AEGON

EMBEDDED VALUE

THE HAGUE, MAY 7, 2008

EV 2007

LIFE INSURANCE | PENSIONS | INVESTMENTS

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 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.

Tillinghast has been engaged to review AEGON's embedded value and conclusions of this review are presented in section 6.

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 2007 EUR	Year-end [A] 2006 EUR	 %
Life business			
Adjusted net worth (ANW)	11,751	14,777	(20)
Free surplus (FS)	*1,025*	*2,766*	*(63)*
Required surplus (RS)	*10,725*	*12,011*	*(11)*
Value of in-force life business (ViF)	14,138	12,515	13
Present value future profits (PVFP)	*17,127*	*15,679*	*9*
Cost of capital (CoC)	*(2,989)*	*(3,164)*	*(6)*
Embedded value life insurance (EVLI)	**25,889**	**27,292**	**(5)**
Other activities			
IFRS book value	191	642	(70)
Total embedded value before holding activities	**26,079**	**27,934**	**(7)**
Holding activities	(4,385)	(5,517)	(21)
Market value of debt, capital securities & other net liabilities	*(4,063)*	*(5,177)*	*(22)*
Present value holding expenses	*(322)*	*(340)*	*(5)*
Total embedded value (TEV)	**21,694**	**22,418**	**(3)**
Value of preferred share capital	*(1,527)*	*(1,547)*	*(1)*
Total embedded value (TEV) attributable to common shareholders	**20,167**	**20,871**	**(3)**
TEV attributable to common shareholders per share (EUR)	13.44	13.19	2

[A] 2006 numbers were changed to reflect the retrospective application of an accounting change.

The most important items impacting the change in embedded value life insurance during 2007 are[1]:

- The weakening of a number of currencies, particularly the US dollar, against the euro. This had a negative impact of EUR 2.0 billion on the EVLI. If the figures in this table had been prepared on a constant currency basis, the increases in EVLI and TEV would have been 2% and 4% respectively.
- Embedded value operating return[2] of EUR 2.3 billion, consisting of in-force performance of EUR 1.4 billion and new business value of EUR 0.9 billion.
- A negative investment variance of EUR (1.2) billion, partially offset by economic assumption changes of EUR 0.9 billion.
- Net capital movements out of the life operations reduced the EVLI by EUR 2.0 billion.

The value of other activities reduced by EUR 0.5 billion due the combined effects of a number of items including net dividends between the life subsidiaries and holdings.

The value of holding activities increased (i.e. became less negative) by EUR 1.1 billion as a result of net capital distributions to holdings (EUR 1.8 billion), changes in market value of debt (EUR 1.1 billion) and the change in other net liabilities (EUR 0.7 billion), somewhat offset by dividends to shareholders and share repurchases (EUR (2.1) billion) and interest payments on holding debt (EUR (0.3) billion).

[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'.

The impact of the share repurchase can be seen in the EUR 13.44 value per share – although the total embedded value is down from 2006 the value per share is up reflecting the lower number of shares.

1.3 New business

The profitability of the policies sold in 2007 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)*	2007 EUR	2006 EUR	%
Gross value of new business	**1,546**	**1,388**	**11**
Tax	(381)	(389)	(2)
Cost of capital	(237)	(224)	6
Value of new business	**927**	**775**	**20**

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 and Slovakia and AEGON's 90% interest in its partnership in the Czech Republic; and
- Other European Countries consists of AEGON Spain, AEGON's interests in three partnerships in Spain and AEGON's 35% interest in La Mondiale Participations (France).

Table 3

Value of new business *(amounts in millions, after tax)*	2007 EUR	2006 EUR	%
Americas	425	393	8
The Netherlands	51	48	5
United Kingdom	230	181	27
Asia	78	58	34
Central and Eastern Europe	72	46	58
Other European Countries	71	48	50
Total	**927**	**775**	**20**

Value of new business increased 20% from 2006 (26% 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'.*

2. Economic assumptions

The economic assumptions for AEGON's main markets in 2007 and 2006 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 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	2.00%	2.00%	2.00%
Tax rate	35.50%	25.50%	28.00%
Economic assumptions 2006	**United States**	**The Netherlands**	**United Kingdom**
Discount rate	7.90%	7.10%	7.50%
Equity returns	7.90%	7.10%	7.50%
Property returns	6.50%	6.50%	7.50%
Risk free fixed interest returns [A]	4.71%	4.00%	4.50%
Net credit spread on fixed interest (bps) [B]	75	50	61
Inflation rate	2.00%	2.00%	2.00%
Tax rate	35.50%	25.50%	30.00%

[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 fall within the scope of the independent review and reflect a going concern. The currency exchange rates are summarized in addendum 4: Exchange rates.

The main changes for 2007 have been a decrease in the short-term risk free fixed interest return in the United States with corresponding decreases to equity returns and the discount rate. The decrease in the short-term risk free fixed interest return in the United States was for the initial rate; the ultimate rate was almost unchanged. In the Netherlands there has been an increase in all these assumptions. The other feature across all countries has been a substantial increase in initial corporate spreads.

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)*	**2007**	**2006** [A]	**%**
Total capital			
AEGON shareholders' equity [B]	15,151	18,605	(19)
Capital securities & subordinated debt	4,972	4,189	19
Minority interest	16	16	-
Senior debt related to insurance activities [C]	1,255	1,473	(15)
Total capital base	21,394	24,283	(12)
Other net liabilities [D]	(1,003)	(293)	N.M.
Total capital base and other net liabilities	20,391	23,990	(15)
Capital in units			
Americas	12,945	15,016	(14)
The Netherlands	3,079	4,235	(27)
United Kingdom	2,954	3,403	(13)
Asia	326	308	6
Central and Eastern Europe	497	397	25
Other European Countries	590	632	(7)
Total	20,391	23,990	(15)
Allocated to			
Life subsidiaries	20,200	23,348	(13)
Other activities	191	642	(70)
Total	20,391	23,990	(15)
Reconciliation capital in life subsidiaries to adjusted net worth			
Capital in life subsidiaries	20,200	23,348	(13)
Adjustments to local equity	(8,450)	(8,571)	(1)
Adjusted net worth (ANW)	11,751	14,777	(20)

[A] 2006 numbers were changed to reflect the retrospective application of an accounting change.

[B] Including the preferred share capital (2007: EUR 2,114 million, 2006: EUR 2,113 million).

[C] Borrowings (of which related to insurance activities): EUR 6,021 million (EUR 1,255 million) in 2007 and EUR 4,991 million (EUR 1,473 million) in 2006.

[D] Carried at the holding companies.

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 after tax), are not eliminated, as they are admissible assets under their regulatory accounting.

[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.

The after tax impact of the elimination of inadmissible DPAC/VOBA relating to the modeled life business equals EUR (11.9) billion. The balance of the adjustments, EUR 3.4 billion, is mainly explained by the impact of the differing reserve and asset valuation bases.

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

4. Outcome

This section presents the EVLI and TEV as of December 31, 2007. 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 2007
Life business							
Adjusted net worth (ANW)	7,453	2,550	967	77	326	377	11,751
Free surplus (FS)	*397*	*155*	*183*	*12*	*250*	*27*	*1,025*
Required surplus (RS)	*7,056*	*2,395*	*784*	*65*	*75*	*350*	*10,725*
Value of in-force life business (ViF)	7,722	2,490	2,725	359	510	333	14,138
Present value future profits (PVFP)	*9,340*	*3,444*	*2,922*	*419*	*550*	*452*	*17,127*
Cost of capital (CoC)	*(1,619)*	*(954)*	*(197)*	*(61)*	*(40)*	*(119)*	*(2,989)*
Embedded value life insurance (EVLI)	**15,175**	**5,040**	**3,692**	**436**	**835**	**710**	**25,889**
Other activities							
IFRS book value	(43)	484	(371)	(0)	97	24	191
Total embedded value per region	**15,131**	**5,523**	**3,322**	**436**	**933**	**734**	**26,079**
Holding activities							(4,385)
Market value of debt, capital securities & other net liabilities							*(4,063)*
Present value holding expenses							*(322)*
Total embedded value (TEV)							**21,694**
Value of preferred share capital							*(1,527)*
Total embedded value (TEV) attributable to common shareholders							**20,167**

The solvency requirement on which the business is managed is based on the more stringent of the regulatory requirements and 165% of Standard and Poors' local capital adequacy models, 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 0.3 billion), distribution (EUR 0.1 billion) and general insurance (EUR 0.6 billion). This is offset by pensions and employee benefits (EUR (0.3) billion) and internal financing between holding companies in the country units, life companies and the parent company (EUR (0.5) billion).

