year to year is split into the following components<sup>4</sup>. The main items per region are explained in further detail after table 8 and table 10.

Table 8

| <b>Movement analysis 2010</b>               | <b>Americas</b> | <b>The Netherlands</b> | <b>United Kingdom</b> | <b>New Markets</b> | <b>Total 2010</b> |
|---|-----------------|------------------------|-----------------------|--------------------|-------------------|
| <i>(amounts in EUR millions, after tax)</i> |                 |                        |                       |                    |                   |
| <b>Embedded value life insurance BoY</b>    | <b>13,415</b>   | <b>5,514</b>           | <b>2,591</b>          | <b>1,777</b>       | <b>23,296</b>     |
| Value of new business (VNB)                 | 230             | 144                    | 65                    | 116                | 555               |
| Gross value of new business                 | 514             | 249                    | 101                   | 190                | 1,054             |
| Tax   | (170)           | (64)                   | (27)                  | (47)               | (308)             |
| Cost of capital (after tax)                 | (114)           | (41)                   | (9)                   | (26)               | (190)             |
| <br>  |                 |                        |                       |                    |                   |
| In-force performance                        | 825             | (243)                  | 90                    | 95                 | 767               |
| Unwind of discount                          | 1,188           | 459                    | 221                   | 162                | 2,030             |
| Operating variances                         | 320             | (10)                   | (101)                 | (63)               | 145               |
| Mortality/morbidity                         | 52              | (52)                   | 15                    | 4                  | 20                |
| Persistency                                 | (95)            | (29)                   |                       |                    |                   |