

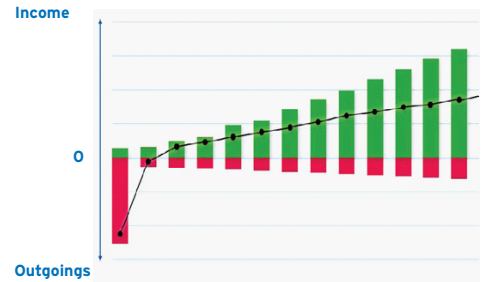
Embedded value is a way of measuring an insurance company's underlying worth, based on its existing business. AEGON publishes an Embedded Value Report once a year, and adheres to the European Embedded Value Principles, introduced in 2004.



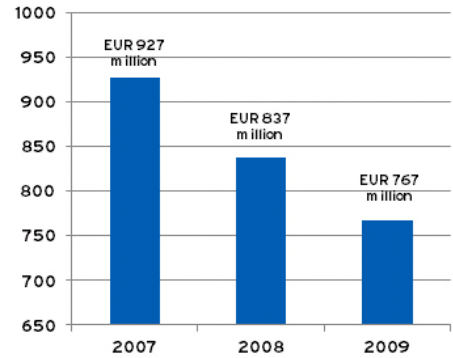
CALCULATING EMBEDDED VALUE

- Life insurance policies last many years and involve complex payment flows. As a result, it's difficult to put a value on a life insurance business or measure how much income it's likely to generate over time. Embedded value overcomes this problem and is an important measure for investors, shareholders and customers.
- Life insurance contracts become more profitable over time. Initially, an insurer will incur expenses to secure the contract. Later, these expenses diminish, premiums build up and the assets under management - hopefully - rise in value.
- From this pattern, insurers can estimate the value of their existing life insurance contracts - in other words, the profits they expect to make from each contract in the years ahead.
- The calculation involves a number of economic, financial and actuarial assumptions. Movements in these variables will affect the final outcome.
- Embedded value covers not only expected future profits from existing business, but also two other elements:
 1. The value of any assets set aside to meet regulatory requirements.
 2. Accumulated past profits not yet distributed to policyholders.
- Debt is also subtracted to give a final figure for total embedded value.
- So, embedded value = (invested capital) + (the present value of future profits expected from existing insurance contracts) - (the cost of holding required capital).

Long-term insurance contract payment patterns



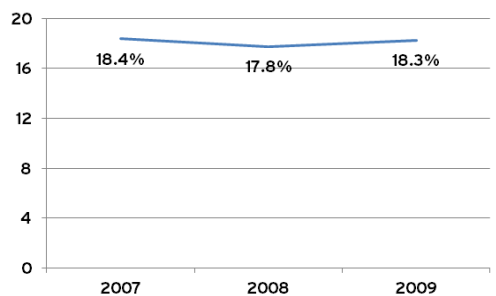
Value of new business



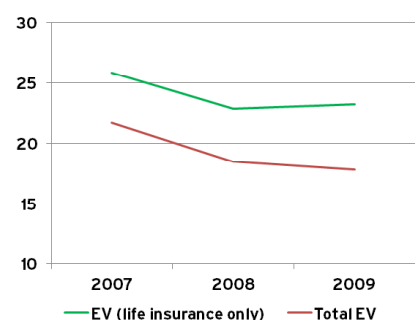
INTERPRETING EMBEDDED VALUE

- An increase indicates that an insurer is adding value to its portfolio, either by writing profitable new business or because one or more of its assumptions are performing better than expected. That may include rising share prices, lower interest rates or beneficial currency movements.
- Conversely, a drop in embedded value may be due to factors such as falling share prices, higher credit defaults or adverse currency movements.

Internal rate of return



AEGON embedded value (in EUR billions)



AEGON EMBEDDED VALUE FAST FACTS (2009)

Total embedded value	EUR 17.8 billion
Total embedded value per share	EUR 9.65
Embedded value life insurance	EUR 23.3 billion
Value of new business	EUR 767 million
Minimum hurdle rate	11%
Internal rate of return	18.3%
Last embedded value report	May 2010
Principles	European Embedded Value Principles