Other activities decreased by EUR 0.5 billion. The decrease is mainly due the combined effect of net dividends between the life subsidiaries and holdings and a combination of results on other activities, changes in accounting and the movement of mutual funds from IFRS to embedded value. Other activities for the Americas is negative as a result of unfunded employee benefit plans and is negative for the UK as a result of the staff pension scheme deficit and inter company lending activities.

The embedded value life insurance increased due to strong performance on the in-force business and the contribution from value of new business, offset by the negative impact of investment experience, currency exchange and capital movements. For a detailed discussion of the change in embedded value life insurance from end of year 2006 to end of year 2007 refer to section 4.2

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, including operations in China, Czech Republic, Slovakia and Poland, 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 49 million, after tax, was considered as exceptional expenses (Americas EUR 19 million, the Netherlands EUR 4 million, UK EUR 6 million, Asia EUR 11 million and CEE EUR 9 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 surplus or deficit has been included at the IFRS book value. For the Americas where overfunding on employee pension plans 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.

Free surplus

Table 7

Reconciliation of free surplus *(amounts in EUR millions, after tax)*	**Americas**	**The Netherlands** [A]	**United Kingdom**	**Asia**	**Central and Eastern Europe**	**Other European Countries**	**Total 2007**
Free surplus (BOY)	**900**	**1,251**	**394**	**24**	**199**	**(2)**	**2,766**
Change in MV adjustment on FS	8	-	-	(1)	(0)	(5)	1
Return on free surplus	25	87	8	0	14	1	135
Earnings on in-force	1,121	(154)	432	(54)	53	19	1,417
Release of required surplus on inforce	750	455	19	(12)	28	(6)	1,233
Investment in new business	(1,350)	(101)	(423)	(36)	(31)	(11)	(1,952)
New business first year strain	*(354)*	*(2)*	*(279)*	*(31)*	*(12)*	*(7)*	(684)
Required surplus on new business	*(996)*	*(99)*	*(144)*	*(5)*	*(19)*	*(4)*	(1,267)
Capital movements	(996)	(1,030)	(53)	100	(31)	14	(1,995)
Currency exchange differences	(62)	(0)	(19)	(1)	5	-	(77)
Other	0	(353)	(176)	(7)	13	18	(503)
Free surplus (EOY)	**397**	**155**	**183**	**12**	**250**	**27**	**1,025**

[A] *2006 numbers were changed to reflect the retrospective application of an accounting change.*

The economic value of free surplus in the life business decreased over 2007 mainly due to:

- net earnings from in-force operations based on local regulatory accounting of EUR 1.4 billion,
- release of required surplus on in-force business of EUR 1.2 billion, and
- return on free surplus of EUR 0.1 billion,

more than offset by

- investment in new business including new business strain and required capital on new business of EUR (2.0) billion, and
- capital movements including transfers from life operations to holding activities and non-life operations of EUR (2.0) billion.

The main component of other is related to the acquisition of OPTAS in the Netherlands and an increase in annuity reserves in the UK in response to changes in economic conditions.

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 2007 *(amounts in EUR millions, after tax)*	Americas	The Netherlands (A)	United Kingdom	Asia	Central and Eastern Europe	Other European Countries	Total 2007
Embedded value life insurance BoY	**15,821**	**5,951**	**3,902**	**367**	**647**	**604**	**27,292**
Value of new business (VNB)	425	51	230	78	72	71	927
Gross value of new business	*757*	*88*	*357*	*120*	*99*	*123*	*1,546*
Tax	*(165)*	*(22)*	*(107)*	*(30)*	*(19)*	*(37)*	*(381)*
Cost of capital (after tax)	*(168)*	*(15)*	*(20)*	*(12)*	*(8)*	*(15)*	*(237)*
In-force performance	1,162	130	49	(31)	76	9	1,395
Unwind of discount	*1,087*	*362*	*259*	*21*	*52*	*42*	*1,823*
Operating variances	*327*	*123*	*(88)*	*(18)*	*(7)*	*(15)*	*322*
Mortality/morbidity	*92*	*46*	*0*	*15*	*1*	*(0)*	*153*
Persistency	*(22)*	*(82)*	*(66)*	*(21)*	*(4)*	*(15)*	*(211)*
Maintenance expenses	*(30)*	*24*	*(2)*	*1*	*0*	*(1)*	*(8)*
Exceptional expenses	*(19)*	*(4)*	*(6)*	*(11)*	*(10)*	*0*	*(51)*
Other	*307*	*139*	*(13)*	*(2)*	*7*	*1*	*438*
Changes in operating assumptions	*(252)*	*(355)*	*(122)*	*(34)*	*30*	*(18)*	*(750)*
Mortality/morbidity	*(41)*	*(12)*	*9*	*22*	*10*	*5*	*(7)*
Persistency	*(11)*	*(17)*	*(182)*	*(48)*	*2*	*(16)*	*(271)*
Maintenance expenses	*(27)*	*(80)*	*(19)*	*(15)*	*(7)*	*(8)*	*(156)*
Other	*(173)*	*(246)*	*71*	*7*	*25*	*1*	*(316)*
Embedded value operating return	**1,587**	**180**	**280**	**47**	**148**	**81**	**2,322**
Variance from long-term inv. return	(114)	(904)	(153)	(9)	4	(10)	(1,185)
Change in economic assumptions	204	714	24	(26)	(1)	19	935
Currency exchange differences	(1,590)	0	(337)	(42)	11	0	(1,958)
Miscellaneous impacts	262	128	28	(1)	58	2	477
Embedded value total return	**350**	**119**	**(157)**	**(32)**	**220**	**92**	**591**
Capital movements	(996)	(1,030)	(53)	100	(31)	14	(1,995)
Embedded value life insurance EoY	**15,175**	**5,040**	**3,692**	**436**	**835**	**710**	**25,889**
Other activities							191
Holding activities							(4,385)
Total embedded value							**21,694**
Embedded value operating margin (B)	**10.4%**	**3.0%**	**7.3%**	**13.7%**	**22.7%**	**13.3%**	**8.8%**

(A) *2006 numbers were changed to reflect the retrospective application of an accounting change.*

(B) *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.*

Return on embedded value

The overall embedded value operating margin was 8.8% in 2007 (11.2% in 2006). The embedded value total margin was 2.2% in 2007 (7.4% in 2006).

Currency exchange differences

A negative currency variance of EUR 1,958 million was primarily caused by a weakening of the US dollar against the euro, with the weakening of the British pound and the New Taiwan dollar also significant. There was a small offsetting positive impact from the strengthening of the CEE currencies against the euro.

Capital movements

Capital movements include transfers from life operations to holding activities and non-life operations.

Americas

- The embedded value operating margin on a constant currency basis was 10.4%.
- The positive variance on in-force was a result of favorable mortality and morbidity across most lines of business. Favorable spread experience was the main factor under other. The small adverse variance under expenses and persistency reflected the net of a number of positives and negatives across business lines with no large single items.
- The change in operating assumptions reflected a strengthening of mortality assumptions in Life. Under the category of other the two largest components, which was in Canada, related to a change in the modeling of the tax benefit assumption under unit trusts. The balance of other consisted of a number of small items.
- The small negative long-term investment variance reflected losses linked to spread partially offset by fixed interest rate movements.
- The net change in economic assumptions was largely driven by the impact of the lower risk discount rate.
- The capital movement out of the Americas EVLI reflected dividend payments made from the life operations.
- The miscellaneous impacts related to a combination of modeling improvements and the net impact of the Merrill Lynch transaction.

The Netherlands

- The embedded value operating margin was 3.0%.
- The main components of the positive in-force variance were favorable mortality and morbidity experience and favorable expense experience. The main component of other was a mortality release linked to reserving. This was partially offset by adverse persistency.
- The change in operating assumptions reflected a large negative impact from changes in the asset mix with a move away from equities to bonds. The expense adverse mainly reflected a reallocation of expenses, in particular towards longer duration life business.
- The main component of the negative variance on long-term investments was a decrease in the market value of fixed interest investments due to higher market rates of interest.
- For economic assumption changes, the increase in risk free rates and net credit spreads more than offset the adverse impact of the increased discount rate. The in-force variance and the economic assumption impacts should be considered together. With the recent de-risking of the Netherlands portfolio and the purchase of financial options to limit volatility the impact at an entity level is the combination of these two items.
- The miscellaneous impacts mainly reflected modeling improvements.

United Kingdom

- The embedded value operating margin on a constant currency basis was 7.3%.
- The in-force variance arose principally from higher withdrawals linked to the continued impact of restructuring of pensions business as a result of legislative changes. While the lapse experience observed in 2007 was not believed to be representative of the likely longer-term experience, some further adverse experience is anticipated in the shorter term. As a result persistency assumptions were strengthened and this was the principal component of the change in operating assumptions. The main component of the other change in operating assumptions was a reduction in the tax rate of 2%.
- Fixed interest returns were the largest component of the variance from long-term investment returns, but there were also smaller adverse impacts from lower fees and credit spreads.

Asia

- The embedded value operating margin on a constant currency basis was 13.7%. The high operating return was mainly a reflection of strong new business results in a relatively immature market.
- The in-force variance arose from a negative impact from adverse persistency and policy conversions in Taiwan and exceptional expenses in China, partially offset by positive mortality experience in Taiwan.
- The change in operating assumptions was mainly due to a change in assumed persistency and maintenance expenses in Taiwan, with some offset from updated mortality assumptions. On maintenance expenses the adverse impact related to a change in methodology on expense allocation in Taiwan – for the in-force variance expenses resulted in a positive impact.
- The negative change in economic assumptions resulted from an adverse impact of the increase in the risk discount rate in Taiwan, partially offset by investment return in the near term.
- The capital movement reflected capital contributions to both China and Taiwan.

Central and Eastern Europe

- The embedded value operating margin was 22.7%. The high operating return was mainly a reflection of strong new business results, particularly from Poland.
- The most significant item under in-force variance related to expense overruns, largely linked to development costs for the newer countries.
- The adverse maintenance expense assumption related to higher inflation levels over 2007 in Hungary. However this was more than offset by higher inflation related product income in Hungary and margin growth related to higher fee income in both Poland and Slovakia.

Other European Countries

- The embedded value operating margin was 13.3%
- The in-force variance was adversely affected by higher levels of withdrawals in Spain, which also flowed through to operating assumption changes. In France the impact of persistency was positive.
- On operating assumptions for Spain a positive change to mortality was offset by changes to expenses, which reflected both higher expenses and a change in methodology.
- The adverse long term investment return is driven by fixed interest, but this factor is the main driver of the positive impact of the change in economic assumptions.

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**		
	2007	2006	2007	2006	2007	2006	%
Americas	1,362	1,418	36,337	25,943	425	393	8
The Netherlands	278	287	-	-	51	48	5
United Kingdom	1,705	1,473	-	-	230	181	27
Asia	168	124	7	3	78	58	34
China	*11*	7	-	-	*3*	1	*157*
Taiwan	*157*	117	*7*	3	*75*	57	*31*
Central and Eastern Europe	122	79	27	48	72	46	58
Czech Republic	*2*	2	*2*	-	*1*	0	*59*
Hungary	*26*	17	*22*	19	*36*	21	*71*
Poland	*90*	58	*3*	-	*32*	15	*113*
Slovakia	*4*	3	*0*	29	*3*	9	*(63)*
Other European Countries	234	221	10	4	71	48	50
France	*89*	102	-	-	*7*	6	*19*
Spain	*146*	119	*10*	4	*65*	42	*54*
Total	**3,869**	**3,603**	**36,381**	**25,998**	**927**	**775**	**20**
VNB	705	584	222	191			

[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.

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

2007 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	219	7,535	2.9%	16.1%	206	39,613	0.5%	0.6%	425	13.0%
The Netherlands	51	2,182	2.3%	18.3%	-	-	-	-	51	10.7%
United Kingdom	230	12,247	1.9%	13.5%	-	-	-	-	230	13.0%
Asia	76	1,396	5.4%	45.0%	2	27	9.0%	35.9%	78	14.0%
China	*3*	*82*	*4.1%*	*29.7%*	-	-	-	-	*3*	25.4%
Taiwan	*72*	*1,314*	*5.5%*	*46.2%*	*2*	*27*	*9.0%*	35.9%	*75*	13.5%
Central and Eastern Europe	58	968	6.0%	47.8%	14	352	3.9%	50.0%	72	49.6%
Czech Republic	*0*	*12*	3.2%	16.5%	*0*	*27*	1.3%	17.2%	1	16.0%
Hungary	*24*	*185*	12.9%	91.7%	*12*	*268*	4.3%	53.8%	36	>50.0%
Poland	*32*	*744*	4.2%	35.2%	*1*	*43*	1.9%	25.1%	32	>50.0%
Slovakia	*3*	*27*	9.8%	63.8%	*1*	*13*	5.6%	N.M.	*3*	>50.0%
Other European Countries	71	1,996	3.6%	30.3%	0	10	3.4%	3.4%	71	46.4%
France	*7*	*1,072*	*0.6%*	7.5%	-	-	-	-	*7*	11.1%
Spain	*64*	*923*	*7.0%*	44.2%	0	*10*	*3.4%*	*3.4%*	*65*	>50.0%
Total	**705**	**26,324**	**2.7%**	**18.2%**	**222**	**40,002**	**0.6%**	**0.6%**	**927**	**18.4%**

In the Americas, VNB increased 18% in US dollars (8% in euros). The main contributors to this growth were Life, Institutional Guaranteed Products and the inclusion of Mutual Funds for the first time in 2007. Overall IRR in the Americas increased slightly from 12.9% in 2006 to 13.0% in 2007.

The increase in VNB in the Netherlands was achieved despite a small decrease in sales. The IRR in the Netherlands increased from 9.8% in 2006 to 10.7% in 2007 with benefit from improved margins and an improved mix of business.

The increase in VNB in the UK was driven by a combination of the movement in product mix towards higher margin products, such as annuities and protection business, plus very strong sales growth in the pensions area. The strong VNB growth was also reflected in an improved IRR from 12.2% in 2006 to 13.0% in 2007.

The increase in VNB in Asia reflected higher production in both Taiwan and China.

The growth in VNB within Central and Eastern Europe reflected the strong sales and a full year contribution from Poland. For Hungary strong sales and improved margins, through the introduction of a mortgage product, drove the high growth in VNB.

The key driver of the substantial growth in the VNB in respect of Other European Countries was from the growing contribution from partnerships in Spain.

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 milions, after tax)*	Americas	The Netherlands	United Kingdom	Asia	Central and Eastern Europe	Other European Countries	Total 2007
Base case embedded value life insurance 2007	15,175	5,040	3,692	436	835	710	25,889
Required surplus at regulatory solvency	6%	6%	2%	0%	1%	2%	5%
100 bps decrease in risk discount rate	6%	9%	8%	18%	7%	9%	7%
100 bps increase in risk discount rate	-5%	-9%	-6%	-14%	-6%	-8%	-6%
100 bps decrease in risk-free rate, all asset returns and RDR	0%	1%	3%	-106%	2%	-2%	-1%
100 bps increase in risk-free rate, all asset returns and RDR	-2%	-6%	-2%	65%	-2%	1%	-2%
100 bps decrease in equity and property returns	-1%	-9%	-4%	-7%	-1%	-1%	-3%
100 bps increase in equity and property returns	1%	7%	4%	6%	1%	1%	3%
10% fall in equity markets	-2%	-6%	-4%	-5%	-2%	-1%	-3%
100 bps decrease in fixed interest	-4%	1%	0%	-127%	-3%	-8%	-5%
100 bps increase in fixed interest	2%	-4%	0%	88%	3%	8%	2%
10% decrease in lapse rates	4%	0%	3%	-1%	2%	4%	3%
5% decrease in mortality/ morbidity rates for mortality/ morbidity exposure business	5%	0%	1%	1%	0%	0%	3%
5% decrease in mortality/ morbidity rates for longevity exposure business	0%	-3%	-1%	0%	0%	0%	-1%
1% mortality/ morbidity improvement per year for the entire projection period	7%	-5%	-2%	2%	0%	0%	3%
10% decrease in maintenance expenses	2%	2%	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.

For the Netherlands the sensitivities include an allowance for changes in the value of economic hedges held within the free assets.

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

5.2 Value of new business sensitivity

Table 12

Sensitivity analysis - Value of new business *(amounts in EUR milions, after tax)*	**Americas**	**The Netherlands**	**United Kingdom**	**Asia**	**Central and Eastern Europe**	**Other European Countries**	**Total 2007**
Base case value of new business 2007	425	51	230	78	72	71	927
100 bps decrease in risk discount rate	23%	17%	22%	25%	12%	16%	21%
100 bps increase in risk discount rate	-21%	-14%	-20%	-20%	-7%	-13%	-18%
100 bps decrease in risk-free rate, all asset returns and RDR	11%	-3%	2%	-40%	4%	2%	2%
100 bps increase in risk-free rate, all asset returns and RDR	-12%	-1%	-2%	25%	0%	-2%	-4%
100 bps decrease in equity and property returns	-3%	-8%	-9%	-3%	0%	-1%	-4%
100 bps increase in equity and property returns	3%	5%	9%	3%	4%	1%	5%
100 bps decrease in fixed interest	-13%	-14%	-6%	-51%	-3%	-10%	-14%
100 bps increase in fixed interest	11%	10%	6%	51%	7%	11%	13%
10% decrease in lapse rates	15%	4%	8%	2%	7%	9%	11%
5% decrease in mortality/ morbidity rates for mortality/ morbidity exposure business	18%	2%	1%	33%	3%	1%	12%
5% decrease in mortality/ morbidity rates for longevity exposure business	-1%	0%	-4%	0%	2%	0%	-1%
1% mortality/ morbidity improvement per year for the entire projection period	26%	3%	-8%	21%	3%	0%	12%
10% decrease in acquisition expenses	7%	8%	9%	2%	9%	1%	7%
10% decrease in maintenance expenses	6%	19%	4%	3%	7%	2%	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.

6. Review statement

Introduction

Tillinghast, the Insurance Consulting business of Towers Perrin, has been engaged to review the embedded values of AEGON's life insurance subsidiaries in the Americas, the Netherlands, the United Kingdom, Asia, Central and Eastern Europe and Other European Countries.

Opinion

Tillinghast has reported the results of its review to AEGON as follows:

Tillinghast has reviewed the methodology and assumptions used to determine the embedded value at December 31, 2007 and the value of 2007 new business for the principal life operations of the AEGON group. Our review also included the analysis of movement in the embedded value from December 31, 2006.

Tillinghast has concluded that the methodology and assumptions employed comply with the EEV Principles and Guidance. In particular:

- The methodology makes allowance for the aggregate risks in the covered business through the incorporation of risk margins in the discount rates applied to best estimate projections of after-tax statutory profits in determining the Present Value of Future Profits, the deduction of the cost of required capital relating to the business and the stochastic allowance for the cost of financial options and guarantees;
- The operating assumptions have been set with appropriate regard to past, current and expected future experience;
- The economic assumptions used are internally consistent and consistent with observable, reliable market data; and
- For participating business, the assumed bonus rates, and the allocation of profit between policyholders and shareholders, are consistent with the projection assumptions, established company practice and local market practice.

Tillinghast has also reviewed the embedded value results shown in table 6 and table 8 and has concluded that in all material respects the results have been prepared in a manner consistent with the methodology and assumptions described in this document.

In arriving at these conclusions, Tillinghast has relied on data and information provided by AEGON, including the IFRS book values of the ‘other activities’ and the market values of debt, capital securities, preferred share capital and other net liabilities and AEGON’s legal opinion regarding its ability to distribute the EUR 770 million statutory reserves for subsidiaries as referred to in its annual report 2007.

This opinion is made solely to AEGON in accordance with the terms of Tillinghast’s engagement letter. To the fullest extent permitted by applicable law, Tillinghast does not accept or assume responsibility, duty of care or liability to anyone other than AEGON for or in connection with its review work, the opinions it has formed or for any statement set forth in this opinion.

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, then the movement of the six regions per reporting segment is stated in euro except for the Americas and the United Kingdom which are stated in local currency with only the opening and closing value and the value of the other activities translated into euro. The product segments are in line with the updated product segments used for primary financial reporting under IFRS.

AEGON Group

Table 13

Movement analysis 2007	Pensions and asset management		Life and protection		Individual savings and retirement				Institutional products		Re-insurance	Total
(amounts in EUR millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Embedded value life insurance BoY	**7,880**	**-**	**9,017**	**2,185**	**2,109**	**1,245**	**263**	**75**	**1,706**	**641**	**2,172**	**27,292**
Value of new business (VNB)	208	-	409	30	11	30	6	21	96	13	102	927
Gross value of new business	*321*	-	*711*	*49*	*27*	*54*	*18*	*27*	*156*	*23*	*160*	*1,546*
Tax	*(85)*	-	*(185)*	*(11)*	*(6)*	*(13)*	*(6)*	*(6)*	*(33)*	*(5)*	*(33)*	*(381)*
Cost of capital (after tax)	*(28)*	-	*(117)*	*(8)*	*(10)*	*(11)*	*(6)*	-	*(27)*	*(5)*	*(24)*	*(237)*
In-force performance	177	-	338	208	307	11	14	(5)	144	76	124	1,395
Unwind of discount	*537*	-	*583*	*146*	*140*	*92*	*19*	-	*104*	*47*	*156*	*1,823*
Operating variances	*78*	-	*35*	*10*	*169*	*(10)*	*(2)*	*(5)*	*38*	*19*	*(12)*	*322*
Changes in operating assumptions	*(437)*	-	*(280)*	*53*	*(1)*	*(71)*	*(2)*	-	*1*	*9*	*(21)*	*(750)*
Embedded value operating return	**385**	**-**	**747**	**238**	**318**	**41**	**20**	**17**	**240**	**90**	**226**	**2,322**
Variance from long-term inv. return	(851)	-	(233)	5	65	17	(0)	-	(168)	(13)	(6)	(1,185)
Change in economic assumptions	580	-	215	41	5	6	0	2	39	12	36	935
Currency exchange differences	(426)	-	(524)	(196)	(207)	(90)	0	(9)	(196)	(70)	(239)	(1,958)
Miscellaneous impacts	310	-	(46)	50	77	21	4	-	26	19	15	477
Embedded value total return	**(2)**	**-**	**159**	**138**	**258**	**(4)**	**25**	**9**	**(60)**	**38**	**31**	**591**
Capital movements	(799)	-	(405)	(195)	(652)	150	6	1	100	(79)	(123)	(1,995)
Embedded value life insurance EoY	**7,079**	**-**	**8,771**	**2,127**	**1,715**	**1,390**	**294**	**86**	**1,746**	**601**	**2,079**	**25,889**
Other activities												191
Holding activities												(4,385)
Total embedded value												**21,694**
Embedded value operating margin [A]	**5.0%**	**-**	**8.5%**	**11.3%**	**15.7%**	**3.5%**	**7.8%**	**23.1%**	**14.6%**	**14.5%**	**10.8%**	**8.8%**

VNB, PVNBP and APE	Pensions and asset management		Life and protection		Individual savings and retirement				Institutional products		Re-insurance	Total
(amounts in EUR millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Value of new business 2007	208	-	409	30	11	30	6	21	96	13	102	927
Present value of new business premiums	19,746	-	9,827	891	1,271	2,804	983	2,140	25,106	1,415	2,143	66,327
APE [B]	1,571	-	1,336	534	-	-	77	-	-	134	217	3,869
Deposits	5,132	-	-	-	1,273	2,780	11	2,079	25,105	-	-	36,381

[A] *Embedded value operating margin is calculated on a constant currency basis. See tables 14 to 19 for details.*

[B] *APE = recurring premium + 1/10 single premium.*

Americas

Table 14

Movement analysis 2007 *(amounts in USD milions unless stated otherwise, after tax)*	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products		Re-insurance	Total
	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Embedded value life insurance BoY *(EUR millions)*	1,238	-	4,653	1,986	2,109	1,241	-	75	1,706	641	2,172	15,821
Embedded value life insurance BoY	**1,631**	**-**	**6,128**	**2,616**	**2,777**	**1,634**	**-**	**99**	**2,246**	**845**	**2,860**	**20,836**
Value of new business (VNB)	68	-	106	36	15	38	-	29	131	18	139	581
Gross value of new business	*112*	-	*261*	*57*	*37*	*69*	-	*37*	*213*	*32*	*218*	*1,036*
Tax	*(24)*	-	*(62)*	*(12)*	*(8)*	*(16)*	-	*(8)*	*(45)*	*(7)*	*(46)*	*(225)*
Cost of capital (after tax)	*(21)*	-	*(93)*	*(9)*	*(14)*	*(15)*	-	*0*	*(37)*	*(7)*	*(33)*	*(230)*
In-force performance	128	-	332	231	420	16	-	(6)	196	104	169	1,590
Unwind of discount	*128*	-	*441*	*181*	*191*	*125*	-	*0*	*142*	*65*	*214*	*1,488*
Operating variances	*54*	-	*117*	*2*	*231*	*(12)*	-	*(6)*	*52*	*27*	*(16)*	*448*
Changes in operating assumptions	*(54)*	-	*(226)*	*48*	*(2)*	*(97)*	-	*0*	*2*	*13*	*(29)*	*(345)*
Embedded value operating return	**196**	**-**	**438**	**266**	**435**	**54**	**-**	**23**	**328**	**123**	**309**	**2,172**
Variance from long-term inv. return	27	-	(42)	3	89	24	-	0	(230)	(17)	(8)	(155)
Change in economic assumptions	20	-	79	42	7	11	-	2	53	16	50	280
Currency exchange differences	0	-	96	28	3	84	-	0	0	0	(0)	211
Miscellaneous impacts	35	-	57	51	105	29	-	0	36	26	20	359
Embedded value total return	**279**	**-**	**628**	**390**	**639**	**201**	**-**	**25**	**187**	**147**	**370**	**2,866**
Capital movements	(110)	-	(186)	(242)	(892)	203	-	2	137	(108)	(169)	(1,363)
Embedded value life insurance EoY	**1,800**	-	**6,570**	**2,764**	**2,525**	**2,039**	-	**126**	**2,570**	**884**	**3,061**	**22,339**
Embedded value life insurance EoY *(EUR millions)*	1,223	-	4,463	1,878	1,715	1,385	-	86	1,746	601	2,079	15,175
Other activities *(EUR millions)*												(43)
Total embedded value for Americas *(EUR millions)*												15,131
Embedded value operating margin	**12.0%**	-	**7.1%**	**10.2%**	**15.7%**	**3.3%**	**-**	**23.1%**	**14.6%**	**14.5%**	**10.8%**	**10.4%**

VNB, PVNBP and APE *(amounts in USD millions, after tax)*	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products		Re-insurance	Total
	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Value of new business 2007	68	-	106	36	15	38	-	29	131	18	139	581
Present value of new business premiums	11,384	-	4,307	1,135	1,740	3,799	-	2,928	34,352	1,936	2,932	64,514
APE [A]	-	-	673	710	-	-	-	-	-	184	297	1,864
Deposits	6,987	-	-	-	1,741	3,795	-	2,845	34,352	-	-	49,720

[A] *APE = recurring premium + 1/10 single premium.*

The Netherlands

Table 15

Movement analysis 2007	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products			
(amounts in EUR millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI	Re-insurance	Total
Embedded value life insurance BoY *(EUR millions)* [A]	3,063	-	2,692	196	-	-	-	-	-	-	-	5,951
Embedded value life insurance BoY	**3,063**	**-**	**2,692**	**196**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,951**
Value of new business (VNB)	27	-	21	4	-	-	-	-	-	-	-	51
Gross value of new business	*44*	-	*38*	*7*	-	-	-	-	-	-	-	*88*
Tax	*(11)*	-	*(10)*	*(2)*	-	-	-	-	-	-	-	*(22)*
Cost of capital (after tax)	*(6)*	-	*(8)*	*(2)*	-	-	-	-	-	-	-	*(15)*
In-force performance	35	-	53	41	-	-	-	-	-	-	-	130
Unwind of discount	*195*	-	*154*	*13*	-	-	-	-	-	-	-	*362*
Operating variances	*115*	-	*(3)*	*11*	-	-	-	-	-	-	-	*123*
Changes in operating assumptions	*(275)*	-	*(97)*	*17*	-	-	-	-	-	-	-	*(355)*
Embedded value operating return	**61**	**-**	**74**	**45**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**180**
Variance from long-term inv. return	(826)	-	(80)	2	-	-	-	-	-	-	-	(904)
Change in economic assumptions	532	-	171	10	-	-	-	-	-	-	-	714
Currency exchange differences	0	-	0	0	-	-	-	-	-	-	-	0
Miscellaneous impacts	109	-	5	13	-	-	-	-	-	-	-	128
Embedded value total return	**(123)**	**-**	**170**	**71**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**119**
Capital movements	(665)	-	(345)	(20)	-	-	-	-	-	-	-	(1,030)
Embedded value life insurance EoY	2,275	-	**2,518**	**247**	-	-	-	-	-	-	-	**5,040**
Embedded value life insurance EoY *(EUR millions)*	2,275	-	2,518	247	-	-	-	-	-	-	-	5,040
Other activities *(EUR millions)*												484
Total embedded value for the Netherlands *(EUR millions)*												5,523
Embedded value operating margin	**2.0%**	**-**	**2.8%**	**22.9%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.0%**

VNB, PVNBP and APE	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products			
(amounts in EUR millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI	Re-insurance	Total
Value of new business 2007	27	-	21	4	-	-	-	-	-	-	-	51
Present value of new business premiums	1,365	-	758	59	-	-	-	-	-	-	-	2,182
APE [B]	166	-	98	14	-	-	-	-	-	-	-	278
Deposits	-	-	-	-	-	-	-	-	-	-	-	-

[A] *2006 numbers were changed to reflect the retrospective application of an accounting change.*

[B] *APE = recurring premium + 1/10 single premium.*

United Kingdom

Table 16

Movement analysis 2007	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products			
(amounts in GBP milions unless stated otherwise, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI	Re-insurance	Total
Embedded value life insurance BoY *(EUR millons)*	3,319	-	583	-	-	-	-	-	-	-	-	3,902
Embedded value life insurance BoY	**2,229**	-	**392**	-	-	-	-	-	-	-	-	**2,620**
Value of new business (VNB)	80	-	77	-	-	-	-	-	-	-	-	157
Gross value of new business	*119*	-	*126*	-	-	-	-	-	-	-	-	*244*
Tax	*(36)*	-	*(38)*	-	-	-	-	-	-	-	-	*(73)*
Cost of capital (after tax)	*(3)*	-	*(11)*	-	-	-	-	-	-	-	-	*(14)*
In-force performance	6	-	28	-	-	-	-	-	-	-	-	34
Unwind of discount	*154*	-	*23*	-	-	-	-	-	-	-	-	*177*
Operating variances	*(53)*	-	*(7)*	-	-	-	-	-	-	-	-	*(60)*
Changes in operating assumptions	*(95)*	-	*12*	-	-	-	-	-	-	-	-	*(83)*
Embedded value operating return	**86**	-	**105**	-	-	-	-	-	-	-	-	**191**
Variance from long-term inv. return	(31)	-	(74)	-	-	-	-	-	-	-	-	(104)
Change in economic assumptions	22	-	(5)	-	-	-	-	-	-	-	-	17
Currency exchange differences	1	-	0	-	-	-	-	-	-	-	-	1
Miscellaneous impacts	67	-	(48)	-	-	-	-	-	-	-	-	19
Embedded value total return	**145**	-	**(22)**	-	-	-	-	-	-	-	-	**123**
Capital movements	(35)	-	(1)	-	-	-	-	-	-	-	-	(36)
Embedded value life insurance EoY	**2,339**	-	**369**	-	-	-	-	-	-	-	-	**2,708**
Embedded value life insurance EoY *(EUR millions)*	3,189	-	503	-	-	-	-	-	-	-	-	3,692
Other activities *(EUR millions)*												(371)
Total embedded value for United Kingdom *(EUR millions)*												3,322
Embedded value operating margin	**3.9%**	-	**26.8%**	-	-	-	-	-	-	-	-	**7.3%**

VNB, PVNBP and APE	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products			
(amounts in GBP millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI	Re-insurance	Total
Value of new business 2007	80	-	77	-	-	-	-	-	-	-	-	157
Present value of new business premiums	6,593	-	1,782	-	-	-	-	-	-	-	-	8,375
APE [(A)]	956	-	210	-	-	-	-	-	-	-	-	1,166
Deposits	-	-	-	-	-	-	-	-	-	-	-	-

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

Asia

Table 17

Movement analysis 2007	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products		Re-insurance	Total
(amounts in EUR millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Embedded value life insurance BoY *(EUR millons)*	-	-	360	2	-	4	-	-	-	-	-	367
Embedded value life insurance BoY	-	-	**360**	**2**	-	**4**	-	-	-	-	-	**367**
Value of new business (VNB)	-	-	75	0	-	2	-	-	-	-	-	78
Gross value of new business	-	-	*116*	*1*	-	*4*	-	-	-	-	-	*120*
Tax	-	-	*(29)*	*(0)*	-	*(1)*	-	-	-	-	-	*(30)*
Cost of capital (after tax)	-	-	*(12)*	*(0)*	-	*(0)*	-	-	-	-	-	*(12)*
In-force performance	-	-	(29)	(2)	-	(1)	-	-	-	-	-	(31)
Unwind of discount	-	-	*20*	*0*	-	*0*	-	-	-	-	-	*21*
Operating variances	-	-	*(15)*	*(2)*	-	*(1)*	-	-	-	-	-	*(18)*
Changes in operating assumptions	-	-	*(34)*	*0*	-	*0*	-	-	-	-	-	*(34)*
Embedded value operating return	**-**	**-**	**46**	**(1)**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**47**
Variance from long-term inv. return	-	-	(9)	(0)	-	(0)	-	-	-	-	-	(9)
Change in economic assumptions	-	-	(25)	0	-	(1)	-	-	-	-	-	(26)
Currency exchange differences	-	-	(41)	(0)	-	(1)	-	-	-	-	-	(42)
Miscellaneous impacts	-	-	(2)	0	-	0	-	-	-	-	-	(1)
Embedded value total return	-	-	**(30)**	**(1)**	-	**0**	-	-	-	-	-	**(32)**
Capital movements	-	-	98	2	-	1	-	-	-	-	-	100
Embedded value life insurance EoY	-	-	**428**	**3**	-	**5**	-	-	-	-	-	**436**
Embedded value life insurance EoY *(EUR millions)*	-	-	428	3	-	5	-	-	-	-	-	436
Other activities *(EUR millions)*												(0)
Total embedded value for Asia *(EUR millions)*												436
Embedded value operating margin	**-**	**-**	**13.7%**	**(46.5)%**	**-**	**47.9%**	**-**	**-**	**-**	**-**	**-**	**13.7%**

VNB, PVNBP and APE	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products		Re-insurance	Total
(amounts in EUR millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Value of new business 2007	-	-	75	0	-	2	-	-	-	-	-	78
Present value of new business premiums	-	-	1,393	3	-	27	-	-	-	-	-	1,423
APE [A]	-	-	167	1	-	-	-	-	-	-	-	168
Deposits	-	-	-	-	-	7	-	-	-	-	-	7

[A] *APE = recurring premium + 1/10 single premium.*

Central and Eastern Europe

Table 18

Movement analysis 2007	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products		Re-insurance	Total
(amounts in EUR millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Embedded value life insurance BoY *(EUR millons)*	229	-	411	-	-	-	7	-	-	-	-	647
Embedded value life insurance BoY	**229**	-	**411**	-	-	-	**7**	-	-	-	-	**647**
Value of new business (VNB)	13	-	58	-	-	-	0	-	-	-	-	72
Gross value of new business	*19*	-	*80*	-	-	-	*0*	-	-	-	-	*99*
Tax	*(4)*	-	*(16)*	-	-	-	*(0)*	-	-	-	-	*(19)*
Cost of capital (after tax)	*(2)*	-	*(6)*	-	-	-	*(0)*	-	-	-	-	*(8)*
In-force performance	32	-	46	-	-	-	(2)	-	-	-	-	76
Unwind of discount	*20*	-	*31*	-	-	-	*0*	-	-	-	-	*52*
Operating variances	*0*	-	*(5)*	-	-	-	*(2)*	-	-	-	-	*(7)*
Changes in operating assumptions	*12*	-	*19*	-	-	-	*0*	-	-	-	-	*30*
Embedded value operating return	**45**	-	**104**	-	-	-	**(2)**	-	-	-	-	**148**
Variance from long-term inv. return	(0)	-	4	-	-	-	(0)	-	-	-	-	4
Change in economic assumptions	1	-	(2)	-	-	-	(0)	-	-	-	-	(1)
Currency exchange differences	4	-	7	-	-	-	0	-	-	-	-	11
Miscellaneous impacts	73	-	(15)	-	-	-	(0)	-	-	-	-	58
Embedded value total return	**123**	-	**99**	-	-	-	**(2)**	-	-	-	-	**220**
Capital movements	(5)	-	(25)	-	-	-	(2)	-	-	-	-	(31)
Embedded value life insurance EoY	**347**	-	**485**	-	-	-	**3**	-	-	-	-	**835**
Embedded value life insurance EoY *(EUR millions)*	347	-	485	-	-	-	3	-	-	-	-	835
Other activities *(EUR millions)*												97
Total embedded value for Central and Eastern Europe *(EUR millions)*												933
Embedded value operating margin	**19.6%**	-	**25.2%**	-	-	-	**(25.6)%**	-	-	-	-	**22.7%**

VNB, PVNBP and APE	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products		Re-insurance	Total
(amounts in EUR millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Value of new business 2007	13	-	58	-	-	-	0	-	-	-	-	72
Present value of new business premiums	347	-	968	-	-	-	5	-	-	-	-	1,320
APE [(A)]	-	-	122	-	-	-	-	-	-	-	-	122
Deposits	26	-	-	-	-	-	1	-	-	-	-	27

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

Other European Countries

Table 19

Movement analysis 2007	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products		Re-insurance	Total
(amounts in EUR millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Embedded value life insurance BoY *(EUR millons)*	31	-	317	-	-	-	256	-	-	-	-	604
Embedded value life insurance BoY	**31**	-	**317**	-	-	-	**256**	-	-	-	-	**604**
Value of new business (VNB)	2	-	64	-	-	-	6	-	-	-	-	71
Gross value of new business	*2*	-	*103*	-	-	-	*18*	-	-	-	-	*123*
Tax	*(1)*	-	*(31)*	-	-	-	*(6)*	-	-	-	-	*(37)*
Cost of capital (after tax)	*(0)*	-	*(9)*	-	-	-	*(6)*	-	-	-	-	*(15)*
In-force performance	8	-	(15)	-	-	-	16	-	-	-	-	9
Unwind of discount	*2*	-	*22*	-	-	-	*18*	-	-	-	-	*42*
Operating variances	*1*	-	*(16)*	-	-	-	*0*	-	-	-	-	*(15)*
Changes in operating assumptions	*5*	-	*(20)*	-	-	-	*(2)*	-	-	-	-	*(18)*
Embedded value operating return	**9**	**-**	**49**	**-**	**-**	**-**	**22**	**-**	**-**	**-**	**-**	**81**
Variance from long-term inv. return	0	-	(10)	-	-	-	0	-	-	-	-	(10)
Change in economic assumptions	(1)	-	20	-	-	-	0	-	-	-	-	19
Currency exchange differences	0	-	0	-	-	-	0	-	-	-	-	0
Miscellaneous impacts	4	-	(6)	-	-	-	4	-	-	-	-	2
Embedded value total return	**12**	-	**53**	-	-	-	**27**	-	-	-	-	**92**
Capital movements	2	-	5	-	-	-	8	-	-	-	-	14
Embedded value life insurance EoY	**45**	-	**374**	-	-	-	**291**	-	-	-	-	**710**
Embedded value life insurance EoY *(EUR millons)*	45	-	374	-	-	-	291	-	-	-	-	710
Other activities *(EUR millons)*												24
Total embedded value for Other European Countries *(EUR millons)*												734
Embedded value operating margin	**29.9%**	**-**	**15.5%**	**-**	**-**	**-**	**8.7%**	**-**	**-**	**-**	**-**	**13.3%**

VNB, PVNBP and APE	Pensions and asset		Life and protection		Individual savings and retirement				Institutional products		Re-insurance	Total
(amounts in EUR millions, after tax)	Pensions	Asset management	Life	Accident and health	Fixed annuities	Variable annuities	Saving products	Mutual funds	Institutional guaranteed products	BOLI/ COLI		
Value of new business 2007	2	-	64	-	-	-	6	-	-	-	-	71
Present value of new business premiums	73	-	954	-	-	-	978	-	-	-	-	2,006
APE [(A)]	8	-	150	-	-	-	77	-	-	-	-	234
Deposits	-	-	-	-	-	-	10	-	-	-	-	10

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

Addendum 2: Outcome based on the regulatory surplus requirement

Table 20

Embedded value components - Regulatory surplus *(amounts in EUR millions, after tax)*	**Americas**	**The Netherlands**	**United Kingdom**	**Asia**	**Central and Eastern Europe**	**Other European Countries**	**Total 2007**	**Total [A] 2006**
Life business								
Adjusted net w orth (ANW)	7,453	2,550	967	77	326	377	11,751	14,777
Free surplus (FS)	*3,265*	*901*	*514*	*12*	*243*	*64*	*5,000*	7,904
Required surplus (RS)	*4,188*	*1,649*	*453*	*65*	*82*	*313*	*6,750*	6,873
Value of in-force life business (ViF)	8,577	2,788	2,796	359	519	344	15,383	13,877
Present value future profits (PVFP)	*9,340*	*3,444*	*2,922*	*419*	*550*	*452*	*17,127*	15,674
Cost of capital (CoC)	*(763)*	*(656)*	*(126)*	*(60)*	*(31)*	*(108)*	*(1,744)*	(1,797)
Embedded value life insurance (EVLI)	**16,030**	**5,338**	**3,763**	**436**	**844**	**721**	**27,134**	**28,654**
Other activities								
IFRS book value	(43)	484	(371)	(0)	97	24	191	642
Total embedded value per region	**15,987**	**5,822**	**3,392**	**436**	**942**	**745**	**27,325**	**29,295**
Holding activities							(4,385)	(5,517)
Market value of debt, capital securities & other net liabilities							*(4,063)*	*(5,177)*
Present value holding expenses							*(322)*	*(340)*
Total embedded value (TEV)							**22,940**	**23,779**

[A] 2006 numbers were changed to reflect the retrospective application of an accounting change.

Addendum 3: Recoverability of DPAC

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

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

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

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

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

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

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

Table 21 shows that total life insurance DPAC/VOBA has a coverage ratio of 243%. All of the regions showed coverage ratios above 100%.

Table 21

DPAC recoverability *(amounts in EUR millions, pre tax)*	**Americas**	**The Netherlands**	**United Kingdom**	**Asia**	**Central and Eastern Europe**	**Other European Countries**	**Total 2007**
Adjusted PVFP	23,137	6,854	5,278	852	933	504	37,558
Gross DPAC	9,971	612	4,295	362	184	22	15,445
Coverage	**232%**	**1120%**	**123%**	**235%**	**507%**	**2292%**	**243%**

Addendum 4: Exchange rates

The currency exchange rates used in this report are reflected below. The weighted average exchange rates are used for the amounts in the movement analysis whereas the closing exchange rates are used for the year–end 2007 and 2006 amounts.

Table 22

Exchange rates		2007		2006	
Currency	Abbreviation	Closing rate	Average rate	Closing rate	Average rate
Euro	EUR	1.000	1.000	1.000	1.000
US Dollar	USD	1.472	1.368	1.317	1.257
British Pound	GBP	0.733	0.684	0.672	0.681
Canadian Dollar	CAD	1.445	1.468	1.528	1.424
Polish Zloty	PLN	3.594	3.790	3.831	3.896
Ren Min Bi Yuan	CNY	10.752	10.461	10.279	10.008
Hungarian Forint	HUF	253.730	251.231	251.770	264.268
New Taiw an Dollar	NTD	47.734	45.420	42.835	41.250
Czech Republic Krona	CZK	26.628	27.571	27.485	28.259
Slovak Koruna	SKK	33.583	33.689	34.435	37.005

Addendum 5: Methodology

Scope

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

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

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

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

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

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

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

The assumptions, methods and results were subject to an independent external review (refer to section 6).

Methodology and definitions

Calculation of the embedded value life insurance requires a considerable number of assumptions to be set with respect to both expected operational and economic developments. The principles developed by AEGON to calculate its embedded value life insurance and value of new business are intended to reflect industry best practices for the purpose of supplementary reporting.

Embedded value life insurance

The embedded value life insurance only reflects the value that arises from current business (assuming a closed book) and therefore does not include a value for future new business.

The embedded value life insurance is built up from the following components:

EVLI	**=**	**Free surplus**	**Adjusted net worth**
	+	**Required surplus**	
	+	**Present value of future profits**	**Value of in-force life business**
	–	**Cost of capital**	

The EVLI is defined as the adjusted net worth (ANW) plus value of in-force life business (ViF)[7].

ANW represents the market value of available assets in excess of liabilities determined on the local regulatory basis. ANW is split between *required surplus* and *free surplus*. Required surplus represents assets required to be present in the company to support the in-force life business (solvency requirement). Assets backing required surplus are marked-to-market. Free surplus represents assets available at the valuation date that are not required to support the in-force life business, and is the excess of assets over the sum of the liabilities (on the regulatory basis) and the required surplus. Assets backing free surplus are marked-to-market. Refer to table 5 for a reconciliation of the total capital base to ANW.

The ViF equals the *present value of future profits* (PVFP) less the *cost of capital* (CoC). The PVFP represents the present value of future after tax regulatory profits projected to emerge from business in the current life insurance portfolio discounted at the discount rate. The discount rate both reflects the time value of money and a risk margin. The CoC originates from the fact that solvency requirements will constrain distributions to shareholders while earning a net return less than the discount rate.

The cost of capital depends on the level of required surplus and affects the EVLI. The higher the required surplus, the greater the CoC and this switch from free surplus to required surplus results in a lower EVLI. The AEGON internal requirement is based on the higher of the local minimum regulatory requirements and 165% of the Standard and Poors' local capital adequacy models, plus any additional internally imposed requirements, if applicable (internal basis). The exception is AEGON's partnership in France, La Mondiale Participations, which is managed on local regulatory requirements, which then also forms the basis for the solvency requirements for that business throughout this report.

For comparison purposes, addendum 2 includes the embedded value components and the embedded value life insurance per country unit on the regulatory surplus basis.

[7] *Alternatively, the sum of the required surplus and present value of future profits less the cost of capital is also known as the present value of distributable earnings (PVDE). The value of the free surplus plus the PVDE then equals the embedded value life insurance.*

Movement analysis including new business

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

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

Operating assumptions

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

Operating assumptions involving policyholder behavior

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

Operating assumptions involving company policies, strategies and operations

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

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

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

Expenses are based on current experience. Expenses that can clearly be demonstrated as non-recurring are identified and omitted from maintenance or acquisition costs and excluded from the determination of the appropriate unit expense assumptions. Expenses are subject to inflation adjustments into the future[8]. Holding expenses reflect the present value of expected future expenses incurred by the holding companies (*present value holding expenses*). These expenses are assumed to run off in line with the in-force life business.

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

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

Economic assumptions

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

Risk discount rate

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

Discount rates are then calculated at a country unit level to reflect the AEGON risk margin and the country risk free rate assumption. Where risk free rates are projected to move from current market rates to an ultimate long-term rate, the risk margin is applied to a blended rate to arrive at a single risk discount rate. No adjustment to discount rates is made among the three major country units to reflect differences in business risk either at country level or business unit/product level. However, specific risk factors within each of these three countries will be reflected in the reserves set at a local level. An allowance for specific risk factors in the new/smaller country units is included in the discount rates where appropriate.

Equity return

The method used to derive projected equity returns is similar to that used to derive risk discount rates.

Risk free fixed interest returns

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

[8] *Refer to addendum 6 for the inflation assumptions.*

Embedded options and guarantees

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

An explicit allowance for the time value of all material embedded options and guarantees has been included by assessing their impact on embedded value life insurance using mostly stochastic modeling. The methodology and assumptions used to assess this for the two regions where the impact on the EVLI is material are described in addendum 6. In total, the time value of options and guarantees included in the EVLI for the Group was EUR 528 million, after tax.

Required capital

The solvency requirement underlying the cost of capital allowance in the embedded value is the internal surplus requirement on which the business is managed. This requirement is based on the more stringent of the local regulatory requirement and 165% of the Standard and Poors' local capital adequacy models plus any additional internally imposed requirements, if applicable. The exception is AEGON's partnership in France, La Mondiale Participations, which is managed on local regulatory requirements. This then forms the basis for the solvency requirements for that business throughout this report.

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

Addendum 6: Detailed economic assumptions

Table 23

Economic assumptions 2007	Discount rate	Equity returns	Property returns	Risk free fixed interest returns [A]			Net credit spread on fixed interest [B]			Inflation rate	Tax rate
				Start	Ultimate	Grading period (years)	Start	Ultimate	Grading period (years)		
Americas											
United States	7.70%	7.70%	6.50%	4.04%	5.28%	5	211	124	2	2.0%	35.5%
Canada	7.10%	7.10%	-	4.04%	4.26%	5	65	65	-	2.0%	34.0%
Mexico	12.00%	-	-	8.50%	8.50%	-	-	-	-	4.0%	40.0%
The Netherlands	7.60%	7.60%	6.70%	4.40%	4.90%	5	126	47	2	2.0%	25.5%
United Kingdom	7.60%	7.60%	7.60%	4.60%	4.60%	-	131	82	2	2.0%	28.0%
Asia											
China	10.00%	10.00%	-	3.60%	4.30%	5	110	110	-	3.0%	25.0%
Taiwan	6.90%	6.90%	-	3.10%	3.40%	5	158	82	2	2.0%	25.0%
Central and Eastern Europe											
Czech Republic	9.00%	9.00%	6.00%	4.80%	4.80%	-	-	-	-	3.0%	24.0%
Hungary	10.00%	10.00%	10.00%	6.90%	6.90%	-	45	45	-	3.0%	20.0%
Poland	9.00%	9.00%	-	5.90%	5.90%	-	-	-	-	2.0%	19.0%
Slovakia	9.00%	9.00%	-	4.70%	4.70%	-	-	-	-	3.0%	19.0%
Other European Countries											
France	7.60%	7.60%	6.20%	4.40%	4.90%	5	43	51	2	2.0%	34.4%
Spain	7.60%	7.60%	6.70%	4.40%	4.90%	5	55	55	-	2.0%	30.0%

Economic assumptions 2006	Discount rate	Equity returns	Property returns	Risk free fixed interest returns [A]			Net credit spread on fixed interest [B] [C]			Inflation rate	Tax rate
				Start	Ultimate	Grading period (years)	Start	Ultimate	Grading period (years)		
Americas											
United States	7.90%	7.90%	6.50%	4.71%	5.13%	5	75	118	2	2.0%	35.5%
Canada	7.20%	7.20%	-	4.08%	4.29%	5	65	65	-	2.0%	34.0%
Mexico	12.00%	12.00%	-	7.00%	7.00%	-	-	-	-	4.0%	40.0%
The Netherlands	7.10%	7.10%	6.50%	4.00%	4.20%	5	50	50	-	2.0%	25.5%
United Kingdom	7.50%	7.50%	7.50%	4.50%	4.50%	-	61	61	-	2.0%	30.0%
Asia											
China	10.00%	10.00%	-	3.30%	3.90%	5	80	80	-	3.0%	33.0%
Taiwan	6.30%	6.30%	-	2.56%	2.79%	5	44	86	5	2.0%	25.0%
Central and Eastern Europe											
Czech Republic	9.00%	9.00%	-	4.00%	4.00%	-	-	-	-	3.0%	24.0%
Hungary	9.00%	9.00%	9.00%	6.00%	6.00%	-	25	25	-	3.0%	20.0%
Poland	9.00%	9.00%	-	5.00%	5.00%	-	50	50	-	2.0%	19.0%
Slovakia	9.00%	9.00%	-	4.00%	4.00%	-	-	-	-	3.0%	19.0%
Other European Countries											
France	7.10%	7.10%	5.85%	4.00%	4.20%	5	18	21	5	2.0%	34.4%
Spain	7.10%	7.10%	6.50%	4.00%	4.20%	5	15	25	5	2.0%	30.0%

[A] Risk free fixed interest returns correspond to the 10-year government bond yield.

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

[C] Default assumptions used in VNB calculations for certain short term investment products in the United States were modified to reflect a shorter term outlook resulting in an increase in net spreads of approximately 15 bps.

Americas

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

Scenarios for general account products
- Treasury yield curve scenarios

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

Table 24

Stochastic modeling mean reversion targets Maturity	Reversion target	Quarterly yield volatility
90-day	4.42%	16%
10-year	5.28%	8%

- Equity scenarios

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

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

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

Table 25

Stochastic modeling assumptions	Effective annualized long-term gross return	Annual price volatility [A]
Equity	7.70%	16.00%
Convertible bonds	7.10%	11.40%
Lehman aggregate bonds	6.03%	3.50%
Money market	4.42%	0.20%

[A] *Volatilities in this table are with respect to volatilities of returns.*

Table 26

Correlation matrix [A]	Equity	Convertible bonds	Lehman aggregate bonds	Money market
Equity	1.00	0.86	0.22	-0.16
Convertible bonds	0.86	1.00	0.03	-0.11
Lehman aggregate bonds	0.22	0.03	1.00	0.31
Money market	-0.16	-0.11	0.31	1.00

[A] *Correlations in this table are with respect to correlations of returns.*

The Netherlands

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

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

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

At year-end 2007, the book yield on this basket equaled 4.31%. To assess the value of the minimum guarantees, a mean reversion target return of 4.79% is assumed for this benchmark. Projected interest rate scenarios are specified taking into account correlation between successive years, the mean reversion target and volatility. The model volatility is related to the implied volatility of the 7-year yield as an approximation of the actual volatility of the profit-sharing benchmark.

Table 27

Stochastic modeling mean reversion targets	Reversion target	Annual yield volatility
Profit-sharing rate	4.79%	10.5%

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

Table 28

Stochastic modeling unit-linked portfolio						
AEGON funds	Expected return			Annual price volatility		
	Start	Ultimate	Grading	Start	Ultimate	Grading
Equity fund	7.60%	7.60%	-	12.60%	16.00%	5
Fixed income fund	4.54%	4.94%	6	3.40%	5.90%	5
Property fund	7.60%	7.60%	-	12.60%	16.00%	5
Mix fund [A]	5.99%	6.20%	6	5.70%	8.30%	5
Government bonds fund	5.20%	4.90%	6	0.80%	0.80%	-

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

Table 29

Stochastic modeling unit-linked portfolio									
Correlation matrix [A]	Equity			Fixed income			Property		
	Start	Ultimate	Grading period	Start	Ultimate	Grading period	Start	Ultimate	Grading period
Equity	1.00	1.00	-	-0.21	0.15	5	0.67	0.55	5
Fixed income	-0.21	0.15	5	1.00	1.00	-	-0.01	0.23	5
Property	0.67	0.55	5	-0.01	0.23	5	1.00	1.00	-

[A] Correlations in this table are with respect to correlations of returns.

Table 30

Stochastic modeling separate account pensions				
	Distribution	Annual Price Volatility		
		Start	Ultimate	Grading period
Equity [A]	23.6%	7.60%	7.60%	-
Fixed income [A]	73.9%	4.95%	5.37%	6
Property [A]	2.5%	7.60%	7.60%	-

[A] The expected returns used in stochastic modeling for these asset classes are the same as in table 23.

Table 31

Stochastic modeling separate account pensions									
Correlation matrix [A]	Equity			Bonds			Property		
	Start	Ultimate	Grading period	Start	Ultimate	Grading period	Start	Ultimate	Grading period
Equity	1.00	1.00	-	-0.21	0.15	5	0.67	0.55	5
Bonds	-0.21	0.15	5	1.00	1.00	-	-0.01	0.23	5
Property	0.67	0.55	5	-0.01	0.23	5	1.00	1.00	-

[A] Correlations in this table are with respect to correlations of returns.

Glossary and abbreviations

Glossary

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

Gross value of new business	The value of new business, grossed-up at the effective new business corporate tax rate, before allowance for the cost of capital.
In-force business	Contracts and policies that are in effect as at the valuation date.
In-force performance	Defined as unwinding discount rate plus current-year experience variance from non-economic assumptions within management control plus change in operating assumptions.
Internal rate of return	The discount rate at which the present value of the distributable earnings from new business equals the investment in new business, i.e. the projected return on the initial investment in new business.
Internal surplus basis	The more stringent of local regulatory solvency requirements and 165% of the Standard and Poors' (S&P) solvency requirements, plus any additional internally imposed requirements, if applicable.
International Financial Reporting Standards	A set of accounting standards developed by the International Accounting Standards Board. All publicly listed companies in the European Union are required to prepare their financial statements in conformity with IFRS beginning January 1, 2005.
IFRS book value	Net asset value based on international financial reporting standards.
Mark-to-market	The adjustment of the asset value from regulatory value to market value.
Movement analysis	An explanation of the change in embedded value life insurance from one reporting period to the next.
Net asset spreads	Excess of net investment return over the risk free rate.
Persistency	The rate at which policies and contracts remain in-force.
Present value of distributable earnings	The discounted value of expected future distributable earnings as at the valuation date at the discount rate.
Present value of new business premiums	The discounted value of modeled premiums on the block of business sold in the latest reporting year.
Present value of future profits	The present value of future after tax regulatory profits projected to emerge from business in the current life insurance portfolio, discounted at the embedded value discount rate.
Reporting segment	The product type categories of business on which AEGON reports externally for IFRS and EVLI/TEV.
Required surplus	The capital that AEGON is required to hold in order to satisfy local regulatory solvency requirements or to demonstrate financial strength (via ratings from agencies such as Standard & Poors' and Moody's).
Reserve base	Methodology or principle basis to calculate the level of reserves.
Total embedded value	The sum of the embedded value life insurance and the value of the other activities and holding activities.

Time value of money	The expected value of money at a certain valuation date.
Unwind of discount	Expected return on the beginning of year EVLI.
Value of new business	The present value of the future distributable earnings on the block of business sold in the latest reporting year. Value of new business is calculated using beginning of year economic assumptions and assumptions outside of management control, and end of year operating assumptions.
Value of in-force	The present value of the expected future profits emerging from the business in-force as of the valuation date minus the cost of capital.
Variance analysis	Explanation of the difference between actual and expected experience related to assumptions.

Abbreviations

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

AEGON N.V.
Group Corporate Communications & Investor Relations

Analysts & Investors	+31 (0)70 344 83 05 +1 877 548 9668 – toll free USA only
E-mail	ir@aegon.com
Media	+31 (0)70 344 83 44
E-mail	gcc-ir@aegon.com

Web site: www.aegon.com

Disclaimers

Cautionary note regarding Regulation G (non-GAAP measure)

This press release includes a non-GAAP financial measure. Embedded Value is not based on IFRS, which are used to prepare and report AEGON's 2007 financial statements and should not be viewed as a substitute for IFRS financial measures. In the 2007 Embedded Value report available on www.aegon.com, the embedded value life insurance and the total embedded value are reconciled to shareholders' equity of EUR 15.2 billion as reported in AEGON's annual accounts over the year 2007. AEGON believes the non-GAAP measure shown herein, together with the GAAP information, provides a meaningful measure for the investment community to evaluate AEGON's business relative to the businesses of our peers.

Local currencies and constant currency exchange rates

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

Forward-looking statements

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

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